

SPORTS OFFICIALS

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2019 SPORTS OFFICIALS TAX GUIDE

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INTRODUCTION

Due to the nature of our business, the Internal Revenue Service takes a critical look at the income tax filings made by sports officials — professional and amateur.

Referee and the National Association of Sports Officials (NASO) are here to help you prepare for those situations. Information on the taxation of sports officials, and how income and expenses are determined and viewed by taxing jurisdictions, is contained within this booklet.

The information is only a guide; you should contact a CPA or tax professional for advice pertinent to your particular situation.

HOW TO USE THIS GUIDE

Throughout the following pages, references are made to various tax forms and tables, identified as “Exhibits.” Samples of those documents are located on pages 20-29 in the “Tables and Forms” section.



UNDERSTANDING THE RULES OF THE GAME: TAXATION OF SPORTS OFFICIALS

INDEPENDENT CONTRACTOR VERSUS EMPLOYEE

Worker classification is an area of great interest to employers, the federal government, state governments and sports officials. Its impact on each of those entities can be very large. Generally, employees are more expensive for employers than are independent contractors. Conversely, a worker's overall tax liability is generally greater if taxed as an independent contractor rather than as an employee. State governments manage unemployment programs that benefit employees but do not benefit independent contractors. This discussion will be limited to the impact on sports officials of the employee versus independent contractor issue.

There are two main categories of workers – employees and independent contractors. Employees are individuals who provide services for employers within an employment relationship. Independent contractors are individuals who provide services outside an employment relationship. They are self-employed. Generally, a worker's status will be determined by the type of business, not the worker, and is sometimes controlled by a matter of law. For example, if officials are employees of a school district, that school district should treat them as employees for officiating purposes. The sports official's tax and financial burden will be different if the official is an employee rather than an independent contractor.

TAX CONSIDERATIONS [EXHIBIT 1]

When sports officials are treated as employees, their income is reported as wages on page one of Form 1040. Income includes payment for services provided and amounts received for job-related expenses. If the expenses incurred are not reported to the employer or are reimbursed at an amount different from that which would be deductible, the difference would be reported as income.

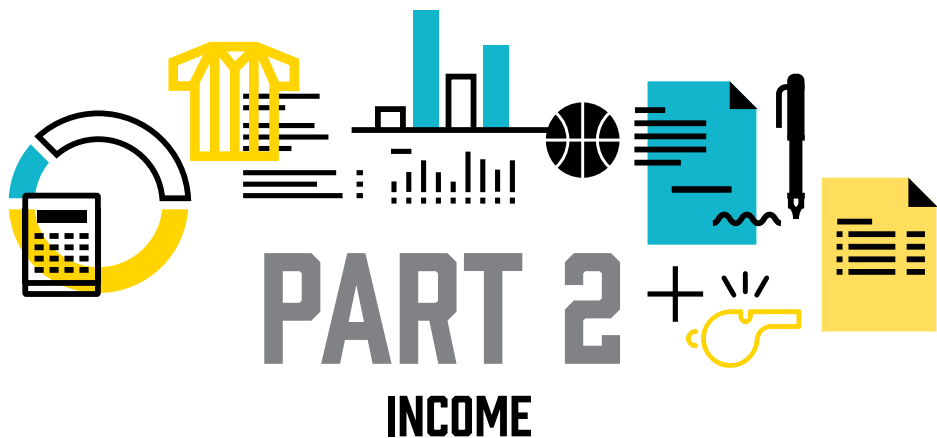
The employee pays income tax on that income through wage withholding based on information provided to the employer on Form W-4. In addition, the employee must also pay Social Security tax at 6.2% and Medicare at 1.45%. The employee also satisfies the payment of the tax through payroll withholding. The employer matches the Social Security and Medicare tax of each employee.

When sports officials are treated as independent contractors, they are responsible for payment of their own income taxes as well as Social Security and Medicare taxes. Officials who receive more than \$600 from any individual payer should receive a Form 1099-MISC. Depending on the net amount of officiating income (gross income minus expenses), the official may have to pay those taxes by making estimated tax payments, referred to as quarterly payments. However, the due dates of those payments are not tied to calendar quarters. They are due April 15, June 15, September 15 and January 15. The reason is to get self-employed individuals on a pay-as-you-go system, similar to employees who pay taxes through payroll withholding. The taxes due are based on the gross income, less expenses, that are known as of the date of the estimate. If officiating is a part-time or seasonal job, you may be able to satisfy those tax payments through additional withholding from earnings from your primary employment. That keeps things simple and may save a penalty since payroll withholdings are considered paid equally throughout the year, whereas estimated tax payments are considered paid the date they are received by the IRS. Failure to pay sufficient estimated taxes through that method may result in a penalty for underpayment.

The self-employment tax for independent contractors is equal to the employer and employee share of Social Security and Medicare taxes, 15.3%. The good news is that one-half of the tax is deductible from gross income. An official who files a tax return as an independent contractor will complete a Schedule C, Profit or Loss From Business (Sole

Proprietorship) to determine how much income is subject to income tax and self-employment tax.

