

Module 14B Simulation

**Using Form 1099-MISC to  
Complete Schedule C-EZ,  
Schedule SE, and Form 1040**

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16



*In this simulation, you will take on the role of James King in order to learn how to claim self-employment income.*

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16



# Module 14B Simulation



You are 16 years old and single. You are a U.S. citizen. You live in the United States with your parents, who pay for all of the costs of maintaining your home.



## Module 14B Simulation

January 1

Your Tax Year

December 31 January 1

Your Filing Season

April 15

You are a full-time high school student. After school and on weekends, you provide lawn care services for your neighbors and for a local business. You are not an employee. You are correctly classified as an independent contractor. Your parents are very generous—they let you borrow their lawnmower. You buy the gasoline for the lawnmower.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16

## Module 14B Simulation



It's the last day of the year.

You earned \$650.00 for mowing lawns for your neighbors.

You earned \$900.00 for mowing the lawn for the local gas station. You received Form 1099-MISC from the owners of the gas station, showing the amount you were paid.

To review your personal information, click [My Profile](#) below.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16

[My Profile](#)



## My Profile

Name: James King

Employment: Full-time high school student and part-time self-employed lawn care provider

Marital status: Single

Spouse's name (if any): Not applicable

Children: None

U.S. citizen: Yes

Other: You are 16 years old and live with your parents, who pay for all of the costs of maintaining your home. You are not an employee. You are correctly classified as an independent contractor. Your business income and expenses include

Payments received for lawn care

- From the gas station—Form 1099-MISC:  
\$900.00
- From the neighbors: \$650.00

Expenses, including

- Gas and oil: \$290.00
- Bag of cleaning cloths: \$10.00
- Notebook to track income and expenses:  
\$6.00
- Book of receipts: \$8.00

- Advertising flyers: \$25.00



## Module 14B Simulation



You have receipts for all of the business expenses.

- Gas and oil for the lawnmower: \$290.00
- Bag of cleaning cloths: \$10.00
- Flyers to advertise the business: \$25.00
- Notebook to track business income and expenses: \$6.00
- Book of receipts to give to customers: \$8.00

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16

**My Profile**



# Module 14B Simulation



You received Form 1099-MISC from the gas station.

To review your Form 1099-MISC, click ***My Form 1099-MISC*** below.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
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**My Profile**

**My Form 1099 - MISC**



CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no.  Corner Gas Station 421 North Spruce Ave. Center Town, US 10021		1 Rents \$	OMB No. 1545-0115  <b>2007</b>  Form 1099-MISC	<b>Miscellaneous Income</b>  <b>Copy B For Recipient</b>
		2 Royalties \$		
		3 Other income \$	4 Federal income tax withheld \$	
PAYER'S federal identification number  10-6754312	RECIPIENT'S identification number  269-00-8543	5 Fishing boat proceeds \$	6 Medical and health care payments \$	This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
RECIPIENT'S name  James King  Street address (including apt. no.)  681 West 1st Street  City, state, and ZIP code  Center Town, US 10021		7 Nonemployee compensation \$ 900.00	8 Substitute payments in lieu of dividends or interest \$	
		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds \$	
		11	12	
Account number (see instructions)		13 Excess golden parachute payments \$	14 Gross proceeds paid to an attorney \$	
15a Section 409A deferrals \$	15b Section 409A income \$	16 State tax withheld \$	17 State/Payer's state no.	18 State income \$

Form 1099-MISC

(keep for your records)

Department of the Treasury - Internal Revenue Service

# Module 14B Simulation



You have everything you need to file your taxes. You will be using Form 1040 to report your self-employment profit or loss and self-employment tax.

<b>FORM 1040</b> Label (See instructions on page 16.) Use the IRS label. Otherwise, please print or type. L A B E L H E R E	Department of the Treasury—Internal Revenue Service <b>U.S. Individual Income Tax Return 2007</b>		(99) IRS Use Only—Do not write or staple in this space.	
	For the year Jan. 1–Dec. 31, 2007, or other tax year beginning _____, 2007, ending _____, 20____		CMB No. 1545-0074	
	Your first name and initial <b>James</b>	Last name <b>King</b>	Your social security number <b>269 : 00 : 8543</b>	
	If a joint return, spouse's first name and initial	Last name	Spouse's social security number _____	
Home address (number and street). If you have a P.O. box, see page 16. <b>681 West 1st Street</b>		Apt. no. _____	▲ You must enter your SSN(s) above. ▲	
City, town or post office, state, and ZIP code. If you have a foreign address, see page 16. <b>Anytown, US 10021</b>		Checking a box below will not change your tax or refund.		
Presidential Election Campaign <input type="checkbox"/> Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 16)		<input type="checkbox"/> You <input type="checkbox"/> Spouse		
<b>Filing Status</b>		1 <input type="checkbox"/> Single 2 <input type="checkbox"/> Married filing jointly (even if only one had income)		
		4 <input type="checkbox"/> Head of household (with qualifying person). (See page 17.) If the qualifying person is a child but not your dependent, enter _____		

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
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**My Profile**

**My Form 1099 - MISC**



## Module 14B Simulation



What is your filing status?

