



SCHOOL & STUDENT™  
SERVICES

# Tax Primer

for Parents Completing  
the Parents' Financial Statement

# Introduction

Use this primer to get an understanding of which tax forms will be most helpful to you as you complete your PFS.

This primer does not provide an overview of every possible tax form you might receive or need to file with IRS. Instead, it only focuses on the main forms families will need to have on hand to complete the PFS accurately and correctly.

The tax forms covered in this tax primer are:

- ▶ [Form W-2](#)
- ▶ [Form 1040](#)
- ▶ [Form 1040 Schedule 1](#)
- ▶ [Form 1040 Schedule 2](#)
- ▶ [Form 1040 Schedule A](#)
- ▶ [Schedule C](#)
- ▶ [Form 1099-MISC](#)

For each of these tax forms, the primer answers 3 questions:

1. What is the form used for?
2. What does the form look like?
3. Which lines on the form matter the most for completing the PFS?

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## – Important –

Be sure to send all your tax forms as required by each school you are applying to for financial aid. Do not limit what you submit to schools to the documents covered in this primer. If a school requires your tax forms and schedules, be sure to send or upload the full set of taxes that you submit to the IRS when filing your tax return.

Doing so ensures that you complete each school's document requirements correctly, avoiding possible delays in the process.

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# Form W-2

## What is Form W2 for?

The W-2 is an annual statement of your earnings for the calendar year, provided by your employer. It also displays how much was withheld from your pay for taxes, Social Security, and Medicare. This is where you can also see how much of your income was put into certain types of pre-tax retirement plans.

## What does Form W2 look like?

22222		a Employee's social security number		OMB No. 1545-0008	
b Employer identification number (EIN)			1 Wages, tips, other compensation PFS Line 7a or 7b		2 Federal income tax withheld
c Employer's name, address, and ZIP code			3 Social security wages		4 Social security tax withheld
			5 Medicare wages and tips		6 Medicare tax withheld
			7 Social security tips		8 Allocated tips
d Control number			9		10 Dependent care benefits PFS Line 8b
e Employee's first name and initial	Last name		Suff.	11 Nonqualified plans	12a PFS Line 8a
				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b Codes - D,E,F,G,H and S
				14 Other	12c PFS Line 8b -
					12d Codes - P,R,T,W
f Employee's address and ZIP code			15 State	Employer's state ID number	16 State wages, tips, etc.
					17 State income tax
					18 Local wages, tips, etc.
					19 Local income tax
					20 Locality name

Form **W-2** Wage and Tax Statement  
Copy 1—For State, City, or Local Tax Department

20XX

Department of the Treasury—Internal Revenue Service

## Which lines on Form W-2 matter most for completing the PFS?

Report the salary in Box 1 of your W-2 on line 7A of the PFS for the parent listed as “Parent A.” Use 7B for the parent listed as “Parent B.” Be sure to report the totals from all W-2s if either parent has more than one for the year.

Look at Box 12. If any amounts appear in this section with a code D-H, be sure to report that amount as “Payments to tax-deferred retirement plans” in PFS line 8a of the Nontaxable Income Worksheet. If you have multiple W2s, be sure to report the total amount.

You do not have to report any other information from the W2 on the PFS. It is possible that one or more schools you are applying to might ask you to supply other information from the W2. You will most likely be required to submit or upload a copy of each W2 you receive as part of your financial aid application.

# Form 1040

## What is Form 1040 for?

The 1040 is used to report your sources of income, as well as any adjustments, deductions, and credits against your income that will determine how much and what types of federal taxes you should have paid for the tax year. If you have paid too much in taxes, it will show how much of a refund from the federal government you are entitled to receive. If you have paid too little in taxes, it will show how much more you need to pay.

