

**SCHEDULE C**  
**(Form 1040)**

U. S. Treasury Department—Internal Revenue Service  
**PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION**  
**(For Computation of Self-Employment Tax, see Page 3)**

**1956**

Attach this schedule to your Income Tax Return, Form 1040 — Partnerships, Joint Ventures, Etc. Must File On Form 1065

For Calendar Year 1956, or other taxable year beginning \_\_\_\_\_, 1956, and ending \_\_\_\_\_, 195

Name and Address as shown on page 1, 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.** Business address: \_\_\_\_\_  
(Number and street or rural route) (City or post office) (County) (State)

**• IMPORTANT**—If you had more than one business, a separate page 1 of Schedule C must be completed for each business.

Line (see instructions—page 2)

1. Total receipts \$....., less allowances, rebates, and returns \$.....	\$.....	
2. Inventory at beginning of year .....	\$.....	
3. Merchandise purchased \$....., less any items withdrawn from business for personal use \$.....		
4. Cost of labor (do not include salary paid to yourself) .....		
5. Material and supplies .....		
6. Other costs (explain in Schedule C-2) .....		
7. Total of lines 2 through 6 .....	\$.....	
8. Inventory at end of year .....		
9. Cost of goods sold (line 7 less line 8) .....		
10. Gross profit (line 1 less line 9) .....	\$.....	
<b>OTHER BUSINESS DEDUCTIONS</b>		
11. Salaries and wages not included on line 4 (do not include any paid to yourself) ..	\$.....	
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. (attach schedule) .....		
20. Amortization (attach statement) .....		
21. Other business expenses (explain in Schedule C-2) .....		
22. Total of lines 11 through 21 .....		
23. Net profit (or loss) (line 10 less line 22). Also enter on line 24, page 3 of this schedule, and on line 8, page 1, 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. Method of computing depreciation	6. Rate (%) or life (years)	7. Depreciation for this year
		\$.....	\$.....			\$.....

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

Line No.	Explanation	Amount	Line No.	Explanation	Amount
		\$.....			\$.....



If you owned a business, or practiced a profession, you must fill in separate Schedule C on other side and enter the net profit (or loss) on line 8, page 1, 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.

All farmers should use separate Schedule F (Form 1040) to report their farm income whether reporting on the cash or accrual method.

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

**Line 1—Total Receipts.**—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 must attach to your return a schedule showing separately for the years 1953, 1954, 1955, and 1956 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 2-9.**—If you are engaged in a trade or a business in which the production, purchase, or sale of merchandise is an income producing factor, you must 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 of Internal Revenue, Washington 25, D. C. 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 "M" immediately before the amount column if inventories are valued either at cost, or at cost or market whichever is lower.

Other methods of 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 must 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 11—Salaries and Wages.**—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 12—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 13—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 14—Taxes on Business and Business Property.**—Include taxes paid or accrued on business property or incurred in 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 15—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 16—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 within the taxable year to a reserve for bad debts. A debt which is deducted as bad and which reduces your tax must, if subsequently collected, be returned as income for the year in which collected.

**Line 17—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, 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 18—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, and 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 19—Depletion of Mines, Oil and Gas Wells, Timber, Etc.**—If a deduction is claimed on account of depletion, 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 a 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 20—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 return. (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.

For the election to amortize trademark or tradename expenditures, see section 177 of the Code.

**Line 21—Other Business Expenses.**—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.

**Net Operating Loss Deduction.**—Any net operating loss deduction should be applied as an adjustment of the amount shown on line 11, page 1, Form 1040. See instructions for Form 1040 and attach statement.

**COMPUTATION OF SELF-EMPLOYMENT TAX**  
**(For social security)**  
**(See Instructions—Page 4)**

- ▶ Each self-employed person must file a separate schedule. See instructions, page 4, for joint returns and partnerships.
- ▶ If you had wages of \$4,200 or more which were subject to the deduction for social security, do not fill in this page.
- ▶ If you have more than one business, a separate page 1, Schedule C, must be completed for each business. However, only one page 3 is to be completed and filed showing the combined net profit or loss from such businesses.

NAME OF SELF-EMPLOYED PERSON (as shown on social security card)

STATE EACH BUSINESS ACTIVITY SUBJECT TO SELF-EMPLOYMENT TAX (for example: Restaurant, Building Contractor, but not Partner or Owner)

Line			
24. Net profit (or loss) shown on line 23, page 1 (Enter combined amount if more than one business).	\$		
25. Add to net profit (or subtract from net loss) losses of business property shown on line 15, page 1			
26. Total (or difference)	\$		
27. Net income (or loss) from excluded services or sources included on line 26 Specify excluded services or sources			
28. Net earnings (or loss) from self-employment—			
(a) From business (line 26 less any amount on line 27)	\$		
(b) From partnerships, joint ventures, etc. (other than farming)			
(c) From service as a minister, member of a religious order or a Christian Science practitioner			
(d) From farming reported on line 12 or 13, separate Schedule F (Form 1040)			
29. Total net earnings (or loss) from self-employment reported on line 28 (If line 29 is under \$400, you are not subject to self-employment tax. Do not fill in rest of page.)	\$		
30. Maximum amount subject to self-employment tax	\$	4,200	00
31. Less: Total wages, subject to deduction for social security, paid to you during the taxable year. (For wages reported on Form W-2, see "F. I. C. A. Wages" box.)			
32. Balance (line 30 less line 31)	\$		
33. Self-employment income—line 29 or 32, whichever is smaller	\$		
34. Self-employment tax—3 percent of amount on line 33. Enter here and on line 15, page 1, Form 1040.	\$		

