

SCHEDULE C

In preparing Schedule C Restricted, the following Part I items are out of scope:

- Returns and allowances
- Cost of goods sold

Taxpayers with these items should be referred to a professional tax preparer.

To use Schedule C the TP must:

- Have less than \$10,000 in business expenses
- Use the cash method of accounting
- Not have any inventory at any time during the year
- Not have a net loss from the business (Income must be greater than expense)
- Operate only one business as a sole proprietor or LLC during the tax year (each spouse on a joint return may report business income on a separate Sched C)
- Not have any employees during the year
- Not be required to file Form 4562, Depreciation and Amortization, for this business (Depreciation is out of scope for the VITA/TCE Program)
- Not deduct expenses for business use of a home
- Not have any prior year unallowed passive activity losses from the business

Note:

Line F must be “Cash”

Line G must be “Yes”

Part I: Income; Only use line 1, Gross receipts or sales. Link to 1099 MISC and/or scratch pad.
The rest of Part I automatically fill in.
Inventory is out of scope.

Part II: Expenses

Line 9 ‘Car and Truck Expenses’ will automatically transfer mileage expenses from Part IV, line 44. Complete Part IV line 44 first.
Itemizing fuel, vehicle depreciation, etc is out of scope.

Lines 11, 12, 13, 14, 19, 26 and 30 are out of scope.

Line 32 cannot be a loss. Out of scope.

Part III: Cost of Goods Sold is out of scope

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