## What does Form 1040 look like?

The 1040 is the base form and may include additional schedules based on your income. Let us look at the 1040 base form:

### ← 1040 Page 1

The image shows a portion of Form 1040, Page 1, with several sections highlighted in yellow. The sections include:

- Filing Status:** Options for Single, Married filing jointly, Married filing separately (MFS), Head of household (HOH), and Qualifying surviving spouse (QSS). A note indicates that checking a box below will not change your tax or refund.
- Digital Assets:** A question about receiving or disposing of a digital asset during 2023.
- Standard Deduction:** Options for claiming as a dependent, spouse, or dual-status alien.
- Age/Blindness:** Checkboxes for being born before January 2, 1959, or being blind.
- Dependents:** A table with columns for (1) First name, Last name, (2) Social security number, (3) Relationship to you, (4) Child tax credit, and Credit for other dependents. A note says "Report this on PFS sections 2 and 3".
- Income:** A list of income sources from lines 1a to 1z, including wages, interest, dividends, and capital gains. Lines 1a, 1b, 1c, 1d, 1e, 1f, 1g, 1h, 1i, 1j, 1k, 1l, 1m, 1n, 1o, 1p, 1q, 1r, 1s, 1t, 1u, 1v, 1w, 1x, 1y, and 1z are listed.
- Standard Deduction for:** A list of deduction options for different filing statuses, including Single or Married filing separately (\$13,850), Married filing jointly or Qualifying surviving spouse (\$27,700), and Head of household.
- Other sections:** 2a Tax-exempt interest, 3a Qualified dividends, 4a IRA distributions, 5a Pensions and annuities, 6a Social security benefits, 7 Capital gain or (loss), 8 Additional income from Schedule 1, line 10, 9 Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income, 10 Adjustments to income from Schedule 1, line 28, and 11 Subtract line 10 from line 9. This is your adjusted gross income.

## 1040 Page 2

Form 1040 (2023)		Page <b>2</b>	
<b>Tax and Credits</b>	<b>16</b> Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/> . . . . .	<b>16</b>	
	<b>17</b> Amount from Schedule 2, line 3 . . . . .	<b>17</b>	
	<b>18</b> Add lines 16 and 17 . . . . .	<b>18</b>	
	<b>19</b> Child tax credit or credit for other dependents from Schedule 8812 . . . . .	<b>19</b>	
	<b>20</b> Amount from Schedule 3, line 8 . . . . .	<b>20</b>	
	<b>21</b> Add lines 19 and 20 . . . . .	<b>21</b>	
	<b>22</b> Subtract line 21 from line 18. If zero or less, enter -0- . . . . .	<b>22</b>	
	<b>23</b> Other taxes, including self-employment tax, from Schedule 2, line 21 . . . . .	<b>23</b>	
	<b>24</b> Add lines 22 and 23. This is your <b>total tax</b> . . . . .	<b>24</b>	PFS Line 6h
	<b>Payments</b>	<b>25</b> Federal income tax withheld from:	
<b>a</b> Form(s) W-2 . . . . .		<b>25a</b>	
<b>b</b> Form(s) 1099 . . . . .		<b>25b</b>	
<b>c</b> Other forms (see instructions) . . . . .		<b>25c</b>	
<b>d</b> Add lines 25a through 25c . . . . .		<b>25d</b>	
<b>26</b> 2023 estimated tax payments and amount applied from 2022 return . . . . .		<b>26</b>	
<b>27</b> Earned income credit (EIC) . . . . .		<b>27</b>	
<b>28</b> Additional child tax credit from Schedule 8812 . . . . .		<b>28</b>	

If you have a qualifying child, attach Sch. EIC.

### Which lines on Form 1040 matter most for completing the PFS?

Nearly every line of the 1040's Income section has a corresponding line on the PFS where the income information should be reported. Most are straightforward one-to-one matches. However, a few lines warrant a little more guidance:

#### ▶ 1040 Page 1: Household Information

Be sure your tax filing status on PFS Line 6B matches what is checked off at the top of your 1040 form. An incorrect choice on the PFS can cause a miscalculation of the credit you receive for federal income taxes paid.

When listing your applicants and dependents on the PFS, make sure it is consistent with the dependents listed on your 1040 dependents section. If you support children or others in your household that you cannot claim as a dependent, be sure to list them and explain their relationship to you in the PFS "Other Considerations" section.

#### ▶ 1040 Line 1: Salary/Wages

Salary and wages reported here are the total of salaries earned by the parents in the household. The PFS asks you to report each parent's salary separately, so you will not see a single line item on the PFS for the total salaries. Be sure, though, that the total of the salaries you enter in line 7A and 7B for each parent is the same as the total shown on Line 1 of your 1040. Business owners must be careful not to report profit taken from the business as salary or wages. If you own a business and pay yourself or your spouse a salary from the business, and reported it with a W-2, only enter the amount of salary from the W-2 in Lines 7A or 7B.

