

standard mileage rate. You must use actual expenses if you used your vehicle for hire (such as a taxicab) or you used five or more vehicles simultaneously in your business (such as in fleet operations). You cannot use actual expenses for a leased vehicle if you previously used the standard mileage rate for that vehicle.

You can take the standard mileage rate for 2008 only if you:

- Owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service, or
- Leased the vehicle and are using the standard mileage rate for the entire lease period (except the period, if any, before 1998).

If you take the standard mileage rate, multiply the number of business miles driven:

- Before July 1, 2008, by 50.5 cents, and
- After June 30, 2008, by 58.5 cents.

Add to this amount your parking fees and tolls, and enter the total on line 9.

Do not deduct depreciation, rent or lease payments, or your actual operating expenses.

If you deduct actual expenses:

- Include on line 9 the business portion of expenses for gasoline, oil, repairs, insurance, tires, license plates, etc., and
- Show depreciation on line 13 and rent or lease payments on line 20a.

For details, see chapter 4 of Pub. 463.

Information on your vehicle. If you claim any car and truck expenses, you must provide certain information on the use of your vehicle by completing one of the following.

- Schedule C, Part IV, or Schedule C-EZ, Part III, if: (a) you are claiming the standard mileage rate, you lease your vehicle, or your vehicle is fully depreciated, and (b) you are not required to file Form 4562 for any other reason. If you used more than one vehicle during the year, attach your own schedule with the information requested in Schedule C, Part IV, or Schedule C-EZ, Part III, for each additional vehicle.
- Form 4562, Part V, if you are claiming depreciation on your vehicle or you are required to file Form 4562 for any other reason (see the instructions for line 13).

Line 11

Enter the total cost of contract labor for the tax year. Contract labor includes payments to persons you do not treat as employees (for example, independent contractors) for services performed for your trade or business. Do not include contract labor deducted elsewhere on your return, such as contract labor that is includible on line 17, 21, 26, or 37. Also, do not include salaries and wages paid to your employees, instead see line 26.

You must file Form 1099-MISC, Miscellaneous Income, to report contract labor payments of \$600 or more during the year. See the Instructions for Form 1099-MISC for details.

Line 12

Enter your deduction for depletion on this line. If you have timber depletion, attach Form T. See chapter 9 of Pub. 535 for details.

Line 13

Depreciation and section 179 expense deduction. Depreciation is the annual deduction allowed to recover the cost or other basis of business or investment property having a useful life substantially beyond the tax year. You can also depreciate improvements made to leased business property. However, stock in trade, inventories, and land are not depreciable. Depreciation starts when you first use the property in your business or for the production of income. It ends when you take the property out of service, deduct all your depreciable cost or other basis, or no longer use the property in your business or for the production of income. You can also elect under section 179 to expense part or all of the cost of certain property you bought in 2008 for use in your business. See the Instructions for Form 4562 and Pub. 946 to figure the amount to enter on line 13.

When to attach Form 4562. You must complete and attach Form 4562 only if:

- You are claiming depreciation on property placed in service during 2008;
- You are claiming depreciation on listed property (defined below), regardless of the date it was placed in service; or
- You are claiming a section 179 expense deduction.

If you acquired depreciable property for the first time in 2008, see Pub. 946.

Listed property generally includes, but is not limited to:

- Passenger automobiles weighing 6,000 pounds or less;
- Any other property used for transportation if the nature of the property lends itself to personal use, such as motorcycles, pickup trucks, etc.;
- Any property used for entertainment or recreational purposes (such as photographic, phonographic, communication, and video recording equipment);
- Cellular telephones or other similar telecommunications equipment; and
- Computers or peripheral equipment.

Exceptions. Listed property does not include photographic, phonographic, communication, or video equipment used exclusively in your trade or business or at your regular business establishment. It also does not include any computer or peripheral equipment used exclusively at a regular business establishment and owned or leased by the person operating the establishment. For purposes of these exceptions, a portion of your home is treated as a regular business establishment only if that portion meets the requirements under section 280A(c)(1) for deducting expenses for the business use of your home.

See the instructions for line 6 on page C-4 if the business use percentage of any

listed property dropped to 50% or less in 2008.

Line 14

Deduct contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included on line 19. Examples are accident and health plans, group-term life insurance, and dependent care assistance programs. If you made contributions on your behalf as a self-employed person to a dependent care assistance program, complete Form 2441, Parts I and III, to figure your deductible contributions to that program.

You cannot deduct contributions you made on your behalf as a self-employed person for group-term life insurance.

Do not include on line 14 any contributions you made on your behalf as a self-employed person to an accident and health plan. However, you may be able to deduct on Form 1040, line 29, or Form 1040NR, line 28, the amount you paid for health insurance on behalf of yourself, your spouse, and dependents, even if you do not itemize your deductions. See the instructions for Form 1040, line 29, or Form 1040NR, line 28, for details.

Line 15

Deduct premiums paid for business insurance on line 15. Deduct on line 14 amounts paid for employee accident and health insurance. Do not deduct amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for your lost earnings due to sickness or disability. For details, see chapter 6 of Pub. 535.

Lines 16a and 16b

Interest allocation rules. The tax treatment of interest expense differs depending on its type. For example, home mortgage interest and investment interest are treated differently. "Interest allocation" rules require you to allocate (classify) your interest expense so it is deducted (or capitalized) on the correct line of your return and receives the right tax treatment. These rules could affect how much interest you are allowed to deduct on Schedule C or C-EZ.

Generally, you allocate interest expense by tracing how the proceeds of the loan were used. See chapter 4 of Pub. 535 for details.

If you paid interest on a debt secured by your main home and any of the proceeds from that debt were used in connection with your trade or business, see chapter 4 of Pub. 535 to figure the amount that is deductible on Schedule C or C-EZ.

How to report. If you have a mortgage on real property used in your business (other than your main home), enter on line 16a the interest you paid for 2008 to banks or other financial institutions for which you received a Form 1098 (or similar statement). If you did not receive a Form 1098, enter the interest on line 16b.