

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

U. S. Treasury Department  
Internal Revenue Service

**PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION**

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

1961

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 ..... (Retail trade, wholesale trade, lawyer, etc.) ..... (Principal product or service)  
(See separate instructions)

**B.** Business name ..... **C.** Employer Identification Number .....

**D.** Business location ..... (Number and street or rural route) ..... (City or post office) ..... (State)

<b>1.</b> Total receipts \$....., less allowances, rebates, and returns \$.....		
<b>2.</b> Inventory at beginning of year (If different than last year's closing inventory attach explanation) .....		
<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 Merchandise purchased \$....., less any items withdrawn from business for personal use \$.....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> Total of lines 2 through 6 .....		
<b>8.</b> Inventory at end of this year .....		
<b>9.</b> Cost of goods sold (line 7 less line 8) .....		
<b>10.</b> Gross profit (subtract line 9 from line 1) .....		

**OTHER BUSINESS DEDUCTIONS**

<b>11.</b> Salaries and wages not included on line 4 (exclude any paid to yourself) .....		
<b>12.</b> Rent on business property .....		
<b>13.</b> Interest on business indebtedness .....		
<b>14.</b> Taxes on business and business property .....		
<b>15.</b> Losses of business property (attach statement) .....		
<b>16.</b> Bad debts arising from sales or services .....		
<b>17.</b> Depreciation (explain in Schedule C-1) .....		
<b>18.</b> Repairs (explain in Schedule C-2) .....		
<b>19.</b> Depletion of mines, oil and gas wells, timber, etc. (attach schedule) .....		
<b>20.</b> Amortization (attach statement) .....		
<b>21.</b> Insurance .....		
<b>22.</b> Legal and professional fees .....		
<b>23.</b> Commissions .....		
<b>24.</b> Other business expenses (explain in Schedule C-2) .....		
<b>25.</b> Total of lines 11 through 24 .....		
<b>26.</b> 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**

- Method of inventory valuation—Cost ; lower of cost or market ; other . If other, attach explanation.
- Was the method of inventory valuation indicated above the same method used for 1960?  Yes  No. If "No" attach explanation.
- If inventory is valued at lower of cost or market, enter total cost \$..... and total market valuation \$..... of those items valued at market.
- 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.
- 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 with 7 columns: 1. Kind of property, 2. Date acquired, 3. Cost or other basis, 4. Depreciation allowed, 5. Method of computing depreciation, 6. Rate (%), 7. Depreciation for this year.

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

Table with 6 columns: Line No., Explanation, Amount, Line No., Explanation, Amount.

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.

Table with 3 columns: Name, Expense account, Salaries and Wages.

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...
F. Vacations for you or members of your family...
G. The leasing, renting, or ownership of a hotel room or suite...
H. The attendance of members of your family or your employees' families at conventions or business meetings...

**SCHEDULE C-3**  
(Form 1040)

U.S. Treasury Department—Internal Revenue Service  
**COMPUTATION OF SOCIAL SECURITY SELF-EMPLOYMENT TAX**  
(See instructions on page 2)

1961

- ▶ 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)

<p><b>1.</b> Net profit (or loss) shown on line 26 Schedule C (Form 1040) (Enter combined amount if more than one business).....</p> <p><b>2.</b> Add to net profit (or subtract from net loss) losses of business property shown on line 15, Schedule C.....</p> <p><b>3.</b> Total (or difference) .....</p> <p><b>4.</b> Net income (or loss) from excluded services or sources included on line 3 (see "Exclusions," page 2)..... Specify excluded services or sources .....</p> <p><b>5.</b> 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) .....</p> <p>(c) From service as a minister, member of a religious order, or a Christian Science practitioner .....</p> <p>Enter only if you have filed or are filing Form 2031 (see instructions, page 2).</p> <p>(d) From farming reported on line 2 (or line 3 if option used), separate Schedule F-1 (Form 1040).....</p> <p>(e) From service with a foreign government or international organization.....</p> <p><b>6.</b> Total net earnings (or loss) from self-employment reported on line 5. Enter here and on line 6 below .....</p> <p>(If line 6 is under \$400, you are not subject to self-employment tax. Do not fill in rest of page.)</p> <p><b>7.</b> The largest amount of combined wages and self-employment earnings subject to social security tax is .....</p> <p><b>8.</b> 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 .....</p> <p><b>9.</b> Balance (line 7 less line 8) .....</p> <p><b>10.</b> Self-employment income—line 6 or 9, whichever is smaller. Enter here and on line 8, below.....</p> <p><b>11.</b> Self-employment tax—If line 10 is \$4,800, enter \$216.00; if less, multiply the amount on line 10 by 4½%... Enter this amount here and on line 13, page 1, Form 1040 .....</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;"></td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> </tr> <tr> <td style="text-align: right;">\$</td> <td style="text-align: center;">4,800</td> <td style="text-align: center;">00</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">\$</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table>							\$	4,800	00				\$					
\$	4,800	00																	
\$																			

**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.

**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

1961

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

**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

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

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

**8.** ENTER AMOUNT SHOWN ON LINE 10 ABOVE .....

**SE**

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 made on 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 churches, members of religious orders (who have not taken a vow of poverty), and Christian Science practitioners are not automatically covered by the Social Security Act, but may elect to be covered by filing Form 2031. Copies are available in the office of any district director of Internal Revenue. The instructions on the form set out the provisions of the law which permit these forms under certain conditions to be filed to cover ministers, and others mentioned above. Do not delay filing your income tax return beyond the due date even though you have not obtained a Form 2031. In such case, complete this Schedule, file it with Form 1040, and then file Form 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 a parsonage or allowance for 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, an instrumentality wholly owned 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 on line 5(e), of this Schedule, compute their self-employment tax, and file the schedule with their Form 1040. On line 2 of Schedule SE, enter "Employee of foreign government, etc."

**Farm income.**—Farmers report farm income and net earnings from farm 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 (Form 1040) 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 elects 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 elects by filing Form 2031 to be covered by the Social Security Act, as explained above.

**Employees and public officials.**—Income (fees, salaries, etc.) 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 (except as indicated above).

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 Part IV, Schedule B (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 one or more farm products on his land. Such income represents farm earnings and should be reported on separate Schedules F and F-1.

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, or homes, or space in parking lots, warehouses, or storage garages do not constitute rentals from real estate and are included in determining net earnings from self-employment on this Schedule.

**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 Parts I and II of Schedule B.

**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 entered on line 3, Part V of Schedule B.

**No deductions for 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 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 Schedule C-3, including Schedule SE, for any one year.

### JOINT RETURNS

Where husband and wife file a joint income tax return, Schedule C-3 (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 for each. In such cases the total of amounts shown on line 26 of each separate Schedule C should be entered on line 6, page 1, Form 1040, and the aggregate self-employment tax (line 11) Schedule C-3 should be entered on line 13, 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. (Also see instructions on partnerships below.)

If separate income tax returns are filed by husband and wife, Schedules C and C-3 should be attached to the return of the one with self-employment income. Community income included on Schedule C must be allocated between the two returns (on line 6, 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 allocated 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 Part V of Schedule B (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 this Schedule (except that farm partnership earnings are to be reported on line 1(b), Schedule F-1 (Form 1040) rather than on line 5(b) of this schedule).

Note.—If a member of a continuing 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 partner's net earnings from self-employment. In such cases consult your nearest Internal Revenue Service office as to how to report.

### 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 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 delay filing your return beyond the due date.

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.