Another issue for the independent contractor is fringe benefits. An employee is generally taken into account for purposes of the employer's retirement and fringe benefit plans. Accordingly, an employee may be eligible for health insurance, educational assistance and many other tax-advantaged benefits. An employee may also be eligible for unemployment compensation and worker's compensation for job-related injuries or disabilities. Independent contractors generally must provide their own retirement and fringe benefit plans and have no protection when they cannot work due to injury, unless they have purchased disability coverage. Health and disability insurance premiums are deductible for income tax purposes when purchased by an independent contractor. Life insurance is not deductible.



If you are being paid as an employee, your income includes payment for services rendered. Employers treat this as wages and these wages are subject to income tax withholding, Social Security and Medicare tax withholding. Wages are reported to you on Form W-2 by January 31 for the preceding calendar year. If your employer is reimbursing you for expenses, they may report them to you one of two ways:

First, if your employer is reimbursing your expenses dollar for dollar, any reporting to you by your employer is for information only. The amount is not subject to income tax, Social Security or Medicare tax. You are not required to report those reimbursements as income nor are you allowed a deduction for the expenses. Those amounts offset each other and are not reported on your tax return.

Second, if you do not report to your employer your expenses and instead receive amounts to help offset your various expenses (i.e. an expense allowance), your employer will include the reimbursements as income on your Form W-2. If your employer pays for your expenses directly, for example, gives you a plane ticket or hotel reservations paid in advance, those items are not income to you unless you negotiate the items for cash and a lesser service. Trading a first-class airline ticket for a coach or business class ticket (one of lesser value) and “pocketing” the difference is not illegal. However, you must report the difference (savings) as income.

If you report your income as an independent contractor, your income from officiating includes all amounts received regardless of whether

you report your expenses to the contracting agent. You will report all receipts on Schedule C. Types of income you might receive include a flat fee for officiating a game, reimbursement for some or all of your deductible or nondeductible mileage and amounts for out-of-town expenses like hotel and meals (per diem).

NEW TAX LAWS AFFECT OFFICIALS

Regardless of your political persuasion, if you are an official who files a tax return as anything other than a W-2 employee, you are going to be excited about the new tax law passed in December 2019. The Tax Cuts and Jobs Act (TCJA) allows individuals with small businesses and pass-through entities to have a deduction of Qualified Business Income (QBI). In other words, if you file a Schedule C as a sole proprietor (most officials) or you have a Limited Liability Company that files as an S Corporation, you will be able to deduct a portion of your net income.

QBI is defined by the IRS as “the net amount of qualified items of income, gain, deduction and loss, with respect to any domestic qualified trade or business of the taxpayer.” In non-tax speak, this means you add all of your qualified domestic trade or business (officiating) income then subtract deductions and expenses. The resulting amount is qualified business income. Taxpayers may claim the deduction for that QBI regardless of whether they claim the standard deduction or they itemize their deductions.

There are a few provisions that also will affect the deduction. First, the qualifier “domestic.” This means that the income and deductions must be incurred by a United States business. If you are one of the lucky few officials who get to work internationally, any income and deductions incurred outside of the United States are not included in the calculation for QBI. Second, if you have income from a “specified service trade or business,” your QBI could be limited or even excluded. Specified service trade or business is defined by the IRS as “any trade or business involving the performance of services in the fields of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, or any trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employees or owners.” Again, in non-tax speak, officials perform services where their reputation and skill is the principal asset of the business so they have a specified service trade or business.

I mentioned above that the QBI could be limited if it is a specified service trade or business. Since the overall intent of the deduction is to help small businesses, Congress put in certain minimums before the limitations. So, if you are single or married but file a separate tax return from your spouse, and your taxable income is equal to or less than \$157,500, then you are excluded from the limitation. If you are married and file a joint tax return, or you file as Head of Household, your taxable income can be equal to or less than \$315,000 before the limitation is in place. Above those income levels the deduction is phased out between \$157,500 and \$207,500 for single taxpayers and \$315,000 and \$415,000 for married taxpayers. Above those higher income levels the QBI deduction is eliminated for specified service businesses. Note that the thresholds are for taxable income which is your income from all sources, after all deductions. Finally, the deduction is 20 percent of the QBI for most taxpayers, again with some exceptions and calculations. So for an easy example, if your net earnings from your U.S. officiating was \$40,000, your QBI deduction would be 20 percent of that amount, or \$8,000. For most officials, the new TCJA means you will only pay income taxes on 80 percent of your net earnings. You will still be responsible for self-employment taxes however.

One down side to the TCJA is that officials who receive a W-2 as an employee will no longer be able to deduct their expenses related to officiating, as those unreimbursed business expenses previously deducted as part of Schedule A have been eliminated.



The sports official has many ways to create expenses. Some of the expenditures are deductible for income tax purposes and some are not. Generally, any items that are personal in nature are not deductible, and items that have a business purpose are deductible. The tax law defines a trade or business expense as an amount that is ordinary and necessary to the business and paid during the tax year. Definitions of the components of that statement are:

1. “Ordinary” refers to an expense that is common and acceptable in the taxpayer’s type of business.
2. “Necessary” means it must be appropriate or helpful to the business. Deductible expenses must be both “ordinary and necessary.”
3. The term “trade” or “business” is generally defined as an activity undertaken with the expectation of making a profit. Actually making a profit is not required in order for the expense to be deductible.

