

Federal Tax Forms

Understanding Tax Forms for LIHEAP Eligibility

1040 Department of the Treasury—Internal Revenue Service (99) **2018** OMB No. 1545-0074 IRG Use Only—Do not write or staple in this space.

Filing status: ☒ Single ☐ Married filing jointly ☐ Married filing separately ☐ Head of household ☐ Qualifying widow(er)

Your first name and initial: Miriam Last name: Maisel Your social security number: 012-34-5678

Your standard deduction: ☐ Someone can claim you as a dependent ☐ You were born before January 2, 1954 ☐ You are blind

If joint return, spouse's first name and initial: Last name: Spouse's social security number:

Spouse standard deduction: ☐ Someone can claim your spouse as a dependent ☐ Spouse was born before January 2, 1954 ☒ Full-year health care coverage or exempt (see inst.)

Form 1040 (2018) Miriam Maisel 012-34-5678 Page **2**

1 Wages, salaries, tips, etc. Attach Form W-2	1	<u>12,630</u>
2a Tax-exempt interest	2a	<u>0</u>
2b Taxable interest	2b	<u>68</u>
3a Qualified dividends	3a	<u>0</u>
3b Ordinary dividends	3b	<u>0</u>
4a IRAs, pensions, and annuities	4a	<u>0</u>
4b Taxable amount	4b	<u>0</u>
5a Social security benefits	5a	<u>0</u>
5b Taxable amount	5b	<u>0</u>
6 Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22	6	<u>20,991</u>
7 Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6	7	<u>20,490</u>
8 Standard deduction or itemized deductions (from Schedule A)	8	<u>12,000</u>
9 Qualified business income deduction (see instructions)	9	<u>1,419</u>
10 Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0-	10	<u>7,071</u>

State of Iowa

August 29, 2019

CW SOLUTIONS

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Introduction

Low Income Home Energy Assistance Program (LIHEAP) is an income-tested assistance program which requires verification of an applicant household's income. For some income types the Federal Tax Return form may be used to verify and calculate income.

The purpose of this training is to provide guidance to Iowa LIHEAP workers on the Federal Tax Return form, the 1040, and its related schedules.

There is more content in this training guide than what will be discussed during the training session. The additional content is for workers to reference back at the office.

Resources can be found at:

<https://changewithin.net/worker-resources/self-employment-resources>

NOTE: Policy and process can and DOES change. Workers must ***ALWAYS reference the LIHEAP Operations Manual for current policy.*** If there are policy questions, they should be directed to the correct state contacts. Policy **ALWAYS** takes precedence over a training guide.

Who Must File a Federal Tax Return? (Pub 501)

The information provided in this section is found in IRS Publication 501. The IRS website has an excellent interactive tool to determine if an individual is required to file a tax return. It is at:

<https://www.irs.gov/uac/Interactive-Tax-Assistant-%28ITA%29-1>

The following are some basic guidelines for when a person **must** file a return:

2018 Income Mandates for Filing a Federal Tax Return

Depending on the filing status of the individual, there are different income thresholds for filing a 2018 return (filed in 2019). The chart below is for most individuals (non-dependents). Gross income includes both earned and unearned income.

Filing Status	Age	Gross Income is at least:	Minimum NET Self-Employment Earnings	
Single	Under 65	\$12,000	\$400	<i>*Information on self-employment earnings threshold found at the IRS.gov website page "Self-Employed Individuals Tax Center"</i>
	65 or older	\$13,600	\$400	
Head of Household	Under 65	\$18,000	\$400	
	65 or older	\$19,600	\$400	
Married Filing Jointly	Under 65 (both spouses)	\$24,000	\$400	
	65 or older (one spouse)	\$25,300	\$400	
	65 or older (both spouses)	\$26,000	\$400	
Married Filing Separately	Any age	\$5 *significant change	\$400	
Qualifying Widow(er) with Dependent Children	Under 65	\$24,000	\$400	
	65 or older	\$25,300	\$400	

Note: Net self-employment income is calculated by subtracting allowable expenses from the total gross income earned for the year. A tax professional nor the tax filer can say if they should or should have to file taxes unless a full calculation is completed (unless the gross earnings are under \$400).

Income Test for Filing Taxes for Children and Dependents

Besides being a minor (under age 18), a person can be defined as a dependent for tax filing purposes if s/he:

- Is not already a qualifying dependent child; and
- Is related to the tax filer or lived in the home for the entire tax year with the tax filer; and
- Gross income of the person is less than \$4,000 for the tax year; and
- Tax filer provided more than half of the person's support for the year.

If a person is a Child or a Dependent, the following are the income guidelines for being required to file a Tax return. If the person meets any of the three situations, s/he must file a return.

Child or Dependent Tax Filing Requirements					
Filing Status	Unearned Income	Earned Income	Gross income greater than the larger of:		
Single under 65, not blind	\$1,050	\$12,000	\$1,050	or	\$12,000
Single over 65 <u>or</u> blind	\$2,650	\$13,600	\$2,650		\$13,600
Single over 65 and blind	\$4,250	\$15,200	\$4,250		\$15,200
Married under 65, not blind*	\$1,050	\$12,000	\$1,050		\$12,000
Married over 65 <u>or</u> blind*	\$2,350	\$13,300	\$2,350		\$13,300
Married over 65 and blind*	\$3,650	\$14,600	\$3,650		\$14,600

**If Married, and gross income was at least \$5 and spouse files a separate return and itemized deductions, the person must file a return.*

Note: In-kind income is not taxable or reportable income on a tax return. When a household reports an adult child is doing work around the house in exchange for rent, the parent does not report the value of that “work” as income. The adult child does not report the value of the “rent” as income (or as an expense).

Other Situations That Requires Filing a Tax Return

Even if a person does not have to file a return because of income, there are other reasons that may require a person to file a return:

1. The person utilized the **Healthcare Marketplace** for insurance **and** used the advance payment credit for their insurance premiums.
2. The person received a distribution from a health savings account, Archer MSA or Medicare Advantage MSA.
3. The person had wages of \$108.28 or more from a church or qualified church-controlled organization that is exempt from employer social security and Medicare wages.
4. The person owes any special taxes such as Alternative minimum tax, owe taxes on a qualified plan (such as retirement plan), s/he has to pay Social Security/Medicare tax on tips not reported to an employer, owe household employee tax, recapture of first-time homebuyer credit, write-in taxes or recapture taxes.

Reasons to File a Tax Return Even if Not Required

Even if someone is not required to file a return, it is often advantageous for a low-income person to file a return because of the available tax credits. Many tax filers who are middle, low and no-income receive a refund greater than any federal taxes paid in.

Some situations include:

- If s/he had taxes withheld from his/her pay, s/he must file a tax return to receive a tax refund.
- If qualified, s/he can file a return to receive the refundable Earned Income Tax Credit.
- If s/he has a qualifying child but owes no tax, s/he can file to be refunded the Additional Child Tax Credit.
- If s/he wants to claim any education credits, s/he must file to be refunded the American Opportunity Credit.
- If qualified, s/he can file to claim the refundable Health Coverage Tax Credit. This is where the person paid for health insurance but did not use the Marketplace or did not have the credit applied to his/her premiums.
- If s/he adopted a qualifying child, s/he can file to claim the Adoption Tax Credit.

Many no income/low income individuals file taxes specifically to receive tax credits but inform eligibility programs such as LIHEAP that they have not filed a tax return. *There currently is no verification method available to agencies to check if a person has filed a return.* An individual can request their Tax Return Transcript at an IRS office or by calling 1-800-829-1040.

Who Must File an Iowa Tax Return?

Information on who must file can be found at the Iowa Department of Revenue website: <https://tax.iowa.gov/expanded-instructions/who-must-file-2018>.

The individual income tax filing requirements for Iowa residents for 2018 (filed in 2019) are presented in the following chart. A person/group must file if their NET income (Line 26 on Iowa form 1040) is:

Filing Status	Age at end of Year	Residents Net Income
Single	Under age 65	\$9,000 or more
Single	Age 65 or older	\$24,000 or more
Other than Single	Both spouses under 65	\$13,500 or more
	One spouse 65 or older	\$32,000 or more
Dependent	n/a	\$5,000 or more

1040 Form Lines Used for LIHEAP

The Iowa Department of Human Rights, Energy Assistance/LIHEAP department issued a guide for workers on what 1040/Schedule 1 Lines to use for verification for eligibility purposes. This will be referenced throughout the remainder of this guide.

October 1, 2018 to April 30, 2019

ELIGIBILITY: USING FEDERAL TAX RETURN

UTILIZE PREVIOUS YEAR'S COMPLETED TAX RETURN (2018)

Income from some sources may not appear on the tax return. Income from Foster Care, Worker's Compensation, FIP, Child Support, VA, SSA, SSD, SSI, Railroad Retirement Benefits, and Public Assistance need to be added to the total gross income.

WHAT TO COUNT ON A TAX RETURN:

1040 FORM

Wages, Salaries, and Tips	Line 1	1040 Form
Dividend income	Line 3b	1040 Form
IRA Distributions, Pensions, Annuities	Line 4b	1040 Form
Social Security Benefits	Line 5a	1040 Form

SCHEDULE 1 (only needed if line 6 doesn't match the total of lines 1-5 on 1040)

Alimony Income	Line 11	Schedule 1
Business Income or Loss	Line 12	Schedule 1
Rent, Royalties, Partnership Income	Line 17	Schedule 1
Farm Income or Loss	Line 18	Schedule 1
Unemployment Income	Line 19	Schedule 1
Other Income	Line 21 ***	Schedule 1

*** DO NOT COUNT prior year's losses carried forward as NOL (Net Operating Loss), when this is on line 21. Use Line 21 only if a positive number.

Revised 02/13/19

The 1040 Form

The 1040 form is the Federal tax return form underwent a significant format change for tax year 2018 as a result of the tax law passed at the end of 2017. The 1040 has far fewer lines (23 vs. 79), but several new schedules were added that include much of what was on the old 1040 form. The idea was to create a universal simplified main form instead of two different 1040 forms. But, for many people, their 2018 tax returns included more schedules than prior returns.

The first page covers the basic demographic information for the tax filer and other members of the tax filer group (spouse/dependents). There is no income information on page 1.