- Single
- Married filing joint
- Married filing separate
- Head of household (with qualifying person)
- Qualifying widow(er) with dependent child

Can you be claimed as a dependent on someone else's tax return?

- yes
- no

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16

**My Profile**

**My Form 1099 - MISC**



## Module 14B Simulation



That's correct! Your filing status is single. Your parents can claim you as a dependent on their income tax return.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
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[My Profile](#)

[My Form 1099 - MISC](#)



# Module 14B Simulation



Using Form 1099-MISC, report your self-employment earnings from the gas station on Schedule C-EZ. Enter your earnings exactly as they appear on your Form 1099-MISC.

Enter the earnings reported on Form 1099-MISC:

\$

<b>SCHEDULE C-EZ</b> (Form 1040)  Department of the Treasury Internal Revenue Service	<b>Net Profit From Business</b> (Sole Proprietorship) ▶ Partnerships, joint ventures, etc., must file Form 1065 or 1065-B. ▶ Attach to Form 1040, 1040NR, or 1041. ▶ See instructions on back.	OMB No. 1545-0074 <b>2007</b> Attachment Sequence No. <b>09A</b>
	Name of proprietor <b>James King</b>	Social security number (SSN) <b>269 : 00 : 8543</b>
<b>Part I General Information</b>		
A Principal business or profession, including product or service <b>Lawn Care</b>	B Enter code from pages C-8, 9, & 10 <b>5   6   1   7   3   0</b>	
<b>Part II Figure Your Net Profit</b>		
1 <b>Gross receipts. Caution.</b> If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see <b>Statutory Employees</b> in the instructions for Schedule C, line 1, on page C-3 and check here . . . . . ▶ <input type="checkbox"/>	1	
2 <b>Total expenses</b> (see instructions). If more than \$5,000, you <b>must</b> use Schedule C. . . . .	2	

[My Profile](#) [My Form 1099 - MISC](#)



## Module 14B Simulation



You're right! Your self-employment earnings reported on Form 1099-MISC total \$900.00.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
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[My Profile](#)

[My Form 1099 - MISC](#)



# Module 14B Simulation



Enter your self-employment earnings from mowing lawns for the neighbors. These earnings are not reported on Form 1099-MISC.

Enter self-employment earnings not reported on Form 1099-MISC: \$

<b>SCHEDULE C-EZ</b> <b>(Form 1040)</b>  Department of the Treasury Internal Revenue Service	<b>Net Profit From Business</b> (Sole Proprietorship) ▶ Partnerships, joint ventures, etc., must file Form 1065 or 1065-B. ▶ Attach to Form 1040, 1040NR, or 1041. ▶ See instructions on back.	OMB No. 1545-0074  <b>2007</b> Attachment Sequence No. <b>09A</b>						
	Name of proprietor: <b>James King</b>							
		Social security number (SSN): <b>269 00 8543</b>						
<b>Part I General Information</b>								
A Principal business or profession, including product or service: <b>Lawn Care</b>		B Enter code from pages C-8, 9, & 10: <b>5 6 1 7 3 0</b>						
<b>Part II Figure Your Net Profit</b>								
1 <b>Gross receipts.</b> Caution. If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see <b>Statutory Employees</b> in the instructions for Schedule C, line 1, on page C-3 and check here . . . . . <input type="checkbox"/>		<table border="1"> <tr> <td>1</td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> </tr> </table>	1			2		
1								
2								
2 <b>Total expenses</b> (see instructions). If more than \$5,000, you <b>must</b> use Schedule C. . . . .		<table border="1"> <tr> <td>2</td> <td></td> <td></td> </tr> </table>	2					
2								

[My Profile](#) [My Form 1099 - MISC](#)



# Module 14B Simulation



That's correct! Your self-employment earnings not reported on Form 1099-MISC total \$650.00.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
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[My Profile](#)

[My Form 1099 - MISC](#)



# Module 14B Simulation



Enter the total of your business expenses. Be sure to include all of your business expenses.

