



Note: *The draft you are looking for begins on the next page.*

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This is an early release draft of an IRS tax form, instructions, or publication, which the IRS is providing for your information. **Do not file draft forms.** We incorporate all significant changes to forms posted with this coversheet. However, unexpected issues occasionally arise, or legislation is passed—in this case, we will post a new draft of the form to alert users that changes were made to the previously posted draft. Thus, there are never any changes to the last posted draft of a form and the final revision of the form. Forms and instructions are subject to OMB approval before they can be officially released, so we post drafts of them until they are approved. Drafts of instructions and pubs usually have some additional changes before their final release. Early release drafts are at [IRS.gov/DraftForms](https://www.irs.gov/DraftForms) and remain there after the final release is posted at [IRS.gov/LatestForms](https://www.irs.gov/LatestForms). Also see [IRS.gov/Forms](https://www.irs.gov/Forms).

Most forms and publications have a page on IRS.gov: [IRS.gov/Form1040](https://www.irs.gov/Form1040) for Form 1040; [IRS.gov/Pub501](https://www.irs.gov/Pub501) for Pub. 501; [IRS.gov/W4](https://www.irs.gov/W4) for Form W-4; and [IRS.gov/ScheduleA](https://www.irs.gov/ScheduleA) for Schedule A (Form 1040), for example, and similarly for other forms, pubs, and schedules for Form 1040. When typing in a link, type it into the address bar of your browser, not a Search box on IRS.gov.

If you wish, you can submit comments to the IRS about draft or final forms, instructions, or pubs at [IRS.gov/FormsComments](https://www.irs.gov/FormsComments). Include “NTF” followed by the form or pub number (for example, “NTF1040”, “NTFW4”, “NTF501”, etc.) in the body of the message to route your message properly. We cannot respond to all comments due to the high volume we receive and may not be able to consider many suggestions until the subsequent revision of the product, but we will review each “NTF” message. If you have comments on reducing paperwork and respondent (filer) burden, with respect to draft or final forms, please respond to the relevant information collection through the Federal Register process; for more info, click [here](#).

2025



Instructions for Schedule C (Form 1040)

Profit or Loss From Business

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Schedule C and its instructions, such as legislation enacted after they were published, go to [IRS.gov/ScheduleC](https://www.irs.gov/ScheduleC).

What's New

Standard mileage rate. For 2025, the standard mileage rate for the cost of operating your car for business use is 70 cents per mile.

Energy efficient commercial buildings deduction. The expense is now reported on line 27a.

Other expenses (from line 48). The expense is now reported on line 27b.

Bonus depreciation. Certain qualified property acquired and placed in service after January 19, 2025, can take a 100% bonus depreciation. You can also elect to use the previous bonus depreciation phase-down rates instead of 100% expensing. See the Instructions for Form 4562 for more information.

Section 179 deduction dollar limits increased. Beginning in 2025, the maximum section 179 expense deduction is \$2.5 million. This limit is reduced by the amount by which the cost of section 179 property placed in service during the tax year exceeds \$4 million. See the Instructions for Form 4562 for more information.

Domestic research and experimental expenditures. Beginning in 2025, you can deduct your domestic research and experimental expenditures as current business expenses or you can elect to capitalize and amortize the expenditures ratably over a period of 60 months or more. See Revenue Procedure 2025-28 for more information.

Qualified sound recording productions. You may be eligible to deduct up to \$150,000 of qualified sound recording production costs. This applies to costs starting after July 4, 2025, but before January 1, 2026. See section 181 for more information.

No tax on qualified tips. Beginning in 2025, you may be eligible to take a deduction for qualified tips you received in 2025. You can't deduct more than \$25,000 of those tips. The deduction is claimed on Schedule 1-A (Form 1040) not on your Schedule C. See the Instructions for Schedule 1-A (Form 1040) for more information.

No tax on qualified overtime. Beginning in 2025, if you earned qualified overtime pay you may be eligible to deduct up to \$12,500 (\$25,000 if married filing jointly) of your qualified overtime compensation. The deduction is claimed on Schedule 1-A (Form 1040) not on your Schedule C. See the Instructions for Schedule 1-A (Form 1040) for more information.

No tax on car loan interest. If you are self-employed and use your vehicle for personal and business use, you may be eligible to take a deduction for the interest for the personal use on Schedule 1-A (Form 1040). You can only deduct the part of the interest expense that represents the business use of your vehicle on Schedule C. See the Instructions for Schedule 1-A (Form 1040) for more information.

Reminders

Form 1040-SS filers and business use of home. Taxpayers who file Form 1040-SS and claim a deduction for business use of home will report the expense on Schedule C (Form 1040). Filers will use Form 8829, Expenses for Business Use of Your Home, if applicable, to figure the deduction and report the amount on Schedule C, line 30.

Redesigned Form 1040-SS. Schedule C (Form 1040) is available to be filed with Form 1040-SS, if applicable. It replaces Form 1040-SS, Part IV. For additional information, see the Instructions for Form 1040-SS.

Business meals deduction. The business meals deduction is 50%.

Reporting nontaxable Medicaid waiver payments. Certain Medicaid waiver payments that are reported to you on Form 1099-MISC or Form 1099-NEC may be nontaxable. For information on how to report these payments on Schedule C, see [Medicaid waiver payments](#), later.

Gig economy tax center. The gig (or on-demand, sharing, or access) economy refers to an activity where people earn income providing on-demand work, services, or goods. Go to [IRS.gov/Gig](https://www.irs.gov/Gig) to get more information about the tax consequences of participating in the gig economy.

Excess business loss limitation. If you report a loss on line 31 of your Schedule C (Form 1040), you may be subject to a business loss limitation. The disallowed loss resulting from the limitation will not be reflected on line 31 of your Schedule C. Instead, use Form 461 to determine the amount of your excess business loss, which will be included as income on Schedule 1 (Form 1040), line 8p. Any disallowed loss resulting from this limitation will be treated as a net operating loss that must be carried forward and deducted in a subsequent year.

See Form 461 and its instructions for details on the excess business loss limitation.

Small Business and Self-Employed (SB/SE) Tax Center. Do you need help with a tax issue or preparing your return, or do you need a free publication or form? SB/SE serves taxpayers who file Form 1040 or 1040-SR, Schedules C, E, and F, or Form 2106, as well as small business taxpayers with assets under \$10 million. For additional information, go to the Small Business and Self-Employed Tax Center at [IRS.gov/SmallBiz](https://www.irs.gov/SmallBiz).

General Instructions

Use Schedule C (Form 1040) to report income or (loss) from a business you operated or a profession you practiced as a sole proprietor. An activity qualifies as a business if your primary purpose for engaging in the activity is for income or profit and you are involved in the activity with continuity and regularity. For example, a sporadic activity, a not-for-profit activity, or a hobby does not qualify as a business. To report income from a nonbusiness activity, see the Instructions for Schedule 1 (Form 1040), line 8j.

Also, use Schedule C to report (a) wages and expenses you had as a statutory employee; (b) income and deductions of certain qualified joint ventures; and (c) certain amounts shown on a Form 1099, such as Form 1099-MISC, Form 1099-NEC, and Form 1099-K. See the instructions on your Form 1099 for more information about what to report on Schedule C.

You may be subject to state and local taxes and other requirements such as business licenses and fees. Check with your state and local governments for more information.

Other Schedules and Forms You May Have To File

- Schedule A (Form 1040) to deduct interest, taxes, and casualty losses not related to your business.
- Schedule E (Form 1040) to report rental real estate and royalty income or (loss) that is not subject to self-employment tax.
- Schedule F (Form 1040) to report profit or (loss) from farming.
- Schedule J (Form 1040) to figure your tax by averaging your farming or fishing income over the previous 3 years. Doing so may reduce your tax.
- Schedule SE (Form 1040) to pay self-employment tax on income from any trade or business.
- Form 461 to report an excess business loss.
- Form 3800 to claim any of the general business credits.
- Form 4562 to claim depreciation and amortization on assets placed in service in 2025, to claim amortization that began in 2025, to make an election under section 179 to expense certain property, or to report information on listed property.
- Form 4684 to report a casualty or theft gain or (loss) involving property used in your trade or business or income-producing property.
- Form 4797 to report sales, exchanges, and involuntary conversions (not from a casualty or theft) of trade or business property.
- Form 6198 to apply a limitation to your loss if you have a business loss and you have amounts invested in the business for which you are not at risk.
- Form 6252 to report income from an installment agreement.
- Form 7205 to claim the IRC 179D deduction for qualifying energy efficient commercial building expenses.
- Form 8582 to apply a limitation to your loss from passive activities.
- Form 8594 to report certain purchases or sales of groups of assets that constitute a trade or business.
- Form 8824 to report like-kind exchanges.
- Form 8829 to claim actual expenses for business use of your home.
- Form 8936 to claim the commercial clean vehicle credit.
- Form 8960 to pay Net Investment Income Tax on certain income generally from your passive activities.
- Form 8990 to determine whether your business interest deduction is limited.
- Form 8995 or 8995-A to claim a deduction for qualified business income.

Single-member limited liability company (LLC). Generally, a single-member domestic LLC is not treated as a separate entity for federal income tax purposes. If you are the sole member of a domestic LLC, file Schedule C (or Schedule E or F, if applicable) unless you have elected to treat the domestic LLC as a corporation. See Form 8832 for details on making this election and for information about the tax treatment of a foreign LLC.

Single-member LLCs with employees. A single-member LLC must file employment tax returns using the LLC's name and employer identification number (EIN) rather than the owner's name and EIN, even if the LLC is not treated as a separate entity for federal income tax purposes.

Heavy highway vehicle use tax. If you use certain highway trucks, truck-trailers, tractor-trailers, or buses in your trade or business, you may have to pay a federal highway motor vehicle use tax. See the Instructions for Form 2290 to find out if you must pay this tax and go to [IRS.gov/Trucker](https://www.irs.gov/Trucker) for the most recent developments.

Information returns. You may have to file information returns for wages paid to employees, and certain payments of fees and other nonemployee compensation, interest, rents, royalties, real estate transactions, annuities, and pensions. See [Line I](#), later, and [IRS.gov/Form 1099](https://www.irs.gov/Form1099) for details and other payments that may require you to file a Form 1099.

If you received cash of more than \$10,000 in one or more related transactions in your trade or business, you may have to file Form 8300. For details, see the Instructions for Form 8300 and [IRS.gov/Pub1544](https://www.irs.gov/Pub1544). See also the IRS Form 8300 Reference Guide, available at [IRS.gov/businesses/small-businesses-self-employed/irs-form-8300-reference-guide](https://www.irs.gov/businesses/small-businesses-self-employed/irs-form-8300-reference-guide).

E-filing Forms 1099. The Taxpayer First Act of 2019 authorized the Department of the Treasury and the IRS to issue regulations that reduce the 250-return e-file threshold. Treasury Decision 9972, published February 23, 2023, lowered the e-file threshold to 10 (calculated by aggregating all information returns) effective for information returns required to be filed after 2023. Go to [IRS.gov/filing/e-file-information-returns](https://www.irs.gov/filing/e-file-information-returns) for e-file options.

Business Owned and Operated by Spouses

Generally, if you and your spouse jointly own and operate an unincorporated business and share in the profits and losses, you are partners in a partnership, whether or not you have a formal partnership agreement. You generally have to file Form 1065 instead of Schedule C for your joint business activity; however, you may not have to file Form 1065 if either of the following applies.

- You and your spouse elect to be treated as a qualified joint venture. See [Qualified Joint Venture](#) next.
- You and your spouse wholly own the unincorporated business as community property and you treat the business as a sole proprietorship. See [Community Income](#), later. Otherwise, use Form 1065. See [IRS.gov/Pub541](https://www.irs.gov/Pub541) for information about partnerships.

Qualified Joint Venture You and your spouse can elect to treat an unincorporated business as a qualified joint venture instead of a partnership if you:

- Each materially participate in the business (see [Material participation](#), later, in the instructions for line G);
- Are the only owners of the business; and
- File a joint return for the tax year.

