

For Arch MI and Arch MI for Credit Unions

# Business Tax Returns 301

Unique Considerations for Sole  
Proprietorships and  
Corporations

an INCOME ANALYSIS course



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## Schedule C, Sole Proprietorship

- Recap Standard Add Backs/Deductions.
- Review Unique Considerations.
- Perform a Case Study.

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## Form 1120, Corporation

- Recap Standard Add Backs/Deductions.
- Review Unique Considerations.
- Perform a Case Study.



# Schedule C

## The Sole Proprietorship Standard Cash Flow Adjustments





# Standard Cash Flow Adjustments

## Sole Proprietorship

### Allowable Add-Backs (Non-Cash Expenses)

- Depreciation.
- Depletion.
- Amortization.

### Allowable Add-Backs (Cash Expenses)

- Casualty Losses.
- Business Use of Home Expenses.
- Other Extraordinary Expenses.

### Required Deductions

- Non-Deductible Meals.
- Non-Recurring Income.

# Schedule C

## The Sole Proprietorship

### Unique Consideration



# Depreciation

+

# More Depreciation?



# Schedule C — Depreciation

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	1,243 00
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	4,013 00
14	Employee benefit programs (other than on line 19) . . . . .	14	
15	Insurance (other than health)	15	209 00
16	Interest:		
a	Mortgage (paid to banks, etc.)	16a	
b	Other . . . . .	16b	
17	Legal and professional services	17	145 00
18	Office expense (see instructions)	18	
19	Pension and profit-sharing plans	19	
20	Rent or lease (see instructions)	20	
21	Travel (see instructions)	21	
22	Telephone expenses (see instructions)	22	22 00
23	Utilities (see instructions)	23	
24	Other expenses (see instructions):		
a	Travel meals and entertainment (see instructions)	24a	951 00
b	Other	24b	49 00
25	Utilities . . . . .	25	
26	Wages (less employment credits) . . . . .	26	
27a	Other expenses (from line 48) . . . . .	27a	1,754 00
b	Reserved for future use . . . . .	27b	
28	<b>Total expenses</b> before expenses for business use of home. Add lines 8 through 27a . . . . .	28	8,502 00
29	Tentative profit or (loss). Subtract line 28 from line 7 . . . . .	29	73,576 00
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). <b>Simplified method filers only:</b> 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 . . . . .	30	1,123 00
31	<b>Net profit or (loss).</b> Subtract line 30 from line 29. • If a profit, enter on both <b>Form 1040, line 12</b> (or <b>Form 1040NR, line 13</b> ) and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If a loss, you <b>must</b> go to line 32.	31	72,453 00
32	If you have a loss, check the box that describes your investment in this activity (see instructions).		

Vehicle depreciation can be PART or NONE of Line 9. It can also be ALL or PART or NONE of Line 13.



## Standard Mileage Rate

- Taxpayer claims current IRS rate for each business mile driven.

Mileage Log

## Actual Expenses

- Taxpayer keeps receipts for out-of-pocket expenses.

Receipts





## Standard Mileage Rate

- Car and truck expenses are calculated using the Standard Mileage Rate.
- Standard Mileage Rates:
  - 2022: \$0.580 (January - June)
  - 2022: \$0.625 (July – December)
  - 2021: \$0.560
  - 2020: \$0.575
  - 2019: \$0.580
  - 2018: \$0.545

*A portion of the Standard Mileage Rate accounts for Depreciation.*

## Actual Expenses

- Car and truck expenses are calculated based on true out-of-pocket expenses.
- Depreciation is not part of the amount claimed for car and truck expenses.

*No additional add-back for Depreciation.*



# Car and Truck Expense — Depreciation



If you determine the **Standard Mileage Rate** was claimed, you calculate the vehicle depreciation and add it back.



## Miles x Depreciation Rate:

- 2022: \$0.26
- 2021: \$0.26
- 2020: \$0.27
- 2019: \$0.26
- 2018: \$0.25



If you determine **Actual Expenses** were claimed, vehicle depreciation is already included in the amount on Line 13. There is no additional depreciation add-back.



# Example: Standard vs. Actual

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	1,243	00	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	22	00
12	Depletion . . . . .	12			b	Other business property . . . . .	20b		
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions). . . . .	13	4,013	00	21	Repairs and maintenance . . . . .	21		
14	Employee benefit programs (other than on line 19) . . . . .	14			22	Supplies (not included in Part III) . . . . .	22	116	00
15	Insurance (other than health)	15	209	00	23	Taxes and licenses . . . . .	23		
					24	Travel, meals, and entertainment:			
						Travel . . . . .	24a	951	00
						Deductible meals and entertainment (see instructions) . . . . .	24b	49	00

## Standard Mileage Rate

If the Taxpayer filed using the **Standard Mileage Rate** on the Schedule C, vehicle depreciation was **NOT** included on Line 13 – a portion of Line 9 is vehicle depreciation.

(An additional add-back can be calculated.)

## Actual Expenses

If the Taxpayer filed using **Actual Expenses** on the Schedule C, vehicle depreciation **WAS** included on Line 13 – none of Line 9 is vehicle depreciation.

(No additional add-back.)



# Example: Actual Vehicle Expenses

## Depreciation

Vehicle

Computers

Office Furniture

Part II Expenses		Enter expenses for business use of your home only on line 30.							
8	Advertising . . . . .	8			18	Office expenses (see instructions)	18		
9	Car and truck expenses (see instructions). . . . .	9	1,243	00	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	22	00
12	Depletion . . . . .	12			b	Other business property . . . . .	20b		
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions). . . . .	13	4,013	00	21	Repairs and maintenance . . . . .	21		
14	Employee benefit programs (other than on line 19) . . . . .	14			22	Supplies (not included in Part III) . . . . .	22	116	00
15	Insurance (other than health)	15	209	00	23	Taxes and licenses . . . . .	23		
					24	Travel, meals, and entertainment:			
					a	Travel . . . . .	24a	951	00
					b	Deductible meals and entertainment (see instructions) . . . . .	24b	49	00

# Example: Standard Mileage Rate

## Depreciation

Vehicle

Computers

Office Furniture

Part II Expenses		Enter expenses for business use of your home only on line 30.					
8	Advertising . . . . .	8		18	Office expenses (see instructions)	18	
9	Car and truck expenses (see instructions). . . . .	9	1,243 00	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	22 00
12	Depletion . . . . .	12		b	Other business property . . . . .	20b	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions). . . . .	13	4,013 00	21	Repairs and maintenance . . . . .	21	
14	Employee benefit programs (other than on line 19) . . . . .	14		22	Supplies (not included in Part III) . . . . .	22	116 00
15	Insurance (other than health)	15	209 00	23	Taxes and licenses . . . . .	23	
				24	Travel, meals, and entertainment:		
				a	Travel . . . . .	24a	951 00
				b	Deductible meals and entertainment (see instructions) . . . . .	24b	49 00

## HOW DO YOU KNOW whether the Standard Mileage Rate was claimed?

The following must be true for the **Standard Mileage Rate** to have been claimed:

1. Car and truck expense must be claimed (Schedule C).
2. Business miles must be itemized (Schedule C or Form 4562).
3. Result of Business Miles x Standard Mileage Rate must equal car and truck expenses claimed.





# Standard Mileage Rate — The Formula



**Single Vehicle:**  
Schedule C, Line 44a

**Multiple Vehicles:**  
Form 4562, Line 30

2022: \$.580 and/or  
\$.625\*

2021: \$0.560

2020: \$0.575

2019: \$0.580

2018: \$0.545

Compare the  
calculated result to  
the amount reported  
on Schedule C, Line 9.

\*Mid-year rate change.

# Two Questions

**Part II Expenses.** Enter expenses for business use of your home **only** on line 30.

8	Advertising . . . . .	8		18	Office expense (see instructions)	
9	Car and truck expenses (see instructions). . . . .	9	56,000 00	19	Pension and profit-sharing plans	
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
				21	Repairs and maintenance . . . . .	21

**Step One – Did the business claim Car and Truck Expenses?**

YES

**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 2016, 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

**Step Two – Did the business itemize Business Miles?**

YES

# Standard Mileage Rate — The Math

$$\boxed{100,000} \times \boxed{\$0.56} = \boxed{\$56,000}$$

**Single Vehicle:**  
Schedule C, Line 44a

**Multiple Vehicles:**  
Form 4562, Line 30

2021: \$0.560

Compare product to Amount Reported on Schedule C, Line 9.

<b>Part II Expenses.</b> Enter expenses for business use of your			
8	Advertising . . . . .	8	
9	Car and truck expenses (see instructions). . . . .	9	\$ 56,000 00
10	Commissions and fees . . . . .	10	
11	Contract labor (see instructions)	11	
12	Depletion . . . . .	12	

## Standard Mileage Rate

- If you determine that the **Standard Mileage Rate** was claimed, you can:
  - Calculate the depreciation portion of the car and add it back using the appropriate IRS Depreciation Rate.

## IRS Depreciation Rate

- 2021: \$0.26
- Miles x **IRS Depreciation Rate** = additional Depreciation add-back.





# Calculating Vehicle Depreciation Standard Mileage Rate Claimed

100,000

×

\$0.26

=

\$26,000

Only enter mileage into the AMITRAC if you can prove that the Standard Mileage Rate was claimed.

2021	
<a href="#">click here to enter Additional Schedules C</a>	
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	100,000
2021	0.26
	\$ 26,000.00
	\$
	\$
	\$
	\$ 26,000.00

# Example One: Step One

**SCHEDULE C (Form 1040) Profit or Loss From Business (Sole Proprietorship)**

Department of the Treasury Internal Revenue Service (99) **Go to [www.irs.gov/ScheduleC](http://www.irs.gov/ScheduleC) for instructions and the latest information.** Attachment Sequence No. **09**

Name of proprietor \_\_\_\_\_ Social security number (SSN) \_\_\_\_\_

## Car and Truck Expenses Must Be Claimed

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 2021? If "No," see instructions for limit on losses.  Yes  No

H If you started or acquired this business during 2021, check here \_\_\_\_\_  Yes  No

I Did you make any payments in 2021 that would require you to file Form(s) 1099? See instructions.  Yes  No

**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	12,463 92	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	
				21	Repairs and maintenance . . . . .	21	

13	expense deduction (not included in Part III) (see instructions) . . . . .	13		23	Taxes and licenses . . . . .	23	
14	Employee benefit programs (other than on line 19) . . . . .	14		24	Travel and meals:		
15	Insurance (other than health)	15		a	Travel . . . . .	24a	
16	Interest (see instructions):			b	Deductible meals (see instructions) . . . . .	24b	
a	Mortgage (paid to banks, etc.)	16a		25	Utilities . . . . .	25	
b	Other . . . . .	16b		26	Wages (less employment credits)	26	
17	Legal and professional services	17		27a	Other expenses (from line 48) . . . . .	27a	
				b	Reserved for future use . . . . .	27b	
28	Total expenses before expenses for business use of home. Add lines 8 through 27a . . . . .	28		28		28	
29	Tentative profit or (loss). Subtract line 28 from line 7 . . . . .	29		29		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: _____ 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 . . . . .	30		30		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.	31		31		31	
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.			32a	<input type="checkbox"/> All investment is at risk.		
				32b	<input type="checkbox"/> Some investment is not at risk.		

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P Schedule C (Form 1040)

# Example One: Step Two

Schedule C (Form 1040) Page 2  
**Part III Cost of Goods Sold** (see instructions)

33 Method(s) used to value closing inventory: a  Cost b  Lower of cost or market c  Other (attach explanation)

## Business Miles Must Be Itemized

**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 2016, enter the number of miles you used your vehicle for:

a Business **22,257**   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

48 Total other expenses. Enter here and on line 27a   48

Schedule C (Form 1040)

# Example One: Step Three

Does the Math Work? 

$$22,257 \times \$0.56 = \$12,463.92$$

<b>Part II Expenses.</b> Enter expenses for business use of your home <b>only</b> on line 30.							
8	Advertising . . . . .	8		18	Office expense (see instructions)	18	
9	Car and truck expenses (see instructions). . . . .	9	12,463 92	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	
				21	Repairs and maintenance . . . . .	21	



# Example Two: Step One

<b>SCHEDULE C</b> <b>(Form 1040)</b>	<b>Profit or Loss From Business</b> <small>(Sole Proprietorship)</small>	Attachment Sequence No. <b>09</b>
Department of the Treasury Internal Revenue Service (99)	Go to <a href="http://www.irs.gov/ScheduleC">www.irs.gov/ScheduleC</a> for instructions and the latest information. Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships must generally file Form 1065.	
Name of proprietor	Social security number (SSN)	

## Car and Truck Expenses Must Be Claimed

City, town or post office, state, and ZIP code		Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ▶		Did you "materially participate" in the operation of this business during 2021? If "No," see instructions for limit on losses <input type="checkbox"/> Yes <input type="checkbox"/> No			
<b>Part II Expenses.</b> Enter expenses for business use of your home <b>only</b> on line 30.							
8	Advertising . . . . .	8		18	Office expense (see instructions)	18	
9	Car and truck expenses (see instructions). . . . .	9	<b>30,543 00</b>	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	<b>9,700 00</b>	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:			24	Travel, meals, and entertainment:		
a	Mortgage (paid to banks, etc.)	16a		a	Travel . . . . .	24a	
b	Other . . . . .	16b		b	Deductible meals and entertainment (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	Reserved for future use . . . . .	27b	
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 . . . . .		30					
<b>31 Net profit or (loss).</b> Subtract line 30 from line 29.		31					
<ul style="list-style-type: none"> <li>• If a profit, enter on both <b>Schedule 1 (Form 1040), line 3</b>, and on <b>Schedule SE, line 2</b>. (If you checked the box on line 1, see instructions). Estates and trusts, enter on <b>Form 1041, line 3</b>.</li> <li>• If a loss, you <b>must</b> go to line 32.</li> </ul>							
<b>32</b> If you have a loss, check the box that describes your investment in this activity. See instructions.							
<ul style="list-style-type: none"> <li>• If you checked 32a, enter the loss on both <b>Schedule 1 (Form 1040), line 3</b>, and on <b>Schedule SE, line 2</b>. (If you checked the box on line 1, see the line 31 instructions.) Estates and trusts, enter on <b>Form 1041, line 3</b>.</li> <li>• If you checked 32b, you <b>must</b> attach <b>Form 6198</b>. Your loss may be limited.</li> </ul>						32a <input type="checkbox"/> All investment is at risk.	
						32b <input type="checkbox"/> Some investment is not at risk.	
For Paperwork Reduction Act Notice, see the separate instructions.		Cat. No. 11334P		Schedule C (Form 1040			

# Example Two: Step Two

Schedule C (Form 1040) Page 2  
**Part III Cost of Goods Sold** (see instructions)

33 Method(s) used to value closing inventory: a  Cost b  Lower of cost or market c  Other (attach explanation)

## Business Miles Must Be Itemized

**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 2016, 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

48 Total other expenses. Enter here and on line 27a    48

Schedule C (Form 1040)

# Example Two: Form 4562

**REMEMBER:** If the taxpayer has **Car and Truck Expenses** But **NO Business Miles** on Schedule C, check if they were required to file Form 4562 (multiple vehicles).