- 1040 Lines 4a and 5a: Distributions from IRA, Pensions, and Social Security

1040 Lines 4a, 5a and 6a each show the total income you received from IRA, Pensions, and Social Security. Lines 4b, 5b and 6b show the portion of those totals that were taxable. If you have values on lines 4b, 5b and 6b be sure to select those options under Other taxable income so you can report taxable

amount of IRA on PFS line 7e, and pensions on line 7K. Report Line 6b taxable amount of Social Security on PFS Line 7g.

To report the nontaxable portion correctly, take the difference and report it in the appropriate PFS line item in the Nontaxable Income section (PFS Section 8).

- Report your nontaxable IRA and Pension income in PFS Line 8f.
- Report your nontaxable Social Security benefits in PFS Line 8e.

▶ **1040 Tax Schedule 2, Page 2 Line 24**

This shows what you owe for the different types of federal taxes on your income. PFS Line 6h asks you to report your federal taxes paid. Be sure to report the amount shown on 1040 Line 24. If you also have Self-Employment taxes reported on 1040 Schedule 2 Line 4, do not include those in PFS Line 6h, since you will report those separately for each business. If you paid self-employment taxes, for PFS Line 6h, report the total tax on Line 24 of Page 2 minus any Schedule 2 Line 4 Self-Employment tax.

- **1040 Page 2 Line 27**

Earned income credits shown here are considered non-taxable income and should be selected – 1040 – Earned Income Credits (EICs) so number 8c populates to enter line 27 can be entered.

# Form 1040 Schedule 1

## What is it for?

Schedule 1 is used to report additional income received such as unemployment compensation, proprietorship business, corporation/partnerships, and rental income.

## What does Schedule 1 look like?

<b>SCHEDULE 1</b> <b>(Form 1040)</b> <small>Department of the Treasury Internal Revenue Service</small>		<b>Additional Income and Adjustments to Income</b> <small>Attach to Form 1040, 1040-SR, or 1040-NR. Go to <a href="http://www.irs.gov/Form1040">www.irs.gov/Form1040</a> for instructions and the latest information.</small>		<small>OMB No. 1545-0074</small> <span style="font-size: 2em; font-weight: bold;">20</span> <small>Attachment Sequence No. 01</small>
Name(s) shown on Form 1040, 1040-SR, or 1040-NR			Your social security number	
<b>Part I Additional Income</b>				
<b>1</b>	Taxable refunds, credits, or offsets of state and local income taxes		<b>1</b>	PFS Line 7i
<b>2a</b>	Alimony received		<b>2a</b>	PFS Line 7j
<b>b</b>	Date of original divorce or separation agreement (see instructions):			
<b>3</b>	Business income or (loss). Attach Schedule C		<b>3</b>	
<b>4</b>	Other gains or (losses). Attach Form 4797		<b>4</b>	PFS Line 7k
<b>5</b>	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		<b>5</b>	PFS Line 7l
<b>6</b>	Farm income or (loss). Attach Schedule F		<b>6</b>	
<b>7</b>	Unemployment compensation		<b>7</b>	PFS Line 7m
<b>8</b>	Other income:			
<b>a</b>	Net operating loss	<b>8a</b> ( )		
<b>b</b>	Gambling	<b>8b</b>		
<b>c</b>	Cancellation of debt	<b>8c</b>		
<b>d</b>	Foreign earned income exclusion from Form 2555	<b>8d</b> ( )		
<b>e</b>	Income from Form 8853	<b>8e</b>		
<b>f</b>	Income from Form 8889	<b>8f</b>		
<b>g</b>	Alaska Permanent Fund dividends	<b>8g</b>		
<b>h</b>	Jury duty pay	<b>8h</b>		
<b>i</b>	Prizes and awards	<b>8i</b>		
<b>j</b>	Activity not engaged in for profit income	<b>8j</b>		
<b>k</b>	Stock options	<b>8k</b>		
<b>l</b>	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	<b>8l</b>		
<b>m</b>	Olympic and Paralympic medals and USOC prize money (see instructions)	<b>8m</b>		
<b>n</b>	Section 951(a) inclusion (see instructions)	<b>8n</b>		
<b>o</b>	Section 951A(a) inclusion (see instructions)	<b>8o</b>		
<b>p</b>	Section 461(l) excess business loss adjustment	<b>8p</b>		
<b>q</b>	Taxable distributions from an ABLE account (see instructions)	<b>8q</b>		
<b>r</b>	Scholarship and fellowship grants not reported on Form W-2	<b>8r</b>		
<b>s</b>	Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d	<b>8s</b> ( )		
<b>t</b>	Pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan	<b>8t</b>		
<b>u</b>	Wages earned while incarcerated	<b>8u</b>		
<b>z</b>	Other income. List type and amount:	<b>8z</b>		
<b>9</b>	Total other income. Add lines 8a through 8z		<b>9</b>	PFS Line 7n
<b>10</b>	Combine lines 1 through 7 and 9. This is your <b>additional income</b> . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8		<b>10</b>	

