



# 2023 Instructions for Schedule C

## Profit or Loss From Business

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, a not-for-profit activity, or a hobby does not qualify as a business. To report income from a nonbusiness activity, see the instructions for Schedule 1 (Form 1040), line 8j.

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 amounts shown on a Form 1099, such as Form 1099-MISC, Form 1099-NEC, and Form 1099-K. See the instructions on your Form 1099 for more information about what to report on Schedule C.

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 [IRS.gov/ScheduleC](https://www.irs.gov/ScheduleC).

### What's New

**Redesigned Form 1040-SS.** For 2023, Schedule C (Form 1040) is available to be filed with Form 1040-SS, if applicable. It replaces Form 1040-SS, Part IV. For additional information, see the Instructions for Form 1040-SS.

**Standard mileage rate.** The business standard mileage rate for 2023 is 65.5 cents per mile.

**Business meals deduction.** The temporary 100% deduction for food or beverages provided by a restaurant has expired. The business meal deduction reverts back to the previous 50% allowable deduction beginning January 1, 2023.

**Energy efficient commercial buildings deduction.** The energy efficient commercial buildings deduction is now reported on new line 27b.

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

### Commercial clean vehicle credit.

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

### Reminders

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

**Excess business loss limitation.** If you report a loss on line 31 of your Schedule C (Form 1040), you may be subject to a business loss limitation. The disallowed loss resulting from the limitation will not be reflected on line 31 of your Schedule C. Instead, use Form 461 to determine the amount of your excess business loss, which will be included as income on Schedule 1 (Form 1040), line 8p. Any disallowed loss resulting from this limitation will be treated as a net operating loss that must be carried forward and deducted in a subsequent year.

See Form 461 and its instructions for details on the excess business loss limitation.

**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, 1040-SR, Schedules C, E, F, or Form 2106, as well as small business taxpayers with assets under \$10 million. For additional information, go to the Small Business and Self-Employed Tax Center at [IRS.gov/SmallBiz](https://www.irs.gov/SmallBiz).

## 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 461 to report an excess business loss.
- Form 3800 to claim any of the general business credits.
- Form 4562 to claim depreciation and amortization on assets placed in service in 2023, to claim amortization that began in 2023, 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 apply a limitation to your loss if you have a business loss and you have amounts invested in the business for which you are not at risk.
- Form 6252 to report income from an installment agreement.
- Form 7205 to claim the IRC 179D deduction for qualifying energy efficient commercial building expenses.
- Form 8582 to apply a limitation to your 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 8936 to claim the commercial clean vehicle credit.
- Form 8960 to pay Net Investment Income Tax on certain income from your passive activities.
- Form 8990 to determine whether your business interest deduction is limited.
- Form 8995 or 8995-A to claim a deduction for qualified business income.

**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 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 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 go to [IRS.gov/Trucker](https://www.irs.gov/Trucker) for the most recent developments.

**Information returns.** You may have to file information returns for wages paid to employees, and certain payments of fees and other nonemployee compensation, interest, rents, royalties, real estate transactions, annuities, and pensions. See [Line I](#), later, and the 2023 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. See also the IRS Form 8300 Reference Guide, available at [IRS.gov/Businesses/Small-Businesses-Self-Employed/IRS-Form-8300-Reference-Guide](https://www.irs.gov/Businesses/Small-Businesses-Self-Employed/IRS-Form-8300-Reference-Guide).

## 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 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 information about partnerships.

### 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.



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

**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 respective interests in the business. Each of you must file a separate Schedule C or F. Enter your share of the applicable income, deduction, or (loss) on the appropriate lines of your separate Schedule C 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 or go to [IRS.gov/EIN](http://IRS.gov/EIN).

**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 is not generally included in net earnings from self-employment subject to self-employment tax and is generally 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/QJV](http://IRS.gov/QJV).

## Community Income

If you and your spouse wholly own an unincorporated business as community property under the community property laws of a state, foreign country, or U.S. territory, you can treat 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.
- 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.

States with community property laws include Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. See Pub. 555 for more information about community property laws.

## 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 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 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 or 1040-SR, line 15, by the amount of the deduction. Next to line 15, enter “CCF” and the amount of the deduction. For details, see Pub. 595.

## Additional Information

See Pub. 334 for more information for small businesses.

## Specific Instructions

**Filers of Form 1041.** Do not complete the block labeled “Social security number (SSN).” Instead, enter the EIN issued to the estate or trust on line C.

## 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, 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. For nonstore retailers, select the PBA code by the primary product that your establishment sells. For example, establishments primarily selling prescription and non-prescription drugs, select PBA code 456110 *Pharmacies & drug retailers*.

## Line D

Enter on line D the 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 page 1 of your tax return, you do not have to complete this line.

## Line F

Generally, you can use the cash method, an 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 [small business taxpayer](#) (defined later under *Part III*), you must use an accrual method for sales and purchases of inventory items. Special rules apply to long-term contracts (see section 460 for details). See also Rev. Proc. 2022-9 for changes in accounting periods and methods of accounting, available at [IRS.gov/irb/2022-02\\_IRB#REV-PROC-2022-9](https://www.irs.gov/irb/2022-02_IRB#REV-PROC-2022-9).

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 beyond 12 months or the end of the next tax year, it may not be deductible or may be deductible only in part for the year of the payment. See chapter 2 of Pub. 334, Tax Guide for Small Business.

For amounts includible in income and deductible as expense under an accrual method, see Pub. 538.

To change your accounting method, you must generally file Form 3115. You may also 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 inventorable items in the same manner as non-incidental materials and supplies for the 2023 tax year. You accrued sales in 2022 for which you received payment in 2023. 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 adjustment is generally taken into account in the year of 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.

