

# **Schedule C and Family Tax Planning**

**Chuck Li**

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# 财务规划的八个方面

## Budget Planning & Debt Management & Emergency Fund

3 to 6 mo. expense



## Real Estate/Mortgage

Mortgage Planning

Tax Planning on Investment Property



## Education fund

How to Max Out Financial Aid?  
Where to save? – 529?



## Retirement plan

Growth/Safety/Longevity  
How to create a Pension



## Investment

Balance: Risk, Return, Liquidity



## Tax

Tax now? Tax Later? Tax Free?



## Family Protection

People: Health/Disability/Life/LTC  
Asset: Market Risk/Legal/Tax



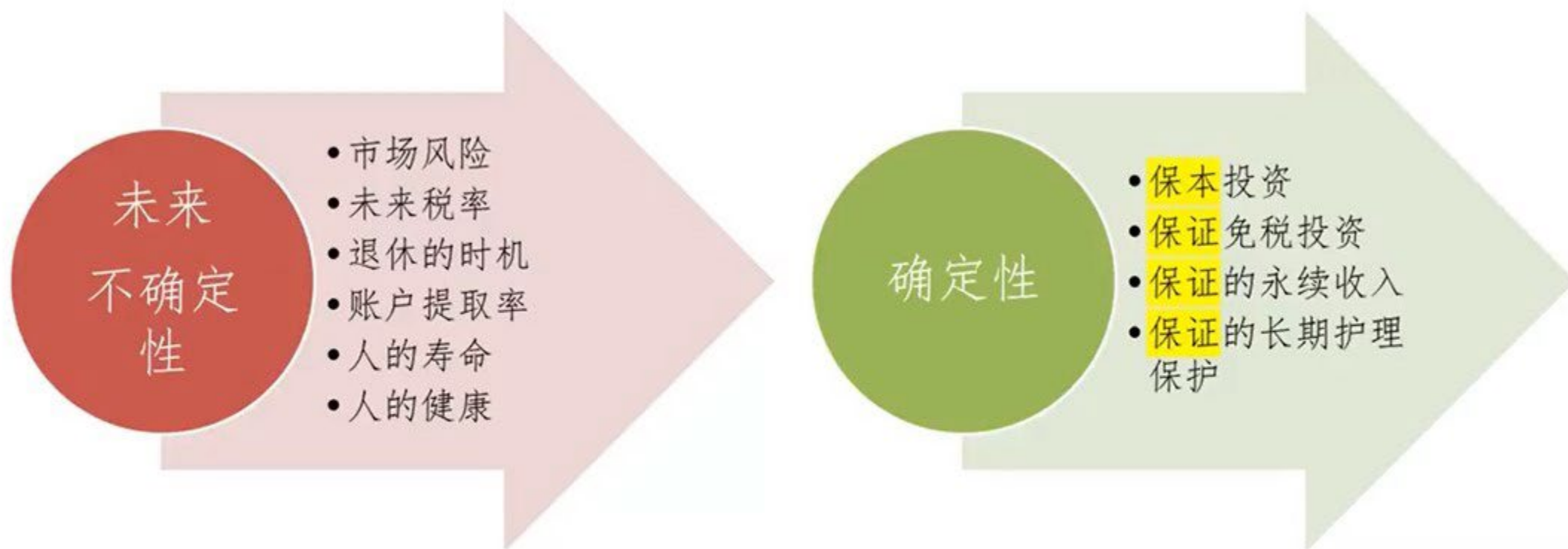
## Estate Planning

Minor Children, Probate, Estate Tax  
Will & Trust & POA



金融规划的目的是在市场风险，未来税率，退休的时机，账户的提取率，人的寿命，人的健康等等的一系列不确定因素存在的环境条件下寻找事情存在发展的内在规律，寻找和创造确定性机会：保本投资，保证免税投资，保证的永续收入，保证的长期护理保护等等。我鼓励每一个家庭每一位朋友在你人生的每一个阶段（工作学习生子退休等）的第一天都有一个金融计划。我认为每一位朋友都应该建立一个有纪律性的积极的（我反对消极的或者被动反应性的）的金融计划，在这个计划中在八大块儿的每一块都建立强有力的，实实在在的，有效的行事规则和方法来有效地管理自己的每一块钱。孟子曰，无规矩不成方圆：一个国家，一个企业如此，一个小家庭，一个人的小家庭也是如此。

# 金融规划的目的：不确定性 <sup>规律</sup> -----> 确定性



# The reasons using Schedule C

- ❖ Some people have to use it as required by Tax Law/IRS
- ❖ Lower tax liability, and lower tax brackets
- ❖ Schedule C vs. Schedule E



**SCHEDULE C**  
**(Form 1040)**

Department of the Treasury  
Internal Revenue Service

**Profit or Loss From Business**  
(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.  
Go to [www.irs.gov/ScheduleC](http://www.irs.gov/ScheduleC) for instructions and the latest information.

