1999
Instructions for Schedule C, Profit or Loss
From Business

General Instructions

Other Schedules and Forms You May Have To File

Schedule A to deduct interest, taxes, and casualty losses not related to your business.

Schedule E to report rental real estate and royalty income or (loss) that is not subject to self-employment tax.

Schedule F to report profit or (loss) from farming.

Schedule SE to report self-employment tax on income from any trade or business.

Form 4562 to claim depreciation on assets placed in service in 1999, to claim amortization that began in 1999, or to report information on listed property.

Form 4684 to report a casualty or theft gain or loss involving property used in your trade or business or income-producing property.

Form 4797 to report sales, exchanges, and involuntary conversions (not from a casualty or theft) of trade or business property.

Form 8271 if you are claiming or you are reporting on Schedule C or C-EZ any income, deduction, loss, credit, or other tax benefit from a tax shelter.

Form 8594 to report certain purchases or sales of groups of assets that constitute a trade or business.

Form 8824 to report like-kind exchanges.

Form 8829 to claim expenses for business use of your home.

Heavy Highway Vehicle Use Tax

If you use certain highway trucks, truck-trailers, tractor-trailers, or buses in your trade or business, you may have to pay a Federal highway motor vehicle use tax. See Form 2290 to find out if you owe this tax.

Information Returns

You may have to file information returns for wages paid to employees, certain payments of fees and other nonemployee compensation, interest, rents, royalties, real estate transactions, annuities, and pensions. You may also have to file an information return if you sold $5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or other similar basis for resale.

For more information, see the 1999 Instructions for Forms 1099, 1098, 5498, and W-2G.

If you received cash of more than $10,000 in one or more related transactions in your trade or business, you may have to file Form 8300. For details, see Pub. 1544.

Additional Information

See Pub. 334 for more information for small businesses.

Specific Instructions

Filers of Form 1041

Do not complete the block labeled “Social security number.” Instead, enter your employer identification number (EIN) on line D.

Line A

Describe the business or professional activity that provided your principal source of income reported on line 1. If you owned more than one business, you must complete a separate Schedule C for each business. Give the general field or activity and the type of product or service. If your general field or activity is wholesale or retail trade, or services connected with production services (mining, construction, or manufacturing), also give the type of customer or client. For example, “wholesale sale of hardware to retailers” or “appraisal of real estate for lending institutions.”

Line D

You need an employer identification number (EIN) only if you had a Keogh plan or were required to file an employment, excise, estate, trust, or alcohol, tobacco, and firearms tax return. If you need an EIN, file Form SS-4. If you do not have an EIN, leave line D blank. Do not enter your SSN.

Line E

Enter your business address. Show a street address instead of a box number. Include the suite or room number, if any. If you conducted the business from your home located at the address shown on Form 1040, page 1, you do not have to complete this line.

Line F

You must use the cash method on your return unless you kept account books. If you kept such books, you can use the cash method or the accrual method. However, if inventories are required, you must use the accrual method for sales and purchases. Special rules apply to long-term contracts. See Internal Revenue Code section 460 for details. The method used must clearly reflect your income.

If you use the cash method, show all items of taxable income actually or constructively received during the year (in cash, property, or services). Income is constructively received when it is credited to your account or set aside for you to use. Also, show amounts actually paid during the year for deductible expenses.
If you use the accrual method, report income when you earn it and deduct expenses when you incur them even if you do not pay them during the tax year.

Accrual-basis taxpayers are put on a cash basis for deducting business expenses owed to a related cash-basis taxpayer. Other rules determine the timing of deductions based on economic performance. See Pub. 538.

To change your accounting method (including treatment of inventories), you must usually get permission from the IRS. In general, file Form 3115 within the first 180 days of the tax year in which you want to make the change.

### Line G

Participation, for purposes of the following seven material participation tests, generally includes any work you did in connection with an activity if you owned an interest in the activity at the time you did the work. The capacity in which you did the work does not matter. However, work is not treated as participation if it is work that an owner would not customarily do in the same type of activity and one of your main reasons for doing the work was to avoid the disallowance of losses or credits from the activity under the passive activity rules.

Work you did as an investor in an activity is not treated as participation unless you were directly involved in the day-to-day management or operations of the activity. Work done as an investor includes:

1. Studying and reviewing financial statements or reports on operations of the activity.
2. Preparing or compiling summaries or analyses of the finances or operations of the activity for your own use.
3. Monitoring the finances or operations of the activity in a nonmanagerial capacity.

**Participation by your spouse** during the tax year in an activity you own can be counted as your participation in the activity. This applies even if your spouse did not own an interest in the activity and whether or not you and your spouse file a joint return for the tax year.

