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Early releases of draft forms and instructions are at IRS.gov/draftforms. Please note that drafts may remain on IRS.gov even after the final release is posted at IRS.gov/downloadforms, and thus may not be removed until there is a new draft for the subsequent revision. All information about all revisions of all forms, instructions, and publications is at IRS.gov/formspubs.

Almost every form and publication also has its own easily accessible information page on IRS.gov. For example, the Form 1040 page is at IRS.gov/form1040; the Form W-2 page is at IRS.gov/w2; the Publication 17 page is at IRS.gov/pub17; the Form W-4 page is at IRS.gov/w4; the Form 8863 page is at IRS.gov/form8863; and the Schedule A (Form 1040) page is at IRS.gov/schedulea. If typing in the links above instead of clicking on them: type the link into the address bar of your browser, not in a Search box; the text after the slash must be lowercase; and your browser may require the link to begin with “www.”. Note that these are shortcut links that will automatically go to the actual link for the page.

If you wish, you can submit comments about draft or final forms, instructions, or publications on the Comment on Tax Forms and Publications page on IRS.gov. We cannot respond to all comments due to the high volume we receive, but we will carefully consider each one. Please note that we may not be able to consider many suggestions until the subsequent revision of the product.

Department of the Treasury
Internal Revenue Service

2016 Instructions for Schedule C

Profit or Loss From Business

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Use Schedule C (Form 1040) to report income or (loss) from a business you operated or a profession you practiced as a sole proprietor. An activity qualifies as a business if your primary purpose for engaging in the activity is for income or profit and you are involved in the activity with continuity and regularity. For example, a sporadic activity or a hobby does not qualify as a business. To report income from a nonbusiness activity, see the instructions for Form 1040, line 21, or Form 1040NR, line 21.

Also use Schedule C to report (a) wages and expenses you had as a statutory employee, (b) income and deductions of certain qualified joint ventures, and (c) certain income shown on Form 1099-MISC, Miscellaneous Income. See the *Instructions for Recipient* (back of Copy B of Form 1099-MISC) for the types of income to report on Schedule C.

Small businesses and statutory employees with business expenses of $5,000 or less may be able to file Schedule C-EZ instead of Schedule C. See Schedule C-EZ for details.

You may be subject to state and local taxes and other requirements such as business licenses and fees. Check with your state and local governments for more information.

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Schedule C and its instructions, such as legislation enacted after they were published, go to *www.irs.gov/schedulec*.

What's New

Standard mileage rate. The business standard mileage rate for 2016 is 54 cents per mile.

Change to Line D instructions. If you conducted your trade or business as a single-member limited liability company (LLC), use the EIN issued to the LLC (in the LLC's legal name) for a qualified retirement plan, to file employment excise, alcohol, tobacco, or firearms returns, or as a payer of gambling winnings. Do not use the EIN issued to you in your name as a sole proprietor of the trade or business.

Live theatrical production costs. You may elect to expense certain costs of qualified live theatrical productions commencing in 2016. For more information, see *Film and television and live theatrical production expenses*, later.

Reminders

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? SB/SE serves taxpayers who file Form 1040, Schedules C, E, F, or Form 2106, as well as small business taxpayers with assets under $10 million. For additional information, visit the Small Business and Self-Employed Tax Center at *www.irs.gov/businesses/small-businesses-self-employed*.

General Instructions

Other Schedules and Forms You May Have To File

- Schedule A (Form 1040) to deduct interest, taxes, and casualty losses not related to your business.
- Schedule E (Form 1040) to report rental real estate and royalty income or (loss) that is not subject to self-employment tax.
- Schedule F (Form 1040) to report profit or (loss) from farming.
- Schedule J (Form 1040) to figure your tax by averaging your farming or fishing income over the previous 3 years. Doing so may reduce your tax.
- Schedule SE (Form 1040) to pay self-employment tax on income from any trade or business.
- Form 3800 to claim any of the general business credits.
- Form 4562 to claim depreciation (including the special allowance) on assets placed in service in 2016, to claim amortization that began in 2016, to make an election under section 179 to expense certain property, or to report information on listed property.
- Form 4684 to report a casualty or theft gain or (loss) involving property used in your trade or business or income-producing property.
- Form 4797 to report sales, exchanges, and involuntary conversions (not from a casualty or theft) of trade or business property.
- Form 6198 to figure your allowable loss if you have a business loss and you have amounts invested in the business for which you are not at risk.
- Form 8582 to figure your allowable loss from passive activities.
- Form 8594 to report certain purchases or sales of groups of assets that constitute a trade or business.
- Form 8824 to report like-kind exchanges.
- Form 8829 to claim actual expenses for business use of your home.

- Form 8903 to take a deduction for income from domestic production activities.

Single-member limited liability company (LLC). Generally, a single-member domestic LLC is not treated as a separate entity for federal income tax purposes. If you are the sole member of a domestic LLC, file Schedule C or C-EZ (or Schedule E or F, if applicable) unless you have elected to treat the domestic LLC as a corporation. See Form 8832 for details on making this election and for information about the tax treatment of a foreign LLC.

Single-member limited liability companies (LLCs) with employees. A single-member LLC must file employment tax returns using the LLC's name and employer identification number (EIN) rather than the owner's name and EIN, even if the LLC is not treated as a separate entity for federal income tax purposes.

Heavy highway vehicle use tax. If you use certain highway trucks, truck-trailers, tractor-trailers, or buses in your trade or business, you may have to pay a federal highway motor vehicle use tax. See the Instructions for Form 2290 to find out if you must pay this tax and visit *www.irs.gov/trucker* for the most recent developments.

Information returns. You may have to file information returns for wages paid to employees, certain payments of fees and other nonemployee compensation, interest, rents, royalties, real estate transactions, annuities, and pensions. See *Line I*, later, and the 2016 General Instructions for Certain Information Returns for details and other payments that may require you to file a Form 1099.

If you received cash of more than $10,000 in one or more related transactions in your trade or business, you may have to file Form 8300. For details, see Pub. 1544.

Business Owned and Operated by Spouses

Generally, 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. You generally have to file Form 1065 instead of Schedule C or C-EZ for your joint business activity; however, you may not have to file Form 1065 if either of the following applies.

- You and your spouse elect to be treated as a qualified joint venture. See *Qualified Joint Venture*, next.
- You and your spouse wholly own the unincorporated business as community property and you treat the business as a sole proprietorship. See *Community Income*, later.

Otherwise, use Form 1065. See Pub. 541 for more details.

Qualified Joint Venture

You and your spouse can elect to treat an unincorporated business as a qualified joint venture instead of a partnership if you:

- Each materially participate in the business (see *Material participation*, later, in the instructions for line G),
- Are the only owners of the business, and
- File a joint return for the tax year.

Making the election will allow you to avoid the complexity of Form 1065, but still give each of you credit for social security earnings on which retirement benefits, disability benefits, survivor benefits, and insurance (Medicare) benefits are based. In most cases, this election will not increase the total tax owed on the joint return.

Jointly owned property. You and your spouse must operate a business to make this election. Do not make the election for jointly owned property that is not a trade or business.

Making the election. To make this election, divide all items of income, gain, loss, deduction, and credit attributable to the business between you and your spouse based on your interests in the business. Each of you must file a separate Schedule C, C-EZ, or F. Enter your share of the applicable income, deduction or (loss), on the appropriate lines of your separate Schedule C, C-EZ, or F. Each of you may also need to file a separate Schedule SE to pay self-employment tax. If the business was taxed as a partnership before you made the election, the partnership will be treated as terminating at the end of the preceding tax year. For information on how to report the termination of the partnership, see Pub. 541.

Revoking the election. The election can be revoked only with the permission of the IRS. However, the election remains in effect only for as long as you and your spouse continue to meet the requirements to make the election. If you and your spouse fail to meet the requirements for any year, you will need to make a new election to be treated as a qualified joint venture in any future year.

Employer identification number (EIN). You and your spouse do not need to obtain an EIN to make the election. But you may need an EIN to file other returns, such as employment or excise tax returns. To apply for an EIN, see the Instructions for Form SS-4.

Rental real estate business. If you and your spouse make the election for your rental real estate business, you must each report your share of income and deductions on Schedule E. Rental real estate income generally is not included in net earnings from self-employment subject to self-employment tax and generally is subject to the passive loss limitation rules. Electing qualified joint venture status does not alter the application of the self-employment tax or the passive loss limitation rules.

More information. For more information on qualified joint ventures, go to IRS.gov and enter "qualified joint venture" in the search box.

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. possession, you can treat your wholly-owned, unincorporated business as a sole proprietorship, instead of a partnership. Any change in your reporting position will be treated as a conversion of the entity.

Report your income and deductions as follows.

- If only one spouse participates in the business, all of the income from that business is the self-employment earnings of the spouse who carried on the business.
- If both spouses participate, the income and deductions are allocated to the spouses based on their distributive shares.

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- If either or both spouses are partners in a partnership, see Pub. 541.
- If both spouses elected to treat the business as a qualifying joint venture, see *Qualified Joint Venture*, earlier.

The only states with community property laws are Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin.

Reportable Transaction Disclosure Statement

Use Form 8886 to disclose information for each reportable transaction in which you participated. Form 8886 must be filed for each tax year that your federal income tax liability is affected by your participation in the transaction. 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. The following are reportable transactions.

- Any listed transaction that is the same as or substantially similar to tax avoidance transactions identified by the IRS.
- Any transaction offered to you or a related party under conditions of confidentiality for which you paid an advisor a fee of at least $50,000.
- Certain transactions for which you or a related party have contractual protection against disallowance of the tax benefits.
- Certain transactions resulting in a loss of at least $2 million in any single tax year or $4 million in any combination of tax years. (At least $50,000 for a single tax year if the loss arose from a foreign currency transaction defined in section 988(c)(1), whether or not the loss flows through from an S corporation or partnership.)
- Certain transactions of interest entered into after November 1, 2006, that are the same or substantially similar to one of the types of transactions that the IRS has identified by published guidance as a transaction of interest.