OMB No. 1545-0074

**2024**

Attachment  
Sequence No. **09**

Name of proprietor		Social security number (SSN)	
<div></div>		<div></div>	
<b>A</b>	Principal business or profession, including product or service (see instructions)	<b>B</b>	Enter code from instructions
<div></div>		<div></div>	
<b>C</b>	Business name. If no separate business name, leave blank.	<b>D</b>	Employer ID number (EIN) (see instr.)
<div></div>		<div></div>	
<b>E</b> Business address (including suite or room no.)			
<div></div>			
City, town or post office, state, and ZIP code			
<div></div>			
<b>F</b>	Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) <div></div>		
<b>G</b>	Did you "materially participate" in the operation of this business during 2024? 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 2024, check here <input type="checkbox"/>		
<b>I</b>	Did you make any payments in 2024 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		

**Part I** **Income**

<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>	
<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>	
<b>5</b>	<b>Gross profit.</b> Subtract line 4 from line 3	<b>5</b>	
<b>6</b>	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	<b>6</b>	
<b>7</b>	<b>Gross income.</b> Add lines 5 and 6	<b>7</b>	

**Part II** **Expenses.** Enter expenses for business use of your home **only** on line 30.

<b>8</b>	Advertising	<b>8</b>		<b>18</b>	Office expense (see instructions)	<b>18</b>	
<b>9</b>	Car and truck expenses (see instructions)	<b>9</b>		<b>19</b>	Pension and profit-sharing plans	<b>19</b>	
<b>10</b>	Commissions and fees	<b>10</b>		<b>20</b>	Rent or lease (see instructions):		
<b>11</b>	Contract labor (see instructions)	<b>11</b>		<b>a</b>	Vehicles, machinery, and equipment	<b>20a</b>	
<b>12</b>	Depletion	<b>12</b>		<b>b</b>	Other business property	<b>20b</b>	
<b>13</b>	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	<b>13</b>		<b>21</b>	Repairs and maintenance	<b>21</b>	
<b>14</b>	Employee benefit programs (other than on line 19)	<b>14</b>		<b>22</b>	Supplies (not included in Part III)	<b>22</b>	
<b>15</b>	Insurance (other than health)	<b>15</b>		<b>23</b>	Taxes and licenses	<b>23</b>	
<b>16</b>	Interest (see instructions):			<b>24</b>	Travel and meals:		
<b>a</b>	Mortgage (paid to banks, etc.)	<b>16a</b>		<b>a</b>	Travel	<b>24a</b>	
<b>b</b>	Other	<b>16b</b>		<b>b</b>	Deductible meals (see instructions)	<b>24b</b>	
<b>17</b>	Legal and professional services	<b>17</b>		<b>25</b>	Utilities	<b>25</b>	
<b>28</b>	<b>Total expenses</b> before expenses for business use of home. Add lines 8 through 27b	<b>28</b>		<b>26</b>	Wages (less employment credits)	<b>26</b>	
				<b>27a</b>	Other expenses (from line 48)	<b>27a</b>	
				<b>b</b>	Energy efficient commercial bldgs deduction (attach Form 7205)	<b>27b</b>	

**SCHEDULE E**  
**(Form 1040)**

Department of the Treasury  
Internal Revenue Service

**Supplemental Income and Loss**

(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)

Attach to Form 1040, 1040-SR, 1040-NR, or 1041.  
Go to [www.irs.gov/ScheduleE](http://www.irs.gov/ScheduleE) for instructions and the latest information.

OMB No. 1545-0074

**2024**

Attachment  
Sequence No. **13**

Name(s) shown on return

Your social security number

**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**. 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 2024 that would require you to file Form(s) 1099? See instructions. . . . ☐ Yes ☐ No

**B** If "Yes," did you or will you file required Form(s) 1099? . . . . ☐ Yes ☐ No

**1a** Physical address of each property (street, city, state, ZIP code)

<b>A</b>	
<b>B</b>	
<b>C</b>	

<b>1b</b> Type of Property (from list below)	<b>2</b> 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.	<b>Fair Rental Days</b>	<b>Personal Use Days</b>	<b>QJV</b>
<b>A</b>		<b>A</b>		<input type="checkbox"/>
<b>B</b>		<b>B</b>		<input type="checkbox"/>
<b>C</b>		<b>C</b>		<input type="checkbox"/>