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71479F Schedule 1 (Form 1040)

<b>Part II Adjustments to Income</b>			
11	Educator expenses . . . . .		11
12	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 . . . . .		12
13	Health savings account deduction. Attach Form 8889 . . . . .		13
14	Moving expenses for members of the Armed Forces. Attach Form 3903 . . . . .		14
15	Deductible part of self-employment tax. Attach Schedule SE . . . . .		15 PFS Line 7p
16	Self-employed SEP, SIMPLE, and qualified plans . . . . .		16 PFS Line 7q
17	Self-employed health insurance deduction . . . . .		17
18	Penalty on early withdrawal of savings . . . . .		18
19a	Alimony paid . . . . .		19a
b	Recipient's SSN . . . . .		
c	Date of original divorce or separation agreement (see instructions): . . . . .		
20	IRA deduction . . . . .		20 PFS Line 7r
21	Student loan interest deduction . . . . .		21
22	Reserved for future use . . . . .		22
23	Archer MSA deduction . . . . .		23
24	Other adjustments:		
a	Jury duty pay (see instructions) . . . . .	24a	
b	Deductible expenses related to income reported on line 8l from the rental of personal property engaged in for profit . . . . .	24b	
c	Nontaxable amount of the value of Olympic and Paralympic medals and USOC prize money reported on line 8m . . . . .	24c	
d	Reforestation amortization and expenses . . . . .	24d	
e	Repayment of supplemental unemployment benefits under the Trade Act of 1974 . . . . .	24e	
f	Contributions to section 501(c)(18)(D) pension plans . . . . .	24f	
g	Contributions by certain chaplains to section 403(b) plans . . . . .	24g	
h	Attorney fees and court costs for actions involving certain unlawful discrimination claims (see instructions) . . . . .	24h	
i	Attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations . . . . .	24i	
j	Housing deduction from Form 2555 . . . . .	24j	
k	Excess deductions of section 67(e) expenses from Schedule K-1 (Form 1041) . . . . .	24k	
z	Other adjustments. List type and amount: . . . . .	24z	
25	Total other adjustments. Add lines 24a through 24z . . . . .		25
26	Add lines 11 through 23 and 25. These are your <b>adjustments to income</b> . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10 . . . . .		26 PFS Line 7o

Schedule 1 (Form 1040)

**Which lines on Form 1040 Schedule 1 matter most for completing the PFS?**

▶ **1040 Tax Schedule 1, Line 3: Business income or (loss)**

This refers specifically to income or loss you had from a Sole Proprietorship, for which you also completed a Schedule C. On Line 15-18 of the PFS, the total of the net profit or loss from each Schedule C business you own should equal the amount shown on your 1040 Tax Schedule 1, Line 3. Be sure to upload each Schedule C you file, if you have income or a loss listed on your 1040 Tax Schedule 1, Line 3.

▶ **1040 Tax Schedule 1, Line 5: Rental Real Estate, royalties, partnerships, S corporations, trusts, etc.**

This line can be complicated, depending on what type of income is included here, since many different types of income can be reported on your 1040 Tax Schedule 1, Line 5. If any income reported on Line 5 is from rental property, trusts, or royalties, report it on Line 7l of your PFS.

If any income reported on Line 5 is from S corporations or Partnerships that you share ownership in, report it on Line 15-18 of your PFS, in the section that asks you to detail the income and expenses of the business.

Be sure to send or upload each Schedule E you file, if you have income or loss listed on your 1040 Tax Schedule 1, Line 5.

► **1040 Tax Schedule 1 Adjustments to Income**

Be sure to report the total shown on 1040 Tax Schedule 1, page 2, line 26 on PFS line 7o. Be sure to itemize a note on the line “Detail your other adjustments to 20xx revenue.”