What can and cannot be deducted? Remember, we are dealing in generalities. Anyone can have special circumstances that could apply to their specific case. Consult your own tax advisor with questions that involve your individual circumstances. There might be something unusual that will allow the deduction to be appropriate.

Officials who claim deductions for expenses and are independent contractors will do so on a Schedule C (see Exhibit 2). However, if your

expenses are \$5,000 or less and other qualifications are met, you may be able to file Schedule C-EZ of Form 1040. See Exhibit 3 for criteria.

Officials classified as employees who have business expenses related to officiating are no longer allowed to deduct those costs.

The following are some types of expenses that officials may incur:

- Automobile
- Legal and Professional
- Travel
- Meals and Entertainment
- Dues and Subscriptions
- Uniforms
- Supplies
- Home Office Expense

AUTOMOBILE

If you use your auto for officiating purposes, which most officials do, you may be able to deduct the expenses related to the operation of the auto. Deductions can be computed using the standard mileage rate or actual expenses. Both methods rely on accurate documentation of the number of miles driven for business. Use of a basic auto log or the Sports Officials Game Log in Part 6 of this booklet can simplify that record-keeping requirement. The standard mileage rate can be used only when the following requirements are met:

1. You must own or lease the car.
 - A. The election to use the standard mileage allowance for a leased vehicle must be elected in the first year of the lease and must be used for the entire term of your lease.
 - B. If the lease was entered into prior to 2018, you can elect the standard mileage allowance for 2019 and all remaining years on that lease. If the lease was entered into prior to 2018 and you did not make the election for standard mileage for 2017, it is too late. You must continue with the actual cost method.
2. The election to use the standard rate must be made in the first year the car is available for use in your business and cannot be changed in later years.

3. You cannot use the car for hire (such as a taxi, Uber or Lyft).
4. You cannot operate two or more cars simultaneously. (Note: You can alternate between two vehicles and still use the standard mileage rate). Your deduction is equal to your business miles times the standard rate. The rate for 2019 is 58.0 cents per mile. This is up 3.5 cents per mile from 2017. You can also deduct any business-related parking fees and tolls. Speeding and parking fines are not deductible.

If you use actual expenses, the business percentage of your total miles is multiplied times your actual expenses to determine the amount of deduction. Actual expenses include gas, oil, insurance, repairs, maintenance and lease payments. If you use actual expenses you may be entitled to deduct depreciation. There are special rules for depreciation so consult a knowledgeable tax professional.

What miles are deductible? Exhibit 6 shows clearly what can and cannot be deductible. Generally, only your mileage from your primary job (assuming officiating is a second job) to your game site, meeting location, etc. is deductible. If you leave from home to a game or meeting, that is not deductible. If you have a home office, the rules are a little different.

LEGAL AND PROFESSIONAL

If you require any legal assistance connected to sports officiating and it falls under “ordinary and necessary,” it may be deductible. The IRS has issued a ruling allowing taxpayers to allocate a portion of their tax preparation fees to various tax-return schedules, including Schedule C, which means if you pay someone to prepare your tax return then a portion of that fee could be a deduction against officiating income.

TRAVEL

For tax purposes, travel expenses are the “ordinary and necessary” expenses of traveling away from your tax home for officiating. They include transportation, lodging, meals and incidentals. (See Exhibit 7 for details.) What is your tax home? Generally, your tax home is where your regular place of business is located, regardless of where you maintain your family home. It includes the entire city or general area in which your primary place of employment is located. In simple

language, you generally would have to remain overnight in order to qualify for travel expenses beyond transportation expenses.

It is necessary to keep a record of all expenses you incur and any advances you receive. You can use a log, diary, notebook or any other written record to keep track of those expenses. Exhibit 8 details what elements are required for proper record-keeping of various types of expenses.

MEALS AND ENTERTAINMENT

Meals and entertainment have a long history of debate in the tax law. Congress has continuously worked at minimizing the tax benefit for those items because of high abuse. As part of the 2017 tax law, expenses for entertainment are no longer deductible. The general rule is that meals are personal in nature and not deductible. For those expenditures to be deductible, they must meet very stringent record-keeping requirements. That is, the meal must be directly preceded or followed by a business activity. Documentation of who is in attendance, what business topic was discussed, and when/ where the meal took place must be made at or close to the time the expense is incurred. Meals for building general goodwill in your business is not a deductible expense.

Meals while away from home for a business purpose are not required to pass the “directly related to a business activity” test. The fact you are away from home for business is sufficient to make those meals deductible. All meals, whether for entertainment or while away from home, are subject to a 50 percent limitation.

DUES AND SUBSCRIPTIONS

Dues and subscriptions that are specific to carrying out the duties of your job are generally deductible. Professional or trade association dues like NASO's or a subscription to Referee Magazine are examples of deductible dues and subscriptions. Booking fees are another example.