**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:**

**3** Rents received . . . . .

**4** Royalties received . . . . .

**Expenses:**

**5** Advertising . . . . .

**6** Auto and travel (see instructions) . . . . .

**7** Cleaning and maintenance . . . . .

**8** Commissions . . . . .

**9** Insurance . . . . .

**10** Legal and other professional fees . . . . .

**11** Management fees . . . . .

**12** Mortgage interest paid to banks, etc. (see instructions) . . . . .

**13** Other interest . . . . .

**14** Repairs . . . . .

**15** Supplies . . . . .

**16** Taxes . . . . .

**17** Utilities . . . . .

**18** Depreciation expense or depletion . . . . .

**19** Other (list) \_\_\_\_\_

**20** Total expenses. Add lines 5 through 19 . . . . .

**21** Subtract line 20 from line 3 (rents) and/or 4 (royalties). If

**Properties:**

**A**

**B**

**C**



Employee (W2)	Entrepreneur (no W2)
<p>Deduction</p> <ul style="list-style-type: none"><li>• Retirement contribution</li><li>• HSA &amp; FSA</li></ul> <p>Tax Withholding</p> <ul style="list-style-type: none"><li>• Federal and State Tax Withholding</li><li>• Payroll Tax</li></ul>	<p>Deduction</p> <ul style="list-style-type: none"><li>• Retirement contribution</li><li>• HSA &amp; FSA</li><li>• Business Expense</li></ul> <p>Tax Withholding</p> <ul style="list-style-type: none"><li>• Can be none</li></ul>

## BUSINESS APPLICATIONS

U.S. Business Applications:	FEB 2025	FEB 2025 / JAN 2025
Total	423,144	7.8%°
High-Propensity	145,305	4.7%°
With Planned Wages	44,262	6.2%°
From Corporations	53,624	-1.6%°

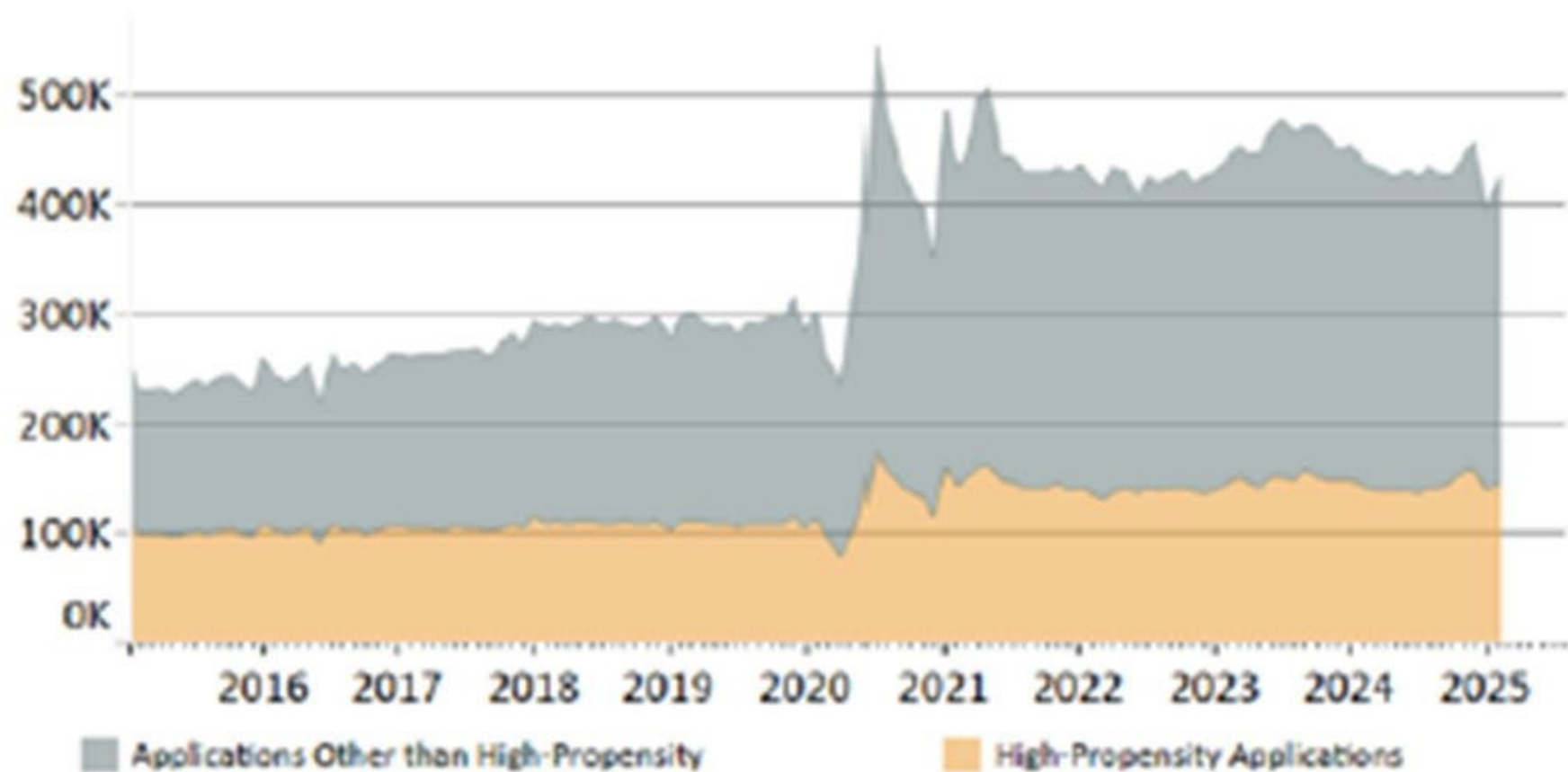
Next release: April 10, 2025

(°) Statistical significance is not applicable or not measurable.

