



# Tax Primer

IRS tax form reference guide for completing the Parents' Financial Statement.



# Introduction

Use this tax primer as a reference guide for understanding IRS tax forms that are most helpful to you as you complete your Parents' Financial Statement (PFS) online.

Please keep in mind that this primer does not include an overview of every possible tax form you might receive or need to file with the IRS. It focuses, instead, on the main tax forms that families will need to have on hand to complete the PFS accurately and correctly.

Covered in this tax primer are these forms:

- Form W-2
- Form 1040
- Form 1040 Schedule 1
- Other Schedules
- Schedule C
- Form 1099-MISC

For each of these tax forms, the primer answers three questions:

1. What is the form used for?
2. What does the form look like?
3. Which lines on the form matter the most for completing the PFS?



## Important

Be sure to send all your tax forms as required by each school you are applying to for financial aid. Do not limit what you submit to schools to the documents covered in this tax primer. If a school requires your tax forms and schedules, be sure to upload the full set of taxes that you submit to the IRS when filing your tax return. Doing so ensures that you complete each school's document requirements correctly, avoiding possible delays in the process.

# Form W-2

## What is the W-2 for?

The W-2 is an annual statement of your earnings for the calendar year provided by your employer. It also displays how much was withheld from your pay for taxes, Social Security, and Medicare. This is where you can also see how much of your income was put into certain types of pre-tax retirement plans.

## What does the W-2 look like?

22222		a Employee's social security number		OMB No. 1545-0008	
b Employer identification number (EIN)		1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employer's name, address, and ZIP code		3 Social security wages		4 Social security tax withheld	
		5 Medicare wages and tips		6 Medicare tax withheld	
		7 Social security tips		8	
d Control number		9		10	
e Employee's first name and initial      Last name      Suff.		11 Nonqualified plans		12a	
		13 Statutory employee      Retirement plan      Third party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b	
		14 Other		12c	
				12d	
f Employee's address and ZIP code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax
				20 Locality name	

**Form W-2 Wage and Tax Statement**      **20XX**      Department of the Treasury—Internal Revenue Service  
Copy 1—For State, City, or Local Tax Department

## Which Lines on the W-2 matter most for completing the PFS?

Report the salary in Box 1 of your W-2 on Line 7A of the PFS for the parent listed as "Parent A." Use 7B for the parent listed as "Parent B." Be sure to report the totals from all W-2s if either parent has more than one for the year.

Look at Box 12. If any amounts appear in this section with a code D-H, be sure to report that amount as "Payments to tax-deferred retirement plans" in PFS Line 8C of the Nontaxable Income Worksheet. If you have multiple W-2s, be sure to report the total amount.

You do not have to report any other information from the W-2 on the PFS. It is possible that one or more schools you're applying to might ask you to supply other information from the W-2. You'll most likely be required to submit or upload a copy of each W-2 you receive as part of your financial aid application.

# Form 1040

## What is the 1040 for?

The 1040 is used to report your sources of income, as well as any adjustments, deductions, and credits against your income that will determine how much and what types of federal taxes you should have paid for the tax year. If you've paid too much in taxes, it will show how much of a refund from the federal government you are entitled to receive. If you've paid too little in taxes, it will show how much more you need to pay.

## What does the 1040 look like?

The 1040 is the base form. It can include additional schedules based on your income. Here's the 1040 base form:

**Form 1040** Department of the Treasury—Internal Revenue Service (99) **20XX** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing status:  Single  Married filing jointly  Married filing separately  Head of household  Qualifying widow(er)

Your first name and initial: \_\_\_\_\_ Last name: \_\_\_\_\_ Your social security number: \_\_\_\_\_

Someone can claim you as a dependent:  You were born before January 2, 1954:  You are blind:

Spouse's first name and initial: \_\_\_\_\_ Last name: \_\_\_\_\_ Spouse's social security number: \_\_\_\_\_

Spouse standard deduction:  Someone can claim your spouse as a dependent:  Spouse was born before January 2, 1954:  Full-year health care coverage or exempt (see inst.):