Total expenses: \$

**SCHEDULE C-EZ  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service

**Net Profit From Business**

(Sole Proprietorship)

▶ Partnerships, joint ventures, etc., must file Form 1065 or 1065-B.  
▶ Attach to Form 1040, 1040NR, or 1041. ▶ See instructions on back.

OMB No. 1545-0074

**2007**

Attachment  
Sequence No. **09A**

Name of proprietor

James King

Social security number (SSN)

269 : 00 : 8543

**Part I** General Information

A Principal business or profession, including product or service

Lawn Care

B Enter code from pages C-8, 9, & 10

▶ 5 | 6 | 1 | 7 | 3 | 0

**Part II** Figure Your Net Profit

1	<b>Gross receipts.</b> Caution. If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see <b>Statutory Employees</b> in the instructions for Schedule C, line 1, on page C-3 and check here . . . . .	<input type="checkbox"/>	1		
2	<b>Total expenses</b> (see instructions). If more than \$5,000, you <b>must</b> use Schedule C. . . . .		2		
3	<b>Net profit.</b> Subtract line 2 from line 1. If less than zero, you <b>must</b> use Schedule C. Enter on				

**My Profile**

**My Form 1099 - MISC**



## Module 14B Simulation



That's correct! Your total business expenses are \$339.00.

- \$290.00 for gas and oil
- \$10.00 for cleaning cloths
- \$6.00 for notebook
- \$8.00 for receipts book
- \$25.00 for advertising flyers

17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

[My Profile](#)

[My Form 1099 - MISC](#)



## Module 14B Simulation



Because you have no other sources of income, you have completed your tax return. All that's left to do is review your return.

To review your tax return, click **My Tax Form** below.

To review your Schedule SE, click **My Schedule SE** below.

To review your Schedule C-EZ, click **My Schedule C-EZ** below.

17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

**My Profile**

**My Form 1099 - MISC**

**My Tax Form**

**My Schedule C-EZ**

**My Schedule SE**



Label

(See instructions on page 16.)

Use the IRS label.

Otherwise, please print or type.

Presidential Election Campaign

Form header section containing personal information: Name (James King), Social Security Number (269 00 8543), Address (681 West 1st Street, Center Town, US 10021), and checkboxes for Presidential Election Campaign and Filing Status.

Filing Status

Check only one box.

- 1 [X] Single
2 [ ] Married filing jointly (even if only one had income)
3 [ ] Married filing separately. Enter spouse's SSN above and full name here.
4 [ ] Head of household (with qualifying person). (See page 17.) If the qualifying person is a child but not your dependent, enter this child's name here.
5 [ ] Qualifying widow(er) with dependent child (see page 17)

Exemptions

If more than four dependents, see page 19.

Exemptions section including checkboxes for Yourself, Spouse, and Dependents, with a table for dependent information and a box for total exemptions claimed (0).

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a W-2, see page 23.

Enclose, but do not attach, any payment. Also, please use Form 1040-V.

Table of income sources: 7 Wages, salaries, tips, etc.; 8a Taxable interest; 8b Tax-exempt interest; 9a Ordinary dividends; 9b Qualified dividends; 10 Taxable refunds, credits, or offsets of state and local income taxes; 11 Alimony received; 12 Business income or (loss); 13 Capital gain or (loss); 14 Other gains or (losses); 15a IRA distributions; 15b Taxable amount; 16a Pensions and annuities; 16b Taxable amount; 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc.; 18 Farm income or (loss); 19 Unemployment compensation; 20a Social security benefits; 20b Taxable amount; 21 Other income; 22 Total income (1211 00).

Adjusted Gross Income

Table of adjustments to income: 23 Educator expenses; 24 Certain business expenses of reservists, performing artists, and fee-basis government officials; 25 Health savings account deduction; 26 Moving expenses; 27 One-half of self-employment tax; 28 Self-employed SEP, SIMPLE, and qualified plans; 29 Self-employed health insurance deduction; 30 Penalty on early withdrawal of savings; 31a Alimony paid; 31b Recipient's SSN; 32 IRA deduction; 33 Student loan interest deduction; 34 Tuition and fees deduction; 35 Domestic production activities deduction; 36 Total adjusted gross income (86 00); 37 Subtract line 36 from line 22. This is your adjusted gross income (1125 00).

Tax and Credits

Standard Deduction for—

• People who checked any box on line 39a or 39b or who can be claimed as a dependent, see page 34.

• All others: Single or Married filing separately, \$5,350

Married filing jointly or Qualifying widow(er), \$10,700

Head of household, \$7,850

Table with 3 columns: Line number, Description, and Amount. Includes lines 38-57 for tax and credits.

