

Schedule C – Profit or loss from Business – Due Diligence Worksheet

- Form SCH C is used to calculate self-employment tax on a taxpayer’s net self-employment income (income after expenses/deductions).
- Self-employment income in excess of \$400 must be reported to the IRS.
- Taxpayers who receive form 1099-MISC, 1099-K, 1099-NEC and worked for those funds are considered self-employed, even if they don’t own the business that they worked for.
- You can use the same SCH C for multiple 1099’s as long as the taxpayer did the same type of work for each and they were all issued to the taxpayer.
- Form SCH SE is used to calculate self-employment tax and will automatically populate when SCH C is entered on a return. Self-employment tax is 15.3% of net business income.

Common Business Codes

When completing a SCH C you must choose an IRS business code. Choose the code that best fits the business activity. Below is a list of common codes.

Carpenter: 238350	Long Haul Trucking: 484120
Cleaning: 561720	All Other Services: 812990
Daycare: 624410	Mechanic: 811110
Taxi/Ride Share Services: 485300	Courier/Messengers (Doordash/Insta-Cart): 492000
Beauty Salon: 812112	Barber Shop: 812111
Local Trucking: 484110	Lawncare: 541320

Accounting Method

For purposes of preparing SCH C, accounting method refers to how a taxpayer recognizes expenses, **NOT** how they receive payment.

Cash Method: Recognize income and expenses as they are collected or paid and claim them in the year they are collected or paid.

Accrual Method: Recognize income in the year it is earned. Recognize expenses in the year they are incurred.

Other: There are special methods of accounting for specific types of items.

Name of sole proprietor:		SSN/EIN:
Business name (if applicable):		
Business address (if applicable):		
Principal Business Activity (what do they do):		
Business Code:		
Yes	No	Is this a first-year business?
Yes	No	Is this the final year of business?
Yes	No	Was the primary purpose of the business to realize a profit?
Yes	No	Has the business reported prior losses? If so, how many years?
Yes	No	Does the taxpayer have a separate bank account for the business?
Yes	No	Did the taxpayer materially participate? <i>*A taxpayer materially participates if they are actively involved in business operations.</i>
Accounting Method:		Cash Accrual Other
Part I- Income		
Yes	No	Did you receive a 1099-NEC, 1099-MISC, or 1099-K?
\$		If so, what was the amount of income shown on the form?
\$		
\$		
Yes	No	Did you receive any other form of payment?
\$		If so, please list those payments to the left.
\$		How did you keep record of those payment(s)?
\$		Written record Bookkeeping software Other (please specify)
Part II- Expenses		
Taxpayers can deduct any ordinary or necessary business expenses.		
Line 8	Advertising	\$
Line 10	Commissions & Fees	\$
Line 11 Labor		
Yes	No	Did you make payments of \$600 or more to subcontractors, attorneys, accountants, directors, etc?
Yes	No	If so, did you issue Form 1099-NEC?
Line 17	Legal/Prof Services	\$
Line 18	Office expense	\$
Line 20a	Rent or lease of machinery	\$
Line 20b	Rent or lease of other property	\$
Line 22	Supplies (unrelated to inventory)	\$
Line 23	Taxes/licenses	\$
Line 24a Travel		
Line 24a	Transportation (airplane tickets, ride-share, taxi, etc)	\$
Line 24a	Parking and tolls	\$
Line 24b Meals		
<i>The only meals a taxpayer may claim are those solely for business. This includes taking clients to a business dinner or providing lunch to employees so that they may remain working. This DOES NOT include buying lunch for themselves.</i>		
Line 24b	Meal expenses directly related to business at a restaurant:	\$

Line 24b Per Diem

Per Diem accounts for incidentals while a taxpayer is away from their tax home. This does not account for other travel expenses.

Per Diem Rates 2022: \$69 Transportation Worker, \$64 Non-transportation worker

Per Diem Rates 2021: \$69 Transportation Worker, \$60 Non-transportation worker

**These are the lowest cost options. Higher per diem rates may exist for specific zones within the US reference IRS Notice 2021-52.*

Nights away from home:

Per Diem Rate (circle applicable): Transportation Non-transportation

Calculated Per Diem: *(Multiply # of nights away from home by the rate (transportation or non-transportation))*

Line 30 Business Use of Home

Taxpayers must have a designated area of their home used solely for business (exceptions for at home daycares).

Taxpayers who conduct business in their own home can deduct expenses using the Simplified Method or deduct actual expenses.

Business Use of Home Method (circle one): Actual Expenses or Simplified Method

If using the actual expenses method complete the 8829 and 8829 Due Diligence Worksheet.

Total Square Footage of Home:

Square Footage of Business Area:

Part III- Line 42 Cost of Goods Sold

Cost of goods sold is a deduction for the expenses directly related to the goods sold during the tax period. This does not account for any inventory that is still left on hand at the end of the tax year.

Inventory Method (circle one): Cost Lower Cost or Market Other

Beginning Inventory:

Inventory purchased (do not include items bought for personal use): \$

Labor costs related to inventory: \$

Materials/supplies for inventory: \$

Other inventory costs: \$

Total Costs: \$

Ending Inventory: \$

Part IV- Vehicle Expenses or Line 9

When deducting car and truck expenses taxpayers may choose to deduct either actual vehicle expenses, including depreciation, OR mileage using the standard mileage rate.

Actual vehicle expenses: Taxpayers deduct actual expenses and depreciate their vehicle according to their records.

Standard Mileage Rate: Taxpayers receive a certain rate for each mile driven according to their records.

Tax Year 2022 Rates: 58.5 cents per mile (January-June) and 62.5 per mile (July-December)

Tax Year 2021 Rate: 56 cents per mile

Tax Year 2020 Rate: 57.5 cents per mile

When was the vehicle placed in service?	
Vehicle Expense Method (circle one):	Actual Expenses or Standard Mileage
Actual Vehicle Expenses	
<i>When using actual vehicle expenses the vehicle must be depreciated. You must also complete the Depreciation Due Diligence Document.</i>	
Miles driven (not the odometer reading):	
Fuel:	\$
Repairs:	\$
Oil changes, maintenance, etc:	\$
Other:	\$
Standard Mileage	
Miles driven for business (not the odometer reading) January-June:	
Miles driven for business (not the odometer reading) July-December:	
Total commuting miles:	
Does the taxpayer own this vehicle	Yes No
Was the vehicle available during off-duty hours?	Yes No
Do you have another vehicle for personal use?	Yes No
Record keeping method (circle one):	Written Digital App Other
Part V- Other Expenses (please list items individually):	

TAXPAYER SIGNATURE

DATE

I certify that all the above information is accurate to the best of my knowledge and that I have the records to substantiate my claims.

TAXPAYER SIGNATURE

DATE

I acknowledge that no 1099 forms will be filed on my behalf and that it is my responsibility to file any additional forms outside of my personal income tax return.