Data adjusted for seasonality.

Source: U.S. Census Bureau, Business Formation Statistics, March 12, 2025

## Monthly Business Applications (Seasonally Adjusted)



Source: U.S. Census Bureau, Business Formation Statistics, March 12, 2025

## **High-propensity businesses**

- ❖ **As those that have a higher likelihood of becoming businesses with employees and payroll capabilities.**
- ❖ **Dependent on an IRS Form SS-4 submission, businesses are deemed high-propensity based on characteristics associated with a high level of business formation**

## From Google AI:

- As of 2023, the U.S. Census Bureau counted approximately 84.33 million families in the United States
- There are approximately 34.8 million small businesses (500 employees or less) in the US, accounting for 99.9% of all businesses, and employing 59 million workers
- **Businesses with fewer than 20 employees:** 89.0%
- **Businesses with fewer than 10 employees:** 78.5%
- In the US, a significant portion of small businesses, over 80%, are solo ventures, meaning they are managed solely by their owners with no additional employees



## **Importance of Solo Entrepreneurs:**

- ❖ Solo entrepreneurs play a vital role in the US economy, demonstrating independence and self-reliance.
- ❖ American cultural values: Individual freedom and self reliance, equality of opportunity and competition, the American dream and hard work.
- ❖ Chinese cultural values: justice, courtesy, wisdom, honesty, loyalty, self-discipline, and commitment

# Types of the businesses

- ❖ Sole Proprietorship
- ❖ Partners
- ❖ LLC
- ❖ C Corporation:
  - Foreign shareholders
  - More than 100 employees
  - Double-taxation
- ❖ S Corporation:
  - Less than 100 employee
  - All shareholders are US based
  - Pass through entity

# Who can file Schedule C

- ❖ **Sole Proprietor:**

- Anyone operating a business,
- No need to file a business with State
- Local city or county government may require license such as rental license, plumber license etc

- ❖ **1099-NEC**

- ❖ **Member of single person LLC, a partnership, a S Corp**

- ❖ **People with a W2 employment and a side business or contract (no W2)**

**SCHEDULE C**  
**(Form 1040)**Department of the Treasury  
Internal Revenue Service**Profit or Loss From Business**  
(Sole Proprietorship)Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.  
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C Business name. If no separate business name, leave blank.		<b>D</b> Employer ID number (EIN) (see instr.)
E Business address (including suite or room no.) City, town or post office, state, and ZIP code		
F Accounting method: (1) <input 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 2024? If "No," see instructions for limit on losses		<input type="checkbox"/> Yes <input type="checkbox"/> No
H If you started or acquired this business during 2024, check here		<input type="checkbox"/>
I Did you make any payments in 2024 that would require you to file Form(s) 1099? See instructions		<input type="checkbox"/> Yes <input type="checkbox"/> No
J If "Yes," did you or will you file required Form(s) 1099?		<input type="checkbox"/> Yes <input 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
2	Returns and allowances		2
3	Subtract line 2 from line 1		3
4	Cost of goods sold (from line 42)		4
5	Gross profit. Subtract line 4 from line 3		5
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

**Part II** **Expenses.** Enter expenses for business use of your home **only** on line 30.

8	Advertising	8	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
12	Depletion	12	b Other business property	20b
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	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	23 Taxes and licenses	23
16	Interest (see instructions):		24 Travel and meals:	
a Mortgage (paid to banks, etc.)	16a		a Travel	24a
b Other	16b		b Deductible meals (see instructions)	24b
17	Legal and professional services	17	25 Utilities	25
28	Total expenses before expenses for business use of home. Add lines 8 through 27b	28	26 Wages (less employment credits)	26
			27a Other expenses (from line 48)	27a
			b Energy efficient commercial bldgs deduction (attach Form 7205)	27b

# Car mileage:

- Standard mileage rate: For business: \$.67/mile for 2024, \$.70/mile for 2025
  - Low maintenance car
  - Using less gas
  - No good bookkeeping
  - *50 miles round trip from Woodbury to this Office, then on my way back to Shanghai Market to purchase Tofu Silk: tax deduction \$35*
- Actual expenses:
  - Good bookkeeping;
  - Need to pro rata if used for multiple purposes;
  - High depreciation car
  - High maintenance car
  - High use of gas etc



## typical driver, mileage method

*10,000 miles per year, half for work*



5,000 *recorded work miles*

x 54.5 ¢ *std mileage (2018)*

---

**\$2,725**

*tax write offs claimed by using  
**standard mileage method***

## typical driver, expense method

10,000 miles per year, half for work



\$1,500



gas

500 gallons, \$3 / gallon

+ \$3,000



depreciation

\$20k car price, 3 yrs old

+ \$1,500



insurance

\$125 / mo

+ \$400



repairs

US average

+ \$100



oil

US average

+ \$160

\* misc

AAA, registration, etc

---

\$6,760 x 50% driving for work ratio

---

**\$3,380**

tax write offs claimed by using the  
**actual car expense method**

## **Tip:**

- **Create a separate account for schedule C based business**
- **Acquire a separate credit card for schedule C based expense**

## **Contract Labor over \$600:**

❖ 1099-NEC

❖ W9 form

## Depreciation:

- Special depreciation allowance for qualified properties and 80% bonus depreciation
- 7 years, 27 years depending on property types
- Certain properties like computers may be classified as office expense then may not be able to depreciation
- From IRS perspective, it would always assume you do depreciation no matter you do it or not.