Form	1040 Department of the Treasury—Internal Revenue Service (99)		2018	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.
	U.S. Individual Income Tax Return				
Filing status: <input checked="" type="checkbox"/> Single <input type="checkbox"/> Married filing jointly <input type="checkbox"/> Married filing separately <input type="checkbox"/> Head of household <input type="checkbox"/> Qualifying widow(er)					
Your first name and initial Miriam		Last name Maisel		Your social security number 012-34-5678	
Your standard deduction: <input type="checkbox"/> Someone can claim you as a dependent <input type="checkbox"/> You were born before January 2, 1954 <input type="checkbox"/> You are blind					
If joint return, spouse's first name and initial		Last name		Spouse's social security number	
Spouse standard deduction: <input type="checkbox"/> Someone can claim your spouse as a dependent <input type="checkbox"/> Spouse was born before January 2, 1954 <input type="checkbox"/> Spouse is blind <input type="checkbox"/> Spouse itemizes on a separate return or you were dual-status alien				<input checked="" type="checkbox"/> Full-year health care coverage or exempt (see inst.)	
Home address (number and street). If you have a P.O. box, see instructions. 123 Joke St				Apt. no. 3	Presidential Election Campaign (see inst.) <input type="checkbox"/> You <input type="checkbox"/> Spouse
City, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule 6. Anytown WI 54444				If more than four dependents, see inst. and check here ▶	
Dependents (see instructions)		(2) Social security number	(3) Relationship to you	(4) Check if qualifies for (see inst.):	
(1) First name	Last name			Child tax credit	Credit for other dependents
Ethan	Maisel	012-34-5679	Son	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Zelda	Maisel	123-45-6789	Daughter	<input checked="" type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
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. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.					
Your signature		Date	Your occupation Comedian	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)	
Spouse's signature. If a joint return, both must sign.		Date	Spouse's occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)	
Preparer's name		Preparer's signature	PTIN	Firm's EIN	Check if: <input type="checkbox"/> 3rd Party Designee <input type="checkbox"/> Self-employed
Firm's name ▶			Phone no.		
Firm's address ▶					
KIA For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.					Form 1040 (2018)

The second page of the 1040 has six lines that document income. Line 6 identifies if there is possible Self-Employment Income.

Form 1040 (2018) Miriam Maisel 012-34-5678 Page 2

1	Wages, salaries, tips, etc. Attach Form W-2	1	12,630
2a	Tax-exempt interest	2a	0
3a	Qualified dividends	3a	0
4a	IRAs, pensions, and annuities	4a	0
5a	Social security benefits	5a	0
6	Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22	6	20,991
7	Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6	7	20,490
8	Standard deduction or itemized deductions (from Schedule A)	8	12,000
9	Qualified business income deduction (see instructions)	9	1,419
10	Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0-	10	7,071
11	a Tax (see inst.) 708 (check if any from: 1 <input type="checkbox"/> Form(s) 8814 2 <input type="checkbox"/> Form 4972 3 <input type="checkbox"/>)	11	708
12	a Child tax credit/credit for other dependents b Add any amount from Schedule 3 and check here <input checked="" type="checkbox"/>	12	708
13	Subtract line 12 from line 11. If zero or less, enter -0-	13	0
14	Other taxes. Attach Schedule 4	14	1,002
15	Total tax. Add lines 13 and 14	15	1,002
16	Federal income tax withheld from Forms W-2 and 1099	16	493
17	Refundable credits: a EIC (see inst.) 5,334 b Sch 8812 2,508 c Form 8863	17	7,842
18	Add lines 16 and 17. These are your total payments	18	8,335
19	If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you overpaid	19	7,333
20a	Amount of line 19 you want refunded to you. If Form 8888 is attached, check here <input type="checkbox"/>	20a	7,333
21	Amount of line 19 you want applied to your 2019 estimated tax	21	0
22	Amount you owe. Subtract line 18 from line 15. For details on how to pay, see instructions	22	
23	Estimated tax penalty (see instructions)	23	

KIA Go to www.irs.gov/Form1040 for instructions and the latest information. Form 1040 (2018)

The following provides an explanation of key **INCOME** lines on the 1040 form.

Line 1: Wages

Source	W-2
---------------	-----

The gross wages paid by an employer are reported on a W-2 wage statement. **Line 1** is the sum off all gross wages for all individuals listed on the Tax Return. The line does not identify the number of W-2 statements or which tax payer has W-2 wages.

The 1040 or the W-2 statement(s) can be used if the applicant chooses to use the last calendar year method for calculating their income

Special Note for W-2s:

The wage listed in Box 1 (listed wages for Federal Tax purposes) can be different than Box 3 and 5 if the individual has any pre-tax deductions such as a retirement plan or a Health Savings Account that is deducted from the gross pay.

The wages listed on Box 1 is what is transferred to **Line 1** on the 1040 form.

For purposes of LIHEAP programs, use Box 1 to calculate the gross wages.

1 Wages, tips, other compensation	2 Federal income tax withheld
\$21,035.83	\$1,940.00
3 Social security wages	4 Social security tax withheld
\$21,422.12	\$1,328.17
5 Medicare wages and tips	6 Medicare tax withheld
\$21,422.12	\$310.62
7 Social security tips	8 Allocated tips
\$0.00	\$0.00
9	10 Dependent care benefits
	\$0.00
11 Nonqualified plans	12a
\$0.00	S \$386.29
13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b
	\$0.00
14 Other	12c
\$0.00	\$0.00
\$0.00	12d
\$0.00	\$0.00

Line 2a/2b: Interest Income

Source 1099-INT

Interest income is not counted for LIHEAP. This is still a valuable line to review as it may indicate a person has/had a large amount in a savings or interest-bearing account.

Financial Institutions issue a 1099-INT if the individual earned \$10 or more in interest on regular interest-bearing accounts.

Example: Tom has \$15,000 in a standard savings account. If he does not make any withdrawals and has an average interest rate of 2.2%, he will accrue about \$34 in interest for the year. If the interest rate is 1.1%, the annual interest is about \$18.

The interest line includes savings, CD's, savings bonds and other interest-bearing accounts, all which have different interest rates. Therefore, it is not possible to determine if a person has \$15,000 or more in liquid assets by just looking at Line 2. The line is only an indicator of possible higher asset amounts in the household.

Line 3a/3b: Dividends

Source 1099-DIV

There are two lines for Dividends – Line 3a and Line 3b. **Line 3a** provides a space to identify the portion of dividends on **Line 3b** that are “qualified” for a lower, or sometimes no, tax rate.

Dividends are reported on the 1099-DIV. If any portion of the dividend listed in Box 1a on the 1099-DIV is qualified, it will be listed in Box 1b.

1a Total ordinary dividends		OMB No. 1545-0110	Dividends and Distributions
\$ 1,709		2018	
1b Qualified dividends		Form 1099-DIV	Copy B For Recipient
\$ 1,104			
2a Total capital gain distr.	2b Unrecap. Sec. 1250 gain		
\$	\$		
2c Section 1202 gain	2d Collectibles (28%) gain		
\$	\$		
3 Nondividend distributions	4 Federal income tax withheld		This is important tax information and is
\$	\$		

For purposes of LIHEAP programs, use Line 3b on the 1040 and count the annualized amount if the total combined annual income of the dividends is \$120 or more. Ignore dividends that total less than \$120 for the year.

Line 4a/4b: IRA Pensions and Annuities

Source	1099-R
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IRAs

IRA distributions are not always taxable. The level of tax liability depends on if the individual withdrew money prior to the retirement age, if it was a traditional IRA or a Roth IRA and even the amount withdrawn.

If an individual rolls over an IRA from one account to another, there is no tax liability as long as it is rolled over in the same tax year. A rollover will not be reported on the 1040. But if the rollover is from a traditional IRA to a Roth IRA, the amount rolled over is subject to tax because the original contributions to the traditional IRA were done pre-tax.

That is listed on the 1099-R in Box 1 and 2a with 2b checked "*Taxable amount not determined*". In these cases, the customer should have a statement regarding the roll over.

Retired individuals who withdraw from a traditional IRA will have a tax liability for that withdrawal. Some have federal and state taxes taken out at the time of the distributions and others wait to pay the tax when they file the 1040 tax return. Regardless of the method of taxation, they will receive a 1099-R and it will show on the 1040 form on **Line 4a** and may have some or all of that on **Line 4b** if it is taxable.

Retired individuals who withdraw from a Roth IRA will not be taxed because the income they initially put into the account was already taxed. They will still receive a 1099-R and that amount will be entered on **Line 4a** but will not be included in **4b** (the taxable portion).

If an early withdrawal occurs, the individual will be taxed at the time of the withdrawal as well as pay a penalty when s/he files the 1040 tax return. The gross value (pre-tax and pre-penalty) of the early withdrawal will be listed on lines 4a and 4b.

Use **Line 4b** for LIHEAP calculations (or the individual retirement statements).

Pensions and Annuities

Just like IRAs, pensions and annuities may or may not be taxed. **Line 4a** includes the total amount received for pensions and/or annuities (per the 1099-R) for the tax year. The portion that is taxable from **4a** is listed on **4b**.

Use **Line 4b** for LIHEAP (or the individual retirement statements).

What is an Annuity?

An annuity is an insurance product that pays out income and can be used as part of a retirement strategy. A person makes an investment in the annuity, and it then makes payments back to the person on a future date or series of dates. The income received from an annuity can be issued monthly, quarterly, annually or even in a lump sum payment.

Payments can be made for set number of years or for the duration of a person's life. A person can select a Deferred (delay before 1st payment made from the investment) or Immediate annuity (payments made back from the investment start immediately).

Money invested in an annuity grows tax-deferred. When a person makes withdrawals, the amount contributed to the annuity is not taxed, but earnings are taxed at the regular income tax rate.

The advantage of an annuity over a 401 or IRA retirement plan is there is no limit to the amount a person can contribute in a year. People who start their retirement savings later in life prefer annuities, so they can "catch-up".

The biggest disadvantage is there are more fees associated with annuities and larger surrender fees if a person withdraws from an annuity before it is allowed (often several years unless it is an immediate annuity).

Line 5a/5b: Social Security Benefits

Source	SSA-1099
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All Social Security (SS) benefits received must be reported on the Federal Tax Return. Not all benefits are taxable. A filer must use a worksheet to determine what percentage may be taxable.

Use **Line 5a** (total gross SS payments) for LIHEAP (or other verification statements from SSA).