**Material Participation.** For purposes of the passive activity rules, you materially participated in the operation of this trade or business activity during 1999 if you meet any of the following seven tests:

1. You participated in the activity for more than 500 hours during the tax year.
2. Your participation in the activity for the tax year was substantially all of the participation in the activity of all individuals (including individuals who did not own any interest in the activity) for the tax year.
3. You participated in the activity for more than 100 hours during the tax year, and you participated at least as much as any other person for the tax year. This includes individuals who did not own any interest in the activity.
4. The activity is a significant participation activity for the tax year, and you participated in all significant participation activities for more than 500 hours during the tax year. An activity is a “significant participation activity” if it involves the conduct of a trade or business, you participated in the activity for more than 100 hours during the tax year, and you did not materially participate under any of the material participation tests (other than this test 4).
5. You materially participated in the activity for any 5 of the prior 10 tax years.
6. The activity is a personal service activity in which you materially participated for any 3 prior tax years. A personal service activity is an activity that involves performing personal services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, or any other trade or business in which capital is not a material income-producing factor.
7. Based on all the facts and circumstances, you participated in the activity on a regular, continuous, and substantial basis during the tax year. But you do not meet this test if you participated in the activity for 100 hours or less during the tax year. Your participation in managing the activity does not count in determining if you meet this test if any person (except you) —
   a. Received compensation for performing management services in connection with the activity, or
   b. Spent more hours during the tax year than you spent performing management services in connection with the activity (regardless of whether the person was compensated for the services).

If you meet any of the above tests, check the “Yes” box.

If you do not meet any of the above tests, check the “No” box. This business is a passive activity. If you have a loss from this business, see Limit on Losses below. If you have a profit from this business activity but have current year losses from other passive activities or you have prior year unallowed passive activity losses, see the instructions for Form 8582.

**Exception for Oil and Gas.** If you are filing Schedule C to report income and deductions from an oil or gas well in which you own a working interest directly or through an entity that does not limit your liability, check the “Yes” box. The activity of owning the working interest is not a passive activity regardless of your participation in the activity.

**Limit on Losses.** If you checked the “No” box and you have a loss from this business, you may have to use Form 8582 to figure your allowable loss, if any, to enter on Schedule C, line 31. Generally, you can deduct losses from passive activities only to the extent of income from passive activities.

For more details, see Pub. 925.

### Line H

If you started or acquired this business in 1999, check the box on line H. Also, check the box if you are reopening or restarting this business after temporarily closing it, and you did not file a 1998 Schedule C or C-EZ for this business.

### Part I. Income

#### Line 1

Enter gross receipts from your trade or business. Include amounts you received in your trade or business that were properly shown on Forms 1099-MISC. If the total amounts that were reported in box 7 of Forms 1099-MISC are more than the total you are reporting on line 1, attach a statement explaining the difference.

**Statutory Employees.** If you received a Form W-2 and the “Statutory employee” box in box 15 of that form was checked, report your income and expenses related to that income on Schedule C or C-EZ. Enter your statutory employee income from box 1 of Form W-2 on line 1 of Schedule C or C-EZ, and check the box on that line. Social security and Medicare tax should have been withheld from your earnings; therefore, you do not owe self-employment tax on these earnings.

Statutory employees include full-time life insurance agents, certain agents or commission drivers and traveling salespersons, and certain homeworkers.

If you had both self-employment income and statutory employee income, do not combine these amounts on a single Schedule C or C-EZ. In this case, you must file two Schedules C. You cannot use Schedule C-EZ.

**Installment Sales.** Generally, the installment method may not be used to report income from the sale of (a) personal property regularly sold under the installment method or (b) real property held for resale to customers. But the installment method may be used to report income from sales of...
certain residential lots and timeshares if you elect to pay interest on the tax due on that income after the year of sale. See Internal Revenue Code section 453(j)(2)(B) for details. If you make this election, include the interest on Form 1040, line 56. Also, enter “453(j)(3)” and the amount of the interest on the dotted line to the left of line 56.

If you use the installment method, attach a schedule to your return. Show separately for 1999 and the 3 preceding years: gross sales, cost of goods sold, gross profit, percentage of gross profit to gross sales, amounts collected, and gross profit on amounts collected.

**Line 2**
Enter such items as returned sales, rebates, and allowances from the sales price.

**Line 6**
Report on line 6 amounts from finance reserve income, scrap sales, bad debts you recovered, interest (such as on notes and accounts receivable), state gasoline or fuel tax refunds you got in 1999, credit for Federal tax paid on gasoline or other fuels claimed on your 1998 Form 1040, prizes and awards related to your trade or business, and other kinds of miscellaneous business income. Include amounts you received in your trade or business as shown on Form 1099-PATR. Also, include any recapture of the deduction for clean-fuel vehicles used in your business and clean-fuel vehicle refueling property. For more details, see Pub. 535.

If the business use percentage of any listed property (defined in the instructions for line 13 on this page) decreased to 50% or less in 1999, report on this line any recapture of excess depreciation, including any section 179 expense deduction. Use Form 4797 to figure the recapture. Also, if the business use percentage drops to 50% or less on leased listed property (other than a vehicle), include on this line any inclusion amount. See Pub. 946 to figure the amount.

