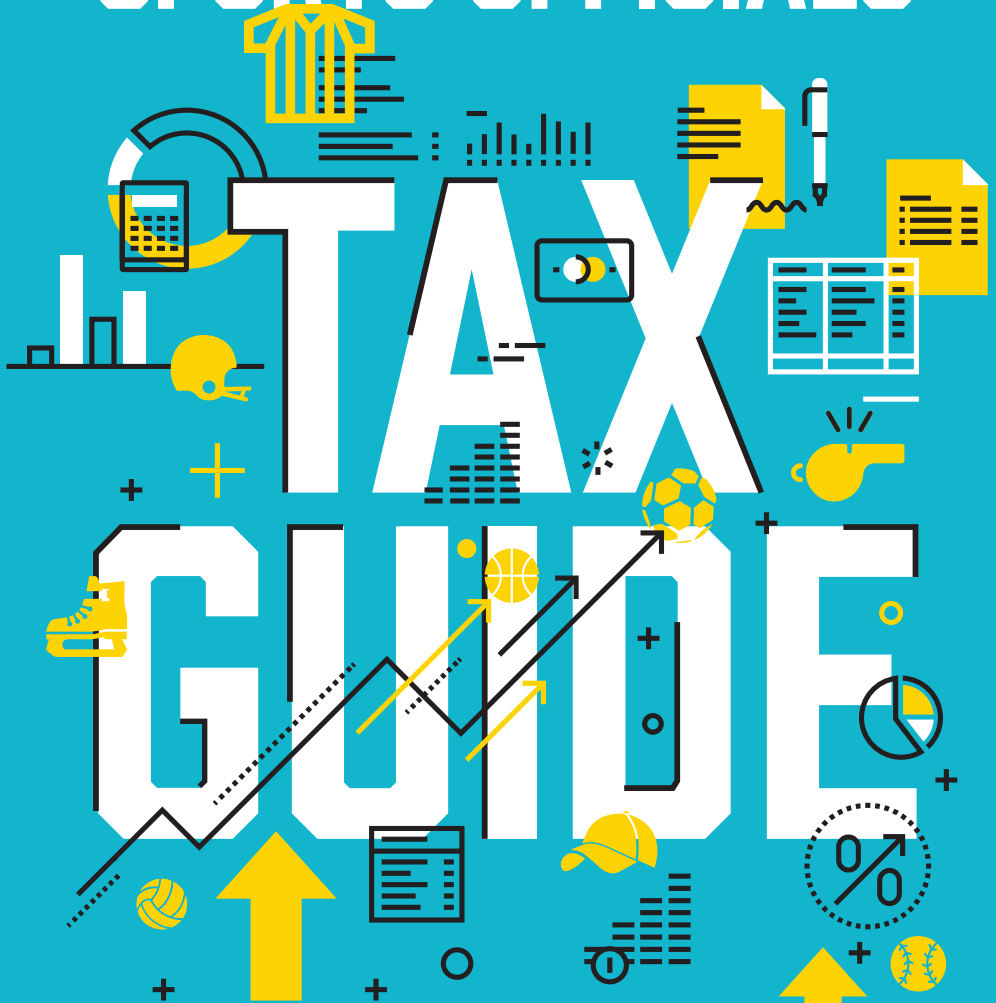


UPDATED FOR THE 2023 TAX YEAR

# SPORTS OFFICIALS

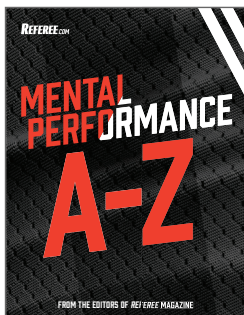
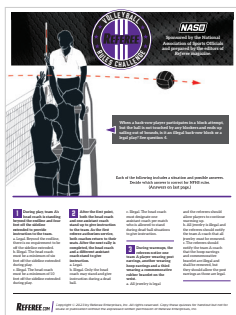


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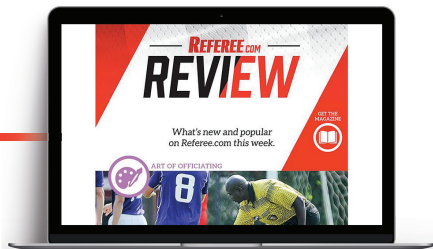
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# ***2023 SPORTS OFFICIALS TAX GUIDE***

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# INTRODUCTION

Due to the nature of our business, the Internal Revenue Service takes a critical look at the income tax filings made by sports officials – professional and amateur.

Referee and the National Association of Sports Officials (NASO) are here to help you prepare for those situations. Information on the taxation of sports officials, and how income and expenses are determined and viewed by taxing jurisdictions, is contained within this booklet.

The information is only a guide; you should contact a CPA or tax professional for advice pertinent to your particular situation.

