

For Calendar Year 1954 or other taxable year beginning \_\_\_\_\_, 1954, and ending \_\_\_\_\_, 195  
 Owner's Name and Address (from Form 1040) \_\_\_\_\_

Item (see instructions—page 2)

**A.** Principal business activity

----- (Retail trade, wholesale trade, lawyer, etc.) ----- (Principal product or service) -----

**B.** Business name -----

**C.** Number of places of business -----

**D.** Did you pay social security taxes for any employees for any quarter of 1954?  Yes  No.

**E.** Enter your employer identification number, if any -----

**F.** Business address: ----- (Street and number or rural route) ----- (City, town, post office) ----- (County) ----- (State) -----

**G.** How many months in the year did you own this business? -----  
 Did you own this business on December 31, 1954?  Yes  No.  
 Was this a seasonal business which was closed for more than two months during the year?  Yes  No.

Line (see instructions—page 2)

<b>1.</b> Total receipts \$-----, less allowances, rebates, and returns \$-----	\$-----	
<b>2.</b> Inventory at beginning of year	\$-----	
<b>3.</b> Merchandise purchased \$-----, less any items withdrawn from business for personal use \$-----	\$-----	
<b>4.</b> Cost of labor (do not include salary paid to yourself)	-----	
<b>5.</b> Material and supplies	-----	
<b>6.</b> Other costs (explain in Schedule C-2)	-----	
<b>7.</b> Cost of goods manufactured or purchased (total of lines 3, 4, 5, and 6)	-----	
<b>8.</b> Total of line 2 plus line 7	\$-----	
<b>9.</b> Enter inventory at end of year	-----	
<b>10. Cost of goods sold</b> (line 8 less line 9)	-----	
<b>11. Gross profit</b> (line 1 less line 10)	\$-----	

**OTHER BUSINESS DEDUCTIONS**

<b>12.</b> Salaries and wages not included in line 4 (except any paid to yourself)	\$-----
<b>13.</b> Rent on business property	-----
<b>14.</b> Interest on business indebtedness	-----
<b>15.</b> Taxes on business and business property	-----
<b>16.</b> Losses of business property (attach statement)	-----
<b>17.</b> Bad debts arising from sales or services	-----
<b>18.</b> Depreciation and obsolescence (explain in Schedule C-1)	-----
<b>19.</b> Repairs (explain in Schedule C-2)	-----
<b>20.</b> Depletion of mines, oil and gas wells, timber, etc. (attach schedule)	-----
<b>21.</b> Amortization of emergency and grain storage facilities (attach statement)	-----
<b>22.</b> Other business expenses (explain in Schedule C-2)	-----
<b>23.</b> Total of lines 12 to 22	-----
<b>24.</b> Enter net profit (or loss) (line 11 less line 23). Also enter on line 25, page 3 of this schedule, and on line 1, Schedule C Summary, Form 1040.	\$-----

**Schedule C-1. EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED ON LINE 18**

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. Method	6. Rate (%) or life (years)	7. Depreciation for this year
-----	-----	\$-----	\$-----	-----	-----	\$-----
-----	-----	-----	-----	-----	-----	-----

**Schedule C-2. EXPLANATION OF LINES 6, 19, AND 22**

Line No.	Explanation	Amount	Line 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 method may include the income in such schedule from the sale of products of agriculture in lieu of including such income in Form 1040F.

**Item A—Business Activity.**—State the general classification of business activity, as well as the principal product or service. For example, "Wholesale food," "Retail men's apparel," "Manufacture of upholstered wooden household furniture," "Transportation by truck," "Broker, real estate," "Contractor—carpenter work," "Physician," etc. Do not use such terms as "partnership," "owner," "student," etc. The "principal business activity" is the one which accounts for the largest percentage of your total receipts. All trades and businesses except those specifically excluded are subject to self-employment tax.

**Item E—Employer Identification Number.**—This is the number given on Form 941, Employer's Quarterly Federal Tax Return, which you file as an employer.

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

**Line 1—Total Receipts.**—You should include all income derived from your trade or business. Enter in the space provided such items as returned sales, rebates, and allowances from the sale price or service charge.

If you have dividend income from stocks held by you in the ordinary course of carrying on your trade or business, such dividends must be considered together with your dividends from stocks regularly held for investment purposes in computing your dividend exclusion and credit.

**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 1951, 1952, 1953, and 1954 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.

### COST OF GOODS SOLD

**Lines 2-10.**—If you are engaged in a trade or a business in which the production, purchase, or sale of merchandise produces income, you should take inventories of merchandise and materials on hand at the beginning and end of the taxable year in order to reflect the gross profits correctly. The usual methods of valuing inventory are (a) cost and (b) cost or market whichever is lower. The method properly adopted for the first year in which inventory is taken must be continued unless permission to change is secured from the Commissioner. Application for permission to change the method 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 either at cost, or at cost or market whichever is lower.

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

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

### OTHER BUSINESS DEDUCTIONS

**Line 12—Salaries and Wages.**—You should enter all salaries and wages not included as "Cost of Labor" in "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.

**Line 13—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.

**Line 14—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.

**Line 15—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, front foot benefits, etc.

**Line 16—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.

**Line 17—Bad Debts Arising From Sales or Services.**—Include debts, or portions thereof, arising from sales or professional services that have been included 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.