See the Instructions for Form 8886 for more details.

Capital Construction Fund

Do not claim on Schedule C or C-EZ the deduction for amounts contributed to a capital construction fund set up under chapter 535 of title 46 of the United States Code. Instead, reduce the amount you would otherwise enter on Form 1040, line 43, by the amount of the deduction. Next to line 43, enter "CCF" and the amount of the deduction. For details, see Pub. 595.

Additional Information

See Pub. 334 for more information for small businesses.

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Specific Instructions

Filers of Form 1041. Do not complete the block labeled "Social security number (SSN)." Instead, enter the employer identification number (EIN) issued to the estate or trust on line D.

Line A

Describe the business or professional activity that provided your principal source of income reported on line 1. If you owned more than one business, you must complete a separate Schedule C for each business. Give the general field or activity and the type of product or service. If your general field or activity is wholesale or retail trade, or services connected with production services (mining, construction, or manufacturing), also give the type of customer or client. For example, "wholesale sale of hardware to retailers" or "appraisal of real estate for lending institutions."

Line B

Enter on line B the six-digit code from the *Principal Business or Professional Activity Codes* chart at the end of these instructions.

Line D

Enter on line D the employer identification number (EIN) that was issued to you on Form SS-4. Do not enter your SSN on this line. Do not enter another taxpayer's EIN (for example, from any Forms 1099-MISC that you received). **If you do not have an EIN, leave line D blank.**

You need an EIN only if you have a qualified retirement plan or are required to file employment, excise, alcohol, tobacco, or firearms returns, or are a payer of gambling winnings. If you need an EIN, see the Instructions for Form SS-4.

Single-member LLCs. If you are the sole owner of an LLC that is not treated as a separate entity for federal income tax purposes, enter on line D the EIN that was issued to the LLC (in the LLC's legal name) for a qualified retirement plan, to file employment, excise, alcohol, tobacco, or firearms returns, or as a payer of gambling winnings. If you do not have such an EIN, leave line D blank.

Line E

Enter your business address. Show a street address instead of a box number. Include the suite or room number, if any. If you conducted the business from your home located at the address shown on Form 1040, page 1, you do not have to complete this line.

Line F

Generally, you can use the cash method, accrual method, or any other method permitted by the Internal Revenue Code. In all cases, the method used must clearly reflect income. Unless you are a qualifying taxpayer or a qualifying small business taxpayer (see the Part III instructions), you must use the accrual method for sales and purchases of inventory items. Special rules apply to long-term contracts (see section 460 for details).

If you use the cash method, show all items of taxable income actually or constructively received during the year (in cash, property, or services). Income is constructively received when it is credited to your account or set aside for you to use. Also, show amounts actually paid during the year for deductible expenses. However, if the payment of an expenditure creates an asset having a useful life that extends substantially beyond the close of the year, it may not be deductible or may be deductible only in part for the year of the payment. See chapter 1 of Pub. 535.

If you use the accrual method, report income when you earn it and deduct expenses when you incur them even if you do not pay them during the tax year. Accrual-basis taxpayers are put on a cash basis for deducting business expenses owed to a related cash-basis taxpayer.

Other rules determine the timing of deductions based on economic performance. See Pub. 538.

To change your accounting method, you generally must file Form 3115. You also may have to make an adjustment to prevent amounts of income or expense from being duplicated or omitted. This is called a section 481(a) adjustment.

Example. You change to the cash method of accounting and choose to account for inventoriable items in the same manner as materials and supplies that are not incidental. You accrued sales in 2015 for which you received payment in 2016. You must report those sales in both years as a result of changing your accounting method and must make a section 481(a) adjustment to prevent duplication of income.

A net negative section 481(a) adjustment is taken into account entirely in the year of the change. A net positive section 481(a) adjustment is generally taken into account over a period of 4 years. Include any net positive section 481(a) adjustments on line 6. If the net section 481(a) adjustment is negative, report it in Part V.

For more information about changing your accounting method and the section 481(a) adjustment, see the Instructions for Form 3115. Additional information is also available in various revenue procedures. See Rev. Proc. 2015-13 for the general procedures to obtain the advance (non-automatic) consent or automatic consent of the Commissioner to change a method of accounting. Rev. Proc. 2015-13 is available at *www.irs.gov/irb/2015-5_IRB/ar12.html*.

Line G

If your business activity was not a rental activity and you met any of the material participation tests, explained next, or the exception for oil and gas applies, check the "Yes" box. Otherwise, check the "No" box. If you check the "No" box, this activity is passive. If you have a loss from a passive activity, see *Limit on losses*, later. If you have a profit from the rental of property to a nonpassive activity, see *Recharacterization of Passive Income* in Pub. 925 to find out how to report the net income.

Material participation. For purposes of the seven material participation tests listed later, participation generally includes any work you did in connection with an activity if you owned an interest in the activity at the time you did the work. The capacity in which you did the work does not matter. However, work is not treated as participation if it is work that an owner would not customarily do in the same type of activity and one of your main reasons for doing the work was to avoid the disallowance of losses or credits from the activity under the passive activity rules.

Work you did as an investor in an activity is not treated as participation unless you were directly involved in the day-to-day management or operations of the activity. Work done as an investor includes:

- Studying and reviewing financial statements or reports on the activity,
- Preparing or compiling summaries or analyses of the finances or operations of the activity for your own use, and
- Monitoring the finances or operations of the activity in a nonmanagerial capacity.

Participation by your spouse during the tax year in an activity you own can be counted as your participation in the activity. This rule applies even if your spouse did not own an interest in the activity and whether or not you and your spouse file a joint return. However, this rule does not apply for purposes of determining whether you and your spouse can elect to have your business treated as a qualified joint venture instead of a partnership (see *Qualified Joint Venture*, earlier).

For purposes of the passive activity rules, you materially participated in the operation of this trade or business activity during 2016 if you met any of the following seven tests.

1. You participated in the activity for more than 500 hours during the tax year.

2. Your participation in the activity for the tax year was substantially all of the participation in the activity of all individuals (including individuals who did not own any interest in the activity) for the tax year.

3. You participated in the activity for more than 100 hours during the tax year, and you participated at least as much as any other person for the tax year. This includes individuals who did not own any interest in the activity.

4. The activity is a significant participation activity for the tax year, and you participated in all significant participation activities for more than 500 hours during the year. An activity is a "significant participation activity" if it involves the conduct of a trade or business, you participated in the activity for more than 100 hours during the tax year, and you did not materially participate under any of the material participation tests (other than this test 4).

5. You materially participated in the activity for any 5 of the prior 10 tax years.

6. The activity is a personal service activity in which you materially participated for any 3 prior tax years. A personal service activity is an activity that involves performing personal services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, or any other trade or business in which capital is not a material income-producing factor.

7. Based on all the facts and circumstances, you participated in the activity on a regular, continuous, and substantial basis for more than 100 hours during the tax year.Your participation in managing the activity does not count in determining if you meet this test if any person (except you) (a) received compensation for performing management services in connection with the activity, or (b) spent more hours during the tax year than you spent performing management services in connection with the activity (regardless of whether the person was compensated for the services).

Rental of personal property. Generally, a rental activity (such as long-term equipment leasing) is a passive activity even if you materially participated in the activity. However, if you met any of the five exceptions listed under *Rental Activities* in the Instructions for Form 8582, the rental of the property is not treated as a rental activity and the material participation rules explained earlier apply.

Exception for oil and gas. If you are filing Schedule C to report income and deductions from an oil or gas well in

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which you own a working interest directly or through an entity that does not limit your liability, check the "Yes" box. The activity of owning a working interest is not a passive activity, regardless of your participation.

Limit on losses. Your business activity loss may be limited if you checked the "No" box on line G. In addition, your rental activity loss may be limited even if you materially participated. In general, a business activity in which you do not materially participate or a rental activity is a passive activity and you have to use Form 8582 to figure your allowable loss, if any, to enter on Schedule C, line 31. For details, see Pub. 925.

Line H

If you started or acquired this business in 2016, check the box on line H. Also check the box if you are reopening or restarting this business after temporarily closing it, and you did not file a 2015 Schedule C or C-EZ for this business.

Line I

If you made any payment in 2016 that would require you to file any Forms 1099, check the "Yes" box. Otherwise, check the "No" box.

You may have to file information returns for wages paid to employees, certain payments of fees and other nonemployee compensation, interest, rents, royalties, real estate transactions, annuities, and pensions. You may also have to file an information return if you sold $5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or other similar basis for resale.

TIP *The* Guide to Information Returns *in the 2016 General Instructions for Certain Information Returns identifies which Forms 1099 must be filed, the amounts to report, and the due dates for the required Forms 1099.*

Part I. Income

Except as otherwise provided in the Internal Revenue Code, gross income includes income from whatever source derived. In certain circumstances, however, gross income does not include extraterritorial income that is qualifying foreign trade income. Use Form 8873 to figure the extraterritorial income exclusion. Report it on Schedule C as explained in the Instructions for Form 8873.

If you were a debtor in a chapter 11 bankruptcy case during 2016, see *Chapter 11 Bankruptcy Cases* in the Instructions for Form 1040 (under *Income*) and the Instructions for Schedule SE.

Line 1

Enter gross receipts from your trade or business. Include amounts you received in your trade or business that were properly shown on Forms 1099-MISC. If the total amounts that were reported in box 7 of Forms 1099-MISC are more than the total you are reporting on line 1, attach a statement explaining the difference.

Statutory employees. If you received a Form W-2 and the "Statutory employee" box in box 13 of that form was checked, report your income and expenses related to that income on Schedule C or C-EZ. Enter your statutory employee income from box 1 of Form W-2 on line 1 of Schedule C or C-EZ and check the box on that line. Social security and Medicare tax should have been withheld from your earnings; as a result, you do not owe self-employment tax on these earnings. Statutory employees include full-time life insurance agents, certain agent or commission drivers and traveling salespersons, and certain homeworkers.