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**Part II. Expenses**

**Capitalizing Costs of Property.** If you produced real or tangible personal property or acquired property for resale, certain expenses attributable to the property must be included in inventory costs or capitalized. In addition to direct costs, producers of inventory property must also include part of certain indirect costs in their inventory. Purchasers of personal property acquired for resale must include part of certain indirect costs in inventory only if the average annual gross receipts for the 3 prior tax years exceed $10 million. Also, you must capitalize part of the indirect costs that benefit real or tangible personal property constructed for use in a trade or business, or noninventory property produced for sale to customers. Reduce the amounts on lines 8–26 and Part V by amounts capitalized. For more details, see Pub. 538.

**Exception for Creative Property.** If you are an artist, author, or photographer, you may be exempt from the capitalization rules. However, your personal efforts must have created (or reasonably be expected to create) the property. This exception does not apply to any expense related to printing, photographic plates, motion picture films, video tapes, or similar items. These expenses are subject to the capitalization rules. For more details, see Pub. 538.

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**Line 9**
Include debts and partial debts from sales or services that were included in income and are definitely known to be worthless. If you later collect a debt that you deducted as a bad debt, include it as income in the year collected. For more details, see Pub. 535.

**Line 10**
You can deduct the actual expenses of running your car or truck, or take the standard mileage rate. You must use actual expenses if you used your vehicle for hire (such as a taxicab), or you used more than one vehicle simultaneously in your business (such as in fleet operations). You cannot use actual expenses for a leased vehicle if you previously used the standard mileage rate for that vehicle.

You can use the standard mileage rate for 1999 only if:

● You owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service, or

● You leased the vehicle and are using the standard mileage rate for the entire lease period (except the period, if any, before 1998).

If you deduct actual expenses:

● Include on line 10 the business portion of expenses for gasoline, oil, repairs, insurance, tires, license plates, etc., and

● Show depreciation on line 13 and rent or lease payments on line 20a.

If you use the standard mileage rate, you cannot deduct depreciation, rent or lease payments, or your actual operating expenses. To take the standard mileage rate, multiply the number of business miles driven:

- Before April 1, 1999, by 32.5 cents,
- After March 31, 1999, by 31 cents.

Add to this amount your parking fees and tolls, and enter the total.

For more details, see Pub. 463.

**Information on Your Vehicle.** If you claim any car and truck expenses, you must provide certain information on the use of your vehicle by completing one of the following:

● Part IV of Schedule C or Part III of Schedule C-EZ if: (a) you are claiming the standard mileage rate, you lease your vehicle, or your vehicle is fully depreciated and (b) you are not required to file Form 4562 for any other reason. If you used more than one vehicle during the year, attach your own schedule with the information requested in Part IV of Schedule C, or Part III of Schedule C-EZ, for each additional vehicle.

● Part V of Form 4562 if you are claiming depreciation on your vehicle or you are required to file Form 4562 for any other reason (see the instructions for line 13 below).

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**Line 12**
Enter your deduction for depletion on this line. If you have timber depletion, attach Form T. See Pub. 535 for details.

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**Line 13**
Depreciation and Section 179 Expense Deduction. Depreciation is the annual deduction allowed to recover the cost or other basis of business or investment property having a useful life substantially beyond the tax year. You can also depreciate improvements made to leased business property. However, stock in trade, inventories, and land are not depreciable.

Depreciation starts when you first use the property in your business or for the production of income. It ends when you take the property out of service, deduct all your depreciable cost or other basis, or no longer use the property in your business or for the production of income.

See the Instructions for Form 4562 to figure the amount of depreciation to enter on line 13.

You may also choose under Internal Revenue Code section 179 to expense part of the cost of certain property you bought in 1999 for use in your business. See the Instructions for Form 4562 for more details.

**When To Attach Form 4562.** You must complete and attach Form 4562 only if:

● You are claiming depreciation on property placed in service during 1999, or
You are claiming depreciation on listed property (defined below), regardless of the date it was placed in service, or

You are claiming a section 179 expense deduction.

If you acquired depreciable property for the first time in 1999, see Pub. 946.

Listed property generally includes, but is not limited to:

- Passenger automobiles weighing 6,000 pounds or less,
- Any other property used for transportation if the nature of the property lends itself to personal use, such as motorcycles, pickup trucks, etc.,
- Any property used for entertainment or recreational purposes (such as photographic, phonographic, communication, and video recording equipment),
- Cellular telephones or other similar telecommunications equipment, and
- Computers or peripheral equipment.

