# Schedule C (Form 1040)

## Profit (or Loss) From Business or Profession

(Compute social security self-employment tax on Schedule C-3 (Form 1040))

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

Name and address as shown on page 1, Form 1040

## A. Principal business activity

(See separate instructions)

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

## B. Business name


## C. Employer Identification Number


## D. Business location

(Number and street or rural route)

(City or post office)

(State)

## 1. Total receipts $________________, less allowances, rebates, and returns $________________________

## 2. Inventory at beginning of year (If different than last year's closing inventory attach explanation)

## 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 Merchandise purchased $________________, less any items withdrawn from business for personal use $________________________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 this year

## 9. Cost of goods sold (line 7 less line 8)

## 10. Gross profit (subtract line 9 from line 1)

### OTHER BUSINESS DEDUCTIONS

## 11. Salaries and wages not included on line 4 (exclude 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 (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. Insurance

## 22. Legal and professional fees

## 23. Commissions

## 24. Other business expenses (explain in Schedule C-2)

## 25. Total of lines 11 through 24

## 26. Net profit (or loss) (subtract line 25 from line 10). Enter here; on line 1, Schedule C-3; and on line 6, page 1, Form 1040

### INVENTORY INFORMATION

1. Method of inventory valuation—Cost ☐; lower of cost or market ☐; other ☐. If other, attach explanation.

2. Was the method of inventory valuation indicated above the same method used for 1960? ☐ Yes ☐ No. If "No" attach explanation.

3. If inventory is valued at lower of cost or market, enter total cost $________________ and total market valuation $________________ of those items valued at market.

4. If closing inventory was taken by physical count, enter date inventory was taken __________________________. If not at end of year, attach an explanation of how the end of year count was determined.

5. If closing inventory was not taken by a physical count, attach an explanation of how inventory items were counted or measured.
SCHEDULE C-1. EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED ON LINE 17

<table>
<thead>
<tr>
<th>1. Kind of property (if buildings, state material of which constructed), Exclude land and other nondepreciable property</th>
<th>2. Date acquired</th>
<th>3. Cost or other basis (exclude land)</th>
<th>4. Depreciation allowed (or allowable) in prior years</th>
<th>5. Method of computing depreciation</th>
<th>6. Rate (%) or life (years)</th>
<th>7. Depreciation for this year</th>
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1. Total

2. Less: Amount of depreciation claimed elsewhere in Schedule C

3. Balance—Enter here and on line 17, page 1

Amount of additional first-year depreciation included above

SCHEDULE C-2. EXPLANATION OF LINES 6, 18, AND 24

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Explanation</th>
<th>Amount</th>
<th>Line No.</th>
<th>Explanation</th>
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EXPENSE ACCOUNT INFORMATION

Enter information with regard to yourself and your five highest paid employees. In determining the five highest paid employees, expense account allowances must be added to their salaries and wages. However, the information need not be submitted for any employee for whom the combined amount is less than $10,000, or for yourself if your expense account allowance plus line 26, page 1, is less than $10,000. See separate instructions for Schedule C, for definition of "expense account."

Did you claim a deduction for expenses connected with: (If answer to any question is "YES," check applicable boxes within that question.)

E. A hunting lodge ☐, working ranch or farm ☐, fishing camp ☐, resort property ☐, pleasure boat or yacht ☐, or other similar facility ☐? (Other than where the operation of the facility was your principal business.) ☐ YES ☐ NO

F. Vacations for you or members of your family, or employees or members of their families? (Other than vacation pay reported on Form W-2.) ☐ YES ☐ NO

G. The leasing, renting, or ownership of a hotel room or suite ☐, apartment ☐, or other dwelling ☐, which was used by you, your customers, employees, or members of their families? (Other than use by yourself or employees while in business travel status.) ☐ YES ☐ NO

H. The attendance of members of your family or your employees' families at conventions or business meetings? ☐ YES ☐ NO
COMPUTATION OF SOCIAL SECURITY SELF-EMPLOYMENT TAX

(See instructions on page 2)

If you had wages of $4,800 or more which were subject to the deduction for social security, do not fill in this Schedule.

