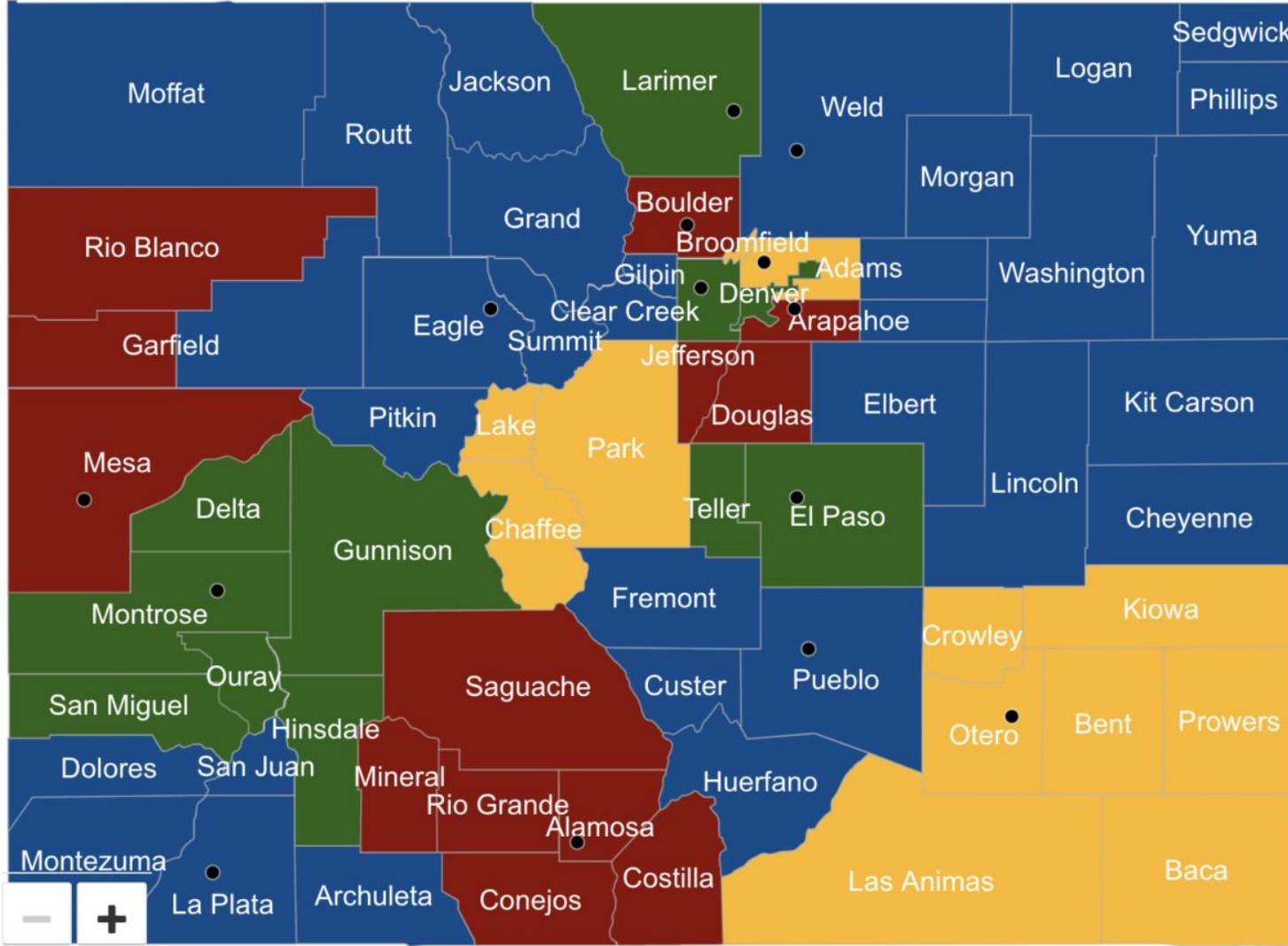




Schedule C Tax Form Overview



**No-Cost Consulting
Low-Cost Training**

www.coloradosbdc.org

Disclaimer

This presentation is for informational purposes only.

For specific tax guidance, please consult a CPA, bookkeeper, or tax preparer.