Line 6: Total Income

Line six includes the combination of the totals from Lines 1 – 5, plus any income reported on Schedule 1. LIHEAP workers must pay close attention to the Schedule 1 field.

5	Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22	8,293	6	20,991
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Schedule 1– Additional Income and Adjustments

Schedule 1 essentially replaces most of the lines between Line 11 and Line 35 from the old 1040. Most of the lines on the new Schedule 1 mirror the old 1040 Line numbers.

SCHEDULE 1
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

▶ Attach to Form 1040.
▶ Go to www.irs.gov/Form1040 for instructions and the latest information.

Name(s) shown on Form 1040
Miriam Maisel

Additional Income

10	Taxable refunds, credits, or offsets of state and local income taxes	10	Taxable refunds, credits, or offsets of state and local income taxes
11	Alimony received	11	Alimony received
12	Business income or (loss). Attach Schedule C or C-EZ	12	Business income or (loss). Attach Schedule C or C-EZ
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>
14	Other gains or (losses). Attach Form 4797	14	Other gains or (losses). Attach Form 4797
15a	Reserved	15a	IRA distributions 18,575 00 b Taxable amount
16a	Reserved	16a	Pensions and annuities b Taxable amount
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E
18	Farm income or (loss). Attach Schedule F	18	Farm income or (loss). Attach Schedule F
19	Unemployment compensation	19	Unemployment compensation
20a	Reserved	20a	Social security benefits 20a b Taxable amount
21	Other income. List type and amount	21	Other income. List type and amount N.O.L.
22	Combine the amounts in the far right column for lines 7 through 21. This is your total income ▶	22	Combine the amounts in the far right column for lines 7 through 21. This is your total income ▶

Old 1040



The only lines that are not the same are ones that remained on the new 1040 form (15, 16, and 20).

The following provides an explanation of key lines on the Schedule 1.

Line 10: Taxable refunds, credits, offsets

LIHEAP does not count income reported on this line.

Line 11: Alimony

Source	Person's own records
---------------	----------------------

Alimony and maintenance received by an adult is taxable, which is why it is listed on Schedule 1. There is not a tax form that reports alimony/maintenance received though a local child support office should be able to validate the payments received by the applicant.

Note: Alimony is not considered a fixed income source for LIHEAP.

Line 12: Sole Proprietorship (Business Income)

Source Schedule C and C-EZ

Regular business income and expenses are reported on the Schedule C or Schedule C-EZ. Line 12 is the total amount of all business income/loss reported on line 31 on Schedule C and Line 3 on Schedule C-EZ. There may be multiple Schedule C/C-EZ businesses reflected in the Line 12 total.

28	Total expenses before expenses for business use of home. Add lines 8 through 27a ▶	28	15,465	00
29	Tentative profit or (loss). Subtract line 28 from line 7	29	21,675	00
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). Simplified method filers only: enter the total square footage of: (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30		
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Form 1040, line 12 (or Form 1040NR, line 13) and on Schedule SE, line 2. (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3.	31	21,675	00

Line 13: Personal Capital Gains

Source Schedule D

Personal Capital gains come from a variety of sources including sale of stocks, real estate and other investments. Personal Capital Gains are taxed at a lower rate than earned income.

Often, an individual who owns a business will shift a Business Capital Gain to their Personal Capital Gain for a tax advantage. This can be identified by comparing the 4797 form (most often associated with Farming and the Schedule F) and the Schedule D to see if a gain was transferred from one to the other.

Capital Gains are not counted for LIHEAP.

Line 14: Business Capital Gains

Source Form 4797

Business Capital Gains are from the sale of business assets. Sometimes it is from a one-time sale such as the sale of a tractor or a truck and other times it is a regular and predictable type of transaction such as selling heifers or sick/dead cows.

Form 4797 will only be used for businesses whose tax liability is transferred to the owners instead of the business entity paying income taxes (i.e. Sole Proprietorships, Partnerships and S-Corporations).

The Business Capital Gain is separate income that is not reported directly on the business return (Schedule C, Schedule D, Schedule E, 1065, 1120S or K-1). Hence the separate 4797 form.

The business owner can transfer a Business Capital Gain on the 4797 to a Personal Capital Gain on the Schedule D. This is usually done because of a tax advantage the individual can garner.

Note: The LIHEAP manual does not specify if Business Capital Gains are to be considered or not but since it is not listed on the Eligibility – Using Federal Tax Return document, it is likely not a counted income source.

Line 17: Schedule E Income

Rental Real Estates, Royalties, Partnerships, S-Corporations, Trusts, etc.

There are several different possible income sources that can be part of the final Line 17 total. All sources derive from the Schedule E which has Four Parts:

Part I: Rental Income and Royalty Income
See full explanation later in this section.

Part II: Partnerships and S-Corporations
See full explanation later in this section.

Part III: Estates and Trusts
An estate is the net worth of a person at any point in time alive or dead. It is the sum of a person's assets – legal rights, interests and entitlements to property of any kind – less all liabilities at that time. An estate is sometimes made into a business entity which the income from the capital and liquid assets are distributed to the inheritors on a regular basis.

In general, a trust is a relationship in which one person holds title to property, subject to an obligation to keep or use the property for the benefit of another. A trust is a legal business entity that files its own return and the profit/loss from that trust are passed on to the individual recipients of the trust.

Part IV: Real Estate Mortgage Investment Conduits
A real estate mortgage investment conduit (REMIC) is "an entity that holds a fixed pool of mortgages and issues multiple classes of interests in itself to investors" under U.S. Federal income tax law and is "treated like a partnership for Federal income tax purposes with its income passed through to its interest holders". This is something that would be rarely seen on a tax return for a LIHEAP applicant.

Line 17: Rental and Royalty Income (Business)

Source Schedule E – Part 1

Rental and Royalty income for a Sole Proprietorship is recorded on Part 1 of the Schedule E. **There may be multiple properties listed and may be more than one page for Part 1 if there are more than three rental properties to report.** If the individual has formed multiple LLCs for their rental properties, they will still be listed on the Schedule E – Part 1 unless the LLCs are Partnerships or S-Corporations. Use the Type of Property key to determine the kind of income listed on the page.

SCHEDULE E (Form 1040)		Supplemental Income and Loss		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service (99)		(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)		2018	
		▶ Attach to Form 1040, 1040NR, or Form 1041.		Attachment Sequence No. 13	
		▶ Go to www.irs.gov/ScheduleE for instructions and the latest information.		Your social security number 001-06-0001	
Name(s) shown on return Drew Scott					
Part I Income or Loss From Rental Real Estate and Royalties Note. If you are in the business of renting personal property, use Schedule C or C-EZ (see instructions). If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.					
A Did you make any payments in 2018 that would require you to file Form(s) 1099? (see instructions) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No					
B If "Yes," did you or will you file all required Forms 1099? <input type="checkbox"/> Yes <input type="checkbox"/> No					
1a Physical address of each property (street, city, state, ZIP code)					
A					
B 422 E main Anytown WI 54444					
C 1701 Washington St Anytown WI 54444					
1b Type of Property (from list below)		2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.		Fair Rental Days	Personal Use Days
A 6		A		0	0
B 1		B		344	0
C 1		C		365	0
Type of Property:					
1 Single Family Residence		3 Vacation/Short-Term Rental		5 Land	
2 Multi-Family Residence		4 Commercial		6 Royalties	
				7 Self-Rental	
				8 Other (describe)	
Income:		Properties:		A	B
3 Rents received		3			16,500
4 Royalties received		4		12,000	0
					16,800
					0

Royalty income are payments made to an owner for the use of property, especially patents, copyrighted works, franchises or natural resources. A royalty payment is made by those who wish to make use of it for the purposes of generating revenue such as the sale of a book or use of a patent.

The final net income/loss for the combined rental property and royalties is totaled on Line 26 and transferred to Line 17 on **Schedule 1**.

23a	Total of all amounts reported on line 3 for all rental properties	51,250	
23b	Total of all amounts reported on line 4 for all royalty properties	12,000	
23c	Total of all amounts reported on line 12 for all properties	13,322	
23d	Total of all amounts reported on line 18 for all properties	22,001	
23e	Total of all amounts reported on line 20 for all properties	61,452	
24	Income. Add positive amounts shown on line 21. Do not include any losses	11,046	
25	Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here.	(9,248)	
26	Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2	1,798	
Worksheet Att.			
KIA For Paperwork Reduction Act Notice, see the separate instructions.		Schedule E (Form 1040) 2018	

Line 17: Partnerships

Source Schedule E – Part 2, K-1 from 1065

Partnerships submit an “information only” tax return on the 1065. It is “information only” because the business does not pay income taxes.

The tax liability is passed directly to the ownership group on their individual tax return. Their portion of the net income/loss is reported on the 1065 K-1 and then transferred to Part 2 of the Schedule E.

Schedule K-1 (Form 1065)
Department of the Treasury
Internal Revenue Service

2018
For calendar year 2018, or tax year beginning / / 2018 ending / /

Partner's Share of Income, Deductions, Credits, etc. ▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
39-0123456

B Partnership's name, address, city, state, and ZIP code
T & J Construction
458 E Stud Pkwy
Anytown WI 54444

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

1 Ordinary business income (loss)	13,466.00	15 Credits
2 Net rental real estate income (loss)		
3 Other net rental income (loss)		16 Foreign transactions
4 Guaranteed payments	8,000.00	
5 Interest income		
6a Ordinary dividends		
6b Qualified dividends		

A worker can identify the type of business structure on the Schedule E under column 28(b) – P is for Partnership and S is for S-Corporation.

28	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	(e) Check if basis computation is required	(f) Check if any amount is not at risk
A	T & J Construction	P		39-0123456		

K-1 income can be distributed in multiple sections on Part 2 of Schedule E depending on if it is passive or non-passive (actively engaged in the production of the income) and if it is a loss or a profit. If it is passive income, it might be an indication that the income source is from a rental.

