



## Business Income/Loss - Schedule C

### Entering A New Schedule C

From the Main Menu of the tax return (Form 1040) select:

- **Income**
- **Business Income/Loss (Sch C, 1099MISC)**
- If you have one or more Schedule Cs in the previous year and wish to pull their data forward, select **Pull**. Otherwise, select **New**.
- If the return is being filed MFJ, you will be asked who the Schedule C is for, whether the taxpayer, the spouse, or if it's a qualified joint venture. Select as appropriate.
- Enter the six-digit **Principal Business Activity Code**. This is a code used by the IRS to classify the type of business being operated. If you do not know the code, you can search for it in two ways:
  - Select the icon above "Click Here to View Entire List Of codes" to display a list of codes in PDF form. Peruse the list to determine the best code, then enter the code; or
  - Select the icon above "Click Here for Business Categories" to search by category. In the drop-down menu under "Select the Principal Business Category", select the broad category for the business, then click the description that best matches.
- Input the Schedule C heading information in the **Schedule C Data Entry Menu**, including the business name, if it has one; the EIN, if it has one; and the address.

- In the **Schedule C Questions Menu**, there are several items that need review. The questions on this menu are defaulted to the most common answers for most taxpayers. However, review these questions to make sure the answer provided is correct for the taxpayer's situation. You may need to adjust one or two items to reflect the way the taxpayer's business is operated.
- If there was a prior year unallowed loss, enter the amount on the Questions menu. **CAUTION:** Only enter an amount here if the current year's activity is a net profit. If current year's activity has a net loss, an amount entered here will cause an incorrect calculation.
- **Income** generated by the business will be entered on the Schedule C Income Menu. To enter the income, select **Income** on the **Schedule C - Edit Menu**. The Income Menu has several income items broken down by sections. Enter the income in the Gross Receipts or Sales menu. If inventory is kept throughout the year, enter the beginning and ending inventory amounts in the Cost of Goods Sold section. Also enter the cost of labor and the amount spent on materials and supplies for the business.
- **Expenses** incurred by the business can be entered by selecting **Expenses** from the **Schedule C - Edit Menu**. Expense items such as advertising, repairs, utilities, and meals & entertainment can be deducted. Depreciation and car & truck expense, such as standard mileage and actual expenses, can be entered in the expense menu. For more information on entering expenses and depreciation, see **To Enter Schedule C Expenses** below.

## Editing A Schedule C Entry

From the Main Menu of the Tax Return (Form 1040) select:

- **Income**
- **Business Income/Loss (Sch C, 1099MISC)**
- Select the entry and click **Edit** or *double-click* the entry you wish to **Edit**.
- Adjust the information as needed.

## Deleting A Schedule C Entry

From the Main Menu of the Tax Return (Form 1040) select:

- **Income**
- **Business Income/Loss (Sch C, 1099MISC)**
- Select the entry to highlight it, then select **Delete** button on the screen or the **Delete** key on your keyboard.
- You will be asked to confirm deletion. Select **YES**

## Schedule C Expenses

Expenses incurred by the business can be deducted inside the Expenses Menu. When entering expenses, you can create supporting notes to keep track of each expense. For example, when entering Supplies select the **F10 key** on your keyboard. Select the **New** button and type in a **description of the expense**, such as Paper. Enter the amount paid and press the **<ENTER>** key. If you have more than one item that falls under the supplies category, repeat

the steps above to enter item. The amount entered for each item will total together and carry back to the expense line. When you print the return, a supporting statement will generate listing each of these items.

## **Car & Truck Expense:**

There are two methods that can be used to deduct vehicle expenses, **Standard Mileage** and **Actual Expenses**. Only one method may be used per vehicle, with some exceptions. See Section 4 of [Publication 463](#) for rules and qualifications.

If you have more than one vehicle that will be using the standard mileage rate, from the **Schedule C - Edit Menu** select:

- **Expenses**
- **Car & Truck**
- **Car & Truck (Std Mileage Rate - Form 4562)**
- **Enter/Edit Vehicles**
- **Select New**
- You will be asked to enter the **date the vehicle was placed in service** along with the **Business Miles, Commuting Miles, and Personal Miles driven**.
- Be sure to answer the questions about the vehicle as well

## **Vehicle Depreciation and Expenses**

To enter an asset in the Depreciation Module, from the **Schedule C - Edit Menu** select:

- **Expenses**
- **Depreciation**
- **Depreciation Module**
- Select **New** or *double-click* the entry you wish to **Edit**. Select **Pull** if you prepared the return using the software in the previous year and wish to pull the data forward.
- This will lead you to the **Depreciation Data Entry Screen** - Type a description of the asset, date placed in service, cost, and the percentage of business use (*If unknown for actual expenses, you can figure this amount later when asked for business, commuting, and personal mileage. If the percentage of business use is 100% enter the business mileage and then 0 for commuting and personal mileage. If the percentage of business use is not 100% and you want the program to calculate it for you, then enter the business, commuting, and personal miles. The program will calculate a business percentage off of the mileage entered.*), enter the Section 179 Deduction if the taxpayer is taking this deduction any accumulated depreciation, and the property class.
- Select **Listed Property**, then **YES**
- Select the **Type of listed Property**
- Input the **Mileage** and then you will be prompted to input the **Actual Expenses** (*these are items such as gas, oil, tires, repairs, etc.*)
- Be sure to answer the questions about the vehicle before continuing. If you have other vehicles that will be claiming Actual Expenses, repeat the steps above.
- If the property has been disposed of, be sure to select **Disposition**, answer **YES** to being disposed of, enter the disposition date, and then indicate if you want the asset to be carried

to [Form 4797](#). If you are carrying the amount to Form 4797, enter the sales price and which section to carry the asset, Part I, Part II, or Part III.

Listed Property is any of the following:

- Passenger automobiles weighing 6,000 pounds or less.
- Any other property used for transportation, unless it is an [excepted vehicle](#) (generally a vehicle whose normal use excludes personal reasons.)
- Property generally used for entertainment, recreation, or amusement (including photographic, phonographic, communication, and video recording equipment).
- Computers and related peripheral equipment, unless used only at a regular business establishment and owned or leased by the person operating the establishment. A regular business establishment includes a portion of a dwelling unit that is used both regularly and exclusively for business as discussed in [Publication 587](#).
- Cellular telephones (or similar telecommunication equipment).

**Improvements to listed property** - An improvement made to listed property that must be capitalized is treated as a new item of depreciable property. The recovery period and method of depreciation that apply to the listed property as a whole also apply to the improvement. For example, if you must depreciate the listed property using the straight line method, you also must depreciate the improvement using the straight line method.

## **Royalty Income On Schedule C**

If the taxpayer is a self-employed writer, inventor, or artist, royalty income from copyrights owned in connection with the self-employment activity are reported on Schedule C and are subject to self-employment tax. If the taxpayer is not performing services as a self-employed individual, royalties from copyrights are reported on Schedule E and are not subject to self-employment tax.

If the royalty income was reported on a Form 1099-MISC, that form can be entered in two places. From the Main Menu of the tax return (Form 1040) select:

- Income
- Form 1099-MISC
- Enter the 1099-MISC. If the income is in Box 3, Other Income, click the **Link** check box above the entry field.

Form 1099-MISC can also be entered on an existing Schedule C. From the Schedule C Edit Menu select:

- **Income**
- **Form 1099-MISC - Gross Receipts**  
or  
**Form 1099-MISC - Other Income**