If you had both self-employment income and statutory employee income, you must file two Schedules C. You cannot use Schedule C-EZ or combine these amounts on a single Schedule C.

CAUTION *Qualified joint ventures should report rental real estate income not subject to self-employment tax on Schedule E. See* Qualified Joint Venture*, earlier, and the Instructions for Schedule E.*

Installment sales. Generally, the installment method cannot be used to report income from the sale of (a) personal property regularly sold under the installment method, or (b) real property held for resale to customers. But the installment method can be used to report income from sales of certain residential lots and timeshares if you elect to pay interest on the tax due on that income after the year of sale. See section 453(l)(2)(B) for details. If you make this election, include the interest in the total on Form 1040, line 62. Check box c and enter the amount of interest and "453(l)(3)" on the line next to that box.

If you use the installment method, attach a statement to your return. Show separately for 2016 and the 3 preceding years: gross sales, cost of goods sold, gross profit, percentage of gross profit to gross sales, amounts collected, and gross profit on amounts collected.

Line 2

Report your sales returns and allowances as a positive number on line 2. A sales return is a cash or credit refund you gave to customers who returned defective, damaged, or unwanted products. A sales allowance is a reduction in the selling price of products, instead of a cash or credit refund.

Line 6

Report on line 6 amounts from finance reserve income, scrap sales, bad debts you recovered, interest (such as on notes and accounts receivable), state gasoline or fuel tax refunds you received in 2016, any amount of credit for biofuel claimed on line 2 of Form 6478, any amount of credit for biodiesel and renewable diesel fuels claimed on line 8 of Form 8864, credit for federal tax paid on fuels claimed on your 2015 Form 1040, prizes and awards related to your trade or business, and other kinds of miscellaneous business income. Include amounts you received in your trade or business as shown on Form 1099-PATR.

If the business use percentage of any listed property (defined in *Line 13*, later) dropped to 50% or less in 2016, report on this line any recapture of excess depreciation, including any section 179 expense deduction. Use Part IV of Form 4797 to figure the recapture. Also, if the business use percentage drops to 50% or less on leased listed property (other than a vehicle), include on this line any inclusion amount. See chapter 5 of Pub. 946 to figure the amount.

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Part II. Expenses

Capitalizing costs of property. If you produced real or tangible personal property or acquired property for resale, certain expenses attributable to the property generally must be included in inventory costs or capitalized. In addition to direct costs, producers of inventory property generally must also include part of certain indirect costs in their inventory. Purchasers of personal property acquired for resale must include part of certain indirect costs in inventory only if the average annual gross receipts for the 3 prior tax years exceed $10 million. Also, you must capitalize part of the indirect costs that benefit real or tangible personal property constructed for use in a trade or business, or noninventory property produced for sale to customers. Reduce the amounts on lines 8 through 26 and Part V by amounts capitalized. See Pub. 538 for a discussion of uniform capitalization rules.

Exception for certain producers. Producers who account for inventoriable items in the same manner as materials and supplies that are not incidental can currently deduct expenditures for direct labor and all indirect costs that would otherwise be included in inventory costs. See *Part III* for more details.

Exception for creative property. If you are a freelance artist, author, or photographer, you may be exempt from the capitalization rules. However, your personal efforts must have created (or reasonably be expected to create) the property. This exception does not apply to any expense related to printing, photographic plates, motion picture films, video tapes, or similar items. These expenses are subject to the capitalization rules. For details, see *Uniform Capitalization Rules* in Pub. 538.

Line 9

You can deduct the actual expenses of operating your car or truck or take the standard mileage rate. This is true even if you used your vehicle for hire (such as a taxicab). You must use actual expenses if 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 2016 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.

If you take the standard mileage rate:

- Multiply the number of business miles driven by 54 cents, and
- Add to this amount your parking fees and tolls.

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, 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.

1. Complete 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 a statement with the information requested in Schedule C, Part IV, or Schedule C-EZ, Part III, for each additional vehicle.

2. Complete 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 *Line 13*, later).

Line 10

Enter the total commissions and fees for the tax year. Do not include commissions or fees that are capitalized or deducted elsewhere on your return.

You must file Form 1099-MISC to report certain commissions and fees of $600 or more during the year. See the Instructions for Form 1099-MISC for details.

Sales of property. Generally, commissions and other fees paid to facilitate the sale of property must be capitalized. However, if you are a dealer in property, enter on line 10 the commissions and fees you paid to facilitate the sale of that property.

Note. A dealer in property is a person who regularly sells property in the ordinary course of their trade or business.

For more information on the capitalization of commissions and fees, see the examples under Regulations section 1.263(a)-1(e).

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 includible on line 17, 21, 26, or 37. Also, do not include salaries and wages paid to your employees; instead, see *Line 26*, later.

You must file Form 1099-MISC 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 (Timber). 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

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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 2016 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 2016;
- Depreciation on listed property (defined later), regardless of the date it was placed in service; or
- A section 179 expense deduction.

If you acquired depreciable property for the first time in 2016, 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); 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 *Line 6*, earlier, if the business use percentage of any listed property dropped to 50% or less in 2016.

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 29, 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 29, for details.

You must reduce your line 14 deduction by the amount of any credit for small employer health insurance premiums determined on Form 8941. See Form 8941 and its instructions to determine which expenses are eligible for the credit.

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 2016 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.

If you paid more mortgage interest than is shown on Form 1098, see chapter 4 of Pub. 535 to find out if you can deduct the additional interest. If you can, include the amount on line 16a. Attach a statement to your return explaining the difference and enter "See attached" in the margin next to line 16a.

If you and at least one other person (other than your spouse if you file a joint return) were liable for and paid interest on the mortgage and the other person received the Form 1098, include your share of the interest on line 16b. Attach a statement to your return showing the name and address of the person who received the Form 1098. In the margin next to line 16b, enter "See attached."

If you paid interest in 2016 that also applies to future years, deduct only the part that applies to 2016.

Line 17

Include on this line fees charged by accountants and attorneys that are ordinary and necessary expenses directly related to operating your business.

Include fees for tax advice related to your business and for preparation of the tax forms related to your business. Also include expenses incurred in resolving asserted tax deficiencies related to your business.

For more information, see Pub. 334 or 535.

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Line 18

Include on this line your expenses for office supplies and postage.

Line 19

Enter your deduction for the contributions you made for the benefit of your employees to a pension, profit-sharing, or annuity plan (including SEP, SIMPLE, and SARSEP plans described in Pub. 560). If the plan included you as a self-employed person, enter the contributions made as an employer on your behalf on Form 1040, line 28, or Form 1040NR, line 28, not on Schedule C.

This deduction may be subject to limitations. For more information on potential limitations, see Pub. 560.

In most cases, you must file the applicable form listed below if you maintain a pension, profit-sharing, or other funded-deferred compensation plan. The filing requirement is not affected by whether or not the plan qualified under the Internal Revenue Code, or whether or not you claim a deduction for the current tax year. There is a penalty for failure to timely file these forms.

Form 5500-EZ. File this form if you have a one-participant retirement plan that meets certain requirements. A one-participant plan is a plan that covers only you (or you and your spouse).

Form 5500-SF. File this form electronically with the Department of Labor (at www.efast.dol.gov) if you have a small plan (fewer than 100 participants in most cases) that meets certain requirements.

Form 5500. File this form electronically with the Department of Labor (at www.efast.dol.gov) for a plan that does not meet the requirements for filing Form 5500-EZ or Form 5500-SF.

For details, see Pub. 560.

Lines 20a and 20b

If you rented or leased vehicles, machinery, or equipment, enter on line 20a the business portion of your rental cost. But if you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction by an amount called the inclusion amount. See *Leasing a Car* in chapter 4 of Pub. 463 to figure this amount.

Enter on line 20b amounts paid to rent or lease other property, such as office space in a building.

Line 21

Deduct the cost of incidental repairs and maintenance that do not add to the property's value or appreciably prolong its life. Do not deduct the value of your own labor. Do not deduct amounts spent to restore or replace property; they must be capitalized.

Line 22

In most cases, you can deduct the cost of materials and supplies only to the extent you actually consumed and used them in your business during the tax year (unless you deducted them in a prior tax year). However, if you had incidental materials and supplies on hand for which you kept no inventories or records of use, you can deduct the cost of those you actually purchased during the tax year, provided that method clearly reflects income.

You can also deduct the cost of books, professional instruments, equipment, etc., if you normally use them within a year. However, if their usefulness extends substantially beyond a year, you must generally recover their costs through depreciation.

Line 23

You can deduct the following taxes and licenses on this line.

- State and local sales taxes imposed on you as the seller of goods or services. If you collected this tax from the buyer, you must also include the amount collected in gross receipts or sales on line 1.
- Real estate and personal property taxes on business assets.
- Licenses and regulatory fees for your trade or business paid each year to state or local governments. But some licenses, such as liquor licenses, may have to be amortized. See chapter 8 of Pub. 535 for details.
- Social security and Medicare taxes paid to match required withholding from your employees' wages. Reduce your deduction by the amount shown on Form 8846, line 4.
- Federal unemployment tax paid.
- Federal highway use tax.
- Contributions to state unemployment insurance fund or disability benefit fund if they are considered taxes under state law.

Do not deduct the following.

- Federal income taxes, including your self-employment tax. However, you can deduct one-half of your self-employment tax on Form 1040, line 27 (or Form 1040NR, line 27, when covered under the U.S. social security system due to an international social security agreement).
- Estate and gift taxes.
- Taxes assessed to pay for improvements, such as paving and sewers.
- Taxes on your home or personal use property.
- State and local sales taxes on property purchased for use in your business. Instead, treat these taxes as part of the cost of the property.
- State and local sales taxes imposed on the buyer that you were required to collect and pay over to state or local governments. These taxes are not included in gross receipts or sales nor are they a deductible expense. However, if the state or local government allowed you to retain any part of the sales tax you collected, you must include that amount as income on line 6.
- Other taxes and license fees not related to your business.