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– Important –

If you filed a 1040 Schedule 1 and have reported income from rental real estate, partnerships, S-corporations-Line 5 or Farm Income-Line 6. Please use our Tax Primer for Self Employed Parents for further instructions on how to complete sections 15-19 of the PFS.

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# Form 1040 Schedule A

<b>SCHEDULE A</b> <b>(Form 1040)</b> <small>Department of the Treasury Internal Revenue Service</small>		<b>Itemized Deductions</b> Attach to Form 1040 or 1040-SR. Go to <a href="http://www.irs.gov/ScheduleA">www.irs.gov/ScheduleA</a> for instructions and the latest information.		OMB No. 1545-0074 <span style="font-size: 2em; font-weight: bold;">20</span> Attachment Sequence No. <b>07</b>	
Name(s) shown on Form 1040 or 1040-SR				Your social security number	
<b>Caution:</b> If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 16.					
<b>Medical and Dental Expenses</b>	<b>Caution:</b> Do not include expenses reimbursed or paid by others.				
	1	Medical and dental expenses (see instructions)	1	PFS Line 14b	
	2	Enter amount from Form 1040 or 1040-SR, line 11	2		
	3	Multiply line 2 by 7.5% (0.075)	3		
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-			4
<b>Taxes You Paid</b>	5	State and local taxes.			
		a State and local income taxes or general sales taxes. You may include			
	e	Add lines 8a through 8c	8e		
	9	Investment interest. Attach Form 4952 if required. See instructions	9		
	10	Add lines 8e and 9			10
<b>Gifts to Charity</b> <small>Caution: If you made a gift and got a benefit for it, see instructions.</small>	11	Gifts by cash or check. If you made any gift of \$250 or more, see instructions	11		
	12	Other than by cash or check. If you made any gift of \$250 or more, see instructions. You <b>must</b> attach Form 8283 if over \$500	12		
	13	Carryover from prior year	13		
	14	Add lines 11 through 13			14
<b>Casualty and Theft Losses</b>	15	Casualty and theft loss(es) from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions			15
<b>Other Itemized Deductions</b>	16	Other—from list in instructions. List type and amount: _____			16
<b>Total Itemized Deductions</b>	17	Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040 or 1040-SR, line 12	17	PFS Line 6g	
<b>Deductions</b>	18	If you elect to itemize deductions even though they are less than your standard deduction, check this box <input type="checkbox"/>			

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

Cat. No. 17145C

Schedule A (Form 1040)

**Additional Taxes**

▶ Attach to Form 1040, 1040-SR, or 1040-NR.  
▶ Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.

Name(s) shown on Form 1040, 1040-SR, or 1040-NR	Your social security number
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**Part I Tax**

1 Alternative minimum tax. Attach Form 6251 . . . . .	<b>1</b>	
2 Excess advance premium tax credit repayment. Attach Form 8962 . . . . .	<b>2</b>	
3 Add lines 1 and 2. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 17 . . .	<b>3</b>	

**Part II Other Taxes**

4 Self-employment tax. Attach Schedule SE . . . . .	<b>4</b>	PFS Line 17J
5 Social security and Medicare tax on unreported tip income. Attach Form 4137 . . . . .	<b>5</b>	
6 Uncollected social security and Medicare tax on wages. Attach Form 8919 . . . . .	<b>6</b>	
7 Total additional social security and Medicare tax. Add lines 5 and 6 . . . . .	<b>7</b>	

**Which Lines Matter for the PFS?**

▶ **Schedule A**

If you filed a Schedule A, you itemized deductions and should say “Yes” to PFS Line 6F and report the amount on PFS Line 6G. If you did not itemize your deductions, say “No” to PFS 6F. No other questions on the PFS ask about any amounts in this section of the 1040.

If your itemized deductions include medical and/or dental expenses, look at your Schedule A, Line 1. You can report the total medical and dental expenses shown there on PFS Line 14b. Do not itemize? You can still report your medical and dental expenses on PFS Line 14b , even if you did not itemize them on Schedule A.

▶ **1040, Tax Schedule 2, Line 4**

Report the total amount of self-employment taxes you paid for your business(es). These should also be reported on Line 17J on the PFS. Note that the PFS will ask you how much self-employment tax you paid for each business separately. The total of all those self-employment tax amounts should be equal to what is reported here on the Schedule 2 Line 4.