Schedule C Tax Form Overview



- Who and What is Schedule C For?
- Other Business Tax Forms
- Schedule C
 - Car and Truck Expense
 - Depreciation Expense
 - Meals Expense
 - Expenses for Business Use of Home
 - Cost of Goods Sold
- Other Concerns
 - Beneficial Ownership Reporting
 - Estimated payments
 - Sales and Employment tax
 - Unemployment insurance
 - Business Loss Limitations
- Resource Links (sent with recording)

WHO is Schedule C For?



- Sole proprietor business endeavor
 - a. businesses
 - b. gig services (DoorDash or Uber drivers, etc.)
 - c. independent contractor 1099s (sole proprietor)
 - d. statutory employees (from W2)
- Single-member LLCs
- Estates and Trusts
- Married couples in a non-incorporated partnership
 - material participation
 - each spouse completes their own form
- Excludes:
 - hobbyists
 - foreign LLCs
 - domestic LLCs electing to be treated as a corporation for tax purposes

WHAT is Schedule C For?



- Add to personal tax burden calculations
 - income tax (profit)
 - self-employment tax (profit)
 - add Schedule SE
 - Social Security 12.4%
 - Medicare 2.9%
- Reduce personal tax burden calculations
 - income tax (loss)
 - Self Employment Tax Deduction (profit)
 - Qualified Business Income Deduction (profit)
 - Through tax year 2025

Other Business Tax Forms



Schedule D - Investments

1065 - Partnerships, multi-member LLCs

Schedule E - Rental properties

1120 - Corporations

**some exceptions active vs passive; consult your CPA or
tax preparer*

990 - Nonprofits

Schedule F - Farming

Form Header



SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.

Go to www.irs.gov/ScheduleC for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment
Sequence No. 09

Name of proprietor

Social security number (SSN)

YOUR NAME, OR EACH SPOUSE IN QUALIFIED JOINT VENTURE

A Principal business or profession, including product or service (see instructions)

B Enter code from instructions

NAICS DESCRIPTION AND CODE.

C Business name. If no separate business name, leave blank.

D Employer ID number (EIN) (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: (1) Cash (2) Accrual (3) Other (specify)

G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses . . . Yes No

H If you started or acquired this business during 2023, check here . . .

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . Yes No

J If "Yes," did you or will you file required Form(s) 1099? . . . Yes No

Material Participation

1. You participated in the activity for more than 500 hours during the tax year.
2. **Your participation in the activity for the tax year was substantially all of the participation in the activity of all individuals (including individuals who did not own any interest in the activity) for the tax year.**
3. You participated in the activity for more than 100 hours during the tax year, and you participated at least as much as any other person for the tax year. This includes individuals who did not own any interest in the activity.
4. The activity is a significant participation activity for the tax year, and you participated in all significant participation activities for more than 500 hours during the year. An activity is a “significant participation activity” if it involves the conduct of a trade or business, you participated in the activity for more than 100 hours during the tax year, and you did not materially participate under any of the material participation tests (other than this test 4).
5. You materially participated in the activity for any 5 of the prior 10 tax years.
6. The activity is a personal service activity in which you materially participated for any 3 prior tax years. A personal service activity is an activity that involves performing personal services in the field of health, law, engineering, architecture, accounting, actuarial science, performing arts, or consulting, or any other trade or business in which capital is not a material income-producing factor.
7. Based on all the facts and circumstances, you participated in the activity on a regular, continuous, and substantial basis for more than 100 hours during the tax year. Your participation in managing the activity does not count in determining if you meet this test if any person (except you) (a) received compensation for performing management services in connection with the activity, or (b) spent more hours during the tax year than you spent performing management services in connection with the activity (regardless of whether the person was compensated for the services).

Part I: Income

Part I Income

- | | | | |
|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|--|
| 1 | Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/> | 1 | |
| 2 | Returns and allowances | 2 | |
| 3 | Subtract line 2 from line 1 | 3 | |
| 4 | Cost of goods sold (from line 42) | 4 | |
| 5 | Gross profit. Subtract line 4 from line 3 | 5 | |
| 6 | Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) | 6 | |
| 7 | Gross income. Add lines 5 and 6 | 7 | |

