



Business Income

Form 1040 Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **2024** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2024, or other tax year beginning _____, 2024, ending _____, 20

Your first name and middle initial _____ Last name _____ Your social security number _____

If joint return, spouse's name _____

Home address (not for mailing purposes) _____

City, town, or post office _____

Foreign country name _____

Filing Status
Check only one box.

Digital Assets _____

Standard Deduction _____

Age/Blindness _____

Dependents _____

If more _____

SCHEDULE C
(Form 1040)
Profit or Loss From Business
(Sole Proprietorship)
Department of the Treasury
Internal Revenue Service
Name of proprietor _____
Social security number (SSN) _____

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
2024
Attachment Sequence No. 09

SCHEDULE SE
(Form 1040)
Self-Employment Tax
Department of the Treasury
Internal Revenue Service
Name of person with self-employment income (as shown on Forms 1040, 1040-SR, 1040-SS, or 1040-NR) _____
Social security number of person with self-employment income _____

Attach to Form 1040, 1040-SR, 1040-SS, or 1040-NR.
Go to www.irs.gov/ScheduleSE for instructions and the latest information.

OMB No. 1545-0074
2024
Attachment Sequence No. 17

Part I Self-Employment Tax
Note: If your only income subject to self-employment tax is church employee income, see instructions for how to report your income and the definition of church employee income.

A If you are a minister, member of a religious order, or Christian Science practitioner and you filed Form 4361, but you had \$400 or more of other net earnings from self-employment, check here and continue with Part I. ☐

Skip lines 1a and 1b if you use the farm optional method in Part II. See instructions.

1a Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A _____ **1a**



About Business Income

- TaxSlayer: Income Screen
- Additional resources listed in L< “Partner Resources” tab
- Review all tips and cautions
- Read all examples and sample interviews
- We will review answers to each exercise in the lesson

Objectives – Business Income

- Determine how to report business income
- Determine what business expenses are within scope
- Know how to complete Schedule C
- Identify “red flags” when preparing a Schedule C tax return with EIC
- Tell taxpayers which records to maintain
- Time Required: 20 minutes

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.
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OMB No. 1545-0047
2024
Attachment
Sequence No. 09

Name of proprietor _____ Social security number (SSN) _____

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

B Enter code from instructions _____

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

D Employer ID number (EIN) (see instructions) _____

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 2024? If "No," see instructions for limit on losses. ☐ Yes ☐ No

H If you started or acquired this business during 2024, check here ☐ Yes ☐ No

I Did you make any payments in 2024 that would require you to file Forms 1099? See instructions. ☐ Yes ☐ No

J If "Yes," did you or will you file required Forms 1099? ☐ Yes ☐ No

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

Topics



- Business income or loss information
- Reporting business income
- When Schedule C is in scope for VITA/TCE
- Clarifying taxpayers' business income and expenses
- Business expenses
- Completing Schedule C
- Recordkeeping



Key Terms

Definitions are always available in the L< online Glossary.

- Actual Expense Method
- Business Expenses
- Business Income
- Cash Method of Accounting
- Depreciation
- Earned Income
- Election to expense
- Employee
- Independent Contractor
- Inventory
- Qualified Business Income Deduction
- Qualified Medicaid waiver payments
- Regular Method
- Ride Share Services
- Self-Employment Income
- Sole Proprietor
- Standard Mileage Method
- Statutory Employee



Business Income or Loss Information

- Questions on the L< landing page – check your understanding of rules regarding business income
- Ask probing questions to determine if taxpayer or spouse had business income or is self-employed
- Business income information may come from:
 - [Form 1099-NEC](#) (Nonemployee compensation)
 - [Form W-2](#) (Statutory Employee)
 - [Form 1099-K](#) (Payment Card and Third Party Network Transactions, [Gig Economy](#))
 - Taxpayer's books and records
- Cash payments to self-employed taxpayers must be included as business income, even if not reported on Form 1099-NEC
- Qualified Medicaid waiver payments are treated as difficulty of care payments and are excludable from gross income

Reporting Business Income

- Schedule C shows income and expenses and the resulting net profit, if any
- Business profit or loss is reported on Form 1040
- What does TaxSlayer do with the income and expenses entered into Schedule C?

1. Complete Basic Information About your Business and Questions About the Operation of Your Business for every Schedule C.
2. Select Income to enter any income for the business that was not reported on Form 1099-NEC, such as cash income or income from a Form 1099-K.
3. Most business expenses are entered in the General Expenses section. See Pub 334 for more detail on business expenses.
4. See Schedule C – Car and Truck Expenses, later in this tab
5. Select Other expenses to enter any expenses not listed under General Expenses.
6. Qualified Business Income Deduction – See Tab F

If the business accepted credit or debit cards in payment or received payments via 3rd party network, it may receive Form 1099-K Payment Card and Third Party Network Transactions (see note below).