Other Taxes

Table with 3 columns: Line number, Description, and Amount. Includes lines 58-63 for other taxes.

Payments

If you have a qualifying child, attach Schedule EIC.

Table with 3 columns: Line number, Description, and Amount. Includes lines 64-72 for payments.

Refund

Direct deposit? See page 61 and fill in 74b, 74c, and 74d, or Form 8888.

Table with 3 columns: Line number, Description, and Amount. Includes lines 73-75 for refund.

Amount You Owe

Table with 3 columns: Line number, Description, and Amount. Includes lines 76-77 for amount you owe.

Third Party Designee

Form for Third Party Designee with fields for name, phone, and PIN.

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Table for signatures with columns for signature, date, occupation, and phone number.

Paid Preparer's Use Only

Form for Paid Preparer's Use Only with fields for signature, date, EIN, and phone number.

**SCHEDULE C-EZ  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service

**Net Profit From Business**  
(Sole Proprietorship)

▶ Partnerships, joint ventures, etc., must file Form 1065 or 1065-B.  
▶ Attach to Form 1040, 1040NR, or 1041. ▶ See instructions on back.

OMB No. 1545-0074

**2007**

Attachment  
Sequence No. **09A**

Name of proprietor  
**James King**

Social security number (SSN)  
**269 00 8543**

**Part I General Information**

**You May Use  
Schedule C-EZ  
Instead of  
Schedule C  
Only If You:**

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

**And You:**

- Had no employees during the year.
- Are not required to file **Form 4562**, Depreciation and Amortization, for this business. See the instructions for Schedule C, line 13, on page C-4 to find out if you must file.
- Do not deduct expenses for business use of your home.
- Do not have prior year unallowed passive activity losses from this business.

**A** Principal business or profession, including product or service  
**Lawn Care**

**B** Enter code from pages C-8, 9, & 10  
**5 6 1 7 3 0**

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

**D** Employer ID number (EIN), if any

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

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

**Part II Figure Your Net Profit**

<b>1</b>	<b>Gross receipts. Caution.</b> If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see <b>Statutory Employees</b> in the instructions for Schedule C, line 1, on page C-3 and check here <input type="checkbox"/>	<b>1</b>	<b>1550</b>	<b>00</b>
<b>2</b>	<b>Total expenses</b> (see instructions). If more than \$5,000, you <b>must</b> use Schedule C.	<b>2</b>	<b>339</b>	<b>00</b>
<b>3</b>	<b>Net profit.</b> Subtract line 2 from line 1. If less than zero, you <b>must</b> use Schedule C. Enter on both <b>Form 1040, line 12</b> , and <b>Schedule SE, line 2</b> , or on <b>Form 1040NR, line 13</b> . (Statutory employees <b>do not</b> report this amount on Schedule SE, line 2. Estates and trusts, enter on Form 1041, line 3.)	<b>3</b>	<b>1211</b>	<b>00</b>

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

- 4** When did you place your vehicle in service for business purposes? (month, day, year) ▶ ..... / ..... / .....
- 5** Of the total number of miles you drove your vehicle during 2007, enter the number of miles you used your vehicle for:
- a** Business ..... **b** Commuting (see instructions) ..... **c** Other .....
- 6** Do you (or your spouse) have another vehicle available for personal use? . . . . .  **Yes**  **No**
- 7** Was your vehicle available for personal use during off-duty hours? . . . . .  **Yes**  **No**
- 8a** Do you have evidence to support your deduction? . . . . .  **Yes**  **No**
- b** If "Yes," is the evidence written? . . . . .  **Yes**  **No**

## Instructions

You can use Schedule C-EZ instead of Schedule C if you operated a business or practiced a profession as a sole proprietorship or you were a statutory employee and you have met all the requirements listed in Schedule C-EZ, Part I.

### Line A

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

### Line B

Enter the six-digit code that identifies your principal business or professional activity. See pages C-8 through C-10 of the instructions for Schedule C for the list of codes.

### Line D

You need an employer identification number (EIN) only if you had a qualified retirement plan or were required to file an employment, excise, estate, trust, or alcohol, tobacco, and firearms tax return. If you need an EIN, see the Instructions for Form SS-4. If you do not have an EIN, leave line D blank. Do not enter your SSN.

### Line E

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

### Line 1

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

### Line 2

Enter the total amount of all deductible business expenses you actually paid during the year. Examples of these expenses include advertising, car and truck expenses, commissions and fees, insurance, interest, legal and professional services, office expenses, rent or lease expenses, repairs and maintenance, supplies, taxes, travel, the allowable percentage of business meals and

entertainment, and utilities (including telephone). For details, see the Instructions for Schedule C, Parts II and V, on pages C-3 through C-8. If you wish, you can use the optional worksheet below to record your expenses. Enter on lines **b** through **g** the type and amount of expenses not included on line **a**.