UNIFORMS

You can deduct the cost and upkeep of work clothes only if you must wear them as a condition of your employment and they are not

suitable for everyday wear. If the shirt you wear for officiating has a patch or emblem on it, it would be considered a uniform. Additionally, items considered protective clothing, like shin guards, chest protectors or steel-toe shoes, would be deductible.

SUPPLIES

Supplies necessary to carry out your officiating duties would also be deductible. Examples might be whistles, flags, penalty cards or a plate brush. Those supplies may vary by sport, but all sports require officials to have certain tools of the trade.

HOME OFFICE EXPENSE

There is now a simpler option for computing the business use of your home. The simplified option can significantly reduce the recordkeeping burden by allowing a qualified taxpayer to multiply a prescribed rate by the allowable square footage of the office in lieu of determining actual expenses of the home office.

Taxpayers using the regular method instead of the optional method, must determine the actual expenses of their home office. Those expenses may include mortgage interest, insurance, utilities, repairs and depreciation. Generally, when using the regular method, deductions for a home office are based on the percentage of your home devoted to business use. So, if you use a whole room exclusively for conducting your business, you need to figure out the percentage of your home devoted to your business activities.

Regardless of the method chosen, there are two basic requirements for your home to qualify as a deduction:

1. Regular and Exclusive Use

You must regularly use part of your home exclusively for conducting business. For example, if you use an extra room to run your business, you can take a home office deduction for that extra room.

2. Principal Place of Your Business

You must show that you use your home as your principal place of business. If you conduct business at a location outside of your home (as all officials do), but also use your home substantially and

regularly to conduct business, you may qualify for a home office deduction. For example, if you have a room solely for the purpose of storing uniforms, equipment, work desk and computer, even though you also carry on business at another location, you can deduct your expenses for the part of your home used exclusively and regularly for business. You can deduct expenses for a separate free-standing structure, such as a studio, garage, or barn, if you use it exclusively and regularly for your business. The structure does not have to be your principal place of business or the only place where you conduct business.

Generally, deductions for a home office are based on the percentage of your home devoted to business use. So, if you use a room for conducting your business, you need to figure out the percentage of your home devoted to your business activities.

Unless a taxpayer qualified for the home office deduction, use of his auto from his home to the first job site within the metropolitan area is considered commuting and is non-deductible even though the home office might be the only location of the business. Remember that Exhibit 6 is only applicable if you do not qualify for the office in the home deduction.

The law around the home office deduction is very complex and not a do-it-yourself project. It is highly recommended that you seek tax advice before you file your return if claiming the home office deduction.

DOCUMENTATION

Keep your receipts! They serve two purposes. First, they will aid you in preparing your tax return. Second, if your return is subjected to an audit, the receipts will help establish the validity of the expense. The basic rule of the IRS is that if it is not documented then it did not happen.



PART 4

FREQUENTLY ASKED QUESTIONS

What should I do if I receive notice from the IRS saying my return has been selected for examination?

After picking yourself up off the floor, consider hiring an experienced tax professional to represent you at the examination. The most common mistake made by taxpayers who represent themselves is saying something that causes the examiner to look into issues other than those that they originally intended to audit. IRS agents are trained to audit the taxpayer, not just the return. Because of that frame of reference, some of the questions asked by the examiner are hot buttons or emotional areas for the taxpayer. To avoid the audit being based on emotions instead of facts, it is very important that the person dealing with the agent be knowledgeable about both the tax issues that may be raised and the system in which the auditor must work. Your most important job is having complete documentation in good order. That process starts when the expenses are incurred, not when your return is prepared or when your return is selected for examination. If you have knowingly understated your income or grossly overstated your deductions, what the IRS calls fraud, do not disclose that to anyone but your attorney. An attorney, not a CPA or tax preparer, is the only person having privileged communication.

Do I have any retirement plan options from my officiating activity?

Yes. If you're being treated as an independent contractor, you may be able to contribute to a retirement plan over and above what you are

doing now. The options and limitations available to you will vary based on the rest of your tax facts. This area requires consultation with a professional familiar with your situation and goals.

Are the officiating camps I attend deductible?

Yes. Your education and training to stay current in your skills are directly related to the business of officiating. For example, your attendee fee for the NASO Sports Officiating Summit would be deductible. Some of the expenses that might be incurred include travel, meals (at 50 percent) and registration fees. Keep careful record of those expenses at the time they are incurred. If your camp fee includes meals it is 100 percent deductible, no adjustment is required for the value of the meals.

Is all my mileage deductible if I leave my primary employment and stop by home on the way to a game?

No. If you went home before you went to the game site, the miles from home to the game site would be personal miles. A simple way of looking at it is if you are going from one business location to another business location, your miles are business. If you are leaving from your home, the miles are personal. This gets even more complicated if your home is also your business location (office in the home). The key to maximizing the deduction is keeping good records of the use of your vehicle and using common sense when traveling from your primary job to your officiating assignments, meetings, etc.

If I receive my fee in cash, do I have to report it?