**IMPORTANT—FILL IN ITEMS BELOW COMPLETELY BUT DO NOT DETACH**

**SCHEDULE SE (Form 1040)**  
**U. S. Treasury Department**  
**Internal Revenue Service**


**U. S. REPORT OF SELF-EMPLOYMENT INCOME**  
**For Crediting to Your Social Security Account**

**1956**

1. CHECK CALENDAR  OTHER TAXABLE  Beginning ..... 1956  
ONE YEAR 1956 YEAR and Ending....., 195...

2. BUSINESS ACTIVITIES SUBJECT TO SELF-EMPLOYMENT TAX (Grocery Store, Restaurant, etc.)

3. BUSINESS ADDRESS (Number and Street, City or Town, Postal Zone Number, State)

4. SOCIAL SECURITY ACCOUNT NUMBER OF PERSON NAMED IN ITEM 5 BELOW. 

5. PRINT OR TYPE NAME OF SELF-EMPLOYED PERSON AS SHOWN ON SOCIAL SECURITY CARD

PRINT OR TYPE HOME ADDRESS (Number and Street or Rural Route)

(City or Post Office, Postal Zone Number, State)

PLEASE DO NOT WRITE IN THIS SPACE

6. ENTER TOTAL EARNINGS FROM SELF-EMPLOYMENT SHOWN ON LINE 29 ABOVE... \$

7. ENTER WAGES, IF ANY, SHOWN ON LINE 31 ABOVE..... \$

8. ENTER AMOUNT SHOWN ON LINE 33 ABOVE..... \$

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 34.

"Net earnings from self-employment" means (a) 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; and (b) in the case of a duly ordained, commissioned, or licensed minister of a church, or a member of a religious order, or a Christian Science practitioner, who has elected, by filing Form 2031, to be covered by the Social Security Act, his earnings from the performance of services in the exercise of his profession. (A member of a religious order who has taken a vow of poverty as a member of such order cannot elect to be covered.) In addition to (a) and (b) above, his share of self-employment net earnings (or loss) from a partnership (Schedule K, Form 1065) of which he is a member, plus any guaranteed payments, should be included.

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

**Farm income.**—Farmers should report their farm income and compute their net income from self-employment from farming on separate Schedule F (Form 1040).

## EXCLUSIONS

Income (or loss) from the following sources and deductions attributable thereto are not taken into account in figuring net earnings from self-employment. Use line 27 to exclude any such amounts reported on page 1 that should not be taken into account in figuring your self-employment income.

**Doctors of medicine.**—Income from the performance of service as a doctor of medicine or income from the performance of such service by a partnership.

**Christian Science practitioners.**—Income from the performance of service as a Christian Science practitioner, unless such Christian Science practitioner has elected by filing Form 2031 to be covered by the Social Security Act, as explained above.

**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, unless such minister or member of a religious order has elected by filing Form 2031 to be covered by the Social Security Act, as explained above.

**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.

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.

**Real estate rentals.**—Rentals from real estate, except rentals received in the course of a trade or business as a real estate dealer. This includes cash and crop shares received from a tenant or sharefarmer. These amounts should be reported in Schedule G of Form 1040. However, rental income from a farm is not excluded if the rental arrangement provides for material participation by the landlord and he does participate materially in the production or in the management of the production of farm products on his land. Such income represents farm earnings and should be reported on separate Schedule F (Form 1040).

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.

**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. These amounts should be reported in Schedules A and B of Form 1040.

**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. These amounts should be reported on separate Schedule D (Form 1040).

**Net operating losses.**—No deduction for net operating losses of other years shall be allowed in determining the net earnings from self-employment. Such deduction should be reflected on line 11, page 1, of Form 1040.

## 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 combined net earnings from self-employment of all trades or businesses 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. An individual shall fill in and file only one page 3 of this form, including Schedule SE, for any one year.

## JOINT RETURNS

Where husband and wife file a joint income tax 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 8, page 1, Form 1040, and the aggregate self-employment tax (line 34) should be entered on line 15, 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 income tax returns are filed by 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 8, page 1, Form 1040) on the basis of the community property laws.

**Partnerships.**—In computing his combined net earnings from self-employment, a partner should include his entire share of such earnings from a partnership including any guaranteed payments. 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. In the case of a husband and wife partnership, like other partnerships, the distributive share of each should be entered in Schedule H, page 3 of Form 1040, for income tax purposes. For self-employment tax purposes the distributive share of each partner should be entered on line 28(b), page 3, of this form (except that farm partnership earnings are to be reported on line 11(b), separate Schedule F (Form 1040) rather than on line 28(b) of this schedule).

## SCHEDULE SE (Form 1040)

This schedule provides the Social Security Administration with the information on self-employment income necessary for computing benefits under the social security program.

To assure proper credit to your account, be sure to enter your name and social security account number on Schedule SE (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 600 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.

**Regardless of whether joint or separate returns, Form 1040, are filed by husband and wife, Schedule SE (Form 1040) must show only the name of the one with the self-employment income. If both had net earnings from self-employment, a separate Schedule SE must be filed by each.**