Exceptions. Listed property does not include photographic, phonographic, communication, or video equipment used exclusively in your trade or business or at your regular business establishment. It also does not include any computer or peripheral equipment used exclusively at a regular business establishment and owned or leased by the person operating the establishment. For purposes of these exceptions, a portion of your home is treated as a regular business establishment only if that portion meets the requirements under Internal Revenue Code section 280A(c)(1) for deducting expenses for the business use of your home.

If the business use percentage of any listed property decreased to 50% or less in 1999, see the instructions for line 6 on page C-3.

### Line 14

Deduct contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included on line 19. Examples are accident and health plans, group-term life insurance, and dependent care assistance programs.

Do not include on line 14 any contributions you made on your behalf as a self-employed person to an accident and health plan or for group-term life insurance. You may be able to deduct on Form 1040, line 28, part of the amount you paid for health insurance on behalf of yourself, your spouse, and dependents, even if you do not itemize your deductions. See the Form 1040 instructions on page 28 for more details.

### Line 15

Deduct premiums paid for business insurance on line 15. Deduct on line 14 amounts paid for employee accident and health insurance. Do not deduct amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for your lost earnings due to sickness or disability. For more details, see Pub. 535.

### Lines 16a and 16b

**Interest Allocation Rules.** The tax treatment of interest expense differs depending on its type. For example, home mortgage interest and investment interest are treated differently. “Interest allocation” rules require you to allocate (classify) your interest expense so it is deducted (or capitalized) on the correct line of your return and gets the right tax treatment. These rules could affect how much interest you are allowed to deduct on Schedule C or C-EZ.

Generally, you allocate interest expense by tracing how the proceeds of the loan were used. See Pub. 535 for details.

If you paid interest in 1999 that applies to future years, deduct only the part that applies to 1999. If you paid interest on a debt secured by your main home and any of the proceeds from that debt were used in connection with your trade or business, see Pub. 535 to figure the amount that is deductible on Schedule C or C-EZ.

If you have a mortgage on real property used in your business (other than your main home), enter on line 16a the interest you paid for 1999 to banks or other financial institutions for which you received a Form 1098. If you did not receive a Form 1098, enter the interest on line 16b.

If you paid more mortgage interest than is shown on Form 1098 or similar statement, see Pub. 535 to find out if you can deduct the additional interest. If you can, enter the amount on line 16a. Attach a statement to your return explaining the difference. Enter “See attached” in the left margin next to line 16a.

If you and at least one other person (other than your spouse if you file a joint return) were liable for and paid interest on the mortgage and the other person received the Form 1098, report your share of the interest on line 16b. Attach a statement to your return showing the name and address of the person who received the Form 1098. In the left margin next to line 16b, enter “See attached.”

Do not deduct interest you paid or accrued on debts allocable to investment property. This interest is generally deducted on Schedule A (Form 1040). For details, see Pub. 550.

### Line 17

Include on this line fees for tax advice related to your business and for preparation of the tax forms related to your business.

### Line 19

Enter your deduction for contributions to a pension, profit-sharing, or annuity plan, or plans for the benefit of your employees. If the plan includes you as a self-employed person, enter contributions made as an employer on your behalf on Form 1040, line 29, not on Schedule C.

Generally, you must file the applicable form listed below if you maintain a pension, profit-sharing, or other funded-deferred compensation plan. The filing requirement is not affected by whether or not the plan qualified under the Internal Revenue Code, or whether or not you claim a deduction for the current tax year.

**Form 5500.** File this form for a plan that is not a one-participant plan (see below).

**Form 5500-EZ.** File this form for a one-participant plan. A one-participant plan is a plan that only covers you (or you and your spouse).

There is a penalty for failure to timely file these forms.

For more information, see Pub. 560.

### Lines 20a and 20b

If you rented or leased vehicles, machinery, or equipment, enter on line 20a the business portion of your rental cost. But if you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction by an amount called the inclusion amount.

You may have to do this if—

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<tr>
<th>The lease term began during</th>
<th>And the vehicle's fair market value on the first day of the lease exceeded</th>
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<tr>
<td>1999</td>
<td>. . . . . . . . . . . . . . $15,500</td>
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<td>1997 or 1998</td>
<td>. . . . . . . . . . . . . . 15,800</td>
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<tr>
<td>1995 or 1996</td>
<td>. . . . . . . . . . . . . . 15,500</td>
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<td>1994</td>
<td>. . . . . . . . . . . . . . 14,600</td>
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If the lease term began before 1994, see Pub. 463 to find out if you have an inclusion amount.

Also see Pub. 463 to figure your inclusion amount.

Enter on line 20b amounts paid to rent or lease other property, such as office space in a building.
Line 21

Deduct the cost of repairs and maintenance. Include labor, supplies, and other items that do not add to the value or increase the life of the property. Do not deduct the value of your own labor. Do not deduct amounts spent to restore or replace property; they must be capitalized.