Complete only one Schedule C-3; if you had more than one business, combine profits (or losses) from all of your businesses on this Schedule.

Each self-employed person must file a separate schedule. See instructions, page 2, for joint returns and partnerships.

NAME AND ADDRESS (as shown on page 1 of Form 1040)

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

1. Net profit (or loss) shown on line 25 Schedule C (Form 1040) (Enter combined amount if more than one business).

2. Add to net profit (or subtract from net loss) losses of business property shown on line 15, Schedule C.

3. Total (or difference).

4. Net income (or loss) from excluded services or sources included on line 3 (see "Exclusions," page 2).

Specify excluded services or sources.

5. Net earnings (or loss) from self-employment—
   (a) From business (line 3 less any amount on line 4).
   (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.
       Enter only if you have filed or are filing Form 2031 (see instructions, page 2).
   (d) From farming reported on line 2 (or line 3 if option used), separate Schedule F-1 (Form 1040).
   (e) From service with a foreign government or international organization.

6. Total net earnings (or loss) from self-employment reported on line 5. Enter here and on line 6 below.

   (If line 6 is under $400, you are not subject to self-employment tax. Do not fill in rest of page.)

7. The largest amount of combined wages and self-employment earnings subject to social security tax is.

8. Total wages, covered by social security, paid to you during the taxable year. (For "Covered" wages see "F. I. C. A. Wages" box on Form W-2.) Enter here and on line 7, below.

9. Balance (line 7 less line 8).

10. Self-employment income—line 6 or 9, whichever is smaller. Enter here and on line 8, below.

11. Self-employment tax—If line 10 is $4,800, enter $216.00; if less, multiply the amount on line 10 by 4 1/2%.

   Enter this amount here and on line 13, page 1, Form 1040.

Important.—The amounts reported on the form below are for your social security account. This account is used in figuring any benefits, based on your earnings, payable to you, your dependents, and your survivors. Fill in each item accurately and completely, but do not detach.

U. S. REPORT OF SELF-EMPLOYMENT INCOME

For crediting to your social security account

PLEASE DO NOT WRITE IN THIS SPACE

Indicate year covered by this return (even though income was received only in part of year):

1. Calendar year 1961 □ or other taxable year beginning □, 1961, ending □.
   If less than 12 months, was short year due to (a) □ Death, or (b) □ Change in accounting period,
   or (c) □ Other.

2. BUSINESS ACTIVITIES SUBJECT TO SELF-EMPLOYMENT TAX (Grocery store, restaurant, etc.)

3. BUSINESS ADDRESS (number and street, city or post office, postal zone number, State)

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

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

5. PRINT OR TYPE HOME ADDRESS (number and street or rural route)

   (City or post office, postal zone number, State)

6. ENTER TOTAL EARNINGS FROM SELF-EMPLOYMENT SHOWN ON LINE 5 ABOVE...

7. ENTER WAGES, IF ANY, SHOWN ON LINE 8 ABOVE...

8. ENTER AMOUNT SHOWN ON LINE 10 ABOVE.
INSTRUCTIONS FOR SOCIAL SECURITY SELF-EMPLOYMENT TAX

Page 2

In general, every individual deriving self-employment income during the taxable year of $400, or more, 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. This computation is subject to lines 1 through 11. This tax must be paid regardless of age and even though the individual is receiving social security benefits.

Ministers, members of religious orders, and Christian Science practitioners.—Duly ordained, commissioned, or licensed ministers of religion (whether ordained, commissioned, or licensed in the United States, Puerto Rico, Guam, American Samoa, or the Virgin Islands) by a foreign country, by a foreign government, or by an international organization which is organized under the International Organizations Immunities Act, are subject to the social security self-employment tax. For on the New Schedule C, and file Form 1040 for 2031 as promptly as possible to make your election.