**Line 18—Depreciation and Obsolescence.**—You may deduct a reasonable allowance for exhaustion, wear and tear, and obsolescence of property used in the trade or business. For additional information regarding depreciation, especially on new property acquired or constructed after December 31, 1953, see depreciation section in the instructions for Form 1040.

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. The value or cost of land 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.

**Line 19—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.

**Line 20—Depletion of Mines, Oil and Gas Wells, Timber, Etc.**—If a deduction is claimed on account of depletion, you should procure from your District 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. (See sections 615 and 616 of the Internal Revenue Code of 1954 for election to capitalize or deduct expenditures for exploration and development of mineral properties.)

**Line 21—Amortization.**—If you elect the deduction with respect to the amortization of the adjusted basis of (a) any emergency facility with respect to which the Government has issued a certificate of necessity, or (b) a grain storage facility, a statement of the pertinent facts should be filed with your election. (See sections 168 and 169 of the Internal Revenue Code of 1954.)

For the election to amortize research or experimental expenditures not subject to depreciation or depletion, see section 174 of the Code.

**Line 22—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, or personal living and family expenses.

**Soil and Water Conservation Expenditures.**—Taxpayers engaged in the business of farming may under certain conditions expense amounts paid for soil and water conservation. For more detailed instructions, see the instructions for Form 1040.

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

**Accrual-Method Taxpayers Only.**—If you have (a) receipts which constitute prepaid income, or (b) reserves for estimated expenses, see the instructions for Form 1040.

● **IMPORTANT**—If you have more than one business, a separate page 1 must be completed for each business. However, only one page 3 should be completed and filed showing the aggregate net profit from such businesses.

**(See Instructions—Page 4)**  
**COMPUTATION OF SELF-EMPLOYMENT TAX**  
**(For old-age and survivors insurance)**

NAME OF SELF-EMPLOYED PERSON (a separate schedule must be filed for each self-employed person)

STATE BUSINESS ACTIVITIES, IF ANY, SUBJECT TO SELF-EMPLOYMENT TAX (for example: Restaurant, Building Contractor)

Line (See instructions—Page 4)

25. Net profit (or loss) shown on line 24, page 1 (Enter aggregate amount if more than one business).....	\$		
26. Losses of business property shown on line 16, page 1.....			
27. Total of lines 25 and 26.....	\$		
28. Less: Net income (or loss) from excluded services or sources included in line 27..... Specify excluded services or sources.....			
29. Net earnings from self-employment (line 27 less line 28).....	\$		
30. Net earnings (or loss) from self-employment from partnerships, joint ventures, etc. (from column 11, Schedule K, Form 1065).....			
31. Total net earnings (or loss) from self-employment (line 29 plus line 30)..... (If total of net earnings is under \$400, do not make any entries below)	\$		
32. Maximum amount subject to self-employment tax.....	\$	3,600	00
33. 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).....			
34. Maximum amount subject to self-employment tax after adjustment for wages.....	\$		
35. Self-employment income subject to tax—Line 31 or 34, whichever is smaller.....	\$		
36. Self-employment tax—3 percent of amount on line 35. Enter here and as item 10, page 1, Form 1040.....	\$		

**IMPORTANT—FILL IN ITEMS BELOW COMPLETELY 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)

**1954**

1. CHECK  ONE  Calendar Year 1954  
 Other Taxable Year Beginning ..... 1954, and Ending ..... 195.....

2. State Business Activities Subject To Self-Employment Tax

3. Business Address (Street and Number, City or Town, Postal Zone Number, State)

4. PRINT BELOW NAME AND ADDRESS OF SELF-EMPLOYED PERSON

Name as shown on Social Security Account Number Card


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HOME ADDRESS (Street and Number, or Rural Route)

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(City or Town, Postal Zone Number, State)

5. ENTER HERE THE SOCIAL SECURITY ACCOUNT NUMBER OF THE PERSON NAMED IN LINE 4



000	00	0000
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6. Enter Total Earnings From Self Employment Shown on Line 31 above..... \$.....

7. Enter Wages Shown on Line 33 above..... \$.....

8. Enter Self-Employment Income Shown on Line 35 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 Chapter 2 of Subtitle A of the Internal Revenue Code of 1954.

**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 FOR CALENDAR YEAR 1954****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 25 through 36.

"Net earnings from self-employment" (line 31) 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.

**No Deductions for Personal Exemptions.**—The deductions for personal exemptions are not allowable in determining the net earnings from self-employment.

**EXCLUSIONS**

In determining the amount of net earnings from self-employment report on line 28 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 sections 631 and 1231 are applicable, or (C) from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither (1) 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 (2) 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 total 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 24 of each separate schedule should be entered on line 1, Schedule C Summary, page 2, Form 1040, and the aggregate self-employment tax (line 36) should be entered as item 10, 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.

**FISCAL YEARS**

For fiscal years ending after December 31, 1954, the amounts of \$3,600 appearing on lines 32 and 33, page 3, in the computation of the self-employment tax should be changed to \$4,200.

If you are a Christian Science practitioner, architect, accountant, funeral director, engineer, minister, member of a religious order, or a farmer, reporting on a fiscal year basis, consult your nearest Internal Revenue Service office for the recent changes in the law which affect your liability for self-employment tax.

**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. These account numbers are obtainable from any of the approximately 500 Social Security Administration 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. If both had net earnings from self-employment, a separate Schedule C-a must be filed by each.