Spouse is blind  Spouse itemizes on a separate return or you were dual-status:

Home address (number and street). If you have a P.O. box, see instructions. \_\_\_\_\_

City, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule R. \_\_\_\_\_

Residential Election Campaign Contribution:  You  Spouse

more than four dependents, see inst. and  here

Dependents (see instructions):		(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see inst.):	
(1) First name	Last name			Child tax credit	Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

**Sign Here**  
Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature: \_\_\_\_\_ Date: \_\_\_\_\_ Your occupation: \_\_\_\_\_ If the IRS sent you an Identity Protection PIN, enter it here (see inst.): \_\_\_\_\_

Spouse's signature. If a joint return, both must sign. \_\_\_\_\_ Date: \_\_\_\_\_ Spouse's occupation: \_\_\_\_\_ If the IRS sent you an Identity Protection PIN, enter it here (see inst.): \_\_\_\_\_

**Paid Preparer Use Only**

Preparer's name: \_\_\_\_\_ Preparer's signature: \_\_\_\_\_ PTIN: \_\_\_\_\_ Firm's EIN: \_\_\_\_\_ Check if:  3rd Party Designee  Self-employed

Firm's name: \_\_\_\_\_ Phone no.: \_\_\_\_\_

Firm's address: \_\_\_\_\_

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040**

Attach Sch. B if required.	<b>1</b> Wages, salaries, tips, etc. Attach Form(s) W-2 . . . . .	<b>1</b> PFS Line 7A/7B
	<b>2a</b> Tax-exempt interest . . . . .	<b>2a</b> _____
	<b>2b</b> Taxable interest . . . . .	<b>2b</b> PFS Line 7C
	<b>3a</b> Qualified dividends . . . . .	<b>3a</b> _____
	<b>3b</b> Ordinary dividends . . . . .	<b>3b</b> PFS Line 7D
	<b>4a</b> IRA distributions . . . . .	<b>4a</b> _____
	<b>4b</b> Taxable amount . . . . .	<b>4b</b> PFS Line 7J/7K
	<b>5a</b> Pensions and annuities . . . . .	<b>5a</b> _____
	<b>5b</b> Taxable amount . . . . .	<b>5b</b> PFS Line 7J/7K
	<b>6a</b> Social security benefits . . . . .	<b>6a</b> _____
	<b>6b</b> Taxable amount . . . . .	<b>6b</b> PFS Line 7L
	<b>7</b> Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/> . . . . .	<b>7</b> PFS Line 7O
	<b>8</b> Other income from Schedule 1, line 9 . . . . .	<b>8</b> Refer to Sch. 1
	<b>9</b> Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your <b>total income</b> . . . . .	<b>9</b> _____
Standard Deduction for— • Single or Married filing separately, \$12,400 • Married filing jointly or Qualifying widow(er), \$24,800 • Head of household, \$18,650 • If you checked any box under Standard Deduction, see instructions.	<b>10</b> Adjustments to income:	
	<b>a</b> From Schedule 1, line 22 . . . . .	<b>10a</b> Refer to Sch 1
	<b>b</b> Charitable contributions if you take the standard deduction. See instructions . . . . .	<b>10b</b> PFS Line 14L
	<b>c</b> Add lines 10a and 10b. These are your <b>total adjustments to income</b> . . . . .	<b>10c</b> _____
	<b>11</b> Subtract line 10c from line 9. This is your <b>adjusted gross income</b> . . . . .	<b>11</b> PFS Line 6D
	<b>12</b> Standard deduction or itemized deductions (from Schedule A) . . . . .	<b>12</b> _____
	<b>13</b> Qualified business income deduction. Attach Form 8995 or Form 8995-A . . . . .	<b>13</b> _____
	<b>14</b> Add lines 12 and 13 . . . . .	<b>14</b> _____
	<b>15</b> Taxable income. Subtract line 14 from line 11. If zero or less, enter -0- . . . . .	<b>15</b> _____

## Which Lines on the 1040 matter most for completing the PFS?

Nearly every Line of the 1040's Income section has a corresponding Line on the PFS where the income information should be reported. Most are straightforward one-to-one matches. However, a few lines warrant a little more guidance:

### → 1040 Page 1: Household Information

Be sure your tax filing status on PFS Line 6B matches what is checked off at the top of your 1040 form. An incorrect choice on the PFS can cause a miscalculation of the credit you receive for federal income taxes paid.