Making the election will allow you to avoid the complexity of Form 1065 but still give each of you credit for social security earnings on which retirement benefits, disability benefits, survivor benefits, and insurance (Medicare) benefits are based.

In most cases, this election will not increase the total tax owed on the joint return.

Jointly owned property. You and your spouse must operate a business to make this election. Do not make the election for jointly owned property that is not a trade or business.



Only businesses that are owned and operated by spouses as co-owners (and not in the name of a state law entity) qualify for the election. Thus, a business owned and operated by spouses through an LLC does not qualify for the election of a qualified joint venture.

Making the election. To make this election, divide all items of income, gain, loss, deduction, and credit attributable to the business between you and your spouse based on your respective interests in the business. Each of you must file a separate Schedule C or F (Form 1040). Enter your share of the applicable income, deduction, or (loss) on the appropriate lines of your separate Schedule C or F (Form 1040). Each of you may also need to file a separate Schedule SE (Form 1040) to pay self-employment tax. If the business was taxed as a partnership before you made the election, the partnership will be treated as terminating at the end of the preceding tax year. For information on how to report the termination of the partnership, see [IRS.gov/Pub541](https://www.irs.gov/pub541).

Revoking the election. The election can be revoked only with the permission of the IRS. However, the election remains in effect only for as long as you and your spouse continue to meet the requirements to make the election. If you and your spouse fail to meet the requirements for any year, you will need to make a new election to be treated as a qualified joint venture in any future year.

Employer identification number (EIN). You and your spouse do not need to obtain an EIN to make the election. But you may need an EIN to file other returns, such as employment or excise tax returns. To apply for an EIN, see the Instructions for Form SS-4 or go to [IRS.gov/EIN](https://www.irs.gov/ein).

Rental real estate business. If you and your spouse make the election for your rental real estate business, you must each report your share of income and deductions on Schedule E (Form 1040). Rental real estate income is not generally included in net earnings from self-employment subject to self-employment tax and is generally subject to the passive loss limitation rules. Electing qualified joint venture status does not alter the application of the self-employment tax or the passive loss limitation rules.

More information. For more information on qualified joint ventures, go to [IRS.gov/QJV](https://www.irs.gov/qjv).

Community Income

If you and your spouse wholly own an unincorporated business as community property under the community property laws of a state, foreign country, or U.S. territory, you can treat your wholly owned, unincorporated business as a sole proprietorship instead of a partnership. Any change in your reporting position will be treated as a conversion of the entity.

Report your income and deductions as follows.

- If you choose to treat the business as a sole proprietorship, report all the income and other items from the business on the Schedule C of one spouse.
- If you choose to treat the business as a partnership, see [Pub. 541](https://www.irs.gov/pub541).
- If both spouses elected to treat the business as a qualifying joint venture, see [Qualified Joint Venture](https://www.irs.gov/qualified-joint-venture), earlier.

States with community property laws include Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas,

Washington, and Wisconsin. See [Pub. 555](https://www.irs.gov/pub555) for more information about community property laws.

Reportable Transaction Disclosure Statement

Use Form 8886 to disclose information for each reportable transaction in which you participated. Form 8886 must be filed for each tax year that your federal income tax liability is affected by your participation in the transaction. You may have to pay a penalty if you are required to file Form 8886 but don't do so. You may also have to pay interest and penalties on any reportable transaction understatements. The following are reportable transactions.

- Any listed transaction that is the same as or substantially similar to tax avoidance transactions identified by the IRS in published guidance.
- Any transaction offered to you or a related party under conditions of confidentiality for which you paid an advisor a fee of at least \$50,000.
- Certain transactions for which you or a related party have contractual protection against disallowance of the tax benefits.
- Certain transactions resulting in a loss of at least \$2 million in any single tax year or \$4 million in any combination of tax years. (At least \$50,000 for a single tax year if the loss arose from a foreign currency transaction defined in section 988(c)(1), whether or not the loss flows through from an S corporation or partnership.)
- Certain transactions of interest entered into that are the same or substantially similar to one of the types of transactions that the IRS has identified by published guidance as a transaction of interest.

See the Instructions for Form 8886 for more details. See also chapter 2 of [Pub. 550](https://www.irs.gov/pub550).

Capital Construction Fund

Do not claim on Schedule C the deduction for amounts contributed to a capital construction fund set up under chapter 535 of title 46 of the United States Code. Instead, reduce the amount you would otherwise enter on Form 1040 or 1040-SR, line 15, by the amount of the deduction. Next to line 15, enter "CCF" and the amount of the deduction. For details, see [Pub. 595](https://www.irs.gov/pub595).

Additional Information

See [Pub. 334](https://www.irs.gov/pub334) for more information for small businesses.

Specific Instructions

Filers of Form 1041. Do not complete the block labeled "Social security number (SSN)." Instead, enter the EIN issued to the estate or trust on line D.

Line A

Describe the business or professional activity that provided your principal source of income reported on line 1. If you owned more than one business, complete a separate Schedule C for each business. Give the general field or activity and the type of product or service. If your general field or activity is wholesale trade, retail trade, or services connected with production services (mining, construction, or manufacturing), also give the type of customer or client; for example, "wholesale sale of hardware to retailers" or "appraisal of real estate for lending institutions."

Line B

Enter on line B the six-digit code from the [Principal Business or Professional Activity Codes](https://www.irs.gov/principal-business-or-professional-activity-codes) chart at the end of these

instructions. For nonstore retailers, select the PBA code by the primary product that your establishment sells. For example, establishments primarily selling prescription and nonprescription drugs select PBA code 456110 *Pharmacies & drug retailers*.

Line D

Enter on line D the EIN that was issued to you on Form SS-4. Do not enter your SSN on this line. 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 employment, excise, alcohol, tobacco, or firearms returns or are a payer of gambling winnings. 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. If you conducted the business from your home located at the address shown on page 1 of your tax return, you don't have to complete this line.

Line F

Generally, you can use the cash method, an accrual method, or any other method permitted by the Internal Revenue Code. In all cases, the method used must clearly reflect income. Unless you are a [small business taxpayer](#) (defined later under *Part III*), you must use an accrual method for sales and purchases of inventory items. Special rules apply to long-term contracts (see section 460 for details).

If you use the cash method, 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 made available to you without restriction. Also, show amounts actually paid during the year for deductible expenses. However, if the payment of an expenditure creates an asset having a useful life that extends beyond 12 months or the end of the next tax year, it may not be deductible or may be deductible only in part for the year of the payment. See chapter 2 of [Pub. 334](#), Tax Guide for Small Business.

For amounts includible in income and deductible as expense under an accrual method, see [Pub. 538](#).

To change your accounting method, you must generally file Form 3115. You may also have to make an adjustment to prevent amounts of income or expense from being duplicated or omitted. This is called a section 481(a) adjustment.

Example. You change to the cash method of accounting and choose to account for inventoriable items in the same manner as nonincidental materials and supplies for the 2025 tax year. You accrued sales in 2024 for which you received payment in 2025. You must report those sales in both years as a result of changing your accounting method and must make a section 481(a) adjustment to prevent duplication of income.

A net negative section 481 adjustment is generally taken into account in the year of change. A net positive section 481(a) adjustment is generally taken into account over a period of 4 years. Include any net positive section 481(a) adjustments on

line 6. If the net section 481(a) adjustment is negative, report it in Part V.

More information. For more information about changing your accounting method and the section 481(a) adjustment, see the Instructions for Form 3115. Additional information is also available in various revenue procedures. See Revenue Procedure 2025-23 (and any subsequent revenue procedures modifying Revenue Procedure 2025-23) for a list of automatic changes, including a description of its effect on prior lists of automatic changes. Revenue Procedure 2025-23 is available at [IRS.gov/irb/2025-24_IRB#REV-PROC-2025-23](#).

Line G

If your business activity is not a rental activity and you meet any of the material participation tests, explained next, or the [exception for oil and gas](#) applies, check the "Yes" box. Otherwise, check "No." If you check "No," this activity is passive. If you have a loss from a passive activity, see [Limit on losses](#), later. If you have a profit from the rental of property to a nonpassive activity, see *Recharacterization of Passive Income* in [Pub. 925](#) to find out how to report the net income.

Material participation. For purposes of the seven material participation tests listed later, participation generally includes any work you did in connection with an activity if you owned an interest in the activity at the time you did the work. The capacity in which you did the work does not matter. However, work is not treated as participation if it is work that an owner would not customarily do in the same type of activity and one of your main reasons for doing the work was to avoid the disallowance of losses or credits from the activity under the passive activity rules.

Work you did as an investor in an activity is not treated as participation unless you were directly involved in the day-to-day management or operations of the activity. Work performed as an investor includes:

- Studying and reviewing financial statements or reports on the activity,
- Preparing or compiling summaries or analyses of the finances or operations of the activity for your own use, and
- Monitoring the finances or operations of the activity in a nonmanagerial capacity.

Participation by your spouse during the tax year in an activity in which you own an interest can be counted as your participation in the activity. This rule applies even if your spouse did not own an interest in the activity and whether or not you and your spouse file a joint return. However, this rule does not apply for purposes of determining whether you and your spouse can elect to have your business treated as a qualified joint venture instead of a partnership (see [Qualified Joint Venture](#), earlier).

For purposes of the passive activity rules, you materially participated in the operation of a trade or business activity during 2025 if you met any of the following seven tests.

1. You participated in the activity for more than 500 hours during the tax year.
2. Your participation in the activity for the tax year was substantially all of the participation in the activity of all individuals (including individuals who did not own any interest in the activity) for the tax year.
3. You participated in the activity for more than 100 hours during the tax year, and you participated at least as much as any other person for the tax year. This includes individuals who did not own any interest in the activity.
4. The activity is a significant participation activity for the tax year, and you participated in all significant participation activities for more than 500 hours during the year. An activity is a "significant participation activity" if it involves the conduct of a trade or business, you participated in the activity for more than

100 hours during the tax year, and you did not materially participate under any of the material participation tests (other than this test 4).

5. You materially participated in the activity for any 5 of the prior 10 tax years.

6. The activity is a personal service activity in which you materially participated for any 3 prior tax years. A personal service activity is an activity that involves performing personal services in the field of health, law, engineering, architecture, accounting, actuarial science, performing arts, or consulting, or any other trade or business in which capital is not a material income-producing factor.

7. Based on all the facts and circumstances, you participated in the activity on a regular, continuous, and substantial basis for more than 100 hours during the tax year. Your participation in managing the activity does not count in determining if you meet this test if any person (except you) (a) received compensation for performing management services in connection with the activity, or (b) spent more hours during the tax year than you spent performing management services in connection with the activity (regardless of whether the person was compensated for the services).

Rental of personal property. Generally, a rental activity (such as long-term equipment leasing) is a passive activity even if you materially participated in the activity. However, if you met any of the five exceptions listed under *Rental Activities* in the Instructions for Form 8582, the rental of the property is not treated as a rental activity and the material participation rules explained earlier apply.

Exception for oil and gas. If you are filing Schedule C to report income and deductions from an oil or gas well in which you own a working interest directly or through an entity that does not limit your liability, check the "Yes" box. The activity of owning a working interest is not a passive activity, regardless of your participation.

Limit on losses. Your business activity loss may be limited if you checked the "No" box on line G. In addition, your rental activity loss may be limited even if you materially participated. In general, a business activity in which you do not materially participate or a rental activity is a passive activity and you have to use Form 8582 to apply a limitation that may reduce the loss, if any, that you may enter on Schedule C, line 31. For details, see [Pub. 925](#).

Note: Line G doesn't apply to filers of Form 1040-SS.

Line H

If you started or acquired this business in 2025, check the box on line H. Also, check the box if you are reopening or restarting this business after temporarily closing it, and you didn't file a 2024 Schedule C for this business.

Line I

If you made any payment in 2025 that would require you to file any Forms 1099, check the "Yes" box. Otherwise, check the "No" box.

