



Tax Primer

for Self-Employed Parents Completing the Parents' Financial Statement

Introduction

Use this primer to get an understanding of which few tax forms are most helpful to business or farm owners as you complete your Parents' Financial Statement (PFS).

This primer doesn't provide an overview of every possible tax form you might receive or need to file with IRS. Instead, it focuses on the forms that self-employed families may 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
- Schedule C
- Schedule E
- Schedule F

- ► Schedule K-1
- ► Form 1099-MISC
- ► Form 1065
- ► Form 1120S

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

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

– 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 tax that you submit to the IRS when filing your tax return.

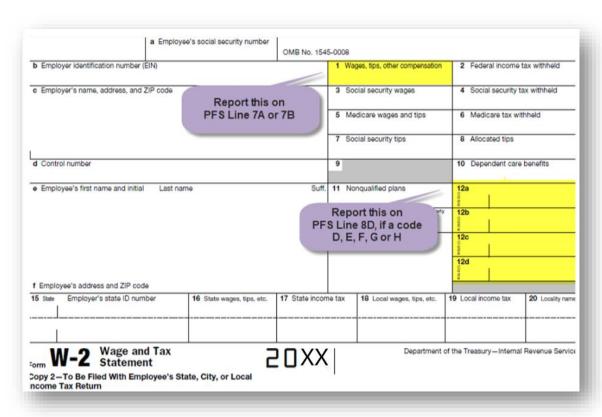
Doing so ensures that you complete each school's document requirements correctly, avoiding possible delays in the process.

Form W-2

What is the 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 the Form W2 look like?



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

If you pay yourself a salary from your business, that salary will appear in Box 1. 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 8D 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're applying to might ask you to supply other information from the W2. You'll 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've paid too much in taxes, it will show how much of a refund from the federal government you are entitled to receive. If you've paid too little in taxes, it will show how much more you need to pay.

What does the Form 1040 look like?

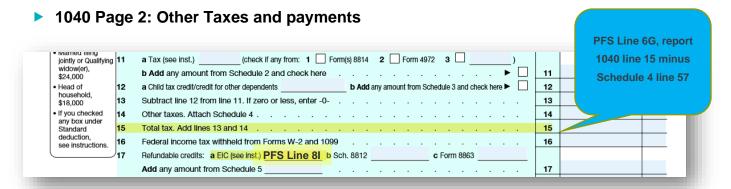
The 1040 is a two-page document and additional schedules depending on income source.

▶ 1040 Page 1

1040 Department of the Treasury—Internation U.S. Individual Inc				1545-0074 FIS Use 0	_	me or stapte in this space.				
	jointly Married filing		Head of household	Qualifying widow	-					
Your first name and initial	Last nam	ne .			Your soc	cial security number				
Your standard deduction: Someone can	daim you as a dependent	You were	born before January	2, 1954 You	are blind					
If joint return, spouse's first name and initial	Last nam	ie			Spouse's	social security number				
	im your spouse as a dep		pouse was born befo alien	re January 2, 1954		ear health care coverage empt (see inst.)				
Home address (number and street). If you have a	P.O. box, see instruction	ns.		Apt. no.	President (see inst.)	tial Election Campaign				
City, town or post office, state, and ZIP code. If	you have a foreign addres	ss, attach Schedu	de 6.	Ò		han four dependents, and ✓ here ►				
Dependents (see instructions): (1) First name Las	(2) So	ocial security number	(3) Relationship	to you (Child ta	4) ✓ il qualifies	for (see inst.): Credit for other dependents				
(1)										
Gign Under penalties of perjury, I declare to correct, and complete. Declaration of Your signature of instructions.						nt you an Identity Protection				
eep a copy for Spouse's signature. If a join our records.	t return, both must sign.	Date	Spouse's occupation	on	If the IRS ser PIN, enter it here (see inst.	nt you an Identity Protection				
Preparer's name	Proparor's signa	iture		PTIN	Firm's EIN	Check if: srd Party Designee				
Preparer Use Only Firm's name ▶				Phone no.		Self-employed				
Comb mathemat	m's address ►									

▶ 1040 Page 2

Form 1040 (2018)									F	Page 2
	1	Wages, salaries, tips, etc. Attach F	orm(s)	W-2	٠,			1	PFS Line 7A. 7B	
AH(-)	2a	Tax-exempt interest	2a			b Taxable in	nterest	2b		
Attach Form(s) W-2. Also attach	3a	Qualified dividends	3a			b Ordinary	dividends	3b		
Form(s) W-2G and 1099-R if tax was	4a	IRAs, pensions, and annuities .	4a			b Taxable a	amount	4b		
withheld.	5a	Social security benefits	5a			b Taxable a	amount	5b		
	6	Total income. Add lines 1 through 5. Ad	d any a	mount from Schedule 1, line 22				6	Schedule 1	
Standard	7	Adjusted gross income. If you ha subtract Schedule 1, line 36, from						7		
Deduction for—	8	Standard deduction or itemized de	ductio	ns (from Schedule A)				8		
 Single or married filing separately, 	9	Qualified business income deducti	on (se	e instructions)				9		
\$12,000 • Marriad filing	10	Taxable income. Subtract lines 8 a	nd 9 fr	om line 7. If zero or less, er	nter -()	<u>.</u>	10		



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 are worth pointing out as relevant for business owners:

▶ 1040 Page 2 Line 1: Salary/Wages

Salary and wages reported here are a total of salaries earned by the parents in the household. The PFS asks you to report each parent's salary separately, so you won't 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 Page 2. Business owners must be careful not to report profit taken from the business as salary or wages. If you own a business and paid 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 Page 2 Line 15

This shows what you owe for the different types of federal taxes on your income. PFS Line 6G asks you to report your federal taxes paid. Be sure to report the amount shown on 1040 Line 15. If you also have Self-Employment taxes reported on 1040 Schedule 4 Line 57, do not include those in PFS Line 6G, since you will report those separately for each business. If you paid self-employment taxes, for PFS Line 6G, report the total tax on Line 15 of Page 2 minus any Schedule 4 Line 57 Self-Employment tax.