Form <b>4562</b>		<b>Depreciation and Amortization</b> (Including Information on Listed Property)		OMB No. 1545-0172	
Department of the Treasury Internal Revenue Service (99)		▶ Attach to your tax return. ▶ Go to <a href="http://www.irs.gov/Form4562">www.irs.gov/Form4562</a> for instructions and the latest information.		Attachment Sequence No. <b>179</b>	
Name(s) shown on return		Business or activity to which this form relates		Identifying number	
<b>Part I Election To Expense Certain Property Under Section 179</b>					
Note: If you have any listed property, complete Part V before you complete Part I.					
1 Maximum amount (see instructions) . . . . .				1	
2 Total cost of section 179 property placed in service (see instructions) . . . . .				2	
3 Threshold cost of section 179 property before reduction in limitation (see instructions) . . . . .				3	
4 Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- . . . . .				4	
5 Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions . . . . .				5	
6 (a) Description of property		(b) Cost (business use only)		(c) Elected cost	
7 Listed property. Enter the amount from line 29 . . . . .		7			
8 Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7 . . . . .				8	
9 Tentative deduction. Enter the <b>smaller</b> of line 5 or line 8 . . . . .				9	
10 Carryover of disallowed deduction from line 13 of your 2019 Form 4562 . . . . .				10	
11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5. See instructions . . . . .				11	
12 Section 179 expense deduction. Add lines 9 and 10, but don't enter more than line 11 . . . . .				12	
13 Carryover of disallowed deduction to 2021. Add lines 9 and 10, less line 12 ▶ . . . . .				13	
Note: Don't use Part II or Part III below for listed property. Instead, use Part V.					
<b>Part II Special Depreciation Allowance and Other Depreciation (Don't include listed property. See instructions.)</b>					
14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year. See instructions . . . . .				14	
15 Property subject to section 168(f)(1) election . . . . .				15	
16 Other depreciation (including ACRS) . . . . .				16	



# Form 4562, Depreciation and Amortization Schedule

## Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other “more than 5% owner,” or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
<b>30</b> Total business/investment miles driven during the year ( <b>don't</b> include commuting miles) . . . . .	11,841		9,507		8,432							
<b>31</b> Total commuting miles driven during the year . . . . .												
<b>32</b> Total other personal (noncommuting) miles driven . . . . .												
<b>33</b> Total miles driven during the year. Add lines 30 through 32 . . . . .												
<b>34</b> Was the vehicle available for personal use during off-duty hours? . . . . .	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
<b>35</b> Was the vehicle used primarily by a more than 5% owner or related person? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>36</b> Is another vehicle available for personal use? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

$$11,841 + 9,507 + 8,432 = \mathbf{29,780 \text{ miles}}$$

# Example Two: Step Three

## Does the Math Work?



$$29,780 \times \$0.56 = \$16,676.80$$

<b>Part II Expenses.</b> Enter expenses for business use of your home <b>only</b> on line 30.					
8	Advertising	8		18	Office expense (see instructions)
9	Car and truck expenses (see instructions)	9	30,543.00	19	Pension and profit-sharing plans
10	Commissions and fees	10		20	Rent or lease (see instructions):
11	Contract labor (see instructions)	11		a	Vehicles, machinery, and equipment
				b	Other business property



# Example Three: Depreciation

Depreciation is on Line 13.

<b>Part II Expenses.</b> Enter expenses for business use of your home <b>only</b> on line 30.			
8	Advertising . . . . .	8	
9	Car and truck expenses (see instructions). . . . .	9	30,543 00
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	9,700 00
14	Employee benefit programs (other than on line 19). . . . .	14	
15	Insurance (other than health)	15	
16	Interest:		
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, meals, and entertainment:		
a	Travel . . . . .	24a	
b	Deductible meals and entertainment (see instructions) . . . . .	24b	
25	Utilities . . . . .	25	
26	Wages (less employment credits) . . . . .	26	
27a	Other expenses (from line 48) . . . . .	27a	
b	Reserved for future use . . . . .	27b	

# No Additional Add-Back Do NOT Enter Mileage

4	Profit or Loss from Business (Schedule C)	<a href="#">Click here for section guidance.</a>	2021	2022	
	<b>Business Name</b>	<b>Mileage Rate Example</b>			
27	Net Business Profit	+ \$		+ \$	
28	Net Business Loss	- \$		- \$	
29	<b>Non-Recurring Income</b>	- \$		- \$	
30	Depletion	+ \$		+ \$	
31	Depreciation	+ \$	9,700.00	+ \$	
32	<b>Non-Deductible Portion of Meals (Exclusion)</b> <i>(See Guidance tab for 2021/2022 Temporary IRS Rule.)</i>	- \$		- \$	
33	Business Use of Home	+ \$		+ \$	
34	Schedule C Business Miles <i>(Enter only if Standard Mileage Rate was claimed.)</i>	<a href="#">Click here for guidance.</a>			
	Depreciation Rate per Mile	Year 2021	0.26	Year 2022	0.26
35	Depreciation — Standard Mileage Rate	+ \$	0.00	+ \$	0.00
36	Amortization	+ \$		+ \$	
37	Casualty Losses	+ \$		+ \$	
38	One-Time Expenses	+ \$		+ \$	
39	Schedule C Totals	\$	9,700.00	\$	0.00
<b>Choose One Option for Schedule C Income Trend Calculation</b>					
40	UTILIZE PRIOR YEAR ONLY			NO	
	UTILIZE MOST RECENT YEAR ONLY			NO	
	AVERAGE PRIOR and MOST RECENT YEARS			YES	
	<b>Total Sole Proprietorship Annual Trend</b>			<b>\$4,850.00</b>	

# Standard Mileage Rate 2022 Mid-Year Change

- Separate mileage itemization for first and second halves of 2022.
- Necessary to determine if the **Standard Mileage Rate** was claimed.



# 2022 Standard Mileage Rate Example

**Total Miles for 2022 = 52,310**

January–June = **24,879 miles**

24,879 x \$0.58 = **\$14,429.82**

July–December = **27,431 miles**

27,431 x \$0.625 = **\$17,144.38**

**Total Mileage Expense for 2022 = \$31,574.20**

*If the amount on Line 9 is \$31,574.20, the Standard Mileage Rate was claimed.*



# 2021 Standard Mileage Rate Schedule C Example

## Schedule C, Part II

## Schedule C, Part IV

Part II Expenses. Enter expenses for business use of your home only on line 30.			
8	Advertising	8	275
9	Car and truck expenses (see instructions)	9	1,008
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	100
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 23)	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	480
27b	Reserved for future use	27b	
28	Total expenses before expenses for business use of home. Add lines 8 through 27a	28	1,863
29	Tentative profit or (loss). Subtract line 28 from line 7	29	(1,363)

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) ▶ <u>01/01/2016</u>
44	Of the total number of miles you drove your vehicle during 2021, enter the number of miles you used your vehicle for:
a	Business <u>1,800</u>
b	Commuting (see instructions) _____
c	Other _____
45	Was your vehicle available for personal use during off-duty hours? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
46	Do you (or your spouse) have another vehicle available for personal use? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
47a	Do you have evidence to support your deduction? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
b	If "Yes," is the evidence written? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

January–December = \$0.56

\$0.56 x 1,800 miles = **\$1,008**

The Standard Mileage Rate was claimed.

# 2022 Standard Mileage Rate Schedule C Example



## Schedule C, Part II

## Schedule C, Part IV

Part II Expenses. Enter expenses for business use of your home <b>only</b> on line 30.					
8 Advertising	8	275	18 Office expense (see instructions)	18	
9 Car and truck expenses (see instructions)	9	614	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 II) (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	100	25 Utilities	25	
			26 Wages (less employment credits)	26	
			27a Other expenses (from line 48)	27a	630
			b Reserved for future use	27b	

**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) 01/01/2016

44 Of the total number of miles you drove your vehicle during 2022, enter the number of miles you used your

a Business	1,000	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

January–June = \$0.58  
July–December = \$0.625

How many miles for January–June?  
How many miles for July–December?

Without additional information, you cannot confirm the Standard Mileage Rate was claimed.

# Knowledge Check One

What is the correct answer?

- You can prove that the Standard Mileage Rate was claimed on Schedule C if:
  1. Car and Truck Expenses were claimed on Line 9.
  2. Business Mileage was itemized.
  3. The math worked.
  4. All the above.



# Check Your Understanding One

The answer is **4. All the above.**

- You can prove that the Standard Mileage Rate was claimed on Schedule C if:
  - Car and Truck Expenses were claimed on Line 9 **AND**
  - Business Mileage was itemized **AND**
  - The math worked.



# Schedule C

## The Sole Proprietorship

### The Case Study





# Case Study: Sole Proprietor

## Background

Anthony Sporano started his career as an art director at an advertising agency. He soon determined that he could be successful running a business of his own. He has been self-employed for five years.

Starting his own company offered some flexibility in his work schedule. He is now able to work on-site with his customers and from his home office.



# Schedule C — Net Profit or Loss



<b>SCHEDULE C</b> <b>(Form 1040)</b>	<b>Profit or Loss From Business</b> (Sole Proprietorship)	OMB No. 1545-0074
Department of the Treasury Internal Revenue Service (99)	Go to <a href="http://www.irs.gov/ScheduleC">www.irs.gov/ScheduleC</a> for instructions and the latest information. Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.	Attachment Sequence No. <b>09</b>
Name of proprietor	Social security number (SSN)	

<b>Part II Expenses.</b> Enter expenses for business use of your home <b>only</b> on line 30.			
<b>8</b> Advertising . . . . .	<b>8</b>		
<b>9</b> Car and truck expenses (see instructions). . . . .	<b>9</b>	12,650	
<b>10</b> Commissions and fees . . . . .	<b>10</b>		
<b>11</b> Contract labor (see instructions)	<b>11</b>		
<b>12</b> Depletion . . . . .	<b>12</b>		
<b>13</b> Depreciation and section 179 expense deduction (not included in Part III) (see instructions). . . . .	<b>13</b>	4,013	
<b>14</b> Employee benefit programs (other than on line 19) . . . . .	<b>14</b>		
<b>15</b> Insurance (other than health)	<b>15</b>	209	
<b>16</b> Interest (see instructions):			
<b>a</b> Mortgage (paid to banks, etc.)	<b>16a</b>		
<b>b</b> Other . . . . .	<b>16b</b>		
<b>17</b> Legal and professional services	<b>17</b>	145	
<b>18</b> Office expense (see instructions)	<b>18</b>		
<b>19</b> Pension and profit-sharing plans . . . . .	<b>19</b>		
<b>20</b> Rent or lease (see instructions):			
<b>a</b> Vehicles, machinery, and equipment	<b>20a</b>	22	
<b>b</b> Other business property . . . . .	<b>20b</b>		
<b>21</b> Repairs and maintenance . . . . .	<b>21</b>		
<b>22</b> Supplies (not included in Part III) . . . . .	<b>22</b>	116	
<b>23</b> Taxes and licenses . . . . .	<b>23</b>		
<b>24</b> Travel and meals:			
<b>a</b> Travel . . . . .	<b>24a</b>	951	
<b>b</b> Deductible meals (see instructions) . . . . .	<b>24b</b>	490	
<b>25</b> Utilities . . . . .	<b>25</b>		
<b>26</b> Wages (less employment credits) . . . . .	<b>26</b>		
<b>27a</b> Other expenses (from line 48) . . . . .	<b>27a</b>	1,754	
<b>b</b> Reserved for future use . . . . .	<b>27b</b>		
<b>28</b> Total expenses before expenses for business use of home. Add lines 8 through 27a . . . . .	<b>28</b>	19,909	
<b>29</b> Tentative profit or (loss). Subtract line 28 from line 7 . . . . .	<b>29</b>	120,763	
<b>30</b> 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: 10,000 and (b) the part of your home used for business: 1,000 . Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30 . . . . .	<b>30</b>	1,123	
<b>31</b> Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If a loss, you <b>must</b> go to line 32.	<b>31</b>	119,199	
<b>32</b> 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 <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If you checked 32b, you <b>must</b> attach <b>Form 6198</b> . Your loss may be limited.			
		<b>32a</b> <input type="checkbox"/> All investment is at risk.	
		<b>32b</b> <input type="checkbox"/> Some investment is not at risk.	