You may have to file information returns for wages paid to employees, certain payments of fees and other nonemployee compensation, interest, rents, royalties, real estate transactions, annuities, and pensions. You may also have to file an information return if you sold \$5,000 or more of consumer products to a person on a buy-sell, a deposit-commission, or other similar basis for resale.

Note: Line I doesn't apply to filers of Form 1040-SS.



The Guide to Information Returns in the 2025 General Instructions for Certain Information Returns identifies which Forms 1099 must be filed, the amounts to report, and the due dates for the required Forms 1099. For information, see [IRS.gov/instructions/Form1099](https://www.irs.gov/instructions/Form1099).

Part I. Income

Except as otherwise provided in the Internal Revenue Code, gross income includes income from whatever source derived. In certain circumstances, however, gross income does not include extraterritorial income that is qualifying foreign trade income. Use Form 8873 to figure the extraterritorial income exclusion. Report it on Schedule C as explained in the Instructions for Form 8873.

If you were a debtor in a chapter 11 bankruptcy case during 2025, see *Chapter 11 Bankruptcy Cases* in the Instructions for Form 1040 (under *Income*) and the Instructions for Schedule SE.

Be sure to report all income attributable to your trade or business from all sources. You may receive one or more Forms 1099 from people who are required to provide information to the IRS listing amounts that may be income you received as a result of your trade or business activities. The following is a list of some of the common Forms 1099.

- 1099-MISC. For more information about what is reported on Form 1099-MISC, see the *Instructions for Recipient* included on that form.
- 1099-NEC. For more information about what is reported on Form 1099-NEC, see the *Instructions for Recipient* included on that form.
- 1099-K. For more information about what is reported on Form 1099-K, see the *Instructions for Payee* included on that form and go to [IRS.gov/Gig](https://www.irs.gov/Gig).



Income you report on Schedule C may be qualified business income and entitle you to a deduction on Form 1040 or 1040-SR, line 13a. See Forms 8995 and 8995-A for more information.

Line 1

Enter gross receipts from your trade or business. Be sure to check any Forms 1099 you received for business income that must be reported on this line.

If you received one or more Forms 1099-NEC, be sure line 1 includes amounts properly shown on your Forms 1099-NEC. If the total amounts that were reported in box 1 of Forms 1099-NEC are more than the total you are reporting on line 1, attach a statement explaining the difference.

Statutory employees. If you received a Form W-2, and the "Statutory employee" box in box 13 of that form was checked, report your income and expenses related to that income on Schedule C. Enter your statutory employee income from box 1 of Form W-2 on line 1 of Schedule C and check the box on that line. Social security and Medicare tax should have been withheld from your earnings; as a result, you do not owe self-employment tax on these earnings. Statutory employees include full-time life insurance agents, certain agent or commission drivers and traveling salespersons, and certain homeworkers.

If you had both self-employment income and statutory employee income, you must file two Schedules C. You cannot combine these amounts on a single Schedule C.

Note: Statutory employees information doesn't apply to Form 1040-SS filers.



CAUTION *Qualified joint ventures should report rental real estate income not subject to self-employment tax on Schedule E (Form 1040). See [Qualified Joint Venture](#), earlier, and the Instructions for Schedule E (Form 1040).*

Name, image, likeness (NIL) income. If you are a student-athlete, any monetary or financial gain, including non-cash compensation like merchandise or gift cards, you receive from a transaction in which you benefit from the use of your name, image, or likeness is NIL income. Generally, student-athletes are considered independent contractors for tax purposes and report NIL income and related expenses as self-employment income on Schedule C. However, report royalties and other NIL income that is not self-employment income on Schedule E instead.

Medicaid waiver payments. If you are a sole proprietor in a business of providing home care services, certain Medicaid waiver payments you receive may be nontaxable. If you receive Medicaid waiver payments on a Form 1099-MISC or Form 1099-NEC that are excludable from gross income under Notice 2014-7, report the full amount of the payments as income on Schedule C, line 1. Then report the nontaxable and excludable amount as an expense in Part V, Other Expenses, and write "Notice 2014-7" next to the amount. These payments are nontaxable and excludable from income. Notice 2014-7 is available at [IRS.gov/irb/2014-04_IRB#NOT-2014-7](https://www.irs.gov/irb/2014-04_IRB#NOT-2014-7). For more information about these payments see the related questions and answers at Certain Medicaid Waiver Payments May Be Excludable From Income, available at [IRS.gov/individuals/certain-medicaid-waiver-payments-may-be-excludable-from-income](https://www.irs.gov/individuals/certain-medicaid-waiver-payments-may-be-excludable-from-income)

Installment sales. Generally, the installment method can't be used to report income from the sale of (a) personal property regularly sold under the installment method, or (b) real property held for resale to customers. But the installment method can be used to report income from sales of certain residential lots and timeshares if you elect to pay interest on the tax due on that income after the year of sale. See section 453(l)(2)(B) for details. If you make this election, include the interest in the total on Schedule 2 (Form 1040), line 14, and enter the amount of interest and "453(l)(3)" on the line next to the entry space.

If you use the installment method, attach a statement to your return. Show separately for 2025 and the 3 preceding years: gross sales, cost of goods sold, gross profit, percentage of gross profit to gross sales, amounts collected, and gross profit on amounts collected.

Line 2

Report your sales returns and allowances as a positive number on line 2. A sales return is a cash or credit refund you gave to customers who returned defective, damaged, or unwanted products. A sales allowance is a reduction in the selling price of products, instead of a cash or credit refund.

Line 6

Report on line 6 business income not reported elsewhere in Part I. Be sure to include amounts from the following.

- Finance reserve income.
- Scrap sales.
- Bad debts you recovered.
- Interest (such as on notes and accounts receivable).
- State gasoline or fuel tax refunds you received in 2025.
- Any amount of credit for biofuel claimed on line 3 of Form 6478.
- Credit for federal tax paid on fuels claimed on your 2024 Form 1040 or 1040-SR.
- Prizes and awards related to your trade or business.

- Amounts you received in your trade or business as shown on Form 1099-PATR.
- Other kinds of miscellaneous business income.

If the business use percentage of any listed property (defined under [Line 13](#), later) dropped to 50% or less in 2025, report on this line any recapture of excess depreciation, including any section 179 expense deduction. Use Part IV of Form 4797 to figure the recapture. Also, if the business use percentage drops to 50% or less on leased listed property (other than a vehicle), include on this line any inclusion amount. See chapter 5 of [Pub. 946](#) to figure the amount.

Part II. Expenses

Capitalizing costs of producing property and acquiring property for resale. If you produced real or tangible personal property or acquired real or personal property for resale, you must generally capitalize certain expenses in inventory or other property. These expenses include the direct costs of the property and any indirect costs properly allocable to that property. Reduce the amounts on lines 8 through 27a and Part V by amounts capitalized. See [Pub. 538](#) for a discussion of the uniform capitalization rules.

Exception for a small business taxpayer. A [small business taxpayer](#) (defined later under *Part III*) is not required to capitalize certain expenses to inventory or other property. See [Pub. 538](#) for more details.

Exception for creative property. If you are a freelance artist, author, or photographer, you may be exempt from the capitalization rules. However, your personal efforts must have created (or reasonably be expected to create) the property. This exception does not apply to any expense related to printing, photographic plates, motion picture films, videotapes, or similar items. These expenses are subject to the capitalization rules. For details, see *Uniform Capitalization Rules* in [Pub. 538](#).

Line 9

You can deduct the actual expenses of operating your car or truck or take the standard mileage rate. This is true even if you used your vehicle for hire (such as a taxicab). You must use actual expenses if you used five or more vehicles simultaneously in your business (such as in fleet operations). You can't use actual expenses for a leased vehicle if you previously used the standard mileage rate for that vehicle.

You can take the standard mileage rate for 2025 only if you:

- Owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service, or
- Leased the vehicle and are using the standard mileage rate for the entire lease period.

If you take the standard mileage rate:

- Multiply the number of business miles driven by 0.70. For example, 1,250 business miles driven $\times$ 0.70 = \$875.00;
- Add to this amount your parking fees and tolls; and
- Enter the total on line 9. Do not deduct depreciation, rent or lease payments, or your actual operating expenses.



CAUTION *If you use your vehicle for both business and personal purposes and you claimed a deduction in 2025 on Schedule 1-A (Form 1040) for the vehicle loan interest allocable to your personal use, then you can't claim a deduction for that same interest on Schedule C. See Schedule 1-A (Form 1040) and its instructions for more information.*

If you deduct actual expenses:

- Include on line 9 the business portion of expenses for gasoline, oil, repairs, insurance, license plates, etc.; and
- Show depreciation on line 13 and rent or lease payments on line 20a.

For details, see chapter 4 of [Pub. 463](#).



If you use your vehicle for both business and personal purposes and you claimed a deduction in 2025 on Schedule 1-A (Form 1040) for the vehicle loan interest allocable to your personal use, then you can't claim a deduction for that same interest on Schedule C. See Schedule 1-A (Form 1040) and its instructions for more information.

Information on your vehicle. If you claim any car and truck expenses, you must provide certain information on the use of your vehicle by completing one of the following.

1. Complete Schedule C, Part IV, if (a) you are claiming the standard mileage rate, you lease your vehicle, or your vehicle is fully depreciated; and (b) you are not required to file Form 4562 for any other reason. If you used more than one vehicle during the year, attach a statement with the information requested in Schedule C, Part IV, for each additional vehicle.
2. Complete Form 4562, Part V, if you are claiming depreciation on your vehicle or you are required to file Form 4562 for any other reason (see [Line 13](#), later).

Line 10

Enter the total commissions and fees for the tax year. Do not include commissions or fees that are capitalized or deducted elsewhere on your return.

You must file Form 1099-NEC to report certain commissions and fees of \$600 or more during the year. See the Instructions for Forms 1099-MISC and 1099-NEC for details.

Sales of property. Generally, commissions and other fees paid to facilitate the sale of property must be capitalized. However, if you are a dealer in property, enter on line 10 the commissions and fees you paid to facilitate the sale of that property.

Note: A dealer in property is a person who regularly sells property in the ordinary course of their trade or business.

For more information on the capitalization of commissions and fees, see the examples under Regulations section 1.263(a)-1(e)(3).

Line 11

Enter the total cost of contract labor for the tax year. Contract labor includes payments to persons you do not treat as employees (for example, independent contractors) for services performed for your trade or business. Do not include contract labor deducted elsewhere on your return, such as contract labor includible on line 17, 21, 26, or 37. Also, do not include salaries and wages paid to your employees; instead, see [Line 26](#), later.

You must file Form 1099-NEC to report contract labor payments of \$600 or more during the year. See the Instructions for Forms 1099-MISC and 1099-NEC for details.

Line 12

Enter your deduction for depletion on this line. If you have timber depletion, attach Form T (Timber). See chapter 7 of [Pub. 225](#) for additional details.



Depletion is generally an item of tax preference under the Alternative Minimum Tax (AMT). See section 57.

Line 13

Depreciation and section 179 expense deduction.

Depreciation is the annual deduction allowed to recover the cost or other basis of business or investment property having a useful

life substantially beyond the tax year. You can also depreciate improvements made to leased business property. However, stock in trade, inventories, and land are not depreciable. Depreciation starts when you first use the property in your business or for the production of income. It ends when you take the property out of service, deduct all your depreciable cost or other basis, or no longer use the property in your business or for the production of income. You can also elect under section 179 to expense part or all of the cost of certain property you bought in 2025 for use in your business. See the Instructions for Form 4562 and [Pub. 946](#) to figure the amount to enter on line 13.

When to attach Form 4562. You must complete and attach Form 4562 only if you are claiming:

- Depreciation on property placed in service during 2025;
- Depreciation on listed property (defined later), regardless of the date it was placed in service; or
- A section 179 expense deduction.

If you acquired depreciable property for the first time in 2025, see [Pub. 946](#).

Listed property. Listed property generally includes, but is not limited to:

- Passenger automobiles weighing 6,000 pounds or less;
- Any other property used for transportation if the nature of the property lends itself to personal use, such as motorcycles, pickup trucks, etc.; and
- Any property used for entertainment or recreational purposes (such as photographic, phonographic, communication, and video recording equipment).