When listing your dependents on the PFS, make sure it is consistent with those listed on your 1040 Line 6C. If you support children or others in your household that you cannot claim as a dependent, be sure to list them and explain their relationship to you in the PFS "Other Considerations" section

### → 1040 Page 1 Line 1: Salary/Wages

Salary and wages reported here are a total of salaries earned by the parents in the household. The PFS asks you to report each parent's salary separately, so you won't see a single Line item on the PFS for the total salaries. Be sure, though, that the total of the salaries you enter in Line 7A and 7B for each parent is the same as the total shown on Line 1 of your 1040 Page 1. Business owners must be careful not to report profit taken from the business as salary or wages. If you own a business and paid yourself or your spouse a salary from the business, and reported it with a W-2, only enter the amount of salary from the W-2 in Lines 7A or 7B.

### → 1040 Page 1 Lines 4a, 5a and 6a: Distributions from IRA, Pensions, and Social Security

1040 Lines 4a, 5a and 6a each show the total income you received from IRA, Pensions, and Social Security. Lines 4b, 5b and 6b show the taxable portion of those totals. Report taxable amount of IRA, Pensions and Annuities on PFS Line 7J/7K. Report Line 6b taxable amount of Social Security on PFS Line 7L.

To report the nontaxable portion correctly, take the difference and report it in the appropriate PFS line item in the Nontaxable Income section (PFS Section 8). Report your nontaxable Social Security benefits in PFS Line 8B.

### → 1040 Page 2: Other Taxes and payments

Form 1040 (2020) Page 2

16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16
17	Amount from Schedule 2, line 3	
18	Add lines 16 and 17	
19	Child tax credit or credit for other dependents	
20	Amount from Schedule 3, line 7	
21	Add lines 19 and 20	21
22	Subtract line 21 from line 18. If zero or less, enter -0-	22
23	Other taxes, including self-employment tax, from Schedule 2, line 10	23
24	Add lines 22 and 23. This is your <b>total tax</b>	24 PFS Line 6H
25	Federal income tax withheld from:	
a	Form(s) W-2	25a
b	Form(s) 1099	25b
c	Other forms (see instructions)	25c
d	Add lines 25a through 25c	25d
26	2020 estimated tax payments and amount applied from 2019 return	26
27	Earned income credit (EIC)	27 PFS Line 8N
28	Additional child tax credit. Attach Schedule 8812	28
29	American opportunity credit from Form 8863, line 8	29
30	Recovery rebate credit. See instructions	30
31	Amount from Schedule 3, line 13	31
32	Add lines 27 through 31. These are your <b>total other payments and refundable credits</b>	32
33	Add lines 25d, 26, and 32. These are your <b>total payments</b>	33

• If you have a qualifying child, attach Sch. EIC.  
• If you have nontaxable combat pay, see instructions.

ATTENTION! AS OF 1st 18, 2020

**→ 1040 Page 2 Line 24**

This shows what you owe for the different types of federal taxes on your income. PFS Line 6H asks you to report your federal taxes paid. Be sure to report the amount shown on 1040 Line 24. If you also have Self-Employment taxes reported on 1040 Schedule 2 Line 4, do not include those in PFS Line 6H, since you will report those separately for each business. If you paid self-employment taxes, for PFS Line 6H, report the total tax on Line 24 of Page 2 minus any Schedule 2 Line 4 Self-Employment tax.

**→ 1040 Page 2 Line 27**

Earned income credits shown here are considered non-taxable income and should be reported on PFS Line 8N.

# Form 1040 Schedule 1

## What is the Schedule 1 for?

Schedule 1 is used to report additional income received such as capital gain, unemployment compensation, proprietorship business, corporation/partnerships, and rental income. Schedule 1 also list deductions from self-employment tax.

