



# **SELF-EMPLOYMENT<sup>+</sup> VOLUNTEER TRAINING**

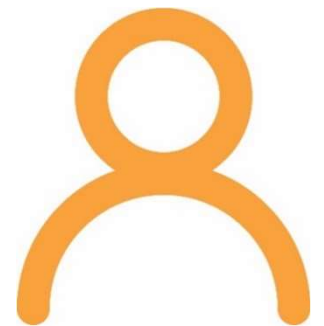
## **TAX YEAR 2024**

**PREPARE + PROSPER**

This training is about  
3.0 hours, including  
two 10-minute breaks

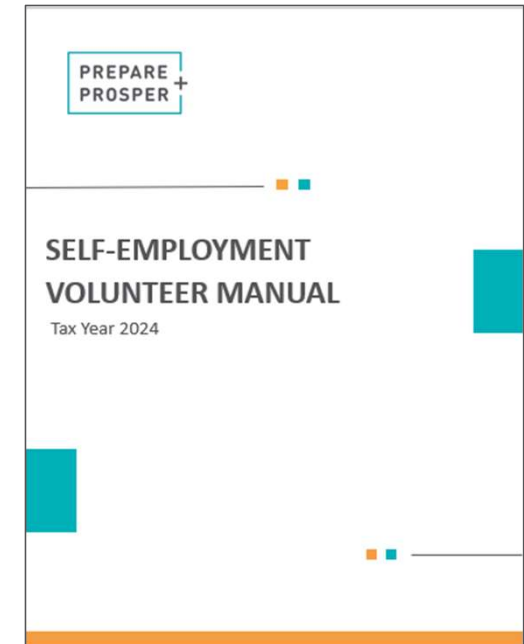
# INTRODUCTIONS

- Introduce yourself
  - name and shift you'll be working
- Years volunteering in SE+
- What drew you to this program?



# SE+ MATERIALS LIST

- Self-Employment Volunteer Manual, TY 2024
- Amendment Guide & request form
- Handouts
  - SETOs and Guide
  - Small Business Resources
  - MAEPD Guide
- Practice SE return packet
- Practice amendment return packet





# SE+ TRAINING OVERVIEW



Program Overview



Amendments



SE Subject Matter



Special Situations



Prior Year Changes

# INTAKE PAPERWORK

**Form 13614-C**  
(November 2024)

Department of the Treasury - Internal Revenue Service

**Intake/Interview and Quality Review Sheet**

OMB Number 1545-1964

**You will need:**

- Tax Information such as Forms W-2, 1099, 1098, 1095.
- Social Security cards or ITIN letters for all persons on your tax return
- Picture ID (such as valid driver's license) for you and your spouse

**Volunteers are trained to provide high quality service and uphold the highest ethical standards. To report unethical behavior to the IRS, email us at [ts.voltax@irs.gov](mailto:ts.voltax@irs.gov)**

**Complete pages 1-6 of this form.**

**You are responsible for the information on your return. Provide complete and accurate information.**

**If you have questions, ask the IRS-certified volunteer preparer.**

Your first name (pronouns, optional) M.I. Last name Your date of birth Your job title

Spouse's first name (pronouns, optional) M.I. Last name Spouse's date of birth Spouse's job title

Mailing address Apt # City State ZIP code

Your telephone number Spouse's telephone number Email address (optional) Did you live or work in two or more states?  Yes  No

**Check if you or your spouse were in 2024:**

A U.S. citizen  You  Spouse  No  Legally blind  You  Spouse

In the U.S. on a visa  You  Spouse  No  Totally and permanently disabled  You  Spouse

A full-time student  You  Spouse  No  Issued an identity protection PIN (IPPIN)  You  Spouse

**If due a refund, how would you like your refund**

Direct deposit  -Check by mail  Bank account  IRS.gov Direct Pay

Split refund between accounts  Other  Set up installment agreement  Mail payment to IRS

**If you have a balance due, how would you like to make your payment**

Would you like to receive written communications from the IRS in a language other than English  You  Spouse

What language \_\_\_\_\_

Would you like information on how to vote and/or how to register to vote  Yes  No

Would you, or your spouse if married filing jointly, like \$3 to go to the Presidential Election Campaign Fund  You  Spouse

As of December 31, 2024, what was your marital status

**Never Married**  **Married** If married, were you married for all of 2024  Yes  No

**Divorced**  **Legally Separated but not Divorced** Did you live with your spouse during any part of the last six months of 2024  Yes  No

**Widowed** Date of final decree \_\_\_\_\_ Date of separate maintenance decree \_\_\_\_\_ Year of spouse's death \_\_\_\_\_

**To be completed by certified volunteer:** Can anyone else claim the taxpayer or spouse on their tax return  Yes  No

List the names below of everyone who lived with you last year (except your spouse) **AND** anyone you supported but did not live with you last year.

Name (first, last)	Date of birth (mm/dd/yyyy)	Relationship to you (child, parent, none, etc.)	Number of months lived in your home in 2024	Single or Married as of 12/31/2024 (S/M)	Answer Yes or No (Y/N)					To be completed by certified volunteer (Yes, No, or N/A)				
					U.S. Citizen	Resident of U.S., Canada or Mexico	Full-time student	Totally and permanently disabled	Issued IPPIN	Qualifying child or relative of any other person	This person provided more than 50% of their own support	This person had less than \$5,050 of income	Taxpayer(s) provided more than 50% of support for this person	

Catalog Number 52121E [www.irs.gov](http://www.irs.gov) Form **13614-C**

**PREPARE + PROSPER**

**TAX INTAKE SHEET**

Preferred name(s): \_\_\_\_\_ (Taxpayer) \_\_\_\_\_ (Spouse)

**What tax returns do you need prepared?** Check all that apply.

2023 income taxes  Prior year(s): \_\_\_\_\_

2023 renter or homeowner refund  Other: \_\_\_\_\_

**TAXPAYER SURVEY**

**PREPARE + PROSPER**

**BOOST YOUR MONEY**

Preferred name(s): \_\_\_\_\_ (taxpayer) \_\_\_\_\_ (spouse)

Phone number: \_\_\_\_\_ Email address: \_\_\_\_\_ Zip code \_\_\_\_\_

**Check in on your financial health and build your financial well-being!**  
Check the boxes below to access free resources today or get referrals to other Prepare + Prosper (P+P) programs, or to one of our trusted partners.

**PREPAID DEBIT CARD**

- The CFR Focus card is available regardless of credit or banking history. The card has no monthly fee or minimum balance required.
- It can be used for your tax refund and other deposits.
- I want to open a CFR Focus card today for my refund to be direct deposited.

**BANK ACCOUNTS**

P+P FAIR Banking program offers checking and savings accounts with no overdraft fees or minimum balance requirements. They are available regardless of banking history (excluding bank fraud).

- I want to make an appointment to open an account.

**SAVE + WIN:** Are you saving all or part of your federal or state refund? Enter our drawing to win \$100!

- I want to save and enter for a chance to win \$100.

**U.S. SAVINGS BONDS:** You can build long-term savings by purchasing a U.S. savings bond for yourself or someone else using part of your federal tax refund.

- I want more information about buying U.S. savings bonds.

**FINANCIAL COACHING:** Work with a P+P Money Mentors financial coach who will meet with you over a six month period to set a financial goal and develop a plan to reach it.

- I want to work with a financial coach monthly to help me reach my financial goal(s).

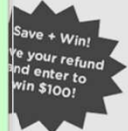
**CREDIT SERVICES:** P+P can help you access your free credit report or (re)build your credit.

- I want to get a copy of my credit report today.
- I want to fill out a request form today to receive a copy of my free credit report by mail.
- I have little or no credit history and want to get more information about a credit builder loan.

**PAYDAY LOAN HELP:** Exodus Lending helps Minnesota families break the cycle of predatory loan debt with a refinancing program that has 0% interest and no fees.

- I have a predatory loan and would like more information about Exodus Lending.

→ Continue



# **P+P FINANCIAL SERVICES AVAILABLE DURING SE CLINICS**



# FINANCIAL SERVICES OFFERED

- Customer Support Volunteers (CSVs) can help customers throughout the tax clinic process
- Key financial services offered:
  - Discuss financial plans and goals
  - Open prepaid debit cards for direct deposit
  - Share information about savings accounts and savings bonds
  - Referrals to trusted financial organizations
  - Order credit reports

# BOOST YOUR MONEY FORM

- Opt-in for referrals to trusted P+P partners
  - Financial coaching
  - Financial counseling
  - Financial planning
  
- Connect to financial products/services
  - New direct deposit options
  - Credit report requests
  - Credit builder loan

PREPARE + PROSPER

**PREPARE + PROSPER**

## BOOST YOUR MONEY

**Check in on your financial health and build your financial well-being with these resources.** Check the boxes below to be referred to other Prepare + Prosper (P+P) programs, or to one of our trusted partners. Use these free resources to help navigate your financial life.

Preferred name(s): \_\_\_\_\_  
(taxpayer) (spouse)

Phone number: \_\_\_\_\_ Email address: \_\_\_\_\_ Zip code \_\_\_\_\_

<p><b>PREPAID DEBIT CARD:</b> The CFR Focus card is available regardless of credit or banking history. This card has no monthly fee or minimum balance required.</p> <p><input type="checkbox"/> I want a CFR Focus card for my refund to be direct deposited.</p>	<p><b>BANKING ACCOUNTS:</b> P+P's FAIR checking and savings accounts have no overdraft fees or minimum balance requirements, and are available regardless of banking history (excluding bank fraud).</p> <p><input type="checkbox"/> I want to make an appointment to open an account.</p>
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**SAVE + WIN:** Are you saving all or part of your federal or state refund? Enter our drawing to win \$100! Every week two savers from Prepare + Prosper will win. Enter to win!

