

Publication 334

Tax Guide for Small Business (For Individuals Who Use Schedule C)

For use in preparing

2023 Returns

Volume 1 of 4



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Contents	Regular Page	Large Print Page
What's New for 2023	4	20
What's New for 2024	4	22
Reminder	4	23
Photographs of Missing Children	5	28
Chapter 1. Filing and Paying Business Taxes	5	29
Identification Numbers	6	31
Income Tax	6	36
Self-Employment (SE) Tax	9	51
Employment Taxes	10	57
Excise Taxes	10	61
Information Returns	11	63

Chapter 2. Accounting Periods and Methods	12	71
Accounting Periods	12	72
Accounting Methods	13	75
Chapter 3. Dispositions of Business Property	16	100
What Is a Disposition of Property?	17	101
How Do I Figure a Gain or Loss?	17	105
Where Do I Report Gains and Losses?	18	110
Chapter 4. General Business Credits	18	111
Business Credits	18	112
How To Claim the Credit	20	119

Chapter 5. Business Income	20	119
Kinds of Income	20	122
Items That Are Not Income	24	148
Guidelines for Selected Occupations	25	152
Accounting for Your Income	26	162
Chapter 6. How To Figure Cost of Goods Sold	27	167
Figuring Cost of Goods Sold on Schedule C, Lines 35 Through 42	27	168
Chapter 7. Figuring Gross Profit	29	179
Items To Check	29	185

Testing Gross Profit Accuracy	30	187
Additions to Gross Profit	30	189
Chapter 8. Business Expenses	30	189
Bad Debts	30	191
Car and Truck Expenses	31	194
Depreciation	32	202
Employees' Pay	33	207
Insurance	33	211
Interest	34	217
Legal and Professional Fees	35	220
Pension Plans	35	221
Rent Expense	35	223
Taxes	36	224

Travel and Meals	36	229
Business Use of Your Home	37	232
Other Expenses You Can Deduct	38	241
Expenses You Cannot Deduct	38	243
Chapter 9. Figuring Net Profit or Loss	39	244
Net Operating Losses (NOLs)	39	246
Not-for-Profit Activities	39	247
Chapter 10. Self-Employment (SE) Tax	39	248
Who Must Pay SE Tax?	39	248
Reporting SE Tax	43	274

Chapter 11. Your Rights as a Taxpayer	43	276
Examinations, Appeals, Collections, and Refunds	44	276
How To Get Tax Help	45	284
Chapter 12. How To Get More Information	45	284
Small Business Administration	48	308
Other Federal Agencies	49	309
Index	50	311

Future Developments

For the latest information about developments related to Pub. 334, such as legislation enacted after it was published, go to *IRS.gov/Pub334*.

Introduction

This publication provides general information about the federal tax laws that apply to you if you are a self-employed person or a statutory employee. This publication has information on business income, expenses, and tax credits that may help you, as a small business owner, file your income tax return.

This publication does not cover the topics listed in the following table.

IF you need information about:	THEN you should see:
Corporations	Pub. 542
Farming.....	Pub. 225
Fishermen (Capital Construction Fund)...	Pub. 595

International business.....	<i>IRS.gov/ International</i>
Partnerships.....	Pub. 541
Passive activities.....	Pub. 925
Recordkeeping and starting a business...	Pub. 583
Rental.....	Pub. 527
S corporations.....	Instructions for Form 1120-S

Are You Self-Employed?

You are a self-employed person if you carry on a trade or business as a sole proprietor or an independent contractor.



You do not have to carry on regular full-time business activities to be self-employed. Having a part-time business in addition to your regular job or business may be self-employment.

Trade or business. A trade or business is generally an activity carried on to make a profit. The facts and circumstances of each case determine whether or not an activity is a trade or business. You do not need to actually make a profit to be in a trade or business as long as you have a profit motive. You do need to make ongoing efforts to further the interests of your business.

Limited liability company (LLC). An LLC is an entity formed under state law by filing articles of organization. Generally, for income tax purposes, a single-member LLC is disregarded as an entity separate from its owner and reports its income and deductions on its owner's federal income tax return. For example, if the single-member LLC is not

engaged in farming and the owner is an individual, they may use Schedule C.

Sole proprietor. A sole proprietor is someone who owns an unincorporated business by themselves. You are also a sole proprietor for income tax purposes if you are an individual and the sole member of a domestic LLC unless you elect to have the LLC treated as a corporation.

Independent contractor. People such as doctors, dentists, veterinarians, lawyers, accountants, contractors, subcontractors, public stenographers, or auctioneers who are in an independent trade, business, or profession in which they offer their services to the general public are generally independent contractors. However, whether they are independent contractors or employees depends on the facts in each case. The general rule is that an individual is an independent contractor if the person paying for the work has the right to control or to

direct only the result of the work and not how it will be done. The earnings of a person who is working as an independent contractor are subject to self-employment tax. For more information on determining whether you are an employee or independent contractor, see Pub. 15-A, Employer's Supplemental Tax Guide.

Are You a Statutory Employee?

A statutory employee has a checkmark in box 13 of their Form W-2, Wage and Tax Statement. Statutory employees use Schedule C to report their wages and expenses.

Business Owned and Operated by Spouses

If you and your spouse jointly own and operate an unincorporated business and share in the profits and losses, you are partners in a partnership, whether or not you have a formal partnership agreement. Do not use

Schedule C. Instead, file Form 1065, U.S. Return of Partnership Income. For more information, see Pub. 541, Partnerships.

Exception—Community income. If you and your spouse wholly own an unincorporated business as community property under the community property laws of a state, foreign country, or U.S. territory, you can treat the business either as a sole proprietorship or a partnership. States with community property laws include Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. A change in your reporting position will be treated as a conversion of the entity. See Pub. 555 for more information about community property laws.

Exception—Qualified joint venture (QJV). If you and your spouse each materially participate as the only members of a jointly owned and operated business, and you file a joint return for the tax year, you can make a

joint election to be treated as a QJV instead of a partnership for the tax year. Making this election will allow you to avoid the complexity of Form 1065 but still give each spouse credit for social security earnings on which retirement benefits are based. For an explanation of "material participation," see the instructions for Schedule C (Form 1040), line G.



Only businesses that are owned and operated by spouses as co-owners (and not in the name of a state law entity) qualify for the election. Thus, a business owned and operated by spouses through an LLC does not qualify for the election of a QJV.

To make this election, you must divide all items of income, gain, loss, deduction, and credit attributable to the business between you and your spouse in accordance with your respective interests in the venture. Each of you must file a separate Schedule C and a

separate Schedule SE. For more information, see *Qualified Joint Ventures* in the Instructions for Schedule SE.