## **Business Trips:**

- ❖ Needs to be mostly on business;
- ❖ If less than or equal to 50%, then need to pro rata
- ❖ Necessary

## **Meals and Activities:**

- ❖ **100% Deductible Expenses:** Includes holiday parties, open house meals, and certain business-critical meals.
- ❖ **50% Deductible Expenses:** Includes client meals, business travel meals, and food for in-office meetings.
- ❖ **Non-Deductible Expenses:** Includes entertainment (e.g., sporting events) and club memberships

## **Hiring minors in family and paying salary:**

- ❖ Encouraged by the IRS with tax benefits
- ❖ Give them an actual job:
- ❖ Make sure the work suits the child as well:
- ❖ Pay reasonable wages:
- ❖ Follow employment laws:
- ❖ Keep good records:

## **Benefits and rules:**

- ❖ Shift income from a higher tax bracket to a lower one
- ❖ Have an actual job as minors
- ❖ Your child must be under age 18 for wages to be exempt from Social Security and Medicare taxes.
- ❖ Once your child reaches age 21, you have to pay federal unemployment taxes on their wages.

## Google AI:

- ❖ The minimum income amount to file taxes depends on your filing status and age.
- ❖ For 2024, the minimum income for Single filing status for filers **under age 65** is \$14,600.
- ❖ If your income is below that threshold, you generally do not need to file a federal tax return.
- ❖ If earn less than the standard deduction or the total of your itemized deductions,
- ❖ If you have a certain number of dependents,
- ❖ If you work abroad and are below the required thresholds,
- ❖ If you're a qualifying non-profit organization.

## Home Office Deduction: Schedule C line 30

- ❖ Simple method:  $\$5/\text{sq} \times 300 \text{ sq (max)} = \$1,500$ 
  - Need to have actual income
- ❖ Actual Expense: IRS Form 8829



Windows taskbar showing search bar, taskbar icons (Edge, File Explorer, OneDrive, PowerPoint, etc.), system tray (clock, temperature, network, etc.), and date/time (2:25 PM, 10/29/2023).

Q

13	Multiply line 12, column (b), by line 7 . . . . .	13	4022.68	
14	Add line 12, column (a), and line 13 . . . . .	14	4022.68	
15	Subtract line 14 from line 8. If zero or less, enter -0- . . . . .	15	0	
16	Excess mortgage interest (see instructions) . . . . .	16		
17	Excess real estate taxes (see instructions) . . . . .	17		
18	Insurance . . . . .	18	3609	
19	Rent . . . . .	19		
20	Repairs and maintenance . . . . .	20	3200	
21	Utilities . . . . .	21	3435	
22	Other expenses (see instructions) . . . . .	22		
23	Add lines 16 through 22 . . . . .	23	10244	
24	Multiply line 23, column (b), by line 7 . . . . .	24	6863.48	
25	Carryover of prior year operating expenses (see instructions) . . . . .	25		
26	Add line 23, column (a), line 24, and line 25 . . . . .	26	6863.48	
27	Allowable operating expenses. Enter the <b>smaller</b> of line 15 or line 26 . . . . .	27	0	
28	Limit on excess casualty losses and depreciation. Subtract line 27 from line 15 . . . . .	28		
29	Excess casualty losses (see instructions) . . . . .	29		
30	Depreciation of your home from line 42 below . . . . .	30	6168.42	
31	Carryover of prior year excess casualty losses and depreciation (see instructions) . . . . .	31		
32	Add lines 29 through 31 . . . . .	32	6168.42	
33	Allowable excess casualty losses and depreciation. Enter the <b>smaller</b> of line 28 or line 32 . . . . .	33	0	
34	Add lines 14, 27, and 33 . . . . .	34	4022.68	
35	Casualty loss portion, if any, from lines 14 and 33. Carry amount to <b>Form 4684</b> . See instructions . . . . .	35		
36	<b>Allowable expenses for business use of your home.</b> Subtract line 35 from line 34. Enter here and on Schedule C, line 30. If your home was used for more than one business, see instructions . . . . .	36	4022.68	
<b>Part III Depreciation of Your Home</b>				
37	Enter the <b>smaller</b> of your home's adjusted basis or its fair market value. See instructions . . . . .	37	534900	
38	Value of land included on line 37 . . . . .	38	160800	
39	Basis of building. Subtract line 38 from line 37 . . . . .	39	374100	
40	Business basis of building. Multiply line 39 by line 7 . . . . .	40	250647	
41	Depreciation percentage (see instructions) . . . . .	41	2.461%	
42	Depreciation allowable (see instructions). Multiply line 40 by line 41. Enter here and on line 30 above . . . . .	42	6168.42	
<b>Part IV Carryover of Unallowed Expenses to 2023</b>				
43	Operating expenses. Subtract line 27 from line 26. If less than zero, enter -0- . . . . .	43		
44	Excess casualty losses and depreciation. Subtract line 33 from line 32. If less than zero, enter -0- . . . . .	44		