Line 23

You can deduct the following taxes on this line:
- State and local sales taxes imposed on you as the seller of goods or services. Also, Federal unemployment tax paid. Reduce your deduction by the amount of the current year credit shown on line 4 of Form 8846.
- Federal highway use tax.
- Federal income taxes, including your self-employment tax. However, you may deduct one-half of your self-employment tax on Form 1040, line 27.
- Estate and gift taxes.
- Taxes assessed to pay for improvements, such as paving and sewers.
- Taxes on your home or personal use property.
- State and local sales taxes on property purchased for use in your business. Instead, treat these taxes as part of the cost of the property.
- State and local sales taxes imposed on the buyer that you were required to collect and pay over to the state or local government. These taxes are not included in gross receipts or sales nor are they a deductible expense. However, if the state or local government allowed you to retain any part of the sales tax you collected, you must include that amount as income on line 6.
- Other taxes not related to your business.

Line 24a

Enter your expenses for lodging and transportation connected with overnight travel for business while away from your tax home. Generally, your tax home is your main place of business regardless of where you maintain your family home. You cannot deduct expenses paid or incurred in connection with employment away from home if that period of employment exceeds 1 year. Also, you cannot deduct travel expenses for your spouse, your dependent, or any other individual unless that person is your employee, the travel is for a bona fide business purpose, and the expenses would otherwise be deductible by that person.

Do not include expenses for meals and entertainment on this line. Instead, see the instructions for lines 24b and 24c below.

You cannot deduct expenses for attending a foreign convention unless it is directly related to your trade or business and it is as reasonable for the meeting to be held outside the North American area as within it. These rules apply to both employers and employees. Other rules apply to luxury water travel.

For more details, see Pub. 463.

Lines 24b and 24c

On line 24b, enter your total business meal and entertainment expenses. Include meals while traveling away from home for business. Instead of the actual cost of your meals while traveling away from home, you may use the standard meal allowance. For more details, see Pub. 463.

Business meal expenses are deductible only if they are (a) directly related to or associated with the active conduct of your trade or business, (b) not lavish or extravagant, and (c) incurred while you or your employee is present at the meal.

You cannot deduct any expense paid or incurred for a facility (such as a yacht or hunting lodge) used for any activity usually considered entertainment, amusement, or recreation.

Also, you cannot deduct membership dues for any club organized for business, pleasure, recreation, or other social purpose. This includes country clubs, golf and athletic clubs, airline and hotel clubs, and clubs operated to provide meals under conditions favorable to business discussion. But it does not include civic or public service organizations; professional organizations (such as bar and medical associations), business leagues, trade associations, chambers of commerce, boards of trade, and real estate boards, unless a principal purpose of the organization is to entertain, or provide entertainment facilities for, members or their guests.

There are exceptions to these rules as well as other rules that apply to sky-box rentals and tickets to entertainment events. See Pub. 463.

Generally, you may deduct only 50% of your business meal and entertainment expenses, including meals incurred while away from home on business. For individuals sub-

Line 25

Deduct only utility expenses for your trade or business.

Local Telephone Service. If you used your home phone for business, do not deduct the base rate (including taxes) of the first phone line into your residence. But you can deduct expenses for any additional costs you incurred for business that are more than the cost of the base rate for the first phone line. For example, if you had a second line, you can deduct the business percentage of the charges for that line, including the base rate charges.

Line 26

Enter the total salaries and wages for the tax year. Do not include salaries and wages deducted elsewhere on your return or amounts paid to yourself. Reduce your deduction by the current year credits claimed on:
- Form 5884, Work Opportunity Credit.
- Form 8844, Empowerment Zone Employment Credit.
- Form 8845, Indian Employment Credit.
- Form 8861, Welfare-to-Work Credit.
If you provided taxable fringe benefits to your employees, such as personal use of a car, do not deduct as wages the amount applicable to depreciation and other expenses claimed elsewhere.

**Line 30**

**Business Use of Your Home.** You may be able to deduct certain expenses for business use of your home, subject to limitations. Generally, any amount not allowed as a deduction for 1999 because of the limitations can be carried over to 2000. You must attach Form 8829 if you claim this deduction.

For details, see the Instructions for Form 8829 and Pub. 587.

**Line 31**

If you have a loss, the amount of loss you can deduct this year may be limited. Go on to line 32 before entering your loss on line 31. If you answered “No” to Question G on Schedule C, also see the Instructions for Form 8582. Enter the net profit or deductible loss here. Combine this amount with any profit or loss from other businesses, and enter the total on Form 1040, line 12, and Schedule SE, line 2. Estates and trusts should enter the total on Form 1041, line 3.

If you have a net profit on line 31, this amount is earned income and may qualify you for the earned income credit. See the Instructions for Form 1040, lines 59a and 59b, on page 38 for more details.

**Statutory Employees.** If you are filing Schedule C to report income and expenses as a statutory employee, include your net profit or deductible loss from line 31 with other Schedule C amounts on Form 1040, line 12. However, do not report this amount on Schedule SE, line 2. If you are required to file Schedule SE because of other self-employment income, see the Instructions for Schedule SE.