Passive Income and Loss		Nonpassive Income and Loss		
(g) Passive loss allowed (attach Form 8582 if required)	(h) Passive income from Schedule K-1	(i) Nonpassive loss from Schedule K-1	(j) Section 179 expense deduction from Form 4562	(k) Nonpassive income from Schedule K-1
A			422	13,466
B				8,000
C				
D				
29a Totals	0	0		21,466
b Totals	0	0	422	
30 Add columns (h) and (k) of line 29a				30 21,466
31 Add columns (g), (i), and (j) of line 29b				31 (422)
32 Total partnership and S corporation income or (loss). Combine lines 30 and 31				32 21,044

Line 17: S-Corporations

Source Schedule E – Part 2, K-1 from 1120S

S-Corporations are a pass-through organization whose tax liability is passed on to the individual owners but the company itself is treated like a corporation or certain tax benefits and legal protections. An S-Corporation files an “information only” return on a 1120s, similar to a partnership.

The net income/loss is then allocated to the business owners and reported on a K-1. The information from the K-1 is then reported on the Part II of Schedule E.

A worker can identify the type of business structure under column 28(b) – P is for Partnership and S is for S-Corporation. The net income is reported on the Schedule E, part 2.

Part II Income or Loss From Partnerships and S Corporations Note: If you report a loss from an at-risk activity for which any amount is not at risk, you must check the box in column (e) on line 28 and attach Form 6198. See instructions.																																				
27	Are you reporting any loss not allowed in a prior year due to the at-risk, excess farm loss, or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or unreimbursed partnership expenses? If you answered “Yes,” see instructions before completing this section. <input type="checkbox"/> Yes <input type="checkbox"/> No																																			
28	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number																																
A	Computing Concepts	S	<input type="checkbox"/>	39-9976643																																
B			<input type="checkbox"/>																																	
C			<input type="checkbox"/>																																	
D			<input type="checkbox"/>																																	
		<table border="1"> <thead> <tr> <th colspan="2">Passive Income and Loss</th> <th colspan="2">Nonpassive Income and Loss</th> </tr> <tr> <th>(f) Passive loss allowed (attach Form 8582 if required)</th> <th>(g) Passive income from Schedule K-1</th> <th>(h) Nonpassive loss from Schedule K-1</th> <th>(i) Section 179 expense deduction from Form 4562</th> </tr> </thead> <tbody> <tr> <td>A</td> <td></td> <td></td> <td></td> </tr> <tr> <td>B</td> <td></td> <td></td> <td></td> </tr> <tr> <td>C</td> <td></td> <td></td> <td></td> </tr> <tr> <td>D</td> <td></td> <td></td> <td></td> </tr> <tr> <td>29a Totals</td> <td></td> <td></td> <td>16,812 00</td> </tr> <tr> <td>b Totals</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>			Passive Income and Loss		Nonpassive Income and Loss		(f) Passive loss allowed (attach Form 8582 if required)	(g) Passive income from Schedule K-1	(h) Nonpassive loss from Schedule K-1	(i) Section 179 expense deduction from Form 4562	A				B				C				D				29a Totals			16,812 00	b Totals			
Passive Income and Loss		Nonpassive Income and Loss																																		
(f) Passive loss allowed (attach Form 8582 if required)	(g) Passive income from Schedule K-1	(h) Nonpassive loss from Schedule K-1	(i) Section 179 expense deduction from Form 4562																																	
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29a Totals			16,812 00																																	
b Totals																																				
30	Add columns (g) and (i) of line 29a			30 16,812 00																																
31	Add columns (f), (h), and (i) of line 29b			31 ()																																
32	Total partnership and S corporation income or (loss). Combine lines 30 and 31. Enter the result here and include in the total on line 41 below			32 16,812 00																																

Line 17: Trusts

Source Schedule E – Part 2, K-1 from the Trust

Trusts are separate entities and an information tax return is filed, with a K-1 generated for each beneficiary. The assigned income/loss is then transferred to Part III on the Schedule E.

Part III Income or Loss From Estates and Trusts			
33 (a) Name		(b) Employer identification number	
A Starlord Sr Fund for Earth Child		20-1000001	
B			
Passive Income and Loss		Nonpassive Income and Loss	
(c) Passive deduction or loss allowed (attach Form 8582 if required)	(d) Passive income from Schedule K-1	(e) Deduction or loss from Schedule K-1	(f) Other income from Schedule K-1
A	500		
B			
34a Totals	500		
b Totals			
35 Add columns (d) and (f) of line 34a		35	500
36 Add columns (c) and (e) of line 34b		36	()
37 Total estate and trust income or (loss). Combine lines 35 and 36. Enter the result here and include in the total on line 41 below		37	500

Payments from trust funds that make regular payments to the beneficiary are counted income for LIHEAP.

Line 18: Farm Income

Source	Schedule F
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Sole Proprietorship farms report their business activity on the Schedule F. Often, farm businesses are classified as Partnerships. In those cases, the 1065 form is completed with K-1's being issued to each partner. The Schedule F is still used to document the income and expenses with the net income transferred to the 1065 then allocated between each partner based upon their ownership percentage.

For sole proprietorship Farms using just the Schedule F, the net income on Line 34 is transferred to Line 18 on the Schedule 1 and that is the amount used for LIHEAP.

33 Total expenses. Add lines 10 through 32. If line 32 is negative, see instructions	33	89,511	00
34 Net farm profit or (loss). Subtract line 33 from line 9. If a profit, stop here and see instructions for where to report. If a loss, complete lines 35 and 36.	34	19,104	00
35 Did you receive an applicable subsidy in 2013? (see instructions)		<input type="checkbox"/> Yes	<input type="checkbox"/> No
36 Check the box that describes your investment in this activity and see instructions for where to report your loss.			
a <input type="checkbox"/> All investment is at risk.	b <input type="checkbox"/> Some investment is not at risk.		

Line 19: Unemployment Compensation

Source	1099-G
--------	--------

Unemployment Insurance Benefits (UIB) are subject to Federal and State income tax. The full amount of UIB payments issued in a year must be reported on the Federal Tax Return.

Note: A person can receive a maximum 26 weeks of Unemployment in a benefit year. In Iowa, some people are eligible for the Training Extension Benefits to receive an additional 26 weeks.

Line 21: Other Income

Source	varies
--------	--------

There are many different sources of income that can be reported Line 21. When income is reported on this line, the tax filer must describe the source on the line.

SCHEDULE 1 (Form 1040)		Additional Income and Adjustments to Income		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.		2018 Attachment Sequence No. 01	
Name(s) shown on Form 1040 Miriam Maisel				Your social security number 012-34-5678	
Additional Income	1-9b	Reserved	1-9b		
	10	Taxable refunds, credits, or offsets of state and local income taxes	10	0	
	11	Alimony received	11		
	12	Business income or (loss). Attach Schedule C or C-EZ	12	7,093	
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13	0	
	14	Other gains or (losses). Attach Form 4797	14		
	15a	Reserved	15b		
	16a	Reserved	16b		
	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17		
	18	Farm income or (loss). Attach Schedule F	18	0	
	19	Unemployment compensation	19		
	20a	Reserved	20b		
	21	Other income. List type and amount ▶ GAMBLING	21	1,200	
	22	Combine the amounts in the far right column. If you don't have any adjustments to income, enter here and include on Form 1040, line 6. Otherwise, go to line 23	22	8,293	

The following is a summary of some of the most common Line 21 income sources.

Cancelled Debt 1099-C

Cancelled Debt is reported on the 1099-C form. Debt cancellation occurs when a home is foreclosed, or a debt has been cancelled by the financial institution (either through bankruptcy or negotiated deal with a creditor but sometimes because the creditor just decides not to pursue due to the cost to try and collect the debt).

The amount of the debt that was cancelled is considered taxable because the person is essentially receiving the value of that debt without cost. It is treated like a monetary gift (which is also taxable in many situations). It is important to understand that cancelled debt is not "real income" for that year, it is just a tax liability for the value of the debt the person is no longer obligated to pay.

For example, if a person filed bankruptcy and part of the filing was for a 60" OLED TV from Sam's Club. If Sam's Club decided not to pursue collection, a 1099-C is issued for the value of the TV. The person keeps the TV so is taxed for the value of the TV. It is not really income but an asset that is being taxed.

Gambling Winnings

Gambling winnings are reported on the W-2 G form (looks very similar to the W-2 wage statement form). LIHEAP counts any taxable gambling winnings (as reported on the 1040 form).

Jury Duty Pay

People who are on a jury receive pay from the court. This can be reimbursement for expenses like a per diem or can be an actual stipend. This can be taxable and if it is, a statement is issued to the person and then is reported on the tax return.

LIHEAP does not county Jury Duty pay.

Prize and Awards

If a person wins a prize or is given an award that has monetary value, it will be taxed so must be reported on Schedule 1.

Net Operating Loss (NOL)

Individuals can carry over business loss from a previous tax year if the total loss was more than what would reduce taxable income to zero in that prior tax year. The remaining loss balance not used in the initial year of loss can be applied to a future year to offset that year's taxable income. This is a tax benefit policy and is essentially a tax credit but entered on the Schedule 1's income section.

LIHEAP does not count Net Operating Loss.

Rent Income (non-business)

Rent income entered on Line 21 is uncommon as most rental income is reported on the Schedule E. Rent income is reported on Line 21 when the income is from renting personal property that was not generally used for rental business. For example, you charge for people to park on your lawn for the Iowa Hawkeye home football games. That income would be taxable, but not necessarily considered business income.

1099-MISC for Independent Contractors

Individuals who do work for other people or businesses are either classified as independent contractors or employees. For individuals who are operating a business, they will include the 1099-MISC on their Schedule C or C-EZ form, but some people will just report the earnings on Line 21 of the Schedule 1 of the 1040 because they have no expenses to report (such as a newspaper delivery person).

A 1099-MISC must be issued if \$600 or more was paid to the person for service work completed (or labor) for the business. The 1099-MISC is sent to the IRS by the business so if the person who receives the 1099-MISC does not file taxes or files taxes without reporting that income, they may face penalties from the IRS.

Furthermore, since a person must file a Federal Tax Return if they have more than \$400 in Self-Employment income, the IRS will expect most will have to file a return if they receive a 1099.

Income from a 1099-MISC listed in Box 7 is to be recorded on a Schedule C/C-EZ as part of Line 1, Gross Receipts (unless the 1099 was issued to a business entity such as a Partnership or S-Corporation where it will be included in the Gross Receipts of the 1065 or 1120s Tax Return form).

Even if the person does not claim any expenses, the gross receipt income needs to be reported as self-employment income, which is subject to the self-employment tax (Social Security and Medicare taxes) and income taxes. If the 1099-MISC is not reported on a business tax schedule, it is reported on Line 21 of the Schedule 1 (1040).