Exception. Listed property does not include photographic, phonographic, communication, or video equipment used exclusively in your trade or business or at your regular business establishment. For purposes of this exception, a portion of your home is treated as a regular business establishment only if that portion meets the requirements under section 280A(c)(1) for deducting expenses for the business use of your home.

Recapture. See [Line 6](#), earlier, if the business use percentage of any listed property dropped to 50% or less in 2025.

Line 14

Deduct contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included on line 19. Examples are accident and health plans, group-term life insurance, and dependent care assistance programs. If you made contributions on your behalf as a self-employed person to a dependent care assistance program, complete Form 2441, Parts I and III, to figure your deductible contributions to that program.

You cannot deduct contributions you made on your behalf as a self-employed person for group-term life insurance.

Do not include on line 14 any contributions you made on your behalf as a self-employed person to an accident and health plan. However, you may be able to deduct on Schedule 1 (Form 1040), line 17, the amount you paid for health insurance on behalf of yourself, your spouse, and dependents, even if you do not itemize your deductions. See the instructions for line 17, Schedule 1, contained within the Instructions for Form 1040.

You must reduce your line 14 deduction by the amount of any credit for small employer health insurance premiums determined on Form 8941. See Form 8941 and its instructions to determine which expenses are eligible for the credit.

Line 15

Deduct premiums paid for business insurance on line 15. Deduct on line 14 amounts paid for employee accident and health

insurance. Do not deduct amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for your lost earnings due to sickness or disability. For details, see [Pub. 334](#), chapter 8.

Lines 16a and 16b

Interest allocation rules. The tax treatment of interest expense differs depending on its type. For example, home mortgage interest and investment interest are treated differently. "Interest allocation" rules require you to allocate (classify) your interest expense so it is deducted (or capitalized) on the correct line of your return and receives the right tax treatment. These rules could affect how much interest you are allowed to deduct on Schedule C.

Generally, you allocate interest expense by tracing how the proceeds of the loan were used. See chapter 4 of [Pub. 225](#), generally, for details.



If you use your vehicle for both business and personal purposes and you claimed a deduction in 2025 on Schedule 1-A (Form 1040) for the vehicle loan interest allocable to your personal use, then you can't claim a deduction for that same interest on Schedule C. See Schedule 1-A (Form 1040) and its instructions for more information.

Limitation on business interest. You must file Form 8990 to deduct any interest expenses of this trade or business unless you are a [small business taxpayer](#) (defined under *Part III*) or meet one of the other filing exceptions listed in the Instructions for Form 8990.

If you must file Form 8990, figure the limit on your business interest expenses on Form 8990 before completing lines 16a and 16b. Follow the instructions under [How to report](#), later, but report the reduced interest on lines 16a and 16b. The interest you can't deduct this year will carry forward to next year on Form 8990.

If you are a small business taxpayer or meet one of the other filing exceptions for Form 8990, follow the instructions under [How to report](#), later, and report all of your deductible interest on lines 16a and 16b.

How to report. If you have a mortgage on real property used in your business, enter on line 16a the interest you paid for 2025 to banks or other financial institutions for which you received a Form 1098 (or similar statement). If you did not receive a Form 1098, enter the interest on line 16b.

If you paid more mortgage interest than is shown on Form 1098, include the amount on line 16a. Attach a statement to your return explaining the difference and enter "See attached" in the margin next to line 16a. Don't include mortgage interest that must be capitalized, for example, added to basis. See [Pub. 551](#), under Uniform Capitalization Rules, for details.



The Tax Cuts and Jobs Act, section 11043, limited the deduction for mortgage interest paid on home equity loans and lines of credit. See section 163(h)(3)(F).

If you and at least one other person (other than your spouse if you file a joint return) were liable for and paid interest on the mortgage and the other person received the Form 1098, include your share of the interest on line 16b. Attach a statement to your return showing the name and address of the person who received the Form 1098. In the margin next to line 16b, enter "See attached."

If you paid interest in 2025 that also applies to future years, deduct only the part that applies to 2025.

Line 17

Include on this line fees charged by accountants and attorneys that are ordinary and necessary expenses directly related to operating your business.

Include fees for tax advice related to your business and for preparation of the tax forms related to your business. Also, include expenses incurred in resolving asserted tax deficiencies related to your business.

For more information, see [Pub. 334](#).

Line 18

Include on this line your expenses for office supplies and postage.

Line 19

Enter your deduction for the contributions you made for the benefit of your employees to a pension, profit-sharing, or annuity plan (including SEP, SIMPLE, and SARSEP plans described in [Pub. 560](#)). If the plan included you as a self-employed person, enter the contributions made as an employer on your behalf on Schedule 1 (Form 1040), line 16, not on Schedule C.

This deduction may be subject to limitations. For more information on potential limitations, see [Pub. 560](#).

In most cases, you must file the applicable form listed below if you maintain a pension, profit-sharing, or other funded-deferred compensation plan. The filing requirement is not affected by whether or not the plan qualified under the Internal Revenue Code, or whether or not you claim a deduction for the current tax year. There is a penalty for failure to timely file these forms.

Form 5500-EZ. File this form if you have a one-participant retirement plan that meets certain requirements. A one-participant plan is a plan that covers only you (or you and your spouse).

Form 5500-SF. File this form electronically with the Department of Labor (at [efast.dol.gov](#)) if you have a small plan (fewer than 100 participants in most cases) that meets certain requirements.

Form 5500. File this form electronically with the Department of Labor (at [efast.dol.gov](#)) for a plan that does not meet the requirements for filing Form 5500-EZ or Form 5500-SF.

For details, see [Pub. 560](#).

Lines 20a and 20b

If you rented or leased vehicles, machinery, or equipment, enter on line 20a the business portion of your rental cost. But if you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction by the inclusion amount. See *Leasing a Car* in chapter 4 of [Pub. 463](#) to figure this amount.

Enter on line 20b amounts paid to rent or lease other property, such as office space in a building.

Line 21

Deduct the cost of incidental repairs and maintenance that do not add to the property's value or appreciably prolong its life. Do not deduct the value of your own labor. Do not deduct amounts spent to restore or replace property; they must be capitalized.

Line 22

In most cases, you can deduct the cost of materials and supplies only to the extent you actually consumed and used them in your business during the tax year (unless you deducted them in a

prior tax year). However, if you had incidental materials and supplies on hand for which you kept no inventories or records of use, you can deduct the cost of those you actually purchased during the tax year, provided that method clearly reflects income.

You can also deduct the cost of books, professional instruments, equipment, etc., if you normally use them within a year. However, if their usefulness extends substantially beyond a year, you must generally recover their costs through depreciation.

Line 23

You can deduct the following taxes and licenses on this line.

- State and local sales taxes imposed on you as the seller of goods or services. If you collected this tax from the buyer, you must also include the amount collected in gross receipts or sales on line 1.
- Real estate and personal property taxes on business assets.
- Licenses and regulatory fees for your trade or business paid each year to state or local governments. But some licenses, such as liquor licenses, may have to be amortized. See the Instructions for Form 4562 for more information on amortization.
- Social security and Medicare taxes paid to match required withholding from your employees' wages. Reduce your deduction by the amount shown on Form 8846, line 4.
- Federal unemployment tax paid.
- Federal highway use tax.
- Contributions to a state unemployment insurance fund, or paid family and medical leave program disability benefit fund if they are considered taxes under state law.

Do not deduct the following.

- Federal income taxes, including your self-employment tax. However, you can deduct one-half of your self-employment tax on Schedule 1 (Form 1040), line 15 (but if filing Form 1040-NR, then only when covered under the U.S. social security system due to an international social security agreement).
- Estate and gift taxes.
- Taxes assessed to pay for improvements, such as paving and sewers.
- Taxes on your home or personal use property.
- State and local sales taxes on property purchased for use in your business. Instead, treat these taxes as part of the cost of the property.
- State and local sales taxes imposed on the buyer that you were required to collect and pay over to state or local governments. These taxes are not included in gross receipts or sales nor are they a deductible expense. However, if the state or local government allowed you to retain any part of the sales tax you collected, you must include that amount as income on line 6.
- Other taxes and license fees not related to your business.

Line 24a

Enter your expenses for lodging and transportation connected with overnight travel for business while away from your tax home. In most cases, your tax home is your main place of business, regardless of where you maintain your family home. You can't deduct expenses paid or incurred in connection with employment away from home if that period of employment exceeds 1 year. Also, you cannot deduct travel expenses for your spouse, your dependent, or any other individual unless that person is your employee, the travel is for a bona fide business purpose, and the expenses would otherwise be deductible by that person.

Do not include expenses for meals on this line. Instead, see [Line 24b](#), later. Do not include entertainment expenses on this line.

Instead of keeping records of your actual incidental expenses, you can use an optional method for deducting incidental

expenses only if you did not pay or incur meal expenses on a day you were traveling away from your tax home. The amount of the deduction is \$5 a day. Incidental expenses include fees and tips given to porters, baggage carriers, bellhops, hotel maids, stewards or stewardesses and others on ships, and hotel servants in foreign countries. They do not include expenses for laundry, cleaning and pressing of clothing, lodging taxes, or the costs of telegrams or telephone calls. You cannot use this method on any day that you use the [standard meal allowance](#) (as explained under [Line 24b](#), later).

You can't deduct expenses for attending a convention, seminar, or similar meeting held outside the North American area unless the meeting is directly related to your trade or business and it is as reasonable for the meeting to be held outside the North American area as within it. These rules apply to both employers and employees. Other rules apply to luxury water travel.

For details on travel expenses, see chapter 1 of [Pub. 463](#).

Line 24b

Enter your deductible business meal expenses. This includes expenses for meals while traveling away from home for business. Your deductible business meal expenses are a percentage of your actual business meal expenses or standard meal allowance. See [Amount of deduction](#), later, for the percentage that applies to your actual meal expenses or standard meal allowance. In most cases, the percentage is 50%.

Do not include entertainment expenses on this line.

Business meal expenses. You can deduct a percentage of the actual cost of a meal if the following conditions are met.

- The meal expense was an ordinary and necessary expense in carrying on your trade or business.
- The expense was not lavish or extravagant under the circumstances.
- You or your employee was present at the meal.
- The meal was provided to a current or potential business customer, client, consultant, or similar business contact.
- In the case of food or beverages provided during or at an entertainment event, the food and beverages were purchased separately from the entertainment, or the cost of the food and beverages was stated separately from the cost of the entertainment on one or more bills, invoices, or receipts.



You cannot avoid the entertainment disallowance rule by inflating the amount charged for food and beverages.

See Regulations sections 1.274-11 and 1.274-12 for examples and more information.

Standard meal allowance. Instead of deducting the actual cost of your meals while traveling away from home, you can use the standard meal allowance for your daily meals and incidental expenses. Under this method, you deduct a specified amount, depending on where you travel, instead of keeping records of your actual meal expenses. However, you must still keep records to prove the time, place, and business purpose of your travel.

The standard meal allowance is the federal meals and incidental expenses (M&IE) rate. You can find these rates for locations inside and outside the continental United States by going to the General Services Administration's website at [GSA.gov/travel/plan-book/per-diem-rates/mie-breakdown](https://www.gsa.gov/travel/plan-book/per-diem-rates/mie-breakdown).

See chapter 2 of [Pub. 463](#) for details on how to figure your deduction using the standard meal allowance, including special rules for partial days of travel. For special per diem rates and rules of high cost locales, see Notice 2024-68, available at [IRS.gov/irb/2024-41_IRB#NOT-2024-68](https://www.irs.gov/irb/2024-41_IRB#NOT-2024-68). Notice 2024-68 provides the rates and list of high-cost localities for the period

October 1, 2024, to September 30, 2025. For subsequent periods, see Notice 2025-54, available at [IRS.gov/irb/2025-41_IRB#NOT-2025-54](https://www.irs.gov/irb/2025-41_IRB#NOT-2025-54).