▶ 1040 Schedule 1: Business Income

SCHEDULE 1 (Form 1040)		Additional Income and Adjustme	to Income		OMB No. 1545-0074	
Department of the Tre Internal Revenue Serv	asury rice	► Attach to Form 1040. ► Go to www.irs.gov/Form1040 for instructions and	the l	atest information.		Attachment Sequence No. 01
Name(s) shown on F	Your	social security number				
Additional	1-9b					
Income	10	Taxable refunds, credits, or offsets of state and local inco	me ta	ixes	10	
moomo	11	Alimony received			11	PFS Line 7E
	12	Business income or (loss). Attach Schedule C or C-EZ			12	PFS Line 15-18
	13	Capital gain or (loss). Attach Schedule D if required. If not re	equire	d, check here 🕨 🗌	13	PFS Line 7M
	14	Other gains or (losses). Attach Form 4797			14	
	15a	Reserved	15b			
	16a	Reserved			16b	
	17	Rental real estate, royalties, partnerships, S corporations, trus	ts, etc	. Attach Schedule E	17	PFS Line 7Q or 15
	18	Farm income or (loss). Attach Schedule F			18	PFS Line 15-18
	19	Unemployment compensation			19	PFS Line 7R
	20a	Reserved	20b			
	21	Other income. List type and amount ▶	21	PFS Line 7T		
	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. Oth	erwis	e, go to line 23	22	
Adjustments	23	Educator expenses	23			
to Income	24	Certain business expenses of reservists, performing artists,				
		and fee-basis government officials. Attach Form 2106	24			
	25	Health savings account deduction. Attach Form 8889 .	25			
	26	Moving expenses for members of the Armed Forces. Attach Form 3903	00			
	27	Attach Form 3903	26 27	DE0 1 in a 71		
	28	Self-employed SEP, SIMPLE, and qualified plans	28	PFS Line 7I		
	29	Self-employed health insurance deduction	29	PFS Line 7H		
	30	Penalty on early withdrawal of savings	30			
	31a	Alimony paid b Recipient's SSN ▶	31a			
	32	IRA deduction	32	PFS Line 7G		
	33	Student loan interest deduction	33	FF3 LINE /G		
	34	Reserved	34			
	35	Reserved	35		1	
	36	Add lines 23 through 35			36	PFS Line 7F

Make sure to answer "Yes" to PFS line 6h and indicate number of businesses owned on PFS line 6l. This will properly populate Business/Farm section 15-18.

Which Lines Matter for the PFS for Self-Employed Applicants?

▶ 1040 Schedule 1 Line 12: 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 Line 12. Be sure to send or upload each Schedule C you file, if you have income or a loss listed on your 1040 Schedule 1 Line 12.

▶ 1040 Schedule 1 Line 17: 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 Schedule 1 Line 17. If any income reported on Line 17 is from rental property, trusts, or royalties, report it on PFS Line 7Q of PFS (answer "Yes" to Other Taxable Income to open the worksheet). If any income reported on Line 17 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 Schedule 1 Line 17.

▶ 1040 Schedule 1 Line 18: Farm income or (loss)

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

▶ 1040 Schedule 1 Adjustments to Income

In this section, three items are specific to self-employed applicants: deductible portion of self-employment tax and payments to self-employment retirement and health insurance plans. Be sure to report them on the appropriate lines on the PFS (7H and 7I). Be sure to report the total shown on 1040 Line 36 on PFS line 7F. If you have adjustments in 1040 Lines 27, 28, or 32, report them in the proper lines on the PFS. If you have adjustments other than those three, be sure to leave a note in PFS Item 7J to specify what the adjustments were for (e.g., "alimony paid" or "Educator expenses").

Other Schedule's for Self-Employed Applicants?

▶ 1040 Schedule 4: Other Taxes

SCHEDULE (Form 1040) Department of th Internal Revenue	e Treasury		OMB No. 1545-0074 20 XX Attachment Sequence No. 04	
Name(s) shown	on Form 10	40	You	ur social security number
Other	57	Self-employment tax. Attach Schedule SE	57	PFS Line 17J
Taxes	58	Unreported social security and Medicare tax from: Form a 4137 b 8919	58	
	59	Additional tax on IRAs, other qualified retirement plans, and other tax-favored accounts. Attach Form 5329 if required	59	
	60a	Household employment taxes. Attach Schedule H	60a	
	ь	Repayment of first-time homebuyer credit from Form 5405. Attach Form 5405 if required	60b	
	61	Health care: individual responsibility (see instructions)	61	
	62	Taxes from: a ☐ Form 8959 b ☐ Form 8960 c ☐ Instructions; enter code(s)	62	
		Section 965 net tax liability installment from Form 965-A		
	64	Add the amounts in the far right column. These are your total other taxes. Enter here and on Form 1040, line 14	64	

▶ 1040 Schedule 4 Line 57

This shows the total amount of self-employment taxes you paid for your business(es). These should also be report 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's reported here on the 1040 Schedule 4 Line 57.

Schedule C

What is the Schedule C for?

The Schedule C is used for reporting specific details about each business you own for which you are the sole proprietor. It shows the name, location, and type of business. It details the total, gross income you received for the business. It itemizes the allowable expenses of the business that can be written off against the business's income to ultimately show what your net profit or loss was on the business. The net profit or loss is then entered on your Form 1040 Schedule 1 on Line 12. When you submit your 1040 to the IRS, you are required to attach/include a Schedule C for each sole proprietorship you own.

What does the Schedule C look like?

(Forn	ient of the Treasury		(So www.irs.gov/Schedule	ole Propriet oC for instr	om Business orship) uctions and the latest information nerships generally must file Form		OMB No. 1545-0074 20 XX Attachment Sequence No. 09
Name o	f proprietor					Social	security number (SSN)
A	Principal business or profess	B Ente	r code from instructions				
С	Business name. If no separat		D Employer ID number (EIN) (see inst				
E	Business address (including	suite or	room no.) ►				
	City, town or post office, stal	e, and					
F	Accounting method: (1)	Cas	h (2) Accrual	(3)	Other (specify) >		
G					Other (specify) ► 2018? If "No," see instructions for lin		
н							
!	Did you make any payments	in 2018	that would require you	to file Form	(s) 1099? (see instructions)		Yes No
J	If "Yes," did you or will you fi	le requi	red Forms 1099?				Yes No
	Income		· · · · · · · · · · · · · · · · · · ·			_	
1					this income was reported to you on	1	
2					'	_	
3	Subtract line 2 from line 1					3	
4							
5		,				_	
6					efund (see instructions)	_	
7						7	
Part	Expenses. Enter exp						
8	Advertising	8		18	Office expense (see instructions)	18	
9	Car and truck expenses (see			19	Pension and profit-sharing plans .	19	
	instructions)	9		20	Rent or lease (see instructions):		
10	Commissions and fees .	10		а	Vehicles, machinery, and equipment	20a	
11	Contract labor (see instructions)	11		b	Other business property	20b	
12	Depletion	12		21	Repairs and maintenance	21	
13	Depreciation and section 179 expense deduction (not	1		22	Supplies (not included in Part III) .	-	
	included in Part III) (see			23	Taxes and licenses	23	
	instructions)	13		24	Travel and meals:		
14	Employee benefit programs	l		а	Travel	24a	
	(other than on line 19)	14		ь	Deductible meals (see	l	
15	Insurance (other than health)	15		25	instructions)	24b	
16	Interest (see instructions):	100		25	Utilities	-	
a b	Mortgage (paid to banks, etc.) Other	16a		26 27a	Wages (less employment conditions) Other expenses (from		
17	Legal and professional services	17		- Z/a	Reserved.		
28	Total expenses before expe		husings use of home				
29	Tentative profit or (loss). Sub						
-	Expenses for business use						
	ing the simplified m						