Additional Information

What you need to know. Table A provides a list of questions you need to answer to help you meet your federal tax obligations. After each question is the location in this publication where you will find the related discussion.

The IRS mission. Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

Comments and suggestions. We welcome your comments about this publication and suggestions for future editions.

Table A. **What You Need To Know About Federal Taxes**

(**Note.** The following is a list of questions you may need to answer so you can fill out your federal income tax return. Chapters are given to help you find the related discussion in this publication.)

What must I know?	Where to find the answer
What kinds of federal taxes do I have to pay? How do I pay them?	See chapter 1 .
What forms must I file?	See chapter 1 .
What must I do if I have employees?	See Employment Taxes in chapter 1.
Do I have to start my tax year in January, or can I start it in any other month?	See Accounting Periods in chapter 2.
What method can I use to account for my income and expenses?	See Accounting Methods in chapter 2.
What must I do if I disposed of business property during the year?	See chapter 3 .
What kinds of business income do I have to report on my tax return?	See chapter 5 .
What kinds of business expenses can I deduct on my tax return?	See Business Expenses in chapter 8.
What kinds of expenses are not deductible as business expenses?	See Expenses You Cannot Deduct in chapter 8.
What happens if I have a business loss? Can I deduct it?	See chapter 9 .
What are my rights as a taxpayer?	See chapter 11 .
Where do I go if I need help with federal tax matters?	See chapter 12 .

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You can send us comments through [IRS.gov/FormComments](https://www.irs.gov/FormComments). Or, you can write to the Internal Revenue Service, Tax Forms and Publications, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224.

Although we can't respond individually to each comment received, we do appreciate your feedback and will consider your comments and suggestions as we revise our tax forms, instructions, and publications.

Don't send tax questions, tax returns, or payments to the above address.

Getting answers to your tax questions. If you have a tax question not answered by this publication or the *How To Get Tax Help* section at the end of this publication, go to the IRS Interactive Tax Assistant page at [IRS.gov/ Help/ITA](https://www.irs.gov/Help/ITA) where you can find topics by using the search feature or viewing the categories listed.

Getting tax forms, instructions, and publications. Go to [IRS.gov/Forms](https://www.irs.gov/forms) to download current and prior-year forms, instructions, and publications.

Ordering tax forms, instructions, and publications. Go to [IRS.gov/OrderForms](https://www.irs.gov/orderforms) to order current forms, instructions, and publications; call 800-829-3676 to order prior-year forms and instructions. The IRS will process your order for forms and publications as soon as possible. **Don't** resubmit requests you've already sent us. You can get forms and publications faster online.

What's New for 2023

The following are some of the tax changes for 2023.

Maximum net earnings. The maximum net self-employment earnings subject to the social security part of the self-employment tax is \$160,200 for 2023. There is no

maximum limit on earnings subject to the Medicare part.

Standard mileage rate. For 2023, the standard mileage rate for the cost of operating your car, van, pickup, or panel truck for each mile of business use during 2023 increased to 65.5 cents a mile.

For more information, see *Car and Truck Expenses* in chapter 8.

Redesigned Form 1040-SS. For 2023, Schedule(s) C and SE (Form 1040) are available to be filed with Form 1040-SS, if applicable. For additional information, see the Instructions for Form 1040-SS.

Bonus depreciation. The bonus depreciation deduction under section 168(k) begins its phaseout in 2023 with a reduction of the applicable limit from 100% to 80%.

Form 7205, Energy efficient commercial buildings deduction. This form and its separate instructions are used to claim the

section 179D deduction for qualifying energy efficient commercial building expenses that are now reported on new line 27b of Schedule C (Form 1040). See Form 7205 and its instructions for more information.

Commercial clean vehicle credit.

Businesses that buy a qualified commercial clean vehicle may qualify for a clean vehicle tax credit. See Form 8936 and its instructions for more information.

Business meal expense. The temporary 100% deduction for business meal expense has expired. The business meal deduction reverts back to the previous 50% allowable deduction beginning January 1, 2023. See *Meals and lodging*, later, for more information.

What's New for 2024

The following are some of the tax changes for 2024. For information on other changes, go to [IRS.gov](https://www.irs.gov).

Maximum net earnings. The maximum net self-employment earnings subject to the social security part of the self-employment tax is \$168,600 for 2024.

Standard mileage rate. For 2024, the standard mileage rate for the cost of operating your car, van, pickup, or panel truck for each mile of business use is 67 cents a mile.

Reminders

Excess business loss limitation. Your loss from a trade or business may be limited. Use Form 461 to determine the amount of your excess business loss, if any. Your excess business loss will be included as income on line 8p of Schedule 1 (Form 1040) and treated as a net operating loss (NOL) that you must carry forward and deduct in a subsequent tax year.

For more information about the excess business loss limitation, see Form 461 and its instructions.

Qualified paid sick leave and qualified paid family leave payroll tax credit.

Generally, the credit for qualified sick and family leave wages, as enacted under the Families First Coronavirus Response Act (FFCRA) and amended and extended by the COVID-related Tax Relief

Act of 2020, for leave taken after March 31, 2020, and before April 1, 2021, and the credit for qualified sick and family leave wages under sections 3131, 3132, and 3133 of the Internal Revenue Code, as enacted under the American Rescue Plan Act of 2021 (the ARP), for leave taken after March 31, 2021, and before October 1, 2021, have expired.

However, employers that pay qualified sick and family leave wages in 2023 for leave taken after March 31, 2020, and before October 1, 2021, are eligible to claim a credit

for qualified sick and family leave wages in the quarter of 2023 in which the qualified wages were paid. For more information, see Form 941, lines 11b, 11d, 13c, and 13e; and Form 944, lines 8b, 8d, 10d, and 10f. You must include the full amount (both the refundable and nonrefundable portions) of the credit for qualified sick and family leave wages in gross income on line 3 or 4, as applicable, for the tax year that includes the last day of any calendar quarter with respect to which a credit is allowed.

Note. A credit is available only if the leave was taken after March 31, 2020, and before October 1, 2021, and only after the qualified leave wages were paid, which might, under certain circumstances, not occur until a quarter after September 30, 2021, including qualifying quarterly payments made during 2023. Accordingly, all lines related to qualified sick and family leave wages remain on the employment tax returns for 2023.