Amount of deduction. In most cases, you can deduct only 50% of your business meal expenses, including meals incurred while away from home on business. However, for individuals subject to the Department of Transportation (DOT) hours of service limits, the percentage is increased to 80% for business meals consumed during or incident to any period of duty for which those limits are in effect. Individuals subject to the DOT hours of service limits include the following.

- Certain air transportation workers (such as pilots, crew, dispatchers, mechanics, and control tower operators) who are under Federal Aviation Administration regulations.
- Interstate truck operators who are under DOT regulations.
- Certain merchant mariners who are under Coast Guard regulations.

However, you can fully deduct meals and incidentals furnished or reimbursed to an employee if you properly treat the expense as wages subject to withholding. You can also fully deduct meals and incidentals provided to a nonemployee to the extent the expenses are includible in the gross income of that person and reported on Form 1099-NEC. See chapter 5 of [Pub. 15 \(Circular E\)](#), Employer's Tax Guide, for details and other exceptions. See also chapter 8 of [Pub. 334](#).

Daycare providers. If you qualify as a family daycare provider, you can use the standard meal and snack rates, instead of actual costs, to figure the deductible cost of meals and snacks provided to eligible children. If you receive reimbursement under a food program of the Department of Agriculture, only deduct the cost of food that exceeds reimbursement, if any. See [Pub. 587](#) for details, including recordkeeping requirements.

Line 25

Deduct utility expenses only for your trade or business.

Local telephone service. If you used your home phone for business, do not deduct the base rate (including taxes) of the first phone line into your residence. But you can deduct any additional costs you incurred for business that are more than the base rate of the first phone line. For example, if you had a second line, you can deduct the business percentage of the charges for that line, including the base rate charges.

Line 26

Enter the total salaries and wages for the tax year reduced by the amount of the following credit(s), if applicable.

- Work Opportunity Credit (Form 5884).
- Empowerment Zone Employment Credit (Form 8844).
- Credit for Employer Differential Wage Payments (Form 8932).
- Employer Credit for Paid Family and Medical Leave (Form 8994).

Do not reduce your deduction for any portion of a credit that was passed through to you from a pass-through entity. See the instructions for the credit form for more information.

Do not include salaries and wages deducted elsewhere on your return or amounts paid to yourself.



CAUTION If you provided taxable fringe benefits to your employees, such as personal use of a car, do not deduct as wages the amount applicable to depreciation and other expenses claimed elsewhere.

In most cases, you are required to file Form W-2 for each employee. See the General Instructions for Forms W-2 and W-3.

Line 27a

Energy efficient commercial buildings deduction. You may be able to deduct part or all of the expenses of modifying an existing commercial building to make it energy efficient. For details, see Form 7205 and its instructions. Attach Form 7205 to your tax return.

Line 30

Business use of your home. You may be able to deduct certain expenses for business use of your home, subject to limitations. To claim a deduction for business use of your home, use Form 8829, or you can elect to determine the amount of the deduction using a simplified method.

If you have a business use of another home, you can't use the simplified method for that home. You can use the Form 8829 to claim expenses for business use of the other home.

For additional information about claiming this deduction, see [Pub. 587](#).



TIP If you are not using the simplified method to determine the amount of expenses you may deduct for business use of a home, do not complete the additional entry spaces on line 30 for total square footage of your home and of the part of the home used for business. Instead, include the amount from line 36 of your Form 8829 on line 30.

Simplified method. The simplified method is an alternative to the calculation, allocation, and substantiation of actual expenses. In most cases, you'll figure your deduction by multiplying the area (measured in square feet) used regularly and exclusively for business, regularly for daycare, or regularly for storage of inventory or product samples, by \$5. The area you use to figure your deduction cannot exceed 300 square feet. You can't use the simplified method to figure a deduction for rental use of your home.

Electing to use the simplified method. You choose whether or not to use the simplified method each tax year. Make the election by using the simplified method to figure the deduction for the qualified business use of a home on a timely filed, original federal income tax return for that year. An election for a year, once made, is irrevocable. A change from using the simplified method in one year to actual expenses in a succeeding year, or vice versa, is not a change in method of accounting and does not require the consent of the Commissioner.

If you share your home with someone else who uses the home for a separate business that qualifies for this deduction, each of you may make your own election but not for the same portion of the home.

If you conduct more than one business that qualifies for this deduction in your home, your election to use the simplified method applies to all your qualified business uses of your home. You are limited to a maximum of 300 square feet for all of the businesses you conduct in your home that qualify for this deduction. Allocate the actual square footage used (up to the maximum 300 square feet) among your qualified business uses in any reasonable manner you choose, but you may not allocate more square feet to a qualified business use than you actually use in that business.

Instructions for the Simplified Method Worksheet

Use this worksheet to figure the amount of expenses you may deduct for a qualified business use of a home if you are electing to use the simplified method for that home. If you are not electing to use the simplified method, use Form 8829.

Line 1. If all gross income from your trade or business is from this qualified business use of your home, figure your gross income limitation as follows.

- | | | |
|----|--|-------|
| A. | Enter the amount from Schedule C, line 29 | _____ |
| B. | Enter any gain derived from the business use of your home and shown on Form 8949 (and included on Schedule D) or Form 4797 | _____ |
| C. | Add lines A and B | _____ |
| D. | Enter the total amount of any losses (as a positive number) shown on Form 8949 (and included on Schedule D) or Form 4797 that are allocable to the business, but not allocable to the business use of the home | _____ |
| E. | Gross income limitation. Subtract line D from line C. Enter the result here and on line 1 of the simplified method worksheet | _____ |

If some of the income is from a place of business other than your home, you must first determine the part of your gross income (Schedule C, line 7, and gains from Form 8949, Schedule D and Form 4797) from the business use of your home. In making this determination, consider the amount of time you spent at each location as well as other facts. After determining the part of your gross income from the business use of your home, subtract from that amount the total expenses shown on Schedule C, line 28, plus any losses shown on Form 8949 (and included on Schedule D) or Form 4797 that are allocable to the business in which you use your home but that are not allocable to the business use of the home. Enter the result on line 1 of the simplified method worksheet.

Note: If you had more than one home in which you conducted this business during the year, include only the income earned and the deductions attributable to that income during the period you owned the home for which you elected to use the simplified method.

Line 2. If you used the same area for the entire year, enter the smaller of the square feet you actually used or 300. If you and your spouse conducted the business as a qualified joint venture, split the square feet between you and your spouse in the same manner you split your other tax attributes. If you shared space with someone else, used the home for business for only part of the year, or the area you used changed during the year, see [Figuring your allowable expenses for business use of the home](#), before entering an amount on this line. Do not enter more than 300 square feet or, if applicable, the average monthly allowable square footage on this line. See [Part-year use or area changes \(for simplified method only\)](#), later, for more information on how to figure your average monthly allowable square footage.

Line 3b. If your qualified business use is providing daycare, you may need to account for the time that you used the same part of your home for other purposes. If you used the part of your home exclusively and regularly for providing daycare, enter 1.0 on line 3b. If you did not use the part of your home exclusively for providing daycare, complete the [Daycare Facility Worksheet](#) to figure what number to enter on line 3b.

Line 6. Because you are using the simplified method this year, you cannot deduct the amounts you entered on lines 6a and 6b this year. If you file Form 8829 in a later year for your qualified business use of this home, you will be able to include these expenses when you figure your deduction.

- 6a.** If you didn't file a 2024 Form 8829, your carryover of prior-year operating expenses is the amount of operating expenses shown in Part IV of the last Form 8829, if any, that you filed to claim a deduction for business use of the home. If you filed Form 1040-SS prior to 2025 and used a worksheet in [Pub. 587](#) to figure your carryover of unallowed expenses, your carryover of prior-year operating expenses is the amount of operating expenses shown on your last worksheet from [Pub. 587](#), if any, that you used to claim a deduction for business use of the home. This will be the amount from line 6a of the *Simplified Method Worksheet* or line 41 of the *Worksheet To Figure the Deduction for Business Use of Your Home* in [Pub. 587](#).
- 6b.** If you didn't file a 2024 Form 8829, your carryover of prior-year excess casualty losses and depreciation is the amount of excess casualty losses and depreciation shown in Part IV of the last Form 8829, if any, that you filed to claim a deduction for business use of the home. If you filed Form 1040-SS prior to 2025 and used a worksheet in [Pub. 587](#) to figure your carryover of unallowed expenses, your carryover of prior-year excess casualty losses and depreciation is the amount of excess casualty losses and depreciation shown on your last worksheet from [Pub. 587](#), if any, that you used to claim a deduction for business use of the home. This will be the amount from line 6b of the *Simplified Method Worksheet* or line 42 of the *Worksheet To Figure the Deduction for Business Use of Your Home* in [Pub. 587](#).

Simplified Method Worksheet

Keep for Your Records



1.	Enter the amount of the gross income limitation. See the Instructions for the Simplified Method Worksheet above	1.	_____
2.	Allowable square footage for the qualified business use. Don't enter more than 300 square feet. See the Instructions for the Simplified Method Worksheet above	2.	_____
3.	Simplified method amount		
a.	Maximum allowable amount	3a.	\$5 _____
b.	For daycare facilities not used exclusively for business, see the instructions for line 3b of this worksheet above, and enter the decimal amount from the Daycare Facility Worksheet; otherwise, enter 1.0	3b.	_____
c.	Multiply line 3a by line 3b and enter the result to two decimal places	3c.	_____
4.	Multiply line 2 by line 3c	4.	_____
5.	Allowable expenses using the simplified method. Enter the smaller of line 1 or line 4 here and include that amount on Schedule C, line 30. If zero or less, enter -0-	5.	_____
6.	Carryover of unallowed expenses from a prior year that are not allowed in 2025. Form 1040-SS filers, see the instructions above before completing.		
a.	Operating expenses. Enter the amount from your last Form 8829, line 43 (line 42 if before 2018). See the instructions for line 6a above	6a.	_____
b.	Excess casualty losses and depreciation. Enter the amount from your last Form 8829, line 44 (line 43 if before 2018). See the instructions for line 6b above	6b.	_____

Instructions for the Daycare Facility Worksheet

Use this worksheet to figure the percentage to use on line 3b of the Simplified Method Worksheet. If you don't use the area of your home exclusively for daycare, you must reduce the prescribed rate before figuring your deduction using the simplified method.



If you used at least 300 square feet for daycare regularly and exclusively during the year, then you don't need to complete this worksheet. This worksheet is only needed if you did not use the allowable area exclusively for daycare.

Line 1. Enter the total number of hours the facility was used for daycare during the year.

Example. Your home is used Monday through Friday for 12 hours per day for 250 days during the year. It's also used on 50 Saturdays for 8 hours a day. Enter 3,400 hours on line 4 (3,000 hours for weekdays plus 400 hours for Saturdays).

Line 2. If you used your home for daycare during the entire year, multiply 365 days (366 for a leap year) by 24 hours, and enter the result.

If you started or stopped using your home for daycare during the year, you must prorate the number of hours based on the number of days the home was available for daycare. Multiply 24 hours by the number of days available and enter the result.

Daycare Facility Worksheet (for simplified method)

1.	Multiply days used for daycare during the year by hours used per day	1.	_____
2.	Total hours available for use during the year. See the Instructions for the Daycare Facility Worksheet	2.	_____
3.	Divide line 1 by line 2. Enter the result as a decimal amount here and on line 3b of the Simplified Method Worksheet	3.	_____



If you used your home for more than one business, you will need to file a separate Schedule C for each business. Don't combine your deductions for each business use on a single Schedule C.

Business use of more than one home. You may have used more than one home in your business. If you used more than one home for the same business during 2025, you may elect to use the simplified method for only one home; you must file a Form 8829 to claim a business use of the home deduction for any additional home. If one or more of the homes were not used for the entire year (for example, you moved during the year), see [Part-year use or area changes \(for simplified method only\)](#), later, and [Columns \(a\) and \(b\)](#) in the Instructions for Form 8829.