<p><b>32</b> If you have a loss, check the box that describes your investment in this activity. See instructions.</p> <ul style="list-style-type: none"> <li>• If you checked 32a, enter the loss on both <b>Schedule 1 (Form 1040), line 3</b>, and on <b>Schedule SE, line 2</b>. (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on <b>Form 1041, line 3</b>.</li> <li>• If you checked 32b, you <b>must</b> attach <b>Form 6198</b>. Your loss may be limited.</li> </ul>	<p><b>32a</b> <input type="checkbox"/> All investment is at risk. <b>32b</b> <input type="checkbox"/> Some investment is not at risk.</p>
For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P	Schedule C (Form 1040)

# Schedule C — Other Income

**SCHEDULE C (Form 1040) Profit or Loss From Business (Sole Proprietorship)**

OMB No. 1545-0074

Department of the Treasury Internal Revenue Service (99) **Go to [www.irs.gov/ScheduleC](http://www.irs.gov/ScheduleC) for instructions and the latest information.**

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) \_\_\_\_\_

**J** Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions.  Yes  No

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

Typically, Other Income = Non-Recurring Income.

**Part I Income**

<b>1</b>	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"/>	<b>1</b>	132,394
<b>2</b>	Returns and allowances	<b>2</b>	
<b>3</b>	Subtract line 2 from line 1	<b>3</b>	132,394
<b>4</b>	Cost of goods sold (from line 42)	<b>4</b>	
<b>5</b>	<b>Gross profit.</b> Subtract line 4 from line 3	<b>5</b>	132,394
<b>6</b>	<b>Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)</b>	<b>6</b>	8,278
<b>7</b>	<b>Gross income.</b> Add lines 5 and 6		140,672



*If you can document what this income is for, prove there is a history and determine that it is likely to continue; do not subtract.*

(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** \_\_\_\_\_

**28** Total expenses before expenses for business \_\_\_\_\_

**29** Tentative profit or (loss). Subtract line 28 from line 7 \_\_\_\_\_

**30** Expenses for business use of your home. Do not include expenses for your car, unless using the simplified method. See instructions. **Simplified method filers only:** Enter the total square feet of your home (including any attached garage) and (b) the part of your home used for business: \_\_\_\_\_ Method Worksheet in the instructions to figure the amount.

**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 the line 31 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 the loss. 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.

**32a**  All investment is at risk.

**32b**  Some investment is not at risk.

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P Schedule C (Form 1040)



# Schedule C — Depreciation and Depletion



<b>SCHEDULE C</b> (Form 1040)	<b>Profit or Loss From Business</b> (Sole Proprietorship)	OMB No. 1545-0074
Department of the Treasury Internal Revenue Service (99)	Go to <a href="http://www.irs.gov/ScheduleC">www.irs.gov/ScheduleC</a> for instructions and the latest information. Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.	Attachment Sequence No. <b>09</b>
Name of proprietor	Social security number (SSN)	

<b>Part II Expenses.</b> Enter expenses for business use of your home <b>only</b> on line 30.			
<b>8</b> Advertising . . . . .	<b>8</b>		
<b>9</b> Car and truck expenses (see instructions) . . . . .	<b>9</b>	12,650	
<b>10</b> Commissions and fees . . . . .	<b>10</b>		
<b>11</b> Contract labor (see instructions) . . . . .	<b>11</b>		
<b>12</b> Depletion . . . . .	<b>12</b>		
<b>13</b> Depreciation and section 179 expense deduction (not included in Part III) (see instructions) . . . . .	<b>13</b>	4,013	
<b>14</b> Employee benefit programs (other than on line 19) . . . . .	<b>14</b>		
<b>15</b> Insurance (other than health) . . . . .	<b>15</b>	209	
<b>16</b> Interest (see instructions):			
<b>a</b> Mortgage (paid to banks, etc.) . . . . .	<b>16a</b>		
<b>b</b> Other . . . . .	<b>16b</b>		
<b>17</b> Legal and professional services . . . . .	<b>17</b>	145	
<b>18</b> Office expense (see instructions) . . . . .	<b>18</b>		
<b>19</b> Pension and profit-sharing plans . . . . .	<b>19</b>		
<b>20</b> Rent or lease (see instructions):			
<b>a</b> Vehicles, machinery, and equipment . . . . .	<b>20a</b>	22	
<b>b</b> Other business property . . . . .	<b>20b</b>		
<b>21</b> Repairs and maintenance . . . . .	<b>21</b>		
<b>22</b> Supplies (not included in Part III) . . . . .	<b>22</b>	116	
<b>23</b> Taxes and licenses . . . . .	<b>23</b>		
<b>24</b> Travel and meals:			
<b>a</b> Travel . . . . .	<b>24a</b>	951	
<b>b</b> Deductible meals (see instructions) . . . . .	<b>24b</b>	49	
<b>25</b> Utilities . . . . .	<b>25</b>		
<b>26</b> Wages (less employment credits) . . . . .	<b>26</b>		
<b>27a</b> Other expenses (from line 48) . . . . .	<b>27a</b>	1,754	
<b>b</b> Reserved for future use . . . . .	<b>27b</b>		
<b>28</b> Total expenses before expenses for business use of home. Add lines 8 through 27a . . . . .	<b>28</b>	19,909	
<b>29</b> Tentative profit or (loss). Subtract line 28 from line 7 . . . . .	<b>29</b>	120,763	
<b>30</b> 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: 10,000 and (b) the part of your home used for business: 1,000 . Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30 . . . . .	<b>30</b>	1,123	
<b>31</b> Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If a loss, you <b>must</b> go to line 32.	<b>31</b>	119,199	
<b>32</b> 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 <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If you checked 32b, you <b>must</b> attach <b>Form 6198</b> . Your loss may be limited.			
		<b>32a</b> <input type="checkbox"/> All investment is at risk.	
		<b>32b</b> <input type="checkbox"/> Some investment is not at risk.	



<p><b>32</b> If you have a loss, check the box that describes your investment in this activity. See instructions.</p> <ul style="list-style-type: none"> <li>• If you checked 32a, enter the loss on both <b>Schedule 1 (Form 1040), line 3</b>, and on <b>Schedule SE, line 2</b>. (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on <b>Form 1041, line 3</b>.</li> <li>• If you checked 32b, you <b>must</b> attach <b>Form 6198</b>. Your loss may be limited.</li> </ul>	<p><b>32a</b> <input type="checkbox"/> All investment is at risk. <b>32b</b> <input type="checkbox"/> Some investment is not at risk.</p>
For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P	Schedule C (Form 1040)

# Standard Mileage Rate Example: Step One



SCHEDULE C (Form 1040)		Profit or Loss From Business (Sole Proprietorship)		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service (99)		Go to <a href="http://www.irs.gov/ScheduleC">www.irs.gov/ScheduleC</a> for instructions and the latest information.		Attachment Sequence No. <b>09</b>	
Name of proprietor				Social security number (SSN)	

Part II Expenses. Enter expenses for business use of your home <b>only</b> on line 30.							
8	Advertising	8		18	Office expense (see instructions)	18	
9	Car and truck expenses (see instructions)	9	12,650	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	22
12	Depletion	12		b	Other business property	20b	
				21	Repairs and maintenance	21	

Car and Truck Expenses must be claimed.

	(other than on line 19)	14		b	Deductible meals (see instructions)	24b	49
15	Insurance (other than health)	15	209	25	Utilities	25	
16	Interest (see instructions):			26	Wages (less employment credits)	26	
a	Mortgage (paid to banks, etc.)	16a		27a	Other expenses (from line 48)	27a	1,754
b	Other	16b		b	Reserved for future use	27b	
17	Legal and professional services	17	145	28	<b>Total expenses</b> before expenses for business use of home. Add lines 8 through 27a	28	19,909
29	Tentative profit or (loss). Subtract line 28 from line 7	29		29		29	120,763
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. <b>Simplified method filers only:</b> Enter the total square footage of (a) your home: <b>10,000</b> and (b) the part of your home used for business: <b>1,000</b> . Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30		30		30	1,123
31	<b>Net profit or (loss).</b> Subtract line 30 from line 29. • If a profit, enter on both <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If a loss, you <b>must</b> go to line 32.	31		31		31	119,199
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 <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If you checked 32b, you <b>must</b> attach <b>Form 6198</b> . Your loss may be limited.			32a	<input type="checkbox"/> All investment is at risk.	32b	<input type="checkbox"/> Some investment is not at risk.



# Standard Mileage Rate Example: Step Two



**SCHEDULE C (Form 1040) Profit or Loss From Business (Sole Proprietorship)**

OMB No. 1545-0074  
Attachment Sequence No. **09**

Department of the Treasury Internal Revenue Service (99) **Go to [www.irs.gov/ScheduleC](http://www.irs.gov/ScheduleC) for instructions and the latest information.**  
**Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.**

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 instr.): \_\_\_\_\_

**42 Cost of goods sold.** Subtract line 41 from line 40. Enter the result here and on line 4 . . . . . **42**

**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 2020, enter the number of miles you used your vehicle for:

**a** Business **22,589**      **b** Commuting (see instructions) \_\_\_\_\_      **c** Other \_\_\_\_\_

Business Miles must be itemized.

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

**b** If "Yes," is the evidence . . . . .  Yes     No

**26** \_\_\_\_\_  
**27a** \_\_\_\_\_  
**27b** \_\_\_\_\_  
**28** \_\_\_\_\_  
**29** \_\_\_\_\_

**30** \_\_\_\_\_

**31** \_\_\_\_\_

**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 32a, see instructions). Estates and trusts, enter on **Form 1041, line 3**.  
• If you checked 32b, you **must** attach **Form 6198**. Your loss may be limited.

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

For Paperwork Reduction Act Notice, see the separate instructions.      Cat. No. 11334P      Schedule C (Form 1040)

*If there are multiple vehicles, the mileage will be listed on form 4562 (Depreciation and Amortization Schedule) on line 30.*

# Standard Mileage Rate Example: Step Three



**SCHEDULE C (Form 1040) Profit or Loss From Business (Sole Proprietorship)**

OMB No. 1545-0074  
Attachment Sequence No. 09

Department of the Treasury Internal Revenue Service (99) Go to [www.irs.gov/ScheduleC](http://www.irs.gov/ScheduleC) for instructions and the latest information. Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.

Name of proprietor: \_\_\_\_\_ Social security number (SSN): \_\_\_\_\_

**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	12,650	19	Pension and profit-sharing plans	19	
10	Commissions and fees	10		20	Rent or lease (see instructions):		22
				a	Vehicles, machinery, and equipment	20a	
14	Employee benefit programs (other than on-line 13)	14	4,013	24	Travel and meals:	24a	951
15	Insurance (other than on-line 13)	15					49
16	Interest (see instructions):						
a	Mortgage (paid on business use of your home)						1,754
b	Other						
17	Legal and professional fees	17					8,502
28	<b>Total expenses</b>	28					73,576
29	Tentative profit or loss	29					
30	Expenses for business use of your home (unless using the simplified method and (b) the partial year Method Worksheet)	30					1,123
31	<b>Net profit or loss</b>	31					72,453

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

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P Schedule C (Form 1040)

The math must work.

## Standard Mileage Rates:

- 2021: \$0.560
- 2020: \$0.575
- 2019: \$0.580

$$22,589 \times \$0.560 = \$12,650$$



# Calculating Vehicle Depreciation Example

## Standard Mileage Rate

- **YOU** calculate the Depreciation.

# Miles x *Depreciation Rate*

- 2021: \$ 0.26
- 2020: \$ 0.27
- 2019: \$ 0.26
- 2018: \$ 0.25

## Manual Calculation

- $22,589 \times \$ 0.26 = \$5,873.14$



# Important Reminder Mileage Depreciation



Just because miles are itemized, don't assume  
the Standard Mileage Rate was claimed.

**The MATH must support that the Standard Mileage Rate was claimed.**



# Schedule C — Meals Expenses



<b>SCHEDULE C</b> <b>(Form 1040)</b>	<b>Profit or Loss From Business</b> (Sole Proprietorship)	OMB No. 1545-0074
Department of the Treasury Internal Revenue Service (99)	Go to <a href="http://www.irs.gov/ScheduleC">www.irs.gov/ScheduleC</a> for instructions and the latest information. Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.	Attachment Sequence No. <b>09</b>
Name of proprietor		Social security number (SSN)

<b>Part II Expenses.</b> Enter expenses for business use of your home <b>only</b> on line 30.			
<b>8</b> Advertising . . . . .	<b>8</b>		
<b>9</b> Car and truck expenses (see instructions). . . . .	<b>9</b>	12,650	
<b>10</b> Commissions and fees . . . . .	<b>10</b>		
<b>11</b> Contract labor (see instructions)	<b>11</b>		
<b>12</b> Depletion . . . . .	<b>12</b>		
<b>13</b> Depreciation and section 179 expense deduction (not included in Part III) (see instructions). . . . .	<b>13</b>	4,013	
<b>14</b> Employee benefit programs (other than on line 19) . . . . .	<b>14</b>		
<b>15</b> Insurance (other than health)	<b>15</b>	209	
<b>16</b> Interest (see instructions):			
<b>a</b> Mortgage (paid to banks, etc.)	<b>16a</b>		
<b>b</b> Other . . . . .	<b>16b</b>		
<b>17</b> Legal and professional services	<b>17</b>	145	
<b>18</b> Office expense (see instructions)	<b>18</b>		
<b>19</b> Pension and profit-sharing plans . . . . .	<b>19</b>		
<b>20</b> Rent or lease (see instructions):			
<b>a</b> Vehicles, machinery, and equipment	<b>20a</b>	22	
<b>b</b> Other business property . . . . .	<b>20b</b>		
<b>21</b> Repairs and maintenance . . . . .	<b>21</b>		
<b>22</b> Supplies (not included in Part III) . . . . .	<b>22</b>	116	
<b>23</b> Taxes and licenses . . . . .	<b>23</b>		
<b>24</b> Travel and meals:			
<b>a</b> Travel . . . . .	<b>24a</b>	951	
<b>b</b> Deductible meals (see instructions) . . . . .	<b>24b</b>	490	
<b>25</b> Utilities . . . . .	<b>25</b>		
<b>26</b> Wages (less employment credits) . . . . .	<b>26</b>		
<b>27a</b> Other expenses (from line 48) . . . . .	<b>27a</b>	1,754	
<b>b</b> Reserved for future use . . . . .	<b>27b</b>		
<b>28</b> Total expenses before expenses for business use of home. Add lines 8 through 27a . . . . .	<b>28</b>	20,350	
<b>29</b> Tentative profit or (loss). Subtract line 28 from line 7 . . . . .	<b>29</b>	120,322	
<b>30</b> 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: 3,000 and (b) the part of your home used for business: 224.6 . Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30 . . . . .	<b>30</b>	1,123	
<b>31</b> Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If a loss, you <b>must</b> go to line 32.	<b>31</b>	119,199	
<b>32</b> 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 <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If you checked 32b, you <b>must</b> attach <b>Form 6198</b> . Your loss may be limited.			
	<b>32a</b>	<input type="checkbox"/> All investment is at risk.	
	<b>32b</b>	<input type="checkbox"/> Some investment is not at risk.	