## HOW TO USE THIS GUIDE

Throughout the following pages, references are made to various tax forms and tables, identified as “Exhibits.” Samples of those documents are located on pages 21-27 in the “Tables and Forms” section.



## HOW DO I WANT TO BE TAXED BY THE IRS?

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To a certain extent we can choose how we want to be viewed by the IRS when reporting our income for tax purposes. We don't have a choice if we are considered an employee for tax purposes. Employees are individuals who provide services for employers within an employment relationship. All officials at the professional level are considered employees. It is estimated that there are close to 500,000 amateur sports officials, from the local municipal recreation level up to Division I NCAA. A very small percentage, estimated at less than 5%, of these officials are employees. A recent D.C. federal circuit court ruling reinforced IRS determinations that sports officials are independent contractors. Independent contractors are individuals who provide services outside an employment relationship. Generally, they are self-employed. This is where your choice comes in. More and more officials are choosing to create a Limited Liability Company (LLC) to represent their tax status with the IRS. (We will not discuss the legal issues of forming an LLC in this guide.) A single member LLC, which is what officials would create, are taxed by default as a sole proprietor. This would be no different than a self-employed individual. However, as a single member LLC you do have the option of asking the IRS to treat you as a Subchapter S Corporation. Choosing this option would require filing a corporate tax return, Form 1120S, as well as your individual return Form 1040. The tax treatment of income and expenses in the following portions of this guide is the same regardless of the entity status you choose. There are other requirements involved with an S Corporation so please consult a CPA or other tax professional if you are considering such an option.

## TAX CONSIDERATIONS (EXHIBIT 1)

When sports officials are treated as employees, their income is reported as wages on page one of Form 1040. Income includes payment for services provided and amounts reimbursed for job-related expenses. If the expenses incurred are not reported to the employer or are reimbursed at an amount different from that which would be deductible, the difference would be reported as income.

The employee pays income tax on that income through wage withholding based on information provided to the employer on Form W-4. In addition, the employee must also pay Social Security tax at 6.2% and Medicare at 1.45%. The employee also satisfies the payment of the tax through payroll withholding.

The employer matches the Social Security and Medicare tax of each employee.

When sports officials are treated as independent contractors, they are responsible for payment of their own income taxes as well as Social Security and Medicare taxes. Officials who receive more than \$600 from any individual payer should receive a Form 1099-NEC. Depending on the net amount of officiating income (gross income minus expenses), the official may have to pay those taxes by making estimated tax payments, referred to as quarterly payments. However, the due dates of those payments are not tied to calendar quarters. They are due April 15, June 15, September 15 and January 15. The reason is to get self-employed individuals on a pay-as-you-go system, similar to employees who pay taxes through payroll withholding. The taxes that are due are based on the gross income, less expenses, that are known as of the date of the estimate. If officiating is a part-time or seasonal job, you may be able to satisfy those tax payments through additional withholding from earnings from your primary employment. That keeps things simple and may save a penalty since payroll withholdings are considered paid equally throughout the year, whereas estimated tax payments are considered paid the date they are received by the IRS. Failure to pay sufficient estimated taxes through that method may result in a penalty for underpayment.

The self-employment tax for independent contractors is equal to the employer and employee share of Social Security and Medicare taxes, 15.3%. The good news is that one-half of the tax is deductible from

gross income. An official who files a tax return as an independent contractor will complete a Schedule C, Profit or Loss From Business (Sole Proprietorship) to determine how much income is subject to income tax and self-employment tax.

Another issue for the independent contractor is fringe benefits. An employee is generally taken into account for purposes of the employer's retirement and fringe benefit plans. Accordingly, an employee may be eligible for health insurance, educational assistance and many other tax-advantaged benefits. An employee may also be eligible for unemployment compensation and worker's compensation for job-related injuries or disabilities. Independent contractors generally must provide their own retirement and fringe benefit plans and have no protection when they cannot work due to injury, unless they have purchased disability coverage. Health and disability insurance premiums are deductible for income tax purposes when purchased by an independent contractor. Life insurance is not deductible.





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If you are being paid as an employee, your income includes payment for services rendered. Employers treat this as wages and these wages are subject to income tax withholding, Social Security and Medicare tax withholding. Wages are reported to you on Form W-2 by January 31 for the preceding calendar year. If your employer is reimbursing you for expenses, they may report them to you one of two ways:

First, if your employer is reimbursing your expenses dollar for dollar, any reporting to you by your employer is for information only. The amount is not subject to income tax, Social Security or Medicare tax. You are not required to report those reimbursements as income nor are you allowed a deduction for the expenses. Those amounts offset each other and are not reported on your tax return.