# What can or can't be deducted?

- ❖ Ordinary and necessary;
- ❖ No fine or penalties
- ❖ No political contributions;
- ❖ No illegal activities
- ❖ No capital expense ( need to depreciated)
- ❖ No hobby losses
- ❖ No personal access



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<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>	
<b>5</b>	<b>Gross profit.</b> Subtract line 4 from line 3	<b>5</b>	
<b>6</b>	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	<b>6</b>	
<b>7</b>	<b>Gross income.</b> Add lines 5 and 6	<b>7</b>	

**Part II** **Expenses.** Enter expenses for business use of your home **only** on line 30.

<b>8</b>	Advertising	<b>8</b>		<b>18</b>	Office expense (see instructions)	<b>18</b>	
<b>9</b>	Car and truck expenses (see instructions)	<b>9</b>		<b>19</b>	Pension and profit-sharing plans	<b>19</b>	
<b>10</b>	Commissions and fees	<b>10</b>		<b>20</b>	Rent or lease (see instructions):		
<b>11</b>	Contract labor (see instructions)	<b>11</b>		<b>a</b>	Vehicles, machinery, and equipment	<b>20a</b>	
<b>12</b>	Depletion	<b>12</b>		<b>b</b>	Other business property	<b>20b</b>	
<b>13</b>	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	<b>13</b>		<b>21</b>	Repairs and maintenance	<b>21</b>	
<b>14</b>	Employee benefit programs (other than on line 19)	<b>14</b>		<b>22</b>	Supplies (not included in Part III)	<b>22</b>	
<b>15</b>	Insurance (other than health)	<b>15</b>		<b>23</b>	Taxes and licenses	<b>23</b>	
<b>16</b>	Interest (see instructions):			<b>24</b>	Travel and meals:		
<b>a</b>	Mortgage (paid to banks, etc.)	<b>16a</b>		<b>a</b>	Travel	<b>24a</b>	
<b>b</b>	Other	<b>16b</b>		<b>b</b>	Deductible meals (see instructions)	<b>24b</b>	
<b>17</b>	Legal and professional services	<b>17</b>		<b>25</b>	Utilities	<b>25</b>	
<b>28</b>	<b>Total expenses</b> before expenses for business use of home. Add lines 8 through 27b	<b>28</b>		<b>26</b>	Wages (less employment credits)	<b>26</b>	
				<b>27a</b>	Other expenses (from line 48)	<b>27a</b>	
				<b>b</b>	Energy efficient commercial bldgs deduction (attach Form 7205)	<b>27b</b>	

# Line 14

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

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

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

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



# 2024 RETIREMENT PLAN CONTRIBUTION AND AGI LIMITS

Type of Limit	Max Amount 2024	Max Amount 2025	Funding Deadline
Self-only HSA (double for Family) Catch Up (Age 55+)	\$4,150 +\$1,000	\$4,300 (\$8,550) +\$1,000	April 15 of the next year
IRA/Roth IRA Catch Up (Age 50+)	\$7,000 +\$1,000	\$7,000 +\$1,000	April 15 of the next year
SIMPLE Plan* SIMPLE Catch Up (Age 50+)	\$16,000 +\$3,500	\$16,500 +\$3,500	Immediately following last payroll of the calendar year or 12/31
401(K)/SOLOK/403(b)/457* Catch Up (Age 50+)	\$23,000 +\$7,500	\$23,500 +\$7,500	By the last payroll of the calendar year or 12/31. For SE's in some cases March
SEP (lesser of 25% of profit or max)	\$69,000 Max compensation \$345,000	\$70,000 Max compensation \$350,000	Tax filing deadline plus extensions
Defined Contribution Plan* (lesser of 25% of profit or max)	\$69,000	\$70,000	For profit sharing/matching contribution: Tax filing deadline plus extensions
Defined Benefit Plan*	\$275,000	\$280,000	Tax filing deadline plus extensions

\*Qualified plans must be established by year end even though funding is not required at that time.  
SIMPLE & Safe Harbor 401(K) plans must be established by Oct 1 of the funding year.