• If you checked 32a, enter the loss on both <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If you checked 32b, you <b>must</b> attach <b>Form 6198</b> . Your loss may be limited.	<b>32a</b> <input type="checkbox"/> All investment is at risk. <b>32b</b> <input type="checkbox"/> Some investment is not at risk.
For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P	Schedule C (Form 1040)



## Standard Rules (IRS)

- Business meals are subject to a 50% limitation.

GSEs require a cash flow deduction of the exclusion.

## \*Temporary Rule (IRS)

- Business meals purchased from a restaurant can be deducted at 100%.

GSEs have not yet addressed this temporary rule change.

\*For tax years 2021 and 2022.

## 2021 and 2022

- Most business meals deductible at 100%
- Entertainment expenses NOT deductible.



## Temporary Rules for 100% Deduction

- Purchased at restaurant.
- Owner or employee must be present.
- Expense cannot be lavish or extravagant under the circumstances.



# Schedule C — Meals Expenses

<b>SCHEDULE C</b> (Form 1040)	<b>Profit or Loss From Business</b> (Sole Proprietorship)	OMB No. 1545-0074
Department of the Treasury Internal Revenue Service (99)	Go to <a href="http://www.irs.gov/ScheduleC">www.irs.gov/ScheduleC</a> for instructions and the latest information. Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.	Attachment Sequence No. <b>09</b>
Name of proprietor	Social security number (SSN)	

<b>Part II Expenses.</b> Enter expenses for business use of your home <b>only</b> on line 30.			
<b>8</b> Advertising . . . . .	<b>8</b>		
<b>9</b> Car and truck expenses (see instructions) . . . . .	<b>9</b>	12,650	
<b>10</b> Commissions and fees . . . . .	<b>10</b>		
<b>11</b> Contract labor (see instructions)	<b>11</b>		
<b>12</b> Depletion . . . . .	<b>12</b>		
<b>13</b> Depreciation and section 179 expense deduction (not included in Part III) (see instructions) . . . . .	<b>13</b>	4,013	
<b>14</b> Employee benefit programs (other than on line 19) . . . . .	<b>14</b>		
<b>15</b> Insurance (other than health)	<b>15</b>	209	
<b>16</b> Interest (see instructions):			
<b>a</b> Mortgage (paid to banks, etc.)	<b>16a</b>		
<b>b</b> Other . . . . .	<b>16b</b>		
<b>17</b> Legal and professional services	<b>17</b>	145	
<b>18</b> Office expense (see instructions)	<b>18</b>		
<b>19</b> Pension and profit-sharing plans . . . . .	<b>19</b>		
<b>20</b> Rent or lease (see instructions):			
<b>a</b> Vehicles, machinery, and equipment	<b>20a</b>	22	
<b>b</b> Other business property . . . . .	<b>20b</b>		
<b>21</b> Repairs and maintenance . . . . .	<b>21</b>		
<b>22</b> Supplies (not included in Part III) . . . . .	<b>22</b>	116	
<b>23</b> Taxes and licenses . . . . .	<b>23</b>		
<b>24</b> Travel and meals:			
<b>a</b> Travel . . . . .	<b>24a</b>	951	
<b>b</b> Deductible meals (see instructions) . . . . .	<b>24b</b>	490	
<b>25</b> Utilities . . . . .	<b>25</b>		
<b>26</b> Wages (less employment credits) . . . . .	<b>26</b>		
<b>27a</b> Other expenses (from line 48) . . . . .	<b>27a</b>	1,754	
<b>b</b> Reserved for future use . . . . .	<b>27b</b>		
<b>28</b> Total expenses before expenses for business use of home. Add lines 8 through 27a . . . . .	<b>28</b>	20,350	
<b>29</b> Tentative profit or (loss). Subtract line 28 from line 7 . . . . .	<b>29</b>	120,322	
<b>30</b> 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: <b>3,000</b> and (b) the part of your home used for business: <b>224.6</b> . Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30 . . . . .	<b>30</b>	1,123	
<b>31</b> Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If a loss, you <b>must</b> go to line 32.	<b>31</b>	119,199	
<b>32</b> 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 <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If you checked 32b, you <b>must</b> attach <b>Form 6198</b> . Your loss may be limited.			
		<b>32a</b> <input type="checkbox"/> All investment is at risk.	
		<b>32b</b> <input type="checkbox"/> Some investment is not at risk.	

<p><b>32</b> If you have a loss, check the box that describes your investment in this activity. See instructions.</p> <ul style="list-style-type: none"> <li>• If you checked 32a, enter the loss on both <b>Schedule 1 (Form 1040), line 3</b>, and on <b>Schedule SE, line 2</b>. (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on <b>Form 1041, line 3</b>.</li> <li>• If you checked 32b, you <b>must</b> attach <b>Form 6198</b>. Your loss may be limited.</li> </ul>	<p><b>32a</b> <input type="checkbox"/> All investment is at risk.</p> <p><b>32b</b> <input type="checkbox"/> Some investment is not at risk.</p>
For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P	Schedule C (Form 1040)

# Schedule C — Business Use of Home

<b>SCHEDULE C</b> (Form 1040)		<b>Profit or Loss From Business</b> (Sole Proprietorship)		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service (99)		▶ Go to <a href="http://www.irs.gov/ScheduleC">www.irs.gov/ScheduleC</a> for instructions and the latest information. ▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.		Attachment Sequence No. <b>09</b>
Name of proprietor			Social security number (SSN)	

Part II Expenses. Enter expenses for business use of your home only on line 30.				
<b>8</b>	Advertising . . . . .	<b>8</b>		
<b>9</b>	Car and truck expenses (see instructions) . . . . .	<b>9</b>	12,650	
<b>10</b>	Commissions and fees . . . . .	<b>10</b>		
<b>11</b>	Contract labor (see instructions) . . . . .	<b>11</b>		
<b>12</b>	Depletion . . . . .	<b>12</b>		
<b>13</b>	Depreciation and section 179 expense deduction (not included in Part III) (see instructions) . . . . .	<b>13</b>	4,013	
<b>14</b>	Employee benefit programs (other than on line 19) . . . . .	<b>14</b>		
<b>15</b>	Insurance (other than health) . . . . .	<b>15</b>	209	
<b>16</b>	Interest (see instructions):			
	<b>a</b> Mortgage (paid to banks, etc.) . . . . .	<b>16a</b>		
	<b>b</b> Other . . . . .	<b>16b</b>		
<b>17</b>	Legal and professional services . . . . .	<b>17</b>	145	
<b>18</b>	Office expense (see instructions) . . . . .	<b>18</b>		
<b>19</b>	Pension and profit-sharing plans . . . . .	<b>19</b>		
<b>20</b>	Rent or lease (see instructions):			
	<b>a</b> Vehicles, machinery, and equipment . . . . .	<b>20a</b>	22	
	<b>b</b> Other business property . . . . .	<b>20b</b>		
<b>21</b>	Repairs and maintenance . . . . .	<b>21</b>		
<b>22</b>	Supplies (not included in Part III) . . . . .	<b>22</b>	116	
<b>23</b>	Taxes and licenses . . . . .	<b>23</b>		
<b>24</b>	Travel and meals:			
	<b>a</b> Travel . . . . .	<b>24a</b>	951	
	<b>b</b> Deductible meals (see instructions) . . . . .	<b>24b</b>	490	
<b>25</b>	Utilities . . . . .	<b>25</b>		
<b>26</b>	Wages (less employment credits) . . . . .	<b>26</b>		
<b>27a</b>	Other expenses (from line 48) . . . . .	<b>27a</b>	1,754	
<b>27b</b>	Reserved for future use . . . . .	<b>27b</b>		
<b>28</b>	<b>Total expenses</b> before expenses for business use of home. Add lines 8 through 27a . . . . .	<b>28</b>	19,909	
<b>29</b>	Tentative profit or (loss). Subtract line 28 from line 7 . . . . .	<b>29</b>	120,763	
<b>30</b>	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. <b>Simplified method filers only:</b> Enter the total square footage of (a) your home: <u>3,000</u> and (b) the part of your home used for business: <u>224.6</u> . Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30 . . . . .	<b>30</b>	1,123	
<b>31</b>	<b>Net profit or (loss).</b> Subtract line 30 from line 29. • If a profit, enter on both <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If a loss, you <b>must</b> go to line 32.	<b>31</b>	119,199	
<b>32</b>	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 <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If you checked 32b, you <b>must</b> attach <b>Form 6198</b> . Your loss may be limited.			
<b>32a</b> <input type="checkbox"/> All investment is at risk. <b>32b</b> <input type="checkbox"/> Some investment is not at risk.				
For Paperwork Reduction Act Notice, see the separate instructions.				

• If you checked 32a, enter the loss on both <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If you checked 32b, you <b>must</b> attach <b>Form 6198</b> . Your loss may be limited.		<b>32a</b> <input type="checkbox"/> All investment is at risk. <b>32b</b> <input type="checkbox"/> Some investment is not at risk.
For Paperwork Reduction Act Notice, see the separate instructions.		



# Schedule C — Other Expenses

SCHEDULE C (Form 1040)		Profit or Loss From Business (Sole Proprietorship)		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service (99)		Go to <a href="http://www.irs.gov/ScheduleC">www.irs.gov/ScheduleC</a> for instructions and the latest information. Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.		Attachment Sequence No. 09
<b>42 Cost of goods sold.</b> Subtract line 41 from line 40. Enter the result here and on line 4 . . . . .				<b>42</b>
<b>Part IV Information on Your Vehicle.</b> Complete this part <b>only</b> 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.				
<b>43</b> When did you place your vehicle in service for business purposes? (month/day/year)   ▶    /    /				
<b>44</b> Of the total number of miles you drove your vehicle during 2020, enter the number of miles you used your vehicle for:				
<b>a</b> Business <b>22,000</b> <b>b</b> Commuting (see instructions)				
<b>c</b> Other				
<b>45</b> Was your vehicle available for personal use during off-duty hours? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				
<b>46</b> Do you (or your spouse) have another vehicle available for personal use? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				
<b>47a</b> Do you have evidence to support your deduction? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No				
<b>b</b> If "Yes," is the evidence written? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No				
<b>Part V Other Expenses.</b> List below business expenses not included on lines 8–26 or line 30.				
Supplies				1,123
Mail				623
Amortization – N/A				
Casualty Losses – N/A				
One-Time Expenses – N/A				
<b>48 Total other expenses.</b> Enter here and on line 27a . . . . .				<b>48</b>

\* 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.

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

For Paperwork Reduction Act Notice, see the separate instructions.      Cat. No. 11334P      Schedule C (Form 1040)

# Knowledge Check Two

What is the correct answer?

- Non-recurring income should not be subtracted when:
  1. You can document what the income is for.
  2. Prove there is a history.
  3. Income is likely to continue.
  4. All the above.



# Check Your Understanding Two

The answer is **4. All the above.**

- You do not have to subtract non-recurring income if:
  - You can document what the income is for,
  - Prove there is a history and
  - Determine that it is likely to continue.



If you can document what this income is for, prove there is a history and determine that it is likely to continue; do not subtract.

# Cash Flow Sole Proprietorship Case Study



# Schedule C — Cash Flow

Net Profit = \$119,199

## ADD

Depreciation	\$4,013.00
Vehicle Depreciation	\$5,873.14
Business Use of Home	\$1,123.00

**+ \$11,009**

## SUBTRACT

Non-Recurring Income	\$8,278.00
Meals	\$ 490.00*

**- \$8,768**

$\$121,440.14 / 12 = \text{Qualifying Income for 2021}$

\*Assumes 50% limitation.