## What does the Schedule 1 look like?

<b>SCHEDULE 1</b> <b>(Form 1040)</b>		<b>Additional Income and Adjustments to Income</b>		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040, 1040-SR, or 1040-NR. ▶ Go to <a href="http://www.irs.gov/Form1040">www.irs.gov/Form1040</a> for instructions and the latest information.		<b>20XX</b> Attachment Sequence No. <b>01</b>
Name(s) shown on Form 1040, 1040-SR, or 1040-NR			Your social security number	
<b>Part I Additional Income</b>				
<b>1</b>	Taxable refunds, credits, or offsets of state and local income taxes . . . . .	<b>1</b>		
<b>2a</b>	Alimony received . . . . .	<b>2a</b>	PFS Line 7N	
<b>b</b>	Date of original divorce or separation agreement (see instructions) ▶			
<b>3</b>	Business income or (loss). Attach Schedule C . . . . .	<b>3</b>	PFS Line 15-18	
<b>4</b>	Other gains or (losses). Attach Form 4797 . . . . .	<b>4</b>	PFS Line 7P	
<b>5</b>	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	<b>5</b>	PFS Line 7Q	
<b>6</b>	Farm income or (loss). Attach Schedule F . . . . .	<b>6</b>	PFS Line 15-18	
<b>7</b>	Unemployment compensation . . . . .	<b>7</b>	PFS Line 7R	
<b>8</b>	Other income. List type and amount ▶	<b>8</b>	PFS Line 7S	
<b>9</b>	Combine lines 1 through 8. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8 . . . . .	<b>9</b>		
<b>Part II Adjustments to Income</b>				
<b>10</b>	Educator expenses . . . . .	<b>10</b>		
<b>11</b>	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 . . . . .	<b>11</b>		
<b>12</b>	Health savings account deduction. Attach Form 8889 . . . . .	<b>12</b>		
<b>13</b>	Moving expenses for members of the Armed Forces. Attach Form 3903 . . . . .	<b>13</b>		
<b>14</b>	Deductible part of self-employment tax. Attach Schedule SE . . . . .	<b>14</b>	PFS Line 7H	
<b>15</b>	Self-employed SEP, SIMPLE, and qualified plans . . . . .	<b>15</b>	PFS Line 7G	
<b>16</b>	Self-employed health insurance deduction . . . . .	<b>16</b>		
<b>17</b>	Penalty on early withdrawal of savings . . . . .	<b>17</b>		
<b>18a</b>	Alimony paid . . . . .	<b>18a</b>		
<b>b</b>	Recipient's SSN . . . . . ▶			
<b>c</b>	Date of original divorce or separation agreement (see instructions) ▶			
<b>19</b>	IRA deduction . . . . .	<b>19</b>	PFS Line 7F	
<b>20</b>	Student loan interest deduction . . . . .	<b>20</b>		
<b>21</b>	Tuition and fees deduction. Attach Form 8917 . . . . .	<b>21</b>		
<b>22</b>	Add lines 10 through 21. These are your <b>adjustments to income</b> . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10a . . . . .	<b>22</b>	PFS Line 7E	

## Which Lines on Schedule 1 matter most for completing the PFS?

### → 1040 Line 3: Business income or (loss)

This refers specifically to income or loss you had from a Sole Proprietorship, for which you also completed a Schedule C. On Line 15-18 of the PFS, the total of the net profit or loss from each Schedule C business you own should equal the amount shown on your Sch 1 Line 3. Be sure to send or upload each Schedule C you file, if you have income or a loss listed on your 1040 Schedule 1 Line 3.

### → 1040 Line 5: Rental Real Estate, royalties, partnerships, S corporations, trusts, etc.

This Line can be complicated depending on what type of income is included here since many different types of income can be reported on your Schedule 1 Line 5.

For income reported on Line 5 from rental property, trusts, or royalties, report the amount on 7q of your PFS.