# SEP IRA CONTRIBUTION AMOUNT FOR SCH C

Net profit from self-employment

20,000

-

50% of self-employment tax

$20,000 \times 15.3\% / 2 = 1,530$

After SET net profit

\$18,470

x

Self-employed rate as a decimal

0.200000

SEP Max contribution amount for you

**\$3,694**

# SEP IRA CONTRIBUTION AMOUNT FOR SCH C WHO MAX OUT 401(K) AT WORK

Net profit from self-employment  
20,000

-

50% of self-employment tax  
 $20,000 \times 2.9\% / 2 = 290$

(If at work your salary over 147,000 in 2022, your business income will only subject to MI)

After SET net profit  
\$19,710

x

Self-employed rate as a decimal  
0.200000

SEP Max contribution amount for you  
**\$3,942**

Add on 401(k) and match in total  $\leq 69,000(2024)$

# QUALIFIED BUSINESS INCOME DEDUCTION

Net profit from self-employment

20,000

-

50% of self-employment tax

$20,000 \times 15.3\% / 2 = 1,530$

-

Self-employment pension plan

\$3,694

-

Self-employment health insurance plan

\$ 0

Qualified business income

\$14,776


X

0.20

Qualified Business Income Deduction

**\$2,955** (Federal Tax Saving \$709)

# EMPLOYEE BENEFITS

- Group Health Insurance Premium
- Group Term Life Insurance Premium
- Employee Parking Reimbursement
- Cafeteria Plan – Flex Spending (FSA carried over \$610 )
- Health Savings Account (HSA \$3850 in 2023, \$4150 in 2024)
- Health Reimbursement Arrangement (HRA \$1950 in 2023; \$2100 in 2024)
- Tuition Reimbursement (\$5,250) 



## Line 15

**Deduct premiums paid for business insurance on line 15. Deduct on line 14 amounts paid for employee accident and health insurance. Do not deduct amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for your lost earnings due to sickness or disability. For details, see chapter 6 of Pub. 535.**

Examples: HO6 insurance, etc

# Line 19

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

This deduction may be subject to limitations. For more information on potential limitations, see Pub. 560. In most cases, you must file the applicable form listed below if you maintain a pension, profit-sharing, or other funded-deferred compensation plan. The filing requirement is not affected by whether or not the plan qualified under the Internal Revenue Code, or whether or not you claim a deduction for the current tax year. There is a penalty for failure to timely file these forms.

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

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

**Form 5500.** File this form electronically with the Department of Labor (at [efast.dol.gov](https://efast.dol.gov)) for a plan that does not meet the requirements for filing Form 5500-EZ or Form 5500-SF. For details, see Pub. 560.



## Schedule 1 (Form 1040) 2022



<https://www.irs.gov/retirement-plans/self-employed-individuals-calculating-your-own-retirement-plan-contribution-and-deduction>

### **Plan compensation for a self-employed individual**

To calculate your plan compensation, you reduce your net earnings from self-employment by:

- the deductible portion of your SE tax from your Form 1040 return, Schedule 1, on the line for deductible part of self-employment tax, and
- the amount of your own (not your employees') retirement plan contribution from your Form 1040 return, Schedule 1, on the line for self-employed SEP, SIMPLE, and qualified plans.

You use your plan compensation to calculate the amount of your own contribution/deduction. **Note** that your plan compensation and the amount of your own plan contribution/deduction depend on each other - to compute one, you need the other (this is a circular calculation). One way to do this is to use a reduced plan contribution rate. You can use the [Tables and Worksheets for the Self-Employed \(Publication 560\)](#) to find the reduced plan contribution rate to calculate the plan contribution and deduction for yourself.

### **Deducting retirement plan contributions**

Total limits on plan contributions depend in part on your plan type. See the [contribution limits](#) for your plan.

A limit applies to the amount of annual compensation you can take into account for determining retirement plan contributions. This limit is \$330,000 in 2023, \$305,000 in 2022, \$290,000 in 2021, \$285,000 in 2020 and \$280,000 in 2019 and is [adjusted annually](#).

Plan contributions for a self-employed individual are deducted on Form 1040, Schedule 1 (on the line for self-employed SEP, SIMPLE, and qualified plans) and not on the Schedule C. If you made the deduction on Schedule C, or made and deducted more than your allowed plan contribution for yourself, you must amend your Form 1040 tax return and Schedule C.

You should amend your Form 1040 tax return and Schedule C if you:

- deducted your own plan contribution on Schedule C instead of on Form 1040, Schedule 1, or
- made and deducted more than the allowable plan contribution for yourself.