I want to save and enter for a chance to win \$100.

**US SAVINGS BONDS:** You can use part of your federal tax refund to purchase U.S. savings bonds for yourself or as a gift. Purchase bonds in \$50 increments up to \$5,000.

I want a bond for me: \_\_\_\_\_ Amount: \_\_\_\_\_

I want a bond for someone else: \_\_\_\_\_ Amount: \_\_\_\_\_

I want another bond for someone else: \_\_\_\_\_ Amount: \_\_\_\_\_

**MONEY MENTORS FINANCIAL COACHING:** Work with a P+P financial coach to set a financial goal and work with you over a six month period to develop a plan to reach it.

I want to work with a financial coach monthly to help me reach my financial goal(s).

**CREDIT SERVICES:** P+P can help you access your free credit report or (re)build your credit.

I want to get a copy of my credit report today.

I want to fill out a request form today to receive a copy of my free credit report by mail.

I have little or no credit history and want to start building credit using a credit building loan.

**FREE FINANCIAL PLANNING:** A pro bono Certified Financial Planner CFP® is a financial expert who can meet with you for a one-time consultation on any of the following topics:

<input type="checkbox"/> Retirement distribution options	<input type="checkbox"/> Managing inherited assets
<input type="checkbox"/> Developing a retirement savings plan	<input type="checkbox"/> Opening a 529 College Savings plan
<input type="checkbox"/> Appropriate life insurance coverage	<input type="checkbox"/> Investing

Continue



# YOUR ROLE IN FINANCIAL SERVICES

- Ensure the CSV connects with taxpayers
  - A completed Boost Your Money form is important for this connection
- Enter Savings Bond, split refund, and direct deposit information in TaxSlayer
  - Use P+P tax intake sheet and Boost Your Money Form as guides
  - Work with the taxpayer and the CSV for details
- Make sure savers get entered in Save + Win contest by talking to a CSV

# ABOUT PREPARE + PROSPER'S SELF-EMPLOYMENT+ PROGRAM



# SELF-EMPLOYMENT+ PROGRAM

- Focus on taxpayers with significant self-employment income and expenses
- Income Guidelines are same as in regular clinics
  - Single household \$40,000; family household \$70,000
  - Self-employed clients we serve
  - Sole proprietors
  - Independent contractors
  - Single member LLCs
- Common business types
  - Artists, musicians, barbers/stylists, day care providers, interpreters, tutors, janitorial/cleaning, construction, and many ride share drivers

# SELF-EMPLOYMENT+ PROGRAM

A taxpayer with SE net income  $\geq$  \$400 has federal and MN filing requirements

The image displays several IRS tax forms related to self-employment and business income:

- Form 1040 (2024):** U.S. Individual Income Tax Return. Includes sections for Filing Status, Digital Assets, Standard Deduction, Age/Blindness/You, Dependents, and Income.
- Form 8829:** Expenses for Business Use of Your Home. File only with Schedule C (Form 1040).
- SCHEDULE C (Form 1040):** Profit or Loss From Business (Sole Proprietorship). Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041.
- Form 8995:** Qualified Business Income Deduction Simplified Computation. Attach to Form 1040, 1040-SR, 1040-SS, or 1041.
- SCHEDULE SE (Form 1040):** Self-Employment Tax. Attach to Form 1040, 1040-SR, 1040-SS, or 1041.
- Form 4562:** Depreciation and Amortization (Including Information on Listed Property). Attach to your tax return.

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# SE REGULAR SEASON CLINICS

- Monday, 9:00 am
  - January 27 – April 14
  - No clinic Presidents' Day, Feb 17
- Wednesday, 5:30 pm
  - January 29 - April 16
- Possible Friday make-up clinic\*
  - April 4 or 11



*\*if snow day cancellation*

# SE AT REGULAR VS SE CLINICS

## **P+P regular clinics**

- SE income up to \$10,000
- Business expenses up to \$25 K
- No NOLs
- No depreciation
- No inventory
- No business use of home
- 1 Schedule C per taxpayer(s)
- COD nonbusiness credit card only
- Cash basis accounting only
- No employees

## **P+P SE clinics**

- SE income up to income guidelines
- Expenses > \$25 K (rare)
- NOLs carried forward
- Depreciation (Section 179, MACRS)
- Inventory
- Business use of home is common
- 1+ Schedule C per taxpayer(s)
- COD on main home foreclosures
- Cash basis accounting only
- No employees

# OUT-OF-SCOPE (EVEN FOR US)

- Businesses with employees
- Bartering income/expense
- Accrual accounting
- Sale of a business
- Bankruptcy
- Actual car/truck expenses
- Partnership or business entity returns
- Non-profit returns
- Other state returns
- Cryptocurrencies
- Day Traders
- Actual Taxis
- Clergy
- Rental property income
- Hobbies



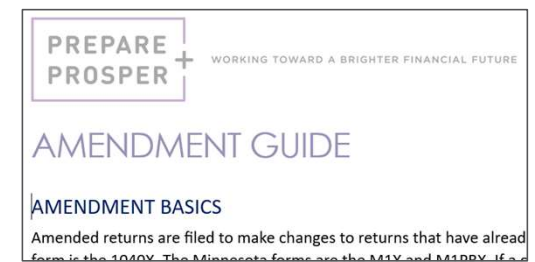
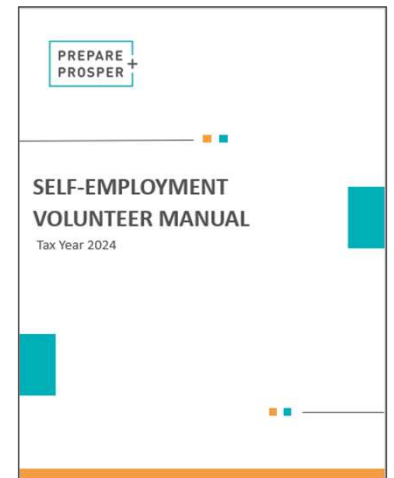
# SE RESOURCES

- P+P Tax Manual
  - Pages 79-85 focus on basic SE items
- Pub 4012
  - Pages D-21 through D-31 focus on SE
- M1 and M1PR booklets
- Pub 17 and all other IRS pubs available online at [IRS.gov](https://www.irs.gov)



# SELF-EMPLOYMENT MANUAL

- Focuses on tax topics common in SE clinics
  - More in depth than Pub 4012 or P+P Volunteer Manual
  - Table of contents to find topics
  - Appointment screener
  - Covers foreclosures
- Amendment Guide is separate



# CUSTOMER TOOLS



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# THE SETO

SELF-EMPLOYMENT TAX ORGANIZER  
TAX YEAR 2024



The Self-Employment Tax Organizer (SETO) gathers information about your self-employment income and expenses. The SETO is used to prepare Schedule C, Profit or Loss from Business, and report your net business income on Form 1040, your tax return. Please complete all sections that apply to your business.

BASIC INFORMATION			
Your name		If married filing jointly <input type="checkbox"/> Qualified joint venture <input type="checkbox"/> Injured spouse	
Business name (If no separate business name, leave blank)		EIN (if used) _____	
Business address (If no separate business address, leave blank)			
Business or profession (What do you do?)		Start Date _____	NAICS code _____

## INCOME FROM SELF-EMPLOYMENT

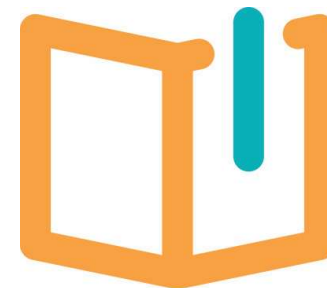
Form 1099-NEC                      Number of forms received \_\_\_\_\_                      (Enter the total for all forms received.) \$ \_\_\_\_\_

Form 1099-K  
(Enter the total for all forms received.)                      \$ \_\_\_\_\_



# RECORD KEEPING: BOOKS

- Self-employed taxpayers must keep records of business income and expenses: **bookkeeping**
- Questions to help taxpayers (re)construct records for their SETO
  - How much did you make per week?
  - How many weeks did you run the business?
  - Do you have electronic deposit or payment records?
  - Did you have expenses for tools, equipment, supplies, help, rent, or other costs?
  - Did you drive your car for business?
  - Did you use your cell phone for business?



# SMALL BUSINESS RESOURCES H/O

PREPARE  
PROSPER +

WORKING TOWARD A BRIGHTER FINANCIAL FUTURE

## SMALL BUSINESS RESOURCES

### Internal Revenue Service (IRS)

[www.irs.gov/businesses/gig-economy-tax-center](http://www.irs.gov/businesses/gig-economy-tax-center)

[www.irs.gov/businesses/small-businesses-self-employed](http://www.irs.gov/businesses/small-businesses-self-employed)

IRS has two online hubs full of information for taxpayers who are self-employed. Both have information related to tax filing requirements and resources. The gig economy center focuses more on those who have no formal business entity. The small business center has additional information about contract labor and employee reporting.

### Minnesota Department of Revenue

800-657-3605

This is Minnesota's department in charge of taxation. Website has information on state ID numbers. As well as information on paying taxes due.

### Minnesota Department of Employment and Economic Development

[deed.mnsbao@state.mn.us](mailto:deed.mnsbao@state.mn.us)

800-310-8323

This Minnesota department's website has a variety of useful guides for small businesses. They have a Small Business Assistance Office to help you start your business in Minnesota.