Background of Business Structures & Related Tax Forms

There are four main types of business structures. Although 2019 LIHEAP income policy does not require querying individual tax forms, it is still valuable to understand the forms which are used to populate the final net income on the Schedule 1.

Sole Proprietorship

Most small businesses are in the legal form of a Sole Proprietorship. A Sole Proprietorship is a type of business entity which legally has no separate existence from its owner.

The business does not file a separate tax return even though it may have an individual FEIN number that is not the owner's social security number. Instead, all the reportable business income and expenses are reported as part of the individual's Federal 1040 Tax Return.

A sole proprietorship can have employees and even offer insurance. The owner can draw a wage that is reportable via a W-2 tax form. Most often though, the owner does not draw a wage, instead the owner uses the profits from the business as personal income. If the business experiences a loss, this may be referred to as living off their 'cash flow'.

A sole proprietorship generally has a single owner (hence the term "sole"), but there can be up to two owners if the owners are married.

A person who operates a Sole Proprietorship will report income via specific schedules as part of the Federal 1040 Income Tax form. Schedules associated with Sole Proprietorships include:

- ☒ Schedule C – Profit or Loss from Business
- ☒ Schedule C EZ – Simple form of Profit or Loss from Business
- ☒ Schedule E, Part 1 – Supplemental Income & Loss (for rental property)
- ☒ Schedule F – Profit or Loss from Farming (earned income)
- ☒ Form 4797 – Business Capital Gains
- ☒ Form 8829 – Business use of home

Partnerships

Partnerships are legal entities where two or more individuals form a legal structure to share the costs and profits of a business. Partnerships do not pay taxes but must file an informational federal tax return. As part of the return, each partner is issued a Schedule K-1, which records each partner's share of income and expense. Individual partners report their share of profits and losses on their personal return via Schedule E, Part 2 and pays personal and employment taxes on that income.

The tax forms associated with a Partnership are:

- Form 1065 – Partnership Business Tax Return
 - ☒ Schedule K or K-1 from a Partnership

The K-1 form is used to report income on the 1040 personal tax return. Income from the K-1 is transferred to the **Schedule E, Part 2** as part of the 1040.

NOTE: There is a K-1 for the 1065 Partnership Return and a K-1 for S-Corporations. They are both called K-1's and look similar but are DIFFERENT. Be sure to look at the Upper Left-Hand corner of the form to identify if it is from a Partnership return (1065) or an S-Corporation return (1120S).

Guaranteed Payments are a form of "wages" reported for a Partner. That amount is listed on Line 4 of the K-1. G

Limited Liability Company (LLC)

An LLC is a legal designation to provide some (hence the term “*limited*”) protection to the owners of the business. Both a sole proprietorship and a partnership can become an LLC and remain taxed as they would be without being an LLC. For LIHEAP purposes, it is not relevant if the business is an LLC.

S-Corporations

An LLC can choose to be taxed as a corporation, specifically an S-Corporation, which means they would file a separate business return, though the business itself would not pay taxes. The net income of the business is reported on K-1's and the owner(s) of the S-Corporation report the earnings (or loss) on their 1040 personal tax returns via the **Schedule E**.

The tax forms associated with an S-Corporation are:

- Form 1120S – S Corporation Business Tax Return
 - ☒ Schedule K or K-1 from a Partnership or S-Corporation

Unlike Partnership K-1 form, there are no Guaranteed Payments for members of an S-Corporation and those are not listed on the S-Corporation K-1 form.

S-Corporations usually pay their owners/officers of the company a regular wage, generating a W-2 statement at the end of the year. Their pay is separated out on the business tax form as “Compensation to Officers” on the 1120S tax return form. If the owner is being paid wages, it will show on the 1120S under this expense line and a W-2 statement will have been generated. The wage for the owner would then be included in Line 7 of the 1040 form.

Corporations

Corporations are business structures with shareholders as owners. The company pays taxes on the net income earned by the business. The owners of a corporation do not pay taxes on the business income. Each owners or shareholder is allocated their proportion of the profit via dividends, royalties, and capital gains. Those are reported on their personal tax return.

Tax Form Examples

The following pages provide examples of the most common tax forms.

Tips on Reading Tax Forms

Tax forms can be overwhelming, especially if the submitted return is 30-60 pages long. **Since a LIHEAP worker can use the amount on the 1040/Schedule 1, the additional schedules are not critical for calculating income.** Therefore, the following Tips are not critical for LIHEAP workers in Iowa. They are being included as “information only”.

1. W-2 Wages are reported on Line 1.
2. Self-Employment Income is reported via Line 6, referencing **Schedule 1**, Lines 12, 14, 17, and 18.
3. Check the name(s) listed on each schedule to confirm the business owner. There can be a joint owner for a sole proprietorship (Schedules C, F and E-Part 1) if the individuals are married.
4. Check the address of the business on the business return (Schedule C, E, F, K-1) to see if it matches the address on the 1040 form.
5. Determine when the business started. If the business started during the tax year of the tax form being viewed, the income listed is likely not representative of a full 12 months of income. Some business tax forms identify if the business was started or acquired in that tax year:
 - a. Schedule C: Line H *"If you started or acquired this business during 20xx, check here."*
 - b. Schedule F does not indicate if the business started in that tax year. You would need to ask the applicant.
 - c. Schedule E does not indicate if the businesses started in that tax year. For rental, royalties, estates and trusts, you need to ask the applicant. For Partnerships and S-Corporations, the business return identifies the business start date.
 - d. Schedule K-1 does not identify the start date or year but the corresponding business return (1065 for Partnerships and 1120S for S-Corps) does list the business start date on Line E (to the right of the business name and address).
6. Identify if wages were paid to the owner out of the business. Wages can be paid to the business owner for sole proprietor businesses who file a Schedule C and for owners of S-Corporations.

Farmers, sole-proprietorship rental property owners and Partnerships generally do not pay wages to the owners and there is no identified expense line on the respective return to identify those wages.

- a. **Schedule C:** Line 26 identifies wages paid which could include the owner. If there is an amount listed on line 26, check to see if there are wages listed on Line 7 of the 1040.
- b. **1120S:** Line 7 identifies wages paid to officers which includes the owners. This does NOT transfer to the K-1. If there are wages listed on Line 7 of the 1040, ask if they are wages from the S-Corporation and collect the W-2 statement as necessary. A W-2 statement is always issued for this pay type.
- c. **Partnerships** cannot pay wages to the partners but are able to issue "guaranteed payments" which is a form of compensation. That is listed on Line 4 of the K-1 and is transferred to the Schedule E.

Tax Forms Summary

1040 Form: Federal Individual/Personal Tax Return Form.

Schedule 1: Schedule that lists other sources of income including business income.

Schedule C-EZ: Simplified business return form for sole proprietorships.

The net income is listed on Line 3 and transferred to Line 12 on Schedule 1.

Schedule C: Regular business return form used for sole proprietorships. The owner(s) are listed at the top of the return as well as the business address.

Wages are listed on Line 26 so if there is a dollar amount, ask if any of those wages were paid to a household member (and check if Line 7 on the 1040 has a value).

The net income is listed on Line 31 and transferred to Line 12 on Schedule 1.

Form 8829: Business Use of Home form which identifies the percent of home expenses used for the business, including utilities.

Schedule F: Farm income for sole proprietorships. This is also used for partnership returns (1065 form).

The net income is listed on Line 34 and transferred to Line 18 on Schedule 1.

Form 4797: Business Capital Gains form – this income/loss is reported separately from the regular business return.

The net income is listed on Line 18b and transferred to Line 14 on Schedule 1.

Schedule D: Personal Capital Gains. Some filers will transfer gains/losses from the 4797 to the Schedule D for tax benefit purposes.

The net income is listed on Line 16 and/or Loss on Line 21 is transferred to Line 13 on Schedule 1.

Schedule E: **Part 1** is for Rental Property and Royalties. Rent income is listed on Line 3 and Royalty income on Line 4. They are combined together with a final net income/loss on Line 26.

If there is no other income on the Schedule E (in Parts 2, 3, or 4), Line 26 is carried over to Line 17 of Schedule 1.

Otherwise it is added to the other sections and included on Line 41 and transferred to Line 17 of Schedule 1.

Part II is for Partnership and S-Corporation income/loss. Income and losses are separated by “Passive” and “Non-Passive” categories. These are separated because there are different tax rules for these categories of income/loss.

Passive means that the business owner did not materially participate in the business activity that resulted in the income/loss. Materially participate can be defined by working 20 hours a week or more in the business activity. Rental income is usually considered passive income. Other examples of passive income include interest on assets, dividends, and capital gains.

Non-Passive means the business owner materially participated in the activity that resulted in the income/loss.

The net income from the combined businesses listed in Part II is listed on line 32 which is carried over to Line 41 and then transferred to Line 17 on Schedule 1.

Part III is for Estates and Trusts.

The net income is listed on Line 37 which is carried over to Line 41 and then transferred to Line 17 on Schedule 1.

Part IV: Summaries the total combined income/loss from Sections I, II, and III.

The income/loss from line 41 is transferred to Line 17 on Schedule 1.

K-1 Partnership: The partner’s share of income/loss from the business return 1065 is transferred to the Schedule K-1. The income/loss from the business is allocated on various lines on the K-1 with lines 1 – 12 potentially being listed on the Schedule E.

Sometimes the Guaranteed Payments are listed separately on the Schedule E and sometimes it is included in other totals.

The information from the K-1 is then transferred to the Schedule E, Part II.

K-1 S-Corp: The owner’s share of income/loss from the business return 1120S is transferred to the Schedule K-1. The income/loss from the business is allocated on various lines on the K-1 with lines 1 – 11 potentially being listed on the Schedule E.

The information from the K-1 is then transferred to the Schedule E, Part II.