Line 24a

Enter your expenses for lodging and transportation connected with overnight travel for business while away from your tax home. In most cases, your tax home is your main place of business, regardless of where you maintain your family home. You cannot deduct expenses paid or incurred in connection with employment away from home if that period of employment exceeds 1 year. Also, you cannot deduct travel expenses for your spouse, your dependent, or any other individual unless that person is your employee, the travel is for a *bona fide* business purpose, and the expenses would otherwise be deductible by that person.

Do not include expenses for meals and entertainment on this line. Instead, see *Line 24b*, later.

Instead of keeping records of your actual incidental expenses, you can use

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an optional method for deducting incidental expenses only if you did not pay or incur meal expenses on a day you were traveling away from your tax home. The amount of the deduction is $5 a day. Incidental expenses include fees and tips given to porters, baggage carriers, bellhops, hotel maids, stewards or stewardesses and others on ships, and hotel servants in foreign countries. They do not include expenses for laundry, cleaning and pressing of clothing, lodging taxes, or the costs of telegrams or telephone calls. You cannot use this method on any day that you use the standard meal allowance (as explained in *Line 24b*, later).

You cannot deduct expenses for attending a convention, seminar, or similar meeting held outside the North American area unless the meeting is directly related to your trade or business and it is as reasonable for the meeting to be held outside the North American area as within it. These rules apply to both employers and employees. Other rules apply to luxury water travel.

For details on travel expenses, see chapter 1 of Pub. 463.

Line 24b

Enter your total deductible business meal and entertainment expenses. This includes expenses for meals while traveling away from home for business and for meals that are business-related entertainment.

Deductible expenses. Business meal expenses are deductible only if they are (a) directly related to or associated with the active conduct of your trade or business, (b) not lavish or extravagant, and (c) incurred while you or your employee is present at the meal.

You cannot deduct any expense paid or incurred for a facility (such as a yacht or hunting lodge) used for any activity usually considered entertainment, amusement, or recreation.

Also, you cannot deduct membership dues for any club organized for business, pleasure, recreation, or other social purpose. This includes country clubs, golf and athletic clubs, airline and hotel clubs, and clubs operated to provide meals under conditions favorable to business discussion. But it does not include civic or public service organizations, professional organizations (such as bar and medical associations), business leagues, trade associations, chambers of commerce, boards of trade, and real estate boards, unless a principal purpose of the organization is to entertain, or provide entertainment facilities for, members or their guests.

There are exceptions to these rules as well as other rules that apply to skybox rentals and tickets to entertainment events. See chapters 1 and 2 of Pub. 463.

Standard meal allowance. Instead of deducting the actual cost of your meals while traveling away from home, you can use the standard meal allowance for your daily meals and incidental expenses. Under this method, you deduct a specified amount, depending on where you travel, instead of keeping records of your actual meal expenses. However, you must still keep records to prove the time, place, and business purpose of your travel.

The standard meal allowance is the federal M&IE rate. You can find these rates for locations inside and outside the continental United States by visiting the General Services Administration's website at *www.gsa.gov*.

See chapter 1 of Pub. 463 for details on how to figure your deduction using the standard meal allowance, including special rules for partial days of travel.

Amount of deduction. In most cases, you can deduct only 50% of your business meal and entertainment expenses, including meals incurred while away from home on business. However, for individuals subject to the Department of Transportation (DOT) hours of service limits, that percentage is increased to 80% for business meals consumed during, or incident to, any period of duty for which those limits are in effect. Individuals subject to the DOT hours of service limits include the following.

- Certain air transportation workers (such as pilots, crew, dispatchers, mechanics, and control tower operators) who are under Federal Aviation Administration regulations.
- Interstate truck operators who are under DOT regulations.
- Certain merchant mariners who are under Coast Guard regulations.

However, you can fully deduct meals, incidentals, and entertainment furnished or reimbursed to an employee if you properly treat the expense as wages subject to withholding. You can also fully deduct meals, incidentals, and entertainment provided to a nonemployee to the extent the expenses are includible in the gross income of that person and reported on Form 1099-MISC. See Pub. 535 for details and other exceptions.

Daycare providers. If you qualify as a family daycare provider, you can use the standard meal and snack rates, instead of actual costs, to figure the deductible cost of meals and snacks provided to eligible children. See Pub. 587 for details, including recordkeeping requirements.

Line 25

Deduct utility expenses only for your trade or business.

Local telephone service. If you used your home phone for business, do not deduct the base rate (including taxes) of the first phone line into your residence. But you can deduct any additional costs you incurred for business that are more than the base rate of the first phone line. For example, if you had a second line, you can deduct the business percentage of the charges for that line, including the base rate charges.

Line 26

Enter the total salaries and wages for the tax year. Do not include salaries and wages deducted elsewhere on your return or amounts paid to yourself. Reduce your deduction by the amounts claimed on:

- Form 5884, Work Opportunity Credit, line 2;
- Form 8844, Empowerment Zone Employment Credit, line 2;
- Form 8845, Indian Employment Credit, line 4; and
- Form 8932, Credit for Employer Differential Wage Payments, line 2.

Do not reduce your deduction for any portion of a credit that was passed through to you from a pass-through entity.

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If you provided taxable fringe benefits to your employees, such as personal use of a car, do not deduct as wages the amount applicable to depreciation and other expenses claimed elsewhere.

In most cases, you are required to file Form W-2, Wage and Tax Statement, for each employee. See the General Instructions for Forms W-2 and W-3.

Line 30

Business use of your home. You may be able to deduct certain expenses for business use of your home, subject to limitations. To claim a deduction for business use of your home, you can use Form 8829 or you can elect to determine the amount of the deduction using a simplified method.

For additional information about claiming this deduction, see Pub. 587.

If you are not using the simplified method to determine the amount of expenses you may deduct for business use of a home, do not complete the additional entry spaces on line 30 for total square footage of your home and of the part of the home used for business. Just include the amount from line 35 of your Form 8829 on line 30.

Simplified method. The simplified method is an alternative to the calculation, allocation, and substantiation of actual expenses. In most cases, you will figure your deduction by multiplying the area (measured in square feet) used regularly and exclusively for business, regularly for daycare, or regularly for storage of inventory or product samples, by $5. The area you use to figure your deduction cannot exceed 300 square feet. You cannot use the simplified method to figure a deduction for rental use of your home.

Electing to use the simplified method. You choose whether or not to use the simplified method each tax year. Make the election by using the simplified method to figure the deduction for the qualified business use of a home on a timely-filed, original federal income tax return for that year. An election for a year, once made, is irrevocable. A change from using the simplified method in one year to actual expenses in a succeeding year, or vice versa, is not a change in method of accounting and does not require the consent of the Commissioner.

If you share your home with someone else who uses the home for a separate business that qualifies for this deduction, each of you may make your own election, but not for the same portion of the home.

If you conduct more than one business that qualifies for this deduction in your home, your election to use the simplified method applies to all your qualified business uses of your home. You are limited to a maximum of 300 square feet for all of the businesses you conduct in your home that qualify for this deduction. Allocate the actual square footage used (up to the maximum 300 square feet) among your qualified business uses in any reasonable manner you choose, but you may not allocate more square feet to a qualified business use than you actually use in that business.

If you used your home for more than one business, you will need to file a separate Schedule C for each business. Do not combine your deductions for each business use on a single Schedule C.

Business use of more than one home. You may have used more than one home in your business. If you used more than one home for the same business during 2016, you may elect to use the simplified method for only one home; you must file a Form 8829 to claim a business use of the home deduction for any additional home. If one or more of the homes was not used for the entire year (for example, you moved during the year), see *Part-year use or area changes (for simplified method only)*, later, and *Columns (a) and (b)* in the Instructions for Form 8829.

Other requirements must still be met. You must still meet all the use requirements to claim a deduction for business use of the home. The simplified method is only an alternative to the calculation, allocation, and substantiation of actual expenses. The simplified method is not an alternative to the exclusivity and other tests that must be met in order to qualify for this deduction. For more information about qualifying business uses, see *Qualifying for a Deduction* in Pub. 587.

Gross income limitation. The amount of your deduction is still limited to the gross income derived from qualified business use of the home reduced by the business deductions that are not related to your use of the home. If this limitation reduces the amount of your deduction, you cannot carryover the difference to another tax year.

Carryover of actual expenses from Form 8829. If you used Form 8829 in a prior year, and you had actual expenses that you could carryover to the next year, you cannot claim those expenses if you are using the simplified method. Instead, the actual expenses from Form 8829 that were not allowed will be carried over to the next year that you file Form 8829 for that business use of that home.

Depreciation of home. You cannot deduct any depreciation (including any additional first-year depreciation) or section 179 expense for the portion of your home that is used in a qualified business use if you figure the deduction for the business use of your home using the simplified method. The depreciation deduction allowable for that portion of the home for that year is deemed to be zero.

Although you cannot deduct any depreciation or section 179 expense for the portion of your home that is a qualified business use because you elect to use the simplified method, you may still claim depreciation or the section 179 expense deduction on other assets (for example, furniture and equipment) used in the qualified business use of your home.

Figuring your allowable expenses for business use of the home. You will figure the deduction using Form 8829 or the simplified method worksheet, or both.

You may not use the simplified method and also file Form 8829 for the same qualified business use of the same home.