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

### Line 5b

Generally, commuting is travel between your home and a work location. If you converted your vehicle during the year from personal to business use (or vice versa), enter your commuting miles only for the period you drove your vehicle for business. For information on certain travel that is considered a business expense rather than commuting, see the Instructions for Form 2106.

**Paperwork Reduction Act Notice.** We ask for the information on this form 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 Internal Revenue Code section 6103.

The time needed to complete and file this form 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 1545-1973 and is shown below.

<b>Recordkeeping</b> . . . . .	45 min.
<b>Learning about the law or the form</b> . . . . .	4 min.
<b>Preparing the form</b> . . . . .	35 min.
<b>Copying, assembling, and sending the form to the IRS</b> . . . . .	20 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.

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

<b>a</b> Deductible business meals and entertainment (see pages C-5 and C-6) . . . . .	<b>a</b>		
<b>b</b> .....	<b>b</b>		
<b>c</b> .....	<b>c</b>		
<b>d</b> .....	<b>d</b>		
<b>e</b> .....	<b>e</b>		
<b>f</b> .....	<b>f</b>		
<b>g</b> .....	<b>g</b>		
<b>h Total.</b> Add lines <b>a</b> through <b>g</b> . Enter here and on line 2 . . . . .	<b>h</b>		

**SCHEDULE SE  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service (99)

**Self-Employment Tax**

OMB No. 1545-0074

**2007**  
Attachment  
Sequence No. **17**

▶ **Attach to Form 1040. ▶ See Instructions for Schedule SE (Form 1040).**

Name of person with **self-employment** income (as shown on Form 1040)

**James King**

Social security number of person  
with **self-employment** income ▶

**269 | 00 | 8543**

**Who Must File Schedule SE**

You must file Schedule SE if:

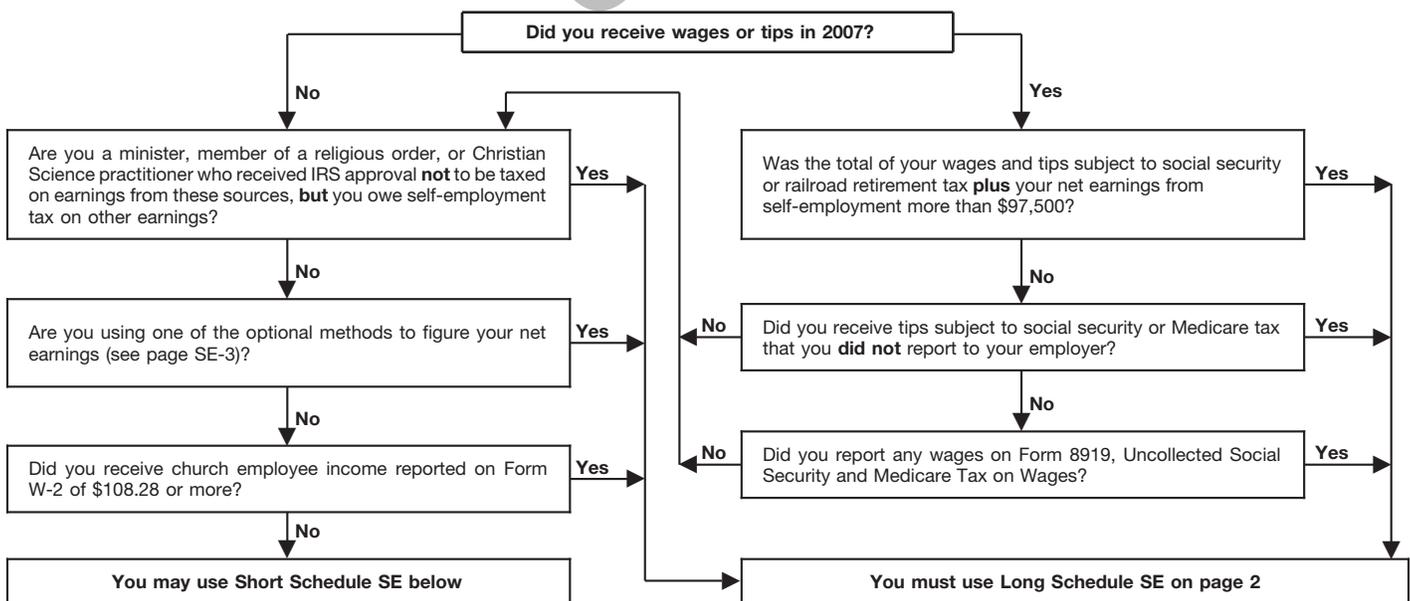
- You had net earnings from self-employment from **other than** church employee income (line 4 of Short Schedule SE or line 4c of Long Schedule SE) of \$400 or more, **or**
- You had church employee income of \$108.28 or more. Income from services you performed as a minister or a member of a religious order **is not** church employee income (see page SE-1).