### International Institute of Minnesota

651-647-0191

Organization dedicated to new Americans in Minnesota. IIMN provides training, English language classes, citizenship classes, and training.

### Mni Sota Fund

[info@mnisotafund.org](mailto:info@mnisotafund.org)

612-225-0480

[mnisotafund.org](http://mnisotafund.org)

Mni Sota Fund is an Urban Native Community Development Financial Institution (CDFI). The Small Business Lab provides coaching, loan opportunities, and assistance with planning next steps to grow a business.

### Latino Economic Development Center (LEDC)

[bizsupport@ledcmn.org](mailto:bizsupport@ledcmn.org)

651-447-5152

[www.ledcmn.org](http://www.ledcmn.org)

LEDC supports entrepreneurs and business owners with start-up assistance, business management training, technical assistance, and access to capital. Their goal is to ensure the Latino business community continues to grow and thrive.

### Neighborhood Development Center (NDC)

[info@ndc-mn.org](mailto:info@ndc-mn.org)

651-291-2480

[www.ndc-mn.org](http://www.ndc-mn.org)

NDC supports entrepreneurs from startup to expansion by providing access to entrepreneur training, business loans, business services, and access to real estate.

### Springboard for the Arts

651-292-4381

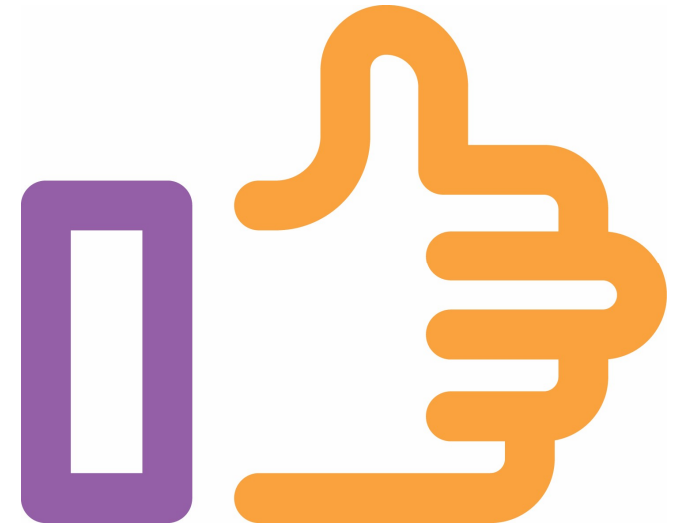
[springboardforthearts.org](http://springboardforthearts.org)

Supports artists with the tools to make a living and a life. Has workshops on business skills, opportunities for grants, job boards, access to workspace, and more.

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**(We can fix it!)**

# AMENDMENTS



# WHAT IS AN AMENDMENT?

- An amendment corrects information wrongly reported on the original tax return
- Amendments may alter refund or balance due
- For TY 2019-2024, P+P prepares
  - Federal 1040X
  - Minnesota M1X and M1PRX
- Jan-Apr 15: 2021 amendments for a refund, and amendments for taxpayers with a dire situation.
- All other amendments: summer SE<sup>+</sup> clinic

# AMENDMENT TIMELINE

- Must file within grace period of original due date to receive a refund
  - 2021 federal refund expires Apr 15, 2025
  - 2021 MN refund expires Oct 15, 2025
  - 2023 M1PR refund expires Aug 15, 2025
- Processing time is 20 weeks
  - 3+ weeks to appear in Where's My Refund?
- 1040X, TY 2022 and later:
  - E-filing
  - Refund direct deposit





# AMENDMENT PROCESS

Return origin determines amendment process

- P+P original return: taxpayer can complete an amendment request form and drop off paperwork for staff to handle administratively
- Original return prepared elsewhere: taxpayer undergoes full preparation process by appointment


**If the original return was prepared elsewhere, P+P will prepare only 2021 amendments during the regular tax season. Other year capacity begins in the summer.**

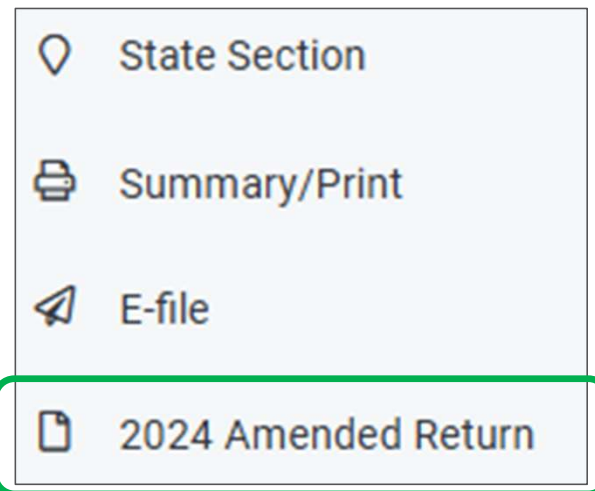
# FORMS REQUIRED

- Complete tax return as originally filed
  - Full printout, or
  - Federal or MN transcript
- Tax documents
  - All documents used on original return
  - Additional documents to support change(s)



# AMENDMENT STEPS

- Ask manager to “Change Preparer” to you
- Refer to **AMENDMENT GUIDE**
- **Generate PDF of original return**
  - Save to desktop
  - Print hard copy
  - Delete before logout
- Select 
- Click “Get Started”



# LOCK ORIGINAL 1040 ENTRIES

Original Federal Return Information

Add/Edit

## Form 1040X Amended Tax Return

CANCEL

CONTINUE

Review Original Column and Override Amounts

### Original Amount

Adjusted gross income

[Where is this located?](#)

\$1115

Itemized or standard deduction

[Where is this located?](#)

\$15700

Tax

[Where is this located?](#)

\$

Credits

[Where is this located?](#)

\$

Other Taxes

[Where is this located?](#)

\$169

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# LOCK ORIGINAL M1 ENTRIES

Amend State Return(s) Begin



State	Return Type	
Minnesota	Resident	<span>+ Amend State</span> <span>+ Property Tax Refund</span>



Amended Return BEGIN

Multiple preliminary screens – see Amendment Guide

# AMEND THE RETURN

- Explain changes

- Federal

Explain Changes

Begin

- State

Explanation of Changes (if different from Federal Explanation)

BEGIN

- Consider replicating the non-P+P return
- Make corrections to the return
- Complete the e-file section

## E-File

Select an option below to get started.

Original tax return

Amended tax return

# SE SUBJECT MATTER

(WHAT YOU HAVE ALL BEEN WAITING FOR)

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## BASIC CONCEPTS

Cash Method

Report income/expense when cash is received/paid

Hobby

Activity not engaged in for profit

Independent Contractor

Non-employee worker, sometimes misclassified

Expense

Deduction that can be taken against SE Income

Depreciation

Cost recovery for a large expense deducted over time

Profit

Taxable excess of business income over business expenses

Business Loss

When business expenses exceed business income

Material participation

The taxpayer is active in the business.



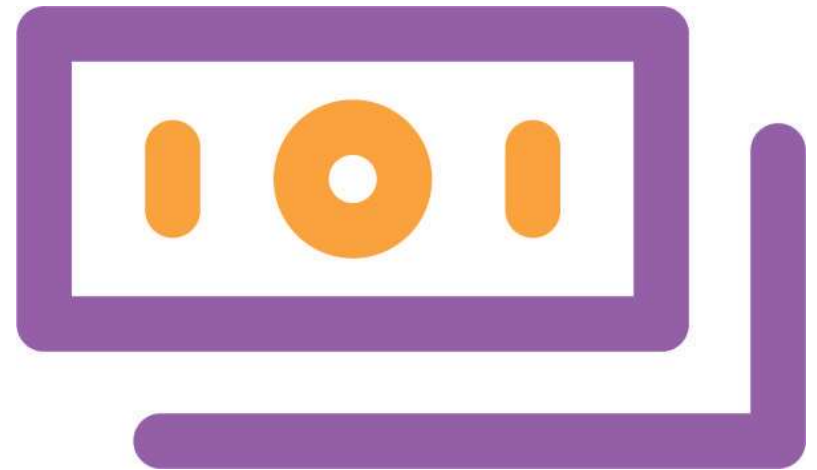
# INCOME



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# SE INCOME SOURCES

- Payments for services
- Sales of goods
- Commissions
- Grants
- Royalties
- Online funding
  - Patreon
  - GoFundMe
- Other income
  - Selling blood/plasma
  - Selling scrap
  - Advertisements on a vehicle



# SE NET INCOME IS EARNED INCOME

## Earned★

- Wages
- Salaries
- Tips on W2
- **Self-Employment Net Income**

★ Subject to Social Security and Medicare taxes

## Unearned

- Social Security
- Interest
- Dividends
- Capital Gains
- IRA distributions
- Gambling winnings
- Pensions

# SE INCOME RECORDS

- Cash receipt book
- Handwritten ledger
- Excel spreadsheet, Googlesheets
- QuickBooks, Quicken
- Check stubs
- Bank statements
- Gig reports
- Tax forms
  - 1099-NEC
  - 1099-MISC
  - 1099-K
  - Schedule K-1



# SE INCOME RECORDS

SETO ←



- Cash receipt book
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# SE INCOME RECORDS

SETO ←



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# SE INCOME RECORDS

SETO ←



- Cash receipt book
- Handwritten ledger
- Excel spreadsheet, Googlesheets
- QuickBooks, Quicken
- Check stubs
- Bank statements
- **Gig reports (bring to tax prep)**
- **Tax forms**
  - **1099-NEC**
  - **1099-MISC**
  - **1099-K**
  - **Schedule K-1**

# FORM 1099-NEC

VOID  CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. Customer Name 1111 University Ave St Paul, MN 55104		OMB No. 1545-0116 Form <b>1099-NEC</b> (Rev. January 2024) For calendar year 2024		<b>Nonemployee Compensation</b>
PAYER'S TIN 41-0009999	RECIPIENT'S TIN 467-00-8888	<b>1</b> Nonemployee compensation \$ 12,000		
RECIPIENT'S name Independent Contractor		<b>2</b> Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>		<b>Copy 1</b> <b>For State Tax Department</b>
Street address (including apt. no.) 200 10th St E		<b>3</b>		
City or town, state or province, country, and ZIP or foreign postal code St Paul, MN 55101		<b>4</b> Federal income tax withheld \$		
Account number (see instructions)		<b>5</b> State tax withheld \$	<b>6</b> State/Payer's state no.	