Yes. Income is not determined based on how it is paid to you or how much it is. If you provided services for the cash, it is income to you. That will be true even if you do not receive a Form 1099 for the income.

If I travel away from home overnight, can I deduct my spouse's expenses if she or he travels with me?

No. Unless your spouse is also on a business related trip with you, those expenses are personal. Only your expenses would be deductible.

Can I deduct my cell phone for use in my officiating business?

Yes, you may deduct the amount related to your business. If you have a flat fee plan, you need to document the portion that is used for officiating, usually by looking at the minutes used.

If I go to a game in the sport I officiate to watch the officials, can I deduct those expenses?


Maybe. The expenses related to this activity will usually be personal and therefore nondeductible. The training you might gain is too ambiguous to be directly related to your business. If the purpose is to evaluate the officials for your association, then the expenses would be deductible.

Can I deduct my computer?

Again, maybe. If you are officiating as an independent contractor, then you can deduct the business portion of your computer. If you are officiating as an employee, the computer must be a condition of employment before the business portion would be deductible.

How long should I keep my records?

For federal purposes you should keep proof to support your claim to a deduction for as long as your income tax return can be examined. Generally, it will be necessary for you to keep your records for three years from the date you file the income tax return. A return filed early is considered as filed on the due date. The statute of limitations for state returns will vary by state. Check with your tax professional for your state requirements.



PART 5

TABLES & EXAMPLES

EXHIBIT 1 TAX CONSIDERATIONS

TAX ISSUE	EMPLOYEE	INDEPENDENT CONTRACTOR
Payment of Income	Payroll Withholding	Estimated Tax Payments
Payment of Social Security Taxes	Payroll Withholding at 7.65%	Estimated Tax Payments Computed at 15.3%
Matching Social Security Taxes	Yes - By Employer at 7.65%	No
Eligible For Unemployment Compensation	Maybe	No
Qualified Business Income Deduction	No	Maybe
Income Reporting	W-2	1099-MISC

EXHIBIT 2

SCHEDULE C: PAGE 1

SCHEDULE C (Form 1040 or 1040-SR)		Profit or Loss From Business (Sole Proprietorship)		OMB No. 1545-0074 <div style="border: 1px solid black; padding: 2px; display: inline-block;"> 2019 Attachment Sequence No. 09 </div>	
Department of the Treasury Internal Revenue Service (99)					
▶ Go to www.irs.gov/ScheduleC for instructions and the latest information. ▶ Attach to Form 1040, 1040-SR, 1040-NR, 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) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ▶					
G Did you "materially participate" in the operation of this business during 2019? If "No," see instructions for limit on losses				<input type="checkbox"/> Yes <input type="checkbox"/> No	
H If you started or acquired this business during 2019, check here ▶				<input type="checkbox"/> Yes <input type="checkbox"/> No	
I Did you make any payments in 2019 that would require you to file Form(s) 1099? (see instructions)				<input type="checkbox"/> Yes <input type="checkbox"/> No	
J If "Yes," did you or will you file required Forms 1099?				<input type="checkbox"/> Yes <input type="checkbox"/> No	
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 ▶ <input type="checkbox"/>				1	
2 Returns and allowances				2	
3 Subtract line 2 from line 1				3	
4 Cost of goods sold (from line 42)				4	
5 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				18 Office expense (see instructions)	
9 Car and truck expenses (see instructions)				19 Pension and profit-sharing plans	
10 Commissions and fees				20 Rent or lease (see instructions):	
11 Contract labor (see instructions)				a Vehicles, machinery, and equipment	
12 Depreciation				b Other business property	
13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions)				21 Repairs and maintenance	
14 Employee benefit programs (other than on line 19)				22 Supplies (not included in Part III)	
15 Insurance (other than health)				23 Taxes and licenses	
16 Interest (see instructions):				24 Travel and meals:	
a Mortgage (paid to banks, etc.)				a Travel	
b Other				b Deductible meals (see instructions)	
17 Legal and professional services				25 Utilities	
				26 Wages (less employment credits)	
				27a Other expenses (from line 48)	
				b Reserved for future use	
28 Total expenses before expenses for business use of home. Add lines 8 through 27a ▶				28	
29 Tentative profit or (loss). Subtract line 28 from line 7				29	
Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). Simplified method filers only: 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					
31 Net profit or (loss). Subtract line 30 from line 29.				30	
• If a profit, enter on both Schedule 1 (Form 1040 or 1040-SR), line 3 (or Form 1040-NR, line 13) and on Schedule SE, line 2 . (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3 . • If a loss, you must go to line 32.				31	
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 Schedule 1 (Form 1040 or 1040-SR), line 3 (or Form 1040-NR, line 13) and on Schedule SE, line 2 . (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on Form 1041, line 3 . • If you checked 32b, you must attach Form 6198 . Your loss may be limited.				32a <input type="checkbox"/> All investment is at risk. 32b <input type="checkbox"/> Some investment is not at risk.	
For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P Schedule C (Form 1040 or 1040-SR) 2019					

The tax forms on this and the following pages represent the latest available forms from the IRS at the time of publication. Always check in at www.irs.gov for the latest information.