Reportable transactions. You must file Form 8886, Reportable Transaction Disclosure Statement, to report certain transactions. You may have to pay a penalty if you are required to file Form 8886 but do not do so. You may also have to pay interest and penalties on any reportable transaction understatements. Reportable transactions include:

1. Transactions the same as or substantially similar to tax avoidance transactions identified by the IRS;
2. Transactions offered to you under conditions of confidentiality for which you paid an advisor a minimum fee;
3. Transactions for which you have, or a related party has, contractual protection against disallowance of the tax benefits;
4. Transactions that result in losses of at least \$2 million in any single tax year

(\$50,000 if from certain foreign currency transactions) or \$4 million in any combination of tax years; and

5. Transactions the same as or substantially similar to one of the types of transactions the IRS has identified as a transaction of interest.

For more information, see the Instructions for Form 8886 or [*Abusive Tax Shelters and Transactions.*](#)

Small Business and Self-Employed (SB/SE) Tax Center. Do you need help with a tax issue or preparing your return, or do you need a free publication or form? The SB/SE Tax Center serves taxpayers who file Form 1040; Form 1040-SR; Schedule C, E, or F; or Form 2106, as well as small business taxpayers with assets under \$10 million. For additional information, go to the SB/SE Tax Center at [*IRS.gov/Businesses/Small.*](https://www.irs.gov/Businesses/Small)

Gig Economy Tax Center. The gig (or on-demand, sharing, or access) economy refers to an area of activity where people earn income providing on-demand work, services, or goods. Go to [IRS.gov/Gig](https://www.irs.gov/Gig) to get more information about the tax consequences of participating in the gig economy.

Photographs of Missing Children

The Internal Revenue Service is a proud partner with the [National Center for Missing & Exploited Children® \(NCMEC\)](https://www.fbi.gov/ncmec). Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

1.

Filing and Paying Business Taxes

Introduction

This chapter explains the business taxes you may have to pay and the forms you may have to file. It also discusses taxpayer identification numbers (TINs).

Table 1-1 lists the benefits of filing electronically.

Table 1-2 lists the federal taxes you may have to pay, their due dates, and the forms you use to report them.

Table 1-3 provides checklists that highlight the typical forms and schedules you may need to file if you ever go out of business.



You may want to get Pub. 509, Tax Calendars. It has tax calendars that tell you when to file returns and make tax payments.

Useful Items

You may want to see:

Publication

- ☐ **505** Tax Withholding and Estimated Tax
- ☐ **583** Starting a Business and Keeping Records

Form (and Instructions)

- ☐ **461** Limitation on Business Losses
- ☐ **1040** U.S. Individual Income Tax Return
- ☐ **1040-SR** U.S. Tax Return for Seniors
- ☐ **1040-ES** Estimated Tax for Individuals

- ❑ **7205** Energy Efficient Commercial Buildings Deduction
- ❑ **Sch C (Form 1040)** Profit or Loss From Business
- ❑ **Sch SE (Form 1040)** Self-Employment Tax

See chapter 12 for information about getting publications and forms.

Identification Numbers

This section explains three types of TINs, who needs them, when to use them, and how to get them.

Social security number (SSN). Generally, use your SSN as your TIN. You must put this number on each of your individual income tax forms, such as Form 1040 and its schedules.

To apply for an SSN, use **Form SS-5**, Application for a Social Security Card. This form is available at Social Security Administration (SSA) offices or by calling

800-772-1213. It is also available from the SSA website at [SSA.gov/forms/ss-5](https://www.ssa.gov/forms/ss-5).

Individual taxpayer identification number (ITIN). The

IRS will issue an ITIN if you are a nonresident or resident alien and you do not have and are not eligible to get an SSN. The ITIN will expire for any taxpayer who does not file a federal income tax return (or who is not included as a dependent on the return of another taxpayer) for 3 consecutive years. In general, if you need to obtain an ITIN, you must attach **Form W-7**, Application for IRS Individual Taxpayer Identification Number, with your signed, original, completed tax return and any other required documentation and mail them to the address in the Instructions for Form W-7. Exceptions are covered in the instructions. If you must include another person's SSN on your return and that person does not have and cannot get an SSN, enter that person's ITIN. The

application is also available in Spanish. The form is available at [IRS.gov/FormW7](https://www.irs.gov/FormW7).



An ITIN is for tax use only. It does not entitle the holder to social security benefits or change the holder's employment or immigration status.

Employer identification number (EIN).

You must also have an EIN to use as a TIN if you do either of the following.

- Pay wages to one or more employees.
- File pension or excise tax returns.

If you must have an EIN, include it along with your SSN on your Schedule C as instructed.

You can apply for an EIN:

- Online by clicking on the Employer ID Numbers (EINs) link at [IRS.gov/EIN](https://www.irs.gov/EIN) as long as the principal business location is in the United States or U.S. territories—the EIN is issued immediately once the application information is validated;

- By telephone at 267-941-1099 (not a toll-free number) **only** if the principal business is located outside the United States or U.S. territories; or
- By mailing or faxing **Form SS-4**, Application for Employer Identification Number.

New EIN. You may need to get a new EIN if either the form or the ownership of your business changes. For more information, see Pub. 1635, Understanding Your EIN.

When you need identification numbers of other persons. In operating your business, you will probably make certain payments you must report on information returns. These payments are discussed under Information Returns, later in this chapter. You must give the recipient of these payments (the payee) a statement showing the total amount paid during the year. You must include the payee's identification number and your identification number on the returns and statements.

Employee. If you have employees, you must get an SSN from each of them. Record the name and SSN of each employee exactly as they are shown on the employee's social security card. If the employee's name is not correct as shown on the card, the employee should request a new card from the SSA. This may occur if the employee's name was changed due to marriage or divorce.

Form W-4, Employee's Withholding Allowance Certificate, is completed by each employee so the correct federal income tax can be withheld from their pay.

If your employee does not have an SSN, they should file Form SS-5 with the SSA.

Other payee. If you make payments to someone who is not your employee and you must report the payments on an information return, get that person's SSN. If you must report payments to an organization, such as a corporation or partnership, you must get its EIN.

To get the payee's SSN or EIN, use **Form W-9**, Request for Taxpayer Identification Number and Certification.

A payee who does not provide you with an identification number may be subject to backup withholding. For information on backup withholding, see the Instructions for the Requester of Form W-9 and the General Instructions for Certain Information Returns.

Income Tax

This part explains whether you have to file an income tax return and when you file it. It also explains how you pay the tax.

Do I Have To File an Income Tax Return?

You have to file an income tax return for 2023 if your net earnings from self-employment were \$400 or more. If your net earnings from self-employment were less than \$400, you still have to file an income tax return if you

meet any other filing requirement listed in the Instructions for Form 1040.

How Do I File?

