



# Tax Primer

for Parents Completing  
the Parents' Financial Statement

# Introduction

Use this primer to get an understanding of which tax forms will be most helpful to you as you complete your PFS.

This primer doesn't provide an overview of every possible tax form you might receive or need to file with IRS. Instead, it only focuses on the main forms families will need to have on hand to complete the PFS accurately and correctly.

The tax forms covered in this tax primer are:

- ▶ [Form W-2](#)
- ▶ [Form 1040](#)
- ▶ [Form 1040 Schedule 1](#)
- ▶ [Form 1040 Schedule 2](#)
- ▶ [Form 1040 Schedule A](#)
- ▶ [Schedule C](#)
- ▶ [Form 1099-MISC](#)

For each of these tax forms, the primer answers 3 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?

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## – 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 primer. If a school requires your tax forms and schedules, be sure to send or 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.

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# Form W-2

## What is Form W2 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 Form W2 look like?

**a** Employee's social security number OMB No. 1545-0008

**b** Employer identification number (EIN)

**c** Employer's name, address, and ZIP code

**d** Control number

**e** Employee's first name and initial Last name Suff.

**f** Employee's address and ZIP code

**1** Wages, tips, other compensation

**2** Federal income tax withheld

**3** Social security wages

**4** Social security tax withheld

**5** Medicare wages and tips

**6** Medicare tax withheld

**7** Social security tips

**8** Allocated tips

**9**

**10** Dependent care benefits

**11** Nonqualified plans

**12a**

**12b**

**12c**

**12d**

**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 2—To Be Filed With Employee's State, City, or Local Income Tax Return

## Which lines on Form 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 8D of the Nontaxable Income Worksheet. If you have multiple W2s, be sure to report the total amount.

You do not have to report any other information from the W2 on the PFS. It is possible that one or more schools you're applying to might ask you to supply other information from the W2. You'll most likely be required to submit or upload a copy of each W2 you receive as part of your financial aid application.

# Form 1040

## What is Form 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 Form 1040 look like?

The 1040 is the base form and may include additional schedules based on your income. Let's look at the 1040 base form:

### □ 1040 Page 1

**Form 1040** Department of the Treasury—Internal Revenue Service (99) **20** 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 (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)  
Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial \_\_\_\_\_ Last name \_\_\_\_\_ Your social security number \_\_\_\_\_  
If joint return, spouse's first name and middle initial \_\_\_\_\_ Last name \_\_\_\_\_ Spouse's social security number \_\_\_\_\_

Home address (number and street). If you have a P.O. box, see instructions. \_\_\_\_\_ Apt. no. \_\_\_\_\_  
City, town, or post office. If you have a foreign address, also complete spaces below. \_\_\_\_\_ State \_\_\_\_\_ ZIP code \_\_\_\_\_  
Foreign country name \_\_\_\_\_ Foreign province/state/county \_\_\_\_\_ Foreign postal code \_\_\_\_\_  
**Presidential Election Campaign**  
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.  
☐ You ☐ Spouse

At any time during 2021, did you receive, sell, exchange, or otherwise dispose of any financial interest in any virtual currency? ☐ Yes ☐ No

**Standard Deduction** **Someone can claim:** ☐ You as a dependent ☐ Your spouse as a dependent  
☐ Spouse itemizes on a separate return or you were a dual-status alien

**Age/Blindness** **You:** ☐ Were born before January 2, 1957 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1957 ☐ Is blind

**Dependents** (see instructions):  
If more than four dependents, see instructions and check here ▶ ☐

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

**1** Wages, salaries, tips, etc. Attach Form(s) W-2 . . . . . **1** PFS Line 7A, 7B  
**2a** Tax-exempt interest . . . . . **2a** PFS Line 8K **2b** Taxable interest . . . . . **2b** PFS Line 7C  
**3a** Qualified dividends . . . . . **3a** Do not put on PFS **3b** Ordinary dividends . . . . . **3b** PFS Line 7D  
**4a** IRA distributions . . . . . **4a** PFS Line 8C **4b** Taxable amount . . . . . **4b** PFS Line 7J  
**5a** Pensions and annuities . . . . . **5a** PFS Line 8C **5b** Taxable amount . . . . . **5b** PFS Line 7K  
**6a** Social security benefits . . . . . **6a** PFS Line 8B **6b** Taxable amount . . . . . **6b** PFS Line 7L  
**7** Capital gain or (loss). Attach Schedule D if required. If not required, check here . . . . . **7** PFS Line 7O  
**8** Other income from Schedule 1, line 10 . . . . . **8** \_\_\_\_\_  
**9** Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income** . . . . . **9** \_\_\_\_\_  
**10** Adjustments to income from Schedule 1, line 26 . . . . . **10** \_\_\_\_\_  
**11** Subtract line 10 from line 9. This is your **adjusted gross income** . . . . . **11** PFS Line 6D  
**12a** **Standard deduction or itemized deductions** (from Schedule A) . . . . . **12a** \_\_\_\_\_

Attach Sch. B if required.