Ministers and members of religious orders who desire coverage shall in addition to their other items of income include for the purpose of determining net earnings from self-employment (but not for income tax purposes) the rental value of the parsonage, and the value of meals and lodging furnished them for the convenience of their employers.

U.S. Citizens employed by foreign governments or international organizations.—A U.S. citizen employed in the United States, Puerto Rico, Guam, American Samoa, or the Virgin Islands by a foreign government or international governmental organization or by a foreign government, or an international organization which is organized under the International Organizations Immunities Act, is subject to the social security self-employment tax. These employees should report their income from such employment in Schedule C or F-1, pay self-employment taxes and file the schedule with their Form 1040. On line 2 of Schedule C, enter "Employee of foreign government, etc."

Farm income.—Farmers report farm income and net earnings from self-employment on separate Schedules F and F-1 (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 4 to exclude any such amounts reported on separate Schedule C or F-1 (Form 1040) that should not be taken into account in figuring the self-employment tax.

Income from services as a doctor of medicine or income from the performance of such services by a partnership.

Exclusion of income from services as a doctor of medicine or income from the performance of such services by a partnership.

Religious services.—Income from the performance of religious services by a duly ordained, commissioned, or licensed minister of a church or religious order 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 elects by filing Form 1040 to be covered by the Social Security Act, as explained above.

Employees and public officials.—Income (fees, salaries, etc.) from the performance of services as a (a) notary public;

(b) employee or employee representative under the railroad retirement system; or

(c) employee (as so defined).

Note.—The income of an employee over the age of 18 from this line should be reported on line 1 or 2 of Schedule D. Any compensation received by the ultimate consumer is subject to social security self-employment tax if the income consists of retained profits or receivables.

Real estate rentals.—Rentals from real estate, except rentals received in the course of a trade or business as a real estate dealer. The income is computed on Schedule D (Form 1040).

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 such securities. These amounts should be reported in Parts I and II of Schedule B.

Property gains and losses.—Gain or loss: (a) from the sale or exchange of a capital asset; or (b) from the sale, exchange, involuntary conversion, or condemnation of personal property if such property is not (i) stock in trade or other property of a kind which would properly be includable in inventory if on hand at the close of the taxable year, or (ii) 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 entered on line 3, Part V of Schedule B.

Net income from personal exemptions.—The deductions for personal exemptions are not allowable in determining net earnings from self-employment.

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 his trades or businesses. Thus, the individual may report on Schedule C or Schedule F the income derived from each trade or business. If the individual earns income from more than one trade or business, the individual should fill in and file only one Schedule C-3, including Schedule SE, for any one year.

JOINT RETURNS

Joint return—The husband and wife file a joint income tax return. Schedule C (Form 1040) should show the name of the one with self-employment income. Where husband and wife each have self-employment income, separate Schedules C and C-3 must be attached to Schedule C. In such cases the total of amounts shown on line 5 of each Schedule C should be entered in line 6, Part V of Schedule D (Form 1040), for income tax purposes. For self-employment tax purposes the distributive share of each partner should be entered on line 5(b) of Schedule D, if such amount is to be reported on line 1(b) of Schedule F-1 (Form 1040) rather than on line 5(b) of Schedule D.

If a member of a partnership dies, a portion of the deceased partner’s distributive share of the partnership’s ordinary income (or loss) for the taxable year of the partnership in which he died must be included in the partners’ net earnings from self-employment. In such cases consult your nearest Internal Revenue Service office for advice on the tax consequences.

SCHEDULE SE (Form 1040)

Schedule SE, which is the lower portion of this Schedule, provides the Social Security Administration with the information on self-employment income necessary for computing benefits.

To assure proper credit to your account, be sure to enter your name and the 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 social security district office. Your local post office will give you the address. Do not sign the form until you are authorized to do so.

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