1040 Form, Page 1

1040	Department of the Treasury—Internal Revenue Service (99)	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.		
2018					
U.S. Individual Income Tax Return					
Filing status: <input checked="" type="checkbox"/> Single <input type="checkbox"/> Married filing jointly <input type="checkbox"/> Married filing separately <input type="checkbox"/> Head of household <input type="checkbox"/> Qualifying widow(er)					
Your first name and initial Jake D		Last name Thompson			
Your standard deduction: <input type="checkbox"/> Someone can claim you as a dependent <input type="checkbox"/> You were born before January 2, 1954 <input type="checkbox"/> You are blind		Your social security number 013-07-0001			
If joint return, spouse's first name and initial		Spouse's social security number			
Spouse standard deduction: <input type="checkbox"/> Someone can claim your spouse as a dependent <input type="checkbox"/> Spouse was born before January 2, 1954 <input type="checkbox"/> Spouse is blind <input type="checkbox"/> Spouse itemizes on a separate return or you were dual-status alien		<input checked="" type="checkbox"/> Full-year health care coverage or exempt (see inst.)			
Home address (number and street). If you have a P.O. box, see instructions. 512 S Spring Dr		Apt. no. Presidential Election Campaign (see inst.) <input type="checkbox"/> You <input type="checkbox"/> Spouse			
City, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule 6. Anytown WI 54444		If more than four dependents, see inst. and check here ▶			
Dependents (see instructions)					
(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) Check if qualifies for (see inst.):	
				Child tax credit	Credit for other dependents
Michael	Thompson	013-17-0001	Son	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Tyler	Thompson	013-27-0001	Son	<input checked="" type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
Sign Here Joint return? See instructions. Keep a copy for your records.				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. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.	
Your signature		Date	Your occupation Construction		If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
Spouse's signature. If a joint return, both must sign.		Date	Spouse's occupation		If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
Preparer's name		Preparer's signature		PTIN	Firm's EIN
Firm's name ▶		Firm's address ▶		Phone no.	Check if: <input type="checkbox"/> 3rd Party Designee <input type="checkbox"/> Self-employed

KIA For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Form **1040** (2018)

1040 Form, Page 2

Form 1040 (2018) <u>Jake D Thompson</u> <u>013-07-0001</u> Page 2	
1 Wages, salaries, tips, etc. Attach Form W-2	1 <u>0</u>
2a Tax-exempt interest <u>12</u>	2b Taxable interest <u>0</u>
3a Qualified dividends <u>0</u>	3b Ordinary dividends <u>0</u>
4a IRAs, pensions, and annuities <u>0</u>	4b Taxable amount <u>0</u>
5a Social security benefits	5b Taxable amount
6 Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22 <u>24,044</u>	6 <u>24,044</u>
7 Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6	7 <u>24,044</u>
8 Standard deduction or itemized deductions (from Schedule A)	8 <u>12,000</u>
9 Qualified business income deduction (see instructions)	9 <u>0</u>
10 Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0-	10 <u>12,044</u>
11 a Tax (see inst.) <u>1,253</u> (check if any from: 1 <input type="checkbox"/> Form(s) 9814 2 <input type="checkbox"/> Form 4972 3 <input type="checkbox"/>)	11 <u>1,253</u>
b Add any amount from Schedule 2 and check here <input type="checkbox"/>	
12 a Child tax credit/credit for other dependents <u>1,253</u> b Add any amount from Schedule 3 and check here <input type="checkbox"/>	12 <u>1,253</u>
13 Subtract line 12 from line 11. If zero or less, enter -0-	13 <u>0</u>
14 Other taxes. Attach Schedule 4	14 <u>0</u>
15 Total tax. Add lines 13 and 14	15 <u>0</u>
16 Federal income tax withheld from Forms W-2 and 1099	16 <u>0</u>
17 Refundable credits: a EIC (see inst.) <u>0</u> b Sch 8812 <u>NO</u> c Form 8863 <u>NO</u>	17 <u>0</u>
18 Add lines 16 and 17. These are your total payments	18 <u>0</u>
19 If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you overpaid	19 <u>0</u>
20a Amount of line 19 you want refunded to you. If Form 8888 is attached, check here <input type="checkbox"/>	20a <u>0</u>
b Routing number <u>XXXXXXXXXX</u> c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
d Account number <u>XXXXXXXXXXXXXXXXXXXX</u>	
21 Amount of line 19 you want applied to your 2019 estimated tax 21 <u>0</u>	
22 Amount you owe. Subtract line 18 from line 15. For details on how to pay, see instructions	22 <u>0</u>
23 Estimated tax penalty (see instructions) 23 <u>0</u>	

KIA Go to www.irs.gov/Form1040 for instructions and the latest information. Form **1040** (2018)

Schedule 1

SCHEDULE 1 (Form 1040) <small>Department of the Treasury Internal Revenue Service</small>		Additional Income and Adjustments to Income <small>► Attach to Form 1040. ► Go to www.irs.gov/Form1040 for instructions and the latest information.</small>		<small>OMB No. 1545-0074</small> 2018 <small>Attachment Sequence No. 01</small>
Name(s) shown on Form 1040			Your social security number	
Miriam Maisel			012-34-5678	
Additional Income	1-9b	Reserved	1-9b	
	10	Taxable refunds, credits, or offsets of state and local income taxes	10	0
	11	Alimony received	11	
	12	Business income or (loss). Attach Schedule C or C-EZ	12	7,093
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13	0
	14	Other gains or (losses). Attach Form 4797	14	
	15a	Reserved	15b	
	16a	Reserved	16b	
	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	
	18	Farm income or (loss). Attach Schedule F	18	0
	19	Unemployment compensation	19	
	20a	Reserved	20b	
21	Other income. List type and amount ► GAMBLING	21	1,200	
22	Combine the amounts in the far right column. If you don't have any adjustments to income, enter here and include on Form 1040, line 6. Otherwise, go to line 23	22	8,293	
Adjustments to Income	23	Educator expenses	23	0
	24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	24	0
	25	Health savings account deduction. Attach Form 8889	25	0
	26	Moving expenses for members of the Armed Forces. Attach Form 3903	26	0
	27	Deductible part of self-employment tax. Attach Schedule SE	27	501
	28	Self-employed SEP, SIMPLE, and qualified plans	28	0
	29	Self-employed health insurance deduction	29	
	30	Penalty on early withdrawal of savings	30	0
	31a	Alimony paid b Recipient's SSN ►	31a	
	32	IRA deduction	32	0
	33	Student loan interest deduction	33	
	34	Reserved	34	
	35	Reserved	35	
	36	Add lines 23 through 35	36	501

KIA For Paperwork Reduction Act Notice, see your tax return instructions. Schedule 1 (Form 1040) 2018

Schedule C-EZ

SCHEDULE C-EZ (Form 1040) Department of the Treasury Internal Revenue Service (96)	Net Profit From Business (Sole Proprietorship) ▶ Partnerships, joint ventures, etc., generally must file Form 1065. ▶ Attach to Form 1040, 1040NR, or 1041. ▶ See instructions on page 2.	OMB No. 1545-0074 <div style="font-size: 24pt; font-weight: bold;">2018</div> Attachment Sequence No. 09A
Name of proprietor Wanda B Psyched		Social security number (SSN) 010-06-0001

Part I General Information

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

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

And you:

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

A Principal business or profession, including product or service Child Care	B Enter business code (see page 2) <div style="border: 1px solid black; padding: 2px;">042986</div>
C Business name. If no separate business name, leave blank. Psych-A-Delic Daycare	D Enter your EIN (see page 2) <div style="border: 1px solid black; padding: 2px;"> </div>
E Business address (including suite or room no.). Address not required if same as on page 1 of your tax return. 1400 Pen Circle City, town or post office, state, and ZIP code Anytown WI 54444	
F Did you make any payments in 2018 that would require you to file Form(s) 1099? (see the instructions for Schedule C) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
G If "Yes," did you or will you file required Forms 1099? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

Part II Figure Your Net Profit

1 Gross receipts. Caution: If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see <i>Statutory employees</i> in the instructions for Schedule C, line 1, and check here <input type="checkbox"/>	1	6,978	00
2 Total expenses (see page 2). If more than \$5,000, you must use Schedule C	2	2,081	00
3 Net profit. Subtract line 2 from line 1. If less than zero, you must use Schedule C. Enter on both Schedule 1 (Form 1040), line 12, and Schedule SE, line 2, or on Form 1040NR, line 13, and Schedule SE, line 2 (see page 2). (Statutory employees do not report this amount on Schedule SE, line 2.) Estates and trusts, enter on Form 1041, line 3.	3	4,897	00

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) ▶ 04/05/2015		
5 Of the total number of miles you drove your vehicle during 2018, enter the number of miles you used your vehicle for:		
a Business 2,425	b Commuting (see page 2) 0	c Other 0
6 Was your vehicle available for personal use during off-duty hours? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
7 Do you (or your spouse) have another vehicle available for personal use? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
8a Do you have evidence to support your deduction? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
b If "Yes," is the evidence written? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		

For Paperwork Reduction Act Notice, see the separate Instructions for Schedule C (Form 1040). Cat. No. 14374D Schedule C-EZ (Form 1040) 2018