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

If you have a Schedule C, you have a Sole Proprietorship. On PFS Line 6H, 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 the Schedule C. See below for guidance:

► Schedule C: Business Information and Income

	EDULE C n 1040)	n Business		OMB No. 1545-0074	
	ment of the Treasury Revenue Service (99)	Go to www.irs.gov/ScheduleC for instructach to Form 1040, 1040NR, or 1041; partner			Attachment Sequence No. 09
Name	of proprietor			Social secu	urity number (SSN)
A	Principal business or profes	sion, including product or service (see instruct	ions)	B Enter co	de from instructions
С	Business name. If no separ	te business name, leave blank. PFS Line 15A		D Employe	r ID number (EIN) (see instr.)
E	Business address (including	PFS Lin	e 15G thru 15J		
F G H I J	Accounting method: (1) Did you "materially particip If you started or acquired the Did you make any payment If "Yes," did you or will you				. ▶ □ □ Yes □ No
1	Form W-2 and the "Statuto	instructions for line 1 and check the box if thi y employee" box on that form was checked		_	PFS Line 16A
3 4 5 6	Subtract line 2 from line 1 Cost of goods sold (from line Gross profit. Subtract line	e 42)		. 3	PFS Line 16B PFS Line 16C PFS Line 16D
7		and 6	***		

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

► Schedule C: Business Expenses and Net Profit/Loss

Part	Expenses. Enter expe	enses	for business use of	of you	ır hon	ne only on line 30.			
8	Advertising	8			18	Office expense (see instructions)	18		
9	Car and truck expenses (see				19	Pension and profit-sharing plans .	19		
	instructions)	9			20	Rent or lease (see instructions):		PF S Line 17D	
10	Commissions and fees .	10			a	Vehicles, machinery, and equipment	20a	11020175	
11	Contract labor (see instructions)	11			b	Other business property	20b		
12	Depletion	12			21	Repairs and maintenance	21		
13	Depreciation and section 179				22	Supplies (not included in Part III) .	22		
	expense deduction (not included in Part III) (see		PFS Line 17F		23	Taxes and licenses	23		
	instructions)	13			24	Travel, meals, and entertainment:			
14	Employee benefit programs		PES Line 17C		a	Travel	24a		
	(other than on line 19).	14	TT3 Line ITC		b	Deductible meals and			
15	Insurance (other than health)	15			Ī	entertainment (see instructions) .	24b		
16	Interest:				25	Utilities	25		
a	Mortgage (paid to banks, etc.)	16a			26	Wages (less employment credits).	26	PFS Line 17A, B	
b	Other	16b			27a	Other expenses (from line 48)	27a		
17	Legal and professional services	17			b	Reserved for future use	27b		
28	Total expenses before expen	ses for	business use of hom	e. Add	lines	8 through 27a	28	PFS Line 17I	
29	Tentative profit or (loss). Subtr	act line	e 28 from line 7				29		
30	Expenses for business use o	f your	home. Do not report	t thes	e expe	nses elsewhere. Attach Form 8829			
	unless using the simplified me								
	Simplified method filers only	: enter	the total square foots	age of	(a) yo				
	and (b) the part of your home					. Use the Simplified			
			•	to en	ter on	line 30	30		
31	Net profit or (loss). Subtract	line 30	from line 29.						
	 If a profit, enter on both Form 							PFS Line 17L	
	(If you checked the box on line	1, see	instructions). Estates a	nd tru	sts, en	ter on Form 1041, line 3.	31		
	 If a loss, you must go to lin 					J			
32	If you have a loss, check the b	ox tha	t describes your inves	stment	in this	activity (see instructions).			
	• If you checked 32a, enter the	he loss	on both Form 1040,	line '	12 , (or	Form 1040NR, line 13) and			
	on Schedule SE, line 2. (If yo		ked the box on line 1,	see th	ne line	31 instructions). Estates and		☐ All investment is at ☐ Some investment i	
	trusts, enter on Form 1041, lin						32b	at risk.	is not
_	 If you checked 32b, you mu 	i st atta	ich Form 6198. Your l	oss m	ay be	limited.		at non.	

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 provided 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 doesn't 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).

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

Schedule E

What is the Schedule E for?

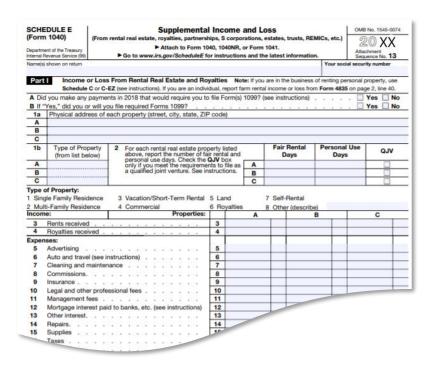
The Schedule E is used for reporting specific details about several types of income sources such as rental real estate income, income from partnerships, S-Corporations, royalties, trusts, estates, and more.

For rental properties, it details the total, gross income you received for up to three real estate properties you rent out to others. It itemizes the allowable expenses of the rental properties that can be written off against the property's income to ultimately show what your net profit or loss was on the property. The net profit or loss is then entered on your Form 1040 Schedule 1 on Line 17. If you own more than three rental properties, you must submit multiple Schedule E's. When you submit your 1040 to the IRS, you are required to attach/include a Schedule E for each set of three rental properties you own.