Form **1099-NEC** (Rev. 1-2024)

[www.irs.gov/Form1099NEC](http://www.irs.gov/Form1099NEC)

Department of the Treasury - Internal Revenue Service



# FORM 1099-MISC

VOID  CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.  Customer Name 1111 University Ave St Paul, MN 55104		1 Rents \$	OMB No. 1545-0115 Form <b>1099-MISC</b> Rev. January 2024) For calendar year <u>2024</u>	<b>Miscellaneous Information</b>
		2 Royalties \$ 800	Federal income tax withheld \$	
		3 Other income \$ 7500		
PAYER'S TIN 41-0009999	RECIPIENT'S TIN 86-1119999	4 Fishing boat proceeds \$	5 Medical and health care payments \$	
RECIPIENT'S name Rainbow Studios		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 \$	<b>Copy 1 For State Tax Department</b>
Street address (including apt. no.) 600 Como Ave		9 Crop insurance proceeds \$	10 Gross proceeds paid to an attorney \$	
City or town, state or province, country, and ZIP or foreign postal code St Paul, MN 55106		11 Fish purchased for resale \$	12 Section 409A deferrals \$	
		13 FATCA filing requirement <input type="checkbox"/>	14 Excess golden parachute payments \$	
		15 Nonqualified deferred compensation \$		
Account number (see instructions)		16 State tax withheld \$	17 State/Payer's state no. \$	
			18 State income \$	

Form **1099-MISC** (Rev. 1-2024)

[www.irs.gov/Form1099MISC](http://www.irs.gov/Form1099MISC)

Department of the Treasury - Internal Revenue Service

PREPARE + PROSPER

# FORM 1099-K

- Rideshare
  - Uber
  - Lyft
- Online stores
  - Shopify
  - eBay
- Payment processors
  - PayPal
  - Venmo
  - Stripe
  - Square

VOID     CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.  <b>ROE COMPANY</b> 2611 COMO AVENUE ST PAUL MN 55112		FILER'S TIN <b>74-1234567</b>	OMB No. 1545-2205 Form <b>1099-K</b> (Rev. March 2024)	<b>Payment Card and Third Party Network Transactions</b>
Check to indicate if FILER is a (an): Payment settlement entity (PSE) <input type="checkbox"/> Electronic Payment Facilitator (EPF)/Other third party <input type="checkbox"/>		PAYEE'S TIN <b>81-1234567</b>	For calendar year <b>2024</b>	
Check to indicate transactions reported are: Payment card <input checked="" type="checkbox"/> Third party network <input type="checkbox"/>		1a Gross amount of payment card/third party network transactions \$ <b>8000</b>	2 Merchant category code <b>9999999</b>	<b>Copy 1 For State Tax Department</b>
PAYEE'S name <b>CLAUDE MARSEILLES</b> Street address (including apt. no.)  <b>2610 UNIVERSITY AVE W APT 450</b> City or town, state or province, country, and ZIP or foreign postal code <b>ST PAUL, MN 55114</b>		3 Number of payment transactions <b>40</b>	4 Federal income tax withheld \$	
PSE'S name and telephone number		5a January \$ <b>1000</b>	5b February \$ <b>800</b>	
Account number (see instructions)		5c March \$ <b>900</b>	5d April \$ <b>60</b>	
		5e May \$	5f June \$	
		5g July \$ <b>3000</b>	5h August \$	
		5i September \$ <b>1250</b>	5j October \$	
		5k November \$ <b>120</b>	5l December \$ <b>870</b>	
		6 State	7 State identification no.	8 State income tax withheld \$
				\$

Form **1099-K** (Rev. 3-2024)    [www.irs.gov/Form1099K](http://www.irs.gov/Form1099K)    Department of the Treasury - Internal Revenue Service

651123

OMB No. 1545-0123

Schedule K-1 (Form 1065)

2024

Department of the Treasury Internal Revenue Service

For calendar year 2024, or tax year

beginning 7/7/2024 ending 7/7/2024

Partner's Share of Income, Deductions, Credits, etc.

See separate instructions.

Part I Information About the Partnership

Part I Information About the Partnership
A Partnership's employer identification number
B Partnership's name, address, city, state, and ZIP code
C IRS center where partnership filed return
D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

Part II Information About the Partner
E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.)
F Name, address, city, state, and ZIP code for partner entered in E. See instructions.
G General partner or LLC member-manager / Limited partner or other LLC member
H1 Domestic partner / Foreign partner
H2 If the partner is a disregarded entity (DE), enter the partner's TIN and Name
H What type of entity is this partner?
I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here
J Partner's share of profit, loss, and capital (see instructions):
Beginning Ending
Profit % %
Loss % %
Capital % %

Check if decrease is due to:
Sale or Exchange of partnership interest. See instructions.

K1 Partner's share of liabilities:
Beginning Ending
Nonrecourse \$ \$
Qualified nonrecourse financing \$ \$
Recourse \$ \$

K2 Check this box if item K1 includes liability amounts from lower-tier partnerships

K3 Check if any of the above liability is subject to guarantees or other payment obligations by the partner. See instructions

L Partner's Capital Account Analysis

L Partner's Capital Account Analysis
Beginning capital account \$
Capital contributed during the year \$
Current year net income (loss) \$
Other increase (decrease) (attach explanation) \$
Withdrawals and distributions \$ ( )
Ending capital account \$

M Did the partner contribute property with a built-in gain (loss)?
Yes No If "Yes," attach statement. See instructions.

N Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss)
Beginning \$
Ending \$

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

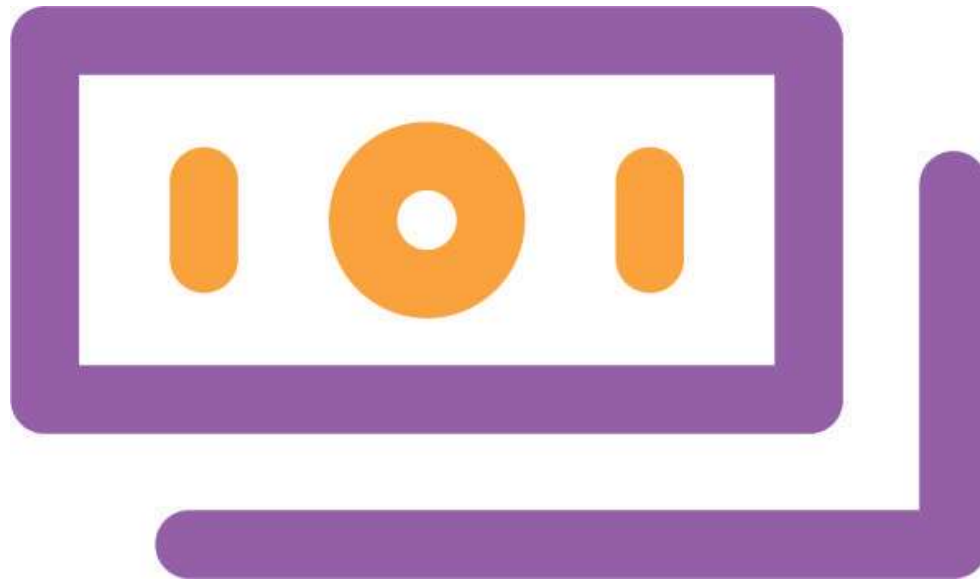
Table with 3 columns: Line number, Description, and Amount. Line 14: Self-employment earnings (loss) 9000. Other lines include Ordinary business income, Net rental real estate income, Credits, Guaranteed payments, Interest income, Dividends, Capital gains, Section 179 deduction, Foreign taxes, etc.