# Schedule C – Cash Flow AMITRAC



4	Profit or Loss from Business (Schedule C)	<a href="#">Click here for section guidance.</a>	2021	2022
	Business Name	Sporano Graphic Designs		
27	Net Business Profit	+ \$	119,199.00	+ \$
28	Net Business Loss	- \$		- \$
29	Non-Recurring Income	- \$	8,278.00	- \$
30	Depletion	+ \$		+ \$
31	Depreciation	+ \$	4,013.00	+ \$
32	Non-Deductible Portion of Meals (Exclusion) <i>(See Guidance tab for 2021/2022 Temporary IRS Rule.)</i>	- \$	490.00	- \$
33	Business Use of Home	+ \$	1,123.00	+ \$
34	Schedule C Business Miles <i>(Enter only if Standard Mileage Rate was claimed.)</i>	<a href="#">Click here for guidance.</a>	22,589	
	Depreciation Rate per Mile	Year 2021	0.26	Year 2022 0.26
35	Depreciation — Standard Mileage Rate	+ \$	5,873.14	+ \$ 0.00
36	Amortization	+ \$		+ \$
37	Casualty Losses	+ \$		+ \$
38	One-Time Expenses	+ \$		+ \$
39	Schedule C Totals	\$	121,440.14	\$ 0.00

# Form 1120

## The Corporation Standard Cash Flow Adjustments



# Standard Cash Flow Adjustments Corporation (1120)

## Allowable Add-Backs (Non-Cash Expenses)

- Depreciation.
- Depletion.
- Amortization.

## Allowable Add-Backs (Cash Expenses)

- Casualty Losses.
- Other Extraordinary Expenses.

## Required Deductions

- Mortgages, Notes, Bonds Payable in Less than One Year.
- Non-Deductible Travel, Meals & Entertainment.
- Non-Recurring Income.

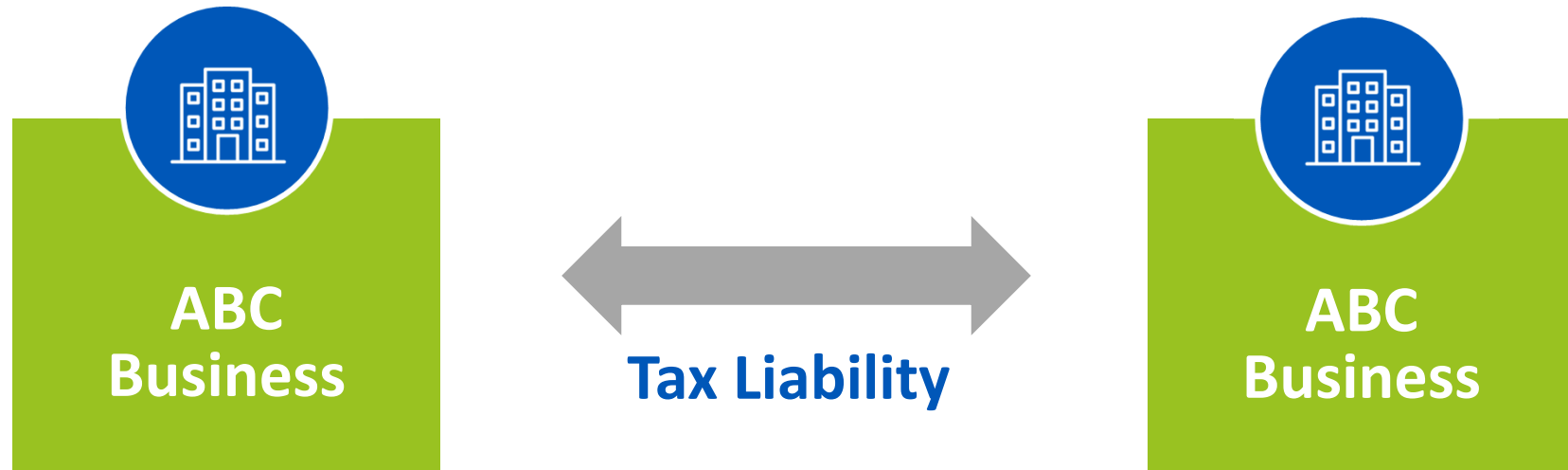
# Form 1120

## The Corporation

### Unique Considerations



# Entity Level Taxation Means No K-1



- **Corporations** pay business tax on their profit.
- Shareholders pay personal taxes only on dividends and wages.
- Corporations **do not** have K-1s because they are not pass-through entities.



# Uniform Residential Loan Application



1b. Current Employment/Self-Employment and Income		<input type="checkbox"/> Does not apply
<b>Employer or Business Name</b> _____ Phone (____) ____ - _____ Street _____ Unit # _____ City _____ State _____ ZIP _____ Country _____		<b>Gross Monthly Income</b> Base \$ _____ /month Overtime \$ _____ /month Bonus \$ _____ /month Commission \$ _____ /month Military Entitlements \$ _____ /month Other \$ _____ /month <b>TOTAL \$</b> _____ <b>0.00</b> /month
<b>Position or Title</b> _____ <b>Start Date</b> ____ / ____ / ____ (mm/dd/yyyy) How long in this line of work? ____ Years ____ Months	<b>Check if this statement applies:</b> <input type="checkbox"/> I am employed by a family member, property seller, real estate agent, or other party to the transaction.	
<input type="checkbox"/> <b>Check if you are the Business Owner or Self-Employed</b>	<input type="radio"/> I have an ownership share of less than 25%. <b>Monthly Income (or Loss)</b> \$ _____ <input type="radio"/> I have an ownership share of 25% or more. \$ _____	
Uniform Residential Loan Application Freddie Mac Form 65 • Fannie Mae Form 1003 Effective 1/2021		

## \*Compensation of Officers - Form 1125-E

- Identifies ownership percentages of common and preferred stock combined, for company officers.
- Shows salary/wage compensation (W-2) for each officer (reported on the individual's 1040).

## What if there is no 1125-E?

- Ownership percentages must be documented outside of the tax return (e.g., articles of incorporation, state corporation database, etc.).



\*Not required by the IRS when the corporations' gross receipts are less than \$500,000.

# Ownership for Corporations

Form **1125-E**  
(Rev. October 2016)  
Department of the Treasury  
Internal Revenue Service

## Compensation of Officers

▶ Attach to Form 1120, 1120-C, 1120-F, 1120-REIT, 1120-RIC, or 1120S.  
▶ Information about Form 1125-E and its separate instructions is at [www.irs.gov/form1125e](http://www.irs.gov/form1125e).

OMB No. 1545-0123

Name

Employer identification number

**Note:** Complete Form 1125-E only if total receipts are \$500,000 or more. See instructions for definition of total receipts.

(a) Name of officer	(b) Social security number (see instructions)	(c) Percent of time devoted to business	Percent of stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
<b>1 Your Borrower</b>	<b>123-45-6789</b>	<b>100 %</b>	<b>20 %</b>	<b>10 %</b>	<b>\$200,000</b>

Assuming the borrower is an officer of the company, ownership interest can be found on Form 1125-E (if filed).

If no 1125-E, other documentation (such as Articles of Incorporation) must be obtained.

# Calendar vs. Fiscal Year



Form **1125-E** **Compensation of Officers**  
 (Rev. October 2016)  
 Department of the Treasury  
 Internal Revenue Service

OMB No. 1545-0123

▶ Attach to Form 1120, 1120-C, 1120-F, 1120-REIT, 1120-RIC, or 1120S.  
 ▶ Information about Form 1125-E and its separate instructions is at [www.irs.gov/form1125e](http://www.irs.gov/form1125e).

Name \_\_\_\_\_ Employer identification number **39-1234567**

**Note:** Complete Form 1125-E only if total receipts are \$500,000 or more. See instructions for definition of total receipts.

(a) Name of officer	(b) Social security number (see instructions)	(c) Percent of time devoted to business	Percent of stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
<b>1 Your Borrower</b>	<b>123-45-6789</b>	<b>100 %</b>	<b>20 %</b>	<b>10 %</b>	<b>200,000</b>
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	

Form **W-2** **Wage and Tax Statement**  
 (Rev. 01-19-2020)  
 Department of the Treasury—Internal Revenue Service

OMB No. 1545-0047

Safe, accurate, FAST! Use **ins e file** Visit the IRS website at [www.irs.gov/efile](http://www.irs.gov/efile)

a Employee's social security number \_\_\_\_\_

b Employer identification number (EIN) \_\_\_\_\_

c Employer's name, address, and ZIP code \_\_\_\_\_

d Control number \_\_\_\_\_

e Employee's first name and initial Last name \_\_\_\_\_ Suff. \_\_\_\_\_

f Employee's address and ZIP code \_\_\_\_\_

1 Wages, tips, other compensation **200,000**

2 Federal income tax withheld \_\_\_\_\_

3 Social security wages \_\_\_\_\_

4 Social security tax withheld \_\_\_\_\_

5 Medicare wages and tips \_\_\_\_\_

6 Medicare tax withheld \_\_\_\_\_

7 Social security tips \_\_\_\_\_

8 Allocated tips \_\_\_\_\_

9 \_\_\_\_\_

10 Dependent care benefits \_\_\_\_\_

11 Nonqualified plans \_\_\_\_\_

12a See instructions for box 12 \_\_\_\_\_

12b \_\_\_\_\_

12c \_\_\_\_\_

12d \_\_\_\_\_

13 Statutory employee  Retirement plan  Third-party sick pay

14 Other \_\_\_\_\_

15 State Employer's state ID number \_\_\_\_\_

16 State wages, tips, etc. \_\_\_\_\_

17 State income tax \_\_\_\_\_

18 Local wages, tips, etc. \_\_\_\_\_

19 Local income tax \_\_\_\_\_

20 Locality name \_\_\_\_\_

**Form W-2 Wage and Tax Statement**  
 Copy B—To Be Filed With Employee's FEDERAL Tax Return.  
 This information is being furnished to the Internal Revenue Service.

Form **1120** **U.S. Corporation Income Tax Return**  
 (Rev. 03-18-2020)  
 Department of the Treasury  
 Internal Revenue Service

OMB No. 1545-0123

For calendar year 2021 or tax year beginning \_\_\_\_\_, 2021, ending \_\_\_\_\_, 20 \_\_\_\_\_  
 ▶ Go to [www.irs.gov/Form1120](http://www.irs.gov/Form1120) for instructions and the latest information.

A Check if:  
 1a Consolidated return (attach Form 990)   
 b Life/nonlife consolidated return   
 2 Personal holding co. (attach Sch. PH)   
 3 Personal service corp. (see instructions)   
 4 Schedule M-3 attached

TYPE OR PRINT

Name \_\_\_\_\_

Number, street, and room or suite no. If a P.O. box, see instructions. \_\_\_\_\_

City or town, state or province, country, and ZIP or foreign postal code \_\_\_\_\_

B Employer identification number \_\_\_\_\_

C Date incorporated \_\_\_\_\_

D Total assets (see instructions) \$ \_\_\_\_\_

E Check if: (1)  Initial return (2)  Final return (3)  Name change (4)  Address change

## Evaluate the overall financial position of the corporation.



- Ordinary income from corporation should only be used to qualify the borrower if:
  - Business income is stable and consistent.
  - Sales and earnings trends are positive.
  - Business has adequate liquidity to support borrower's cash withdrawal without severe negative effects.



# Fannie Mae vs. Freddie Mac Corporate Cash Flow



Fannie Mae requires 100% ownership in order to use cash-flow adjustments.

Freddie Mac requires a borrower's/member's legal right to the business income to be verified if ownership interest is less than 100%.

# Additional Considerations Corporations



**Form 1120** U.S. Corporation Income Tax Return  
 For calendar year 2019 or tax year beginning \_\_\_\_\_, 2019, ending \_\_\_\_\_, 20\_\_\_\_  
 OMB No. 1545-0123  
 Department of the Treasury Internal Revenue Service  
 Go to [www.irs.gov/Form1120](http://www.irs.gov/Form1120) for instructions and the latest information.

**A** Check if:

**1a** Consolidated return (attach Form 851)  **TYPE**

**b** Life/nonlife consolidated return  **OR**

**2** Personal holding co. (attach Sch. PH)  **PRINT**

**3** Personal service corp. (see instructions)

**4** Schedule M-3 attached

**B** Employer identification number \_\_\_\_\_

**C** Date incorporated \_\_\_\_\_

**D** Total assets (see instructions) \$ \_\_\_\_\_

**E** Check if: (1)  Initial return (2)  Final return (3)  Name change (4)  Address change

<b>Income</b>	<b>1a</b> Gross receipts or sales	<b>1a</b>	<b>1c</b>
	<b>b</b> Returns and allowances	<b>1b</b>	
	<b>c</b> Balance. Subtract line 1b from line 1a		<b>1c</b>
	<b>2</b> Cost of goods sold (attach Form 1125-A)		<b>2</b>
	<b>3</b> Gross profit. Subtract line 2 from line 1c		<b>3</b>
	<b>4</b> Dividends and inclusions (Schedule C, line 23)		<b>4</b>
	<b>5</b> Interest		<b>5</b>
	<b>6</b> Gross rents		<b>6</b>
	<b>7</b> Gross royalties		<b>7</b>
	<b>8</b> Capital gain net income (attach Schedule D (Form 1120))		<b>8</b>
	<b>9</b> Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)		<b>9</b>
	<b>10</b> Other income (see instructions—attach statement)		<b>10</b>
	<b>11 Total income.</b> Add lines 3 through 10		<b>11</b>
<b>Deductions (See instructions for limitations on deductions.)</b>	<b>12</b> Compensation of officers (see instructions—attach Form 1125-E)		<b>12</b>
	<b>13</b> Salaries and wages (less employment credits)		<b>13</b>
	<b>14</b> Repairs and maintenance		<b>14</b>
	<b>15</b> Bad debts		<b>15</b>
	<b>16</b> Rents		<b>16</b>
	<b>17</b> Taxes and licenses		<b>17</b>
	<b>18</b> Interest (see instructions)		<b>18</b>
	<b>19</b> Charitable contributions		<b>19</b>
	<b>20</b> Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)		<b>20</b>
	<b>21</b> Depletion		<b>21</b>
	<b>22</b> Advertising		<b>22</b>
<b>23</b> Pension, profit-sharing, etc., plans		<b>23</b>	
<b>24</b> Employee benefit programs		<b>24</b>	
<b>25</b> Reserved for future use		<b>25</b>	
<b>26</b> Other deductions (attach statement)		<b>26</b>	
<b>27 Total deductions.</b> Add lines 12 through 26		<b>27</b>	
<b>28</b> Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11.		<b>28</b>	
<b>29a</b> Net operating loss deduction (see instructions)	<b>29a</b>	<b>29c</b>	
<b>b</b> Special deductions (Schedule C, line 24)	<b>29b</b>		
<b>c</b> Add lines 29a and 29b		<b>29c</b>	
<b>30 Taxable income.</b> Subtract line 29c from line 28. See instructions		<b>30</b>	
<b>31</b> Total tax (Schedule J, Part I, line 11)		<b>31</b>	
<b>32</b> 2019 net 965 tax liability paid (Schedule J, Part II, line 12)		<b>32</b>	
<b>33</b> Total payments, credits, and section 965 net tax liability (Schedule J, Part III, line 23)		<b>33</b>	
<b>34</b> Estimated tax penalty. See instructions. Check if Form 2220 is attached <input type="checkbox"/>		<b>34</b>	
<b>35</b> Amount owed. If line 33 is smaller than the total of lines 31, 32, and 34, enter amount owed		<b>35</b>	
<b>36</b> Overpayment. If line 33 is larger than the total of lines 31, 32, and 34, enter amount overpaid		<b>36</b>	
<b>37</b> Enter amount from line 36 you want: <b>Credited to 2020 estimated tax</b> <input type="checkbox"/> <b>Refunded</b> <input type="checkbox"/>		<b>37</b>	