**Note.** Even if you had a loss or a small amount of income from self-employment, it may be to your benefit to file Schedule SE and use either "optional method" in Part II of Long Schedule SE (see page SE-3).

**Exception.** If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner **and** you filed Form 4361 and received IRS approval not to be taxed on those earnings, **do not** file Schedule SE. Instead, write "Exempt-Form 4361" on Form 1040, line 58.

**May I Use Short Schedule SE or Must I Use Long Schedule SE?**

**Note.** Use this flowchart **only** if you must file Schedule SE. If unsure, see Who Must File Schedule SE, above.



**Section A—Short Schedule SE. Caution.** Read above to see if you can use Short Schedule SE.

<b>1</b>	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A . . . . .	<b>1</b>		
<b>2</b>	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1. Ministers and members of religious orders, see page SE-1 for amounts to report on this line. See page SE-3 for other income to report . . . . .	<b>2</b>	<b>1550</b>	<b>00</b>
<b>3</b>	Combine lines 1 and 2 . . . . .	<b>3</b>	<b>1550</b>	<b>00</b>
<b>4</b>	<b>Net earnings from self-employment.</b> Multiply line 3 by 92.35% (.9235). If less than \$400, <b>do not</b> file this schedule; you do not owe self-employment tax . . . . . ▶	<b>4</b>	<b>1118</b>	<b>00</b>
<b>5</b>	<b>Self-employment tax.</b> If the amount on line 4 is: • \$97,500 or less, multiply line 4 by 15.3% (.153). Enter the result here and on <b>Form 1040, line 58.</b> • More than \$97,500, multiply line 4 by 2.9% (.029). Then, add \$12,090 to the result. Enter the total here and on <b>Form 1040, line 58</b> . . . . .	<b>5</b>	<b>171</b>	<b>00</b>
<b>6</b>	<b>Deduction for one-half of self-employment tax.</b> Multiply line 5 by 50% (.5). Enter the result here and on <b>Form 1040, line 27</b> . . . . .	<b>6</b>	<b>86</b>	<b>00</b>

Name of person with <b>self-employment</b> income (as shown on Form 1040)	Social security number of person with <b>self-employment</b> income ▶	: : :
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**Section B—Long Schedule SE**

**Part I Self-Employment Tax**

**Note.** If your only income subject to self-employment tax is **church employee income**, skip lines 1 through 4b. Enter -0- on line 4c and go to line 5a. Income from services you performed as a minister or a member of a religious order is **not** church employee income. See page SE-1.