## Which lines on Schedule C matter most for completing the PFS?

If you have a Schedule C, you have a Sole Proprietorship. On PFS Line 6i, answer “Yes.” You will be required to complete Section 15 for Business/Farm information.

On PFS Line 15C, select “Sole Proprietorship” and complete the questions about each business based on the income and expense information provided on Schedule C. See below for guidance:

### ← Schedule C: Business Information and Income

<b>SCHEDULE C</b> <b>(Form 1040)</b>		<b>Profit or Loss From Business</b> (Sole Proprietorship)		OMB No. 1545-0074 <b>20XX</b> Attachment Sequence No. <b>09</b>
Department of the Treasury Internal Revenue Service		<b>Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.</b> Go to <a href="http://www.irs.gov/ScheduleC">www.irs.gov/ScheduleC</a> for instructions and the latest information.		
Name of proprietor			Social security number (SSN)	
<b>A</b>	Principal business or profession, including product or service (see instructions)		<b>B</b> Enter code from instructions	
	PFS Line 15i			
<b>C</b>	Business name. If no separate business name, leave blank.		<b>D</b> Employer ID number (EIN) (see instr.)	
	PFS Line 15a			
<b>E</b>	Business address (including suite or room no.)		PFS Line 15k	
	City, town or post office, state, and ZIP code			
<b>F</b>	Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) _____			
<b>G</b>	Did you “materially participate” in the operation of this business during 20xx? If “No,” see instructions for limit on losses			<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>H</b>	If you started or acquired this business during 20xx, check here			<input type="checkbox"/>
<b>I</b>	Did you make any payments in 20xx that would require you to file Form(s) 1099? See instructions			<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>J</b>	If “Yes,” did you or will you file required Form(s) 1099?			<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>Part I Income</b>				
<b>1</b>	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"/>		<b>1</b>	PFS Line 16a
<b>2</b>	Returns and allowances		<b>2</b>	
<b>3</b>	Subtract line 2 from line 1		<b>3</b>	
<b>4</b>	Cost of goods sold (from line 42)		<b>4</b>	PFS Line 16b
<b>5</b>	<b>Gross profit.</b> Subtract line 4 from line 3		<b>5</b>	Should match PFS Line 16c
<b>6</b>	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)		<b>6</b>	PFS Line 16d
<b>7</b>	<b>Gross income.</b> Add lines 5 and 6		<b>7</b>	
<b>Part II Expenses.</b> Enter expenses for business use of your home only on line 30				

Complete a separate PFS section on income for every sole proprietorship you own.

7		Gross income. Add lines 5 and 6		7			
<b>Part II Expenses.</b> Enter expenses for business use of your home <b>only</b> on line 30.							
8	Advertising . . . . .	8		18	Office expense (see instructions) . . . . .	18	
9	Car and truck expenses (see instructions) . . . . .	9		19	Pension and profit-sharing plans . . . . .	19	
10	Commissions and fees . . . . .	10		20	Rent or lease (see instructions):		
11	Contract labor (see instructions)	11		a	Vehicles, machinery, and equipment	20a	PFS Line 17d
12	Depletion . . . . .	12		b	Other business property . . . . .	20b	PFS Line 17d
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions) . . . . .	13	PFS Line 17f	21	Repairs and maintenance . . . . .	21	
14	Employee benefit programs (other than on line 19) . . . . .	14	PFS Line 17c	22	Supplies (not included in Part III) . . . . .	22	
15	Insurance (other than health)	15		23	Taxes and licenses . . . . .	23	
16	Interest (see instructions):			24	Travel and meals:		
a	Mortgage (paid to banks, etc.)	16a	PFS Line 17e	a	Travel . . . . .	24a	
b	Other . . . . .	16b		b	Deductible meals (see instructions)	24b	
17	Legal and professional services	17		25	Utilities . . . . .	25	
26	<b>Total expenses</b> before expenses for business use of home. Add lines 8 through 27b . . . . .	26		26	Wages (less employment credits)	26	PFS Line 17a & 17b
29	Tentative profit or (loss). Subtract line 28 from line 7 . . . . .	29		27a	Other expenses (from line 48) . . . . .	27a	
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. <b>Simplified method filers only:</b> 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		b	Energy efficient commercial bldgs deduction (attach Form 7205) . . . . .	27b	
31	<b>Net profit or (loss).</b> Subtract line 30 from line 29. • If a profit, enter on both <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see instructions.) Estates and trusts, enter on <b>Form 1041, line 3</b> .	31					Should match PFS line 17I



