

Schedule C Worksheet for Self-Employed Filers and Contractors – tax year 2020

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 these sources of information:

- Information and documentation of **business income and expenses** (explained in Part 1)
- 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:

- **Gross receipts** -This is the total of all monies received (sales) from your *business activities*. This does not 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.

**TOTAL
Gross receipts**

- **Total Cost of Goods Sold** This includes:
 - Purchases of inventory
 - Purchases of materials, parts, ingredients, or other supplies *directly used* in producing or procuring your product
 - Packaging or shipping expenses, when not paid by customers or accounted for elsewhere

**TOTAL
Cost of Goods
Sold**

**Year-end
inventory
value**
__ \$0 _____

Cost of goods sold will now be considered supplies. There should be no value of unsold merchandise at year's end.

- **Other business income** -This will not be relevant to most businesses. If you have business-related income from sources *other* than your actual business activities, include this income here. Such income may include
 - grants, awards, or prizes received by your business
 - scrap sales
 - recovered bad debt
 - earnings from investments held *by the business* (not by you personally)
 - federal or state gasoline or fuel tax credits or refunds
 - miscellaneous business income

**TOTAL
Other business
income**

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

- **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 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 6 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*.

**TOTAL
Advertising**

**Business use of
home:**

***See Part 2
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 2020. We will use the IRS’s standard mileage rates of 57.5 cents per mile for 2020 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).

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)

• **Pension and Profit Sharing Plans**

A SEP IRA is a great way to set money aside for a self-employed person’s retirement. They’re easy to set up and maintain, with no reporting requirements and adjustable contribution limits. You can contribute up to 25% of compensation with a maximum of \$56,000.

Total Pensions

• **Depreciation**

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

- If you put new depreciable business assets into service in 2020, they must be of a very simple depreciation type.
- 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 2020; 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 2 *Business Use*

**TOTAL
Non-Health
Insurance**

**TOTAL
Interest**

**TOTAL
Legal and
professional**

**TOTAL
Office expense**

**TOTAL
Rent/lease**

<ul style="list-style-type: none"> • Repairs and maintenance, on owned, rented, or leased business property and/or equipment <ul style="list-style-type: none"> ○ NOTE: Do NOT count repair/maintenance expenses for vehicles whose use was included in the section for car and truck expenses above. 	Total Repairs <hr/>
<ul style="list-style-type: none"> • Supplies, including small goods or items used for general operational needs of the business <ul style="list-style-type: none"> ○ NOTE: materials, ingredients, parts, or components of your product(s), or supplies that are exclusively used for production of your product(s), should be included here. These are no longer included in <i>Cost of Goods Sold</i>, as explained above in the Income section. But be sure you do not count any of these expenses twice. 	TOTAL Supplies <hr/>
<ul style="list-style-type: none"> • Taxes and licenses, including: <ul style="list-style-type: none"> ○ 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 <i>Business Use of Home</i>, 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. 	TOTAL Taxes/licenses <hr/>
<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> ○ Transportation (not including car/truck expense, covered above) ○ Baggage and shipping ○ Lodging, including associated tips ○ Meals 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. 	TOTAL Travel (except meals) <hr/> 50% OF TOTAL Meals <hr/>
<ul style="list-style-type: none"> • Utilities, for services supplied <i>solely</i> to your place of business, and NOT to your home, including: <ul style="list-style-type: none"> ○ Gas ○ Electricity ○ Heat ○ Telephone ○ Internet/Cable 	TOTAL Utilities <hr/>

TOTAL

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.

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

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

Part 2: 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.

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, you need additional information about the operating hours of your business in order to calculate your percentage.

Days open per year _____

Hours per day _____

Unfortunately we at VITA cannot use these calculations. If a daycare provider wants to deduct home business expenses, they will have to do it themselves (FSA) or go to a paid preparer.

2. Applicable home business expenses. For VITA, we use the IRS simplified method which simply allows you to claim an expense of \$5 per square foot up to 300 square feet or \$1500.