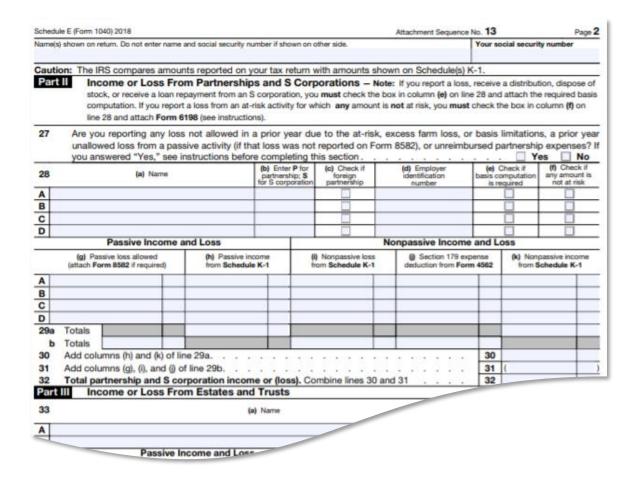
For Partnerships and S-Corporations, it details the names and types of businesses you own or co-own as partnerships or S-Corporations. It itemizes the income or loss for each entity that is passed through to you to claim on your 1040. The income or loss is included in the entry on your Form 1040 Schedule 1 on Line 17.

What does the Schedule E look like?

► Schedule E, Page 1 for Rental Income



► Schedule E, Page 2 for Partnership and S-Corporation Income



- If you do not own any rental properties, you will not have page 1 of Schedule E.
- If you do not own a share in a Partnership or S Corporation, you will not have page 2 of Schedule E (unless you received reportable income from an estate or trust).

Which lines on the Schedule E matter most for completing the PFS?

SCHEDULE 1 (Form 1040)		Additional Income and Adjustments to Income		OMB No. 1545-0074
Department of the Tre Internal Revenue Serv	easury vice	► Attach to Form 1040. Go to www.irs.gov/Form1040 for instructions and the latest information.		Attachment Sequence No. 01
Name(s) shown on f	Form 104	10	Your	social security number
Additional	1-9b	Reserved	1-9b	
Income	10	Taxable refunds, credits, or offsets of state and local income taxes	10	
moonic	11	Alimony received	11	
	12	Business income or (loss). Attach Schedule C or C-EZ	12	
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here	13	
	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	PFS Line 7Q
	18	Farm income or (loss). Attach Schedule F	18	
	19	Unemployment compensation	19	
	20a	Reserved	20b	
	21	Other income. List type and amount ▶	21	
	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	
Adjustments	23	Educator expenses		
to Income	24	Certain business expenses of reservists, performing artists,		

► Rental Property

There are no specific questions on the PFS for detailing the income and expense sources for rental properties. When completing the PFS, owners of rental real estate should include the profit or loss of the rental properties in PFS Line 7Q (answer "Yes" to Other Taxable Income to open worksheet). This amount is found on Line 17 of the Form 1040.

Rental property owners must also complete questions 10K–10U on the PFS.

Be sure to submit to the school all Schedule E's that you file with your tax return..

► Partnerships and S-Corporations

Schedul	le E (Form 10	40) 2017						Attachm	ent Sequence	No. 13			Page 2	
Name(s)	shown on re	turn. Do not enter	name	and social security numl	oer if shown	on other side.				Your so	ocial se	curity number		
Cautio	n: The IE	S compares a	mour	nts reported on you	ır tav rotu	rn with amount	s show	n on So	hodulo(s) k	(_1				
Part				m Partnerships							at rick	activity for wh	ich	
rart				you must check the		•			•			activity for wi	IICII	
27	Are vol	ı reporting an	v loss	not allowed in a	orior vear	due to the at-	risk. ex	cess fa	arm loss, or	basis	limita	tions, a prio	r vear	
	unallow	ed loss from a	or unreimbl	irsed p	artner	rship expens	es? If							
	you ans	swered "Yes,"	see ir	nstructions before	completin	g this section.					. \square	Yes	No	
28			(a) Na	me		(b) Enter P for partnership; S	(c) C	heck if eian		mployer fication		(e) Check any amoun		
			. ,			for S corporation		ership		mber		not at ris		
Α		PFS Line	15A			PF \$ 15C	[
B C							[
							[⊒						
D														
		Passive Inco	me a	ind Loss			No	npassi	ve Income	and L				
		sive loss allowed rm 8582 if require	d)	(g) Passive incor from Schedule K		(h) Nonpassive I from Schedule I			ection 179 exp tion from Forn					
Α		PFS	Line	17L				PF	S Line 17L					
B C														
С													<u> </u>	
D					\perp					\perp			<u> </u>	
29a	Totals						_							
b	Totals		L							+				
30		mns (g) and (j)								30			<u> </u>	
31		mns (f), (h), an								31	()	
32				orporation incom e total on line 41 be		s). Combine lin	es 30	and 31	. Enter the	32	PF	S Line 7Q		

For each Partnership or S-Corporation you own, the Schedule E will report the pass-through portion of the business's profit or loss that you must claim on your tax return. The PFS will ask you to report the total income and expenses of the Partnership or Corporation to calculate the profit or loss of the entire entity. On PFS Line 17L, you must indicate how much of that profit/loss was passed-through to you. For each business you are a partner or shareholder in, your entry on Line 17L should match the entries on Lines 28A-28D.

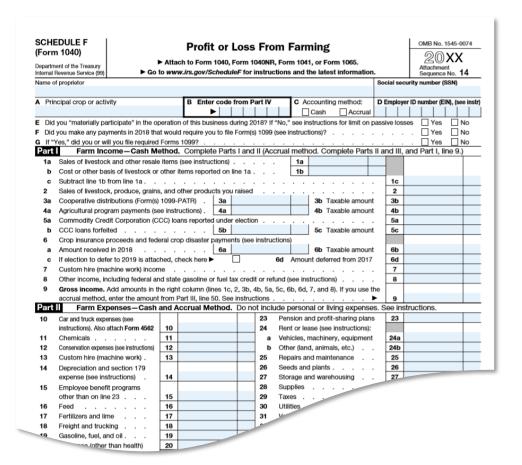
The total pass-through income (or loss) across all entities appears on line 32 of the Schedule E. This is then included in the total income (or loss) reported on the 1040 Schedule 1, Line 17 (along with other income reported on the Schedule E). This amount, in turn, should be reported on Line 7Q of the PFS.