**Sign Here**  
 Signature of officer \_\_\_\_\_ Date \_\_\_\_\_ Title \_\_\_\_\_  
 May the IRS discuss this return with the preparer shown below? See instructions.  Yes  No

**Paid Preparer Use Only**  
 Print/type preparer's name \_\_\_\_\_ Preparer's signature \_\_\_\_\_ Date \_\_\_\_\_ Check  if self-employed  
 Firm's name \_\_\_\_\_ Firm's EIN \_\_\_\_\_  
 Firm's address \_\_\_\_\_ Phone no. \_\_\_\_\_

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11450Q Form 1120 (2019)

Dividends must be subtracted from cash flow.\*

NOL deductions are taken directly on Page 1.

Corporate taxes are deducted from cash flow.

\*Next slide shows how to determine.

# Determining Dividends Paid – Form 1120, Schedule L, Schedule M-1



$$\text{* Dividends} = \text{Net income} - (\text{Current Retained Earnings} - \text{Prior Retained Earnings})$$

$$\$150,000 - (\$100,000 - \$75,000)$$

$$\text{Dividends} = \$125,000$$

*If the borrower has 100% ownership of the corporation, dividends paid can be found on Schedule B of the 1040.*

\*Total dividends paid must be calculated if borrower does not own 100% of the corporation.

Form 1120		Page 6			
Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash				
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts	( )	( )	( )	( )
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach statement)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach statement)				
10a	Buildings and other depreciable assets				
b	Less accumulated depreciation	( )	( )	( )	( )
11a	Depletable assets				
b	Less accumulated depletion	( )	( )	( )	( )
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	( )	( )	( )	( )
14	Other assets (attach statement)				
15	Total assets				
Liabilities and Shareholders' Equity					
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach statement)				
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach statement)				
22	Capital stock:				
a	Preferred stock				
b	Common stock				
23	Additional paid-in capital		75,000		100,000
24	Retained earnings—Appropriated (attach statement)				
25	Retained earnings—Unappropriated				
26	Adjustments to shareholders' equity (attach statement)				
27	Less cost of treasury stock	( )	( )	( )	( )
28	Total liabilities and shareholders' equity				
Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return		Note: The corporation may be required to file Schedule M-3. See instructions.			
1	Net income (loss) per books	150,000			
2	Federal income tax per books				
3	Excess of capital losses over capital gains				
4	Income subject to tax not recorded on books this year (itemize):				
5	Expenses recorded on books this year not deducted on this return (itemize):				
a	Depreciation	\$			
b	Charitable contributions	\$			
c	Travel and entertainment	\$			
6	Add lines 1 through 5				
7	Income recorded on books this year not included on this return (itemize):				
	Tax-exempt interest	\$			
8	Deductions on this return not charged against book income this year (itemize):				
a	Depreciation	\$			
b	Charitable contributions	\$			
9	Add lines 7 and 8				
10	Income (page 1, line 28) — line 6 less line 9				
Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Schedule L, Line 25)					
1	Balance at beginning of year				
2	Net income (loss) per books				
3	Other increases (itemize):				
4	Add lines 1, 2, and 3				
5	Distributions:				
	a Cash				
	b Stock				
	c Property				
6	Other decreases (itemize):				
7	Add lines 5 and 6				
8	Balance at end of year (line 4 less line 7)				

# Knowledge Check Three

Is the following **True** or **False**?

- Form 1125-E is used to report owners' ownership percentages and salaries.



# Check Your Understanding Three

The answer is *True*.

- Corporate ownership percentages are typically found on Form 1125-E.
- If, however, the 1125-E is not filed, ownership interest must be documented outside of the tax return.





# Form 1120

## The Corporation

### The Case Study



# Case Study: Corporation

## Background

Jane Finch started a business in 2001, Acme Computer Services, Inc. (a corporation). Acme provides computer consultation to small businesses. It has been able to hire additional staff in the last few years to help expand the business and Jane has retained 100% ownership.

Jane's husband, Joe Finch, is employed by a home builder.



# 1040, Page 1

1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	84,000.00
2a	Tax-exempt interest	2a	
3a	Qualified dividends	3a	
4a	IRA distributions	4a	
c	Pensions and annuities	4c	
5a	Social security benefits	5a	
6	Capital gain or (loss). Attach Schedule D		
7a	Other capital gains		
		b	Taxable interest. Attach Sch. B if required
		b	Ordinary dividends. Attach Sch. B if required
		b	Taxable amount
		d	Taxable amount
		b	Taxable amount

**Standard Deduction for—**

- Single or Married filing separately, \$12,200
- Married filing jointly or Qualifying widow(er), \$24,400

**Home Builders, LLC**

**Joe Finch**

1 Wages, tips, other compensation: **27,000**

5 Medicare wages and tips: **27,000**

7 Social security tips: **27,000**

**ACME Computer Services, Inc.**

**Jane Finch**

1 Wages, tips, other compensation: **57,000**

5 Medicare wages and tips: **57,000**

7 Social security tips: **57,000**

Form **W-2** Wage and Tax Statement  
 Copy B—To Be Filed With Employee's FEDERAL Tax Return.  
 This information is being furnished to the Internal Revenue Service.





# Corporation – Form 1120 Taxable Income



**Form 1120** U.S. Corporation Income Tax Return  
 Department of the Treasury Internal Revenue Service  
 For calendar year or tax year beginning \_\_\_\_\_ ending \_\_\_\_\_ 20 \_\_\_\_\_  
 OMB No. 1545-0123  
 Go to [www.irs.gov/Form1120](http://www.irs.gov/Form1120) for instructions and the latest information.

**A Check it:**  
 1a Consolidated return (attach Form 851)   
 b Life/short-term consolidated return   
 2 Personal holding co. (attach Sch. PH)   
 3 Personal service corp. (see instructions)   
 4 Schedule M-3 attached

**TYPE OR PRINT**

Name: \_\_\_\_\_  
 Number, street, and room or suite no. If a P.O. box, see instructions. \_\_\_\_\_  
 City or town, state or province, country, and ZIP or foreign postal code \_\_\_\_\_

**B Employer identification number** \_\_\_\_\_  
**C Date incorporated** \_\_\_\_\_  
**D Total assets (see instructions)** \$ \_\_\_\_\_

**E Check it: (1) Initial return (2) Final return (3) Name change (4) Address change**

1a	Gross receipts or sales	1a	
1b	Returns and allowances	1b	
c	Balance. Subtract line 1b from line 1a	1c	
2	Cost of goods sold (attach Form 1125-A)	2	
3	Gross profit. Subtract line 2 from line 1c	3	
4	Dividends and inclusions (Schedule C, line 23)	4	
5	Interest	5	
6	Gross rents	6	



Tax, Refundable Credits, and Payments	<b>30</b>	<b>Taxable income.</b> Subtract line 29c from line 28. See instructions	<b>30</b>	<b>18,488</b>
	<b>31</b>	<b>Total tax</b> (Schedule J, Part I, line 11)	<b>31</b>	<b>2,733</b>
	<b>32</b>	2020 net 965 tax liability paid (Schedule J, Part II, line 12)	<b>32</b>	
	<b>33</b>	Total payments, credits, and section 965 net tax liability (Schedule J, Part III, line 23)	<b>33</b>	
	<b>34</b>	Estimated tax penalty. See instructions. Check if Form 2220 is attached <input type="checkbox"/>	<b>34</b>	
	<b>35</b>	<b>Amount owed.</b> If line 33 is smaller than the total of lines 31, 32, and 34, enter amount owed	<b>35</b>	
	<b>36</b>	<b>Overpayment.</b> If line 33 is larger than the total of lines 31, 32, and 34, enter amount overpaid	<b>36</b>	<b>2,844</b>
	<b>37</b> Enter amount from line 36 you want: <b>Credited to 2021 estimated tax</b> <input type="checkbox"/> <b>Refunded</b> <input type="checkbox"/>	<b>37</b>		

**25** Reserved for future use **25**

**26** Other deductions (attach statement) **26**

**27** Total deductions. Add lines 12 through 26 **27**

**28** Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11. **28**

**29a** Net operating loss deduction (see instructions) **29a**

**b** Special deductions (Schedule C, line 24) **29b**

**c** Add lines 29a and 29b **29c**

**30** Taxable income. Subtract line 29c from line 28. See instructions **30**

**31** Total tax (Schedule J, Part I, line 11) **31**

**32** 2020 net 965 tax liability paid (Schedule J, Part II, line 12) **32**

**33** Total payments, credits, and section 965 net tax liability (Schedule J, Part III, line 23) **33**

**34** Estimated tax penalty. See instructions. Check if Form 2220 is attached  **34**

**35** Amount owed. If line 33 is smaller than the total of lines 31, 32, and 34, enter amount owed **35**

**36** Overpayment. If line 33 is larger than the total of lines 31, 32, and 34, enter amount overpaid **36**

**37** Enter amount from line 36 you want: **Credited to 2021 estimated tax**  **Refunded**  **37**

**Sign Here**  
 Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.  
 Signature of officer \_\_\_\_\_ Date \_\_\_\_\_ Title \_\_\_\_\_  
 May the IRS discuss this return with the preparer shown below? See instructions.  Yes  No

**Paid Preparer Use Only**  
 Print/Type preparer's name \_\_\_\_\_ Preparer's signature \_\_\_\_\_ Date \_\_\_\_\_ Check  if self-employed PTIN \_\_\_\_\_  
 Firm's name \_\_\_\_\_ Firm's EIN \_\_\_\_\_  
 Firm's address \_\_\_\_\_ Phone no. \_\_\_\_\_

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11450Q Form 1120



# Corporation – Form 1120 Other Income



**1120** U.S. Corporation Income Tax Return  
 Form 1120 U.S. Corporation Income Tax Return  
 Department of the Treasury Internal Revenue Service  
 For calendar year or tax year beginning ..... ending ..... 20 .....

**A Check it:**  
 1a Consolidated return (attach Form 851)   
 b Life/short-term consolidated return   
 2 Personal holding co. (attach Sch. PH)   
 3 Personal service corp. (see instructions)   
 4 Schedule M-3 attached

**B** Employer identification number  
**C** Date incorporated  
**D** Total assets (see instructions) \$

**E Check it:** (1)  Initial return (2)  Final return (3)  Name change (4)  Address change

1a Gross receipts or sales  
 b Returns and allowances  
 c Balance. Subtract line 1b from line 1a

<b>Income</b>	<b>1a</b> Gross receipts or sales	<b>1a</b>	294,000	
	<b>b</b> Returns and allowances	<b>1b</b>		
	<b>c</b> Balance. Subtract line 1b from line 1a	<b>1c</b>		294,000
	<b>2</b> Cost of goods sold (attach Form 1125-A)	<b>2</b>		27,300
	<b>3</b> Gross profit. Subtract line 2 from line 1c	<b>3</b>		221,700
	<b>4</b> Dividends and inclusions (Schedule C, line 23)	<b>4</b>		
	<b>5</b> Interest	<b>5</b>		625
	<b>6</b> Gross rents	<b>6</b>		
	<b>7</b> Gross royalties	<b>7</b>		
	<b>8</b> Capital gain net income (attach Schedule D (Form 1120))	<b>8</b>		
	<b>9</b> Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)	<b>9</b>		
<b>10</b> Other income (see instructions—attach statement)	<b>10</b>			
<b>11</b> Total income. Add lines 3 through 10	<b>11</b>		222,325	

**29a** Net operating loss deduction (see instructions) **29a**  
**b** Special deductions (Schedule C, line 24) **29b**  
**c** Add lines 29a and 29b **29c**

**30** Taxable income. Subtract line 29c from line 28. See instructions **30**  
**31** Total tax (Schedule J, Part I, line 11) **31**  
**32** 2020 net 965 tax liability paid (Schedule J, Part II, line 12) **32**  
**33** Total payments, credits, and section 965 net tax liability (Schedule J, Part III, line 23) **33**  
**34** Estimated tax penalty. See instructions. Check if Form 2220 is attached  **34**  
**35** Amount owed. If line 33 is smaller than the total of lines 31, 32, and 34, enter amount owed **35**  
**36** Overpayment. If line 33 is larger than the total of lines 31, 32, and 34, enter amount overpaid **36**  
**37** Enter amount from line 35 you want: Credited to 2021 estimated tax **37** Refunded **37**