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SEE FORM INSTRUCTIONS

Part II: Expenses | Lines 8-27

Part II Expenses. Enter expenses for business use of your home only on line 30.							
8	Advertising	8		18	Office expense (see instructions) .	18	
9	★ Car and truck expenses (see instructions)	9		19	Pension and profit-sharing plans .	19	
10	Commissions and fees .	10		20	Rent or lease (see instructions):		
11	Contract labor (see instructions)	11		a	Vehicles, machinery, and equipment	20a	
12	Depletion	12		b	Other business property	20b	
13	★ Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13		21	Repairs and maintenance	21	
14	Employee benefit programs (other than on line 19) .	14		22	Supplies (not included in Part III) .	22	
15	Insurance (other than health)	15		23	Taxes and licenses	23	
16	Interest (see instructions):			24	Travel and meals:		
a	Mortgage (paid to banks, etc.)	16a		a	Travel	24a	
b	Other	16b		b	★ Deductible meals (see instructions)	24b	
17	Legal and professional services	17		25	Utilities	25	
				26	Wages (less employment credits)	26	
				27a	Other expenses (from line 48) . .	27a	
				b	Energy-efficient commercial bldgs deduction (attach Form 7205) . .	27b	

★ TAKE A CLOSER LOOK — BEYOND TODAY'S SCOPE

Car and Truck Expense | Part IV



Part IV **Information on Your Vehicle.** Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month/day/year) / /

44 Of the total number of miles you drove your vehicle during 2023, enter the number of miles you used your vehicle for:

a Business b Commuting (see instructions) c Other

45 Was your vehicle available for personal use during off-duty hours? Yes No

46 Do you (or your spouse) have another vehicle available for personal use? Yes No

47a Do you have evidence to support your deduction? Yes No

b If "Yes," is the evidence written? Yes No

Car and Truck Expense | Line 9



Start by calculating business use percent. Then choose which method is most beneficial. ★

Actual Expense

- Apply the business use percent for each vehicle to all defensible vehicle expenses (have backup) for the year
 - loan interest expense
 - auto insurance and registration
 - gas
 - repairs & maintenance
 - fees & tolls (100%)

Mileage Expense

- IRS determines the mileage rate for the tax year
 - for 2023, it is 65¢
- add fees and tolls to the above number (have backup)

★ EXCEPTIONS APPLY

- First use of vehicle
- Leased vehicle
- Fleet 5+
- Trucking business

Depreciation Expense | Form 4562



OWNERSHIP & USE:

With few exceptions, you must own the property yourself and also use it to generate revenue.

BASIS:

The original cost of the depreciable property, plus certain expenses and improvements

USEFUL LIFE:

Must be more than one year. A residential property is 29½ years, a vehicle is generally 5 years.

De Minimis Safe Harbor: 100% expense instead of depreciation for property \$2,500 and less

- Depreciable Property
 - vehicles
 - equipment, tools, machinery
 - intangible such as patents and software
 - possible real estate and improvements

- Types of Depreciation
 - “Regular” Depreciation
 - Section 179 & Special “Bonus” Depreciation
 - allows 60% to 100% depreciation in year 1
 - type of property/use %
 - depreciation amount limits

Meals Expense | Line 24b



- The temporary 100% deduction for food or beverages provided by a restaurant has expired. The business meal deduction reverts back to the previous **50% allowable deduction** beginning January 1, 2023.
- Requirements:
 - not lavish or extravagant
 - you or an employee must be present
 - for business purposes
 - ordinary and necessary
 - not reimbursed by anyone
- Travel meals actual vs per diem

Part II: Expenses | Lines 28-32

- 28** **Total expenses** before expenses for business use of home. Add lines 8 through 27b
- 29** Tentative profit or (loss). Subtract line 28 from line 7
- 30** ★ Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions.
Simplified method filers only: Enter the total square footage of (a) your home: _____
 and (b) the part of your home used for business: _____ . Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30
- 31** **Net profit or (loss).** Subtract line 30 from line 29.
- If a profit, enter on both **Schedule 1 (Form 1040), line 3**, and on **Schedule SE, line 2**. (If you checked the box on line 1, see instructions.) Estates and trusts, enter on **Form 1041, line 3**.
 - If a loss, you **must** go to line 32.
- 32** If you have a loss, check the box that describes your investment in this activity. See instructions.
- If you checked 32a, enter the loss on both **Schedule 1 (Form 1040), line 3**, and on **Schedule SE, line 2**. (If you checked the box on line 1, see the line 31 instructions.) Estates and trusts, enter on **Form 1041, line 3**.
 - If you checked 32b, you **must** attach **Form 6198**. Your loss may be limited.