File your income tax return on **Form 1040** or **1040-SR** and attach **Schedule C**. Enter the net profit or loss from Schedule C on Schedule 1 (Form 1040). Use Schedule C to figure your net profit or loss from your business. If you operated more than one business as a sole proprietorship, you must attach a separate Schedule C for each business.



IRS *e-file* (Electronic Filing)

You may be able to file your tax returns electronically using an IRS *e-file* option. Table 1-1 lists the benefits of IRS *e-file*. IRS *e-file* uses automation to replace most of the manual steps needed to process paper returns. As a result, the processing of IRS *e-file* returns is faster and more accurate than

the processing of paper returns. As with a paper return, you are responsible for making sure your return contains accurate information and is filed on time.

Using IRS *e-file* does not affect your chances of an IRS examination of your return.

You can file most commonly used business forms using IRS *e-file*. For more information, go to [IRS.gov](https://www.irs.gov).

Electronic signatures. Paperless filing is easier than you think and it's available to most taxpayers who file electronically—including those first-time filers who were 16 or older at the end of 2023. If you file electronically using tax preparation software or a tax professional, you will sign your return using the Self-Select PIN (personal identification number) Method for IRS *e-file*. If you are married filing jointly, you and your spouse will each need to create a PIN and enter these PINs as your electronic signatures.

To create a PIN, you must know your adjusted gross income (AGI) from your originally filed 2022 income tax return (not from an amended return, Form 1040-X, or after receiving any math error notice from the IRS). You will also need to provide your date of birth (DOB). Make sure your DOB is accurate and matches the information on record with the SSA before you *e-file*. To do this, check your annual Social Security Statement.

With a Self-Select PIN, there is nothing to sign and nothing to mail—not even your Form(s) W-2. For more details on the Self-Select PIN Method, go to [IRS.gov](https://www.irs.gov).

State returns. In most states, you can file an electronic state return simultaneously with your federal return. For more information, check with your state tax agency, tax professional, or [IRS.gov](https://www.irs.gov).

Refunds. You can have your refund check mailed to you, or you can have your refund deposited directly to your checking or savings account.

With IRS *e-file*, your refund will be issued in half the time as when filing on paper. Most refunds are issued in less than 21 days.

Offset against debts. As with a paper return, you may not get all of your refund if you owe certain past-due amounts, such as federal tax, state tax, a student loan, or child support. You will be notified if the refund you claimed has been offset against your debts.

Refund inquiries. You can check the status of your refund if it has been at least 24 hours (4 weeks if you mailed a paper return) from the date you filed your return. Be sure to have a copy of your tax return available because you will need to know the filing status, the first SSN shown on the return, and the exact whole-dollar amount of the refund.

To check on your refund, do one of the following.

- Go to [IRS.gov/Refunds](https://www.irs.gov/Refunds).
- Download the free IRS2Go app to your smart phone and use it to check your refund status.
- Call 800-829-1954 for automated refund information, and follow the recorded instructions.

The IRS can't issue refunds before mid-February 2024 for returns that claimed the earned income credit or the additional child tax credit. This applies to the entire refund, not just the portion associated with these credits.

Balance due. If your return shows that you owe tax, you must pay it by the due date of your return (without regard to any extension to file) to avoid late-payment penalties and interest. For calendar year 2023, pay by April 15, 2024. You have many options for making

your payment, including by scheduling an electronic funds withdrawal from your checking or savings account or by debit or credit card. For more information about your payment options, go to [IRS.gov/Payments](https://www.irs.gov/Payments).

Using an Authorized IRS *e-file* Provider

Many tax professionals can electronically file paperless returns for their clients. You have two options.

1. You can prepare your return, take it to an authorized IRS *e-file* provider, and have the provider transmit it electronically to the IRS.
2. You can have an authorized IRS *e-file* provider prepare your return and transmit it for you electronically.

You will be asked to complete Form 8879, IRS *e-file* Signature Authorization, to authorize the provider to enter your self-selected PIN on your return.

Depending on the provider and the specific services requested, a fee may be charged. To find an authorized IRS *e-file* provider near you, go to [IRS.gov/efile/Providers](https://www.irs.gov/efile/providers).

Using Your Personal Computer

A computer with Internet access is all you need to file your tax return using IRS *e-file*. When you use your personal computer, you can *e-file* your return from your home any time of the day or night. Sign your return electronically using a self-selected PIN to complete the process. There is no signature form to submit or Forms W-2 to send in.

Free software options for doing your taxes. If your AGI was \$79,000 or less in 2023, you can use free tax software to prepare and *e-file* your tax return.

Free File. This public-private partnership, between the IRS and tax software providers, makes approximately a dozen brand-name commercial software products and *e-file*

available for free. Just go to [IRS.gov/FreeFile](https://www.irs.gov/FreeFile) for details. You can review each software provider's criteria for free usage or use an online tool to find which free software products match your situation. Some software providers offer state tax return preparation for free.

Free File Fillable Forms. The IRS also offers electronic versions of IRS paper forms that can also be *e-filed* for free. Free File Fillable Forms is best for people experienced in preparing their own tax returns. There is no income limitation to using these forms. Free File Fillable Forms does basic math calculations. It supports only federal tax forms.

Table 1-1. **Benefits of IRS e-file**

Accuracy	<ul style="list-style-type: none">• Your chance of getting an error notice from the IRS is significantly reduced.
Security	<ul style="list-style-type: none">• Your privacy and security are assured.
Electronic signatures	<ul style="list-style-type: none">• Create your own personal identification number (PIN) and file a completely paperless return through your tax preparation software or tax professional. There is nothing to mail.
Proof of acceptance	<ul style="list-style-type: none">• You receive an electronic acknowledgment within 48 hours that the IRS has accepted your return for processing.
Fast refunds	<ul style="list-style-type: none">• You get your refund faster with direct deposit.
Free Internet filing options	<ul style="list-style-type: none">• Use IRS.gov to access commercial tax preparation and <i>e-file</i> services available at no cost to eligible taxpayers.
Electronic payment options	<ul style="list-style-type: none">• Convenient, safe, and secure electronic payment options are available. <i>E-file</i> and pay your taxes in a single step. Schedule direct payment from your checking or savings account (up to and including April 15, 2024) or pay by debit or credit card.
Federal/State filing	<ul style="list-style-type: none">• Prepare and file your federal and state tax returns together and double the benefits you get from <i>e-file</i>.

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Filing Through Employers and Financial Institutions

Some businesses offer free *e-file* to their employees, members, or customers. Others offer it for a fee. Ask your employer or financial institution if they offer IRS *e-file* as an employee, member, or customer benefit.