EXHIBIT 2

SCHEDULE C: PAGE 2

Schedule C (Form 1040 or 1040-SR) 2019

Page **2**

Part III Cost of Goods Sold (see instructions)

33	Method(s) used to value closing inventory: a <input type="checkbox"/> Cost b <input type="checkbox"/> Lower of cost or market c <input type="checkbox"/> Other (attach explanation)	
34	Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation	<input type="checkbox"/> Yes <input type="checkbox"/> No
35	Inventory at beginning of year. If different from last year's closing inventory, attach explanation	35
36	Purchases less cost of items withdrawn for personal use	36
37	Cost of labor. Do not include any amounts paid to yourself	37
38	Materials and supplies	38
39	Other costs	39
40	Add lines 35 through 39	40
41	Inventory at end of year	41
42	Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on line 4	42

Part IV Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43	When did you place your vehicle in service for business purposes? (month, day, year) ▶ / /
44	Of the total number of miles you drove your vehicle during 2019, enter the number of miles you used your vehicle for:
a	Business
b	Commuting (see instructions)
c	Other
45	Was your vehicle available for personal use during off-duty hours? <input type="checkbox"/> Yes <input type="checkbox"/> No
46	Do you (or your spouse) have another vehicle available for personal use? <input type="checkbox"/> Yes <input type="checkbox"/> No
47a	Do you have evidence to support your deduction? <input type="checkbox"/> Yes <input type="checkbox"/> No
b	If "Yes," is the evidence written? <input type="checkbox"/> Yes <input type="checkbox"/> No

Part V Other Expenses. List below business expenses not included on lines 8–26 or line 30.

48	Total other expenses. Enter here and on line 27a	48
----	--	----

Schedule C (Form 1040 or 1040-SR) 2019

EXHIBIT 3

SCHEDULE C-EZ: PAGE 1

SCHEDULE C-EZ (Form 1040)

Department of the Treasury
Internal Revenue Service (99)
Name of proprietor

Net Profit From Business (Sole Proprietorship)

► Partnerships, joint ventures, etc., generally must file Form 1065.
► Attach to Form 1040, 1040NR, or 1041. ► See instructions on page 2.

OMB No. 1545-0074

2018
Attachment
Sequence No. **09A**

Social security number (SSN)

Part I General Information

You may use
Schedule C-EZ
instead of
Schedule C
only if you:

- Had business expenses of \$5,000 or less,
- Use the cash method of accounting,
- Did not have an inventory at any time during the year,
- Did not have a net loss from your business,
- Had only one business as either a sole proprietor, qualified joint venture, or statutory employee,

And you:

- Had no employees during the year,
- Do not deduct expenses for business use of your home,
- Do not have prior year unallowed passive activity losses from this business, and
- Are not required to file Form 4562, Depreciation and Amortization, for this business. See the instructions for Schedule C, line 13, to find out if you must file.

A Principal business or profession, including product or service

B Enter business code (see page 2)

C Business name. If no separate business name, leave blank.

D Enter your EIN (see page 2)

E Business address (including suite or room no.). Address not required if same as on page 1 of your tax return.

City, town or post office, state, and ZIP code

F Did you make any payments in 2018 that would require you to file Form(s) 1099? (see the Instructions for Schedule C)

Yes No

G If "Yes," did you or will you file required Forms 1099?

Yes No

Part II Figure Your Net Profit

1 Gross receipts. Caution: If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see *Statutory employees* in the instructions for Schedule C, line 1, and check here

1

2 Total expenses (see page 2). If more than \$5,000, you must use Schedule C

2

3 Net profit. Subtract line 2 from line 1. If less than zero, you must use Schedule C. Enter on both Schedule 1 (Form 1040), line 12, and Schedule SE, line 2, or on Form 1040NR, line 13, and Schedule SE, line 2 (see page 2). (Statutory employees do not report this amount on Schedule SE, line 2.) Estates and trusts, enter on Form 1041, line 3.

3

Part III Information on Your Vehicle. Complete this part only if you are claiming car or truck expenses on line 2.

4 When did you place your vehicle in service for business purposes? (month, day, year)

5 Of the total number of miles you drove your vehicle during 2018, enter the number of miles you used your vehicle for:

a Business b Commuting (see page 2) c Other

6 Was your vehicle available for personal use during off-duty hours? Yes No

7 Do you (or your spouse) have another vehicle available for personal use? Yes No

8a Do you have evidence to support your deduction? Yes No

b If "Yes," is the evidence written? Yes No

For Paperwork Reduction Act Notice, see the separate instructions for Schedule C (Form 1040).

Cat. No. 14374D

Schedule C-EZ (Form 1040) 2018

EXHIBIT 3

SCHEDULE C-EZ: PAGE 2

Schedule C-EZ (Form 1040) 2018

Page **2**

Instructions

Future developments. For the latest information about developments related to Schedule C-EZ (Form 1040) and its instructions, such as legislation enacted after they were published, go to www.irs.gov/ScheduleCEZ.



Before you begin, see General Instructions in the 2018 Instructions for Schedule C.

