

PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION

1952

(For Computation of Self-Employment Tax, see Page 3)

For Calendar Year 1952 or taxable year beginning _____, 1952, and ending _____, 195

Name and Address (from Form 1040) _____

(Partnerships and joint ventures should file on Form 1065)

(I) Principal business activity (see instructions) _____
(Retail trade, wholesale trade, lawyer, etc.) (Principal product or service)
 (II) Business name _____ (III) FICA employer identification number, if any (see instructions) _____
 (IV) Business address (see instructions) _____
(Street and number or rural route) (City, town, post office) (County) (State)

(V) Were you the sole proprietor of this business in 1951? Yes No . If "No," check whether this business in 1952 became a successor to a corporation , a partnership , another sole proprietorship , or started as an entirely new business . Where applicable, give name of such predecessor _____

Do NOT include cost of goods withdrawn for personal use or deductions not connected with your business or profession

| | | | |
|--|----|----|--|
| 1. Total receipts from business or profession | | \$ | |
| COST OF GOODS SOLD | | | |
| 2. Inventory at beginning of year | \$ | | |
| 3. Merchandise bought for manufacture or sale | | | |
| 4. Cost of labor | | | |
| 5. Material and supplies | | | |
| 6. Other costs (explain in Schedule C-2) | | | |
| 7. Total of lines 2 to 6 | \$ | | |
| 8. Less inventory at end of year | | | |
| 9. Net cost of goods sold (line 7 less line 8) | | | |
| 10. Gross profit (line 1 less line 9) | | \$ | |
| OTHER BUSINESS DEDUCTIONS | | | |
| 11. Salaries and wages not included in line 4 | \$ | | |
| 12. Rent on business property | | | |
| 13. Interest on business indebtedness | | | |
| 14. Taxes on business and business property | | | |
| 15. Losses of business property (attach statement) | | | |
| 16. Bad debts arising from sales or services | | | |
| 17. Depreciation and obsolescence (explain in Schedule C-1) | | | |
| 18. Repairs (explain in Schedule C-2) | | | |
| 19. Depletion of mines, oil and gas wells, timber, etc. (submit schedule) | | | |
| 20. Amortization of emergency facilities (attach statement) | | | |
| 21. Other business expenses (explain in Schedule C-2) | | | |
| 22. Total of lines 11 to 21 | | | |
| 23. Enter net profit (or loss) (line 10 less line 22). Also enter on line 24, page 3, and on line 1, Schedule C Summary, Form 1040 | | \$ | |

Schedule C-1. EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED ON LINE 17

| 1. Kind of property (if buildings, state material of which constructed). Exclude land and other nondepreciable property | 2. Date acquired | 3. Cost or other basis | 4. Depreciation allowed (or allowable) in prior years | 5. Remaining cost or other basis to be recovered | 6. Life used in accumulating depreciation | 7. Estimated life from beginning of year | 8. Depreciation allowable this year |
|---|------------------|------------------------|---|--|---|--|-------------------------------------|
| | | \$ | \$ | \$ | | | \$ |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

Schedule C-2. EXPLANATION OF LINES 6, 18, AND 21

| Line or Column No. | Explanation | Amount | Line or Column No. | Explanation | Amount |
|--------------------|-------------|--------|--------------------|-------------|--------|
| | | \$ | | | \$ |
| | | | | | |
| | | | | | |
| | | | | | |

If you owned a business, or practiced a profession, you should fill in separate Schedule C on other side and enter the net profit (or loss) on line 1, Schedule C Summary, page 2, Form 1040.

Separate Schedule C should include income from (1) sale of merchandise, or products of manufacturing, mining, and construction; (2) business service; and (3) professional service. In general, you should report any income in the earning of which you have incurred expenses for material, labor, supplies, and the like. A farmer keeping his books of account on the accrual basis may include the income in such schedule from the sale of products of agriculture in lieu of including such income in Form 1040F.

Principal Business Activity.—The principal business activity is the one which accounts for the largest percentage of your total receipts. State the general classification of such activity, as well as the principal product or service. For example, "Wholesale food," "Retail apparel," "Manufacturing furniture," "Transportation by truck," "Real estate agent," "Doctor," etc.

Employer Identification Number.—This is the number given on line 10, Form 941, Employer's Quarterly Tax Return under Federal Insurance Contributions Act (F. I. C. A.), which you file as an employer.

Business Address.—Do not use home address as business address unless business is actually conducted from home.

Total Receipts.—You should include all income derived from your trade or business. In determining the amount to be entered as total receipts, you should subtract from your total income such items as cost of returned goods, rebates, and allowances from the sale price or service charge.