SCHEDULE K-1

- Reports income from partnerships and S-corporations
• Mostly out of scope
• Some artist co-ops report sales income on K-1

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# EXPENSES





# BUSINESS EXPENSES

A deductible expense must be **Ordinary** and **Necessary** in the business\*

- **Ordinary**
  - normal and accepted for the industry
- **Necessary**
  - helpful and appropriate for the business

\*see NAICS code

# COMMON “GENERAL” EXPENSES

- Advertising
- Vehicle mileage
- Contract labor
- Commissions and fees
- Insurance (other than health)
- Loan interest
- Legal fees
- Office expenses
- Office expenses
- Rent/lease of space or equipment
- Repairs/maintenance
- Supplies
- Taxes and licenses
- Travel expenses
- Meals 50% deductible

# GENERAL EXPENSES ON SETO

Page 2

## EXPENSES

Advertising	\$ _____	Rent or lease of equipment	\$ _____
Contract labor	\$ _____	Rent of workspace/property	\$ _____
Commissions & fees	\$ _____	Repairs & maintenance on business equipment	\$ _____
Health insurance premiums*	\$ _____	Other supplies	\$ _____
Business liability insurance	\$ _____	Business licenses	\$ _____
Interest - paid on a business loan or business credit card	\$ _____	Sales tax paid to the state (if paid but not collected from customers)	\$ _____
Legal & professional services	\$ _____	Business travel (airfare, hotel, etc.)	\$ _____
Office supplies (paper, toner, etc.)	\$ _____	Business meals with customers or while traveling	\$ _____
Postage & freight	\$ _____	Utilities (costs specifically for the business)	\$ _____

\*Out-of-scope if claiming self-employment health insurance deduction and entering Form 1095-A for premium tax credit

# SETO → TS Gen Expenses → SCH C

TaxSlayer  Sch C, Part III

## Schedule C

Basic Information About Your Business

Add/Edit

Questions About the Operation of Your Business

Begin

Income

Add/Edit

Cost of Goods Sold

Begin

General Expenses

Add/Edit

Part II Expenses. Enter expenses for busi			
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	



# COMMON “OTHER” EXPENSES

- Dues and publications
- Professional education
- Business % use of cell phone or internet
- Safety Equipment
- Uniforms
- Parking and tolls
- Equipment
  - costing < \$2,500 or
  - having < 1 year of useful life

# OTHER EXPENSES ON SETO

## CELL PHONE AND INTERNET EXPENSES

If you used your cell phone for business:

1. Annual cost for your cell phone \$ \_\_\_\_\_
2. Percentage of time used for business \_\_\_\_\_ %

Expense amount \$ \_\_\_\_\_

If you paid for internet service for your business:

1. Annual cost for your internet \$ \_\_\_\_\_
2. Percentage of time used for business \_\_\_\_\_ %

Expense amount \$ \_\_\_\_\_

## OTHER EXPENSES

Professional education \$ \_\_\_\_\_

Safety equipment or specialized clothing (goggles, uniforms, etc.) \$ \_\_\_\_\_

Other: \_\_\_\_\_ \$ \_\_\_\_\_

Parking & tolls \$ \_\_\_\_\_

Professional organization membership dues or publications \$ \_\_\_\_\_

Other: \_\_\_\_\_ \$ \_\_\_\_\_

# SETO → TS Other Expenses → SCH C

TaxSlayer → Sch C, Part V

## Schedule C

Car And Truck Expenses

Add/Edit

Depreciation

Begin

Other Expenses

Add/Edit

## Part V Other Expenses. List below

<b>48</b>	<b>Total other expenses. Enter here and on</b>

# DEPRECIATION

- Deduct a major expense over its useful life instead of entirely in year of purchase
  - Our only deviation from cash method reporting
- Consider deduction's most beneficial timing
  - Straight line, evenly?
  - Frontload via MACRS?
  - Total Year 1 write-off via Section 179?
- Matches expense to income (GAAP)

# DEPRECIATION ON SETO

MAJOR PURCHASES				
Item	Date of purchase (month/day/year)	Purchase Cost	Business use percentage %	Accumulated Depreciation
	/ /	\$	%	\$
	/ /	\$	%	\$
	/ /	\$	%	\$
	/ /	\$	%	\$

# SETO Major Purchases → TS Depreciation

## Schedule C

1

Basic Information About Your Business

Add/Edit

Car And Truck Expenses

Add/Edit

Depreciation

Add/Edit

## Form 4562 - Depreciation

2

Currently Editing: MAXIMUM CLEAN

Assets

Edit

Questions

Begin

## Depreciation Asset

3

+ Add Another Asset

Description

Date

INDUSTRIAL VAC

01/02/2023



## Depreciation Input Basic Information

4

Description of asset \*

INDUSTRIAL VAC

Percentage of business use \*

100

Date placed in service \*

1

2

2023

Section 179 deduction

\$

Cost \*

\$4000

Depreciation method \*

MACRS 5 YR 200%

Useful life (must be at least 3 years)

5

Check here if you would like to opt out of special depreciation.

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# DEPRECIATION METHODS

Annual depreciation expense deduction can be calculated by methods such as

- **200% or 150% Declining Balance (DB)**
  - Recovers most of asset cost in the early years by frontloading expense deductions
- **Straight Line (SL)**
  - Recovers asset cost equally throughout its useful life

# MODIFIED ACCELERATED COST RECOVERY SYSTEM (MACRS)

- Assets are assigned a standard “useful life”
  - Computers and peripherals: 5-year asset
  - Office furniture: 7-year asset
  - See Pub 946 for details on asset classes
- Depreciation begins on “date placed in service” convention (half-year, mid-quarter, mid-month)
  - Partial-year depreciation in year of acquisition/disposal
  - Usually differs from purchase date



TaxSlayer calculates depreciation expense according to depreciation method, asset life, and service date convention.



# MACRS EXAMPLE

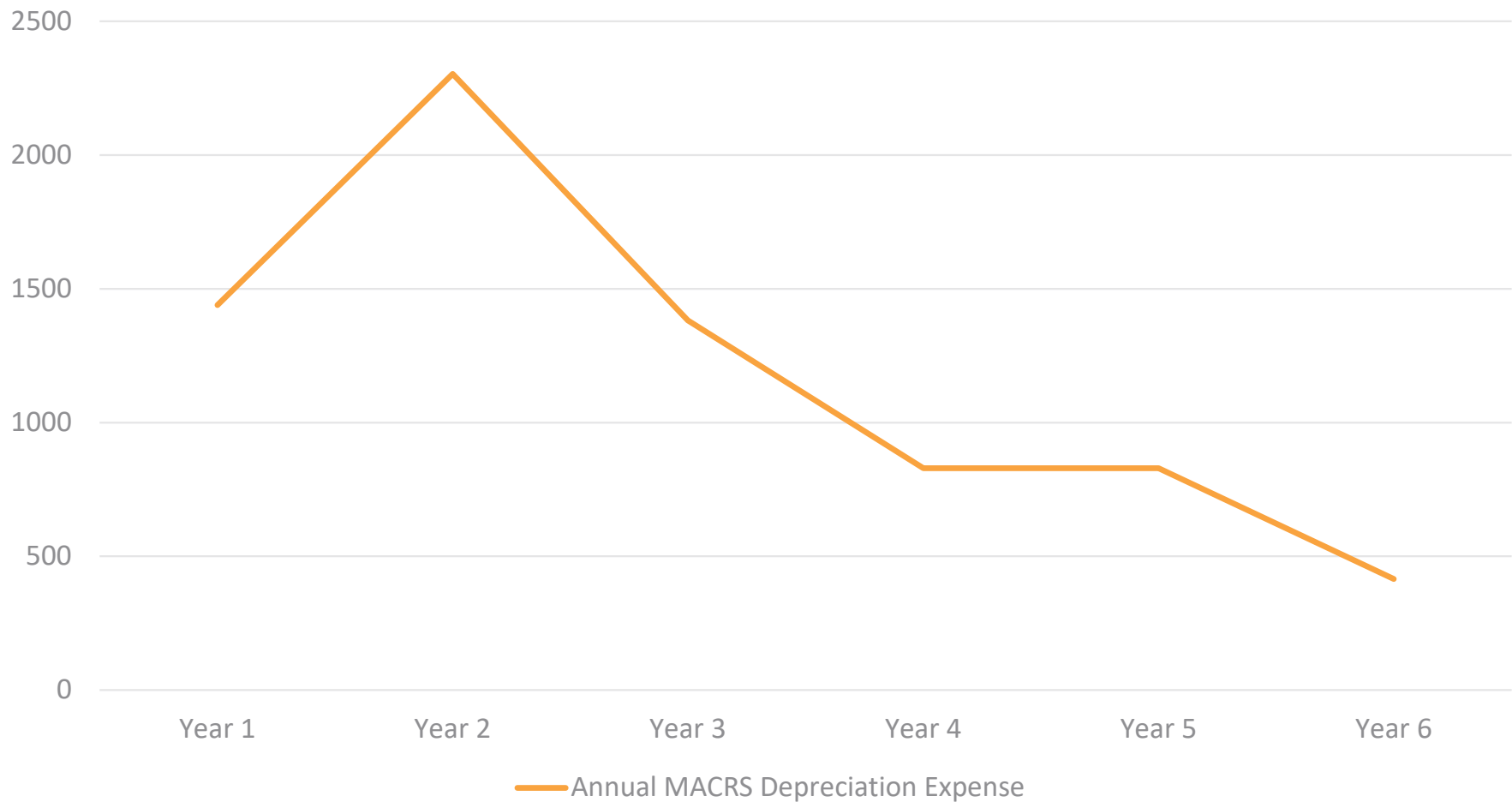
Dana buys a computer for \$7,200 and begins using it in a graphic design business on February 22, Year 1

Straight line depreciation = \$1,440 per year for 5 years.