Schedule C

SCHEDULE C (Form 1040) <small>Department of the Treasury Internal Revenue Service (99)</small>		Profit or Loss From Business (Sole Proprietorship)		OMB No. 1545-0074 <div style="font-size: 24pt; font-weight: bold;">2018</div> Attachment Sequence No. 09
Name of proprietor Miriam Maisel		Social security number (SSN) 012-34-5678		
A Principal business or profession, including product or service (see instructions) Comedian		B Enter code from instructions 711510		
C Business name, if no separate business name, leave blank. Marvelous Mrs. Maisel		D Employer ID number (EIN) (see instr.)		
E Business address (including suite or room no.) 123 Joke St City, town or post office, state, and ZIP code Anytown WI 54444				
F Accounting method: (1) <input checked="" type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify)				
G Did you "materially participate" in the operation of this business during 2018? If "No," see instructions for limit on losses <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No				
H If you started or acquired this business during 2018, check here <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				
I Did you make any payments in 2018 that would require you to file Form(s) 1099? (see instructions) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				
J If "Yes," did you or will you file required Forms 1099? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				
Part I Income				
1 Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on form W-2 and the "Statutory employee" box on that form was checked. <input type="checkbox"/>		1 10,000		
2 Returns and allowances		2		
3 Subtract line 2 from line 1		3 10,000		
4 Cost of goods sold (from line 42)		4 0		
5 Gross profit. Subtract line 4 from line 3		5 10,000		
6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)		6		
7 Gross income. Add lines 5 and 6		7 10,000		
Part II Expenses. Enter expenses for business use of your home only on line 30.				
8 Advertising	8 500	18 Office expense (see instructions)	18	
9 Car and truck expenses (see instructions)	9 545	19 Pension and profit-sharing plans	19	
10 Commissions and fees	10	20 Rent or lease (see instructions):	20a 0	
11 Contract labor (see instructions)	11	a Vehicles, machinery, and equipment	20b	
12 Depletion	12	b Other business property	21	
13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13 0	21 Repairs and maintenance	21	
14 Employee benefit programs (other than on line 19)	14	22 Supplies (not included in Part III)	22	
15 Insurance (other than health)	15 900	23 Taxes and licenses	23	
16 Interest (see instructions):	16a	24 Travel and meals:	24a 0	
a Mortgage (paid to banks, etc.)	16b	a Travel	24b 300	
b Other	17	b Deductible meals (see instructions)	25	
17 Legal and professional services	17	26 Utilities	26	
28 Total expenses before expenses for business use of home. Add lines 8 through 27a		27a Other expenses (from line 48)	27a 1,800	
29 Tentative profit or (loss). Subtract line 28 from line 7		b Reserved for future use	27b	
30 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). Simplified method filers only: enter the total square footage of: (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30		28 4,045	28	
31 Net profit or (loss). Subtract line 30 from line 29.		29 5,955	29	
<ul style="list-style-type: none"> If a profit, enter on both Schedule 1 (Form 1040), line 12 (or Form 1040NR, line 13) and on Schedule SE, line 2. (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3. If a loss, you must go to line 32. 		30 0	30	
32 If you have a loss, check the box that describes your investment in this activity (see instructions).		31 5,955	31	
<ul style="list-style-type: none"> If you checked 32a, enter the loss on both Schedule 1 (Form 1040), line 12, (or Form 1040NR, line 13) and on Schedule SE, line 2. (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on Form 1041, line 3. If you checked 32b, you must attach Form 6198. Your loss may be limited. 		32a <input checked="" type="checkbox"/> All investment is at risk. 32b <input type="checkbox"/> Some investment is not at risk.		
KIA For Paperwork Reduction Act Notice, see the separate instructions.		Schedule C (Form 1040) 2018		

Schedule F

SCHEDULE F (Form 1040) <small>Department of the Treasury Internal Revenue Service (99)</small>		Profit or Loss From Farming ► Attach to Form 1040, Form 1040NR, Form 1041, or Form 1085. ► Go to www.irs.gov/ScheduleF for instructions and the latest information.		<small>OMB No. 1545-0074</small> <div style="font-size: 24pt; font-weight: bold;">2018</div> <small>Attachment Sequence No. 14</small>	
Name of proprietor Joe Farmer		Social security number (SSN) 001-07-0001			
A Principal crop or activity Dairy, Crops	B Enter code from Part IV <div style="border: 1px solid black; padding: 2px;">1 1 1 1 1</div>	C Accounting method: <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual	D Employer ID number (EIN), (see instr) <div style="border: 1px solid black; padding: 2px;">0 0 1 0 1 0 0 0 1</div>		
E Did you "materially participate" in the operation of this business during 2018? If "No," see instructions for limit on passive losses <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No F Did you make any payments in 2018 that would require you to file Form(s) 1099 (see instructions)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No G If "Yes," did you or will you file required Forms 1099? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No					
Part I Farm Income—Cash Method. Complete Parts I and II (Accrual method. Complete Parts II and III, and Part I, line 9.)					
1a Sales of livestock and other resale items (see instructions)		1a			
b Cost or other basis of livestock or other items reported on line 1a		1b			
c Subtract line 1b from line 1a		1c		0	
2 Sales of livestock, produce, grains, and other products you raised		2		104,781 00	
3a Cooperative distributions (Form(s) 1099-PATR)		3a		23 00	
4a Agricultural program payments (see instructions)		4a		648 00	
5a Commodity Credit Corporation (CCC) loans reported under election		5a			
b CCC loans forfeited		5b			
6 Crop insurance proceeds and federal crop disaster payments (see instructions)					
a Amount received in 2018		6a			
c If election to defer to 2019 is attached, check here <input type="checkbox"/> 6d Amount deferred from 2017		6d			
7 Custom hire (machine work) income		7			
8 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)		8		3,263 00	
9 Gross income. Add amounts in the right column (lines 1c, 2, 3b, 4b, 5a, 5c, 6b, 6d, 7, and 8). If you use the accrual method, enter the amount from Part III, line 50. See instructions		9		108,615 00	
Part II Farm Expenses—Cash and Accrual Method. Do not include personal or living expenses. See instructions.					
10 Car and truck expenses (see instructions). Also attach Form 4582		10		4,103 00	
11 Chemicals		11			
12 Conservation expenses (see instructions)		12			
13 Custom hire (machine work)		13			
14 Depreciation and section 179 expense (see instructions)		14		7,509 00	
15 Employee benefit programs other than on line 23		15			
16 Feed		16		20,200 00	
17 Fertilizers and lime		17		2,431 00	
18 Freight and trucking		18		900 00	
19 Gasoline, fuel, and oil		19		9,405 00	
20 Insurance (other than health)		20		1,887 00	
21 Interest (see instructions)					
a Mortgage (paid to banks, etc.)		21a		11,846 00	
b Other		21b			
22 Labor hired (less employment credits)		22			
23 Pension and profit-sharing plans		23			
24 Rent or lease (see instructions):					
a Vehicles, machinery, equipment		24a			
b Other (land, animals, etc.)		24b			
25 Repairs and maintenance		25		1,600 00	
26 Seeds and plants		26		10,305 0	
27 Storage and warehousing		27			
28 Supplies		28		9,372 00	
29 Taxes		29		697 00	
30 Utilities		30		5,425 00	
31 Veterinary, breeding, and medicine		31		3,057 00	
32 Other expenses (specify):					
a Advertising		32a		168 00	
b Professional fees		32b		606 00	
c		32c			
d		32d			
e		32e			
f		32f			
33 Total expenses. Add lines 10 through 32f. If line 32f is negative, see instructions		33		89,511 0	
34 Net farm profit or (loss). Subtract line 33 from line 9		34		19,104 00	
35 Reserved for future use. 36 Check the box that describes your investment in this activity and see instructions for where to report your loss. a <input type="checkbox"/> All investment is at risk. b <input type="checkbox"/> Some investment is not at risk.					

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11346H Schedule F (Form 1040) 2018

Form 4797

Form 4797	Sales of Business Property (Also Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F(b)(2)) ▶ Attach to your tax return. ▶ Go to www.irs.gov/Form4797 for instructions and the latest information.	OMB No. 1545-0184 <div style="font-size: 24pt; font-weight: bold;">2018</div> Attachment Sequence No. 27					
Department of the Treasury Internal Revenue Service							
Name(s) shown on return Joe Farmer		Identifying number 001-01-0001					
1 Enter the gross proceeds from sales or exchanges reported to you for 2018 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20. See instructions. 1							
Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft—Most Property Held More Than 1 Year (see instructions)							
2	(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
3	Gain, if any, from Form 4684, line 39						3
4	Section 1231 gain from installment sales from Form 6252, line 26 or 37						4
5	Section 1231 gain or (loss) from like-kind exchanges from Form 8824						5
6	Gain, if any, from line 32, from other than casualty or theft						6
7	Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows						7
Partnerships and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below. Individuals, partners, S corporation shareholders, and all others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you didn't have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.							
8	Nonrecaptured net section 1231 losses from prior years. See instructions						8
9	Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return. See instructions						9
Part II Ordinary Gains and Losses (see instructions)							
10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):							
Cattle	4/1/18	11/20/18	1,800.00	497.00	0	1,303.00	
11	Loss, if any, from line 7						11
12	Gain, if any, from line 7 or amount from line 8, if applicable						12
13	Gain, if any, from line 31						13
14	Net gain or (loss) from Form 4684, lines 31 and 38a						14
15	Ordinary gain from installment sales from Form 6252, line 25 or 36						15
16	Ordinary gain or (loss) from like-kind exchanges from Form 8824						16
17	Combine lines 10 through 16						17 1,303.00
18	For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below.						
a If the loss on line 11 includes a loss from Form 4684, line 35, column (b)(i), enter that part of the loss here. Enter the loss from income-producing property on Schedule A (Form 1040), line 16. (Do not include any loss on property used as an employee.) Identify as from "Form 4797, line 18a." See instructions.							18a
b Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Schedule 1 (Form 1040), line 14							18b

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 130861

Form **4797** (2018)

