

AARP Tax-Aide TY2022 Schedule C Training

Arizona



How to accurately complete Schedule C in TaxSlayer

Have taxpayer complete the **Required** Schedule C Worksheet

Required Receipts: Office Expense/Supplies, Repairs, Supplies
Mileage (log needed), Travel Away from Home & Other

Discuss and document taxpayer responses into Intake Booklet or Schedule C Worksheet

Consult **Scope Manual** for Out-of-Scope items – Discuss with LC

NOTE: Return must be QR'd; LC must approve every Out-of-Scope Schedule C

Do Not continue if the return is **Out of Scope** – unless approved by LC
(even if Tax-Aide did the return previously)

– Schedule C is subject to Management Review



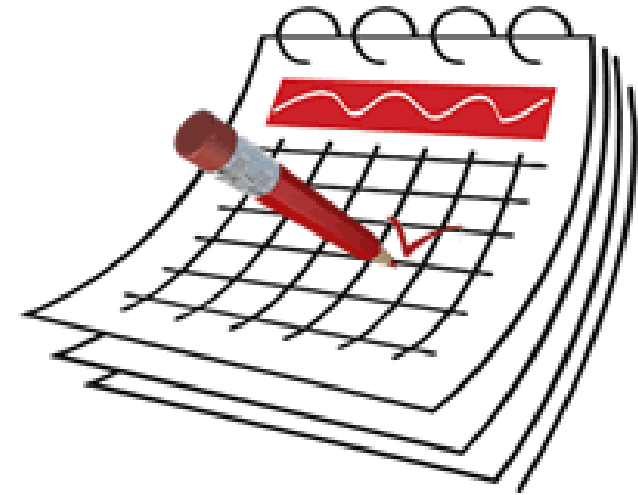
Schedule C – Income Out of Scope

- Hobby income or not for profit activity
- Professional gamblers
- Bartering
- Installment Sales
- Any transaction involving, purchase, sale, or holding of any virtual currency
- Method of accounting (other than cash)
- Taxpayer does not meet the tests for material participation
- Taxpayer is uncertain that they materially participate in the business
- Returns and allowances
- Cost of Goods Sold (inventory)



Schedule C – Expenses Out of Scope

- Automobile expenses (standard mileage rate only)
- Vehicle rental or lease more than 30 days (standard mileage rate only)
- Contract labor expense (1099-NEC)
- Employees (W-2)
- Depletion or Depreciation or when F 4562 is required
- Casualty losses, amortization, employee expenses (formerly Form 2106)
- Business use of home
- Total expenses over **\$35,000** or **any Net Loss**



From the Federal Income Menu – Find Schedule C and Click “BEGIN”

Schedule C

Profit or Loss from Business

BEGIN



Schedule C

CANCEL

This business belongs to
Taxpayer

Name and Address

Business Name
Leave blank if no separate business name.

Employer ID
Leave this field blank if you're using an SSN as your EIN.

 -

Address (street number & name)

ZIP code

 -

City, town, or post office

State

Business Type

Business Code
[Click here for a list of Business Codes](#)

Required

Description of Business *

Schedule C Basic Information Screen

If the business has an EIN, enter it here

Use Business Code list to find Description of Business

Do **NOT** use Code 999999

Schedule C

Basic Information About Your Business	Required
Questions About the Operation of Your Business	Required
Income	Required
Cost of Goods Sold	Out of Scope
General Expenses	Optional
Car And Truck Expenses	Optional
Depreciation	Out of Scope
Other Expenses	Optional
Qualified Business Income Deduction	Optional
Expenses for Business Use of Your Home	Out of Scope
Restart Schedule C Guide	

After you update Basic Information –
the Main Schedule C menu will appear

Review the Questions about the business

Questions About the Operation of Your Business

Questions about your Business

Accounting Method *

- Cash
- Accrual
- Other

If taxpayer does not use cash basis method = Out of Scope

Method used to value closing inventory *

- Cost
- Lower of cost or market
- Not Applicable

**If taxpayer has inventory = Out of Scope
Cost is TSO default – S/B N/A**

- Check here if there were any changes in determining inventory.
- Check here if this is the first Sch. C filed by you for this business.

Check here if you "materially participated" in the operation of this business during the tax year.

Required – Ask taxpayer about their actual participation

This box must be checked to allow a net loss on your return.

Prior year unallowed loss (ONLY enter an amount if current year's activity is a net profit.)

\$

Out of Scope

- Check here if you made any payments in 2021 that would require you to file Form(s) 1099.
- Check here for Qualified Joint Venture. (Ownership between Taxpayer and Spouse must be 50/50. **If taxpayer and spouse participate, then check box and file 2 Sch C's based on taxpayer documents**)
or using the Clergy Worksheet, you will need to file separate Schedule C forms, one for each spouse
- Check here to Prorate Expenses for Minister/Clergy.