Year	Basis	Deduction by DDB, HY convention	Remaining Depreciation Basis
1	\$7,200	$(7,200 / 5) * 2 / 2 = \mathbf{\$1,440.00}$	$7,200 - 1,440 = \$5,760$
2	\$5,760	$(5,760 / 5) * 2 = \mathbf{\$2,304.00}$	$5,760 - 2,304 = \$3,456$
3	\$3,456	$(3,456 / 5) * 2 = \mathbf{\$1,382.40}$	$3,456 - 1,382 = \$2,073$
Year 3 SL depreciation > MACRS, so switch to SL. $2x + 2x + x = \$2,073$ , so $x = \$414.72$			
4	\$2,073	$2x = 2 * 414.72 = \mathbf{\$829.44}$	$2,073 - 829.44 = \$1,244.16$
5	\$1,244	$2x = 2 * 414.72 = \mathbf{\$829.44}$	$1,244.16 - 829.44 = \$414.72$
6	\$414.72	$x = \mathbf{\$414.72}$	$414.72 - 414.72 = \$0$

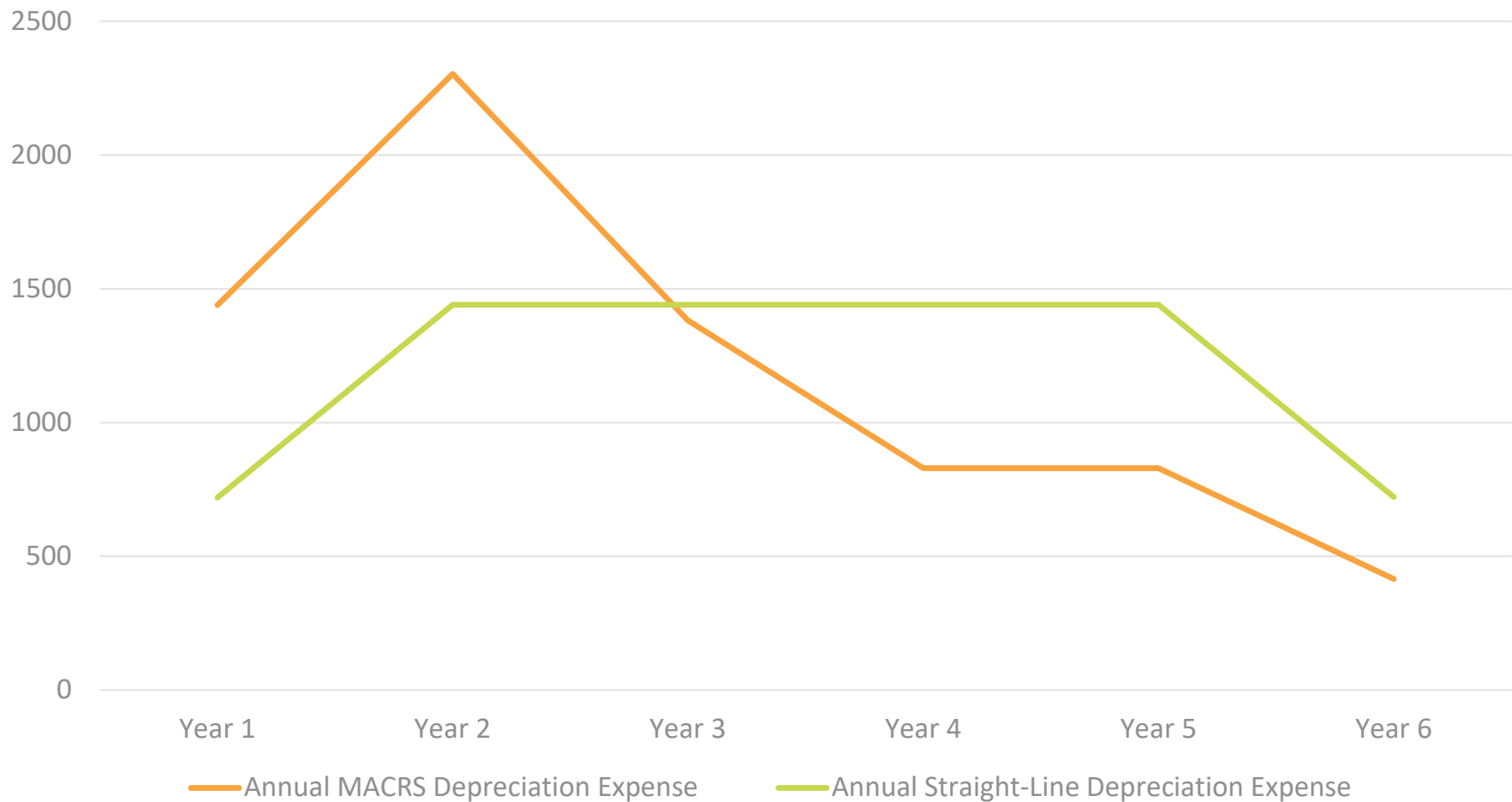
# MACRS EXAMPLE

MACRS Depreciation Expense for \$7,200 Computer



# MACRS EXAMPLE

MACRS vs Straight-Line Depreciation for \$7,200 Computer



# MACRS PERCENTAGE TABLES

Table A-1. 3-, 5-, 7-, 10-, 15-, and 20-Year Property  
Half-Year Convention

Year	Depreciation rate for recovery period					
	3-year	5-year	7-year	10-year	15-year	20-year
1	33.33%	20.00%	14.29%	10.00%	5.00%	3.750%
2	44.45	32.00	24.49	18.00	9.50	7.219
3	14.81	19.20	17.49	14.40	8.55	6.677
4	7.41	11.52	12.49	11.52	7.70	6.177
5		11.52	8.93	9.22	6.93	5.713
6		5.76	8.92	7.37	6.23	5.285
7			8.93	6.55	5.90	4.888
8			4.46	6.55	5.90	4.522
9				6.56	5.91	4.462
10				6.55	5.90	4.461
11				3.28	5.91	4.462
12					5.90	4.461
13					5.91	4.462
14					5.90	4.461
15					5.91	4.462
16					2.95	4.461
17						4.462
18						4.461
19						4.462
20						4.461
21						2.231

Year	5-year
1	20.00%
2	32.00
3	19.20
4	11.52
5	11.52
6	5.76

# MACRS EXAMPLE

Dana buys a computer for \$7,200 and begins using it in a graphic design business on February 22, Year 1

Straight line depreciation = \$1,440 per year for 5 years.

Year	Basis	Deduction = DDB, HY convention	Remaining Depreciation Basis
1	\$7,200	$7,200 * 20.00\% = \mathbf{\$1,440.00}$	$7,200 - 1,440 = \$5,760$
2	\$5,760	$7,200 * 32.00\% = \mathbf{\$2,304.00}$	$5,760 - 2,304 = \$3,456$
3	\$3,456	$7,200 * 19.20\% = \mathbf{\$1,382.40}$	$3,456 - 1,382 = \$2,073$
In Year 3, SL depreciation > MACRS, so switch to SL $2x\% + 2x\% + x\% = 28.80\% = (100\% - 20\% - 32\% - 19.2\%),$ so $x = 5.76\%$			
4	\$2,073	$7,200 * 11.52\% = \mathbf{\$829.44}$	$2,073 - 829.44 = \$1,244.16$
5	\$1,244	$7,200 * 11.52\% = \mathbf{\$829.44}$	$1,244.16 - 829.44 = \$414.72$
6	\$414.72	$7,200 * 5.76\% = \mathbf{\$414.72}$	$414.72 - 414.72 = \$0$



# SECTION 179 DEDUCTION

Can deduct up to \$1,220,000 of

- Tangible personal property
- Newly acquired for business use
- Year 1 business use > 50%
- Total Section 179 deduction cannot create a Net Operating Loss

# DE MINIMIS SAFE HARBOR EXPENSE

- Safely expense low value purchases instead of depreciating
- \$2,500/item since TY2016
- Different from Section 179





# **INVENTORY: COST OF GOODS SOLD**

Taxpayers with inventory crossing tax years derive the Cost of Goods Sold from:

- Inventory value on January 1, 2024
- Purchases made during 2024 of
  - Product or goods
  - Materials
  - Contract Labor
- Inventory value on December 31, 2024
- Value of inventory taken for personal use



# INVENTORY: COGS

$$\text{BI} + \text{Purchases} = \text{COGS} + \text{WD} + \text{EI}$$

$$\text{COGS} = \text{BI} + \text{Purchases} - \text{WD} - \text{EI}$$

**Part III** Cost of Goods Sold (see instructions)

33 Method(s) used to value closing inventory:    a  Cost    b  Lower of cost or market    c  Other (attach explanation)

34 Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation . . . . .  Yes     No

35	Inventory at beginning of year. If different from last year's closing inventory, attach explanation . . . . .	35	5000
36	Purchases less cost of items withdrawn for personal use . . . . .	36	40000
37	Cost of labor. Do not include any amounts paid to yourself . . . . .	37	1000
38	Materials and supplies . . . . .	38	500
39	Other costs . . . . .	39	
40	Add lines 35 through 39 . . . . .	40	46500
41	Inventory at end of year . . . . .	41	2000
42	Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on line 4 . . . . .	42	44500

# INVENTORY: COGS

## SCHEDULE C (Form 1040)

Department of the Treasury  
Internal Revenue Service

## Profit or Loss From Business (Sole Proprietorship)

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

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

OMB No. 1545-0074

**2024**

Attachment  
Sequence No. **09**

Name of proprietor <b>Claude Marseilles</b>		Social security number (SSN)
<b>A</b> Principal business or profession, including product or service (see instructions)	<b>B</b> Enter code from instructions 4 5 5 0 0 0	
<b>C</b> Business name. If no separate business name, leave blank. <b>VINTAGE BOUTIQUE</b>	<b>D</b> Employer ID number (EIN) (see instr.) 4 1 0 0 9 9 9 9 9	
<b>E</b> Business address (including suite or room no.) <b>800 W Lake St</b> City, town or post office, state, and ZIP code <b>Minneapolis, MN 55408</b>		
<b>F</b> Accounting method: (1) <input checked="" 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 2024? If "No," see instructions for limit on losses	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<b>H</b> If you started or acquired this business during 2024, check here	<input type="checkbox"/>	
<b>I</b> Did you make any payments in 2024 that would require you to file Form(s) 1099? See instructions	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<b>J</b> If "Yes," did you or will you file required Form(s) 1099?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	