28	
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31	

- 32a** All investment is at risk.
- 32b** Some investment is not at risk.

 **REGARDING LOSS LIMITATIONS**

Expenses for Business Use of Home



- Principal place of business/area of exclusive use
- Expense can't exceed profit
- Simplified vs Form 8829
- IRS scrutiny
- Form 8829 Direct & Indirect Expense
 - maintenance & repairs
 - mortgage interest or rent
 - property tax
 - utilities
 - insurance
 - depreciation

Part II: Expenses | Cost of Goods Sold



Part III Cost of Goods Sold (see instructions)

33	Method(s) used to value closing inventory: a <input type="checkbox"/> Cost b <input type="checkbox"/> Lower of cost or market c <input type="checkbox"/> Other (attach explanation)					
34	Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation	<input type="checkbox"/> Yes <input type="checkbox"/> No				
35	Inventory at beginning of year. If different from last year's closing inventory, attach explanation	<table border="1" style="border-collapse: collapse;"> <tr> <td style="width: 30px; text-align: center;">35</td> <td style="background-color: #e6f2ff;"></td> </tr> <tr> <td style="background-color: #e6f2ff;"></td> <td style="background-color: #e6f2ff;"></td> </tr> </table>	35			
35						
36	Purchases less cost of items withdrawn for personal use	<table border="1" style="border-collapse: collapse;"> <tr> <td style="width: 30px; text-align: center;">36</td> <td style="background-color: #e6f2ff;"></td> </tr> <tr> <td style="background-color: #e6f2ff;"></td> <td style="background-color: #e6f2ff;"></td> </tr> </table>	36			
36						
37	Cost of labor. Do not include any amounts paid to yourself	<table border="1" style="border-collapse: collapse;"> <tr> <td style="width: 30px; text-align: center;">37</td> <td style="background-color: #e6f2ff;"></td> </tr> <tr> <td style="background-color: #e6f2ff;"></td> <td style="background-color: #e6f2ff;"></td> </tr> </table>	37			
37						
38	Materials and supplies	<table border="1" style="border-collapse: collapse;"> <tr> <td style="width: 30px; text-align: center;">38</td> <td style="background-color: #e6f2ff;"></td> </tr> <tr> <td style="background-color: #e6f2ff;"></td> <td style="background-color: #e6f2ff;"></td> </tr> </table>	38			
38						
39	Other costs	<table border="1" style="border-collapse: collapse;"> <tr> <td style="width: 30px; text-align: center;">39</td> <td style="background-color: #e6f2ff;"></td> </tr> <tr> <td style="background-color: #e6f2ff;"></td> <td style="background-color: #e6f2ff;"></td> </tr> </table>	39			
39						
40	Add lines 35 through 39	<table border="1" style="border-collapse: collapse;"> <tr> <td style="width: 30px; text-align: center;">40</td> <td style="background-color: #e6f2ff;"></td> </tr> <tr> <td style="background-color: #e6f2ff;"></td> <td style="background-color: #e6f2ff;"></td> </tr> </table>	40			
40						
41	Inventory at end of year	<table border="1" style="border-collapse: collapse;"> <tr> <td style="width: 30px; text-align: center;">41</td> <td style="background-color: #e6f2ff;"></td> </tr> <tr> <td style="background-color: #e6f2ff;"></td> <td style="background-color: #e6f2ff;"></td> </tr> </table>	41			
41						
42	Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on line 4	<table border="1" style="border-collapse: collapse;"> <tr> <td style="width: 30px; text-align: center;">42</td> <td style="background-color: #e6f2ff;"></td> </tr> <tr> <td style="background-color: #e6f2ff;"></td> <td style="background-color: #e6f2ff;"></td> </tr> </table>	42			
42						

Other Small Business Concerns



- Beneficial Ownership Reporting
- Self Employment Tax Schedule SE
- Estimated payments
- Sales and Employment tax
- Unemployment Insurance
- Business Loss Limitation
 - at risk vs. not at risk (at-risk rules)
 - material participation (passive activity rules)



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Find your local SBDC:

www.coloradosbdc.org

Request consulting with the Northwest center:

info@northwestsbdc.org