Using Form 8829. Use Form 8829 to figure and claim this deduction for a home if you are not or cannot use the simplified method for that home. For in-

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Simplified Method Worksheet

Keep for Your Records

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1. Enter the amount of the gross income limitation. See Instructions for the Simplified Method Worksheet . . . . . 1. _____

2. Allowable square footage for the qualified business use. Do not enter more than 300 square feet. See Instructions for the Simplified Method Worksheet . . . . . 2. _____

3. Simplified method amount
   a. Maximum allowable amount 3a. $5
   b. For daycare facilities not used exclusively for business, enter the decimal amount from the Daycare Facility Worksheet; otherwise, enter 1.0 . . . . . 3b. _____
   c. Multiply line 3a by line 3b and enter result to 2 decimal places . . . . . 3c. _____

4. Multiply line 2 by line 3c . . . . . 4. _____

5. **Allowable expenses using the simplified method.** Enter the smaller of line 1 or line 4 here and include that amount on Schedule C, line 30. If zero or less, enter -0- . . . . . 5. _____

6. **Carryover of unallowed expenses from 2015 that are not allowed in 2016.**
   a. Operating expenses. Enter the amount from your 2015 Form 8829, line 42 . . . . . 6a. _____
   b. Excess casualty losses and depreciation. Enter the amount from your 2015 Form 8829, line 43 . . . . . 6b. _____

Instructions for the Simplified Method Worksheet

Use this worksheet to figure the amount of expenses you may deduct for a qualified business use of a home if you are electing to use the simplified method for that home. If you are not electing to use the simplified method, use Form 8829.

Line 1. If all gross income from your trade or business is from this qualified business use of your home, figure your gross income limitation as follows.

A. Enter the amount from Schedule C, line 29 . . . . . _____

B. Enter any gain derived from the business use of your home and shown on Form 8949 (and included on Schedule D) or Form 4797 . . . . . _____

C. Add lines A and B . . . . . _____

D. Enter the loss (as a positive number) shown on Form 8949 (and included on Schedule D) or Form 4797 that are allocable to the business, but not allocable to the use of the home . . . . . _____

E. Gross income limitation. Subtract line D from line C. Enter the result here and on line 1 . . . . . _____

If some of the income is from a place of business other than your home, you must first determine the part of your gross income (Schedule C, line 7, and gains from Form 8949, Schedule D, and Form 4797) from the business use of your home. In making this determination, consider the amount of time you spend at each location as well as other facts. After determining the part of your gross income from the business use of your home, subtract from that amount the total expenses shown on Schedule C, line 28, plus any losses shown on Form 8949 (and included on Schedule D) or Form 4797 that are allocable to the business in which you use your home but that are not allocable to the use of the home. Enter the result on line 1.

Note: If you had more than one home in which you conducted this business during the year, include only the income earned and the deductions attributable to that income during the period you owned the home for which you elected to use the simplified method.

Line 2. If you used the same area for the entire year, enter the smaller of the square feet you actually used and 300. If you and your spouse conducted the business as a qualified joint venture, split the square feet between you and your spouse in the same manner you split your other tax attributes. If you shared space with someone else, used the home for business for only part of the year, or the area you used changed during the year, see *Figuring your allowable expenses for business use of the home* before entering an amount on this line. Do not enter more than 300 square feet or, if applicable, the average monthly allowable square footage on this line. See *Part-year use or area changes (for simplified method only)*, later, for more information on how to figure your average monthly allowable square footage.

Line 3b. If your qualified business use is providing daycare, you may need to account for the time that you used the same part of your home for other purposes. If you used the part of your home exclusively and regularly for providing daycare, enter 1.0 on line 3b. If you did not use the part of your home exclusively for providing daycare, complete the Daycare Facility Worksheet to figure what number to enter on line 3b.

Line 6. Since you are using the simplified method this year, you cannot deduct the amounts you entered on lines 6a and 6b this year. If you file Form 8829 next year for your qualified business use of this home, you will be able to include these expenses when you figure your deduction.

Daycare Facility Worksheet (for simplified method)

Keep for Your Records

1. Multiply days used for daycare during the year by hours used per day	1.	_____
2. Total hours available for use during the year. See Instructions for the Daycare Facility Worksheet	2.	_____
3. Divide line 1 by line 2. Enter the result as a decimal amount here and on line 3b of the Simplified Method Worksheet	3.	_____

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Instructions for the Daycare Facility Worksheet

Use this worksheet to figure the percentage to use on line 3b of the Simplified Method Worksheet. If you do not use the area of your home exclusively for daycare, you must reduce the prescribed rate before figuring your deduction using the simplified method.

TIP *If you used at least 300 square feet for daycare regularly and exclusively during the year, then you do not need to complete this worksheet. This worksheet is only needed if you did not use the allowable area exclusively for daycare.*

Line 1. Enter the total number of hours the facility was used for daycare during the year.

Example. Your home is used Monday through Friday for 12 hours per day for 250 days during the year. It is also used on 50 Saturdays for 8 hours a day. Enter 3,400 hours on line 4 (3,000 hours for weekdays plus 400 hours for Saturdays).

Line 2. If you used your home for daycare during the entire year, multiply 365 days (366 for a leap year) by 24 hours, and enter the result.

If you started or stopped using your home for daycare during the year, you must prorate the number of hours based on the number of days the home was available for daycare. Multiply 24 hours by the number of days available and enter that result.

formation about claiming this deduction using Form 8829, see the Instructions for Form 8829 and Pub. 587.

Using the simplified method. Use the Simplified Method Worksheet in these instructions to figure your deduction for a qualified business use of your home if you are electing to use the simplified method for that home.

Shared use (for simplified method only). If you share your home with someone else who uses the home for a separate business that also qualifies for this deduction, you may not include the same square feet to figure your deduction as the other person. You must allocate the shared space between you and the other person in a reasonable manner.

Example. Kristen and Lindsey are roommates. Kristen uses 300 square feet of their home for a qualified business use. Lindsey uses 200 square feet of their home for a separate qualified business use. The qualified business uses share 100 square feet. In addition to the portion that they do not share, Kristen and Lindsey can both claim 50 of the 100 square feet or divide the 100 square feet between them in any reasonable manner. If divided evenly, Kristen could claim 250 square feet using the simplified method and Lindsey could claim 150 square feet.

Part-year use or area changes (for simplified method only). If your qualified business use was for a portion of the tax year (for example, a seasonal business, a business that begins during the year, or you moved during the year) or you changed the square footage of your qualified business use, your deduction is limited to the average monthly allowable square footage. You figure the average monthly allowable square footage by adding the amount of allowable square feet you used in each month and dividing the sum by 12.

When determining the average monthly allowable square footage, you cannot take more than 300 square feet into account for any one month. Additionally, if your qualified business use was less than 15 days in a month, you must use -0- for that month.

Example 1. Andy files his federal income tax return on a calendar year basis. On July 20, he began using 400 square feet of his home for a qualified business use. He continued to use the 400 square feet until the end of the year. Andy's average monthly allowable square footage is 125 square feet (300 square feet for August through December divided by the number of months in the year ((0 + 0 + 0 + 0 + 0 + 0 + 0 + 300 + 300 + 300 + 300 + 300)/12)).

Example 2. Roland files his federal income tax return on a calendar year basis. On April 20, he began using 100 square feet of his home for a qualified business use. On August 5, he expanded the area of his qualified business use to 350 square feet. Roland continued to use the 350 square feet until the end of the year. Roland's average monthly allowable square footage is 150 square feet (100 square feet for May through July and 300 square feet for August through December divided by the number of months in the year ((0 + 0 + 0 + 0 + 100 + 100 +100 + 300 + 300 + 300 + 300 + 300)/12)).

Example 3. Donna files her federal income tax return on a calendar year basis. From January 1 through July 16 she used 300 square feet of her home for a qualified business use. On July 17, Donna moved to a new home and immediately began using 200 square feet of the new home for the same qualified business use. While preparing her tax return, Donna used the simplified method to deduct expenses for the qualified business use of her old home. Donna's average monthly allowable square footage is 175 square feet (300 square feet for January through July divided by the number of months in the year ((300 +300 +300 + 300 + 300 + 300 + 300 + 0 + 0 + 0 + 0 + 0)/12)). Donna also prepared Form 8829

to deduct the actual expenses associated with the qualified business use of her new home.

Once you have determined your allowable square footage, enter the result on line 2 of the Simplified Method Worksheet.

CAUTION *If you moved during the year, your average allowable square footage will generally be less than 300.*

TIP *You can use the Area Adjustment Worksheet in Pub. 587 to help you determine the allowable square footage to enter on line 2 of the Simplified Method Worksheet.*

Reporting your expenses for business use of the home. If you did not use the simplified method, include the amount from line 35 of Form 8829 on line 30 of the Schedule C you are filing for that business.

If you used the simplified method. If you elect to use the simplified method for the business use of a home, complete the additional entry spaces on line 30 for that home only. Include the amount from line 5 of the Simplified Method Worksheet on line 30.

If you itemize your deductions on Schedule A, you may deduct your mortgage interest, real estate taxes, and casualty losses on Schedule A as if you did not use your home for business. You cannot deduct any excess mortgage interest or excess casualty losses on Schedule C for this home.

Use Part II of Schedule C to deduct business expenses that are unrelated to the qualified business use of the home (for example, expenses for advertising, wages, or supplies, or depreciation of equipment or furniture).

Deduction figured on multiple forms. If you used more than one home for a business during the year, you may use a Form 8829 for each home or you may use the simplified method for one home and Form 8829 for any other home. Combine the amount you figured using the simplified method and the amounts you figured on your Forms 8829, and then enter the total on line 30 of the Schedule C you are filing for that business.

Line 31

Figuring your net profit or allowable loss. If your expenses (including the expenses you report on line 30) are more than your gross income, do not enter your loss on line 31 until you have applied the excess farm loss rules, the at-risk rules, and the passive activity loss rules. To apply these rules, follow the instructions in *Excess farm loss rules*, *Line 32*, and the Instructions for Form 8582. After applying those rules, the amount on line 31 will be your allowable loss, and it may be smaller than the amount you figured by subtracting line 30 from line 29.