Cost of Goods Sold.—If you are engaged in a trade or business in which the production, purchase, or sale of merchandise is an income-producing factor, you should, in order to reflect the gross profits correctly, take an inventory of merchandise on hand at the beginning and end of the taxable year. Generally, the bases of valuation most commonly used by business concerns and which meet the requirements of the applicable law and regulations are (a) cost and (b) cost or market, whichever is lower. The basis properly adopted for the first year is controlling, and a change can be made only after permission is secured from the Commissioner. Application for permission to change the basis of valuing inventories must be made in writing and filed with the Commissioner within 90 days after the beginning of the taxable year in which it is desired to effect a change. You should enter the letters "C" or "C or M" immediately before the amount column, if inventories are valued at either cost, or cost or market, whichever is lower.

Other bases of valuing or methods of inventorying material or merchandise are provided in the cases of dealers in securities, farmers, miners, and manufacturers who by a single process produce more than one product, and retail merchants using the "retail method."

Another special method based on cost is the elective method which is allowable only if you file an application on Form 970 with your return for the first year of election. The requirements with respect to the adoption and use of the elective inventory method are set forth on such form. Thereafter, you should attach a separate schedule showing: (a) A summary of all inventories; (b) with respect to inventories computed under the elective method, if any, the computation of quantities and cost by acquisition levels.

Installment Sales.—If you use the installment method of reporting income from sales, you should attach to your return a schedule showing separately for the years 1949, 1950, 1951, and 1952 the following: (a) Gross sales; (b) cost of goods sold; (c) gross profits; (d) percentage of profits to gross sales; (e) amounts collected; and (f) gross profits on amount collected.

Salaries and Wages.—You should enter all salaries and wages not included as "Cost of Labor" under "Cost of Goods Sold." Do not deduct any salary or wages for your own services or services of others not performed in connection with your business.

Rent on Business Property.—Rents paid or accrued on business property in which you have no equity are deductible. Do not include rent for a building, or any part, which you occupy solely for residential purposes.

Interest on Business Indebtedness.—Interest on business indebtedness to others is deductible. Do not include interest to yourself on capital invested in or advanced to the business.

Taxes on Business and Business Property.—Include taxes paid or accrued on business property or incurred for carrying on your business. Federal import duties and Federal excise and stamp taxes

are deductible if paid or incurred in carrying on a trade or business. Do not include taxes assessed against local benefits of a kind tending to increase the value of the property assessed, as for paving, sewers, etc.

Losses of Business Property.—You may deduct losses of business property by fire, storm, or other casualty, or theft, not compensated by insurance or otherwise and not made good by repairs claimed as a deduction. Attach a statement showing a description of the property, date acquired, cost, subsequent improvements, depreciation allowable since acquisition, insurance, salvage value, and deductible loss.

Bad Debts Arising From Sales or Services.—Include debts, or portions thereof, arising from sales or professional services that have been reflected in income, which have been definitely ascertained to be worthless, or such reasonable amount as has been added to a reserve for bad debts within the taxable year. A debt previously deducted as bad which reduced your tax in a prior year, if subsequently collected, must be returned as income for the year in which collected.

Depreciation and Obsolescence.—You may deduct a reasonable allowance for exhaustion, wear and tear, and obsolescence of property used in the trade or business. If the property was acquired by purchase on or after March 1, 1913, the amount of depreciation should be determined upon the basis of the original cost (not replacement cost) of the property, and the probable number of years remaining of its expected useful life. In case the property was purchased prior to March 1, 1913, the amount of depreciation will be determined in the same manner, except that it will be computed on its original cost, less depreciation sustained prior to March 1, 1913, or its fair market value as of that date, whichever is greater. The capital sum to be recovered should be charged off ratably over the useful life of the property.

If a deduction is claimed on account of depreciation you should fill in Schedule C-1. In case obsolescence is included, state separately amount claimed and basis upon which it is computed. Land values or cost must not be included in this schedule, and where land and buildings were purchased for a lump sum, the cost of the building subject to depreciation must be established. The adjusted property accounts and the accumulated depreciation shown in the schedule should be reconciled with those accounts as reflected on your books.

Repairs.—You may deduct the cost of incidental repairs, including labor, supplies, and other items, which do not add to the value or appreciably prolong the life of the property. Expenditures for new buildings, machinery, equipment, or for permanent improvements or betterments which increase the value of the property are chargeable to capital accounts. Expenditures for restoring or replacing property are not deductible, since such expenditures are chargeable to capital accounts or to depreciation reserve depending on how depreciation is charged on your books.

