

Schedule C Worksheet for Self-Employed Filers and Contractors – tax year 2016

This document will list and explain the information and documentation that we will need in order to file a tax return for a self-employed person, a contract worker, or a sole-proprietor of a business. In summary, we need three sources of information:

- Information and documentation of **business income and expenses** (explained in Part 1)
- Documentation of **personal** (non-self-employed) **income and other tax information** (see Part 2)
- Last year's **complete tax return**, including all accompanying schedules and forms

Part 1: Business Income and Expenses

Profession / type of work _____

INCOME

To calculate your *gross income* (revenue before business operational expenses are deducted), we need you to provide several figures:

- | | |
|--|--|
| <ul style="list-style-type: none"> • Gross receipts This is the total of <u>all</u> monies received (sales) from your <i>business activities</i>. This does <u>not</u> include any money received from business loans, investors (including you, the owner), or the sale of fixed assets (like old equipment). It does include 1099-MISC income. NOTE: Do not count sales tax you collected and paid to the state as income or expense. | <p>TOTAL
Gross receipts</p> <p>_____</p> |
| <ul style="list-style-type: none"> • Total Cost of Goods Sold This includes: <ul style="list-style-type: none"> ○ Purchases of inventory ○ Purchases of materials, parts, ingredients, or other supplies <i>directly used</i> in producing or procuring your product ○ Packaging or shipping expenses, when not paid by customers or accounted for elsewhere <p>The value of any year-end inventory will be subtracted from the costs you paid out over the year; if you had inventory left at year end, list that amount.</p> | <p>TOTAL
Cost of Goods Sold</p> <p>_____</p> <p>Year-end inventory value</p> <p>_____</p> |
| <ul style="list-style-type: none"> • Other business income This will not be relevant to most businesses. If you have business-related income from sources <i>other</i> than your actual business activities, include this income here. Such income may include <ul style="list-style-type: none"> ○ grants, awards, or prizes received by your business ○ scrap sales ○ recovered bad debt ○ earnings from investments held <i>by the business</i> (not by you personally) ○ federal or state gasoline or fuel tax credits or refunds ○ miscellaneous business income | <p>TOTAL
Other business income</p> <p>_____</p> |

EXPENSES

To be deductible, a business expense must be both **ordinary** and **necessary**. An **ordinary** expense is one that is common and accepted in your field of business. A **necessary** expense is one that is helpful and appropriate for your business. An expense does not have to be indispensable to be considered necessary.

PLEASE NOTE that if your expenses exceed your income (that is, **you have a business loss**) we will NOT be able to file your return and will refer you to MyFreeTaxes or a paid professional preparer.

To file with us, you need to bring a breakdown of your deductible business expenses **subtotaled by category**. The VITA volunteers cannot go through lists of individual expenses or collections of receipts to organize or subtotal your expenses for you.

The expense categories used on the Schedule C are listed below, with examples and notes. It is up to you to determine into what categories your individual expenses fall.

In some cases, an individual expense could be considered one of several types of expenses (example: you might consider a printer cartridge to be an *office expense*; another person might call it *supplies*). Choose what makes sense to you—just be consistent, and be sure you do not count the same individual expense more than once.

TYPES OF DEDUCTIBLE EXPENSES:

- **Advertising**, and related marketing expenses, including:

- Business cards
- Newspaper or other print ads
- Brochures
- Radio / TV ads
- Flyers
- Signs
- Website design and maintenance

**TOTAL
Advertising**

- **Business Use of Home**

- If you use a portion of your home as your principal place of business, you may be able to deduct part of your rent or mortgage, as well as certain other relevant home expenses.
- The part of your home used for business generally must be used **exclusively** and **regularly** for business purposes; in-home childcare businesses are treated differently.
- ***Fill out the “Business Use of Home” worksheet on page 9 of this checklist if you have relevant business use of home expenses.***
- For more information or for assistance calculating your allowable deduction, see IRS Publication 587, *Business Use of Your Home*, or contact Kathleen in the Business CENTS program (216-3423) for help **before** submitting your tax materials for VITA filing.

**Business use of
home:**

***See Part 3
worksheet on
last page***

• **Car and truck expenses**

- You may deduct car/truck expenses for local or extended business travel, including:
 - between one workplace and another,
 - to meet clients or customers,
 - to visit suppliers or procure materials,
 - to attend meetings,
 - for other ordinary and necessary managerial or operational tasks or needs of your business.
- You **cannot** deduct the costs of driving your car or truck between your home and your main or regular workplace. These costs are personal commuting expenses.
- You should have kept a record of your business-related mileage over the year 2016. We will use the IRS's standard mileage rates of 54 cents per mile for 2016 for your deduction of business-related travel. This rate accounts for gas, repairs, maintenance, depreciation, and auto insurance (but not interest on a car loan).
- If you do not have a record of mileage or are unsure how to calculate your total, contact Kathleen in the Business CENTS program (216-3423) for help **before** submitting your tax materials for VITA filing.