If your gross income is more than your expenses (including the expenses you report on line 30), and you do not have prior year unallowed passive activity losses, subtract line 30 from line 29. The result is your net profit.

If your gross income is more than your expenses (including the expenses you report on line 30), and you have prior year unallowed passive activity losses, do not enter your net profit on line 31 until you have figured the amount of prior year unallowed passive activity losses you may claim this year for this activity. Use Form 8582 to figure the amount of prior year unallowed passive activity losses you may include on line 31. Make sure to indicate that you are including prior year passive activity losses by entering "PAL" to the left of the entry space.

If you checked the "No" box on line G, see the Instructions for Form 8582; you may need to include information from this schedule on that form, even if you have a net profit.

Rental real estate activity. Unless you are a qualifying real estate professional, a rental real estate activity is a passive activity, even if you materially participated in the activity. If you have a loss, you may need to file Form 8582 to figure your allowable loss. See the Instructions for Form 8582.

Excess farm loss rules. If your Schedule C activity includes processing a farm commodity as part of your farming business, your deductible loss from that activity may be limited if you received certain subsidies. See the Instructions for Schedule F for details on any applicable subsidy. Use one of the worksheets in the Schedule F instructions to determine if you have an excess farm loss. See the Instructions for Schedule F for more details on how to complete the worksheets.

You must figure and apply your excess farm loss before figuring any limitations to your loss due to the at-risk rules or the passive activity loss rules. Reduce your loss by your excess farm loss before applying the at-risk rules and passive activity loss rules.

Reporting your net profit or allowable loss. Once you have figured your net profit or allowable loss, report it as follows.

Individuals. Enter your net profit or allowable loss on line 31 and include it on Form 1040, line 12. Also, include your net profit or allowable loss on Schedule SE, line 2. However, if you are a statutory employee or notary public, see *Statutory employees* or *Notary public*, later.

Nonresident aliens. Enter your net profit or allowable loss on line 31 and include it on Form 1040NR, line 13. You should also include this amount on Schedule SE, line 2 if you are covered under the U.S. social security system due to an international social security agreement currently in effect. See the Instructions for Schedule SE for information on international social security agreements. However, if you are a statutory employee or notary public, see *Statutory employees* or *Notary public*, later.

Trusts and estates. Enter the net profit or allowable loss on line 31 and include it on Form 1041, line 3.

Statutory employees. Enter your net profit or allowable loss on line 31 and include it on Form 1040, line 12, or on Form 1040NR, line 13. However, do not report this amount on Schedule SE, line 2. If you were a statutory employee and you are required to file Schedule SE because of other self-employment income, see the Instructions for Schedule SE.

Notary public. Do not enter your net profit from line 31 on Schedule SE, line 2, unless you are required to file Schedule SE because you have other self-employment income. See the Instructions for Schedule SE.

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Community income. If you and your spouse had community income and are filing separate returns, see the Instructions for Schedule SE before figuring self-employment tax.

Earned income credit. If you have a net profit on line 31, this amount is earned income and may qualify you for the earned income credit (EIC).

CAUTION *To figure your EIC, use the instructions for Form 1040, lines 66a and 66b. Complete all applicable steps plus Worksheet B. If you are required to file Schedule SE, remember to enter one-half of your self-employment tax in Part 1, line 1d, of Worksheet B.*

Line 32

TIP *You do not need to complete line 32 if line 7 is more than the total of lines 28 and 30.*

At-risk rules. In most cases, if you have a business loss and amounts invested in the business for which you are not at risk, you must complete Form 6198 to figure your allowable loss. The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the business.

Check box 32b if you have amounts invested in this business for which you are not at risk, such as the following.

- Nonrecourse loans used to finance the business, to acquire property used in the business, or to acquire the business that are not secured by your own property (other than property used in the business). However, there is an exception for certain nonrecourse financing borrowed by you in connection with holding real property.
- Cash, property, or borrowed amounts used in the business (or contributed to the business, or used to acquire the business) that are protected against loss by a guarantee, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).
- Amounts borrowed for use in the business from a person who has an interest in the business, other than as a creditor, or who is related under section 465(b)(3)(C) to a person (other than you) having such an interest.

Figuring your allowable loss. Before determining your allowable loss, you must check box 32a or 32b to determine if the loss from your business activity is limited by the at-risk rules. Follow the instructions, next, that apply to your box 32 activity.

All investment is at risk. If all amounts are at risk in this business, check box 32a. If you answered "Yes" on line G, your remaining loss (after applying the excess farm loss rules) is your allowable loss. The at-risk rules and the passive activity loss rules do not apply. See *Line 31*, earlier, for how to report your allowable loss.

But if you answered "No" on line G, you may need to complete Form 8582 to figure your allowable loss to enter on line 31. See the Instructions for Form 8582 for details.

Some investment is not at risk. If some investment is not at risk, check box 32b; the at-risk rules apply to your loss. Be sure to attach Form 6198 to your return.

If you answered "Yes" on line G, complete Form 6198 to figure the allowable loss to enter on line 31. The passive activity loss rules do not apply. See *Line 31*, earlier, for how to report your allowable loss.

But if you answered "No" on line G, the passive activity loss rules may apply. First complete Form 6198 to figure the amount of your profit or (loss) for the at-risk activity, which may include amounts reported on other forms and schedules, and the at-risk amount for the activity. Follow the Instructions for Form 6198 to determine how much of your Schedule C loss will be allowed. After you figure the amount of your loss that is allowed under the at-risk rules, you may need to complete Form 8582 to figure the allowable loss to enter on line 31. See the Instructions for Form 8582 for details.

CAUTION *If you checked box 32b because some investment is not at risk and you do not attach Form 6198, the processing of your return may be delayed.*

At-risk loss deduction. Any loss from this business not allowed for 2016 only because of the at-risk rules is treated as a deduction allocable to the business in 2017.

More information. For details, see the Instructions for Form 6198 and Pub. 925.

Part III. Cost of Goods Sold

In most cases, if you engaged in a trade or business in which the production, purchase, or sale of merchandise was an income-producing factor, you must take inventories into account at the beginning and end of your tax year.

Exception for certain taxpayers. If you are a qualifying taxpayer or a qualifying small business taxpayer (discussed next), you can account for inventoriable items in the same manner as materials and supplies that are not incidental. Under this accounting method, inventory costs for raw materials purchased for use in producing finished goods and merchandise purchased for resale are deductible in the year the finished goods or merchandise are sold (but not before the year you paid for the raw materials or merchandise, if you are also using the cash method). Enter amounts paid for all raw materials and merchandise during 2016 on line 36. The amount you can deduct for 2016 is figured on line 42.

Qualifying taxpayer. This is a taxpayer (a) whose average annual gross receipts for each tax year ending on or after December 17, 1998, are $1 million or less, and (b) whose business is not a tax shelter (as defined in section 448(d)(3)). To figure your average annual gross receipts for each tax year, add the gross receipts for that tax year and the 2 preceding tax years. Divide the total by three.

Qualifying small business taxpayer. This is a taxpayer (a) whose average annual gross receipts for each tax year ending on or after December 31, 2000, are $10 million or less, (b) whose business is not a tax shelter (as defined in section 448(d)(3)), and (c) whose principal business activity is not an ineligible activity as explained in Rev. Proc.

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2002-28. You can find Rev. Proc. 2002-28 on page 815 of Internal Revenue Bulletin 2002-18 at www.irs.gov/pub/irs-irbs/irb02-18.pdf.

To figure your average annual gross receipts for each tax year, add the gross receipts for that tax year and the 2 preceding tax years. Divide the total by three.

Changing accounting methods. File Form 3115 if you are a qualifying taxpayer or qualifying small business taxpayer and want to change to the cash method or to account for inventoriable items as non-incidental materials and supplies.

Additional information. For additional guidance on this method of accounting for inventoriable items, see the following.

- Pub. 538 discusses both exceptions.
- If you are a qualifying taxpayer, see Rev. Proc. 2001-10, on page 272 of Internal Revenue Bulletin 2001-2 at www.irs.gov/pub/irs-irbs/irb01-02.pdf.
- If you are a qualifying small business taxpayer, see Rev. Proc. 2002-28, on page 815 of Internal Revenue Bulletin 2002-18 at www.irs.gov/pub/irs-irbs/irb02-18.pdf.

CAUTION *Certain direct and indirect expenses may have to be capitalized or included in inventory. See Part II, earlier. See Pub. 538 for additional information.*

Line 33

Your inventories can be valued at cost, the lower of cost or market, or any other method approved by the IRS. However, you are required to use cost if you are using the cash method of accounting.

Line 35

If you are changing your method of accounting beginning with 2016, refigure last year's closing inventory using your new method of accounting and enter the result on line 35. If there is a difference between last year's closing inventory and the refigured amount, attach an explanation and take it into account when figuring your section 481(a) adjustment. For details, see the example under *Line F*, earlier.

Line 41

If you account for inventoriable items in the same manner as materials and supplies that are not incidental, enter on line 41 the portion of your raw materials and merchandise purchased for resale that is included on line 40 and was not sold during the year.

Part IV. Information on Your Vehicle

Line 44b

In most cases, commuting is travel between your home and a work location. If you converted your vehicle during the year from personal to business use (or vice versa), enter your commuting miles only for the period you drove your vehicle for business. For information on certain travel that is considered a business expense rather than commuting, see the Instructions for Form 2106.

Line 47

Specific recordkeeping rules apply to car or truck expenses. For more information about what records you must keep, see Pub. 463.

You may maintain written evidence by using an electronic storage system that meets certain requirements. For more information about electronic storage systems, see Pub. 583.