If taxpayer has contract labor or employees = Out of Scope
Clergy = Out of Scope

Schedule C - Income

Income

Gross receipts or sales (including income reported on Form 1099-K)

Income reported to you on Form W-2 as Statutory Employee

Returns and allowances

Out of Scope

Other Income

Schedule C Income Menu

Income is **Required** in order to continue Schedule C

Forms 1099 – NEC, 1099 – MISC and 1099 – K are linked

Add income not reported on those forms

If W-2 Statutory box is checked – this field will update

Enter other revenue related to the business, but which is
Not Business Income

Including: Bad Debt Recovery, Interest received, Prizes, Awards,
Health Insurance rebates, etc.

Lenders may not consider this as income for loan approval.

Schedule C General Expenses (1)

Capital costs >\$2,500 are not expenses

Advertising

Contract Labor

Out of Scope

Commission and fees

If taxpayer issues a 1099-NEC or 1099-Misc, the return is **Out of Scope**

Depletion

Out of Scope

Employee benefit programs

Out of Scope

Health Insurance
(will carry automatically to worksheet)

Generally, include all qualifying SEHI premiums to reduce taxable income
TSO will move excess to Sch 1 – do not duplicate

Insurance
(other than health)

Do not include any SEHI premiums on this line

Long-Term Care Insurance to be Carried to Adjustment

Self-Employed Health Insurance (SEHI)

- Self-employed health insurance deduction is in scope
 - all open years
 - Applies to returns with Schedule C profit
 - Schedule C loss **out of scope**
 - Return **Out of Scope** for taxpayers with both SEHI and entitled to a premium tax credit (PTC)
- ▢ **See Pub 4491 > Adjustments to Income > How do I handle self-employed health insurance deduction on page 17-4**

Self-Employed Health Insurance

- Whose health coverage qualifies?
 - Taxpayer
 - Spouse
 - Dependents
 - Child under 27 (as of year end) even though not the taxpayer's dependent
 - “Child” includes stepchild, adopted child or foster child

Self-Employed Health Insurance

- Qualifying insurance includes
 - Health insurance
 - Medicare – can be paid by taxpayer or spouse when filing MFJ
 - Dental, vision, supplemental, limited coverage, etc.
 - Reduce for any public safety officer (PSO) exclusion
 - Long-term care (LTC) insurance
- Health coverage can be in name of the individual (individual can be taxpayer, spouse, dependent, or child) for in-scope returns
 - Satisfies requirement that it be “established under the trade or business”

Warning: If Medicare is used for SEHI, do NOT enter Medicare premium on SSA page in TSO as it will duplicate the expense on Sch A (if itemizing)

Subsidized Health Insurance Coverage

- The **Self-Employed Taxpayer** cannot be eligible for subsidized coverage
 - From any employer: own, spouse's, dependent's, or child's
 - Prior employers do not count
 - E.g., premiums paid for retiree or COBRA coverage qualify

Deduction for Self-Employment Tax

- Self-employment (SE) tax is Social Security and Medicare tax
 - Total SE tax entered on Schedule 2 Form 1040 in Other Tax section
 - One half of SE tax is an adjustment to income Schedule 1 Form 1040
- Adjustment based on tax shown on Schedule SE
- Schedule SE is generated from Schedule C input
- ▢ **TaxSlayer handles automatically**
- ▢ **DO Not Duplicate expenses on Schedule A**

Schedule C General Expenses (2)

Mortgage interest

Do not duplicate expense if using simple Business Use of Home (F&F) – See Sch A
Do not use Form 8829

Other interest

Legal and professional services

Office expense

Receipts Recommended

Pension and profit sharing

Rent or lease of equipment

If using Business Portion of Home (**Family & Friends only**):

1. Total and Business sq ft are required
2. Must be Reasonable – Do not default to 300 max allowed
3. Space must be used Exclusively & Regularly for Business

Rent or lease of property

Repairs and maintenance

Receipts Recommended

Schedule C General Expenses (3)

Supplies

Receipts Recommended

Taxes and licenses

Travel

Receipts Recommended

Meals (50%) **Enter 100% of the expenses.**

Meals (80%) **Enter 100% of the expenses.**

Meals (100%)

Utilities

Do not duplicate expense if using simple Business Use of Home (F&F)

Wages
(less employment credits)

Out of Scope

Schedule C Vehicle Expenses

Schedule C Car and Truck Expenses

Car and Truck Expenses

Please Note: Actual car or truck expenses must be entered in the depreciation menu for this business. You cannot claim both actual expenses and mileage for the same vehicle.

Description of Vehicle *

Date you placed your vehicle in service for business purposes *

MM ▾ DD ▾ YYYY ▾

Of the total number of miles you drove your vehicle during the tax year, enter the number of miles you used your vehicle for each of the following.

Business miles *

Commuting

Other

Taxpayer must have a Mileage Log

Totals in round numbers may be questioned and must be reasonable

Check if you have (or your spouse has) another vehicle available for personal use.

Check if your vehicle was available for personal use during off-duty hours.

Check if you have evidence to support your deduction.