<b>A</b>	If you are a minister, member of a religious order, or Christian Science practitioner <b>and</b> you filed Form 4361, but you had \$400 or more of <b>other</b> net earnings from self-employment, check here and continue with Part I. . . . . ▶ <input type="checkbox"/>			
<b>1</b>	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A. <b>Note.</b> Skip this line if you use the farm optional method (see page SE-4)			
<b>2</b>	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1. Ministers and members of religious orders, see page SE-1 for amounts to report on this line. See page SE-3 for other income to report. <b>Note.</b> Skip this line if you use the nonfarm optional method (see page SE-4)			
<b>3</b>	Combine lines 1 and 2 . . . . .			
<b>4a</b>	If line 3 is more than zero, multiply line 3 by 92.35% (.9235). Otherwise, enter amount from line 3			
<b>4b</b>	If you elect one or both of the optional methods, enter the total of lines 15 and 17 here . . . . .			
<b>4c</b>	Combine lines 4a and 4b. If less than \$400, <b>stop</b> ; you do not owe self-employment tax. <b>Exception.</b> If less than \$400 and you had <b>church employee income</b> , enter -0- and continue. . . . . ▶			
<b>5a</b>	Enter your <b>church employee income</b> from Form W-2. See page SE-1 for definition of church employee income . . . . .	<b>5a</b>		
<b>5b</b>	Multiply line 5a by 92.35% (.9235). If less than \$100, enter -0- . . . . .	<b>5b</b>		
<b>6</b>	<b>Net earnings from self-employment.</b> Add lines 4c and 5b . . . . .	<b>6</b>		
<b>7</b>	Maximum amount of combined wages and self-employment earnings subject to social security tax or the 6.2% portion of the 7.65% railroad retirement (tier 1) tax for 2007 . . . . .	<b>7</b>	97,500	00
<b>8a</b>	Total social security wages and tips (total of boxes 3 and 7 on Form(s) W-2) and railroad retirement (tier 1) compensation. If \$97,500 or more, skip lines 8b through 10, and go to line 11 . . . . .	<b>8a</b>		
<b>8b</b>	Unreported tips subject to social security tax (from Form 4137, line 9)	<b>8b</b>		
<b>8c</b>	Wages subject to social security tax (from Form 8919, line 10) . . . . .	<b>8c</b>		
<b>8d</b>	Add lines 8a, 8b, and 8c . . . . .	<b>8d</b>		
<b>9</b>	Subtract line 8d from line 7. If zero or less, enter -0- here and on line 10 and go to line 11 . ▶	<b>9</b>		
<b>10</b>	Multiply the <b>smaller</b> of line 6 or line 9 by 12.4% (.124) . . . . .	<b>10</b>		
<b>11</b>	Multiply line 6 by 2.9% (.029) . . . . .	<b>11</b>		
<b>12</b>	<b>Self-employment tax.</b> Add lines 10 and 11. Enter here and on <b>Form 1040, line 58</b> . . . . .	<b>12</b>		
<b>13</b>	<b>Deduction for one-half of self-employment tax.</b> Multiply line 12 by 50% (.5). Enter the result here and on <b>Form 1040, line 27</b> . . . . .	<b>13</b>		

**Part II Optional Methods To Figure Net Earnings** (see page SE-3)

<b>Farm Optional Method.</b> You may use this method <b>only</b> if (a) your gross farm income <sup>1</sup> was not more than \$2,400, or (b) your net farm profits <sup>2</sup> were less than \$1,733.				
<b>14</b>	Maximum income for optional methods . . . . .			1,600 00
<b>15</b>	Enter the <b>smaller</b> of: two-thirds (⅔) of gross farm income <sup>1</sup> (not less than zero) or \$1,600. Also include this amount on line 4b above . . . . .			
<b>Nonfarm Optional Method.</b> You may use this method <b>only</b> if (a) your net nonfarm profits <sup>3</sup> were less than \$1,733 and also less than 72.189% of your gross nonfarm income, <sup>4</sup> and (b) you had net earnings from self-employment of at least \$400 in 2 of the prior 3 years.				
<b>Caution.</b> You may use this method no more than five times.				
<b>16</b>	Subtract line 15 from line 14 . . . . .			
<b>17</b>	Enter the <b>smaller</b> of: two-thirds (⅔) of gross nonfarm income <sup>4</sup> (not less than zero) or the amount on line 16. Also include this amount on line 4b above . . . . .			

<sup>1</sup>From Sch. F, line 11, and Sch. K-1 (Form 1065), box 14, code B.

<sup>2</sup>From Sch. F, line 36, and Sch. K-1 (Form 1065), box 14, code A.

<sup>3</sup>From Sch. C, line 31; Sch. C-EZ, line 3; Sch. K-1 (Form 1065), box 14, code A; and Sch. K-1 (Form 1065-B), box 9, code J1.

<sup>4</sup>From Sch. C, line 7; Sch. C-EZ, line 1; Sch. K-1 (Form 1065), box 14, code C; and Sch. K-1 (Form 1065-B), box 9, code J2.

## Module 14B Simulation



Based on your completed tax return, what is your total self-employment income? Enter your answer exactly as it appears on your Schedule C-EZ.

Enter self-employment income : \$

**Hint:** See Schedule C-EZ, Line 1.

17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

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[My Form 1099 - MISC](#)

[My Tax Form](#)

[My Schedule C-EZ](#)

[My Schedule SE](#)



# Module 14B Simulation



Correct! Schedule C-EZ, Line 1, shows that your self-employment income is \$1,550.00. This is \$900.00 from the gas station plus \$650.00 from the neighbors.

17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
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[My Schedule C-EZ](#)

[My Schedule SE](#)



## Module 14B Simulation



Based on your completed tax return, what is your self-employment profit or loss? Enter your answer exactly as it appears on your Schedule C-EZ.

Enter self-employment profit or loss: \$

Is this a profit or a loss?

- Profit  
 Loss

**Hint:** See Schedule C-EZ, Line 3.

17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

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[My Tax Form](#)

[My Schedule C-EZ](#)

[My Schedule SE](#)



## Module 14B Simulation



Correct! Schedule C-EZ, Line 3, shows that your self-employment profit is \$1211.00.