Free Help With Your Return

Free help in preparing your return is available nationwide from IRS-trained volunteers. The Volunteer Income Tax Assistance (VITA) program is designed to help low-income taxpayers, and the Tax Counseling for the Elderly (TCE) program is designed to assist taxpayers age 60 or older with their tax returns. Some locations offer free electronic filing.

When Is My Tax Return Due?

For calendar year 2023, Form 1040 or 1040-SR is due by April 15, 2024. If you use a fiscal year (explained in chapter 2), your

return is due by the 15th day of the 4th month after the end of your fiscal year. If you file late, you may have to pay penalties and interest.

If you cannot file your return on time, use **Form 4868**, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return, to request an automatic 6-month extension. For calendar year taxpayers, this will extend the tax filing due date until October 15. Filing an extension does not extend the time to pay your taxes, only the time to file the tax return.

How Do I Pay Income Tax?

Federal income tax is a pay-as-you-go tax. You must pay it as you earn or receive income during the year. An employee usually has income tax withheld from their pay. If you do not pay your tax through withholding, or do not pay enough tax that way, you might have to pay estimated tax.

Estimated tax payments. You generally have to make estimated tax payments if you expect to owe taxes, including self-employment tax (discussed later), of \$1,000 or more when you file your return. Use **Form 1040-ES** to figure and pay the tax. If you do not have to make estimated tax payments, you can pay any tax due when you file your return. For more information on estimated tax, see Pub. 505.

What are my options for paying estimated tax? You can pay your estimated tax electronically using various options. If you pay electronically, there is no need to mail in Form 1040-ES payment vouchers. These options include:

1. Paying electronically through the Electronic Federal Tax Payment System (EFTPS),
2. Paying with Direct Pay by authorizing an electronic funds withdrawal when

you file Form 1040 or 1040-SR electronically, or

3. Paying by credit or debit card over the phone or by Internet.

Other options include crediting an overpayment from your 2022 return to your 2023 estimated tax, or mailing a check or money order with a Form 1040-ES payment voucher.

EFTPS.

1. To enroll in EFTPS, go to [EFTPS.gov](https://eftps.gov) or call 800-555-4477.
2. When you request a new EIN, you may be automatically enrolled in EFTPS.
3. Benefits of EFTPS include the following.
 - a. The chance of an error in making your payments is reduced.

- b. You receive immediate confirmation of every transaction.

Penalty for underpayment of tax. If you did not pay enough income tax and self-employment tax for 2023 by withholding or by making estimated tax payments, you may have to pay a penalty on the amount not paid. The IRS will figure the penalty for you and send you a bill. Or you can use **Form 2210**, Underpayment of Estimated Tax by Individuals, Estates, and Trusts, to see if you have to pay a penalty and to figure the penalty amount. For more information, see Pub. 505.

Self-Employment (SE) Tax

SE tax is a social security and Medicare tax primarily for individuals who work for themselves. It is similar to the social security and Medicare taxes withheld from the pay of most wage earners.



If you earned income as a statutory employee, you do not pay SE tax on that income. Social security and Medicare taxes should have already been withheld from those earnings.

Social security coverage. Social security benefits are available to self-employed persons just as they are to wage earners. Your payments of SE tax contribute to your coverage under the social security system. Social security coverage provides you with retirement benefits, disability benefits, survivor benefits, and hospital insurance (Medicare) benefits.



Be sure to report all of your self-employment income. By not reporting all of it, you could cause your social security benefits to be lower when you retire.

How to become insured under social security. You must be insured under the social security system before you begin receiving social security benefits. You are

insured if you have the required number of credits (also called quarters of coverage), discussed next.

Earning credits in 2023 and 2024. For 2023, you received one credit, up to a maximum of four credits, for each \$1,640 (\$1,730 for 2024) of income subject to social security tax. Therefore, for 2023, if you had income (self-employment and wages) of \$6,560 that was subject to social security tax, you received four credits ($\$6,560 \div \$1,640$).

For an explanation of the number of credits you must have to be insured and the benefits available to you and your family under the social security program, consult your nearest SSA office.



Making false statements to get or to increase social security benefits may subject you to penalties.

The SSA time limit for posting self-employment income. Generally, the SSA will give you credit only for self-employment income reported on a tax return filed within 3 years, 3 months, and 15 days after the tax year you earned the income. If you file your tax return or report a change in your self-employment income after this time limit, the SSA may change its record but only to remove or reduce the amount. The SSA will not change its records to increase your self-employment income.

Who must pay SE tax. You must pay SE tax and file Schedule SE (Form 1040) if either of the following applies.

1. Your net earnings from self-employment (excluding church employee income) were \$400 or more.
2. You had church employee income of \$108.28 or more.



The SE tax rules apply no matter how old you are and even if you are already receiving social security or Medicare benefits.

SE tax rate. The SE tax rate on net earnings is 15.3% (12.4% social security tax plus 2.9% Medicare tax).

Maximum earnings subject to SE tax.

Only the first \$160,200 of your combined wages, tips, and net earnings in 2023 is subject to any combination of the 12.4% social security part of SE tax, social security tax, or the Tier 1 part of railroad retirement tax.

All your combined wages, tips, and net earnings in 2023 are subject to any combination of the 2.9% Medicare part of SE tax, Medicare tax, or Medicare part of railroad retirement tax.

If wages and tips you receive as an employee are subject to either social security tax or the Tier 1 part of railroad retirement tax, or both, and total at least \$160,200, do not pay the 12.4% social security part of the SE tax on any of your net earnings. However, you must pay the 2.9% Medicare part of the SE tax on all your net earnings.



Deduct one-half of your SE tax as an adjustment to income on line 15 of Schedule 1 (Form 1040).

Additional Medicare Tax. A 0.9% Additional Medicare Tax may apply to you if your net earnings from self-employment exceed one of the following threshold amounts (based on your filing status).

- Married filing jointly—\$250,000
- Married filing separately—\$125,000
- Single, Head of household, or Qualifying surviving spouse—\$200,000

If you have both wages and self-employment income, the threshold amount for applying the Additional Medicare Tax on the self-employment income is reduced (but not below zero) by the amount of wages subject to Additional

Employment Taxes

If you have employees, you will need to file forms to report employment taxes.

Employment taxes include the following items.

- Social security and Medicare taxes.
- Federal income tax withholding.
- Federal unemployment tax (FUTA).

For more information, see Pub. 15 (Circular E), Employer's Tax Guide. That publication explains your tax responsibilities as an employer.



Do not reduce your deduction for social security and Medicare taxes by the nonrefundable and refundable portions of the FFCRA and ARP of 2021 credits for qualified sick and family leave wages claimed on an employment tax return. Instead, report the credits as income.