Part V. Other Expenses

Include all ordinary and necessary business expenses not deducted elsewhere on Schedule C. List the type and amount of each expense separately in the space provided. Enter the total on lines 48 and 27a. Do not include the cost of business equipment or furniture, replacements or permanent improvements to property, or personal, living, and family expenses. Do not include charitable contributions. Also, you cannot deduct fines or penalties paid to a government for violating any law. For details on business expenses, see Pub. 535.

Amortization. Include amortization in this part. For amortization that begins in 2016, you must complete and attach Form 4562.

You can amortize such costs as:

- The cost of pollution-control facilities;
- Amounts paid for research and experimentation;
- Qualified revitalization expenditures (for buildings placed in service before 2010);
- Amounts paid to acquire, protect, expand, register, or defend trademarks or trade names; or
- Goodwill and certain other intangibles.

In most cases, you cannot amortize real property construction period interest and taxes. Special rules apply for allocating interest to real or personal property produced in your trade or business.

For a complete list, see the instructions for Form 4562, Part VI.

At-risk loss deduction. Any loss from this business that was not allowed last year because of the at-risk rules is treated as a deduction allocable to this business in 2016.

Bad debts. Include debts and partial debts from sales or services that were included in income and are definitely known to be worthless. If you later collect a debt that you deducted as a bad debt, include it as income in the year collected. For details, see chapter 10 of Pub. 535.

Business start-up costs. If your business began in 2016, you can elect to deduct up to $5,000 of certain business start-up costs. The $5,000 limit is reduced (but not below zero) by the amount by which your total start-up costs exceed $50,000. Your remaining start-up costs can be amortized over a 180-month period, beginning with the month the business began.

For details, see chapters 7 and 8 of Pub. 535. For amortization that begins in 2016, you must complete and attach Form 4562.

Costs of making commercial buildings energy efficient. You may be able to deduct part or all of the cost of modifying existing commercial buildings to make them energy efficient. For details, see section 179D, Notice 2006-52,

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Notice 2008-40, and Notice 2012-26. Notice 2006-52, 2006-26 I.R.B. 1175, is available at www.irs.gov/irb/2006–26_IRB/ar11.html. Notice 2008–40, 2008–14 I.R.B. 725, is available at www.irs.gov/irb/2008–14_IRB/ar12.html. Notice 2012–26, 2012–17 I.R.B. 847, is available at www.irs.gov/irb/2012–17_IRB/ar08.html.

Deduction for removing barriers to individuals with disabilities and the elderly. You may be able to deduct up to $15,000 of costs paid or incurred in 2016 to remove architectural or transportation barriers to individuals with disabilities and the elderly. However, you cannot take both a credit (on Form 8826) and a deduction for the same expenditures.

Excess farm loss deduction. Any loss from this business activity, which includes processing a farm commodity as part of your farming business, that was not allowed last year because of the excess farm loss rules is treated as a deduction allocable to this business activity in 2016.

See the Instructions for Schedule F for a definition of farming business for this purpose and for more information about excess farm losses.

Film and television and live theatrical production expenses. You can elect to deduct costs of certain qualified film and television productions. You can also elect to deduct costs of certain qualified live theatrical productions that have their first public performance for a paying audience in 2016. For details, see chapter 7 of Pub. 535.

Forestation and reforestation costs. Reforestation costs are generally capital expenditures. However, for each qualified timber property, you can elect to expense up to $10,000 ($5,000 if married filing separately) of qualifying reforestation costs paid or incurred in 2016.

You can elect to amortize the remaining costs over 84 months. For amortization that begins in 2016, you must complete and attach Form 4562.

The amortization election does not apply to trusts, and the expense election does not apply to estates and trusts. For details on reforestation expenses, see chapters 7 and 8 of Pub. 535.

Paperwork Reduction Act Notice. We ask for the information on Schedule C (Form 1040) and Schedule C-EZ (Form 1040) to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file Schedule C (Form 1040) will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is approved under OMB control number 1545-1974 and is shown next.

Recordkeeping	3 hr., 36 min.
Learning about the law or the form	1 hr., 19 min.
Preparing the form	1 hr., 39 min.
Copying, assembling, and sending the form to the IRS	34 min.

The time needed to complete and file Schedule C-EZ (Form 1040) will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is approved under OMB control number 1545-1973 and is shown next.

Recordkeeping	45 min.
Learning about the law or the form	3 min.
Preparing the form	35 min.
Copying, assembling, and sending the form to the IRS	20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

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Principal Business or Professional Activity Codes

These codes for the Principal Business or Professional Activity classify sole proprietorships by the type of activity they are engaged in to facilitate the administration of the Internal Revenue Code. These six-digit codes are based on the North American Industry Classification System (NAICS).

Select the category that best describes your primary business activity (for example, Real Estate). Then select the activity that best identifies the principal source of your sales or receipts (for example, real estate agent). Now find the six-digit code assigned to this activity (for example, 531210, the code for offices of real estate agents and brokers) and enter it on Schedule C or C-EZ, line B.

Note. If your principal source of income is from farming activities, you should file Schedule F.

Accommodation, Food Services, & Drinking Places

Accommodation

721310 Rooming & boarding houses
721210 RV (recreational vehicle) parks & recreational camps
721100 Traveler accommodation (including hotels, motels, & bed & breakfast inns)

Food Services & Drinking Places

722514 Cafeterias & buffets
722410 Drinking places (alcoholic beverages)
722511 Full-service restaurants
722513 Limited-service restaurants
722515 Snack & non-alcoholic beverage bars
722300 Special food services (including food service contractors & caterers)

Administrative & Support and Waste Management & Remediation Services

Administrative & Support Services

561430 Business service centers (including private mail centers & copy shops)
561740 Carpet & upholstery cleaning services
561440 Collection agencies
561450 Credit bureaus
561410 Document preparation services
561300 Employment services
561710 Exterminating & pest control services
561210 Facilities support (management) services
561600 Investigation & security services
561720 Janitorial services
561730 Landscaping services
561110 Office administrative services
561420 Telephone call centers (including telephone answering services & telemarketing bureaus)
561500 Travel arrangement & reservation services
561490 Other business support services (including repossession services, court reporting, & stenotype services)
561790 Other services to buildings & dwellings
561900 Other support services (including packaging & labeling services, & convention & trade show organizers)

Waste Management & Remediation Services

562000 Waste management & remediation services

Agriculture, Forestry, Hunting, & Fishing

112900 Animal production (including breeding of cats and dogs)
114110 Fishing
113000 Forestry & logging (including forest nurseries & timber tracts)
114210 Hunting & trapping

Support Activities for Agriculture & Forestry

115210 Support activities for animal production (including farriers)
115110 Support activities for crop production (including cotton ginning, soil preparation, planting, & cultivating)
115310 Support activities for forestry

Arts, Entertainment, & Recreation

Amusement, Gambling, & Recreation Industries

713100 Amusement parks & arcades
713200 Gambling industries
713900 Other amusement & recreation services (including golf courses, skiing facilities, marinas, fitness centers, bowling centers, skating rinks, miniature golf courses)

Museums, Historical Sites, & Similar Institutions

712100 Museums, historical sites, & similar institutions

Performing Arts, Spectator Sports, & Related Industries

711410 Agents & managers for artists, athletes, entertainers, & other public figures
711510 Independent artists, writers, & performers
711100 Performing arts companies
711300 Promoters of performing arts, sports, & similar events
711210 Spectator sports (including professional sports clubs & racetrack operations)

Construction of Buildings

236200 Nonresidential building construction
236100 Residential building construction

Heavy and Civil Engineering Construction

237310 Highway, street, & bridge construction
237210 Land subdivision
237100 Utility system construction
237990 Other heavy & civil engineering construction

Specialty Trade Contractors

238310 Drywall & insulation contractors
238210 Electrical contractors
238350 Finish carpentry contractors
238330 Flooring contractors
238130 Framing carpentry contractors
238150 Glass & glazing contractors
238140 Masonry contractors
238320 Painting & wall covering contractors
238220 Plumbing, heating & air-conditioning contractors
238110 Poured concrete foundation & structure contractors
238160 Roofing contractors
238170 Siding contractors
238910 Site preparation contractors
238120 Structural steel & precast concrete construction contractors
238340 Tile & terrazzo contractors
238290 Other building equipment contractors
238390 Other building finishing contractors
238190 Other foundation, structure, & building exterior contractors
238990 All other specialty trade contractors

Educational Services

611000 Educational services (including schools, colleges, & universities)

Finance & Insurance

Credit Intermediation & Related Activities

522100 Depository credit intermediation (including commercial banking, savings institutions, & credit unions)
522200 Nondepository credit intermediation (including sales financing & consumer lending)
522300 Activities related to credit intermediation (including loan brokers)

Insurance Agents, Brokers, & Related Activities

524210 Insurance agencies & brokerages
524290 Other insurance related activities

Securities, Commodity Contracts, & Other Financial Investments & Related Activities

523140 Commodity contracts brokers
523130 Commodity contracts dealers
523110 Investment bankers & securities dealers
523210 Securities & commodity exchanges
523120 Securities brokers
523900 Other financial investment activities (including investment advice)

Health Care & Social Assistance

Ambulatory Health Care Services

621610 Home health care services
621510 Medical & diagnostic laboratories
621310 Offices of chiropractors
621210 Offices of dentists
621330 Offices of mental health practitioners (except physicians)
621320 Offices of optometrists
621340 Offices of physical, occupational & speech therapists, & audiologists
621111 Offices of physicians (except mental health specialists)
621112 Offices of physicians, mental health specialists
621391 Offices of podiatrists
621399 Offices of all other miscellaneous health practitioners
621400 Outpatient care centers
621900 Other ambulatory health care services (including ambulance services, blood, & organ banks)

Hospitals

622000 Hospitals

Nursing & Residential Care Facilities

623000 Nursing & residential care facilities

Social Assistance

624410 Child day care services
624200 Community food & housing, & emergency & other relief services
624100 Individual & family services
624310 Vocational rehabilitation services

Information

511000 Publishing industries (except Internet)

Broadcasting (except Internet) & Telecommunications

515000 Broadcasting (except Internet)
517000 Telecommunications & Internet service providers

Data Processing Services

518210 Data processing, hosting, & related services
519100 Other information services (including news syndicates & libraries, Internet publishing & broadcasting)

Motion Picture & Sound Recording

512100 Motion picture & video industries (except video rental)
512200 Sound recording industries

Manufacturing

315000 Apparel mfg.
312000 Beverage & tobacco product mfg.
334000 Computer & electronic product mfg.
335000 Electrical equipment, appliance, & component mfg.
332000 Fabricated metal product mfg.
337000 Furniture & related product mfg.
333000 Machinery mfg.
339110 Medical equipment & supplies mfg.
322000 Paper mfg.
324100 Petroleum & coal products mfg.
326000 Plastics & rubber products mfg.
331000 Primary metal mfg.
323100 Printing & related support activities
313000 Textile mills
314000 Textile product mills
336000 Transportation equipment mfg.
321000 Wood product mfg.
339900 Other miscellaneous mfg.