Schedule F

What is the Schedule F for?

The Schedule F is used for reporting specific details about each farm you own for which you are the sole proprietor. It shows the name, location, and type of farm. It details the total, gross income you received for the farm. It itemizes allowable expenses of the farm that can be written off against the farm's income to ultimately show your net profit or loss on the farm. The net profit or loss is then entered on your Form 1040 Schedule 1 on Line 18. When you submit your 1040 to the IRS, you are required to attach/include a Schedule F for each farm property you own.

What does the Schedule F look like?



If you have a Schedule F, you have a farm. On PFS Line 6H, answer "Yes." You will be required to complete Section 15 for Business/Farm information.

On PFS Line 15B, select "Farm" and complete the questions about each farm based on the income and expense information provided on the Schedule F. On PFS Line 15C, select the farm's type...are you the sole owner? Is it part of a partnership or a corporation? Let's look at each section of the Schedule F.

► Schedule F: Farm Information and Income

	EDULE F n 1040)		OMB No. 1545-0074					
	nent of the Treasury Revenue Service (99)	Attachment Sequence No. 14						
Name o	of proprietor	PFS Line 15E					Social sec	urity number (SSN)
A Pri	ncipal crop or activity PF S Line 15K	; 	B Enter	code from Part IV	V	counting method: Cash Accrual	D Employe	er ID number (EIN), (see instr)
E Did	you "materially particip	oate" in the operation	of this busin	ess during 2017? If "	No," see ins	structions for limit on p	assive loss	es Yes No
F Did	you make any paymen	ts in 2017 that would	d require you	to file Form(s) 1099 (s	ee instructi	ions)?		. Yes No
G If "	Yes," did you or will yo	u file required Forms	1099?					. Yes No
Part	Farm Incom	e-Cash Method	 Complete 	Parts I and II (Acc	rual meth	od. Complete Parts	II and III,	and Part I, line 9.)
1a	Sales of livestock ar	d other resale items	(see instruct	ions)	1a	PFS Line 16A	5	
b	Cost or other basis	of livestock or other	items reporte	ed on line 1a	1b	PFS Line 16B		
C	Subtract line 1b from	n line 1a					. 1c	
2	Sales of livestock, p	roduce, grains, and	other produc	ts you raised	9 (2.5)		2	PFS Line 16A
3a	Cooperative distribu	tions (Form(s) 1099-	PATR) .	3a		3b Taxable amount	3b	PFS Line 16D
4a	Agricultural program	payments (see inst	ructions).	4a		4b Taxable amount	4b	PFS Line 16D
5a	Commodity Credit C	corporation (CCC) lo	ans reported	under election	18 per 10		5a	PF S Line 16D
b	CCC loans forfeited			5b		5c Taxable amount	5c	PFS Line 16D
6	Crop insurance prod	eeds and federal cr	op disaster p	ayments (see instruc	ions)			
a	Amount received in	2017		6a		6b Taxable amount	6b	PFS Line 16D
c	If election to defer to	2018 is attached, o	check here		6d Amou	nt deferred from 2016	6d	PFS Line 16D
7	Custom hire (machin	ne work) income .			3 00 0		. 7	PFS Line 16D
8	Other income, include	ding federal and stat	e gasoline or	fuel tax credit or refu	ind (see ins	structions)	8	PF S Line 16D
9				es 1c, 2, 3b, 4b, 5a, 0. See instructions .		7, and 8). If you use t	he 9	PFS Line 16E

There are many more lines of detail on the income section of the Schedule F than on the PFS. As such, be careful to total the appropriate lines from the Schedule F and report them in the corresponding "catchall" lines of the PFS.

- Lines 1a and 2 on the Schedule F are reported on Line 16A of the PFS.
- Lines 3 through 8 on the Schedule F are reported on the PFS Line 16D.
- Line 1b on Schedule F is reported on Line 16B of the PFS.
- Line 9 on Schedule F should match the calculation on the PFS Line 16E.

Complete a separate section on income for each farm you own..

► Schedule F: Farm Expenses and Net Profit/Loss

Part	Farm Expenses – Cash	and A	ccrual Method.	Do no	t incl	ude personal or living expenses. S	See ins	structions.
10	Car and truck expenses (see				23	Pension and profit-sharing plans	23	
	instructions). Also attach Form 4562	10			24	Rent or lease (see instructions):		
11	Chemicals	11			а	Vehicles, machinery, equipment	24a	PFS Line 17D
12	Conservation expenses (see instructions)	12			b	Other (land, animals, etc.)	24b	
13	Custom hire (machine work) .	13			25	Repairs and maintenance	25	
14	Depreciation and section 179		PFS Line 17F		26	Seeds and plants	26	
	expense (see instructions) .	14	PFS LINE 17F		27	Storage and warehousing	27	
15	Employee benefit programs				28	Supplies	28	
	other than on line 23	15	PFS Line 17C		29	Taxes	29	
16	Feed	16			30	Utilities	30	
17	Fertilizers and lime	17			31	Veterinary, breeding, and medicine	31	
18	Freight and trucking	18			32	Other expenses (specify):		
19	Gasoline, fuel, and oil	19			а		32a	
20	Insurance (other than health)	20			b		32b	
21	Interest:				С		32c	
а	Mortgage (paid to banks, etc.)	21a			d		32d	
b	Other	21b			е		32e	
22	Labor hired (less employment credits)	22	PFS Line 17A, 17B		f		32f	
33	Total expenses. Add lines 10 thr	ough 3	32f. If line 32f is nega	ative, s	ee ins	ructions	33	PFS Line 17i
34	Net farm profit or (loss). Subtract	t line :	33 from line 9				34	PFS Line 17L
	If a profit, stop here and see instru	ictions	for where to report.	If a lo	ss, coi	nplete lines 35 and 36.		
35	Did you receive an applicable sub	sidy in	2017? See instructi	ons .				. Yes No
36	Check the box that describes you	r inves	tment in this activity	and s	ee inst	ructions for where to report your loss.		
a	All investment is at risk.		b Some invest		s not a	t risk.		
For Pa	perwork Reduction Act Notice, se	ee the	separate instruction	ons.		Cat. No. 11346H	Sch	edule F (Form 1040) 2017

Look at Line 14

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 upload it with your tax forms. This 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 22

If you paid wages to employees for your business (as reported on W-2s or 1099s that you provide 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 F Line 22 includes wages for yourself and/or your spouse, report the amount you paid to yourself and/or your spouse on PFS Line 17A.