**More information.** 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. 2022-14 (and any subsequent revenue procedures modifying Rev. Proc. 2022-14) for a list of automatic changes, including a description of its effect on prior lists of automatic changes. Rev. Proc. 2022-14 is available at [IRS.gov/irb/2022-07\\_IRB#REV-PROC-2022-14](https://www.irs.gov/irb/2022-07_IRB#REV-PROC-2022-14).

## Line G

If your business activity is not a rental activity and you meet any of the material participation tests, explained next, or the [exception for oil and gas](#) applies, check the “Yes” box. Otherwise, check “No.” If you check “No,” 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 performed 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 in which you own an interest 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 a trade or business activity during 2023 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 “signifi-

cant 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 field of health, law, engineering, architecture, accounting, actuarial science, performing arts, or 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 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 apply a limitation that may reduce the loss, if any, that you may enter on Schedule C, line 31. For details, see Pub. 925.

**Note.** Line G doesn't apply to filers of Form 1040-SS.

## Line H


If you started or acquired this business in 2023, 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 2022 Schedule C for this business.

## Line I

If you made any payment in 2023 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, a deposit-commission, or other similar basis for resale.

**Note.** Line I doesn't apply to filers of Form 1040-SS.

 *The Guide to Information Returns in the 2023 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 2023, see *Chapter 11 Bankruptcy Cases* in the Instructions for Form 1040 (under *Income*) and the Instructions for Schedule SE.

Be sure to report all income attributable to your trade or business from all sources. You may receive one or more Forms 1099 from people who are required to provide information to the IRS listing amounts that may be income you received as a result of your trade or business activities. The following is a list of some of the common Forms 1099.

- 1099-MISC. For more information about what is reported on Form 1099-MISC, see the *Instructions for Recipient* included on that form.

- 1099-NEC. For more information about what is reported on Form 1099-NEC, see the *Instructions for Recipient* included on that form.

- 1099-K. For more information about what is reported on Form 1099-K, see the *Instructions for Payee* included on that form and go to [IRS.gov/Gig](https://www.irs.gov/Gig).

 *Income you report on Schedule C may be qualified business income and entitle you to a deduction on Form 1040 or 1040-SR, line 13. See Forms 8995 and 8995-A, and [IRS.gov/Newsroom/Facts-About-the-Qualified-Business-Income-Deduction](https://www.irs.gov/Newsroom/Facts-About-the-Qualified-Business-Income-Deduction).*

## Line 1

Enter gross receipts from your trade or business. Be sure to check any Forms 1099 you received for business income that must be reported on this line.

If you received one or more Forms 1099-NEC, be sure line 1 includes amounts properly shown on your Forms 1099-NEC. If the total amounts that were reported in box 1 of Forms 1099-NEC 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, Wage and Tax Statement, 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. Enter your statutory employee income from box 1 of Form W-2 on line 1 of Schedule C 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 combine these amounts on a single Schedule C.

**Note.** Statutory employees information doesn't apply to Form 1040-SS filers.



*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 Schedule 2 (Form 1040), line 14, and enter the amount of interest and "453(l)(3)" on the line next to the entry space.

If you use the installment method, attach a statement to your return. Show separately for 2023 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 business income not reported elsewhere in Part I. Be sure to include amounts from the following.

- 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 2023.
- Any amount of credit for biofuel claimed on line 3 of Form 6478.
- Any amount of credit for biodiesel, renewable diesel, and sustainable aviation fuel claimed on line 11 of Form 8864.
- Credit for federal tax paid on fuels claimed on your 2022 Form 1040 or 1040-SR.
- Prizes and awards related to your trade or business.
- Amounts you received in your trade or business as shown on Form 1099-PATR.
- The amount of any payroll tax credit taken by an employer for qualified paid sick leave and qualified paid family leave under the Families First Coronavirus Response Act (FFCRA), and the American Rescue Plan Act of 2021 (ARP). See Form 941, lines 11b, 11d, 13c, and 13e, and Form 944, lines 8b, 8d, 10d, and 10f. You must include the full amount (both the refundable and nonrefundable portions) of the credit for qualified sick and family leave wages in gross income for the tax year that includes the last day of any calendar quarter with respect to which a credit is allowed.

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

- Any amount of credit for COBRA premium assistance. See your Form(s)

941 or Form 944 for 2023 for the nonrefundable and refundable portions of this credit that you claimed against your employment taxes.

- Other kinds of miscellaneous business income.

If the business use percentage of any listed property (defined under [Line 13](#), later) dropped to 50% or less in 2023, 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.

## Part II. Expenses

**Capitalizing costs of producing property and acquiring property for resale.** If you produced real or tangible personal property or acquired real or personal property for resale, you must generally capitalize certain expenses in inventory or other property. These expenses include the direct costs of the property and any indirect costs properly allocable to that property. Reduce the amounts on lines 8 through 26, 27b, and Part V by amounts capitalized. See Pub. 538 for a discussion of the uniform capitalization rules.

**Exception for a small business taxpayer.** A [small business taxpayer](#) (defined later under *Part III*) is not required to capitalize certain expenses to inventory or other property. See Pub. 538 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, videotapes, or similar items. These expenses are subject to the capitalization rules. For details, see *Uniform Capitalization Rules* in Pub. 538.



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## 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 can't 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 2023 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 65.5;
- Add to this amount your parking fees and tolls; and
- Enter the total on line 9. Do not deduct depreciation, rent or lease payments, or your actual operating expenses.

If you deduct actual expenses:

- Include on line 9 the business portion of expenses for gasoline, oil, repairs, insurance, 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, 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, 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).