Do you (or your spouse) have another vehicle available for personal use? YES NO

Was your vehicle available for use during off-duty hours? YES NO

**TOTAL miles
driven for
business**

Jan-Dec

*total miles
commuting*

*total miles
other travel*

*vehicle put into use
for business (date)*

• **Depreciation**

We can only file tax returns for businesses with simple depreciation:

- If you put new depreciable business assets into service in 2016, they must be of a very simple depreciation type. Contact Kathleen in the Business CENTS program (216-3423) to discuss your depreciation **before** submitting your tax materials for VITA filing
- If you have business assets already partially depreciated, you *must* be able to provide a depreciation schedule from a prior tax return.

**Depreciable
assets?**

Prev. year

New

Itemize new assets to be depreciated	Cost	Date placed in service
_____	_____	_____
_____	_____	_____
_____	_____	_____

- Filing tax returns with complicated depreciation is beyond the scope of the VITA program; you will need to seek assistance from an accountant.

- **Insurance**, including:
 - Liability insurance
 - Property insurance for business assets (equipment, inventory, etc.)
 - Business interruption insurance
 - Fire / flood insurance on business property
 - Any rider on homeowner's insurance to cover business uses of your home
 - NOTE: if you pay for personal health insurance, it may be deductible. Please itemize this separately from other business-related insurance expenses. *Total Personal Health Insurance:* _____

- **Interest**
 - You may deduct interest paid on business loans, other loans for business property, and credit cards or lines of credit that are used solely for business expenses.
 - If you own your home and use it as your principal place of business, you may be able to deduct your mortgage interest, however **do not** include that here. See *Business Use of Home* above.
 - You may **not** deduct the principal portion of any loan payments, or the entire loan payment amount. Most lenders or creditors will send you an annual statement indicating how much interest was paid in 2016; if you are unsure how to determine this, contact your lender / creditor.

- **Legal and professional services**, including
 - Bookkeeping services
 - Payroll services
 - Accountant fees (including tax preparation fees)
 - Legal fees
 - NOTE: You generally **cannot** deduct legal fees paid in the process of acquiring business assets (e.g., purchasing a building).

- **Office expenses, including:**
 - Paper goods and stationery
 - General office supplies
 - Photocopying, printing, and office-related services
 - Postage, shipping, billing, and other general administrative costs
 - NOTE: Do NOT include the purchase or printing of business cards or other marketing materials that were included in *Advertising* expenses above.

- **Rent or lease of property and/or equipment**, including:
 - Office or retail space
 - Production or workshop space
 - Storage space for inventory or equipment
 - Vehicle(s) for business use
 - Business equipment
 - NOTE: If you rent your home and use part of it as your place of business, you may be able to deduct a portion of your rent. This will not be included here but will fall under Part 3 *Business Use of Home*.

**TOTAL
Non-Health
Insurance**

**TOTAL
Interest**

**TOTAL
Legal and
professional**

**TOTAL
Office expense**

**TOTAL
Rent/lease**

- **Repairs and maintenance**, on owned, rented, or leased business property and/or equipment
 - NOTE: Do NOT count repair/maintenance expenses for vehicles whose use was included in the section for car and truck expenses above.

- **Supplies**, including small goods or items used for general operational needs of the business
 - NOTE: materials, ingredients, parts, or components of your product(s), or supplies that are exclusively used for production of your product(s), should **not** be included here. These are included in *Cost of Goods Sold*, as explained above in the **Income** section. Be sure you do not count any of these expenses twice.

- **Taxes and licenses**, including:
 - Fees for permits or licenses that are ordinary and necessary for your line of business
 - Property / real estate taxes on property you own that is used for business purposes, **not including** your home. Real estate taxes on your home should go under *Business Use of Home*, above.
 - NOTE: Do **not** include sales tax here. If you paid sales tax on goods and services you purchased for your business, this should be included with the cost of those goods and services in the relevant expense categories. Sales tax paid to New York State that was collected on goods and services you sold is **not** a business expense. And is also **not** counted as gross income.

- **Travel, meals, and entertainment**, for the ordinary and necessary expenses of traveling away from home, when you are required to be away substantially longer than an ordinary day's work, including:
 - Transportation (**not** including car/truck expense, covered above)
 - Baggage and shipping
 - Lodging, including associated tips
 - Meals and entertainment, including associated tips
 - Other services such as telephones and dry cleaning
 - NOTE: In general, meals taken while on business travel are only 50% deductible, and you **must** be away from home overnight. You can **not** claim meals when you are away from home for a usual workday. For rules on allowable entertainment expenses, see IRS Publication 463, *Travel, Entertainment, Gift, and Car Expenses*.

- **Utilities**, for services supplied *solely* to your place of business, and NOT to your home, including:
 - Gas
 - Electricity
 - Heat
 - Telephone
 - NOTE: If you use your home as a place of business, you may be able to deduct part of your home utility bills. See Part 3 *Business Use of Home*.

**TOTAL
Repair/Maint.**

**TOTAL
Supplies**

**TOTAL
Taxes/licenses**

**TOTAL
Travel (except
meals)**

**50% OF
TOTAL Meals**

**TOTAL
Utilities**

Other expenses (*itemized*)

If you have other, legitimate business expenses that do not appear to fit in any of the expense categories listed above, you may include them here. These expenses **must be itemized** (listed individually), unlike for the categories above.