### Part I Income

<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>70000</b>
<b>2</b> Returns and allowances	<b>2</b>	
<b>3</b> Subtract line 2 from line 1	<b>3</b>	<b>70000</b>
<b>4</b> Cost of goods sold (from line 42)	<b>4</b>	<b>44500</b>
<b>5</b> <b>Gross profit.</b> Subtract line 4 from line 3	<b>5</b>	<b>25500</b>
<b>6</b> Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	<b>6</b>	
<b>7</b> <b>Gross income.</b> Add lines 5 and 6	<b>7</b>	<b>25500</b>

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# MINNESOTA SALES TAX

- Selling goods or providing services may require paying sales tax
- Common services subject to sales tax:
  - Building cleaning/janitorial
  - Lawn and garden services
  - Massages
  - Pet grooming/care
- Deduct sales tax only if paid out of pocket



# SALES TAX REGISTRATION

- P+P does not prepare sales tax returns
  - Taxpayers should register the business on the Minnesota Department of Revenue website
    - [revenue.state.mn.us/sales-and-use-tax](https://revenue.state.mn.us/sales-and-use-tax)
- Voluntary Disclosure Program for unreported tax liability
  - Option for those unaware sales tax was due
  - Limited look-back period
  - Potentially relieves some or all penalties

# VEHICLE EXPENSES

Business owners deduct vehicle expenses by either:

- **Standard Mileage Rate**
  - Track the miles driven for business
  - Deduction = flat dollar amount/business mile
  - Accounts for gas, maintenance, depreciation, insurance etc
  - In-scope
- **Actual Expenses**
  - Track all mileage
  - Categorize each mile as personal or business
  - Document all expenses to maintain or operate vehicle
  - Deduct the business portion of actual expenses
  - Out-of-scope



# STANDARD MILEAGE DEDUCTION

- Mileage based deduction (TaxSlayer knows)
  - 67 cents/mile for 2024
- Allowed even if car is fully depreciated
- Additional separate expenses allowed
  - Parking and tolls while used for business
  - Prorated to percentage of business use
    - Vehicle loan interest
    - Personal property taxes on vehicle

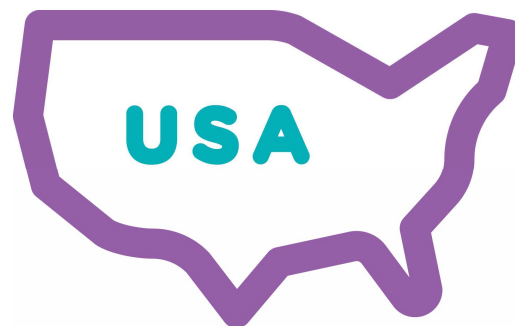
# CALCULATING BUSINESS MILEAGE

- Business related trips from business location to business location
  - Includes trips from W-2 work to SE work
- Trips to and from home are considered commuting (personal) miles
  - Exception: taxpayer claims a business use of home deduction



# TRAVEL

- Business travel expenses are deductible when a taxpayer travels out of their regular business area for work
- Regular business area:
  - Area of worker's usual, common commuting
- Example of deductible expenses:
  - Transportation costs (including mileage)
  - Meals
  - Lodging





# BUSINESS USE OF HOME

Methods to calculate business use of home

## Simplified

- A flat dollar amount per square foot used for business

## Traditional

- Prorate actual costs of the home based on percentage used for business

Regardless of method, the area must be **regularly** and **exclusively** used for business



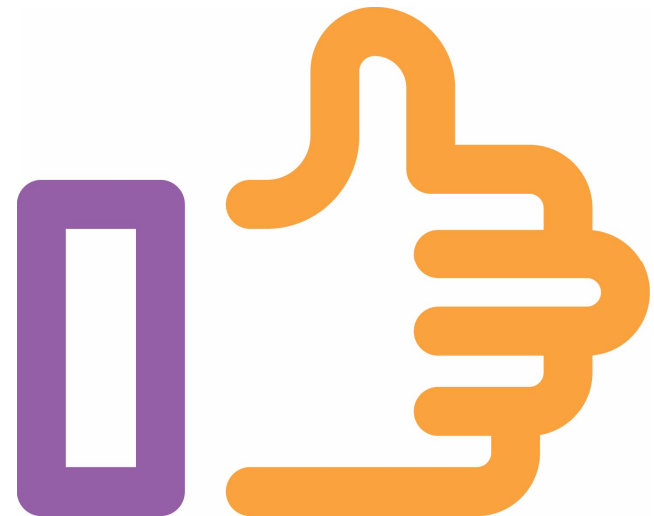
# BUSINESS USE OF HOME ON M1PR

- Business use of home deduction impacts property tax refunds
- 2024: business use of home no longer affects renter's rebate, which is rolled into the M1 as a refundable tax credit.



# BUSINESS USE OF HOME: SIMPLIFIED METHOD

- \$5 per square foot up to 300 square feet
- Home mortgage and property taxes can still be claimed in full on Schedule A as itemized deductions
- No depreciation



# BUSINESS USE OF HOME: TRADITIONAL METHOD

- Prorate expenses by percentage of the home used for business
  - Property taxes
  - Mortgage interest
  - Utilities
  - Rent
  - Repairs
  - Insurance
  - Depreciation of home, excluding land value
    - Expensing depreciation reduces the home's cost basis, potentially increasing taxable gain from sale



# HOME DEPRECIATION

- TaxSlayer depreciates a home\* using the MACRS 39-year Straight-Line Method, Half-Month Convention
- Initial cost of the asset is determined by the lesser of:
  - Cost of home + improvements before it was placed into service
  - Fair Market Value of the home on the date placed into service

*\*residential real estate percentage table*

**DAYCARES**  
**(CHILDREN ARE THE FUTURE)**



PREPARE + PROSPER

# DAYCARE USE OF HOME DEDUCTION

- Daycare providers calculate business use of home deductions differently
- Daycare area can include any area regularly used for business
  - need not be exclusively used for day care
- Deduction is prorated for business use based on the number of hours the day care was operated in the home

# DAYCARE MEAL AND SNACK DEDUCTION

- Daycare providers have a standard deduction rate for meals and snacks
- Deduction is based on attendance and time of day in operation
- Deduction rates for tax year 2024
  - \$0.93 per snack time (up to 3 per day)
  - \$1.66 per breakfast meal
  - \$3.15 per lunch or dinner meal



# DAYCARE SETO SECTIONS

## EXPENSES: STANDARD MEAL AND SNACK RATE, 2024

You can use the **Standard Meal & Snack Rate** in the chart below or actual expenses for food purchased and served to eligible children. **Eligible children** are minor children receiving family day care in the home. You **cannot** deduct the cost of food consumed by you, your family, or children who live in the home.

You do not need receipts for purchases when using the Standard Meal & Snack Rate. Calculate the days and hours that eligible children attended your day care using attendance records. Use attendance details to calculate the number of meals and snacks served.

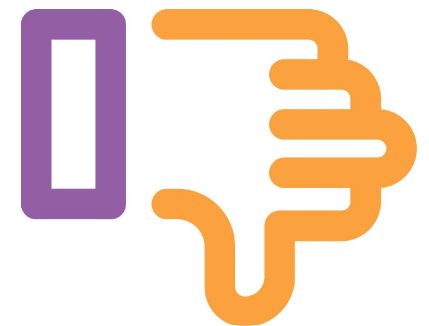
Child 1	Child 2	Child 3
Bkfst _____ x \$1.66 = _____	Bkfst _____ x \$1.66 = _____	Bkfst _____ x \$1.66 = _____
Snack _____ x \$0.93 = _____	Snack _____ x \$0.93 = _____	Snack _____ x \$0.93 = _____
Lunch _____ x \$3.15 = _____	Lunch _____ x \$3.15 = _____	Lunch _____ x \$3.15 = _____
Snack _____ x \$0.93 = _____	Snack _____ x \$0.93 = _____	Snack _____ x \$0.93 = _____
Dinner _____ x \$3.15 = _____	Dinner _____ x \$3.15 = _____	Dinner _____ x \$3.15 = _____
Child 4	Child 5	Child 6
Bkfst _____ x \$1.66 = _____	Bkfst _____ x \$1.66 = _____	Bkfst _____ x \$1.66 = _____
Snack _____ x \$0.93 = _____	Snack _____ x \$0.93 = _____	Snack _____ x \$0.93 = _____
Lunch _____ x \$3.15 = _____	Lunch _____ x \$3.15 = _____	Lunch _____ x \$3.15 = _____
Snack _____ x \$0.93 = _____	Snack _____ x \$0.93 = _____	Snack _____ x \$0.93 = _____
Dinner _____ x \$3.15 = _____	Dinner _____ x \$3.15 = _____	Dinner _____ x \$3.15 = _____

# DAYCARE SETO SECTIONS

DAY CARE IN THE HOME	
Daily start and end time of day care operations	_____ AM to _____ PM
Area used for day care operations	Square feet: _____
Total area of the house or apartment	Square feet: _____
Mortgage interest (homeowners)	\$
Real estate taxes (homeowners)	\$
Renter or homeowner insurance premiums	\$
Rent	\$
Repairs & maintenance	\$
Utilities (e.g. gas, electric, water, sewer, garbage)	\$
Homeowners only:	
A) What was the purchase price of the home?	\$
B) What was the value of the land?	\$
C) What date was the home first used for business? (month/day/year)	/ /