Use your Schedule SE to enter your self-employment tax exactly as it appears on your tax form.

Enter your self-employment tax:

\$

**Hint:** See Schedule SE, Line 5.

17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

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[My Schedule C-EZ](#)

[My Schedule SE](#)

## Module 14B Simulation



Correct! Schedule SE, Line 5, shows that your self-employment tax is \$171.00.

How does the self-employment profit affect your total income?

- It increases total income.
- It decreases total income.
- It doesn't affect total income.

**Hint:** See Lines 12 through 37, Form 1040.

17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

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[My Tax Form](#)

[My Schedule C-EZ](#)

[My Schedule SE](#)



## Module 14B Simulation



Correct! Self-employment profit increases total income (Line 12).

How does the one-half of the self-employment tax affect total income?

- It is added to total income.
- It is subtracted from total income.
- It doesn't affect total income.

**Hint:** See Lines 12 through 37, Form 1040.

17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

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[My Schedule C-EZ](#)

[My Schedule SE](#)



## Module 14B Simulation



Correct: One-half of the self-employment tax (Line 27) is subtracted from total income (Line 22) to arrive at adjusted gross income (Line 37).

Review your Form 1040 (Line 44) to find your tax. Enter your tax exactly as it appears on your return.

Enter your tax:

\$

**Hint:** See Line 44 on Form 1040.

17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

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[My Form 1099 - MISC](#)

[My Tax Form](#)

[My Schedule C-EZ](#)

[My Schedule SE](#)



## Module 14B Simulation



Correct! Lines 43 and 44 on your Form 1040 show that your taxable income is zero and that your tax is zero.

How does the self-employment tax affect your income tax?

- It is added to the tax.
- It is subtracted from the tax.
- It is neither added to nor subtracted from the tax.

**Hint:** See Lines 44 through 63, Form 1040.

17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

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[My Tax Form](#)

[My Schedule C-EZ](#)

[My Schedule SE](#)



## Module 14B Simulation



Correct! Self-employment tax is added to the tax; it increases the tax.

Are you getting a refund or do you owe tax?

- Refund
- Owe tax

**Hint:** See Line 76 on Form 1040.

17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

**My Profile**

**My Form 1099 - MISC**

**My Tax Form**

**My Schedule C-EZ**

**My Schedule SE**



## Module 14B Simulation



Yes! You are correct! Line 76 on your Form 1040 shows that you owe \$171.00. You will not write a check for the amount due. Instead, you will pay the amount due by an electronic funds withdrawal from your checking account.

Before you submit your return, be sure you understand that

- the tax on your taxable income is zero (Line 44, Form 1040).
- The tax on your self-employment earnings is \$171 (Line 58, Form 1040).
- The total tax is \$171, and all of it is the tax on self-employment earnings (Line 63, Form 1040).

17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

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[My Tax Form](#)

[My Schedule C-EZ](#)

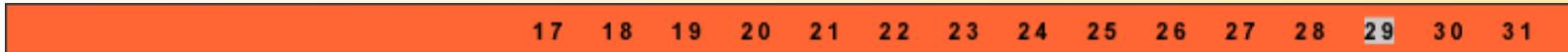
[My Schedule SE](#)



# Module 14B Simulation



Now you are ready to e-file your tax return with the IRS. Click the e-file button below to continue.



[My Profile](#)

[My Form 1099 - MISC](#)

[My Tax Form](#)

[My Schedule C-EZ](#)

[My Schedule SE](#)



## Module 14B Simulation



*If you were actually filing your taxes by using e-file, the last step would be signing the return. You can submit your signature by actually signing Form 8453 and sending it to the IRS or by using Self-Select PIN (Personal Identification Number) if you are eligible. The Self-Select PIN is made up of any five numbers (except all zeros) that you choose to enter as your electronic signature. You select your PIN by providing your adjusted gross income from your previous year's tax return for verification purposes. Depending on the version of the software you are using, you may be asked to provide your date of birth in addition to your adjusted gross income. Signing your return using Self-Select PIN is the simplest and fastest way to submit your signature. You do not need to mail in a paper signature, and you receive an immediate acknowledgment that your tax return has been received.*

*Learn more about self-selecting a PIN by visiting the [IRS Web site](#).*

*Now click the forward arrow to finish filing your return.*

17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

**My Profile**

**My Form 1099-INT**

**My Tax Form**

**My Schedule C-EZ**

**My Schedule SE**



# Module 14B Simulation



Congratulations, James! You've successfully filed your return by the tax deadline.

17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