**Line 32**

**At-Risk Rules.** Generally, if you have (a) a business loss and (b) amounts in the business for which you are not at risk, you will have to complete Form 6198 to figure your allowable loss.

The at-risk rules generally limit the amount of loss (including loss on the disposal of assets) you can claim to the amount you could actually lose in the business.

Check box 32b if you have amounts for which you are not at risk in this business, such as the following:

- Nonrecourse loans used to finance the business, to acquire property used in the business, or to acquire the business that are not secured by your own property (other than property used in the business). However, there is an exception for certain nonrecourse financing borrowed by you in connection with holding real property.
- Cash, property, or borrowed amounts used in the business (or contributed to the business, or used to acquire the business) that are protected against loss by a guarantor, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).
- Amounts borrowed for use in the business from a person who has an interest in the business, other than as a creditor, or who is related under Internal Revenue Code section 465(b)(3) to a person (other than you) having such an interest.

If all amounts are at risk in this business, check box 32a and enter your loss on line 31. But if you answered “No” to Question G, you may need to complete Form 8582 to figure your allowable loss to enter on line 31. See the Instructions for Form 8582 for more details.

If you checked box 32b, get Form 6198 to determine the amount of your deductible loss and enter that amount on line 31. But if you answered “No” to Question G, your loss may be further limited. See the Instructions for Form 8582. If your at-risk amount is zero or less, enter zero on line 31. Be sure to attach Form 6198 to your return. If you checked box 32b and you do not attach Form 6198, the processing of your tax return may be delayed.

**Statutory Employees.** Include your deductible loss with other Schedule C amounts on Form 1040, line 12. Do not include this amount on Schedule SE, line 2.

Any loss from this business not allowed for 1999 because of the at-risk rules is treated as a deduction allocable to the business in 2000. For more details, see the Instructions for Form 6198 and Pub. 925.

**Part III. Cost of Goods Sold**

If you engaged in a trade or business in which the production, purchase, or sale of merchandise was an income-producing factor, merchandise inventories must be taken into account at the beginning and end of your tax year.

**Note.** Certain direct and indirect expenses must be capitalized or included in inventory. See the instructions for Part II.

**Line 33**

Your inventories can be valued at cost; cost or market value, whichever is lower; or any other method approved by the IRS.
**Deduction for Clean-Fuel Vehicles and Clean-Fuel Vehicle Refueling Property.** You may deduct part of the cost of qualified clean-fuel vehicle property used in your business and qualified clean-fuel vehicle refueling property. See Pub. 535 for more details.

**Disabled Access Credit and the Deduction for Removing Barriers to Individuals With Disabilities and the Elderly.** You may be able to claim a tax credit of up to $5,000 for eligible expenditures paid or incurred in 1999 to provide access to your business for individuals with disabilities. See Form 8826 for more details. You can also deduct up to $15,000 of costs paid or incurred in 1999 to remove architectural or transportation barriers to individuals with disabilities and the elderly. However, you cannot take both the credit and the deduction on the same expenditures.
Principal Business or Professional Activity Codes

These codes for the Principal Business or Professional Activity classify sole proprietorships by the type of activity they are engaged in to facilitate the administration of the Internal Revenue Code. These six-digit codes are based on the North American Industry Classification System (NAICS).

Select the category that best describes your primary business activity (for example, Real Estate). Then select the activity that best identifies the principal source of your sales or receipts (for example, real estate agent). Now find the six-digit code assigned to this activity and enter it on line B of Schedule C or C-EZ (for example, 531210, the Code for offices of real estate agents and brokers).

Note. If your principal source of income is from farming activities, you should file Schedule F (Form 1040), Profit or Loss From Farming.