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## 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-NEC to report certain commissions and fees of \$600 or more during the year. See the Instructions for Forms 1099-MISC and 1099-NEC 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).

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## 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-NEC to report contract labor payments of \$600 or more during the year. See the Instructions for Forms 1099-MISC and 1099-NEC for details.

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## 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 2022, a prior year version, for details.

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## Line 13

**Depreciation and section 179 expense deduction.** Depreciation is the annual deduction allowed to recover the cost or

other basis of business or investment property having a useful life substantially beyond the tax year. You can also depreciate improvements made to leased business property. However, stock in trade, inventories, and land are not depreciable. Depreciation starts when you first use the property in your business or for the production of income. It ends when you take the property out of service, deduct all your depreciable cost or other basis, or no longer use the property in your business or for the production of income. You can also elect under section 179 to expense part or all of the cost of certain property you bought in 2023 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 2023;
- 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 2023, see Pub. 946.

**Listed property.** 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.; and
- Any property used for entertainment or recreational purposes (such as photographic, phonographic, communication, and video recording equipment).

**Exception.** Listed property does not include photographic, phonographic, communication, or video equipment used exclusively in your trade or business or at your regular business establishment. For purposes of this exception, 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.

**Recapture.** See [Line 6](#), earlier, if the business use percentage of any listed property dropped to 50% or less in 2023.

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## 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 Schedule 1 (Form 1040), line 17, 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 line 17, Schedule 1, contained within the Instructions for Form 1040.

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.

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## 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 Pub. 334, chapter 8.

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## 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.

Generally, you allocate interest expense by tracing how the proceeds of the loan were used. See chapter 4 of Pub. 535 for 2022, a prior year version, for details.

**Limitation on business interest.** You must file Form 8990 to deduct any interest expenses of this trade or business unless you are a [small business taxpayer](#) (defined under *Part III*) or meet one of the other filing exceptions listed in the Instructions for Form 8990.

If you must file Form 8990, figure the limit on your business interest expenses on Form 8990 before completing lines 16a and 16b. Follow the instructions under [How to report](#), later, but report the reduced interest on lines 16a and 16b. The interest you can't deduct this year will carry forward to next year on Form 8990.

If you are a small business taxpayer or meet one of the other filing exceptions for Form 8990, follow the instructions under [How to report](#), later, and report all of your deductible interest on lines 16a and 16b.

**How to report.** If you have a mortgage on real property used in your business, enter on line 16a the interest you paid for 2023 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 for 2022, a prior year version, 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.



*The Tax Cuts and Jobs Act, section 11043, limited the deduction for mortgage interest paid on home equity loans and lines of credit. See section 163(h)(3)(F).*

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 re-

ceived 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 2023 that also applies to future years, deduct only the part that applies to 2023.

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## 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.

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## Line 18

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

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## 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 Schedule 1 (Form 1040), line 16, 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 [efast.dol.gov](http://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 [efast.dol.gov](http://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 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 the Instructions for Form 4562, Depreciation and Amortization, for more information on amortization.

- 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 a 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 Schedule 1 (Form 1040), line 15 (but if filing Form 1040-NR, then only 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.



*Do not reduce your deduction for social security and Medicare taxes by the nonrefundable and refundable portions of the credit for sick and family leave wages that you claimed on Form 944 or Form(s) 941. Instead, you must report your credit for qualified sick and family leave wages as income on line 6.*

## 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 can't 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 on this line. Instead, see [Line 24b](#), later. Do not include entertainment expenses on this line.

Instead of keeping records of your actual incidental expenses, you can use 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 under [Line 24b](#), later).

You can't 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 deductible business meal expenses. This includes expenses for meals while traveling away from home for business. Your deductible business meal expenses are a percentage of your actual business meal expenses or standard meal allowance. See *Amount of deduction*, later, for the percentage that applies to your actual meal expenses or standard meal allowance. In most cases, the percentage is 50%.

Do not include entertainment expenses on this line.

**Business meal expenses.** You can deduct a percentage of the actual cost of a meal if the following conditions are met.

- The meal expense was an ordinary and necessary expense in carrying on your trade or business.
- The expense was not lavish or extravagant under the circumstances.
- You or your employee was present at the meal.
- The meal was provided to a current or potential business customer, client, consultant, or similar business contact.
- In the case of food or beverages provided during or at an entertainment event, the food and beverages were purchased separately from the entertainment, or the cost of the food and beverages was stated separately from the cost of the entertainment on one or more bills, invoices, or receipts.



*You cannot avoid the entertainment disallowance rule by inflating the amount charged for food and beverages.*

See Notice 2021-25 for examples and more information. Notice 2021-25 is available at [IRS.gov/irb/2021-17\\_IRB#NOT-2021-25](https://www.irs.gov/irb/2021-17_IRB#NOT-2021-25).

**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 meals and incidental expenses (M&IE) rate. You can find these rates for locations inside and outside the continental United States by going to the General Services Administration's website at [GSA.gov/travel/plan-book/per-diem-rates/mie-breakdown](https://www.gsa.gov/travel/plan-book/per-diem-rates/mie-breakdown).

See chapter 2 of Pub. 463 for details on how to figure your deduction using the standard meal allowance, including special rules for partial days of travel. For special per diem rates and rules of high cost locales, see [IRS.gov/irb/2021-38\\_IRB#NOT-2021-52](https://www.irs.gov/irb/2021-38_IRB#NOT-2021-52).

**Amount of deduction.** For business meals, you can deduct 50% of your business meal expenses, including meals incurred while away from home on business. However, for individuals subject to the Department of Transportation (DOT) hours of service limits, the percentage for other business meals 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 and incidentals furnished or reimbursed to an employee if you properly treat the expense as wages subject to withholding. You can also fully deduct meals and incidentals provided to a nonemployee to the extent the expenses are includible in the gross income of that person and reported on Form 1099-NEC. See chapter 5 of Pub. 15 (Circular E), Employer's Tax Guide, for details and other exceptions. See also chapter 8 of Pub. 334.