If Schedule F Line 22 includes wages paid for anyone other than yourself or your spouse, report the amount that went to other employees on PFS Line 17B.

The amount on Schedule F Line 34 should match the calculation on PFS Line 17L to reflect your share of the total farm profit or loss (in other words, the amount that belongs to you).

Complete a separate section on expenses and net profit for each farm you own..

Schedule K-1

What is the Schedule K-1 for?

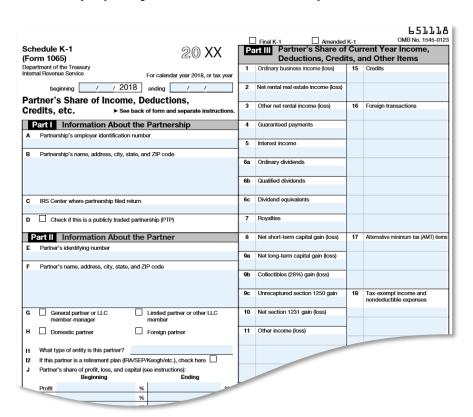
The Schedule K-1 is designed to report a partner's or shareholder's share of the partnership or S Corporation's income, deductions, and credits. It indicates additional information such as the percentage ownership the individual holds and some insight into the individual's share of, and activity with, the entity's liabilities and capital accounts.

Related forms:

- Form 1065 Partnership tax return
- Form 1120S S Corporation tax return
- Schedule E

What does the Schedule K-1 look like?

► K-1 for Partnership specify "Form 1065" in the top left corner



► K-1 for S-Corporations specify "Form 1120S" in the top left corner

	_	_		ותתתום
Schedule K-1	_	Final K-1 Amended		OMB No. 1545-0123
Schedule K-1 (Form 1120S)	Pa	Shareholder's Share Deductions, Credits		
Department of the Treasury Internal Revenue Service For calendar year 2018, or tax year	1	Ordinary business income (loss)		Credits
	L			
beginning / / ending / /	2	Net rental real estate income (loss)		
Shareholder's Share of Income, Deductions,	3	Other net rental income (loss)		
Credits, etc. See back of form and separate instructions.				
Part I Information About the Corporation	4	Interest income		
A Corporation's employer identification number	5a	Ordinary dividends		
B Corporation's name, address, city, state, and ZIP code	5b	Qualified dividends	14	Foreign transactions
	6	Royalties		
	7	Net short-term capital gain (loss)		
C IRS Center where corporation filed return	8a	Net long-term capital gain (loss)		
Part II Information About the Shareholder	8b	Collectibles (28%) gain (loss)		
D Shareholder's identifying number	8c	Unrecaptured section 1250 gain		
	_	Not as also against the sale		
E Shareholder's name, address, city, state, and ZIP code	9	Net section 1231 gain (loss)		
	10	Other income (loss)	15	Alternative minimum tax (AMT) items
F Shareholder's percentage of stock				
ownership for tax year				

Although they share the same "K-1" name, the K-1's are different enough that it's important not to get them confused with each other.

"Schedule K-1 (Form 1065)" is issued for Partnerships, while "Schedule K-1 (Form 1120S)" is issued for S Corporations. Be sure not to get them mixed up (e.g., claiming you own a Partnership but submitting a K-1 for an 1120S or vice versa). They are *not* interchangeable.

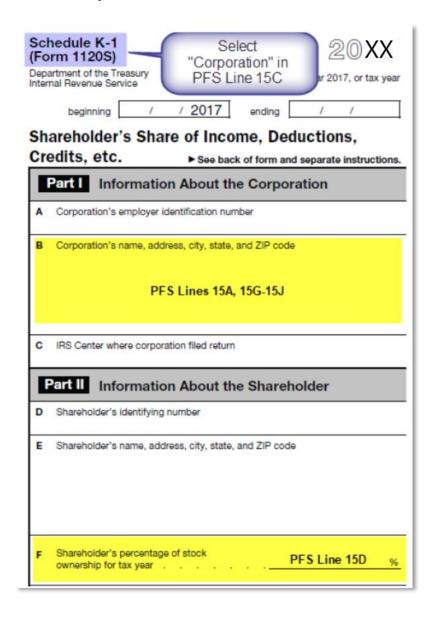
Submit all K-1s you receive for all entities you have an ownership stake in when you submit your tax returns.

Which lines on the Schedule K-1 matter most for completing the PFS?

Schedule K-1 f	or Pa	artnerships				
	(Fo		lect "Partn n PFS Line		20 XX	
		al Revenue Service		For calenda	r year 2018, or tax	year
		beginning /	/ 2018	ending	1 1	
		tner's Share of I	ncome, D	eductio	ns,	
	Cre	dits, etc.	► See back	of form and	separate instruc	tions.
		art Information	About the	Partner	ship	
	A	Partnership's employer ide	ntification num	ber		
	В	Partnership's name, addres	s, city, state, a	nd ZIP code		
		PFS	Line 15A, 1	15G-15J		
	С	IRS Center where partnersh	nip filed return			
	D	Check if this is a public	hi tradad parte	ombio /DTD\		
	Ľ	Crieck ii tilis is a public	ny traded parti	ersnip (i-11-)		
		art Information		Partner		
	E	Partner's identifying number	r			
	F	Partner's name, address, c	ity, state, and Z	ZIP code		
		_				
	G	General partner or LLC member-manager		Limited part member	tner or other LLC	
	+	☐ Domestic partner		Foreign par	tner	
	н	What type of entity is this p	artner?			
	12	If this partner is a retiremen	t plan (IRA/SEF	VKeogh/etc.)	, check here	
	١	Partner's share of profit, los Beginning		see instruction	ns): Ending	
		Profit	%			%_
		Loss	%		FS Line 15D	%
		Capital	%)		96

No other information found on the K-1, 1065 needs to be reported on the PFS. The relevant information on Part 2 of the K-1, 1065 gets reported as your share of the income/loss on Schedule E, which ultimately gets reported on the 1040 and PFS Line 7Q.