Schedule E

SCHEDULE E (Form 1040) <small>Department of the Treasury Internal Revenue Service (99)</small>		Supplemental Income and Loss (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.) ▶ Attach to Form 1040, 1040NR, or Form 1041. ▶ Go to www.irs.gov/ScheduleE for instructions and the latest information.		OMB No. 1545-0074 <div style="font-size: 2em; font-weight: bold;">2018</div> <small>Attachment Sequence No. 13</small>																			
Name(s) shown on return Drew Scott				Your social security number 001-06-0001																			
Part I Income or Loss From Rental Real Estate and Royalties <small>Note. If you are in the business of renting personal property, use Schedule C or C-EZ (see instructions). If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.</small>																							
A Did you make any payments in 2018 that would require you to file Form(s) 1099? (see instructions) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No																							
B If "Yes," did you or will you file all required Forms 1099? <input type="checkbox"/> Yes <input type="checkbox"/> No																							
1a Physical address of each property (street, city, state, ZIP code)																							
A																							
B 422 E main Anytown WI 54444																							
C 1701 Washington St Anytown WI 54444																							
1b Type of Property (from list below) <table style="width:100%; border-collapse: collapse;"> <tr><td style="width:50%;">A 6</td><td style="width:50%;"></td></tr> <tr><td>B 1</td><td></td></tr> <tr><td>C 1</td><td></td></tr> </table>		A 6		B 1		C 1		2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.		<table style="width:100%; border-collapse: collapse;"> <tr> <th style="width:33%;">Fair Rental Days</th> <th style="width:33%;">Personal Use Days</th> <th style="width:33%;">QJV</th> </tr> <tr><td>A 0</td><td>0</td><td></td></tr> <tr><td>B 344</td><td>0</td><td></td></tr> <tr><td>C 365</td><td>0</td><td></td></tr> </table>		Fair Rental Days	Personal Use Days	QJV	A 0	0		B 344	0		C 365	0	
A 6																							
B 1																							
C 1																							
Fair Rental Days	Personal Use Days	QJV																					
A 0	0																						
B 344	0																						
C 365	0																						
Type of Property: 1 Single Family Residence 3 Vacation/Short-Term Rental 5 Land 7 Self-Rental 2 Multi-Family Residence 4 Commercial 6 Royalties 8 Other (describe)																							
Income:		Properties:																					
3 Rents received		3	A	B	C																		
				16,500	16,800																		
4 Royalties received		4	12,000	0	0																		
Expenses:																							
5 Advertising	5	0	400	400																			
6 Auto and travel (see instructions)	6	0	0	0																			
7 Cleaning and maintenance	7	0	600	0																			
8 Commissions	8	0	0	0																			
9 Insurance	9	0	850	520																			
10 Legal and other professional fees	10	1,900	300	0																			
11 Management fees	11	0	0	0																			
12 Mortgage interest paid to banks, etc. (see instructions)	12	0	3,622	3,206																			
13 Other interest	13	0	0	0																			
14 Repairs	14	0	480	600																			
15 Supplies	15	0	0	0																			
16 Taxes	16	0	2,950	3,150																			
17 Utilities	17	0	280	0																			
18 Depreciation expense or depletion	18	0	6,029	7,636																			
19 Other (list) ▶ Legal Fees	19	2,300	0	0																			
20 Total expenses. Add lines 5 through 19	20	4,200	15,511	15,512																			
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198	21	7,800	989	1,288																			
22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	()	(0)	(0)																			
23a Total of all amounts reported on line 3 for all rental properties	23a	51,250																					
b Total of all amounts reported on line 4 for all royalty properties	23b	12,000																					
c Total of all amounts reported on line 12 for all properties	23c	13,322																					
d Total of all amounts reported on line 18 for all properties	23d	22,001																					
e Total of all amounts reported on line 20 for all properties	23e	61,452																					
24 Income. Add positive amounts shown on line 21. Do not include any losses	24	11,046																					
25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here.	25	(9,248)																					
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2	26	1,798																					
KIA For Paperwork Reduction Act Notice, see the separate instructions. Schedule E (Form 1040) 2018																							

Schedule E (Form 1040) 2018 Attachment Sequence No. **13** Page **2**
 Name(s) shown on return. Do not enter name and social security number if shown on page 1.
 Jake D Thompson Your social security number 013-07-0001

Caution. The IRS compares amounts reported on your tax return with amounts shown on Schedule(s) K-1.

Part II Income or Loss From Partnerships and S Corporations – Note: If you report a loss, receive a distribution, dispose of stock, or receive a loan repayment from an S corporation, you must check the box in column (e) on line 28 and attach the required basis computation. If you report a loss from an at-risk activity for which any amount is not at risk, you must check the box in column (f) on line 28 and attach Form 6198 (see instructions).

27 Are you reporting any loss not allowed in a prior year due to the at-risk, excess farm loss, or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or unreimbursed partnership expenses? If you answered "Yes," see instructions before completing this section Yes ☐ No ☒

28	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	(e) Check if basis computation is required	(f) Check if any amount is not at risk
A	T & J Construction	P		39-0123456		
B	Guaranteed Payments	P		39-0123456		
C						
D						

Passive Income and Loss		Nonpassive Income and Loss	
(g) Passive loss allowed (attach Form 8582 if required)	(h) Passive income from Schedule K-1	(i) Nonpassive loss from Schedule K-1	(j) Section 179 expense deduction from Form 4562
A			422
B			
C			
D			
29a Totals	0		422
b Totals	0	0	422

Passive Income and Loss		Nonpassive Income and Loss	
(g) Passive loss allowed (attach Form 8582 if required)	(h) Passive income from Schedule K-1	(i) Nonpassive loss from Schedule K-1	(k) Nonpassive income from Schedule K-1
A			13,466
B			8,000
C			
D			
29a Totals	0		21,466
b Totals	0	0	422

30 Add columns (h) and (k) of line 29a 30 21,466

31 Add columns (g), (i), and (j) of line 29b 31 (422)

32 Total partnership and S corporation income or (loss). Combine lines 30 and 31. 32 21,044

Part III Income or Loss From Estates and Trusts

33	(a) Name	(b) Employer identification number
A		
B		

Passive Income and Loss		Nonpassive Income and Loss	
(c) Passive deduction or loss allowed (attach Form 8582 if required)	(d) Passive income from Schedule K-1	(e) Deduction or loss from Schedule K-1	(f) Other income from Schedule K-1
A			
B			
34a Totals	0		0
b Totals	0	0	0

35 Add columns (d) and (f) of line 34a 35 0

36 Add columns (c) and (e) of line 34b 36 (0)

37 Total estate and trust income or (loss). Combine lines 35 and 36. 37 0

Part IV Income or Loss From Real Estate Mortgage Investment Conduits (REMICs)—Residual Holder

38	(a) Name	(b) Employer identification number	(c) Excess inclusion from Schedules Q, line 2c (see instructions)	(d) Taxable income (net loss) from Schedules Q, line 1b	(e) Income from Schedules Q, line 3b
38			0	0	0
39	Combine columns (d) and (e) only. Enter the result here and include in the total on line 41 below				39 0

Part V Summary

40	Net farm rental income or (loss) from Form 4835. Also, complete line 42 below	40	0
41	Total income or (loss). Combine lines 26, 32, 37, 39, and 40. Enter the result here and on Schedule 1 (Form 1040), line 17, or Form 1040NR, line 18	41	21,044
42	Reconciliation of farming and fishing income. Enter your gross farming and fishing income reported on Form 4835, line 7; Schedule K-1 (Form 1065), box 14, code B; Schedule K-1 (Form 1120S), box 17, code AC; and Schedule K-1 (Form 1041), box 14, code F (see instructions)	42	
43	Reconciliation for real estate professionals. If you were a real estate professional (see instructions), enter the net income or (loss) you reported anywhere on Form 1040 or Form 1040NR from all rental real estate activities in which you materially participated under the passive activity loss rules	43	0

KIA Schedule E (Form 1040) 2018

K-1 for Partnerships

Schedule K-1
(Form 1065)
Department of the Treasury
Internal Revenue Service

2018

For calendar year 2018, or tax year
beginning / / 2018 ending / /

Partner's Share of Income, Deductions, Credits, etc.
▶ See back of form and separate instructions.

651118
OMB No. 1545-0123

☐ Final K-1 ☐ Amended K-1

Part I Information About the Partnership

A Partnership's employer identification number
39-0123456

B Partnership's name, address, city, state, and ZIP code
T & J Construction
458 E Stud Pkwy
Anytown WI 54444

C IRS Center where partnership filed return

D ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
013-07-0001

F Partner's name, address, city, state, and ZIP code
Jake Thompson
512 S Spring Dr
Anytown WI 54807

G ☒ General partner or LLC member-manager ☐ Limited partner or other LLC member

H ☐ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? **Active Individual**

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

Beginning		Ending	
Profit	%		%
Loss	%		%
Capital	%		%

K Partner's share of liabilities:

Beginning		Ending	
Nonrecourse	\$		\$
Qualified nonrecourse financing	\$		\$
Recourse	\$		\$

L Partner's capital account analysis:

Beginning capital account \$

Capital contributed during the year . . . \$

Current year increase (decrease) . . . \$

Withdrawals & distributions \$()

Ending capital account \$

☐ Tax basis ☐ GAAP ☐ Section 704(b) book

☐ Other (explain)

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

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

1	Ordinary business income (loss)	15	Credits
	13,466.00		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
	8,000.00		
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends		
6c	Dividend equivalents		
7	Royalties		
8	Net short-term capital gain (loss)	17	Alternative minimum tax (AMT) items
9a	Net long-term capital gain (loss)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain	18	Tax-exempt income and nondeductible expenses
10	Net section 1231 gain (loss)		
11	Other income (loss)		
		19	Distributions
12	Section 179 deduction		
	422	20	Other information
13	Other deductions		
14	Self-employment earnings (loss)		

*See attached statement for additional information.

For IRS Use Only

For Paperwork Reduction Act Notice, see Instructions for Form 1065.

www.irs.gov/Form1065

Cat. No. 11394R

Schedule K-1 (Form 1065) 2018

K-1 for S-Corporations

671117

Schedule K-1
(Form 1120S)
Department of the Treasury
Internal Revenue Service

2018

For calendar year 2018, or tax year

beginning 01 / 01 / ending 12 / 31 / 2018

Shareholder's Share of Income, Deductions, Credits, etc. ▶ See back of form and separate instructions.

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0123

Part I Information About the Corporation		Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items	
<p>A Corporation's employer identification number 39-0000001</p> <p>B Corporation's name, address, city, state, and ZIP code Goldberg Productions 1980 48th St Anytown WI 54444</p> <p>C IRS Center where corporation filed return Cincinnati</p>	<p>1 Ordinary business income (loss) 9,200.00</p> <p>2 Net rental real estate income (loss)</p> <p>3 Other net rental income (loss)</p> <p>4 Interest income</p> <p>5a Ordinary dividends</p> <p>5b Qualified dividends</p> <p>6 Royalties 4,400.00</p> <p>7 Net short-term capital gain (loss)</p> <p>8a Net long-term capital gain (loss)</p> <p>8b Collectibles (28%) gain (loss)</p> <p>8c Unrecaptured section 1250 gain</p> <p>9 Net section 1231 gain (loss)</p> <p>10 Other income (loss)</p> <p>11 Section 179 deduction</p> <p>12 Other deductions</p>	<p>13 Credits</p> <p>14 Foreign transactions</p> <p>15 Alternative minimum tax (AMT) items</p> <p>16 Items affecting shareholder basis</p> <p>17 Other information</p>	<p>18 Shareholder's name, address, city, state, and ZIP code Adam F. Goldberg 10 Hewey Lewis Ln Anytown WI 53807</p> <p>19 Shareholder's percentage of stock ownership for tax year %</p>
<p>Part II Information About the Shareholder</p>		<p>* See attached statement for additional information.</p>	

For Paperwork Reduction Act Notice, see the Instructions for Form 1120S.

www.irs.gov/Form1120S

Cat. No. 11520D

Schedule K-1 (Form 1120S) 2018

Exercises

The following are several Tax exercises. All tax forms are fictional as well as all content included on the forms. Any similarity to a living person is purely coincidental.