**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. If you receive reimbursement under a food program of the Department of Agriculture, only deduct the cost of food that exceeds reimbursement, if any. 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 reduced by the amount of the following credit(s), if applicable.

- Work Opportunity Credit (Form 5884).
- Empowerment Zone Employment Credit (Form 8844).
- Credit for Employer Differential Wage Payments (Form 8932).
- Employer Credit for Paid Family and Medical Leave (Form 8994).

Do not reduce your deduction for any portion of a credit that was passed through to you from a pass-through entity. See the instructions for the credit form for more information.

Do not include salaries and wages deducted elsewhere on your return or amounts paid to yourself.



*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 for each employee. See the

## Line 27b

**Energy efficient commercial buildings deduction.** You may be able to deduct part or all of the expenses of modifying an existing commercial building to make it energy efficient. For details, see Form 7205 and its instructions. Attach Form 7205 to your tax return.

## 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, use Form 8829, or you can elect to determine the amount of the deduction using a simplified method.

If you have a business use of another home, you can't use the simplified method for that home. You can use the Form 8829 to claim expenses for business use of the other home.

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

**Note.** Line 30 doesn't apply to filers of Form 1040-SS.



*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. Instead, include the amount from line 36 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 2023, 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 were 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 carry over 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 carry over 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 use actual expenses to figure your deduction.

**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





1. Enter the amount of the gross income limitation. See the Instructions for the Simplified Method Worksheet (below) . . . . .	1. _____
2. Allowable square footage for the qualified business use. Do not enter more than 300 square feet. See the 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, see the instructions for line 3b of this worksheet and enter the decimal amount from the Daycare Facility Worksheet; otherwise, enter 1.0 . . . . .	3b. _____
c. Multiply line 3a by line 3b and enter the result to 2 decimal places . . . . .	3c. _____
4. Multiply line 2 by line 3c . . . . .	4. _____
5. <b>Allowable expenses using the simplified method.</b> 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. <b>Carryover of unallowed expenses from a prior year that are not allowed in 2023.</b>	
a. Operating expenses. Enter the amount from your last Form 8829, line 43 (line 42 if before 2018). See the Instructions for the Simplified Method Worksheet . . . . .	6a. _____
b. Excess casualty losses and depreciation. Enter the amount from your last Form 8829, line 44 (line 43 if before 2018). See the Instructions for the Simplified Method Worksheet . . . . .	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 total amount of any losses (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 business use of the home . . . . . | _____ |
| E. Gross income limitation. Subtract line D from line C. Enter the result here and on line 1 of the simplified method worksheet . . . . .   | _____ |

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 spent 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 business use of the home. Enter the result on line 1 of the simplified method worksheet.

**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 or 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.** Because 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 in a later year for your qualified business use of this home, you will be able to include these expenses when you figure your deduction.

- |  |
|--|
| 6a. If you did not file a 2022 Form 8829, then your carryover of prior year operating expenses is the amount of operating expenses shown in Part IV of the last Form 8829, if any, that you filed to claim a deduction for business use of the home.   |
| 6b. If you did not file a 2022 Form 8829, then your carryover of prior year excess casualty losses and depreciation is the amount of excess casualty losses and depreciation shown in Part IV of the last Form 8829, if any, that you filed to claim a deduction for business use of the home. |



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 the 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. _____

### 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.



*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.

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 information 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.** Taylor and Logan are roommates. Taylor uses 300 square feet of their home for a qualified business use. Logan 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, Taylor and Logan can both claim 50 of the 100 square feet or divide the 100 square feet between them in any reasonable manner. If divided evenly, Taylor could claim 250 square feet using the simplified method and Logan 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, use -0- for that month.

**Example 1.** Finley files a federal income tax return on a calendar year basis. On July 20, Finley began using 400 square feet of the home for a qualified business use. Finley continued to use the 400 square feet until the end of the year. Finley'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  $((300 + 300 + 300 + 300 + 300)/12))$ .

**Example 2.** Riley files a federal income tax return on a calendar year basis. On April 20, Riley began using 100 square feet of the home for a qualified business use. On August 5, Riley expanded the area of qualified business use to 350 square feet. Riley continued to use the 350 square feet until the end of the year. Riley'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  $((100 + 100 + 100 + 300 + 300 + 300 + 300)/12))$ .

**Example 3.** Carter files a federal income tax return on a calendar year basis. From January 1 through July 16, Carter used 300 square feet of the home for a qualified business use. On July 17, Carter moved to a new home and immedi-

ately began using 200 square feet of the new home for the same qualified business use. Using the simplified method to deduct expenses for the qualified business use for the previous home, Carter'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  $((300 + 300 + 300 + 300 + 300 + 300)/12)$ ). Carter also prepared Form 8829 to deduct the actual expenses associated with the qualified business use of the new home.

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



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



*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 36 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, excess real estate taxes, 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, use a Form 8829 for each home or 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 for that business.

## Line 31

**Figuring your net profit or loss.** If your expenses (including the expenses you report on line 30) are more than your gross income, don't enter your loss on line 31 until you have applied the at-risk rules and the passive activity loss rules. To apply these rules, follow the instructions under [Line 32](#), later, and the Instructions for Form 8582. After applying those rules, the amount on line 31 will be your 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 don't 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, don't 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. Be 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 Form 8582, 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

apply a limitation that may reduce your loss. See the Instructions for Form 8582.