Other requirements must still be met. You must still meet all the use requirements to claim a deduction for business use of the home. The simplified method is only an alternative to the calculation, allocation, and substantiation of actual expenses. The simplified method is not an alternative to the exclusivity and other tests that must be met in order to qualify for this deduction. For more information about qualifying business uses, see [Qualifying for a Deduction](#) in [Pub. 587](#).

Gross income limitation. The amount of your deduction is still limited to the gross income derived from qualified business use of the home reduced by the business deductions that are not related to your use of the home. If this limitation reduces the amount of your deduction, you can't carry over the difference to another tax year.

Carryover of actual expenses from Form 8829. If you used Form 8829 in a prior year and you had actual expenses that you could carry over to the next year, you can't claim those expenses if you are using the simplified method. Instead, the actual expenses from Form 8829 that were not allowed will be carried over to the next year that you use actual expenses to figure your deduction.

Carryover of actual expenses for Form 1040-SS filers. If you filed Form 1040-SS prior to 2025 and used a worksheet in [Pub. 587](#) to figure your actual expenses that you could carry over to the next year, you can't claim those expenses if you are using the simplified method. Instead, the amount of your *Operating expenses* and *Excess casualty losses and depreciation* from your worksheet in [Pub. 587](#) that were not allowed will be carried over to the next year that you use actual expenses to figure your deduction. The next time you claim actual expenses, you need to file Form 8829.

Depreciation of home. You can't deduct any depreciation (including any additional first-year depreciation) or section 179 expense for the portion of your home that is used in a qualified business use if you figure the deduction for the business use of your home using the simplified method. The depreciation deduction allowable for that portion of the home for that year is deemed to be zero.



Although you can't deduct any depreciation or section 179 expense for the portion of your home that is a qualified business use because you elect to use the simplified method, you may still claim depreciation or the section 179 expense deduction on other assets (for example, furniture and equipment) used in the qualified business use of your home.

Figuring your allowable expenses for business use of the home. You will figure the deduction using Form 8829 or the Simplified Method Worksheet or both.



You may not use the simplified method and also file Form 8829 for the same qualified business use of the same home.

Using Form 8829. Use Form 8829 to figure and claim this deduction for a home if you are not using or cannot use the simplified method for that home. For information about claiming this deduction using Form 8829, see the Instructions for Form 8829 and [Pub. 587](#).

Using the simplified method. Use the [Simplified Method Worksheet](#) in these instructions to figure your deduction for a qualified business use of your home if you are electing to use the simplified method for that home.

Shared use (for simplified method only). If you share your home with someone else who uses the home for a separate business that also qualifies for this deduction, you may not include the same square feet to figure your deduction as the other person. You must allocate the shared space between you and the other person in a reasonable manner.

Example. Taylor and Logan are roommates. Taylor uses 300 square feet of their home for a qualified business use. Logan uses 200 square feet of their home for a separate qualified business use. The qualified business uses share 100 square feet. In addition to the portion that they don't share, Taylor and Logan can both claim 50 of the 100 square feet or divide the 100 square feet between them in any reasonable manner. If divided evenly, Taylor could claim 250 square feet using the simplified method and Logan could claim 150 square feet.

Part-year use or area changes (for simplified method only). If your qualified business use was for a portion of the tax year (for example, a seasonal business, a business that begins during the year, or you moved during the year) or you changed the square footage of your qualified business use, your deduction is limited to the average monthly allowable square footage. You figure the average monthly allowable square footage by adding the amount of allowable square feet you used in each month and dividing the sum by 12.

When determining the average monthly allowable square footage, you can't take more than 300 square feet into account for any 1 month. Additionally, if your qualified business use was less than 15 days in a month, use -0- for that month.

Example 1. Finley files a federal income tax return on a calendar year basis. On July 20, Finley began using 400 square feet of the home for a qualified business use. Finley continued to use the 400 square feet until the end of the year. Finley's average monthly allowable square footage is 125 square feet (300 square feet for August through December divided by the number of months in the year $((300 + 300 + 300 + 300 + 300)/12)$).

Example 2. Riley files a federal income tax return on a calendar year basis. On April 20, Riley began using 100 square feet of the home for a qualified business use. On August 5, Riley expanded the area of qualified business use to 350 square feet. Riley continued to use the 350 square feet until the end of the year. Riley's average monthly allowable square footage is 150 square feet (100 square feet for May through July and 300 square feet for August through December divided by the number of months in the year $((100 + 100 + 100 + 300 + 300 + 300 + 300 + 300)/12)$).

Example 3. Carter files a federal income tax return on a calendar year basis. From January 1 through July 16, Carter used 300 square feet of the home for a qualified business use. On July 17, Carter moved to a new home and immediately began using 200 square feet of the new home for the same qualified business use. Using the simplified method to deduct expenses for the qualified business use for the previous home, Carter's average monthly allowable square footage is 175 square feet (300 square feet for January through July divided by the number of months in the year $((300 + 300 + 300 + 300 + 300 + 300 + 300)/12)$). Carter also prepared Form 8829 to deduct the actual expenses associated with the qualified business use of the new home.

Once you have determined your allowable square footage, enter the result on line 2 of the Simplified Method Worksheet.



If you moved during the year, your average allowable square footage will generally be less than 300.



You can use the Area Adjustment Worksheet in [Pub. 587](#) to help you determine the allowable square footage to enter on line 2 of the Simplified Method Worksheet.

Reporting your expenses for business use of the home. If you didn't use the simplified method, include the amount from line 36 of Form 8829 on line 30 of the Schedule C you are filing for that business.

If you used the simplified method. If you elect to use the simplified method for the business use of a home, complete the additional entry spaces on line 30 for that home only. Include the amount from line 5 of the Simplified Method Worksheet on line 30.

If you itemize your deductions on Schedule A (Form 1040), you may deduct your mortgage interest, real estate taxes, and casualty losses on Schedule A (Form 1040) as if you didn't use your home for business. You can't deduct any excess mortgage interest, excess real estate taxes, or excess casualty losses on Schedule C for this home.

Use Part II of Schedule C to deduct business expenses that are unrelated to the qualified business use of the home (for example, expenses for advertising, wages, or supplies, or depreciation of equipment or furniture).

Deduction figured on multiple forms. If you used more than one home for a business during the year, use a Form 8829 for each home or use the simplified method for one home and Form 8829 for any other home. Combine the amount you figured using the simplified method and the amounts you figured on your Forms 8829, and then enter the total on line 30 of the Schedule C for that business.

Line 31

Figuring your net profit or loss. If your expenses (including the expenses you report on line 30) are more than your gross income, don't enter your loss on line 31 until you have applied the at-risk rules and the passive activity loss rules. To apply these rules, follow the instructions under [Line 32](#), later, and the Instructions for Form 8582. After applying those rules, the amount on line 31 will be your loss, and it may be smaller than the amount you figured by subtracting line 30 from line 29.

If your gross income is more than your expenses (including the expenses you report on line 30) and you don't have prior year unallowed passive activity losses, subtract line 30 from line 29. The result is your net profit.

If your gross income is more than your expenses (including the expenses you report on line 30) and you have prior year unallowed passive activity losses, don't enter your net profit on line 31 until you have figured the amount of prior year unallowed passive activity losses you may claim this year for this activity. Use Form 8582 to figure the amount of prior year unallowed passive activity losses you may include on line 31. Be sure to indicate that you are including prior year passive activity losses by entering "PAL" to the left of the entry space.

If you checked the "No" box on line G, see the Instructions for Form 8582. You may need to include information from this schedule on Form 8582 even if you have a net profit.

Rental real estate activity. Unless you are a qualifying real estate professional, a rental real estate activity is a passive activity even if you materially participated in the activity. If you have a loss, you may need to file Form 8582 to apply a limitation that may reduce your loss. See the Instructions for Form 8582.

Reporting your net profit or loss. Once you have figured your net profit or loss, report it as follows.



If you enter a loss on line 31, you may have an excess business loss. Use Form 461 to figure your excess business loss.

Individuals. Enter your net profit or loss on line 31 and include it on Schedule 1 (Form 1040), line 3. Also, include your net profit or loss on Schedule SE (Form 1040), line 2. However, if you are a statutory employee or notary public, see [Statutory employees](#) or [Notary public](#), later.

Nonresident aliens. Enter your net profit or loss on line 31 and include it on Schedule 1 (Form 1040), line 3. You should also include this amount on Schedule SE (Form 1040), 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 (Form 1040) for information on international social security agreements. However, if you are a statutory employee or notary public, see [Statutory employees](#) or [Notary public](#), later.

Trusts and estates. Enter the net profit or loss on line 31 and include it on Form 1041, line 3.

Statutory employees. Enter your net profit or loss on line 31 and include it on Schedule 1 (Form 1040), line 3. However, do not report this amount on Schedule SE (Form 1040), line 2. If you were a statutory employee and you are required to file Schedule SE (Form 1040) because of other self-employment income, see the Instructions for Schedule SE (Form 1040).

Notary public. Do not enter your net profit from line 31 on Schedule SE (Form 1040), line 2, unless you are required to file Schedule SE (Form 1040) because you have other self-employment income. See the Instructions for Schedule SE (Form 1040).



You can deduct one-half of your self-employment tax on Schedule 1 (Form 1040), line 15. See the Instructions for Schedule SE (Form 1040) for details.

Community income. If you and your spouse had community income and are filing separate returns, see the Instructions for Schedule SE (Form 1040) before figuring self-employment tax.

Earned income credit (EIC). If you have a net profit on line 31, this amount is earned income and may qualify you for the EIC.



To figure your EIC, use the Instructions for Form 1040, line 27a. Complete all applicable steps plus Worksheet B. If you are required to file Schedule SE (Form 1040), remember to enter one-half of your self-employment tax on Part 1, line 1d, of Worksheet B.

Line 32



You don't need to complete line 32 if line 7 is more than the total of lines 28 and 30.

At-risk rules. In most cases, if you have a business loss and amounts invested in the business for which you are not at risk, complete Form 6198 to apply a limitation that may reduce your loss. The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the business.

Check box 32b if you have amounts invested in this business for which you are not at risk, such as the following.

- Nonrecourse loans used to finance the business, to acquire property used in the business, or to acquire the business that are not secured by your own property (other than property used in the business) and which you are not personally responsible to repay. However, there is an exception for certain nonrecourse

financing borrowed by you in connection with holding real property. See the Instructions for Form 6198 and [Pub. 925](#).

- Cash, property, or borrowed amounts used in the business (or contributed to the business or used to acquire the business) that are protected against loss by a guarantee, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).
- Amounts borrowed for use in the business from a person who has an interest in the business other than as a creditor or who is related under section 465(b)(3)(C) to a person (other than you) having such an interest.

Figuring your loss. Before determining your loss, check box 32a or 32b to indicate whether the loss from your business activity is limited by the at-risk rules. Follow the instructions next that apply to your box 32 activity.

Note: Line 32 doesn't apply to filers of Form 1040-SS.

All investment is at risk. If all amounts are at risk in this business, check box 32a. If you answered "Yes" on line G, your loss will not be reduced by the at-risk rules or the passive activity loss rules. See [Line 31](#), earlier, for how to report your loss.

If you answered "No" on line G, you may need to complete Form 8582 to figure your loss to enter on line 31. See the Instructions for Form 8582 for details.

Some investment is not at risk. If some investment is not at risk, check box 32b; the at-risk rules apply to your loss. Be sure to attach Form 6198 to your return.

If you answered "Yes" on line G, complete Form 6198 to figure the loss to enter on line 31. The passive activity loss rules do not apply. See [Line 31](#), earlier, for how to report your loss.

If you answered "No" on line G, the passive activity loss rules may apply. First, complete Form 6198 to figure the amount of your profit or (loss) for the at-risk activity, which may include amounts reported on other forms and schedules, and the at-risk amount for the activity. Follow the Instructions for Form 6198 to determine how much of your Schedule C loss will be allowed. After you figure the amount of your loss that is allowed under the at-risk rules, you may need to complete Form 8582 to figure the passive activity loss to enter on line 31. See the Instructions for Form 8582 for details.