<table>
<thead>
<tr>
<th>Accommodation, Food Services, &amp; Drinking Places</th>
<th>Support Activities for Agriculture &amp; Forestry</th>
<th>Finance &amp; Insurance</th>
<th>Information</th>
<th>Manufacturing</th>
</tr>
</thead>
<tbody>
<tr>
<td>721310 Rooming &amp; boarding houses</td>
<td>115210 Support activities for animal production (including farriers)</td>
<td>522100 Depository credit intermediation &amp; Related Activities</td>
<td>511000 Publishing industries</td>
<td>315000 Apparel mfg.</td>
</tr>
<tr>
<td>721210 RV (recreational vehicle) parks &amp; recreational camps</td>
<td>115110 Support activities for crop production (including cotton ginning, soil preparation, planting, &amp; cultivating)</td>
<td>522200 Nondepository credit intermediation (including sales financing &amp; consumer lending)</td>
<td>513000 Broadcasting &amp; telecommunications</td>
<td>335000 Electrical equipment, appliance, &amp; component mfg.</td>
</tr>
<tr>
<td>721100 Travel accommodation (including hotels, motels, &amp; bed &amp; breakfast inns)</td>
<td>115310 Support activities for forestry</td>
<td>522300 Activities related to credit intermediation (including loan brokers)</td>
<td>514210 Data processing services</td>
<td>336000 Transportation equipment mfg.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Food Services &amp; Drinking Places</th>
<th>Arts, Entertainment, &amp; Recreation</th>
<th>Securities, Commodity Contracts, &amp; Other Financial Investments &amp; Related Activities</th>
<th>Health Care &amp; Social Assistance</th>
<th>Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>722410 Drinking places (alcoholic beverages)</td>
<td>713100 Amusement parks &amp; arcades</td>
<td>523140 Commodity contracts brokers</td>
<td>Ambulatory Health Care Services</td>
<td>231310 Land subdivision &amp; land development</td>
</tr>
<tr>
<td>722110 Full-service restaurants</td>
<td>713200 Gambling industries</td>
<td>523130 Commodity contracts dealers</td>
<td>616100 Home health care services</td>
<td>233300 Nonresidential building construction</td>
</tr>
<tr>
<td>722210 Limited-service eating places</td>
<td>713900 Other amusement &amp; recreation services (including golf courses, skiing facilities, marinas, fitness centers, bowling centers, skating rinks, miniature golf courses)</td>
<td>523110 Investment bankers &amp; securities dealers</td>
<td>615100 Offices of physicians (except mental health specialists)</td>
<td>232000 Residential building construction</td>
</tr>
<tr>
<td>722300 Special food services (including food service contractors &amp; caterers)</td>
<td>714110 Agents &amp; managers for artists, athletes, entertainers, &amp; other figures</td>
<td>523210 Securities &amp; commodity exchanges</td>
<td>611112 Offices of physicians, mental health specialists</td>
<td>233150 Highway, street, bridge, &amp; tunnel construction</td>
</tr>
<tr>
<td>721100 Travel accommodation (including hotels, motels, &amp; bed &amp; breakfast inns)</td>
<td>711510 Independent artists, writers, &amp; performers</td>
<td>523120 Securities brokers</td>
<td>613911 Offices of podiatrists</td>
<td>234000 Other heavy construction</td>
</tr>
<tr>
<td>721210 RV (recreational vehicle) parks &amp; recreational camps</td>
<td>711100 Performing arts companies</td>
<td>523900 Other financial investment activities (including investment advice)</td>
<td>613991 Offices of all other miscellaneous health practitioners</td>
<td>235350 Carpentry &amp; floor contractors</td>
</tr>
<tr>
<td>721310 Rooming &amp; boarding houses</td>
<td>711300 Promoters of performing arts, sports, &amp; similar events</td>
<td></td>
<td>614000 Outpatient care centers</td>
<td>235710 Concrete contractors</td>
</tr>
<tr>
<td>721410 Accommodation</td>
<td>712120 Spectator sports (including professional sports clubs &amp; racetrack operations)</td>
<td></td>
<td>619000 Other ambulatory health care services (including ambulance services, blood, &amp; organ banks)</td>
<td>235810 Water well drilling contractors</td>
</tr>
<tr>
<td>721100 Travel accommodation (including hotels, motels, &amp; bed &amp; breakfast inns)</td>
<td></td>
<td></td>
<td></td>
<td>235900 Other special trade contractors</td>
</tr>
<tr>
<td>722410 Drinking places (alcoholic beverages)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Principal Business or Professional Activity Codes (continued)

Leather & Allied Product Manufacturing
316210 Footwear mfg. (including leather, rubber, & plastics)
316110 Leather & hide tanning & finishing
316990 Other leather & allied product mfg.

Nonmetallic Mineral Product Manufacturing
327300 Cement & concrete product mfg.
327100 Clay product & refractory mfg.
327210 Glass & glass product mfg.
327400 Lime & gypsum product mfg.
327900 Other nonmetallic mineral product mfg.

Mining
212110 Coal mining
212200 Coal preparation
212300 Nonmetallic mineral mining & quarrying
211110 Oil & gas extraction
213110 Support activities for mining

Other Services
Personal & Laundry Services
812111 Barber shops
812112 Beauty & personal care services
812220 Cemeteries & crematories
812310 Coin-operated laundries & drycleaners
812320 Drycleaning & laundry services (except coin-operated) (including laundry & drycleaning drop off & pickup sites)
812210 Funeral homes & funeral services
812330 Linen & uniform supply
812311 Nail salons
812930 Parking lots & garages
812910 Pet care (except veterinary services)
812920 Photofinishing
812190 Other personal care services (including diet & weight reducing centers)
812990 Other personal services