**TOTAL
Other expenses**

Other expenses (itemized)	Cost
_____	_____
_____	_____
_____	_____
_____	_____

*You may also find it helpful to review
IRS Publication 334, **Tax Guide for Small Businesses.***

Part 2: Personal Income, Deductions, and Other Tax Documentation

- **Social Security cards or ITIN cards:** The IRS requires verification of your Social Security Number in order to process your tax return. **Unless you have filed with us before**, you must bring the original or a photocopy of Social Security cards or Individual Taxpayer Identification Number cards (or any original document from the Social Security Administration that includes the Social Security Number) for *you and everyone in your family*.

Social Security Card

- **Previous year's tax return:** If you filed a federal or state income tax return last year (jointly or individually, whether or not you were in business yet), please bring a copy of the return(s), including all the accompanying forms and schedules.

2010 tax return

- **Documentation of income:** Please bring *all* W2 Forms received for *every job* you and your spouse worked in 2016. Also bring any 1099 forms and other documentation showing interest earned, unemployment, gambling winnings, social security, retirement, alimony, awards, fellowships, royalties, pensions, or any other income earned.

W2 and 1099 Forms

- **Education expenses:** If you had a student loan or other education expenses for yourself, your spouse, or a dependent, you may be eligible for certain tax credits. Please provide documentation of these expenses:
 - If you made payments on a student loan, the lender must produce and mail you (by January 31) Form 1098-E, a statement of interest paid on the loan in 2016.
 - If you had education expenses (for example, tuition, textbooks, etc.) that were not covered by scholarships, you should provide itemized documentation of these expenses. Your college or educational institution should provide you with a Form 1098-T, showing tuition paid.
 - For New York State tuition credit, you will also need to provide the name and address of the educational institution.

Education expenses

- **Childcare expenses:** If you incurred childcare expenses for a dependent child under the age of 13, bring documentation of these expenses.
 - This must include the name, address, and Social Security Number or Employer Identification Number of the childcare provider.
 - If there is more than one dependent child on the tax return, please indicate how much of the total childcare expense is attributed to each child.

Childcare expenses

- **Housing expenses:**
 - If you rent your home, you may be eligible for a New York State renter's credit. Please calculate the amount you spent on rent in 2016. Indicate if the rent included utilities, and which ones.
 - Please indicate how many people, including children, lived in the household.
 - Only one person per household may claim the credit (note that unrelated housemates who pay separate living expenses are considered separate households).
 - If you own your home, you may be eligible for a New York State credit, or you may benefit from deducting your mortgage interest and property taxes. Please bring documentation showing mortgage interest and property taxes paid in 2016.

Housing expenses

- **Other expenses:**
 - If you own a home, you may benefit from deducting unreimbursed medical and dental expenses, charitable contributions, and unreimbursed employee expenses. Please provide documentation of these expenses.

Other expenses

- **ALL tax mailings received:** Please bring all forms, publications, schedules, or payment coupons sent to you by the IRS or the New York State Department of Taxation, as well as year-end statements from your financial institutions or investment holdings and any other documents you have received that you believe may be relevant to your taxes.

ALL other tax mailings

Part 3: Business Use of Home Worksheet

If you use a portion of your home as your principal place of business, you may be able to deduct part of your rent or mortgage, as well as certain other relevant home expenses. In order to claim these business expenses, the part of your home used for business generally must be used **exclusively** and **regularly** for business purposes. These purposes can include home office, production/workshop space, storage, etc. For in-home daycare providers, the usage need not be exclusive.

An expense that covers the **entire home**, such as rent or central heating, is considered an **indirect expense**. You may only deduct a percentage of these expenses equal to the percentage of the home's area that your business uses. For example, a 150 square foot office in a 1500 square foot home is 10% of the home's total area and would mean 10% of relevant home expenses could be deducted.

An expense that applies **only to the business area** of the home is called a **direct expense**. If you heat your basement work studio (and only the studio) with a pellet stove, the cost of the pellets would be fully deductible as a direct expense. If you paint your home office (but not the rest of the house), you can claim the whole expense.

Below, fill in the worksheet with the required information. Indicate whether each item is a direct or indirect expense.

1. Part of your home used for business

Total area of home (square feet): _____

Area of home used for business purposes (square feet): _____

Daycare providers: Because you can deduct home business expenses even if you don't use an area exclusively, we need additional information about the operating hours of your business in order to calculate your percentage.

Days open per year _____

Hours per day _____

2. Applicable home business expenses

For each expense, fill in the cost and indicate whether the expense is direct or indirect. There are additional spaces to itemize utility costs and other expenses that relate to business use of home. Be sure that you do not enter any expenses you might already have listed on other parts of the worksheet.

Expense	Total expenditure for 2016	Direct (D) or Indirect (I)
Rent (for whole home, not just business area)		
Mortgage Interest		
Real Estate Taxes		
Homeowners' / Renters' Insurance		
Repairs, Maintenance, and Improvements		
Utilities (list each separately):		