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



*If you enter a loss on line 31, you may have an excess business loss. Use Form 461 to figure your excess business loss.*

**Individuals.** Enter your net profit or loss on line 31 and include it on Schedule 1 (Form 1040), line 3. Also, include your net profit or 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 loss on line 31 and include it on Schedule 1 (Form 1040), line 3. 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 loss on line 31 and include it on Form 1041, line 3.

**Statutory employees.** Enter your net profit or loss on line 31 and include it on Schedule 1 (Form 1040), line 3. 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.



*You can deduct one-half of your self-employment tax on Schedule 1 (Form 1040), line 15. See the Instructions for Schedule SE for details.*

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



*To figure your EIC, use the instructions for Form 1040, line 27. 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 I, line 1d, of Worksheet B.*

## Line 32



*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, complete Form 6198 to apply a limitation that may reduce your 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), and for which you are not personally responsible to repay. However, there is an exception for certain nonrecourse financing borrowed by you in connection with holding real property. See the Instructions for Form 6198 and Pub. 925.

- 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 loss.** Before determining your loss, check box 32a or 32b to indicate whether the loss from your business activity is limited by the at-risk rules. Follow the instructions, next, that apply to your box 32 activity.

**Note.** Line 32 doesn't apply to filers of Form 1040-SS.

**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 loss will not be reduced by the at-risk rules or the passive activity loss rules. See [Line 31](#), earlier, for how to report your loss.

If you answered "No" on line G, you may need to complete Form 8582 to figure your 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 loss to enter on line 31. The passive activity loss rules do not apply. See [Line 31](#), earlier, for how to report your loss.

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 passive activity loss to enter on line 31. See the Instructions for Form 8582 for details.



*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 2023 only because of the at-risk rules is treated as a

deduction allocable to the business in 2024.

**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 small business taxpayers.** If you are a small business taxpayer, you can choose not to keep an inventory, but you must still use a method of accounting for inventory that clearly reflects income. If you choose not to keep an inventory, you won't be treated as failing to clearly reflect income if your method of accounting for inventory treats inventory as non-incidental material or supplies, or conforms to your financial accounting treatment of inventories. If, however, you choose to keep an inventory, you must generally value the inventory each year to determine your cost of goods sold in Part III of Schedule C.

**Small business taxpayer.** You qualify as a small business taxpayer if you (a) have average annual gross receipts of \$29 million or less for the 3 prior tax years, and (b) are not a tax shelter (as defined in section 448(d)(3)).

If your business has not been in existence for all of the 3-tax-year period used in figuring average gross receipts, base your average on the period it has existed, and if your business has a predecessor entity, include the gross receipts of the predecessor entity from the 3-tax-year period when figuring average gross receipts. If your business (or predecessor entity) had short tax years for any of the 3-tax-year period, annualize your business' gross receipts for the short tax years that are part of the 3-tax-year period.

See Pub. 538 for more information.

**Treating inventory as non-incidental material or supplies.** If you account for inventories as materials and supplies

that are not incidental, you deduct the amounts paid to acquire or produce the inventoriable items (treated as materials and supplies) in the year in which they are first used or consumed in your operations.

**Financial accounting treatment of inventories.** Your financial accounting treatment of inventories is determined with regard to the method of accounting you use in your applicable financial statement (as defined in section 451(b)(3)) or, if you do not have an applicable financial statement, with regard to the method of accounting you use in your books and records that have been prepared in accordance with your accounting procedures.

**More information.** For more information about this exception for small businesses using this method of accounting for inventoriable items, see Pub. 538.

**Changing your method of accounting for inventory.** If you want to change your method of accounting for inventory, file Form 3115. For details, see [Line F](#), earlier.



*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.

## Line 35

If you are changing your method of accounting beginning with 2023, 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.

## 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.

Travel that meets any of the following conditions isn't commuting; it is considered deductible business travel.

- You have at least one regular work location away from your home and the travel is to a temporary work location in the same trade or business, regardless of the distance. Generally, a temporary work location is one where your employment is expected to last 1 year or less. See Pub. 463 for more details.
- The travel is to a temporary work location outside the metropolitan area where you live and normally work.
- Your home is your principal place of business under section 280A(c)(1)(A) (for purposes of deducting expenses for business use of your home) and the travel is to another work location in the same trade or business, regardless of whether that location is regular or temporary and regardless of distance.

### 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. Line 48

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. 334, chapter 8.

**Amortization.** Include amortization in this part. For amortization that begins in 2023, complete and attach Form 4562.

You can amortize such costs as:

- The cost of pollution-control facilities;
- Amounts paid for research and experimentation;
- 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 2023.

**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 Pub. 334, chapter 8.

**Business startup costs.** If your business began in 2023, you can elect to deduct up to \$5,000 of certain business startup costs. The \$5,000 limit is reduced (but not below zero) by the amount by which your total startup costs exceed \$50,000. Your remaining startup costs can be amortized over a 180-month period, beginning with the month the business began.

For details, see [IRS.gov/Newsroom/Heres-how-businesses-can-deduct-startup-costs-from-their-federal-taxes](https://www.irs.gov/Newsroom/Heres-how-businesses-can-deduct-startup-costs-from-their-federal-taxes). For amortization that begins in 2023, complete and attach Form 4562.

**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 2023 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.

**De minimis safe harbor for tangible property.** Generally, you must capitalize costs to acquire or produce real or tangible personal property used in your trade or business, such as buildings, equipment, or furniture. However, if you elect to use the de minimis safe harbor for tangible property, you may deduct de minimis amounts paid to acquire or produce certain tangible property if these amounts are deducted by you for financial accounting purposes or in keeping your books and records.