To help you determine whether the people working for you are your employees, see Pub. 15-A. That publication has information to help you determine whether an individual is an independent contractor or an employee.



If you incorrectly classify an employee as an independent contractor, you may be held liable for employment taxes for that worker plus a penalty.

An independent contractor is someone who is self-employed. You generally do not have to withhold or pay any taxes on payments made to an independent contractor.

Table 1-2. **Which Forms Must I File?**

IF you are liable for...	THEN use Form...	DUE by... ¹
Income tax	1040, or 1040-SR, and Schedule C ²	15th day of 4th month after end of tax year.
Self-employment tax	Schedule SE	File with Form 1040, Form 1040-SR, or 1040-SS.
Estimated tax	1040-ES	15th day of 4th, 6th, and 9th months of tax year, and 15th day of 1st month after the end of tax year.
Social security and Medicare taxes and income tax withholding	941 or 944	April 30, July 31, October 31, and January 31. ³ See Pub. 15.
Providing information on social security and Medicare taxes and income tax withholding	W-2 (to employee) W-2 and W-3 (to the SSA)	January 31. ³ January 31. ³
Federal unemployment tax (FUTA)	940	January 31. ³ April 30, July 31, October 31, and January 31, but only if the liability for unpaid tax is more than \$500.
Filing information returns for payments to nonemployees and transactions with other persons	See Information Returns	Forms 1099—to the recipient by January 31 and to the IRS by February 28 (March 31 if filing electronically). ⁴ Other forms—see the General Instructions for Certain Information Returns.
Excise tax	See Excise Taxes	See the instructions for the forms.

¹ If a due date falls on a Saturday, Sunday, or legal holiday, file by the next day that is not a Saturday, Sunday, or legal holiday. For more information, see Pub. 509.

² File a separate schedule for each business.

³ See the form instructions if you go out of business, change the form of your business, or stop paying wages.

⁴ Form 1099-NEC—to the IRS by January 31 (even if filing electronically) if you are reporting nonemployee compensation.

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Excise Taxes

This section identifies some of the excise taxes you may have to pay and the forms you have to file if you do any of the following.

- Manufacture or sell certain products.
- Operate certain kinds of businesses.
- Use various kinds of equipment, facilities, or products.
- Receive payment for certain services.

For more information on excise taxes, see Pub. 510, Excise Taxes.

Form 720. The federal excise taxes reported on Form 720, Quarterly Federal Excise Tax Return, consist of several broad categories of taxes, including the following.

- Environmental taxes on the sale or use of ozone-depleting chemicals and imported products containing or manufactured with these chemicals.

- Communications and air transportation taxes.
- Fuel taxes.
- Tax on the first retail sale of heavy trucks, trailers, and tractors.
- Manufacturer's taxes on the sale or use of a variety of different articles.
- Tax on indoor tanning services.

Form 2290. There is a federal excise tax on the use of certain trucks, truck tractors, and buses on public highways. The tax applies to vehicles having a taxable gross weight of 55,000 pounds or more. Report the tax on Form 2290, Heavy Highway Vehicle Use Tax Return. For more information, see the Instructions for Form 2290.

Depositing excise taxes. If you have to file a quarterly excise tax return on Form 720, you may have to deposit your excise taxes before the return is due. For details on

depositing excise taxes, see the Instructions for Form 720.

Information Returns

If you make or receive payments in your business, you may have to report them to the IRS on information returns. The IRS compares the payments shown on the information returns with each person's income tax return to see if the payments were included in income. You must give a copy of each information return you are required to file to the recipient or payer. In addition to the forms described below, you may have to use other returns to report certain kinds of payments or transactions. For more details on information returns and when you have to file them, see the General Instructions for Certain Information Returns.

Form 1099-MISC. Use Form 1099-MISC, Miscellaneous Information, to report certain payments you make in your business. These payments include the following items.

- Rent payments of \$600 or more, other than rents paid to real estate agents.
- Prizes and awards of \$600 or more that are not for services, such as winnings on TV or radio shows.
- Royalty payments of \$10 or more.
- Payments to certain crew members by owners or operators of fishing boats.
- Amounts paid for the purchase of fish for resale from any person engaged in the business of catching fish.

You also use Form 1099-MISC to report your sales of \$5,000 or more of consumer products to a person for resale anywhere other than in a permanent retail establishment.

Form 1099-NEC. File Form 1099-NEC, Nonemployee Compensation, for each person in the course of your business to whom you have paid at least \$600 during the year in:

- Services performed by someone who is not your employee (including parts and materials) (box 1),
- Cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish (box 1), or
- Payments to an attorney (box 1).

You must also file Form 1099-NEC for each person from whom you have withheld any federal income tax (report in box 4) under the backup withholding rules regardless of the amount of the payment.



If you use Form 1099-NEC to report sales totaling \$5,000 or more of consumer products, then you are required to file Form 1099-NEC with the IRS by January 31.

Form W-2. You must file Form W-2 to report payments to your employees, such as wages, tips, and other compensation; and withheld income, social security, and Medicare taxes. You can file Form W-2 online. For more information about Form W-2, see the General Instructions for Forms W-2 and W-3.

Penalties. The law provides for the following penalties if you do not file Form(s) 1099-MISC, Form(s) 1099-NEC, or Form(s) W-2 or do not correctly report the information. For more information, see the General Instructions for Certain Information Returns.

- Failure to file information returns. This penalty applies if you do not file information returns by the due date, do

not include all required information, or report incorrect information.

- Failure to furnish correct payee statements. This penalty applies if you do not furnish a required statement to a payee by the required date, do not include all required information, or report incorrect information.

Waiver of penalties. These penalties will not apply if you can show that the failure was due to reasonable cause and not willful neglect.

In addition, there is no penalty for failure to include all required information, or for including incorrect information, on a de minimis (small) number of information returns if you correct the errors by August 1 of the year the returns are due. (A de minimis number of returns is the greater of 10 or $\frac{1}{2}$ of 1% of the total number of returns you are required to file for the year.)

Form 8300. You must file Form 8300, Report of Cash Payments Over \$10,000 Received in a Trade or Business, if you receive more than \$10,000 in cash in one transaction, or two or more related business transactions. Cash includes U.S. and foreign coin and currency. It also includes certain monetary instruments such as cashier's and traveler's checks and money orders. Cash does not include a check drawn on an individual's personal account (personal check). For more information, see Pub. 1544, Reporting Cash Payments of Over \$10,000.

Penalties. There are civil and criminal penalties, including up to 5 years in prison, for not filing Form 8300, filing (or causing the filing of) a false or fraudulent Form 8300, or structuring a transaction to evade reporting requirements.