You can use Schedule C-EZ instead of Schedule C if:

- You operated a business or practiced a profession as a sole proprietorship or qualified joint venture, or you were a statutory employee, and
 - You have met all the requirements listed in Schedule C-EZ, Part I.
- For more information on electing to be taxed as a qualified joint venture (including the possible social security benefits of this election), see *Qualified Joint Venture* in the Instructions for Schedule C. You can also go to www.irs.gov/QJV.

Line A

Describe the business or professional activity that provided your principal source of income reported on line 1. Give the general field or activity and the type of product or service.

Line B

Enter the six-digit code that identifies your principal business or professional activity. See the Instructions for Schedule C for the list of codes.

Line D

Enter on line D the employer identification number (EIN) that was issued to you and in your name as a sole proprietor. If you are filing Form 1041, enter the EIN issued to the estate or trust. Do not enter your SSN. Do not enter another taxpayer's EIN (for example, from any Forms 1099-MISC that you received). **If you do not have an EIN, leave line D blank.**

You need an EIN only if you have a qualified retirement plan or are required to file an employment, excise, alcohol, tobacco, or firearms tax return, are a payer of gambling winnings, or are filing Form 1041 for an estate or trust. If you need an EIN, see the Instructions for Form SS-4.

Single-member LLCs. If you are the sole owner of an LLC that is not treated as a separate entity for federal income tax purposes, enter on line D the EIN that was issued to the LLC (in the LLC's legal name) for a qualified retirement plan, to file employment, excise, alcohol, tobacco, or firearms returns, or as a payer of gambling winnings. **If you do not have such an EIN, leave line D blank.**

Line E

Enter your business address. Show a street address instead of a box number. Include the suite or room number, if any.

Line F

See the instructions for Schedule C, line I, to help determine if you are required to file any Forms 1099.

Line 1

Enter gross receipts from your trade or business. Include amounts you received in your trade or business that were properly shown on Form 1099-MISC. If the total amounts that were reported in box 7 of Forms 1099-MISC are more than the total you are reporting on line 1, attach a statement explaining the difference. You must show all items of taxable income actually or constructively received during the year (in cash, property, or services). Income is constructively received when it is credited to your account or set aside for you to use. Don't offset this amount by any losses.

Line 2

Enter the total amount of all deductible business expenses you actually paid during the year. Examples of these expenses include advertising, car and truck expenses, commissions and fees, insurance, interest, legal and professional services, office expenses, rent or lease expenses, repairs and maintenance, supplies, taxes, travel, the allowable percentage of business meals and entertainment, and utilities (including telephone). For details, see the instructions for Schedule C, Parts II and V. You can use the optional worksheet below to record your expenses. Enter on lines **b** through **f** the type and amount of expenses not included on line **a**.

If you claim car or truck expenses, be sure to complete Schedule C-EZ, Part III.

Line 3

Nonresident aliens using Form 1040NR should also enter the total on Schedule SE, line 2, if you are covered under the U.S. social security system due to an international social security agreement currently in effect. See the Instructions for Schedule SE for information on international social security agreements.

Line 5b

Generally, commuting is travel between your home and a work location. If you converted your vehicle during the year from personal to business use (or vice versa), enter your commuting miles only for the period you drove your vehicle for business. For information on certain travel that is considered a business expense rather than commuting, see the instructions for Schedule C, line 44b.

Optional Worksheet for Line 2 (keep a copy for your records)

a	Deductible meals (see the instructions for Schedule C, line 24b)	a		
b	.....	b		
c	.....	c		
d	.....	d		
e	.....	e		
f	.....	f		
g	Total. Add lines a through f . Enter here and on line 2	g		

Schedule C-EZ (Form 1040) 2018

EXHIBIT 4 SCHEDULE A

SCHEDULE A (Form 1040)

Department of the Treasury
Internal Revenue Service (99)
Name(s) shown on Form 1040

Itemized Deductions

► Go to www.irs.gov/ScheduleA for instructions and the latest information.
► Attach to Form 1040.

Caution: If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 16.

OMB No. 1545-0074

2018
Attachment
Sequence No. **07**

Your social security number

Medical and Dental Expenses

Caution: Do not include expenses reimbursed or paid by others.

- 1 Medical and dental expenses (see instructions)
- 2 Enter amount from Form 1040, line 7 **2**
- 3 Multiply line 2 by 7.5% (0.075)
- 4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-

Taxes You Paid

- 5 State and local taxes.
a State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box ☐ **5a**
b State and local real estate taxes (see instructions) **5b**
c State and local personal property taxes **5c**
d Add lines 5a through 5c **5d**
e Enter the smaller of line 5d or \$10,000 (\$5,000 if married filing separately) **5e**
6 Other taxes. List type and amount ► **6**
7 Add lines 5e and 6 **7**

Interest You Paid

Caution: Your mortgage interest deduction may be limited (see instructions).

- 8 Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box ☐
a Home mortgage interest and points reported to you on Form 1098 **8a**
b Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ► **8b**
c Points not reported to you on Form 1098. See instructions for special rules **8c**
d Reserved **8d**
e Add lines 8a through 8c **8e**
9 Investment interest. Attach Form 4952 if required. See instructions **9**
10 Add lines 8e and 9 **10**

Gifts to Charity

If you made a gift and got a benefit for it, see instructions.