If you have an applicable financial statement, you may use this safe harbor to deduct amounts paid for tangible property up to \$5,000 per item or invoice. If you don't have an applicable financial statement, you may use the de minimis safe harbor to deduct amounts paid for tangible property up to \$2,500 per item or invoice.

Only deduct these amounts as other expenses. Don't include these amounts on any other line.

For details on making this election and requirements for using the de mini-

mis safe harbor for tangible property, see chapter 1 of Pub. 535 for 2022, a prior year version.

**Film and television and live theatrical production expenses.** You can elect to deduct costs of certain qualified film and television productions or qualified live theatrical productions. See chapter 7 of Pub. 535 for 2022, a prior year version, for details.

**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 2023.

You can elect to amortize the remaining costs over 84 months. For amortization that begins in 2023, complete and attach Form 4562.

The amortization election and the expense election don't apply to trusts. For details on reforestation expenses, see chapters 7 and 8 of Pub. 535 for 2022, a prior year version.

**Paperwork Reduction Act Notice.** We ask for the information on Schedule C (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.

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



# Principal Business or Professional Activity Codes

North American Industry Classification System (NAICS).		six-digit codes are based on the North American Industry Classification System (NAICS).		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, line B.	
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		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		<b>Note.</b> If your principal source of income is from farming activities, you should file Schedule F.	
<b>Accommodation, Food Services, &amp; Drinking Places</b> <b>Accommodation</b> 721310 Rooming & boarding houses, dormitories, & workers' camps 721210 RV (recreational vehicle) parks & recreational camps 721100 Traveler accommodation (including hotels, motels, & bed & breakfast inns) <b>Food Services &amp; Drinking Places</b> 722514 Cafeterias, grill buffets, & 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)	113000 Forestry & logging (including forest nurseries & timber tracts)	238170 Siding contractors	621400 Outpatient care centers		
	114210 Hunting & trapping	238910 Site preparation contractors	621900 Other ambulatory health care services (including ambulance services, blood, & organ banks)		
	<b>Support Activities for Agriculture &amp; Forestry</b>	238120 Structural steel & precast concrete construction contractors	<b>Hospitals</b>		
	115210 Support activities for animal production (including farriers)	238340 Tile & terrazzo contractors	622000 Hospitals		
	115110 Support activities for crop production (including cotton ginning, soil preparation, planting, & cultivating)	238290 Other building equipment contractors	<b>Nursing &amp; Residential Care Facilities</b>		
	115310 Support activities for forestry	238390 Other building finishing contractors	623000 Nursing & residential care facilities		
	<b>Arts, Entertainment, &amp; Recreation</b>	238190 Other foundation, structure, & building exterior contractors	<b>Social Assistance</b>		
	<b>Amusement, Gambling, &amp; Recreation Industries</b>	238990 All other specialty trade contractors	624410 Childcare services		
	713100 Amusement parks & arcades	<b>Educational Services</b>	624200 Community food & housing, & emergency & other relief services		
	713200 Gambling industries	611000 Educational services (including schools, colleges, & universities)	624100 Individual & family services		
713900 Other amusement & recreation services (including golf courses, skiing facilities, marinas, fitness centers, bowling centers, skating rinks, miniature golf courses)	<b>Finance &amp; Insurance</b>	624310 Vocational rehabilitation services			
<b>Museums, Historical Sites, &amp; Similar Institutions</b>	<b>Credit Intermediation &amp; Related Activities</b>	<b>Information</b>			
712100 Museums, historical sites, & similar institutions	522100 Depository credit intermediation (including commercial banking, savings institutions, & credit unions)	<b>Publishing Industries</b>			
<b>Performing Arts, Spectator Sports, &amp; Related Industries</b>	522200 Nondepository credit intermediation (including sales financing & consumer lending)	513000 Publishing industries			
711410 Agents & managers for artists, athletes, entertainers, & other public figures	522300 Activities related to credit intermediation (including loan brokers)	<b>Broadcasting &amp; Content Providers &amp; Telecommunications</b>			
711510 Independent artists, writers, & performers	<b>Insurance Agents, Brokers, &amp; Related Activities</b>	516000 Broadcasting & content providers			
711100 Performing arts companies	524210 Insurance agencies & brokerages	517000 Telecommunications (including Wired, Wireless, Satellite, Cable & Other Program Distribution, Resellers, Agents, Other Telecommunications, & Internet service providers)			
711300 Promoters of performing arts, sports, & similar events	524290 Other insurance related activities	<b>Data Processing, Web Search Portals, &amp; Other Information Services</b>			
711210 Spectator sports (including professional sports clubs & racetrack operations)	<b>Securities, Commodity Contracts, &amp; Other Financial Investments &amp; Related Activities</b>	518210 Computing infrastructure providers, data processing, web hosting, & related services			
<b>Construction of Buildings</b>	523160 Commodity contracts intermediation	519200 Web search portals, libraries, archives, & other info. services			
236200 Nonresidential building construction	523150 Investment banking & securities intermediation	<b>Motion Picture &amp; Sound Recording</b>			
236100 Residential building construction	523210 Securities & commodity exchanges	512100 Motion picture & video industries (except video rental)			
<b>Heavy and Civil Engineering Construction</b>	523900 Other financial investment activities (including investment advice)	512200 Sound recording industries			
237310 Highway, street, & bridge construction	<b>Health Care &amp; Social Assistance</b>	<b>Manufacturing</b>			
237210 Land subdivision	<b>Ambulatory Health Care Services</b>	315000 Apparel mfg.			
237100 Utility system construction	621610 Home health care services	312000 Beverage & tobacco product mfg.			
237990 Other heavy & civil engineering construction	621510 Medical & diagnostic laboratories	334000 Computer & electronic product mfg.			
<b>Specialty Trade Contractors</b>	621310 Offices of chiropractors	335000 Electrical equipment, appliance, & component mfg.			
238310 Drywall & insulation contractors	621210 Offices of dentists	332000 Fabricated metal product mfg.			
238210 Electrical contractors	621330 Offices of mental health practitioners (except physicians)	337000 Furniture & related product mfg.			
238350 Finish carpentry contractors	621320 Offices of optometrists	333000 Machinery mfg.			
238330 Flooring contractors	621340 Offices of physical, occupational & speech therapists, & audiologists	339110 Medical equipment & supplies mfg.			
238130 Framing carpentry contractors	621111 Offices of physicians (except mental health specialists)	322000 Paper mfg.			
238150 Glass & glazing contractors	621112 Offices of physicians, mental health specialists	324100 Petroleum & coal products mfg.			
238140 Masonry contractors	621391 Offices of podiatrists	326000 Plastics & rubber products mfg.			
238320 Painting & wall covering contractors	621399 Offices of all other miscellaneous health practitioners	331000 Primary metal mfg.			
238220 Plumbing, heating & air-conditioning contractors		323100 Printing & related support activities			
238110 Poured concrete foundation & structure contractors		313000 Textile mills			
238160 Roofing contractors		314000 Textile product mills			
		336000 Transportation equipment mfg.			
		321000 Wood product mfg.			
		339900 Other miscellaneous mfg.			
		<b>Chemical Manufacturing</b>			
		325100 Basic chemical mfg.			