# OUT OF SCOPE EXPENSES

- Amortization
  - Depreciation's intangible cousin
- Depletion
  - Accrual accounting for resources
- Employee wages or benefits
  - NO EMPLOYEES!
- Actual car/truck expenses
  - Takes too long



# BREAK TIME!

10-minute break



# SE TAX AND ADJUSTMENTS



# SE TAX BASICS

- Self-Employment Tax establishes earned income
- Employee/Employer
  - Each pays
    - 6.20% of earnings up to \$168,600, Social Security base
    - 1.45% of earnings for Medicare
  - Employer withholds employee's share
  - Employer matches employee's share
  - Employer forwards total to IRS by mandated deadline
- Self-employed worker is both employer & employee
  - Pays both halves of the tax:  $(6.2\% + 1.45\%) * 2 = 15.3\%$
  - 92.35% of 15.3% of Sch C net income
  - $92.35\% = 100\% - 7.65\%$  deduction for employer match

# SE TAX, CONTINUED

- Taxpayers owe SE Tax on Sch C net profit from self-employment  $>$  \$400
- Reconcile the tax on Form 1040 through Sch SE, Sch 1, and Sch 2
- Half of SE tax = Sch 1 deduction from gross income *for* AGI
- Common: owe SE tax but not income tax

# ESTIMATED TAX PAYMENTS

Taxpayers may make payments to the IRS (and MDOR)

- Typically made quarterly
- Can reduce balance due and potential tax time underpayment penalties and interest



## Rule of Thumb:

Use 25% of gross income to make estimated payments during the year



# SE HEALTH INSURANCE



Self-employed taxpayers may deduct up to 100% of health insurance premiums *for AGI*, reducing taxable income.

- Requires Sch C net profit
- Ineligibility for any employer subsidized plan
- Not Sch C ~~business expense~~
- Not Sch A ~~itemized deduction~~
- Can use Medicare premiums

# QUALIFIED BUSINESS INCOME

Sole proprietors and most US-based business entities except C-corps are eligible for the QBID

- TaxSlayer calculates 20% of net income, applies limitations, and reports on Form 8995
- Doesn't reduce SE Tax owed
- Complicated limitations at higher income levels

8	Additional income from Schedule 1, line 10 . . . . .	8	48863
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your <b>total income</b> . . . . .	9	48863
10	Adjustments to income from Schedule 1, line 26 . . . . .	10	5951
11	Subtract line 10 from line 9. This is your <b>adjusted gross income</b> . . . . .	11	42912
12	<b>Standard deduction or itemized deductions</b> (from Schedule A) . . . . .	12	20800
13	Qualified business income deduction from Form 8995 or Form 8995-A . . . . .	13	4422
14	Add lines 12 and 13 . . . . .	14	25222
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your <b>taxable income</b> . . . . .	15	17690

**SPECIAL  
SITUATIONS  
(MAYBE NOT TOO SPECIAL)**



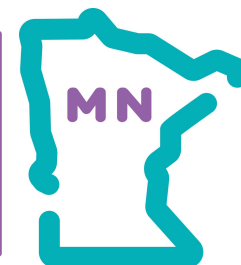
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## MA-EPD

- Medical Assistance for **Employed** Persons with Disabilities
- Must earn over \$65/month (\$780/year)
- Must establish earned income by paying SE tax
- Returns usually have no expenses
- Common examples of MA-EPD activities
  - Cleaning service
  - Dog walking
  - Gardening/lawncare
  - Babysitting

# NET OPERATING LOSS (NOL)

- Business loss exceeds taxpayer's other income
  - AGI is negative
- Taxpayer can carry over the loss to the next year
  - NOL carryback to prior years is out-of-scope



# MISCLASSIFIED WORKERS

- Employee misclassified as independent contractor when meriting treatment as employee
  - Employer issues a Form 1099-NEC instead of Form W-2
- Likely an employee if the employer
  - Controls finances and work behavior
  - Determines work performance parameters (when, where, how)
- File to contest classification:
  - Form 1040, reporting earnings as wages with
  - Form 8919, report uncollected Social Security and Medicare tax on wages
- Refer to LITC for assistance filing Form SS-8



# CONTESTING WORKER MISCLASSIFICATION

- Filing Form SS-8, *Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding*
  - Form **cannot** be filed anonymously
  - Company will know who reported the problem
  - Form will be prepared separately from tax return
- IRS processing of Form SS-8 takes months!
- Filing as a misclassified employee:
  - Do not complete Schedule C
  - Business expenses cannot be deducted

# PRIOR YEAR STUFF (CAN'T ESCAPE YET)





# 2023 MINNESOTA REBATE

- Payments sent to
  - Low-to-moderate income MN resident
  - Non-dependent taxpayers
  - Who filed 2021 MN return(s) by Dec 31, 2022
  - Possibly received in 2024 (still in MN Subtractions menu)
- \$260/person (TP, SP, Dep) up to \$1,300/HH
- Reported on Form 1099-MISC
- Taxable on federal return
- NOT taxable on MN M1 return
- Exclude from MN M1PR household income

# 2023 MINNESOTA REBATE

- Subtract rebate in TaxSlayer

## Minnesota Return

### Subtractions from Income

Adjustments for income taxed by the federal government but not MN and other MN deductions

BEGIN

Subtraction for One-time rebates for tax year 2021 included in Federal AGI

\$ 780



# PPP LOAN FORGIVENESS

- Sole proprietors qualified for Paycheck Protection Program loans in 2020-2021 if meeting other necessary criteria
- A forgiven PPP loan excluded from taxable income
- Expenses paid with PPP funds are still deductible

# SICK AND FAMILY LEAVE CREDIT

- SE taxpayers unable to work due to COVID may be eligible for a refundable tax credit in 2020 and 2021 (can only claim for 2021)
- Covers SE income from April 1, 2020 through September 30, 2021
- Lost due to COVID-related
  - Federal, state, or local lockdown
  - Care for child during daycare/school closure
  - Care for self or close family member experiencing COVID symptoms or under quarantine



# **TAX UPDATES AND REMINDERS**

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# IRS UPDATES – PUB 4491



# 4491

**VITA/TCE Training Guide** **2024 RETURNS**  
Volunteer Income Tax Assistance (VITA) / Tax Counseling for the Elderly (TCE)




**Link & Learn Taxes**

Take your VITA/TCE training online at: [apps.irs.gov/app/vital/](https://apps.irs.gov/app/vital/) (keyword: Link & Learn Taxes). Link to the Practice Lab to gain experience using tax software and take the certification test online, with immediate scoring and feedback.

Publication 4491 (Rev. 10-2024) Catalog Number 47406R Department of the Treasury Internal Revenue Service

## Important Changes for 2024




### Due Date of Return

The due date for filing individual income tax returns is April 15, 2025.

### Tax Form and Publication Changes

- Form 1040, U.S. Individual Income Tax Return, includes a checkbox and entry field in the Filing Status section that allows taxpayers to elect to treat a nonresident alien spouse or dual-status alien spouse as a resident. A checkbox was added on line 6c. Taxpayers who elect to use the lump-sum election method for their retroactive payment of Social Security benefits will check this box.
- Schedule 1 (Form 1040), Additional Income and Adjustments to Income, includes an entry field for

## Temporary Provisions



### Introduction

Some of the provisions contained in this lesson have been commonly referred to as “extenders.” Others are temporary provisions contained in recent legislation. In some instances, these provisions modify only portions of the existing tax law. In those cases, we have included caution statements in the affected lessons redirecting volunteers to explore the temporary modifications in this lesson. The following topics are covered here:

- Student loan forgiveness
- Employer provided educational assistance
- Cancellation of debt on a principal residence

lesson.

IRS Publication 4491 (available online)

Offers VITA specific tax law training. “Important Changes for 2024” and “Temporary Provisions” sections are great for updates.

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# **WORKING FAMILY CREDIT:**

## **No qualifying child**

- Taxpayers with no qualifying child may claim the credit
- Maximum credit is \$369
- Must be between age 19 and 64
- Must have earned income
  - From \$1 to \$31,090 (\$36,880 for MFJ)
  - Phases in at lower incomes; phases out at higher incomes



# ITIN UPDATES

- Taxpayers with ITINs now eligible for most state tax credits
  - Child Tax Credit
  - Working Family Credit
    - Tax law updated to include ITIN holders
  - Dependent Care Credit
  - Homestead Credit for Homeowners
    - Now eligible for homestead status from the county



# M1PR CHANGES

- 2024 renter's refund is now a Form M1 refundable credit
  - Income tax and renter refunds are combined and paid soon after filing
  - Filing M1 without CRPs → **M1X** to claim rebate



## AMENDMENT REQUEST FORM

5. What changes are you requesting?

Add tax year 2024 Certificate(s) of Rent Paid Number of CRPs to enter \_\_\_\_\_

# WRAP UP

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# FINISH CERTIFICATION TESTS

- IRS certification tests must be completed before volunteering
- All SE preparers and reviewers must pass:
  - Volunteer Standards of Conduct
  - Intake/Interview and Quality Review
  - Advanced Preparer Certification
  - Advanced tax law or Circular 230 (if eligible)
- Test reminders:
  - Prepare test returns in TaxSlayer Practice Lab
  - Complete tests in Form 6744 test booklet
  - Then take the test online: no time limit, “open book” tests
  - Retest option available



**THANK YOU!**

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