**Sign Here**  
 Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer \_\_\_\_\_ Date \_\_\_\_\_ Title \_\_\_\_\_  
 Print/Type preparer's name \_\_\_\_\_ Preparer's signature \_\_\_\_\_ Date \_\_\_\_\_  
 Check  if self-employed PTIN \_\_\_\_\_

**Paid Preparer Use Only**  
 Firm's name \_\_\_\_\_ Firm's EIN \_\_\_\_\_  
 Firm's address \_\_\_\_\_ Phone no. \_\_\_\_\_

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11450Q Form 1120

# Corporation – Form 1120

## Add-Backs



Form <b>1120</b> Department of the Treasury Internal Revenue Service	<b>U.S. Corporation Income Tax Return</b>		OMB No. 1545-0123
	For calendar year or tax year beginning ..... ending ..... 20 .....		
▶ Go to <a href="http://www.irs.gov/Form1120">www.irs.gov/Form1120</a> for instructions and the latest information.			
<b>A Check if:</b>	<b>TYPE OR PRINT</b>	Name	<b>B</b> Employer identification number
<b>1a</b> Consolidated return (attach Form 851)		Number, street, and room or suite no. If a P.O. box, see instructions.	<b>C</b> Date incorporated
<b>b</b> Life/short-term consolidated return			City or town, state or province, country, and ZIP or foreign postal code
<b>2</b> Personal holding co. (attach Sch. PH)			
<b>3</b> Personal service corp. (see instructions)			

Deductions (See instructions for limitations on deductions.)	<b>12</b>	Compensation of officers (see instructions—attach Form 1125-E)	<b>12</b>	57,000
	<b>13</b>	Salaries and wages (less employment credits)	<b>13</b>	88,000
	<b>14</b>	Repairs and maintenance	<b>14</b>	2,975
	<b>15</b>	Bad debts	<b>15</b>	
	<b>16</b>	Rents	<b>16</b>	14,000
	<b>17</b>	Taxes and licenses	<b>17</b>	3,825
	<b>18</b>	Interest (see instructions)	<b>18</b>	2,260
	<b>19</b>	Charitable contributions	<b>19</b>	
	<b>20</b>	Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)	<b>20</b>	15,200
	<b>21</b>	Depletion	<b>21</b>	
	<b>22</b>	Advertising	<b>22</b>	1,350
	<b>23</b>	Pension, profit-sharing, etc., plans	<b>23</b>	
	<b>24</b>	Employee benefit programs	<b>24</b>	2,500
<b>25</b>	Reserved for future use	<b>25</b>		
<b>26</b>	Other deductions (attach statement)	<b>26</b>	7,960	
<b>27</b>	<b>Total deductions.</b> Add lines 12 through 26	<b>27</b>	195,070	
<b>28</b>	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11.	<b>28</b>	27,255	
<b>29a</b>	Net operating loss deduction (see instructions)	<b>29a</b>	8,767	
<b>b</b>	Special deductions (Schedule C, line 24)	<b>29b</b>		
<b>c</b>	Add lines 29a and 29b	<b>29c</b>	8,767	

▶ 37 Enter amount from line 36 you want: Credited to 2021 estimated tax ▶		Refunded ▶ 37	
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
<b>Sign Here</b>	Signature of officer		Date
	Title		May the IRS discuss this return with the preparer shown below? See instructions. <input type="checkbox"/> Yes <input type="checkbox"/> No
<b>Paid Preparer Use Only</b>	Print/type preparer's name		Preparer's signature
	Date		Check <input type="checkbox"/> if self-employed
	Firm's name		Firm's EIN
	Firm's address		Phone no.
For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11450Q Form 1120			

# Corporation – Form 1120 Statement 1 (Other Deductions)

<b>Statement 1</b>		
<b>Form 1120, Line 26</b>		
<b>Other Deductions</b>		
Amortization		3,426
Supplies		2,897
Mail/Postage		1,637
<b>Total</b>	<b>\$</b>	<b>7,960</b>

# Corporation – Form 1120 Net Operating Loss Deduction



<b>1120</b> Form Department of the Treasury Internal Revenue Service	<b>U.S. Corporation Income Tax Return</b> For calendar year or tax year beginning ..... ending ..... 20 ..... ▶ Go to <a href="http://www.irs.gov/Form1120">www.irs.gov/Form1120</a> for instructions and the latest information.		OMB No. 1545-0123
	<b>A Check it:</b> 1a Consolidated return (attach Form 851) <input type="checkbox"/> b Life/short-term consolidated return <input type="checkbox"/> 2 Personal holding co. (attach Sch. PH) <input type="checkbox"/> 3 Personal service corp. <input type="checkbox"/>	<b>TYPE OR PRINT</b> Name Number, street, and room or suite no. If a P.O. box, see instructions. City or town, state or province, country, and ZIP or foreign postal code	<b>B Employer identification number</b> C Date incorporated D Total assets (see instructions) \$

Deductions (See instructions for limitations on deductions.)	12	Compensation of officers (see instructions—attach Form 1125-E)	12	57,000
	13	Salaries and wages (less employment credits)	13	88,000
	14	Repairs and maintenance	14	2,975
	15	Bad debts	15	
	16	Rents	16	14,000
	17	Taxes and licenses	17	3,825
	18	Interest (see instructions)	18	2,260
	19	Charitable contributions	19	
	20	Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)	20	15,200
	21	Depletion	21	
	22	Advertising	22	1,350
	23	Pension, profit-sharing, etc., plans	23	
	24	Employee benefit programs	24	2,500
	25	Reserved for future use	25	
	26	Other deductions (attach statement)	26	7,960
	27	<b>Total deductions.</b> Add lines 12 through 26	27	195,070
	28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11.	28	27,255
	29a	Net operating loss deduction (see instructions)	29a	8,767
	b	Special deductions (Schedule C, line 24)	29b	
	c	Add lines 29a and 29b	29c	8,767

37	Enter amount from line 36 you want: Credited to 2021 estimated tax ▶	Refunded ▶	37
Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
Signature of officer		Date	Title
Print/Type preparer's name		Preparer's signature	Date
Firm's name ▶		Firm's EIN ▶	PTIN
Firm's address ▶		Phone no.	Check <input type="checkbox"/> if self-employed
For Paperwork Reduction Act Notice, see separate instructions.			

# Corporation – Form 1120

## Net Operating Loss Deduction

- A net operating loss is a tax credit.
- Occurs when the business tax deductions are more than its taxable income in a year.
- Loss is carried forward in the future to set off future profits, thus reducing the tax liability of the business.

It is **ALWAYS** important to evaluate a Net Operating Loss (carryover) deduction.

*Yes, even if you aren't looking to add back the NOL.*



- When?
- Why?
- How Much?

Gauge business  
**STABILITY.**

## Case Study

- Net Operating Loss occurred in 2011.
- It was in the start up year and unlikely to recur.
- It was \$900,000 and is now completely absorbed.

# Corporation – Form 1120

## Net Operating Loss Deduction



ating  
business  
income  
future  
ucing  
business

<b>1120</b>		<b>U.S. Corporation Income Tax Return</b>		OMB No. 1545-0123
Form Department of the Treasury Internal Revenue Service		For calendar year 2020 or tax year beginning _____, 2020, ending _____, 20 _____		
▶ Go to <a href="http://www.irs.gov/Form1120">www.irs.gov/Form1120</a> for instructions and the latest information.				
<b>A Check it:</b> 1a Consolidated return (attach Form 851) <input type="checkbox"/> b Life/short-term consolidated return <input type="checkbox"/> 2 Personal holding co. (attach Sch. PH) <input type="checkbox"/> 3 Personal service corp. <input type="checkbox"/>		<b>Name</b> _____ Number, street, and room or suite no. If a P.O. box, see instructions. _____ City or town, state or province, country, and ZIP or foreign postal code _____	<b>B Employer identification number</b> _____ <b>C Date incorporated</b> _____ <b>D Total assets (see instructions)</b> \$ _____	

Deductions (See instructions for limitations on deductions.)	12	Compensation of officers (see instructions—attach Form 1125-E)	▶	12	57,000
	13	Salaries and wages (less employment credits)		13	88,000
	14	Repairs and maintenance		14	2,975
	15	Bad debts		15	
	16	Rents		16	14,000
	17	Taxes and licenses		17	3,825
	18	Interest (see instructions)		18	2,260
	19	Charitable contributions		19	
	20	Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)		20	15,200
	21	Depletion		21	
	22	Advertising		22	1,350
	23	Pension, profit-sharing, etc., plans		23	
	24	Employee benefit programs		24	2,500
	25	Reserved for future use		25	
	26	Other deductions (attach statement)		26	7,960
	27	<b>Total deductions.</b> Add lines 12 through 26	▶	27	195,070
	28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11.		28	27,255
	29a	Net operating loss deduction (see instructions)		29a	8,767
	b	Special deductions (Schedule C, line 24)		29b	
	c	Add lines 29a and 29b		29c	8,767

37 Enter amount from line 36 you want: <b>Credited to 2021 estimated tax</b> ▶		Refunded ▶		37
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.				
Sign Here	Signature of officer		Date	Title
	Print/type preparer's name		Preparer's signature	Date
Paid Preparer Use Only	Firm's name ▶		Firm's EIN ▶	PTIN
	Firm's address ▶		Phone no.	Check <input type="checkbox"/> if self-employed
	May the IRS discuss this return with the preparer shown below? See instructions. <input type="checkbox"/> Yes <input type="checkbox"/> No			

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11450Q Form 1120 (2020)

# Corporation – Form 1120 Schedule L (Balance Sheet)



Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
<b>Assets</b>					
<b>1</b>	Cash				19,748
<b>2a</b>	Trade notes and accounts receivable			12,253	
<b>b</b>	Less allowance for bad debts	( )		( )	12,253
<b>3</b>	Inventories				86,431
<b>4</b>	U.S. government obligations				
<b>5</b>	Tax-exempt securities (see instructions)				
<b>6</b>	Other current assets (attach statement)				11,672
<b>7</b>	Loans to shareholders				
<b>8</b>	Mortgage and real estate loans				
<b>9</b>	Other investments (attach statement)				
<b>10a</b>	Buildings and other depreciable assets			312,257	
<b>b</b>	Less accumulated depreciation	( )		( 76,849 )	235,408
<b>11a</b>	Depletable assets				
<b>b</b>	Less accumulated depletion	( )		( )	
<b>12</b>	Land (net of any amortization)				
<b>13a</b>	Intangible assets (amortizable only)				
<b>b</b>	Less accumulated amortization	( )		( )	
<b>14</b>	Other assets (attach statement)				353,265
<b>15</b>	Total assets				
<b>Liabilities and Shareholders' Equity</b>					
<b>16</b>	Accounts payable				127,898
<b>17</b>	Mortgages, notes, bonds payable in less than 1 year				37,874
<b>18</b>	Other current liabilities (attach statement)				
<b>19</b>	Loans from shareholders				
<b>20</b>	Mortgages, notes, bonds payable in 1 year or more				164,509
<b>21</b>	Other liabilities (attach statement)				
<b>22</b>	Capital stock: <b>a</b> Preferred stock				
	<b>b</b> Common stock				22,984
<b>23</b>	Additional paid-in capital				
<b>24</b>	Retained earnings—Appropriated (attach statement)				
<b>25</b>	Retained earnings—Unappropriated				
<b>26</b>	Adjustments to shareholders' equity (attach statement)				
<b>27</b>	Less cost of treasury stock	( )		( )	
<b>28</b>	Total liabilities and shareholders' equity				353,265

<b>Use Only</b>	Firm's name ▶	Firm's EIN ▶
	Firm's address ▶	Phone no. ▶
For Paperwork Reduction Act Notice, see separate instructions.		
Cat. No. 11450Q		Form 1120

# Corporation – Form 1120

## Non-Deductible Travel, Meals, Entertainment



First, check Schedule M-1.

<b>Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return</b>			
<b>Note:</b> The corporation may be required to file Schedule M-3. See instructions.			
<b>1</b>	Net income (loss) per books . . . . .		
<b>2</b>	Federal income tax per books . . . . .		
<b>3</b>	Excess of capital losses over capital gains . . . . .		
<b>4</b>	Income subject to tax not recorded on books this year (itemize):		
<b>5</b>	Expenses recorded on books this year not deducted on this return (itemize):		
	<b>a</b> Depreciation . . . . \$		
	<b>b</b> Charitable contributions . \$		
	<b>c</b> Travel and entertainment . \$		
<b>6</b>	Add lines 1 through 5 . . . . .		
<b>7</b>	Income recorded on books this year not included on this return (itemize):		
	Tax-exempt interest \$		
<b>8</b>	Deductions on this return not charged against book income this year (itemize):		
	<b>a</b> Depreciation . . . \$		
	<b>b</b> Charitable contributions \$		
<b>9</b>	Add lines 7 and 8 . . . . .		
<b>10</b>	Income (page 1, line 28)—line 6 less line 9		

If Schedule M-1 isn't filed (blank), check itemized deductions for meals.