For income reported on Line 5 from S corporations or Partnerships that you share ownership in, report the amount on 7q of your PFS, then complete lines 15-18 of your PFS (the section that asks you to detail the income and expenses of the business). Reporting the amount in these two areas will not double-count it.

Be sure to upload each Schedule E you file if you have income or loss listed on your 1040 Schedule 1 Line 5.

### → 1040 Schedule 1: Adjustments to Income

Be sure to report the total shown on Sch 1 Line 22 on PFS Line 7E. If you have adjustments in 1040 Lines 14, 15, or 19, report them in the proper lines on the PFS. If you have adjustments other than those three, be sure to leave a note in PFS item 7F to specify what the adjustments were for (e.g., “alimony paid” or “Educator expenses”).



## Important

If you file a 1040 Schedule 1 and have reported income from rental real estate, partnerships, S-corporations (Line 5) or Business/Farm income (Line 3/6), please use our Tax Primer for Self-Employed Parents for further instruction on how to complete section 19 of the PFS.

# Other Schedules

## Which Lines matter most for completing the PFS?

### → Schedule A

If you filed a Schedule A, you itemized deductions and should say “Yes” to PFS Line 6G and report the amount on PFS Line 6H. If you did not itemize your deductions, say “No” to PFS 6G. No other questions on the PFS ask about any amounts in this section of the 1040.

If your itemized deductions include medical and/or dental expenses, look at your Schedule A Line 1. You can report the total medical and dental expenses shown there in PFS Line 14D. Don’t itemize? You can still report your medical and dental expenses on PFS Line 14D even if you did not itemize them on a Schedule A.

SCHEDULE A (Form 1040)		Itemized Deductions		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service (99)		▶ Go to <a href="http://www.irs.gov/ScheduleA">www.irs.gov/ScheduleA</a> for instructions and the latest information. ▶ Attach to Form 1040 or 1040-SR.		20XX Attachment Sequence No. 07	
Name(s) shown on Form 1040 or 1040-SR				Your social security number	
<b>Medical and Dental Expenses</b>	<b>Caution:</b> Do not include expenses reimbursed or paid by others.				
1	Medical and dental expenses (see instructions)	1	PFS Line 14D		
2	Enter amount from Form 1040 or 1040-SR, line 11	2			
3	Multiply line 2 by 7.5% (0.075)	3			
4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	4			
<b>Taxes You</b>	5 State and local taxes				
<b>Gifts to Charity</b>	11 Gifts by cash or check. If you made any gift of \$250 or more, see instructions	11	PFS Line 8N		
<b>Caution:</b> If you made a gift and got a benefit for it, see instructions.	12 Other than by cash or check. If you made any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500.	12			
	13 Carryover from prior year	13			
	14 Add lines 11 through 13	14			
<b>Total Itemized Deductions</b>	17 Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040 or 1040-SR, line 12	17	PFS Line 6G		
	18 If you elect to itemize deductions even though they are less than your standard deduction, check this box <input type="checkbox"/>				

### → 1040 Schedule 2 Line 4

Report the total amount of self-employment taxes you paid for your business(es). These should also be report on Line 17J on the PFS. Note that the PFS will ask you how much self-employment tax you paid for each business separately. The total of all of those self-employment tax amounts should be equal to what’s reported here on the Schedule 2 Line 4.

Part II Other Taxes			
4	Self-employment tax. Attach Schedule SE	4	PFS Line 7J
5	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	5	
6	Additional tax on IRAs, other qualified retirement plans, and other tax-favored		

# Schedule C

## What is the Schedule C for?

The Schedule C is used for reporting specific details about each business you own for which you are the sole proprietor. It shows the name, location, and type of business. It details the total, gross income you received for the business. It itemizes the allowable expenses of the business that can be written off against the business's income to ultimately show what your net profit or loss was on the business. The net profit or loss is then entered on your Form 1040 Schedule 1 on Line 3. When you submit your 1040 to the IRS, you are required to attach/include a Schedule C for each sole proprietorship you own.