If you contributed more for yourself than your plan terms allowed, you should also correct this plan qualification failure by

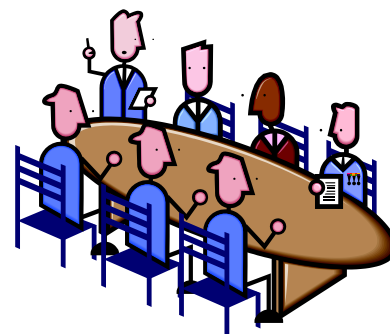
# 企业退休和福利计划的选择

## 自雇或者无 员工企业主



- SEP (简易雇员退休金计划)
- Single K (个人401k计划)
- Single DB (个人DB计划)

## 有员工的企业主



- Simple IRA (储蓄激励配比计划)
- **401k (401k 退休储蓄计划)**
- **Profit Sharing (盈利分享退休计划)**
- Defined Benefit Plan (退休福利计划)
- Cash Balance Plan (现金余额计划)
- NQDCs (递延报酬计划)
- Executive Bonus Life (高管保险计划)
- Key Person Life with Buy-Sell Agreement (关键人保险和买卖协议)

# 什么样的收入可以计算入退休账户（必须是劳务收入）

## Compensation Quick Reference Chart

Entity Type	Source of Income	Compensation for Plan
Corporation	W-2 Income	W-2 Income
S-Corporation	W-2 + Schedule K-1	W-2 Income only
Sole Proprietorship	Schedule C (net profit)	Earned Income (calculate)*
Partnership	Schedule K-1 (net profit)	Earned Income (calculate)*

- **Earned Income = net profit minus 1/2 self employment tax minus plan contribution.** Deductions for sole proprietors and partners are limited to net profit minus 1/2 self-employment tax.

# 2025年度退休账户限制一览表

项目	2025年	2024年
401(k)和403(b), 457 员工收入抵扣额度	23,500	23,000
401(k), 403(b), 457, 补充额度 (Aged 50-59 and 64+, thanks to SECURE 2.0)	11,250	7,500
401(k), 403(b), 457, 补充额度 (Aged 60-63)	7,500	7,500
Combined Employee and Employer Contribution Limit	70,000	69,000
SIMPLE 员工收入抵扣额度	16,500	16,000
SIMPLE 补充额度 (50岁以上员工)	3,500	3,500
退休金计算收入上限	350,000	345,000
DB计划年收入福利上限	280,000	275,000
415 Profit Sharing, SEP 年存入额度上限制	70,000 or 25% of income	65,000
HCE 高收入员工收入界定	160,000	155,000
Key Employee 关键员工收入界定	230,000	225,000
社会保障应税工资基数	176,100	168,600

# IRA账户

	IRA	Roth IRA
参与条件	个人： \$6,000, 50岁以上\$7,000 有Earned Income, 无年龄限制	个人： \$6,000, 50岁以上\$7,000 有Earned Income, 无年龄限制
税务好处	抵税 + 缓税	缓税 + 免税
收入限制	无, 抵税有收入限制	有 (2021 MAGI \$198k-\$208k)
取用条件	缴收入所得税, 59.5岁前10%罚金	59.5岁前本金随意取用, 利息5年rule, 59.5岁后随意支取
强制取钱	72岁RMD	无限制
非配偶传承	10年内用完	无限制

# SEP and Solo K

	SEP	Solo K
资金存入要求	一部分 公司放钱： <ul style="list-style-type: none"><li>• 工资的25%</li><li>• 或者公司调整盈利的20%</li></ul> 上限(\$61,000, 2022年)	两部分 个人401k/Roth 401k部分： 上限\$20,500 公司放钱Profit Sharing： <ul style="list-style-type: none"><li>• 工资的25%</li><li>• 或者公司调整盈利的20%</li></ul> 上限(\$61,000, 2022年)
税务好处	抵税 + 缓税	抵税 + 缓税
参与条件和维护	“松”员工：最严超过21岁，5年内工作满3年，年收入超过\$600, 合格员工必须放一样比例。维护简单不需要filing。	员工：最严超过21岁，工作满一年，年工作超过1000小时。维护简单，额度在\$250k以下不需要filing 5500表
成立时间	报税截至日期前	年末12/31

如果你今年business收入\$100k? 两个账户各可以放多少?

## Page 2



## **Part III Cost of Goods Sold:**

- ❖ **Have inventory**
- ❖ **Online business**
- ❖ **Certain international trades**

## Part IV Car usage

## **Part V: Other Expense**

## Can I deduct life insurance premiums as a business expense LLC?

Although the Internal Revenue Service permits LLCs to deduct most insurance premiums as a business expense, life insurance premiums are not eligible. But, if you are the owner of an LLC and are paying life insurance premiums for employees, these premiums may be deductible.

## **The most common triggers for a Schedule C audit are:**

- ❖ **Failing to report all of your self-employment income**
- ❖ **Claiming incorrect tax deductions (deducting personal expenses as business expenses)**
- ❖ **Failing to report capital gains when you sell business property**
- ❖ **Exceeding the standard mileage deduction**
- ❖ **Overstated business losses**
- ❖ **A Schedule C that is significantly inconsistent with previous years or other similar taxpayers**
- ❖ **Operating in a cash-heavy or “risky” industries**

# BUSINESS TAX RETURN FORMS AND DUE DATE

- Partnership: Form 1065 due on 3/15
- S Corp: Form 1120S due on 3/15
- Sole Proprietorship: Schedule C of Form 1040 due 4/15
- C Corp: Form 1120 due on 4/15



# Q&A?