<b>Statement 1</b>	
<b>Form 1120, Line 26</b>	
<b>Other Deductions</b>	
Amortization	3,426
Supplies	2,897
Mail/Postage	1,637
<b>Total</b>	<b>\$ 7,960</b>

# Wages

Safe, accurate, FAST! Use **IRS e-file** Visit the IRS website at [www.irs.gov/efile](http://www.irs.gov/efile)

OMB No. 1545-0008

**a** Employee's social security number

**b** Employer identification number (EIN)

**c** Employer's name, address, and ZIP code  
**Home Builders, LLC**

**d** Control number

**e** Employee's first name and initial Last name  
**Joe Finch**

**f** Employee's address and ZIP code

**15** State Employer's state ID number

**16** State wages, tips, etc.

**17** State income tax

**18** Local wages, tips, etc.

**19** Local income tax

**20** Locality name

**1** Wages, tips, other compensation **27,000**

**2** Federal income tax withheld

**3** Social security wages

**4** Social security tax withheld

**5** Medicare wages and tips

**6** Medicare tax withheld

**7** Social security tips

**8** Medicare tax withheld

**9**

**10** Dependent care benefits

**11** Nonqualified plans

**12a** See instructions for box 12

**12b**

**12c**

**12d**

**13** Statutory employee  Retirement plan  Third-party sick pay

**14** Other

Department of the Treasury—Internal Revenue Service

**Form W-2 Wage and Tax Statement**  
Copy B—To Be Filed With Employee's FEDERAL Tax Return.  
This information is being furnished to the Internal Revenue Service.

Safe, accurate, FAST! Use **IRS e-file** Visit the IRS website at [www.irs.gov/efile](http://www.irs.gov/efile)

OMB No. 1545-0008

**a** Employee's social security number

**b** Employer identification number (EIN)

**c** Employer's name, address, and ZIP code  
**ACME Computer Services, Inc.**

**d** Control number

**e** Employee's first name and initial Last name  
**Jane Finch**

**f** Employee's address and ZIP code

**15** State Employer's state ID number

**16** State wages, tips, etc.

**17** State income tax

**18** Local wages, tips, etc.

**19** Local income tax

**20** Locality name

**1** Wages, tips, other compensation **57,000**

**2** Federal income tax withheld

**3** Social security wages

**4** Social security tax withheld

**5** Medicare wages and tips

**6** Medicare tax withheld

**7** Social security tips

**8** Medicare tax withheld

**9**

**10** Dependent care benefits

**11** Nonqualified plans

**12a** See instructions for box 12

**12b**

**12c**

**12d**

**13** Statutory employee  Retirement plan  Third-party sick pay

**14** Other

Department of the Treasury—Internal Revenue Service

**Form W-2 Wage and Tax Statement**  
Copy B—To Be Filed With Employee's FEDERAL Tax Return.  
This information is being furnished to the Internal Revenue Service.



# Schedule B Interest and Ordinary Dividends



SCHEDULE B (Form 1040)		Interest and Ordinary Dividends	OMB No. 1545-0074
Department of the Treasury Internal Revenue Service (99)		Go to <a href="http://www.irs.gov/ScheduleB">www.irs.gov/ScheduleB</a> for instructions and the latest information. Attach to Form 1040 or 1040-SR.	Attachment Sequence No. 08
Name(s) shown on return		Your social security number	
<b>Part I</b> <b>Interest</b>  (See instructions and the instructions for Forms 1040 and 1040-SR, line 2b.)  <b>Note:</b> If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.		1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see the instructions and list this interest first. Also, show that buyer's social security number and address ▶	<b>Amount</b>
		2 Add the amounts on line 1 . . . . .	2
		3 Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815 . . . . .	3
		4 Subtract line 3 from line 2. Enter the result here and on Form 1040 or 1040-SR, line 2b . . . . . ▶	4
<b>Note:</b> If line 4 is over \$1,500, you must complete Part III.		<b>Amount</b>	
<b>Part II</b> <b>Ordinary Dividends</b>  (See instructions and the instructions for Forms 1040 and 1040-SR, line 3b.)  <b>Note:</b> If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.		5 List name of payer ▶ <b>ACME Computer Services, Inc.</b>	<b>1,884</b>
		6 Add the amounts on line 5. Enter the total here and on Form 1040 or 1040-SR, line 3b . . . . . ▶	<b>1,884</b>
<b>Note:</b> If line 6 is over \$1,500, you must complete Part III.		<b>Amount</b>	
<b>Part III</b> <b>Foreign Accounts and Trusts</b>  <b>Caution:</b> If required, failure to file FinCEN Form 114 may result in substantial penalties. See instructions.		You must complete this part if you (a) had over \$1,500 of taxable interest or ordinary dividends; (b) had a foreign account; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.	<b>Yes No</b>
7a At any time during 2020, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions . . . . .			<input type="checkbox"/> <input type="checkbox"/>
b If you are required to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), to report that financial interest or signature authority? See FinCEN Form 114 and its instructions for filing requirements and exceptions to those requirements . . . . .			<input type="checkbox"/> <input type="checkbox"/>
8 During 2020, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See instructions . . . . .			<input type="checkbox"/> <input type="checkbox"/>
For Paperwork Reduction Act Notice, see your tax return instructions.		Cat. No. 17146N	Schedule B (Form 1040)

# Knowledge Check Four

Is the following **True** or **False**?

- The amount of Total Tax on line 31 of the Corporate tax returns must be subtracted.



# Check Your Understanding Four

The correct answer is *True*.

- Since corporations are not pass-through entities, we must also consider the amount of the tax. Therefore, the total tax will be subtracted.

Tax, Refundable Credits, and Payments	<b>30</b>	<b>Taxable income.</b> Subtract line 29c from line 28. See instructions . . . . .	<b>30</b>	<b>18,488</b>
	<b>31</b>	<b>Total tax</b> (Schedule J, Part I, line 11) . . . . .	<b>31</b>	<b>2,733</b>
	<b>32</b>	<b>2020 net 965 tax liability paid</b> (Schedule J, Part II, line 12) . . . . .	<b>32</b>	
	<b>33</b>	<b>Total payments, credits, and section 965 net tax liability</b> (Schedule J, Part III, line 23) . . . . .	<b>33</b>	
	<b>34</b>	<b>Estimated tax penalty.</b> See instructions. Check if Form 2220 is attached . . . . . <input type="checkbox"/>	<b>34</b>	
	<b>35</b>	<b>Amount owed.</b> If line 33 is smaller than the total of lines 31, 32, and 34, enter amount owed . . . . .	<b>35</b>	
	<b>36</b>	<b>Overpayment.</b> If line 33 is larger than the total of lines 31, 32, and 34, enter amount overpaid . . . . .	<b>36</b>	<b>2,844</b>
<b>37</b>	Enter amount from line 36 you want: <b>Credited to 2021 estimated tax</b> ▶ <b>Refunded</b> ▶	<b>37</b>		

# Cash Flow Corporation Case Study



# Form 1120 – Corporation Cash Flow Adjustments

Taxable Income = \$18,488

ADD		SUBTRACT	
Depreciation	\$15,200.00	Total Tax	\$2,733.00
Amortization	\$3,426.00	Mortgages, notes, bonds due < 1 year	\$37,874.00
Net Operating Loss	\$8,767.00	Dividends	\$1,884.00
Salary (W2)	\$57,000.00		
<b>+ 84,393</b>		<b>- 42,491</b>	

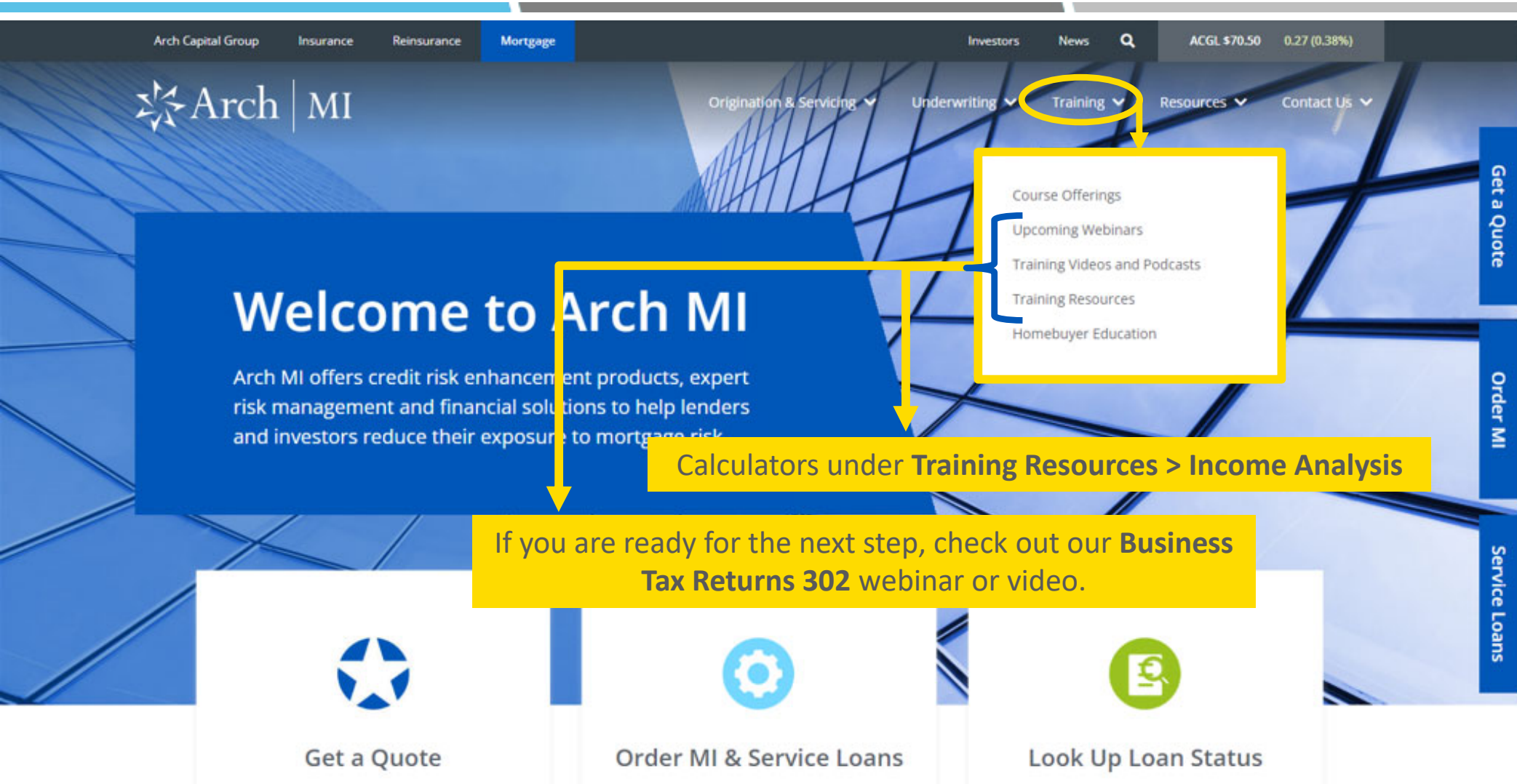
$\$60,390/12 = \text{Qualifying Income for 2022}$



# AMITRAC – Corporation Tax Return



13	Corporation Tax Return (1120)	<a href="#">Click here for section guidance.</a>	2021	2022
	Business Name	ABC Mortgage		
158	Taxable Income	+ \$		18,488.00
159	Taxable Loss	- \$		
160	Total Tax	- \$		2,733.00
161	Non-Recurring Gains	- \$		
162	Non-Recurring Losses	+ \$		
163	Non-Recurring Income	- \$		
164	Non-Recurring Loss	+ \$		
165	Depreciation	+ \$		15,200.00
166	Depletion	+ \$		
167	Amortization (as itemized from statement)	+ \$		3,426.00
168	Casualty Losses (as itemized from statement)	+ \$		
169	One-Time Expenses (as itemized from statement)	+ \$		
170	Net Operating Loss	+ \$		8,767.00
171	Mortgages, Notes, Bonds Payable in < One Year	- \$		37,874.00
172	Non-Deductible Portion of Meals (Exclusion) <i>(See Guidance tab for 2021/2022 Temporary IRS Rule.)</i>	- \$		
173	<b>Subtotal</b>	\$	0.00	\$ 5,274.00
	Ownership Percentage			
174	For Fannie Mae, AMITRAC considers "Borrower's Proportionate Share" only if 100% ownership.	%		% 100.00
	For Freddie Mac, Borrower's legal right to the business income must be verified if ownership interest is <100%.			
175	<b>Borrower's Proportionate Share of Subtotal</b>	± \$	0.00	± \$ 5,274.00
176	W-2 Compensation from Corporation	+ \$		57,000.00
177	Dividends Paid to Borrower from this 1120	- \$		1,884.00
178	<b>Totals</b>	\$	0.00	\$ 60,390.00



The screenshot shows the Arch MI website with several annotations. A yellow circle highlights the 'Training' dropdown menu in the top navigation bar. A yellow box contains the following items: 'Course Offerings', 'Upcoming Webinars', 'Training Videos and Podcasts', 'Training Resources', and 'Homebuyer Education'. A yellow arrow points from the 'Training' menu to a yellow box containing the text: 'Calculators under Training Resources > Income Analysis'. Another yellow arrow points from this box to a larger yellow box containing the text: 'If you are ready for the next step, check out our Business Tax Returns 302 webinar or video.' The website header includes 'Arch Capital Group', 'Insurance', 'Reinsurance', 'Mortgage', 'Investors', 'News', 'ACGL \$70.50', and '0.27 (0.38%)'. The main navigation includes 'Origination & Servicing', 'Underwriting', 'Training', 'Resources', and 'Contact Us'. The main content area features a blue banner with the text 'Welcome to Arch MI' and 'Arch MI offers credit risk enhancement products, expert risk management and financial solutions to help lenders and investors reduce their exposure to mortgage risk.' Below the banner are three main navigation buttons: 'Get a Quote', 'Order MI & Service Loans', and 'Look Up Loan Status'. A vertical sidebar on the right contains 'Get a Quote', 'Order MI', and 'Service Loans'.



# THANK YOU

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