### Schedule C: Business Expenses and Net Profit/Loss

– **Look at Line 13**

If you are writing off any depreciation or “section 179 expense,” you will see an entry here. PFS Line 17F asks you to report this amount. If you claim depreciation, you will likely also file a Form 4562. If you have a 4562, be sure to send or upload that with your tax forms. Doing so allows the school to clarify how much of the amount on Line 13 is actual depreciation and not “section 179 expense.” This is to your advantage, typically.

– **Look at Line 26**

If you paid wages to employees for your business (as reported on W2’s that you filed for them), the PFS will ask you to separate out any wages you paid for yourself or your spouse from wages you paid to others. If Schedule C Line 26 includes wages for yourself and/or your spouse, report the amount you paid to yourself and/or your spouse on PFS Line 17A. Only report this amount if you provide a W2 as documentation of those earnings. Do NOT report your net profit as your salary.

If Schedule C Line 26 includes wages paid for anyone other than yourself or your spouse, report the amount that went to other employees on PFS Line 17B.

By definition, a sole proprietorship does not share the profit or loss of the business with any other person or entity. Report the amount on Schedule C Line 31 on PFS Line 17L to reflect your share of the total business profit or loss (in other words, the amount that belongs to you).

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Complete a separate PFS section on expenses and net profit for every sole proprietorship you own.

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## Form 1099-MISC

### What is Form 1099-MISC for?

Form 1099-MISC is provided to you by a person or firm for whom you performed work or service by hiring yourself out as a freelancer, contractor, or the like. 1099s can also show other types of income such as royalties, commissions or rents. Basically, it shows income you earned that was not provided to you as someone else's employee or from your investments.

Other types of 1099s you might receive:

- 1099-DIV (which reports income from dividends, distributions, and capital gains from investments accounts such as stocks, bonds, and mutual funds)
- 1099-INT (which tracks interest income you earned from investments such as savings accounts).

# What does Form 1099-MISC look like?

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents \$ _____	OMB No. 1545-0115  20  Form 1099-MISC	<b>Miscellaneous Information</b>
PAYER'S TIN		2 Royalties \$ _____	3 Other income <input type="checkbox"/> \$ _____	
RECIPIENT'S TIN		4 Federal income tax withheld \$ _____	5 Fishing boat proceeds \$ _____	
RECIPIENT'S name		6 Medical and health care payments \$ _____	7 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/> \$ _____	
Street address (including apt. no.)		8 Substitute payments in lieu of dividends or interest \$ _____	9 Crop insurance proceeds \$ _____	<b>Copy 1 For State Tax Department</b>
City or town, state or province, country, and ZIP or foreign postal code		10 Gross proceeds paid to an attorney \$ _____	11 Fish purchased for resale \$ _____	
Account number (see instructions)	FATCA filing requirement <input type="checkbox"/>	12 Section 409A deferrals \$ _____	13 Excess golden parachute payments \$ _____	
14 Nonqualified deferred compensation \$ _____		15 State tax withheld \$ _____	16 State/Payer's state no. \$ _____	
		17 State income \$ _____		

Form 1099-MISC

[www.irs.gov/Form1099MISC](http://www.irs.gov/Form1099MISC)

Department of the Treasury - Internal Revenue Service

## Which lines on Form 1099-MISC matter most for completing the PFS?

Income reported on your 1099s should already be included in certain lines of your 1040. On the PFS, any income reported on a 1099-MISC (other than rents and royalties) should be reported on PFS Line 7S.

If you and/or your spouse received multiple 1099s, be sure to add the amounts and report the total income on PFS line 7S.

### Important Notes

- ▶ Do not report any amounts reported on a 1099-MISC as salary or wages, even if you earned it by working for someone as a contractor, freelancer, etc. When reporting your salary or wages on the PFS, **ONLY** include income for which you received a W-2.
- Many schools will require you to submit a W2 as part of your financial aid application. If you did not receive a W-2 (meaning you did not earn a salary as someone else's employee), but you did receive a 1099-MISC as a contractor or freelancer, submit your 1099-MISC in place of the W-2 the school requires under additional documents.