**Standard Deduction for—**  
• Single or Married filing separately, \$12,550  
• Married filing jointly or Qualifying widow(er), \$19,300

### □ 1040 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 . . . . .	17	
18	Add lines 16 and 17 . . . . .	18	
19	Nonrefundable child tax credit or credit for other dependents from Schedule 8812 . . . . .	19	
20	Amount from Schedule 3, line 8 . . . . .	20	
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 21 . . . . .	23	
24	Add lines 22 and 23. This is your <b>total tax</b> . . . . . ►	24	PFS Line 6G
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	

## Which lines on Form 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 applicants and dependents on the PFS, make sure it is consistent with the dependents listed on your 1040 dependents section. 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 Line 1: Salary/Wages

Salary and wages reported here are the 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. Business owners must be careful not to report profit taken from the business as salary or wages. If you own a business and pay 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 Lines 4a and 5a: Distributions from IRA, Pensions, and Social Security

1040 Lines 4a and 5a each show the total income you received from IRA, Pensions, and Social Security. Lines 4b and 5b show the portion of those totals that were taxable. Report taxable amount of IRA on PFS line 7J, and pensions on line 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 IRA and Pension income in PFS Line 8C.
- Report your nontaxable Social Security benefits in PFS Line 8B.

► **1040 Tax Schedule 2, Page 2 Line 24**

This shows what you owe for the different types of federal taxes on your income. PFS Line 6D 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 6G, since you will report those separately for each business. If you paid self-employment taxes, for PFS Line 6G, report the total tax on Line 24 of Page 2 minus any Schedule 2 Line 4 Self-Employment tax.

► **1040 Page 2 Line 27a**

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

# Form 1040 Schedule 1

## What is it for?

Schedule 1 is used to report additional income received such as unemployment compensation, proprietorship business, corporation/partnerships, and rental income.

## What does Schedule 1 look like?

<b>SCHEDULE 1</b> <b>(Form 1040)</b> <small>Department of the Treasury Internal Revenue Service</small>		<b>Additional Income and Adjustments to Income</b> <small>► 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.</small>		<small>OMB No. 1545-0074</small> <div style="font-size: 2em; font-weight: bold; text-align: center;">20</div> <small>Attachment Sequence No. 01</small>	
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>	PFS Line 7N		
<b>2a</b>	Alimony received . . . . .	<b>2a</b>	PFS Line 7M		
<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 Lines 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 Lines 15-18		
<b>7</b>	Unemployment compensation . . . . .	<b>7</b>	PFS Line 7R		
<b>8</b>	Other income:				
<b>a</b>	Net operating loss . . . . .	<b>8a</b>	( )		
<b>b</b>	Gambling income . . . . .	<b>8b</b>			



**Part II Adjustments to Income**

<b>11</b>	Educator expenses . . . . .	<b>11</b>	
<b>12</b>	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 . . . . .	<b>12</b>	
<b>13</b>	Health savings account deduction. Attach Form 8889 . . . . .	<b>13</b>	
<b>14</b>	Moving expenses for members of the Armed Forces. Attach Form 3903 . . . . .	<b>14</b>	
<b>15</b>	Deductible part of self-employment tax. Attach Schedule SE . . . . .	<b>15</b>	PFS Line 7H
<b>16</b>	Self-employed SEP, SIMPLE, and qualified plans . . . . .	<b>16</b>	PFS Line 7G
<b>17</b>	Self-employed health insurance deduction . . . . .	<b>17</b>	
<b>18</b>	Penalty on early withdrawal of savings . . . . .	<b>18</b>	
<b>19a</b>	Alimony paid . . . . .	<b>19a</b>	
<b>b</b>	Recipient's SSN . . . . .		
<b>c</b>	Date of original divorce or separation agreement (see instructions) ▶ . . . . .		
<b>20</b>	IRA deduction . . . . .	<b>20</b>	PFS Line 7F
<b>21</b>	Student loan interest deduction . . . . .	<b>21</b>	
<b>22</b>	Reserved for future use . . . . .	<b>22</b>	
<b>23</b>	Archer MSA deduction . . . . .	<b>23</b>	
<b>24</b>	Other adjustments:		
<b>a</b>	Jury duty pay (see instructions) . . . . .	<b>24a</b>	
<b>b</b>	Deductible expenses related to income reported on line 8k from the rental of personal property engaged in for profit . . . . .	<b>24b</b>	
<b>c</b>	Nontaxable amount of the value of Olympic and Paralympic medals and USOC prize money reported on line 8l . . . . .	<b>24c</b>	
<b>d</b>	Reforestation amortization and expenses . . . . .	<b>24d</b>	
<b>e</b>	Repayment of supplemental unemployment benefits under the Trade Act of 1974 . . . . .	<b>24e</b>	
<b>f</b>	Contributions to section 501(c)(18)(D) pension plans . . . . .	<b>24f</b>	
<b>g</b>	Contributions by certain chaplains to section 403(b) plans . . . . .	<b>24g</b>	
<b>h</b>	Attorney fees and court costs for actions involving certain unlawful discrimination claims (see instructions) . . . . .	<b>24h</b>	
<b>i</b>	Attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations . . . . .	<b>24i</b>	
<b>j</b>	Housing deduction from Form 2555 . . . . .	<b>24j</b>	
<b>k</b>	Excess deductions of section 67(e) expenses from Schedule K-1 (Form 1041) . . . . .	<b>24k</b>	
<b>z</b>	Other adjustments. List type and amount ▶ . . . . .	<b>24z</b>	
<b>25</b>	Total other adjustments. Add lines 24a through 24z . . . . .	<b>25</b>	
<b>26</b>	Add lines 11 through 23 and 25. These are your <b>adjustments to income</b> . Enter here and on Form 1040 or 1040-SR, line 10, or Form 1040-NR, line 10a . . . . .	<b>26</b>	PFS Line 7E