Repair & Maintenance
811120 Automotive body, paint, interior, & glass repair
811110 Automotive mechanical & electrical repair & maintenance
811190 Other automotive repair & maintenance (including oil change & lubrication shops & car washing)
811310 Commercial & industrial machinery & equipment repair & maintenance (except automotive & electronic repair & maintenance)
811210 Electronic & precision equipment repair & maintenance
811430 Footwear & leather goods repair
811410 Home & garden equipment & appliance repair & maintenance
811420 Reupholstery & furniture repair
811490 Other personal & household goods repair & maintenance

Professional, Scientific, & Technical Services
541100 Legal services
541211 Offices of certified public accountants
541214 Payroll services
541213 Tax preparation services
541219 Other accounting services

Architectural, Engineering, & Related Services
541310 Architectural services
541350 Building inspection services
541340 Drafting services
541330 Engineering services
541360 Geophysical surveying & mapping services
541320 Landscape architecture services
541370 Surveying & mapping (except geophysical services)
541380 Testing laboratories

Computer Systems Design & Related Services
541510 Computer systems design & related services

Specialized Design Services
541400 Specialized design services (including interior, industrial, graphic, & fashion design)

Other Professional, Scientific, & Technical Services
541600 Advertising, & related services
541910 Market research & public opinion polling
541920 Photographic services
541700 Scientific research & development services
541930 Translation & interpretation services
541940 Veterinary services
541990 All other professional, scientific, & technical services

Real Estate & Rental & Leasing
531100 Lessors of real estate (including miniwarehouses & self-storage units)
531210 Offices of real estate agents & brokers
531320 Offices of real estate appraisers
531310 Real estate property managers
531390 Other activities related to real estate

Rental & Leasing Services
532100 Automotive equipment rental & leasing
532400 Commercial & industrial machinery & equipment rental & leasing
532210 Consumer electronics & appliances rental
532220 Formal wear & costume rental
532310 General rental centers
532330 Video tape & disc rental
532320 Other consumer goods rental

Religious, Grantmaking, Civic, Professional, & Similar Organizations
813000 Religious, grantmaking, civic, professional, & similar organizations

Transportation & Warehousing
481000 Air transportation
485510 Charter bus industry
484110 General freight trucking, local
484120 General freight trucking, long-distance
485210 Interurban & rural bus transportation
486000 Pipeline transportation
482110 Rail transportation
487000 Scenic & sightseeing transportation
485410 School & employee bus transportation
484200 Specialized freight trucking (including household moving vans)
485300 Taxi & limousine service
485110 Urban transit systems
483000 Water transportation
485990 Other transit & ground passenger transportation
498000 Support activities for transportation (including motor vehicle towing)

Couriers & Messengers
492000 Couriers & messengers

Warehousing & Storage Facilities
493100 Warehousing & storage (except lessors of minwarehouses & self-storage units)

Utilities
221000 Utilities

Wholesale Trade
Wholesale Trade, Durable Goods
421600 Electrical goods
421200 Furniture & home furnishings
421700 Hardware, & plumbing equipment & supplies
421940 Equipment & supplies (except health services & repair of vehicles)
421900 Other home appliance & equipment (except lessors of major home appliance & equipment)
421920 Phonographs & recorders
421910 Calculating & office equipment
421900 Other electrical & electronics goods
421500 Metal & mineral (except petroleum)
42110 Motor vehicle & motor vehicle parts & supplies
421400 Professional & commercial equipment & supplies
421300 Recyclable materials
421190 Sporting & recreational goods & supplies
421180 Machinery, equipment, & supplies
421590 Metal & mineral (except petroleum)
421140 Motor vehicle & parts & supplies
421200 Home appliance & equipment (except lessors of major home appliance & equipment)
421290 General personal services
421280 Infant & nursery furniture
421270 Office furniture & supplies
421260 Kitchen & bathroom equipment
421250 Household supplies
421240 Building & construction supplies
421230 Industrial & commercial supplies
421220 Food & beverage supplies
421210 Clothing & textiles
421190 Industrial & commercial supplies
421180 Infant & nursery furniture
421170 Office furniture & supplies
421160 Kitchen & bathroom equipment
421150 Household supplies
421140 Motor vehicle & parts & supplies
421130 Home appliance & equipment (except lessors of major home appliance & equipment)
421120 General personal services
421110 Motor vehicle & parts & supplies
421100 Home appliance & equipment (except lessors of major home appliance & equipment)

Wholesale Trade, Nondurable Goods
422300 Apparel, piece goods, & notions
422800 Beer, wine, & distilled alcoholic beverage
422920 Books, periodicals, & newspapers
422600 Chemical & allied products
422110 Drugs & druggists' sundries
422500 Farm produce raw materials
422910 Farm supplies
422930 Flower, nursery stock, & florists' supplies
422400 Grocery & related products
422950 Paint, varnish, & supplies
422410 Paper & paper products
422700 Petroleum & petroleum products
422940 Tobacco & tobacco products
422990 Other miscellaneous nondurable goods
999999 Unclassified establishments (unable to classify)