# North American Industry Classification System (NAICS). (Continued)

325500	Paint, coating, & adhesive mfg.	811190	Other automotive repair & maintenance (including oil change & lubrication shops & car washes)	532282	Video tape & disc rental	459410	Office supplies & stationery retailers
325300	Pesticide, fertilizer, & other agricultural chemical mfg.			532289	Other consumer goods rental	459910	Pet & pet supplies retailers
325410	Pharmaceutical & medicine mfg.	811310	Commercial & industrial machinery & equipment (except automotive & electronic) repair & maintenance	<b>Religious, Grantmaking, Civic, Professional, &amp; Similar Organizations</b>		459510	Used merchandise retailers
325200	Resin, synthetic rubber, & artificial & synthetic fibers & filaments mfg.			813000	Religious, grantmaking, civic, professional, & similar organizations	459990	All other miscellaneous retailers (including tobacco, candle, & trophy retailers)
325600	Soap, cleaning compound, & toilet preparation mfg.	811210	Electronic & precision equipment repair & maintenance	<b>Retail Trade</b>		<b>Nonstore Retailers</b>	
325900	Other chemical product & preparation mfg.	811430	Footwear & leather goods repair	<b>Building Material &amp; Garden Equipment &amp; Supplies Dealers</b>		xx	Nonstore retailers sell all types of merchandise using such methods as Internet, mail-order catalogs, interactive television, or direct sales. These types of Retailers should select the PBA associated with their primary line of products sold.
<b>Food Manufacturing</b>		811410	Home & garden equipment & appliance repair & maintenance	444140	Hardware retailers		
311110	Animal food mfg.	811420	Reupholstery & furniture repair	444110	Home centers		
311800	Bakeries, tortilla, & dry pasta mfg.	811490	Other personal & household goods repair & maintenance	444200	Lawn & garden equipment & supplies retailers		
311500	Dairy product mfg.	<b>Professional, Scientific, &amp; Technical Services</b>		444120	Paint & wallpaper retailers	xx	For example, establishments primarily selling prescription and non-prescription drugs, select PBA code 456110 <i>Pharmacies &amp; Drug Retailers</i> .
311400	Fruit & vegetable preserving & speciality food mfg.	541100	Legal services	444180	Other building materials dealers		
311200	Grain & oilseed milling	541211	Offices of certified public accountants	<b>Clothing &amp; Accessories Retailers</b>			
311610	Animal slaughtering & processing	541214	Payroll services	458110	Clothing & clothing accessories retailers		
311710	Seafood product preparation & packaging	541213	Tax preparation services	458310	Jewelry retailers		
311300	Sugar & confectionery product mfg.	541219	Other accounting services	458320	Luggage & leather goods retailers		
311900	Other food mfg. (including coffee, tea, flavorings, & seasonings)	<b>Architectural, Engineering, &amp; Related Services</b>		458210	Shoe retailers		
<b>Leather &amp; Allied Product Manufacturing</b>		541310	Architectural services	<b>Electronic &amp; Appliance Retailers</b>			
316210	Footwear mfg. (including leather, rubber, & plastics)	541350	Building inspection services	449210	Electronics & appliance retailers (including computers)		
316110	Leather & hide tanning & finishing	541340	Drafting services	<b>Food &amp; Beverage Retailers</b>			
316990	Other leather & allied product mfg.	541330	Engineering services	445320	Beer, wine, & liquor retailers	481000	Air transportation
<b>Nonmetallic Mineral Product Manufacturing</b>		541360	Geophysical surveying & mapping services	445250	Fish & seafood retailers	485510	Charter bus industry
327300	Cement & concrete product mfg.	541320	Landscape architecture services	445230	Fruit & vegetable retailers	484110	General freight trucking, local
327100	Clay product & refractory mfg.	541370	Surveying & mapping (except geophysical) services	445100	Grocery & convenience retailers	484120	General freight trucking, long distance
327210	Glass & glass product mfg.	541380	Testing laboratories & services	445240	Meat retailers	485210	Interurban & rural bus transportation
327400	Lime & gypsum product mfg.	<b>Computer Systems Design &amp; Related Services</b>		445290	Other specialty food retailers	486000	Pipeline transportation
327900	Other nonmetallic mineral product mfg.	541510	Computer systems design & related services	445132	Vending machine operators	482110	Rail transportation
<b>Mining</b>		<b>Specialized Design Services</b>		<b>Furniture &amp; Home Furnishings Retailers</b>		487000	Scenic & sightseeing transportation
212110	Coal mining	541400	Specialized design services (including interior, industrial, graphic, & fashion design)	449110	Furniture retailers	485410	School & employee bus transportation
211120	Crude petroleum extraction	<b>Other Professional, Scientific, &amp; Technical Services</b>		449120	Home furnishings retailers	484200	Specialized freight trucking (including household moving vans)
212200	Metal ore mining	541800	Advertising, public relations, & related services	<b>Gasoline Stations &amp; Fuel dealers</b>		484200	Specialized freight trucking (including household moving vans)