Depletion of Mines, Oil and Gas Wells, Timber, Etc.—If a deduction is claimed on account of depletion, you should procure from the director Form M (mines and other natural deposits), Form O (oil and gas), or Form T (timber), fill in and file with return. If complete valuation data have been filed with questionnaire in previous years, then file with your return information necessary to bring depletion schedule up to date, setting forth, in full, statement of all transactions bearing on deductions from or additions to value of physical assets during the taxable year with explanation of how depletion deduction for the taxable year has been determined.

Amortization.—You are entitled, at your election, to a deduction with respect to the amortization of the adjusted basis of any emergency facility the construction, reconstruction, erection, or installation of which was completed after December 31, 1949, or the acquisition of which occurred after December 31, 1949, and with respect to which the Government has issued a certificate of necessity. A statement of the pertinent facts should be filed with the taxpayer's election to take amortization deduction with respect to such facility. (See section 124A of the Internal Revenue Code and the regulations issued thereunder.)

Other Business Deductions.—You should include all ordinary and necessary business expenses for which no space is provided in the schedule. Any deduction claimed should be explained in Schedule C-2. Do not include cost of business equipment or furniture, expenditures for replacements, or for permanent improvements to property, nor personal living and family expenses.

Net Operating Loss Deduction.—Any net operating loss deduction should be entered in Schedule C Summary, Form 1040, instead of in this schedule.

COMPUTATION OF SELF-EMPLOYMENT TAX
(For old-age and survivors insurance)

Name of self-employed person

State nature of business, if any, subject to self-employment tax

| | | | |
|--|----|-------|----|
| 24. Net profit (or loss) shown on line 23, page 1. | \$ | | |
| 25. Losses of business property shown on line 15, page 1. | | | |
| 26. Total of lines 24 and 25. | | | \$ |
| 27. Less: Net income (or loss) from excluded services or sources included in line 26. Specify excluded services or sources | | | |
| 28. Net earnings from self-employment (line 26 less line 27). | | | \$ |
| 29. Net earnings (or loss) from self-employment from partnerships, joint ventures, etc. (from column 10, Schedule K, Form 1065). | | | |
| 30. Total net earnings (or loss) from self-employment (line 28 plus line 29). (If total of net earnings is under \$400, do not make any entries below) | | | \$ |
| 31. Maximum amount subject to self-employment tax. | \$ | 3,600 | 00 |
| 32. Less: Wages paid to you during the taxable year which were subject to withholding for old-age and survivors insurance. (If such wages exceed \$3,600, enter \$3,600). | | | |
| 33. Maximum amount subject to self-employment tax after adjustment for wages. . . | \$ | | |
| 34. Self-employment income subject to tax—Line 30 or 33, whichever is smaller. | | | \$ |
| 35. Self-employment tax—2¼ percent of amount on line 34. Enter here and as item 5 (B), page 1, Form 1040. | | | \$ |

GPO 16-62533-2

FILL IN ITEMS BELOW BUT DO NOT DETACH

Schedule C-a (Form 1040)
U. S. TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

U. S. REPORT OF SELF-EMPLOYMENT INCOME
(For Federal Old-Age and Survivors Insurance)

1952

For calendar year 1952 or fiscal year beginning, 1952, and ending, 195.....

State nature of business subject to self-employment tax

ENTER HERE THE SOCIAL SECURITY ACCOUNT NUMBER OF THE PERSON NAMED BELOW



| | | |
|-----|----|------|
| 000 | 00 | 0000 |
|-----|----|------|

Enter total net earnings from self-employment shown on line 30 above. \$

ENTER BELOW, NAME OF SELF-EMPLOYED PERSON AND BUSINESS ADDRESS

| | |
|---|---------|
| | |
| (Name) | |
| ADDRESS (Street and number, or rural route) | |
| (City or town, postal zone number) | (State) |

Enter wages shown on line 32 above. \$

Enter self-employment income shown on line 34 above. \$

PURPOSE OF THIS FORM

Schedule C (Form 1040).—Schedule C serves two purposes. First, it provides for the determination of net profit (or loss) from business or profession to be used in computing income tax. Second, it provides for the computation of the self-employment tax in accordance with Subchapter E, Chapter 1 of the Internal Revenue Code, as added by the Social Security Act Amendments of 1950.

Schedule C-a (Form 1040).—The lower portion of page 3, Schedule C, which is designated as Schedule C-a (Form 1040), is designed to provide the Social Security Administration with the information on self-employment income necessary for old-age and survivors insurance purposes.

INSTRUCTIONS

SELF-EMPLOYMENT TAX

In general, every individual deriving income during the taxable year from a trade or business carried on by him or from a partnership of which he is a member is subject to the self-employment tax, the computation of which is made on lines 24 through 35.