Table 1-3. **Going Out of Business Checklists**

(**Note.** The following checklists highlight the typical final forms and schedules you may need to file if you ever go out of business. For more information, see the instructions for the listed forms.)

IF you are liable for...	THEN you may need to...
Income tax	<div><input type="checkbox"/> File Schedule C with your Form 1040 or 1040-SR for the year in which you go out of business.</div> <div><input type="checkbox"/> File Form 4797 with your Form 1040 or 1040-SR for each year in which you sell or exchange property used in your business or in which the business use of certain section 179 or listed property drops to 50% or less.</div> <div><input type="checkbox"/> File Form 8594 with your Form 1040 or 1040-SR if you sold your business.</div>
SE tax	<div><input type="checkbox"/> File Schedule SE with your Form 1040 or 1040-SR for the year in which you go out of business.</div>
Employment taxes	<div><input type="checkbox"/> File Form 941 for the calendar quarter (or Form 944 for the year) in which you make final wage payments. Note. Do not forget to check the box and enter the date final wages were paid on line 17 of Form 941 or line 14 of Form 944.</div> <div><input type="checkbox"/> File Form 940 for the calendar year in which final wages were paid. Note. Do not forget to check box d, <i>Final: Business closed or stopped paying wages</i> under <i>Type of Return</i>.</div>
Information returns	<div><input type="checkbox"/> Provide Forms W-2 to your employees for the calendar year in which you make final wage payments.</div> <div><input type="checkbox"/> File Form W-3 to file Forms W-2.</div> <div><input type="checkbox"/> Provide Form(s) 1099-MISC and Form(s) 1099-NEC to each person to whom you have paid at least \$600 for services (including parts and materials) during the calendar year in which you go out of business.</div> <div><input type="checkbox"/> File Form 1096 to file Form(s) 1099-MISC and Form(s) 1099-NEC.</div>

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2.

Accounting Periods and Methods

Introduction

You must figure your taxable income and file an income tax return for an annual accounting period called a tax year. Also, you must consistently use an accounting method that clearly shows your income and expenses for the tax year.

Useful Items

You may want to see:

Publication

- ☐ **538** Accounting Periods and Methods

See chapter 12 for information about getting publications and forms.

Accounting Periods

When preparing a statement of income and expenses (generally, your income tax return), you must use your books and records for a specific interval of time called an accounting period. The annual accounting period for your income tax return is called a **tax year**. You can use one of the following tax years.

- A calendar tax year.
- A fiscal tax year.

Unless you have a required tax year, you adopt a tax year by filing your first income tax return using that tax year. A required tax year is a tax year required under the Internal Revenue Code or the Income Tax Regulations.

Calendar tax year. A calendar tax year is 12 consecutive months beginning January 1 and ending December 31.

You must adopt the calendar tax year if any of the following apply.

- You do not keep books.
- You have no annual accounting period.
- Your present tax year does not qualify as a fiscal year.
- Your use of the calendar tax year is required under the Internal Revenue Code or the Income Tax Regulations.

If you filed your first income tax return using the calendar tax year and you later begin business as a sole proprietor, you must continue to use the calendar tax year unless you get IRS approval to change it or are otherwise allowed to change it without IRS approval. For more information, see *Change in tax year*, later.

If you adopt the calendar tax year, you must maintain your books and records and report your income and expenses for the period from January 1 through December 31 of each year.

Fiscal tax year. A fiscal tax year is 12 consecutive months ending on the last day of any month except December. A 52-53-week tax year is a fiscal tax year that varies from 52 to 53 weeks but does not have to end on the last day of a month.

If you adopt a fiscal tax year, you must maintain your books and records and report your income and expenses using the same tax year.

For more information on a fiscal tax year, including a 52-53-week tax year, see Pub. 538.

Change in tax year. Generally, you must file **Form 1128**, Application To Adopt, Change, or Retain a Tax Year, to request IRS approval to change your tax year. See the Instructions

for Form 1128 for exceptions. If you qualify for an automatic approval request, a user fee is not required. If you do not qualify for automatic approval, a ruling must be requested. See the Instructions for Form 1128 for information about user fees if you are requesting a ruling.

Accounting Methods

An accounting method is a set of rules used to determine when and how income and expenses are reported. Your accounting method includes not only the overall method of accounting you use, but also the accounting treatment you use for any material item.

You choose an accounting method for your business when you file your first income tax return that includes a Schedule C for the business. After that, if you want to change your accounting method, you must generally

get IRS approval. See *Change in Accounting Method*, later.

Kinds of methods. Generally, you can use any of the following accounting methods.

- Cash method.
- An accrual method.
- Special methods of accounting for certain items of income and expenses.
- Combination method using elements of two or more of the above.

You must use the same accounting method to figure your taxable income and to keep your books. Also, you must use an accounting method that clearly shows your income.

Business and personal items. You can account for business and personal items under different accounting methods. For example, you can figure your business income under an accrual method, even if you use the cash method to figure personal items.

Two or more businesses. If you have two or more separate and distinct businesses, you can use a different accounting method for each if the method clearly reflects the income of each business. They are separate and distinct only if you maintain complete and separate books and records for each business.

Cash Method

Most individuals and many sole proprietors with no inventory use the cash method because they find it easier to keep cash method records. However, if an inventory is necessary to account for your income, you must generally use an accrual method of accounting for sales and purchases, unless you are a small business taxpayer (defined later in this chapter). For more information, see *Inventories*, later.

Income

Under the cash method, include in your gross income all items of income you actually or constructively receive during your tax year. If you receive property or services, you must include their fair market value in income.

Example. On December 30, 2022, a client sent you a check for interior decorating services you provided to them. You received the check on January 4, 2023. You must include the amount of the check in income for 2023.

Constructive receipt. You have constructive receipt of income when an amount is credited to your account or made available to you without restriction. You do not need to have possession of it. If you authorize someone to be your agent and receive income for you, you are treated as having received it when your agent received it.

Example. Interest is credited to your bank account in December 2023. You do not withdraw it or enter it into your passbook until 2024. You must include it in your gross income for 2023.

Delaying receipt of income. You cannot hold checks or postpone taking possession of similar property from one tax year to another to avoid paying tax on the income. You must report the income in the year the property is received or made available to you without restriction.

Example. A service contractor was entitled to receive a \$10,000 payment on a contract in December 2023. They were told in December that their payment was available. At their request, they were not paid until January 2024. They must include this payment in their 2023 income because it was constructively received in 2023.

Checks. Receipt of a valid check by the end of the tax year is constructive receipt of income in that year, even if you cannot cash or deposit the check until the following year.