## What does the Schedule C look like?

SCHEDULE C (Form 1040)		Profit or Loss From Business (Sole Proprietorship)		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service (99)		<p>Go to <a href="http://www.irs.gov/ScheduleC">www.irs.gov/ScheduleC</a> for instructions and the latest information.</p> <p>Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.</p>		<p>20XX Attachment Sequence No. 09</p>	
Name of proprietor				Social security number (SSN)	
A Principal business or profession, including product or service (see instructions)				B Enter code from instructions	
C Business name. If no separate business name, leave blank.				D Employer ID number (EIN) (see instr.)	
E Business address (including suite or room no.) City, town or post office, state, and ZIP code					
F Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ▶					
G Did you "materially participate" in the operation of this business during 2018? If "No," see instructions for limit on losses . . . <input type="checkbox"/> Yes <input type="checkbox"/> No					
H If you started or acquired this business during 2018, check here . . . <input type="checkbox"/>					
I Did you make any payments in 2018 that would require you to file Form(s) 1099? (see instructions) . . . <input type="checkbox"/> Yes <input type="checkbox"/> No					
J If "Yes," did you or will you file required Forms 1099? . . . <input type="checkbox"/> Yes <input type="checkbox"/> No					
<b>Part I Income</b>					
1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . ▶ <input type="checkbox"/>	1			
2	Returns and allowances . . . . .	2			
3	Subtract line 2 from line 1 . . . . .	3			
4	Cost of goods sold (from line 42) . . . . .	4			
5	<b>Gross profit.</b> Subtract line 4 from line 3 . . . . .	5			
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) . . . . .	6			
7	<b>Gross income.</b> Add lines 5 and 6 . . . . . ▶	7			
<b>Part II Expenses.</b> Enter expenses for business use of your home <b>only</b> on line 30.					
8	Advertising . . . . .	8			
9	Car and truck expenses (see instructions) . . . . .	9			
10	Commissions and fees . . . . .	10			
11	Contract labor (see instructions) . . . . .	11			
12	Depletion . . . . .	12			
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions) . . . . .	13			
14	Employee benefit programs (other than on line 19) . . . . .	14			
15	Insurance (other than health) . . . . .	15			
16	Interest (see instructions):				
a	Mortgage (paid to banks, etc.) . . . . .	16a			
b	Other . . . . .	16b			
17	Legal and professional services . . . . .	17			
18	Office expense (see instructions) . . . . .	18			
19	Pension and profit-sharing plans . . . . .	19			
20	Rent or lease (see instructions):				
a	Vehicles, machinery, and equipment . . . . .	20a			
b	Other business property . . . . .	20b			
21	Repairs and maintenance . . . . .	21			
22	Supplies (not included in Part III) . . . . .	22			
23	Taxes and licenses . . . . .	23			
24	Travel and meals:				
a	Travel . . . . .	24a			
b	Deductible meals (see instructions) . . . . .	24b			
25	Utilities . . . . .	25			
26	Wages (less employment credit) . . . . .	26			
27a	Other expenses (from Form 1099-MISC) . . . . .	27a			
b	Reserved for future use . . . . .	27b			
28	<b>Total expenses</b> before expenses for business use of home. Add lines 8 through 27b . . . . .	28			
29	<b>Tentative profit or (loss).</b> Subtract line 28 from line 7 . . . . .	29			

## Which Lines on Schedule C matter most for completing the PFS?

If you have a Schedule C, you have a Sole Proprietorship. On PFS Line 6H, answer “Yes.” You will be required to complete Section 15 for Business/Farm information.

On PFS Line 15C, select “Sole Proprietorship” and complete the questions about each business based on the income and expense information provided on the Schedule C. See below for guidance:

→ Schedule C: Business Information and Income

SCHEDULE C (Form 1040)		Profit or Loss From Business (Sole Proprietorship)		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service (99)		<p>▶ Go to <a href="http://www.irs.gov/ScheduleC">www.irs.gov/ScheduleC</a> for instructions and the latest information.</p> <p>▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.</p>		<p>20XX Attachment Sequence No. 09</p>	
Name of proprietor			Social security number (SSN)		
<b>A</b> Principal business or profession, including product or service (see instructions) PFS Line 15K			<b>B</b> Enter code from instructions		
<b>C</b> Business name. If no separate business name, leave blank. PFS Line 15A			<b>D</b> Employer ID number (EIN) (see instr.)		
<b>E</b> Business address (including suite or room no.) ▶ PFS Line 15G thru 15J City, town or post office, state, and ZIP code					
<b>F</b> Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ▶					
<b>G</b> Did you “materially participate” in the operation of this business during 2020? If “No,” see instructions for limit on losses . . . <input type="checkbox"/> Yes <input type="checkbox"/> No					
<b>H</b> If you started or acquired this business during 2020, check here . . . ▶ <input type="checkbox"/>					
<b>I</b> Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions . . . <input type="checkbox"/> Yes <input type="checkbox"/> No					
<b>J</b> If “Yes,” did you or will you file required Form(s) 1099? . . . <input type="checkbox"/> Yes <input type="checkbox"/> No					
<b>Part I Income</b>					
<b>1</b>	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the “Statutory employee” box on that form was checked . . . ▶ <input type="checkbox"/>	<b>1</b>	PFS Line 16A		
<b>2</b>	Returns and allowances . . . . .	<b>2</b>			
<b>3</b>	Subtract line 2 from line 1 . . . . .	<b>3</b>			
<b>4</b>	Cost of goods sold (from line 42) . . . . .	<b>4</b>	PFS Line 16B		
<b>5</b>	<b>Gross profit.</b> Subtract line 4 from line 3 . . . . .	<b>5</b>	PFS Line 16C		
<b>6</b>	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) . . . . .	<b>6</b>	PFS Line 16D		
<b>7</b>	<b>Gross income.</b> Add lines 5 and 6 . . . . . ▶	<b>7</b>			



### Important

Complete a separate PFS section on income for every sole proprietorship you own.

→ Schedule C: Business Expenses and Net Profit/Loss

<b>Part II Expenses.</b> Enter expenses for business use of your home <b>only</b> on line 30.			
8	Advertising . . . . .	8	
9	Car and truck expenses (see instructions). . . . .	9	
10	Commissions and fees . . . . .	10	
11	Contract labor (see instructions)	11	
12	Depletion . . . . .	12	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions). . . . .	13	PFS line 17F
14	Employee benefit programs (other than on line 19) . . . . .	14	PFS Line 17C
15	Insurance (other than health)	15	
16	Interest (see instructions):		
a	Mortgage (paid to banks, etc.)	16a	
b	Other . . . . .	16b	
17	Legal and professional services	17	
18	Office expense (see instructions)	18	
19	Pension and profit-sharing plans . . . . .	19	
20	Rent or lease (see instructions):		
a	Vehicles, machinery, and equipment	20a	PFS Line 17D
b	Other business property . . . . .	20b	PFS Line 17D
21	Repairs and maintenance . . . . .	21	
22	Supplies (not included in Part III) . . . . .	22	
23	Taxes and licenses . . . . .	23	
24	Travel and meals:		
a	Travel . . . . .	24a	
b	Deductible meals (see instructions) . . . . .	24b	
25	Utilities . . . . .	25	
26	Wages (less employment credits) . . . . .	26	PFS Line 17A/B
27a	Other expenses (from line 48) . . . . .	27a	
b	Reserved for future use . . . . .	27b	
28	<b>Total expenses</b> before expenses for business use of home. Add lines 8 through 27a . . . . .	28	
29	Tentative profit or (loss). Subtract line 28 from line 7 . . . . .	29	
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. <b>Simplified method filers only:</b> Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30 . . . . .	30	
31	<b>Net profit or (loss).</b> Subtract line 30 from line 29. • If a profit, enter on both <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If a loss, you <b>must</b> go to line 32.	31	PFS Line 17L
32	If you have a loss, check the box that describes your investment in this activity. See instructions. • If you checked 32a, enter the loss on both <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If you checked 32b, you <b>must</b> attach <b>Form 6198</b> . Your loss may be limited.		