211130	Natural gas extraction	541600	Management, scientific, & technical consulting services	457100	Gasoline stations (including convenience stores with gas)	485300	Taxi, limousine, & ridesharing service
212300	Nonmetallic mineral mining & quarrying	541910	Market research & public opinion polling	457210	Fuel dealers (including heating oil & liquefied petroleum)	485110	Urban transit systems
213110	Support activities for mining	541920	Photographic services	<b>General Merchandise Retailers</b>		483000	Water transportation
<b>Other Services</b>		541700	Scientific research & development services	455000	General merchandise retailers	485990	Other transit & ground passenger transportation
<b>Personal &amp; Laundry Services</b>		541930	Translation & interpretation services	<b>Health &amp; Personal Care Retailers</b>		488000	Support activities for transportation (including motor vehicle towing)
812111	Barber shops	541940	Veterinary services	456120	Cosmetics, beauty supplies, & perfume retailers	<b>Couriers &amp; Messengers</b>	
812210	Cemeteries & crematories	541990	All other professional, scientific, & technical services	456130	Optical goods retailers	492000	Couriers & messengers
812310	Coin-operated laundries & drycleaners	<b>Real Estate &amp; Rental &amp; Leasing</b>		456110	Pharmacies & drug retailers	<b>Warehousing &amp; Storage Facilities</b>	
812320	Drycleaning & laundry services (except coin-operated) (including laundry & drycleaning drop-off & pickup sites)	<b>Real Estate</b>		456190	Other health & personal care retailers	493100	Warehousing & storage (except leases of miniwarehouses & self-storage units)
812210	Funeral homes & funeral services	531100	Lessors of real estate (including miniwarehouses & self-storage units)	<b>Motor Vehicle &amp; Parts Dealers</b>		<b>Utilities</b>	
812330	Linen & uniform supply	531210	Offices of real estate agents & brokers	441300	Automotive parts, accessories, & tire retailers	221000	Utilities
812113	Nail salons	531320	Offices of real estate appraisers	441222	Boat dealers	<b>Wholesale Trade</b>	
812930	Parking lots & garages	531310	Real estate property managers	441227	Motorcycle, ATV, & all other motor vehicle dealers	<b>Merchant Wholesalers, Durable Goods</b>	
812910	Pet care (except veterinary) services	531390	Other activities related to real estate	441110	New car dealers	423200	Furniture & home furnishing
812920	Photofinishing	<b>Rental &amp; Leasing Services</b>		441210	Recreational vehicle dealers (including motor home & travel trailer dealers)	423700	Hardware, & plumbing & heating equipment & supplies
812190	Other personal care services (including diet & weight reducing centers)	532100	Automotive equipment rental & leasing	441120	Used car dealers	423600	Household appliances & electrical & electronic goods
812990	All other personal services	532400	Commercial & industrial machinery & equipment rental & leasing	<b>Sporting Goods, Hobby, Book, Musical Instrument &amp; Miscellaneous Retailers</b>		423940	Jewelry, watch, precious stone, & precious metals
<b>Repair &amp; Maintenance</b>		532210	Consumer electronics & appliances rental	459210	Book retailers & news dealers (including newsstands)	423300	Lumber & other construction materials
811120	Automotive body, paint, interior, & glass repair	532281	Formal wear & costume rental	459120	Hobby, toy, & game retailers	423800	Machinery, equipment, & supplies
811110	Automotive mechanical & electrical repair & maintenance	532310	General rental centers	459140	Musical instrument & supplies retailers	423500	Metal & mineral (except petroleum)
		532283	Home health equipment rental	459130	Sewing, needlework, & piece goods retailers	423100	Motor vehicle & motor vehicle parts & supplies
		532284	Recreational goods rental	459110	Sporting goods retailers	423400	Professional & commercial equipment & supplies
				459920	Art dealers	423930	Recyclable materials
				459310	Florists	423910	Sporting & recreational goods & supplies
				459420	Gift, novelty, & souvenir retailers	423920	Toy & hobby goods & supplies
				459930	Manufactured (mobile) home dealers	423990	Other miscellaneous durable goods
						<b>Merchant Wholesalers, Nondurable Goods</b>	
						424300	Apparel, piece goods, & notions

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424800	Beer, wine, & distilled alcoholic beverages	424910	Farm supplies	424700	Petroleum & petroleum products	<b>Wholesale Trade Agents &amp; Brokers</b>
424920	Books, periodicals, & newspapers	424930	Flower, nursery stock, & florists' supplies	424940	Tobacco products & electronic cigarettes	
424600	Chemical & allied products	424400	Grocery & related products	424990	Other miscellaneous nondurable goods	425120 Wholesale trade agents & brokers
424210	Drugs & druggists' sundries	424950	Paint, varnish, & supplies			<b>999000 Unclassified establishments (unable to classify)</b>
424500	Farm product raw materials	424100	Paper & paper products			