► Schedule K-1 for S Corporations



No other information found on the K-1, 1120S needs to be reported on the PFS. The relevant information on Part 3 of the K-1, 1120S gets reported as your share of the income/loss on Schedule E, which ultimately gets reported on the 1040 and PFS Line 7Q.

Form 1099-MISC

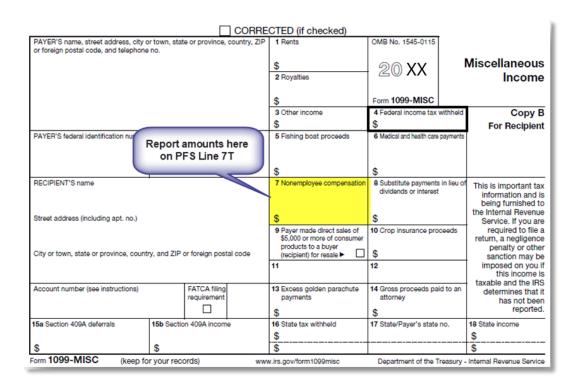
What is Form 1099-MISC for?

The 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 wasn't 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 the Form 1099-MISC look like?



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 7T.

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

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 didn't receive a W-2 (meaning you didn't 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.

Form 1065

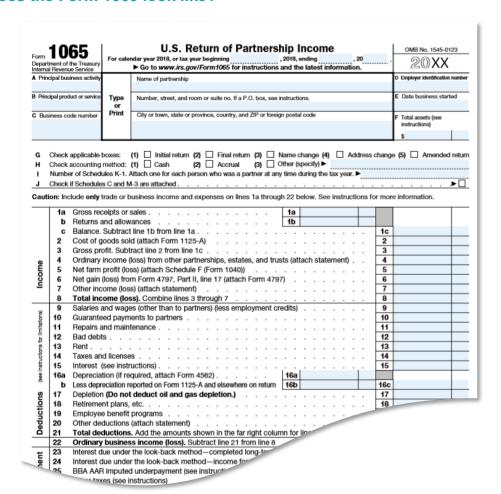
What is Form 1065 for?

Form 1065 is the return filed by entities set up as Partnerships. It details the income, gains, losses, deductions, credits, etc. for the entire operation. Partnerships don't pay taxes on its income but passes any profits or losses to its partners, who in turn include their share of the profits/losses on their individual returns.

Related form:

Schedule K-1 (Form 1065)

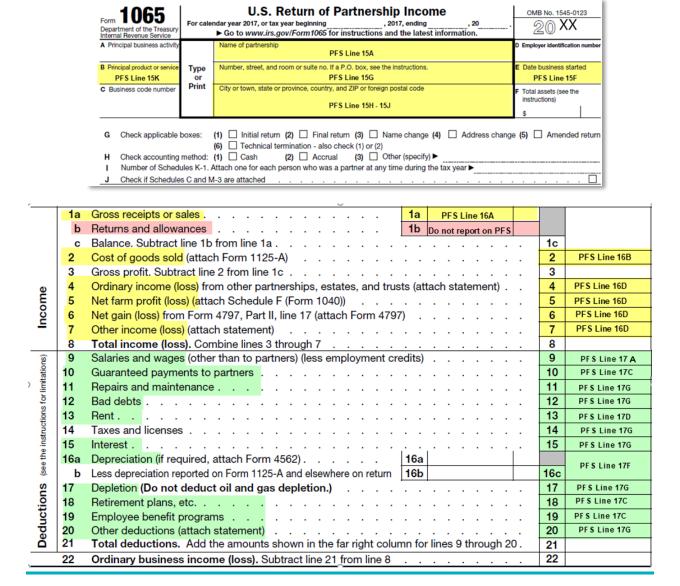
What does the Form 1065 look like?



Which lines on Form 1065 matter most for completing the PFS?

To complete the business information section of the PFS, Partnership partners must report the appropriate total income and expenses for the entire entity. This detail can be found on page 1 of the Form 1065 as shown below:

No information found on pages 2–4 of the Form 1065 is needed to complete the PFS. However, some information on page 5 can be useful in reporting the Partnership's assets and debts, as referenced below.



Submit a copy of the 1065 for each Partnership in which you are a partner with your tax forms.

Ask the partnership's accountant or tax attorney for a copy of it/them if not already provided to you.

While the PFS seeks to gather the current value of the business's assets and debts at the time of the application, that information can be difficult to come by. Completing the business assets and debts based on the most recently filed 1065 should be a reasonable approach if more current information is not available for the business.

Sch	edule L Balance Sheets per Books	Beginning	of tax year	End of	tax year
	Assets	(a)	(b)	(c)	(d)
1	Cash				PF S Line 18A
2a	Trade notes and accounts receivable			PF S Line 18E	
b	Less allowance for bad debts			Offsets PF S Line 18A	
3	Inventories				PF S Line 18D
4	U.S. government obligations				PF S Line 18F
5	Tax-exempt securities				PF S Line 18F
6	Other current assets (attach statement)				PF S Line 18F
7a	Loans to partners (or persons related to partners)				PF S Line 18F
b	Mortgage and real estate loans				PF S Line 18F
8	Other investments (attach statement)				PFS Line 18F
9a	Buildings and other depreciable assets				
b	Less accumulated depreciation			PFS Line 18C	PFS Line 18B
10a	Depletable assets			PF S Line 18F	
	Less accumulated depletion				
11	Land (net of any amortization)				PF S Line 18B
12a	Intangible assets (amortizable only)			PFS Line 18F	
b	Less accumulated amortization				
13	Other assets (attach statement)				PF S Line 18F
14	Total assets				
	Liabilities and Capital				
15	Accounts payable				PF S Line 18J
16	Mortgages, notes, bonds payable in less than 1 year			-	PF S Line 18H
17	Other current liabilities (attach statement)				PFS Line 18I or 18J
18	All nonrecourse loans				PF S Line 18J
19a	Loans from partners (or persons related to partners)			-	PFS Line 18J
b	Mortgages, notes, bonds payable in 1 year or more				PF S Line 18H
20	Other liabilities (attach statement)				PF S Line 18J
21	Partners' capital accounts		-		
22	Total liabilities and capital		L		

Form 1120S

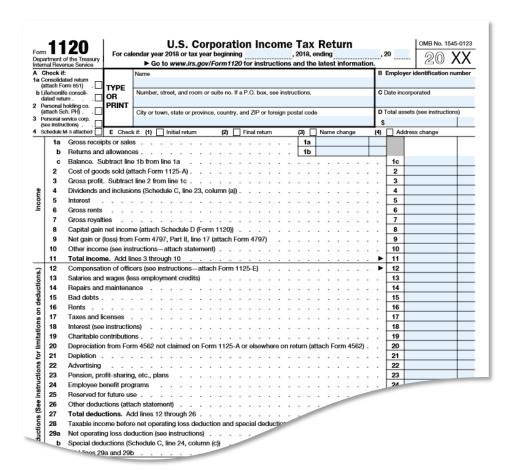
What is Form 1120S for?