If you checked box 32b because some investment is not at risk and you do not attach Form 6198, the processing of your return may be delayed.

At-risk loss deduction. Any loss from this business not allowed for 2025 only because of the at-risk rules is treated as a deduction allocable to the business in 2026.

More information. For details, see the Instructions for Form 6198 and [Pub. 925](#).

Part III. Cost of Goods Sold

In most cases, if you engaged in a trade or business in which the production, purchase, or sale of merchandise was an income-producing factor, you must take inventories into account at the beginning and end of your tax year.

Exception for small business taxpayers. If you are a small business taxpayer, you can choose not to keep an inventory, but you must still use a method of accounting for inventory that clearly reflects income. If you choose not to keep an inventory, you won't be treated as failing to clearly reflect income if your method of accounting for inventory treats inventory as nonincidental material or supplies or conforms to your financial accounting treatment of inventories. If, however, you choose to keep an inventory, you must generally value the inventory each

year to determine your cost of goods sold in Part III of Schedule C.

Small business taxpayer. You qualify as a small business taxpayer if you (a) have average annual gross receipts of \$31 million or less for the 3 prior tax years (indexed for inflation), and (b) are not a tax shelter (as defined in section 448(d)(3)).

If your business has not been in existence for all of the 3-tax-year period used in figuring average gross receipts, base your average on the period it has existed, and if your business has a predecessor entity, include the gross receipts of the predecessor entity from the 3-tax-year period when figuring average gross receipts. If your business (or predecessor entity) had short tax years for any of the 3-tax-year period, annualize your business's gross receipts for the short tax years that are part of the 3-tax-year period.

See [Pub. 538](#) for more information.

Treating inventory as nonincidental material or supplies.

If you account for inventories as materials and supplies that are not incidental, you deduct the amounts paid to acquire or produce the inventoriable items (treated as materials and supplies) in the year in which they are first used or consumed in your operations.

Financial accounting treatment of inventories. Your financial accounting treatment of inventories is determined with regard to the method of accounting you use in your applicable financial statement (as defined in section 451(b)(3)) or, if you don't have an applicable financial statement, with regard to the method of accounting you use in your books and records that have been prepared in accordance with your accounting procedures.

More information. For more information about this exception for small businesses using this method of accounting for inventoriable items, see [Pub. 538](#).

Changing your method of accounting for inventory. If you want to change your method of accounting for inventory, file Form 3115. For details, see [Line F](#), earlier.



Certain direct and indirect expenses may have to be capitalized or included in inventory. See [Part II](#), earlier. See [Pub. 538](#) for additional information.

Line 33

Your inventories can be valued at cost, the lower of cost or market, or any other method approved by the IRS.

Line 33 doesn't apply to filers of Form 1040-SS.

Line 35

If you are changing your method of accounting beginning with 2025, refigure last year's closing inventory using your new method of accounting and enter the result on line 35. If there is a difference between last year's closing inventory and the refigured amount, attach an explanation and take it into account when figuring your section 481(a) adjustment. For details, see the [example](#) under [Line F](#), earlier.

Part IV. Information on Your Vehicle

Line 44b

In most cases, 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.

Travel that meets any of the following conditions isn't commuting; it is considered deductible business travel.

- You have at least one regular work location away from your home and the travel is to a temporary work location in the same trade or business, regardless of the distance. Generally, a temporary work location is one where your employment is expected to last 1 year or less. See [Pub. 463](#) for more details.
- The travel is to a temporary work location outside the metropolitan area where you live and normally work.
- Your home is your principal place of business under section 280A(c)(1)(A) (for purposes of deducting expenses for business use of your home) and the travel is to another work location in the same trade or business, regardless of whether that location is regular or temporary and regardless of distance.

Line 47

Specific recordkeeping rules apply to car or truck expenses. For more information about what records you must keep, see [Pub. 463](#).

You may maintain written evidence by using an electronic storage system that meets certain requirements. For more information about electronic storage systems, see [Pub. 583](#).

Part V. Other Expenses. Line 48

Include all ordinary and necessary business expenses not deducted elsewhere on Schedule C. List the type and amount of each expense separately in the space provided. Enter the total on lines 48 and 27b. Do not include the cost of business equipment or furniture; replacements or permanent improvements to property; or personal, living, and family expenses. Do not include charitable contributions. Also, you can't deduct fines or penalties paid to a government for violating any law. For details on business expenses, see [Pub. 334](#), chapter 8.

Amortization. Include amortization in this part. For amortization that begins in 2025, complete and attach Form 4562.

You can amortize such costs as:

- The cost of pollution-control facilities;
- Amounts paid for research and experimentation (see sections 174 and 174A for new provisions that impact research and experimentation expenditures);
- Amounts paid to acquire, protect, expand, register, or defend trademarks or trade names; or
- Goodwill and certain other intangibles.

In most cases, you cannot amortize real property construction period interest and taxes. Special rules apply for allocating interest to real or personal property produced in your trade or business.

For a complete list, see the Instructions for Form 4562, Part VI.

At-risk loss deduction. Any loss from this business that was not allowed last year because of the at-risk rules is treated as a deduction allocable to this business in 2025.

Bad debts. Include debts and partial debts from sales or services that were included in income and are definitely known to be worthless. If you later collect a debt that you deducted as a bad debt, include it as income in the year collected. For details, see [Pub. 334](#), chapter 8.

Business startup costs. If your business began in 2025, you can elect to deduct up to \$5,000 of certain business startup costs. The \$5,000 limit is reduced (but not below zero) by the amount by which your total startup costs exceed \$50,000. Your remaining startup costs can be amortized over a 180-month period beginning with the month the business began.

For details, see [IRS.gov/Newsroom/Heres-how-businesses-can-deduct-startup-costs-from-their-federal-taxes](https://www.irs.gov/Newsroom/Heres-how-businesses-can-deduct-startup-costs-from-their-federal-taxes). For

amortization that begins in 2025, complete and attach Form 4562.

Deduction for removing barriers to individuals with disabilities and the elderly. You may be able to deduct up to \$15,000 of costs paid or incurred in 2025 to remove architectural or transportation barriers to individuals with disabilities and the elderly. However, you can't take both a credit (on Form 8826) and a deduction for the same expenditures.

Nontaxable Medicaid waiver payments. Include the nontaxable amount of your Medicaid waiver payments. See [Medicaid waiver payments](#), earlier.

De minimis safe harbor for tangible property. Generally, you must capitalize costs to acquire or produce real or tangible personal property used in your trade or business, such as buildings, equipment, or furniture. However, if you elect to use the de minimis safe harbor for tangible property, you may deduct de minimis amounts paid to acquire or produce certain tangible property if these amounts are deducted by you for financial accounting purposes or in keeping your books and records.

If you have an applicable financial statement, you may use this safe harbor to deduct amounts paid for tangible property up to \$5,000 per item or invoice. If you don't have an applicable financial statement, you may use the de minimis safe harbor to deduct amounts paid for tangible property up to \$2,500 per item or invoice.

Only deduct these amounts as other expenses. Don't include these amounts on any other line.

For details on making this election and requirements for using the de minimis safe harbor for tangible property, see chapter 8 of [Pub. 334](#).

Film, television, live theatrical, and sound recording production expenses. You can elect to deduct costs of certain qualified film or television productions, certain qualified live theatrical productions, and certain qualified sound recording productions. See section 181 for details.

Forestation and reforestation costs. Reforestation costs are generally capital expenditures. However, for each qualified timber property, you can elect to expense up to \$10,000 (\$5,000 if married filing separately) of qualifying reforestation costs paid or incurred in 2025.

You can elect to amortize the remaining costs over 84 months. For amortization that begins in 2025, complete and attach Form 4562.

The amortization election and the expense election don't apply to trusts. For details on reforestation expenses, see chapter 4 of [Pub. 225](#).

Technology and software tools. You can deduct technology and software tools that are ordinary and necessary expenses directly related to operating your business. Generally, this will include tax preparation software and subscription services paid to manage your business. However, you can't deduct technology or software tools that must be depreciated or amortized. Most computer software expenses must be capitalized and depreciated or expensed under section 179. See [Pub. 946](#) for more information.

Paperwork Reduction Act Notice. We ask for the information on Schedule C (Form 1040) to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records

relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file Schedule C (Form 1040) will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is approved under OMB control number 1545-0074 and is shown next.

Recordkeeping	3 hr., 36 min.
Learning about the law or the form	1 hr., 19 min.
Preparing the form	1 hr., 39 min.
Copying, assembling, and sending the form to the IRS	34 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