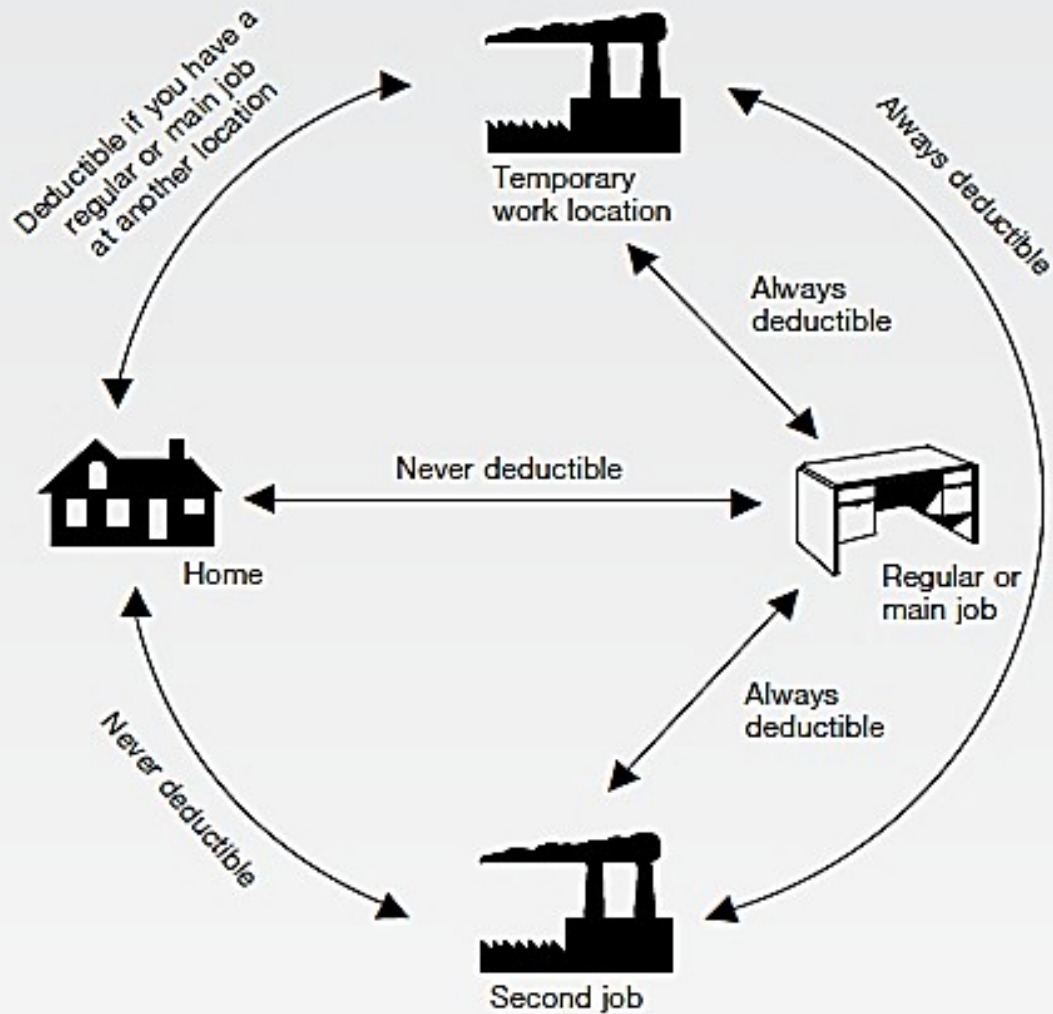
If yes, check if the evidence is written.

Do not include: 1. Daily trips to/from the same location (commuting) or 2. Home to 1st stop or 3rd stop to Home, unless home is taxpayer's principal place of business



Deductible Transportation Expenses

Most employees and self-employed persons can use this chart.
(Do not use this chart if your home is your principal place of business.)



Commuting Miles =
First trip out & last trip
home - **Not Deductible**
(unless Home is principal place of
business)

Deductible Miles =
Mileage between
business stops

Schedule C Other Expenses

Other Expenses

Description *

Receipts Recommended

Amount *

Schedule C Other Expenses

Other Expenses must be reviewed to conform with Tax Law allowed expenses
Do not duplicate any expenses included in General Expenses
List each item individually, do not combine

Mileage must be entered in the Car and Truck Expenses screen

Allowed additional vehicle expenses include:

Parking, Tolls, Business % of Auto Loan Interest, Business % of Personal Property tax

Schedule C QBI Deduction

Qualified Business Income Deduction Amounts

Qualified Business Income Adjustment Amount (any amount entered here will add or subtract from the amount calculated on your Schedule C)

\$

W-2 Wages paid

\$

Unadjusted Basis of Depreciable Assets

\$

Is Specified Service Business

Yes

No

QBI is calculated by TSO

Remember - Out of Scope

Cost of Goods Sold

Contract Labor

Depreciation

Business Use of Home
(even Simple Method)
Except F&F returns

Employee Benefits Expenses

Review Schedule C Input

Review IRS Instructions for Schedule C

Document includes a line-by-line explanation of allowable items

If in doubt – ASK

QR must review each Schedule C including the worksheet and receipts

LC must approve every Out-of-Scope Schedule C