Schedule C

Basic Information About Your Business	1	EDIT
Questions About the Operation of Your Business		EDIT
Income	2	EDIT
Cost of Goods Sold	Out of scope	EDIT
General Expenses	3	EDIT
Car And Truck Expenses	4	EDIT
Depreciation	Out of scope	EDIT
Other Expenses	5	EDIT
Qualified Business Income Deduction	6	EDIT
Expenses for Business Use of Your Home	Out of scope	EDIT
Restart Schedule C Guide		EDIT
CONTINUE		



When Schedule C Is in Scope for VITA/TCE

- What are the conditions for [Schedule C](#) being in scope?
 - Have less than \$35,000 in business expenses
 - Use the cash method of accounting
 - Have no inventory at any time during the year
 - Did not have a net loss from the business
 - Have no employees during the year or paid contract labor for services
 - Are not required to file Form 4562, Depreciation and Amortization, for this business
 - Do not deduct expenses for business use of a home
 - Do not have prior year unallowed passive activity losses from this business



Clarifying Taxpayers' Business Income and Expenses

- Ask sufficient questions of taxpayers to be satisfied:
 - The taxpayer actually conducts a business
 - The taxpayer has records to support income and expenses, or can reasonably reconstruct income and expenses records
 - All income and related expenses have been included on the taxpayer's Schedule C
- Taxpayers must be prepared to provide receipts and other documentation to support their claimed business income and expenses in the event of an IRS audit
- Certain situations involving Schedule C and EIC should raise “red flags”

Types of Business Expenses in Scope

- Business expenses must be ordinary and necessary to be deductible
- Review examples of types of business expenses from L< topic
 - Find details in [Schedule C Instructions](#)

Schedule C - Expenses

CANCEL **CONTINUE**

Advertising	\$	
Contract Labor Out of scope	\$	
Commissions and fees	\$	
Depletion Out of scope	\$	
Employee benefit programs Out of scope	\$	
Health insurance (will carry automatically to worksheet)	\$	
Insurance (other than health)	\$	
Long-Term Care Insurance to be Carried to Adjustment 1	\$	
Mortgage interest Out of scope	\$	
Other interest	\$	
Legal and professional services	\$	
Office expense	\$	
Pension and profit sharing Out of scope	\$	
Rent or lease of equipment	\$	
Rent or lease of property	\$	
Repairs and maintenance	\$	

Completing Schedule C

- The same business expenses are deductible on [Schedule C](#)
- If the taxpayer's Form W-2 has the "Statutory employee" box checked, follow TaxSlayer guidance for Schedule C
- Review L< topic for Out of Scope Situations

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	
Part II Expenses. Enter expenses for business use of your home only on line 30.			
8	Advertising	8	
9	Car and truck expenses (see instructions)	9	
10	Commissions and fees	10	
11	Contract labor (see instructions)	11	
12	Depletion	12	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	
14	Employee benefit programs (other than on line 19)	14	
15	Insurance (other than health)	15	
16	Interest (see instructions):		
a	Mortgage (paid to banks, etc.)	16a	
b	Other	16b	
17	Legal and professional services	17	
18	Office expense (see instructions)	18	
19	Pension and profit-sharing plans	19	
20	Rent or lease (see instructions):		
a	Vehicles, machinery, and equipment	20a	
b	Other business property	20b	
21	Repairs and maintenance	21	
22	Supplies (not included in Part III)	22	
23	Taxes and licenses	23	
24	Travel and meals:		
a	Travel	24a	
b	Deductible meals (see instructions)	24b	
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	
28	Total expenses before expenses for business use of home. Add lines 8 through 27b	28	
29	Tentative profit or (loss). Subtract line 28 from line 7	29	
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:



Recordkeeping

- Business records should include a summary of business transactions and all supporting documents
- Review Pub 4012, Tab D, Income
- Some taxpayers may need to reconstruct records to support claimed business income and expenses

Out of Scope for this Lesson:

Schedule C with:

- Hobby income or not-for-profit activity
- Expenses over \$35,000
- Return and allowances
- Cost of goods sold (inventory)
- Expenses for employees
- Business use of home
- Casualty losses
- Vehicle expenses reported as actual expenses
- Contract labor
- Depreciation or election to expense business assets
- Vehicle lease expenses of more than 30 days
- Accounting methods other than the cash method
- Net losses
- “No” on line G
- Credit card payments not includible in income
- “Yes” indicating there is a requirement to file Form(s) 1099



Summary

- While business income or loss is generally beyond the scope of VITA /TCE, in some cases, you may help self-employed taxpayers who qualify to use limited Schedule C
- This lesson covered:
 - Where to get business income and expense information
 - Cash income must be reported
 - Qualified Medicaid waiver payments are treated as difficulty of care payments and are excludable from gross income
 - How to determine what records to maintain
 - Certain situations involving Schedule C and EIC should raise “red flags”
 - Record reconstruction may be required to support a taxpayer’s claimed business income and expenses