- 11 Gifts by cash or check. If you made any gift of \$250 or more, see instructions **11**
12 Other than by cash or check. If any gift of \$250 or more, see instructions. You **must** attach Form 8283 if over \$500 **12**
13 Carryover from prior year **13**
14 Add lines 11 through 13 **14**

Casualty and Theft Losses

- 15 Casualty and theft loss(es) from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions **15**

Other Itemized Deductions

- 16 Other—from list in instructions. List type and amount ► **16**

Total Itemized Deductions

- 17 Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040, line 8 **17**
18 If you elect to itemize deductions even though they are less than your standard deduction, check here ☐ **18**

For Paperwork Reduction Act Notice, see the Instructions for Form 1040.

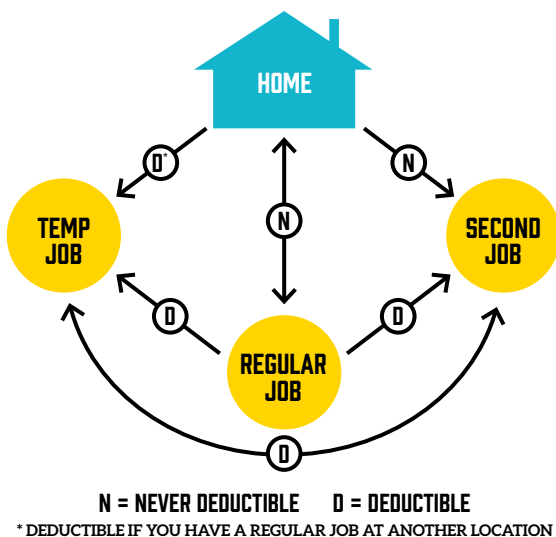
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Schedule A (Form 1040) 2018

EXHIBIT 5 LOCAL TRANSPORTATION EXPENSE

When are local transportation expenses deductible?

All employees and self-employed persons can use this chart. Do not use this chart if your home is your principle place of business.



Home: The place where you reside. Transportation expenses between your home and your main or regular place of work are personal commuting expenses.

Regular or main job: Your principal place of business. If you have more than one job, you must determine which one is your regular or main job. Consider the time you spend at each, the activity you have at each and the income you earn at each.

Temporary work location: A place where your work assignment is irregular or short-term, generally a matter of days or weeks. Unless you have a regular place of business, you can only deduct your transportation expenses to a temporary location outside your metropolitan area.

Second job: If you regularly work at two or more places in one day, whether or not for the same employer, you can deduct your transportation expenses of getting from one workplace to another. You cannot deduct your transportation costs between your home and second job on a day off from your main job.

EXHIBIT 6

TRAVEL COMPONENTS

EXPENSE	DESCRIPTION
Transportation	The cost of travel by airplane, train or bus between your home and your business destination.
Taxi, Commuter Bus and Limousine	Fares for these and other types of transportation between the airport and your hotel or between the hotel and your work location away from home.
Baggage and Shipping	The cost of sending baggage and sample or display material between your regular and temporary work sites.
Car	The costs of operating and maintaining your car when traveling away from home on business. You may deduct actual expenses or the standard mileage rate, including business-related tolls and parking. If you lease a car while away from home on business, you can deduct business-related expenses only.
Lodging	The cost of lodging if your business trip is overnight or long enough to require you to get substantial rest to perform your duties.
Meals	The cost of meals only if your business trip is overnight or long enough to require you to get substantial rest. Includes amounts spent for food, beverages, taxes and related tips.
Cleaning	Cleaning and laundry expenses while away from home overnight.
Telephone	The cost of business calls while on your business trip including business communication devices.
Tips	Tips you pay for any expenses in this chart.
Other	Other similar ordinary and necessary expenses related to your business travel such as public stenographer's fees and computer rental fees.

EXHIBIT 7

RECORD KEEPING REQUIREMENTS

ELEMENT TO BE PROVED	DESCRIPTION	GIFT	TRANSPORTATION [CAR]
Amount	Amount of each separate expense For travel, lodging and meals. Incidental expenses may be totaled in reasonable categories, such as taxis, daily meals for traveler, etc.	Cost of gift	1. Amount of each separate expense including cost of the car. 2. Mileage for each business use of the car. 3. Total miles for the tax year.
Time	Date you left and returned for each trip, and number of days for business.	Date of gift	Date of the expense or use.
Place	Name of city or other designation.	Not applicable.	Name of city or other designation if applicable.
Description	Not applicable.	Description of gift	Not applicable.
Business Purpose	Business reason for travel or the business benefit gained or expected to be gained.	Business reason for giving the gift or the business benefit gained or expected to be gained.	Business reason for the expense or use of the car.
Business Relationship	Not applicable.	Occupation or other information – such as names or other designation – about recipients that shows their business relationship to you.	Not applicable.

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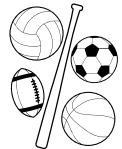
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