Example. You received a check for \$500 on December 30, 2023, from a client. You could not deposit the check in your business account until January 3, 2024. You must include this fee in income for 2023.

Debts paid by another person or canceled. If your debts are paid by another person or are canceled by your creditors, you may have to report part or all of this debt relief as income. If you receive income in this way, you constructively receive the income when the debt is canceled or paid. For more information, see *Canceled Debt* under *Kinds of Income* in chapter 5.

Repayment of income. If you include an amount in income and in a later year you have to repay all or part of it, you can usually deduct the repayment in the year in which

you make it. If the amount you repay is over \$3,000, a special rule applies. For details about the special rule, see *Repayments* in chapter 8 of Pub. 17.

Expenses

Under the cash method, you generally deduct expenses in the tax year in which you actually pay them. This includes business expenses for which you contest liability. However, you may not be able to deduct an expense paid in advance or you may be required to capitalize certain costs, as explained later under *Uniform Capitalization Rules*.

Expenses paid in advance. You can deduct an expense you pay in advance only in the year to which it applies.

Example. You are a calendar year taxpayer and you pay \$1,000 in 2023 for a business insurance policy effective for 1 year, beginning July 1. You can deduct \$500 in 2023 and \$500 in 2024.

Accrual Method

Under an accrual method of accounting, you generally report income in the year earned and deduct or capitalize expenses in the year incurred. The purpose of an accrual method of accounting is to match income and expenses in the correct year.

Income—General Rule

Under an accrual method, you generally include an amount in your gross income for the tax year in which all events that fix your right to receive the income have occurred and you can determine the amount with reasonable accuracy. For a taxpayer with an applicable financial statement or other financial statement as the Secretary may specify, the all-events test for an item of gross income is considered met no later than when taken into account in an applicable financial statement or such other financial statement.

Example. You are a calendar year accrual method taxpayer. You sold a computer on December 28, 2023. You billed the customer in the first week of January 2024, but you did not receive payment until February 2024. You must include the amount received for the computer in your 2023 income.

Income—Special Rules

The following are special rules that apply to advance payments, estimating income, and changing a payment schedule for services.

Estimated income. If you include a reasonably estimated amount in gross income, and later determine the exact amount is different, take the difference into account in the tax year in which you make the determination.

Change in payment schedule for services.

If you perform services for a basic rate specified in a contract, you must accrue the income at the basic rate, even if you agree to

receive payments at a lower rate until you complete the services and then receive the difference.

Advance payments. Generally, you report an advance payment as income in the year you receive the payment. However, if you receive an advance payment, you can elect to postpone including the advance payment in income until the next tax year. You cannot postpone including any payment beyond that tax year.

For more information, see Pub. 538 and section 451.

Expenses

Under an accrual method of accounting, you generally deduct or capitalize a business expense when both the following apply.

1. The all-events test has been met. The test has been met when:

- a. All events have occurred that fix the fact of liability, and
 - b. The liability can be determined with reasonable accuracy.
2. Economic performance has occurred.

Economic performance. You generally cannot deduct or capitalize a business expense until economic performance occurs. If your expense is for property or services provided to you, or for your use of property, economic performance occurs as the property or services are provided or as the property is used. If your expense is for property or services you provide to others, economic performance occurs as you provide the property or services. An exception allows certain recurring items to be treated as incurred during a tax year even though economic performance has not occurred. For more information on economic performance, see *Economic Performance* under *Accrual Method* in Pub. 538.

Example. You are a calendar year taxpayer and use an accrual method of accounting. You buy office supplies in December 2023. You receive the supplies and the bill in December, but you pay the bill in January 2024. You can deduct the expense in 2023 because all events that fix the fact of liability have occurred, the amount of the liability could be reasonably determined, and economic performance occurred in that year.

Your office supplies may qualify as a recurring expense. In that case, you can deduct them in 2023 even if the supplies are not delivered until 2024 (when economic performance occurs).

Keeping inventories. When the production, purchase, or sale of merchandise is an income-producing factor in your business, you must generally take inventories into account at the beginning and the end of your tax year, unless you are a small business taxpayer. If you must account for an

inventory, you must generally use an accrual method of accounting for your purchases and sales. For more information, see *Inventories*, later.

Special rule for related persons. You cannot deduct business expenses and interest owed to a related person who uses the cash method of accounting until you make the payment and the corresponding amount is includible in the related person's gross income. Determine the relationship, for this rule, as of the end of the tax year for which the expense or interest would otherwise be deductible. If a deduction is not allowed under this rule, the rule will continue to apply even if your relationship with the person ends before the expense or interest is includible in the gross income of that person.

Related persons include members of your immediate family, including siblings (either whole or half), your spouse, ancestors, and lineal descendants. For a list of other related

persons, see section 267 of the Internal Revenue Code.

Combination Method

You can generally use any combination of cash, accrual, and special methods of accounting if the combination clearly shows your income and expenses and you use it consistently. However, the following restrictions apply.

- If an inventory is necessary to account for your income, you must generally use an accrual method for purchases and sales. (See, however, *Inventories*, later.) You can use the cash method for all other items of income and expenses.
- If you use the cash method for figuring your income, you must use the cash method for reporting your expenses.
- If you use an accrual method for reporting your expenses, you must use an accrual method for figuring your income.

- If you use a combination method that includes the cash method, treat that combination method as the cash method.

Inventories

Generally, if you produce, purchase, or sell merchandise in your business, you must keep an inventory and use an accrual method for purchases and sales of merchandise.

Exception for small business taxpayers.

If you are a small business taxpayer, you can choose not to keep an inventory, but you must still use a method of accounting for inventory that clearly reflects income. If you choose not to keep an inventory, you won't be treated as failing to clearly reflect income if your method of accounting for inventory treats inventory as non-incidental material or supplies, or conforms to your financial accounting treatment of inventories. If, however, you choose to keep an inventory, you must generally use an accrual method of

accounting and value the inventory each year to determine your cost of goods sold in Part III of Schedule C.

Small business taxpayer. You qualify as a small business taxpayer if you (a) have average annual gross receipts of \$29 million or less for the 3 prior tax years, and (b) are not a tax shelter (as defined in section 448(d)(3)). If your business has not been in existence for all of the 3-tax-year period used in figuring average gross receipts, base your average on the period it has existed, and if your business has a predecessor entity, include the gross receipts of the predecessor entity from the 3-tax-year period when figuring average gross receipts. If your business (or predecessor entity) had short tax years for any of the 3-tax-year period, annualize your business' gross receipts for the short tax years that are part of the 3-tax-year period. See Pub. 538 for more information.