Schedule 1 (Form 1040) 2021

**Which lines on Form 1040 Schedule 1 matter most for completing the PFS?**▶ **1040 Tax Schedule 1, 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 1040 Tax Schedule 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 Tax Schedule 1, Line 3.

► **1040 Tax Schedule 1, 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 1040 Tax Schedule 1, Line 5. If any income reported on Line 5 is from rental property, trusts, or royalties, report it on Line 7Q of your PFS.

If any income reported on Line 5 is from S corporations or Partnerships that you share ownership in, report it on Line 15-18 of your PFS, in the section that asks you to detail the income and expenses of the business.

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

► **1040 Tax Schedule 1 Adjustments to Income**

Be sure to report the total shown on 1040 Tax Schedule 1, page 2, line 26 on PFS line 7E. Be sure to itemize a note on 7i.

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**– Important –**

If you filed a 1040 Schedule 1 and have reported income from rental real estate, partnerships, S-corporations-Line 17 or Farm Income-Line 18. Please use our Tax Primer for Self Employed Parents for further instructions on how complete section 19 of the PFS.

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**Other Schedules**

# Form 1040 Schedule A

<b>SCHEDULE A</b> <b>(Form 1040)</b>		<b>Itemized Deductions</b>		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.		20 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.				
	<b>1</b> Medical and dental expenses (see instructions)			<b>1</b>	PFS Line 14D
	<b>2</b> Enter amount from Form 1040 or 1040-SR, line 11	<b>2</b>			
	<b>3</b> Multiply line 2 by 7.5% (0.075)		<b>3</b>		
	<b>4</b> Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-				<b>4</b>
<b>Taxes You</b>	<b>5</b> State and local taxes.				
<b>Total Itemized Deductions</b>	<b>17</b> Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040 or 1040-SR, line 12a			<b>17</b>	PFS Line 6G
	<b>18</b> If you elect to itemize deductions even though they are less than your standard deduction, check this box <input type="checkbox"/>				

For Paperwork Reduction Act Notice, see the Instructions for Forms 1040 and 1040-SR. Cat. No. 17145C Schedule A (Form 1040)

<b>SCHEDULE 2</b> <b>(Form 1040)</b>		<b>Additional Taxes</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.		20 Attachment Sequence No. 02	
Name(s) shown on Form 1040, 1040-SR, or 1040-NR				Your social security number	
<b>Part I Tax</b>					
<b>1</b> Alternative minimum tax. Attach Form 6251				<b>1</b>	
<b>2</b> Excess advance premium tax credit repayment. Attach Form 8962				<b>2</b>	
<b>3</b> Add lines 1 and 2. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 17				<b>3</b>	
<b>Part II Other Taxes</b>					
<b>4</b> Self-employment tax. Attach Schedule SE				<b>4</b>	PFS Line 17J
<b>5</b> Social security and Medicare tax on unreported tip income. Attach Form 4137				<b>5</b>	
<b>6</b> Uncollected social security and Medicare tax on wages. Attach Form 8919				<b>6</b>	
<b>7</b> Total additional social security and Medicare tax. Add lines 5 and 6				<b>7</b>	

## Which Lines Matter for the PFS?

### ► **Schedule A**

If you filed a Schedule A, you itemized deductions and should say “Yes” to PFS Line 6F and report the amount on PFS Line 6G. If you did not itemize your deductions, say “No” to PFS 6F. 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 on 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 Schedule A.