- 32a  All investment is at risk.
- 32b  Some investment is not at risk.

- **Look at Line 13:** If you are writing off any depreciation or “section 179 expense,” you will see an entry here. PFS Line 17F asks you to report this amount. If you claim depreciation, you likely also file a Form 4562. If you have a 4562, be sure to send or upload it with your tax forms. This allows the school to clarify how much of the amount on Line 13 is actual depreciation vs. “section 179 expense.” This is to your advantage, typically.
- **Look at Line 26:** If you paid wages to employees for your business (as reported on W2’s that you filed for them), the PFS will ask you to separate out any wages you paid for yourself or your spouse from wages you paid to others. If Schedule C Line 26 includes wages for yourself and/or your spouse, report the amount you paid to yourself and/or your spouse on PFS Line 17A. Only report this amount if you provided a W-2 as documentation of those earnings. Do NOT report your net profit as your salary.

If Schedule C Line 26 includes wages paid for anyone other than yourself or your spouse, report the amount that went to other employees on PFS Line 17B.

By definition, a sole proprietorship doesn’t share the profit or loss of the business with any other person or entity. Report the amount on Schedule C Line 31 on PFS Line 17L to reflect your share of the total business profit or loss (in other words, the amount that belongs to you).



### Important

Fill out a separate PFS section on expenses and net profit for every sole proprietorship you own.

# Form 1099-MISC

## What is Form 1099-MISC for?

The Form 1099-MISC is provided to you by a person or firm for whom you performed work or service by hiring yourself out as a freelancer, contractor, or the like. 1099s can also show other types of income such as royalties, commissions or rents. Basically, it shows income you earned that wasn't provided to you as someone else's employee or from your investments.

Other types of 1099s you might receive:

- 1099-DIV (which reports income from dividends, distributions, and capital gains from investments accounts such as stocks, bonds, and mutual funds)
- 1099-INT (which tracks interest income you earned from investments such as savings accounts).

## What does the Form 1099-MISC look like?

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents	OMB No. 1545-0115  <b>20XX</b>  Form 1099-MISC	<b>Miscellaneous Information</b>  <b>Copy B</b> <b>For Recipient</b>  This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
		\$ _____		
		2 Royalties	\$ _____	
3 Other income	4 Federal income tax withheld			
\$ _____ PFS Line 7T	\$ _____			
PAYER'S TIN	RECIPIENT'S TIN	5 Fishing boat proceeds	6 Medical and health care payments	
_____	_____	\$ _____	\$ _____	
RECIPIENT'S name		7 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>	8 Substitute payments in lieu of dividends or interest	
Street address (including apt. no.)		9 Crop insurance proceeds	10 Gross proceeds paid to an attorney	
City or town, state or province, country, and ZIP or foreign postal code		\$ _____	\$ _____	
Account number (see instructions)	FATCA filing requirement <input type="checkbox"/>	11 Fish purchased for resale	12 Section 409A deferrals	
_____	_____	\$ _____	\$ _____	
		13 Excess golden parachute payments	14 Nonqualified deferred compensation	
		\$ _____	\$ _____	
		15 State tax withheld	16 State/Payer's state no.	
		\$ _____	_____	
		\$ _____	17 State income	
			\$ _____	

## Which Lines on Form 1099-MISC matter most for completing the PFS?

Income reported on your 1099s should already be included in certain lines of your 1040. On the PFS, any income reported on a 1099-MISC (other than rents and royalties) should be reported on PFS Line 7S.

If you and/or your spouse received multiple 1099s, be sure to add the amounts and report the total income on PFS Line 7S.



### Important

- Do not report any amounts reported on a 1099-MISC as salary or wages, even if you earned it by working for someone as a contractor, freelancer, etc. When reporting your salary or wages on the PFS, ONLY include income for which you received a W-2.
- Many schools will require you to submit a W-2 as part of your financial aid application. If you didn't receive a W-2 (meaning you didn't earn a salary as someone else's employee), but you did receive a 1099-MISC as a contractor or freelancer, submit your 1099-MISC in place of the W-2 the school requires.