Form 1120S is the return filed by entities set up as S Corporations. It details the income, gains, losses, deductions, credits, etc. for the entire operation. S Corporations don't pay taxes on its income but pass any profits or losses to its shareholders, who in turn include their share of the profits/losses on their individual returns.

Related form:

Schedule K-1 (Form 1120S)

What does the Form 1120S look like?



Which lines on Form 1120S matter most for completing the PFS?

	44000	ι	J.S. Income Tax Return for an S Corporat	ion	l on	MB No. 1545-0123	
	Form 1120S Department of the Treasury Internal Revenue Service		➤ Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation. Go to www.irs.gov/Form1120S for instructions and the latest inform	20 XX			
	For calendar year 2017 of	r tax yea	beginning , 2017, ending		, 20		
	A S election effective date	, , , , , , , , , , , , , , , , , , , ,		D Emp	Employer identification number		
	B Business activity code	OR	Number, street, and room or suite no. If a P.O. box, see instructions.	E Date	E Date incorporated		
	number (see instructions)			PF S Line 15F			
		PRINT	City or town, state or province, country, and ZIP or foreign postal code PF S Lines 15H - 15J	F Total	l assets (see instructions)	
	C Check if Sch. M-3 attached	<u> </u>	S corporation beginning with this tax year? Yes No If "Yes	\$	0550	f	
			S corporation beginning with this tax year?				
	I Enter the number of si	nareholde	s who were shareholders during any part of the tax year		<u> I</u>	•	
1a	Gross receipts or sales	3	1a PFS Line 1	6A			
b	Returns and allowance	es	1b Do not report of	n PFS			
С	Balance. Subtract line	1b from	line 1a		1c		
2	Cost of goods sold (at	tach For	m 1125-A)	[2	PFS Line 16B	
3	Gross profit. Subtract	line 2 fro	m line 1c		3		
4	Net gain (loss) from Fo	rm 4797	, line 17 (attach Form 4797)		4	PFS Line 16D	
5	Other income (loss) (se	ee instru	ctions-attach statement)		5	PFS Line 16D	
6	Total income (loss). A	Add lines	3 through 5	🕨	6		
7	Compensation of office	ers (see	nstructions-attach Form 1125-E)	[7	PFS Line 17C	
8	Salaries and wages (le	ss emplo	pyment credits)	[8	PFS Line 17A, 17B	
9	Repairs and maintenar	nce		[9	PFS Line 17G	
10	Bad debts			[10	PFS Line 17G	
11	Rents			[11	PFS Line 17D	
12	Taxes and licenses .			[12	PFS Line 17G	
13				+	13	PFS Line 17G	
14	Depreciation not claim	ed on Fo	orm 1125-A or elsewhere on return (attach Form 4562) .	[14	PFS Line 17F	
15	Depletion (Do not ded	luct oil a	nd gas depletion.)	[15	PFS Line 17G	
16	Advertising			[16	PFS Line 17G	
17	Pension, profit-sharing	, etc., pl	ans	[17	PFS Line 17C	
18	Employee benefit prog	rams .		[18	PFS Line 17C	
19	Other deductions (atta	ch state	ment)	[19	PFS Line 17G	
	Total deductions Add	d lines 7	through 19	▶ [20		
20	Total deductions. Ad	4 111100 7					

Submit a copy of the 1120S for each S Corporation in which you are a shareholder with your tax form. As the corporation's accountant or tax attorney for a copy if one is not already provided to you.

NOTE: No information found on pages 2, 3, or 5 of the Form 1120S is needed to complete the PFS; however, some information on Form 1120S page 4 can be useful in reporting the Corporation's assets and debts, as referenced below:

Sche	dule L Balance Sheets per Books	Beginning of tax year		End of tax year		
	Assets	(a)	(b)	(c)	(d)	
1	Cash				PFS Line 18A	
2a	Trade notes and accounts receivable					
b	Less allowance for bad debts	()		()	PFS Line 18A	
3	Inventories				PFS Line 18D	
4	U.S. government obligations				PF S Line 18F	
5	Tax-exempt securities (see instructions)				PF S Line 18F	
6	Other current assets (attach statement)				PFS Line 18A	
7	Loans to shareholders				PFS Line 18F	
8	Mortgage and real estate loans				PF S Line 18F	
9	Other investments (attach statement)				PFS Line 18F	
10a	Buildings and other depreciable assets			PFS Line 18B		
b	Less accumulated depreciation	()		(PFS Line 18C)		
11a	Depletable assets					
b	Less accumulated depletion	()		()	PFS Line 18D	
12	Land (net of any amortization)				PFS Line 18B	
13a	Intangible assets (amortizable only)					
b	Less accumulated amortization	()		()	PF S Line 18F	
14	Other assets (attach statement)				PF S Line 18F	
15	Total assets					
	Liabilities and Shareholders' Equity					
16	Accounts payable				PFS Line 18J	
17	Mortgages, notes, bonds payable in less than 1 year				PF S Line 18H	
18	Other current liabilities (attach statement)				PF S Line 18J	
19	Loans from shareholders				PFS Line 18J	
20	Mortgages, notes, bonds payable in 1 year or more				PFS Line 18H	
21	Other liabilities (attach statement)				PFS Line 18J	
22	Capital stock					
23	Additional paid-in capital					
24	Retained earnings					
25	Adjustments to shareholders' equity (attach statement)					
26	Less cost of treasury stock		()		()	
27	Total liabilities and shareholders' equity					
					Form 1120S (20	

While the PFS seeks to gather the current value of the business's assets and debts at the time of the application, that information can be difficult to come by. Completing the business assets and debts based on the most recently filed 1120S should be a reasonable approach, if more current information is not available for the business.

For financial aid assessment purposes, items on lines 22–26 above are not considered debts and should not be reported on the PFS.