"Net earnings from self-employment" (line 30) is the gross income derived by an individual from any trade or business carried on by him, less the allowable deductions attributable to such trade or business, plus his share of self-employment net earnings (or loss) from a partnership of which he is a member.

EXCLUSIONS

In determining the amount of net earnings from self-employment report on line 27 income from the following sources or deductions attributable thereto:

1. Certain professions.—Income from the performance of service as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, Christian Science practitioner, architect, certified public accountant, accountant registered or licensed as an accountant under State or municipal law, full-time practicing public accountant, funeral director, or professional engineer; or income from the performance of such service by a partnership;

2. Religious services.—Income from the performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order;

3. Farming.—Income from farming or from any other business in which, if the business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor;

4. Employees and public officials.—Income from the performance of service as:

- (a) a public official, including a notary public;
- (b) an employee or employee representative under the railroad retirement system; or
- (c) an employee. "Employee" includes among others:
 - (1) an agent-driver or commission driver engaged in distributing meat, vegetable, fruit, and bakery products, beverages (other than milk), or laundry or dry-cleaning services;
 - (2) a full-time life insurance salesman;
 - (3) a home worker performing work subject to licensing requirements under State law; and
 - (4) traveling or city salesmen generally, engaged upon a full-time basis for their principals (except for sideline sales activities on behalf of another person).

NOTE.—The income of an employee over the age of 18 from the sale of newspapers or magazines to an ultimate consumer is subject to the self-employment tax if the income consists of retained profits from such sales.

5. Real estate rentals.—Rentals from real estate, except rentals received in the course of a trade or business as a real estate dealer. Payments for the use or occupancy of rooms or other space where services are also rendered to the occupant, such as rooms in hotels, boarding houses, apartment houses furnishing hotel services, tourist camps, tourist homes, or space in parking lots, warehouses, or storage garages do not constitute rentals from real estate and therefore are included in determining net earnings from self-employment;

6. Interest and dividends.—Dividends on shares of stock, and interest on bonds, debentures, notes, certificates, or other evidences of indebtedness, issued with interest coupons or in registered form

by a corporation, or by a government or political subdivision thereof, unless received in the course of a trade or business as a dealer in stocks or securities; and

7. Property gains and losses.—Gain or loss (A) from the sale or exchange of a capital asset, (B) to which section 117(j) is applicable, or (C) from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither (a) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor (b) property held primarily for sale to customers in the ordinary course of the trade or business.

Net operating losses.—In determining the net earnings from self-employment, no deduction for net operating losses of other years shall be allowed.

MORE THAN ONE TRADE OR BUSINESS

If an individual is engaged in more than one trade or business, his net earnings from self-employment are the aggregate of his net earnings from self-employment of each trade or business carried on by him. Thus, the loss sustained in one trade or business will operate to reduce the income derived from another trade or business.

JOINT RETURNS

Where husband and wife file a joint return, page 3 of Schedule C (Form 1040) should show the name of the one with self-employment income. Where husband and wife each have self-employment income, a separate Schedule C must be attached for each. In such cases the total of amounts shown on line 23 of each separate schedule should be entered on line 1, Schedule C Summary, page 2, Form 1040, and the aggregate self-employment tax (line 35) should be entered as item 5(B), page 1, Form 1040.

COMMUNITY INCOME

For the purpose of computing net earnings from self-employment, if any of the income from a trade or business is community income, all the income from such trade or business is considered the income of the husband unless the wife exercises substantially all the management and control of the trade or business, in which case all of such income is considered the income of the wife.

If separate returns are filed by the husband and wife, a complete Schedule C should be attached to the return of the one with self-employment income. Community income included on such a schedule must, however, be allocated between the two returns (on line 1, Schedule C Summary, page 2, Form 1040) on the basis of the community property laws.

In computing his aggregate net earnings from self-employment, a partner should include his entire share of such earnings from a partnership. No part of that share may be attributed to the partner's wife (or husband) even though the income may, under State law, be community income.

SCHEDULE C-a (Form 1040)

To assure proper credit to your account, be sure to enter your name and social security account number on Schedule C-a (Form 1040) exactly as they are shown on your social security card. If you do not have a social security account number, you must get one in time to enable you to file your return on or before the due date. These account numbers are obtainable from any of the approximately 500 Social Security Administration Field Offices throughout the country. The telephone directory or your local post office will give you the address. Do not delay filing your return beyond the due date even though you have not obtained your social security account number.

Regardless of whether a joint or separate returns on Form 1040 are filed by husband and wife, Schedule C-a (Form 1040) should show only the name of the one with the self-employment income.