### ► **1040, Tax Schedule 2, Line 4**

Report the total amount of self-employment taxes you paid for your business(es). These should also be reported 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 those self-employment tax amounts should be equal to what’s reported here on the Schedule 2 Line 4.

# Schedule C

## What is Schedule C for?

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 from 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 Schedule C look like?

**SCHEDULE C (Form 1040)** **Profit or Loss From Business** (Sole Proprietorship)

Department of the Treasury Internal Revenue Service (99)

OMB No. 1545-0074

20XX Attachment Sequence No. 09

Go to [www.irs.gov/ScheduleC](http://www.irs.gov/ScheduleC) for instructions and the latest information.

Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.

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) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶

G Did you "materially participate" in the operation of this business during 2018? If "No," see instructions for limit on losses ☐ Yes ☐ No

H If you started or acquired this business during 2018, check here ☐ Yes ☐ No

I Did you make any payments in 2018 that would require you to file Form(s) 1099? (see instructions) ☐ Yes ☐ No

J If "Yes," did you or will you file required Forms 1099? ☐ Yes ☐ No

**Part I Income**

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. ☐ 1

2 Returns and allowances 2

3 Subtract line 2 from line 1 3

4 Cost of goods sold (from line 42) 4

5 Gross profit. 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 Gross income. Add lines 5 and 6 7

**Part II Expenses. Enter expenses for business use of your home only 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 Depreciation 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 taxes) 26

27a Other expenses (from Form 1099-MISC) 27a b Reserved for future use 27b

28 Total expenses before expenses for business use of home. Add lines 8 through 27b 28

29 Tentative profit or (loss). Subtract line 28 from line 7 29

Expenses for business use of your home. Do not report the expenses for business use of your home if you are using the simplified method (see instructions).

## 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 6i, 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 Schedule C. See below for guidance:

### □ Schedule C: Business Information and Income

<b>SCHEDULE C</b> <b>(Form 1040)</b>		<b>Profit or Loss From Business</b> (Sole Proprietorship)		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service (99)		▶ Go to <a href="http://www.irs.gov/ScheduleC">www.irs.gov/ScheduleC</a> for instructions and the latest information. ▶ Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.		Attachment Sequence No. <b>09</b>	
Name of proprietor			Social security number (SSN)		
<b>A</b>	Principal business or profession, including product or service (see instructions) <b>PFS Line 15K</b>		<b>B</b> Enter code from instructions ▶		
<b>C</b>	Business name. If no separate business name, leave blank. <b>PFS Line 15A</b>		<b>D</b> Employer ID number (EIN) (see instr.) .....		
<b>E</b>	Business address (including suite or room no.) ▶ City, town or post office, state, and ZIP code <b>PFS Line 15G thru 15J</b>				
<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 2017? 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 2017, check here . . . . . <input type="checkbox"/>				
<b>I</b>	Did you make any payments in 2017 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 Forms 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>	<b>PFS Line 16A</b>
<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>	<b>PFS Line 16B</b>
<b>5</b>	Gross profit. Subtract line 4 from line 3 . . . . .			<b>5</b>	<b>PFS Line 16C</b>
<b>6</b>	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) . . . . .			<b>6</b>	<b>PFS Line 16D</b>
<b>7</b>	Gross income. Add lines 5 and 6 . . . . .			<b>7</b>	

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:		
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):		PFS Line 17D
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, meals, and entertainment:		
a	Travel . . . . .	24a	
b	Deductible meals and entertainment (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	PFS Line 17I
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>Form 1040, line 12</b> (or <b>Form 1040NR, line 13</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>Form 1040, line 12</b> , (or <b>Form 1040NR, line 13</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	<input type="checkbox"/> All investment is at risk.
		32b	<input type="checkbox"/> 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 will likely also file a Form 4562. If you have a 4562, be sure to send or upload that with your tax forms. Doing so allows the school to clarify how much of the amount on Line 13 is actual depreciation and not “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 W2 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).

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

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# Form 1099-MISC

## What is Form 1099-MISC for?

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 Form 1099-MISC look like?

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		Miscellaneous Information
		\$	2021		
		2 Royalties	Form 1099-MISC		
PAYER'S TIN		3 Other income	4 Federal income tax withheld	Copy 1 For State Tax Department	
		\$	\$		
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		\$	\$		
		11 Fish purchased for resale	12 Section 409A deferrals		
Account number (see instructions)	FATCA filing requirement <input type="checkbox"/>	13 Excess golden parachute payments	14 Nonqualified deferred compensation		
		\$	\$		
		15 State tax withheld	16 State/Payer's state no.		
		\$	\$	17 State income	
		\$	\$	\$	

Form 1099-MISC      www.irs.gov/Form1099MISC      Department of the Treasury - Internal Revenue Service

### 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 Notes

- ▶ 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 W2 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 under additional documents.