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Principal Business or Professional Activity Codes		type of activity they are engaged in to facilitate the administration of the Internal Revenue Code. These six-digit codes are based on the NAICS.	Now find the six-digit code assigned to this activity (for example, 531210, the code for offices of real estate agents and brokers) and enter it on Schedule C, line B.
North American Industry Classification System (NAICS).		Select the category that best describes your primary business activity (for example, Real Estate). Then select the activity that best identifies the principal source of your sales or receipts (for example, real estate agent).	Note: If your principal source of income is from farming activities, you should file Schedule F.
Accommodation, Food Services, & Drinking Places Accommodation 721310 Rooming & boarding houses, dormitories, & workers' camps 721210 RV (recreational vehicle) parks & recreational camps 721100 Traveler accommodation (including hotels, motels, & bed & breakfast inns) Food Services & Drinking Places 722514 Cafeterias, grill buffets, & buffets 722410 Drinking places (alcoholic beverages) 722511 Full-service restaurants 722513 Limited-service restaurants 722515 Snack & nonalcoholic beverage bars 722300 Special food services (including food service contractors & caterers)		Arts, Entertainment, & Recreation Amusement, Gambling, & Recreation Industries 713100 Amusement parks & arcades 713200 Gambling industries 713900 Other amusement & recreation services (including golf courses, skiing facilities, marinas, fitness centers, bowling centers, skating rinks, miniature golf courses) Museums, Historical Sites, & Similar Institutions 712100 Museums, historical sites, & similar institutions Performing Arts, Spectator Sports, & Related Industries 711410 Agents & managers for artists, athletes, entertainers, & other public figures 711510 Independent artists, writers, & performers 711100 Performing arts companies 711300 Promoters of performing arts, sports, & similar events 711210 Spectator sports (including professional sports clubs & racetrack operations)	522300 Activities related to credit intermediation (including loan brokers) Insurance Agents, Brokers, & Related Activities 524210 Insurance agencies & brokerages 524290 Other insurance related activities Securities, Commodity Contracts, & Other Financial Investments & Related Activities 523160 Commodity contracts intermediation 523150 Investment banking & securities intermediation 523210 Securities & commodity exchanges 523900 Other financial investment activities (including investment advice) Health Care & Social Assistance Ambulatory Health Care Services 621610 Home health care services 621510 Medical & diagnostic laboratories 621310 Offices of chiropractors 621210 Offices of dentists 621330 Offices of mental health practitioners (except physicians) 621320 Offices of optometrists 621340 Offices of physical therapists, occupational & speech therapists, & audiologists 621111 Offices of physicians (except mental health specialists) 621112 Offices of physicians, mental health specialists 621391 Offices of podiatrists 621399 Offices of all other miscellaneous health practitioners 621400 Outpatient care centers 621900 Other ambulatory health care services (including ambulance services, blood banks, & organ banks) Hospitals 622000 Hospitals Nursing & Residential Care Facilities 623000 Nursing & residential care facilities Social Assistance 624410 Childcare services 624200 Community food & housing & emergency & other relief services 624100 Individual & family services 624310 Vocational rehabilitation services Information Publishing Industries 513000 Publishing industries Broadcasting & Content Providers & Telecommunications 516000 Broadcasting & content providers 517000 Telecommunications (including wired, wireless, satellite, cable, & other program distribution, resellers, agents, other telecommunications, & internet service providers) Data Processing, Web Search Portals, & Other Information Services 518210 Computing infrastructure providers, data processing, web hosting, & related services 519200 Web search portals, libraries, archives, & other info. services Motion Picture & Sound Recording 512100 Motion picture & video industries (except video rental) 512200 Sound recording industries Manufacturing 315000 Apparel mfg. 312000 Beverage & tobacco product mfg. 334000 Computer & electronic product mfg.
Administrative & Support and Waste Management & Remediation Services Administrative & Support Services 561430 Business service centers (including private mail centers & copy shops) 561740 Carpet & upholstery cleaning services 561440 Collection agencies 561450 Credit bureaus 561410 Document preparation services 561300 Employment services 561710 Exterminating & pest control services 561210 Facilities support (management) services 561600 Investigation & security services 561720 Janitorial services 561730 Landscaping services 561110 Office administrative services 561420 Telephone call centers (including telephone answering services & telemarketing bureaus) 561500 Travel arrangement & reservation services 561490 Other business support services (including repossession services, court reporting, & stenotype services) 561790 Other services to buildings & dwellings 561900 Other support services (including packaging & labeling services, & convention & trade show organizers) Waste Management & Remediation Services 562000 Waste management & remediation services		Construction of Buildings 236200 Nonresidential building construction 236100 Residential building construction Heavy and Civil Engineering Construction 237310 Highway, street, & bridge construction 237210 Land subdivision 237100 Utility system construction 237990 Other heavy & civil engineering construction Specialty Trade Contractors 238310 Drywall & insulation contractors 238210 Electrical contractors 238350 Finish carpentry contractors 238330 Flooring contractors 238130 Framing carpentry contractors 238150 Glass & glazing contractors 238140 Masonry contractors 238320 Painting & wall covering contractors 238220 Plumbing, heating, & air-conditioning contractors 238110 Poured concrete foundation & structure contractors 238160 Roofing contractors 238170 Siding contractors 238910 Site preparation contractors 238120 Structural steel & precast concrete construction contractors 238340 Tile & terrazzo contractors 238290 Other building equipment contractors 238390 Other building finishing contractors 238190 Other foundation, structure, & building exterior contractors 238990 All other specialty trade contractors Educational Services 611000 Educational services (including schools, colleges, & universities) Finance & Insurance Credit Intermediation & Related Activities 522100 Depository credit intermediation (including commercial banking, savings institutions, & credit unions) 522200 Nondepository credit intermediation (including sales financing & consumer lending)	335000 Electrical equipment, appliance, & component mfg. 332000 Fabricated metal product mfg. 337000 Furniture & related product mfg. 333000 Machinery mfg. 339110 Medical equipment & supplies mfg. 322000 Paper mfg. 324100 Petroleum & coal products mfg. 326000 Plastics & rubber products mfg. 331000 Primary metal mfg. 323100 Printing & related support activities 313000 Textile mills 314000 Textile product mills 336000 Transportation equipment mfg. 321000 Wood product mfg. 339900 Other miscellaneous mfg. Chemical Manufacturing 325100 Basic chemical mfg. 325500 Paint, coating, & adhesive mfg. 325300 Pesticide, fertilizer, & other agricultural chemical mfg. 325410 Pharmaceutical & medicine mfg. 325200 Resin, synthetic rubber, & artificial & synthetic fibers & filaments mfg. 325600 Soap, cleaning compound, & toilet preparation mfg. 325900 Other chemical product & preparation mfg. Food Manufacturing 311110 Animal food mfg. 311800 Bakeries & tortilla & dry pasta mfg. 311500 Dairy product mfg. 311400 Fruit & vegetable preserving & specialty food mfg. 311200 Grain & oilseed milling 311610 Animal slaughtering & processing 311710 Seafood product preparation & packaging 311300 Sugar & confectionery product mfg. 311900 Other food mfg. (including coffee, tea, flavorings, & seasonings) Leather & Allied Product Manufacturing 316210 Footwear mfg. (including leather, rubber, & plastics) 316110 Leather & hide tanning & finishing 316990 Other leather & allied product mfg. Nonmetallic Mineral Product Manufacturing 327300 Cement & concrete product mfg. 327100 Clay product & refractory mfg. 327210 Glass & glass product mfg. 327400 Lime & gypsum product mfg. 327900 Other nonmetallic mineral product mfg.
Agriculture, Forestry, Hunting, & Fishing 112900 Animal production (including breeding of cats and dogs) 114110 Fishing 113000 Forestry & logging (including forest nurseries & timber tracts) 114210 Hunting & trapping Support Activities for Agriculture & Forestry 115210 Support activities for animal production (including farriers) 115110 Support activities for crop production (including cotton ginning, soil preparation, planting, & cultivating) 115310 Support activities for forestry			339000 Other miscellaneous mfg. Mining 212110 Coal mining 211120 Crude petroleum extraction 212200 Metal ore mining 211130 Natural gas extraction 212300 Nonmetallic mineral mining & quarrying 213110 Support activities for mining Other Services Personal & Laundry Services 812111 Barber shops 812112 Beauty salons 812220 Cemeteries & crematories 812310 Coin-operated laundries & drycleaners 812320 Drycleaning & laundry services (except coin-operated) (including laundry & drycleaning drop-off & pickup sites) 812210 Funeral homes & funeral services

812330 Linen & uniform supply	541990 All other professional, scientific, & technical services	General Merchandise Retailers	485300 Taxi, limousine, & ridesharing service
812113 Nail salons	Real Estate & Rental & Leasing	455000 General merchandise retailers	485110 Urban transit systems
812930 Parking lots & garages	Real Estate	Health & Personal Care Retailers	483000 Water transportation
812910 Pet care (except veterinary) services	531100 Lessors of real estate (including miniwarehouses & self-storage units)	456120 Cosmetics, beauty supplies, & perfume retailers	485990 Other transit & ground passenger transportation
812920 Photofinishing	531210 Offices of real estate agents & brokers	456130 Optical goods retailers	488000 Support activities for transportation (including motor vehicle towing)
812190 Other personal care services (including diet & weight reducing centers)	531320 Offices of real estate appraisers	456110 Pharmacies & drug retailers	Couriers & Messengers
812990 All other personal services	531310 Real estate property managers	456190 Other health & personal care retailers	492000 Couriers & messengers
Repair & Maintenance	531390 Other activities related to real estate	Motor Vehicle & Parts Dealers	Warehousing & Storage Facilities
811120 Automotive body, paint, interior, & glass repair	Rental & Leasing Services	441300 Automotive parts, accessories, & tire retailers	493100 Warehousing & storage (except leases of miniwarehouses & self-storage units)
811110 Automotive mechanical & electrical repair & maintenance	532100 Automotive equipment rental & leasing	441222 Boat dealers	Utilities
811190 Other automotive repair & maintenance (including oil change & lubrication shops & car washes)	532400 Commercial & industrial machinery & equipment rental & leasing	441227 Motorcycle, ATV, & all other motor vehicle dealers	221000 Utilities
811310 Commercial & industrial machinery & equipment (except automotive & electronic) repair & maintenance	532210 Consumer electronics & appliances rental	441110 New car dealers	Wholesale Trade
811210 Electronic & precision equipment repair & maintenance	532281 Formal wear & costume rental	441210 Recreational vehicle dealers (including motor home & travel trailer dealers)	Merchant Wholesalers, Durable Goods
811430 Footwear & leather goods repair	532310 General rental centers	441120 Used car dealers	423200 Furniture & home furnishing
811410 Home & garden equipment & appliance repair & maintenance	532283 Home health equipment rental	Sporting Goods, Hobby, Book, Musical Instrument, & Miscellaneous Retailers	423700 Hardware & plumbing & heating equipment & supplies
811420 Reupholstery & furniture repair	532284 Recreational goods rental	459210 Book retailers & news dealers (including newsstands)	423600 Household appliances & electrical & electronic goods
811490 Other personal & household goods repair & maintenance	532282 Video tape & disc rental	459120 Hobby, toy, & game retailers	423940 Jewelry, watches, precious stones, & precious metals
	532289 Other consumer goods rental	459140 Musical instrument, & supplies retailers	423300 Lumber & other construction materials
Professional, Scientific, & Technical Services	Religious, Grantmaking, Civic, Professional, & Similar Organizations	459130 Sewing, needlework, & piece goods retailers	423800 Machinery, equipment, & supplies
541100 Legal services	813000 Religious, grantmaking, civic, professional, & similar organizations	459110 Sporting goods retailers	423500 Metal & mineral (except petroleum)
541211 Offices of certified public accountants	Retail Trade	459920 Art dealers	423100 Motor vehicle & motor vehicle parts & supplies
541214 Payroll services	Building Material & Garden Equipment & Supplies Dealers	459310 Florists	423400 Professional & commercial equipment & supplies
541213 Tax preparation services	444140 Hardware retailers	459420 Gift, novelty, & souvenir retailers	423930 Recyclable materials
541219 Other accounting services	444110 Home centers	459930 Manufactured (mobile) home dealers	423910 Sporting & recreational goods & supplies
Architectural, Engineering, & Related Services	444200 Lawn & garden equipment & supplies retailers	459410 Office supplies & stationery retailers	423920 Toy & hobby goods & supplies
541310 Architectural services	444120 Paint & wallpaper retailers	xx Nonstore retailers sell all types of merchandise using such methods as Internet, mail-order catalogs, interactive television, or direct sales. These types of Retailers should select the PBA associated with their primary line of products sold.	423990 Other miscellaneous durable goods
541350 Building inspection services	444180 Other building materials dealers	xx For example, establishments primarily selling prescription and nonprescription drugs select PBA code 456110 Pharmacies & Drug Retailers.	Merchant Wholesalers, Nondurable Goods
541340 Drafting services	Clothing & Accessories Retailers	Transportation & Warehousing	424300 Apparel, piece goods, & notions
541330 Engineering services	458110 Clothing & clothing accessories retailers	481000 Air transportation	424800 Beer, wine, & distilled alcoholic beverages
541360 Geophysical surveying & mapping services	458310 Jewelry retailers	485510 Charter bus industry	424920 Books, periodicals, & newspapers
541320 Landscape architecture services	458320 Luggage & leather goods retailers	484110 General freight trucking, local	424600 Chemical & allied products
541370 Surveying & mapping (except geophysical) services	458210 Shoe retailers	484120 General freight trucking, long distance	424210 Drugs & druggists' sundries
541380 Testing laboratories & services	Electronic & Appliance Retailers	485210 Interurban & rural bus transportation	424500 Farm product raw materials
Computer Systems Design & Related Services	449210 Electronics & appliance retailers (including computers)	486000 Pipeline transportation	424910 Farm supplies
541510 Computer systems design & related services	Food & Beverage Retailers	482110 Rail transportation	424930 Flower, nursery stock, & florists' supplies
Specialized Design Services	445320 Beer, wine, & liquor retailers	487000 Scenic & sightseeing transportation	424400 Grocery & related products
541400 Specialized design services (including interior, industrial, graphic, & fashion design)	445250 Fish & seafood retailers	485410 School & employee bus transportation	424950 Paint, varnish, & supplies
Other Professional, Scientific, & Technical Services	445230 Fruit & vegetable retailers	484200 Specialized freight trucking (including household moving vans)	424100 Paper & paper products
541800 Advertising, public relations, & related services	445100 Grocery & convenience retailers		424700 Petroleum & petroleum products
541600 Management, scientific, & technical consulting services	445240 Meat retailers		424940 Tobacco products & electronic cigarettes
541910 Market research & public opinion polling	445290 Other specialty food retailers		424990 Other miscellaneous nondurable goods
541920 Photographic services	445132 Vending machine operators		Wholesale Trade Agents & Brokers
541700 Scientific research & development services	Furniture & Home Furnishings Retailers		425120 Wholesale trade agents & brokers
541930 Translation & interpretation services	449110 Furniture retailers		999000 Unclassified establishments (unable to classify)
541940 Veterinary services	449120 Home furnishings retailers		
	Gasoline Stations & Fuel Dealers		
	457100 Gasoline stations (including convenience stores with gas)		
	457210 Fuel dealers (including heating oil & liquefied petroleum)		