

Child Care Policy and Procedures Manual

Appendix D: Self Employment Tax Information Guides

This is a general guide to using tax forms to calculate Monthly Gross Income. Keep in mind that tax forms change from time to time. All form line numbers refer to year 2017 Tax forms.

1. SOLE PROPRIETORSHIPS

| Tax Forms Required | Purpose | How to Use |
|---|--|--|
| Form 1040 | General Form | May need to reference if Schedule C Shows a loss |
| Schedule C – Always Required | Shows Profit or Loss from Sole Proprietorship, used in conjunction with 1040 | <p>To calculate the income:</p> <p>Step 1. Total the line amounts for dis-allowed deductions: Line 9 - car and truck expenses (mileage), Line 12 – Depletion, Line 13 – Depreciation, Line 19 - Pension and Profit-Sharing Plan Contributions, Line 24 (a-d) - Travel, Meals and Entertainment Expenses</p> <p>Step 2. Add this total to: Line 31, Profit or Line 32 a and 32 b (reference Form 1040, Line 12) - Loss</p> <p>Step 3. Divide the Step 2 total amount by 12. This is the client’s MGI.</p> |
| Schedule SE - Always required | Calculates Self Employment Tax owed | Shows that Client is paying appropriate Self Employment Taxes. |
| Form 8829 - Expenses for Business use of the Home | Filed with Schedule C if the Client is claiming a deduction for business use of the home | In order to claim deduction for business use of the home, the client must complete this form at tax time. Failure to provide this form will result in disallowance of the deduction. |