Chemical Manufacturing

325100 Basic chemical mfg.
325500 Paint, coating, & adhesive mfg.
325300 Pesticide, fertilizer, & other agricultural chemical mfg.
325410 Pharmaceutical & medicine mfg.
325200 Resin, synthetic rubber, & artificial & synthetic fibers & filaments mfg.
325600 Soap, cleaning compound, & toilet preparation mfg.
325900 Other chemical product & preparation mfg.

Food Manufacturing

311110 Animal food mfg.
311800 Bakeries, tortilla, & dry pasta mfg.
311500 Dairy product mfg.
311400 Fruit & vegetable preserving & speciality food mfg.
311200 Grain & oilseed milling
311610 Animal slaughtering & processing
311710 Seafood product preparation & packaging
311300 Sugar & confectionery product mfg.
311900 Other food mfg. (including coffee, tea, flavorings, & seasonings)

Leather & Allied Product Manufacturing

316210 Footwear mfg. (including leather, rubber, & plastics)
316110 Leather & hide tanning & finishing
316990 Other leather & allied product mfg.

Nonmetallic Mineral Product Manufacturing

327300 Cement & concrete product mfg.
327100 Clay product & refractory mfg.
327210 Glass & glass product mfg.
327400 Lime & gypsum product mfg.
327900 Other nonmetallic mineral product mfg.

Mining

212110 Coal mining
212200 Metal ore mining
212300 Nonmetallic mineral mining & quarrying
211110 Oil & gas extraction
213110 Support activities for mining

Other Services

Personal & Laundry Services

812111 Barber shops
812112 Beauty salons
812220 Cemeteries & crematories
812310 Coin-operated laundries & drycleaners
812320 Drycleaning & laundry services (except coin-operated) (including laundry & drycleaning drop-off & pickup sites)
812210 Funeral homes & funeral services
812330 Linen & uniform supply
812113 Nail salons
812930 Parking lots & garages
812910 Pet care (except veterinary) services
812920 Photofinishing
812190 Other personal care services (including diet & weight reducing centers)
812990 All other personal services

Repair & Maintenance

811120 Automotive body, paint, interior, & glass repair
811110 Automotive mechanical & electrical repair & maintenance
811190 Other automotive repair & maintenance (including oil change & lubrication shops & car washes)
811310 Commercial & industrial machinery & equipment (except automotive & electronic) repair & maintenance
811210 Electronic & precision equipment repair & maintenance
811430 Footwear & leather goods repair
811410 Home & garden equipment & appliance repair & maintenance
811420 Reupholstery & furniture repair
811490 Other personal & household goods repair & maintenance

Professional, Scientific, & Technical Services

541100 Legal services
541211 Offices of certified public accountants
541214 Payroll services
541213 Tax preparation services
541219 Other accounting services

Architectural, Engineering, & Related Services

541310 Architectural services
541350 Building inspection services
541340 Drafting services
541330 Engineering services
541360 Geophysical surveying & mapping services
541320 Landscape architecture services
541370 Surveying & mapping (except geophysical) services
541380 Testing laboratories

Computer Systems Design & Related Services

541510 Computer systems design & related services

Specialized Design Services

541400 Specialized design services (including interior, industrial, graphic, & fashion design)

Other Professional, Scientific, & Technical Services

541800 Advertising & related services
541600 Management, scientific, & technical consulting services
541910 Market research & public opinion polling
541920 Photographic services
541700 Scientific research & development services
541930 Translation & interpretation services
541940 Veterinary services
541990 All other professional, scientific, & technical services

Real Estate & Rental & Leasing

Real Estate

531100 Lessors of real estate (including miniwarehouses & self-storage units)
531210 Offices of real estate agents & brokers
531320 Offices of real estate appraisers
531310 Real estate property managers
531390 Other activities related to real estate

Rental & Leasing Services

532100 Automotive equipment rental & leasing
532400 Commercial & industrial machinery & equipment rental & leasing
532210 Consumer electronics & appliances rental
532220 Formal wear & costume rental
532310 General rental centers
532230 Video tape & disc rental
532290 Other consumer goods rental

Religious, Grantmaking, Civic, Professional, & Similar Organizations

813000 Religious, grantmaking, civic, professional, & similar organizations

Retail Trade

Building Material & Garden Equipment & Supplies Dealers

444130 Hardware stores
444110 Home centers
444200 Lawn & garden equipment & supplies stores
444120 Paint & wallpaper stores
444190 Other building materials dealers

Clothing & Accessories Stores

448130 Children's & infants' clothing stores
448150 Clothing accessories stores
448140 Family clothing stores
448310 Jewelry stores
448320 Luggage & leather goods stores
448110 Men's clothing stores
448210 Shoe stores
448120 Women's clothing stores
448190 Other clothing stores

Electronic & Appliance Stores

443142 Electronics stores (including audio, video, computer, & camera stores)
443141 Household appliance stores

Food & Beverage Stores

445310 Beer, wine, & liquor stores
445220 Fish & seafood markets
445230 Fruit & vegetable markets
445100 Grocery stores (including supermarkets & convenience stores without gas)
445210 Meat markets
445290 Other specialty food stores

Furniture & Home Furnishing Stores

442110 Furniture stores
442200 Home furnishings stores

Gasoline Stations

447100 Gasoline stations (including convenience stores with gas)

General Merchandise Stores

452000 General merchandise stores

Health & Personal Care Stores

446120 Cosmetics, beauty supplies, & perfume stores
446130 Optical goods stores
446110 Pharmacies & drug stores
446190 Other health & personal care stores

Motor Vehicle & Parts Dealers

441300 Automotive parts, accessories, & tire stores
441222 Boat dealers
441228 Motorcycle, ATV, & all other motor vehicle dealers
441110 New car dealers
441210 Recreational vehicle dealers (including motor home & travel trailer dealers)
441120 Used car dealers

Sporting Goods, Hobby, Book, & Music Stores

451211 Book stores
451120 Hobby, toy, & game stores
451140 Musical instrument & supplies stores
451212 News dealers & newsstands
451130 Sewing, needlework, & piece goods stores
451110 Sporting goods stores

Miscellaneous Store Retailers

453920 Art dealers
453110 Florists
453220 Gift, novelty, & souvenir stores
453930 Manufactured (mobile) home dealers
453210 Office supplies & stationery stores
453910 Pet & pet supplies stores
453310 Used merchandise stores
453990 All other miscellaneous store retailers (including tobacco, candle, & trophy shops)

Nonstore Retailers

454112 Electronic auctions
454111 Electronic shopping
454310 Fuel dealers (including heating oil & liquefied petroleum)
454113 Mail-order houses
454210 Vending machine operators
454390 Other direct selling establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)

Transportation & Warehousing

481000 Air transportation
485510 Charter bus industry
484110 General freight trucking, local
484120 General freight trucking, long distance
485210 Interurban & rural bus transportation
486000 Pipeline transportation
482110 Rail transportation
487000 Scenic & sightseeing transportation
485410 School & employee bus transportation
484200 Specialized freight trucking (including household moving vans)
485300 Taxi & limousine service
485110 Urban transit systems
483000 Water transportation
485990 Other transit & ground passenger transportation
488000 Support activities for transportation (including motor vehicle towing)

Couriers & Messengers

492000 Couriers & messengers

Warehousing & Storage Facilities

493100 Warehousing & storage (except leases of miniwarehouses & self-storage units)

Utilities

221000 Utilities

Wholesale Trade

Merchant Wholesalers, Durable Goods

423200 Furniture & home furnishing
423700 Hardware, & plumbing & heating equipment & supplies
423600 Household appliances & electrical & electronic goods
423940 Jewelry, watch, precious stone, & precious metals
423300 Lumber & other construction materials
423800 Machinery, equipment, & supplies
423500 Metal & mineral (except petroleum)
423100 Motor vehicle & motor vehicle parts & supplies
423400 Professional & commercial equipment & supplies
423930 Recyclable materials
423910 Sporting & recreational goods & supplies
423920 Toy & hobby goods & supplies
423990 Other miscellaneous durable goods

Merchant Wholesalers, Nondurable Goods

424300 Apparel, piece goods, & notions
424800 Beer, wine, & distilled alcoholic beverage
424920 Books, periodicals, & newspapers
424600 Chemical & allied products
424210 Drugs & druggists' sundries
424500 Farm product raw materials
424910 Farm supplies
424930 Flower, nursery stock, & florists' supplies
424400 Grocery & related products
424950 Paint, varnish, & supplies
424100 Paper & paper products
424700 Petroleum & petroleum products
424940 Tobacco & tobacco products
424990 Other miscellaneous nondurable goods

Wholesale Electronic Markets and Agents & Brokers

425110 Business to business electronic markets
425120 Wholesale trade agents & brokers

999999 Unclassified establishments (unable to classify)