Second, if you do not report to your employer your expenses and instead receive amounts to help offset your various expenses (i.e. an expense allowance), your employer will include the reimbursements as income on your Form W-2. If your employer pays for your expenses directly, for example, gives you a plane ticket or hotel reservations paid in advance, those items are not income to you unless you negotiate the items for cash and a lesser service. Trading a first-class airline ticket for a coach or business class ticket (one of lesser value) and “pocketing” the difference is not illegal. However, you must report the difference (savings) as income.

If you report your income as an independent contractor, your income from officiating includes all amounts received. You will report all

receipts on Schedule C. Types of income you might receive include a flat fee for officiating a game, reimbursement for some or all of your deductible or nondeductible mileage and amounts for out-of-town expenses like hotel and meals (per diem).

The Tax Cuts and Jobs Act (TCJA) allows individuals with small businesses and pass-through entities to have a deduction of Qualified Business Income (QBI). In other words, if you file a Schedule C as a sole proprietor (most officials) or you have a Limited Liability Company that files Form 1120S as an S Corporation, you will be able to deduct a portion of your net income.

QBI is defined by the IRS as “the net amount of qualified items of income, gain, deduction and loss, with respect to any domestic qualified trade or business of the taxpayer.” In non-tax speak, this means you add all of your qualified domestic trade or business (officiating) income then subtract deductions and expenses. The resulting amount is qualified business income. Taxpayers may claim the deduction for that QBI regardless of whether they claim the standard deduction or they itemize their deductions.

There are a few provisions that also will affect the deduction. First, the qualifier “domestic”. This means that the income and deductions must be incurred by a United States business. If you are one of the lucky few officials who get to work internationally, any income and deductions incurred outside of the United States are not included in the calculation for QBI. Second, if you have income from a “specified service trade or business” your QBI could be limited or even excluded. Specified service trade or business is defined by the IRS as “any trade or business involving the performance of services in the fields of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, or any trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employees or owners.” Again, in non-tax speak, officials perform services where their reputation and skill is the principal asset of the business so they have a specified service trade or business.

I mentioned above that the QBI could be limited if it is a specified service trade or business. Since the overall intent of the deduction is to help small businesses, Congress put in certain minimums before the limitations. So, if you are single or married but file a separate tax return

from your spouse, and your taxable income is equal to or less than \$182,100 then you are excluded from the limitation. If you are married and file a joint tax return, or you file as Head of Household, your taxable income can be equal to or less than \$364,200 before the limitation is in place. Above those income levels the deduction is phased out between \$182,100 and \$232,100 for single taxpayers and \$364,200 and \$464,200 for married taxpayers. Above those higher income levels the QBI deduction is eliminated for specified service businesses. Note that the thresholds are for taxable income which is your income from all sources, after all deductions.

Finally, the deduction is 20% of the QBI for most taxpayers, again with some exceptions and calculations. So for an easy example, if your net earnings from your U.S. officiating was \$40,000 your QBI deduction would be 20% of that amount or \$8,000. For most officials, the TCJA means you will only pay income taxes on 80% of your net earnings. You will still be responsible for self-employment taxes however.

One down side to the TCJA is that officials who receive a W-2 as an employee will no longer be able to deduct their expenses related to officiating, as those unreimbursed business expenses previously deducted as part of Schedule A have been eliminated.



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The sports official has many ways to create expenses. Some of the expenditures are deductible for income tax purposes and some are not. Generally, any items that are personal in nature are not deductible, and items that have a business purpose are deductible. The tax law defines a trade or business expense as an amount that is ordinary and necessary to the business and paid during the tax year. Definitions of the components of that statement are:

1. “Ordinary” refers to an expense that is common and acceptable in the taxpayer’s type of business.
2. “Necessary” means it must be appropriate or helpful to the business. Deductible expenses must be both “ordinary and necessary.”
3. The term “trade” or “business” is generally defined as an activity undertaken with the expectation of making a profit. Actually making a profit is not required in order for the expense to be deductible.

What can and cannot be deducted? Remember, we are dealing in generalities. Anyone can have special circumstances that could apply to their specific case. Consult your own tax advisor with questions that involve your individual circumstances. There might be something unusual that will allow the deduction to be appropriate.

Officials who claim deductions for expenses and are independent contractors will do so on a Schedule C (see Exhibit 2). Officials classified as employees who have business expenses related to officiating are no longer allowed to deduct those costs.

The following are some types of expenses that officials may incur:

- Automobile
- Legal and Professional
- Travel
- Meals and Entertainment
- Dues and Subscriptions
- Uniforms
- Supplies
- Home Office Expense

## **AUTOMOBILE**

If you use your auto for officiating purposes, which most officials do, you may be able to deduct the expenses related to the operation of the auto. You must own or lease the car. Deductions can be computed using the standard mileage rate or actual expenses. Both methods require an accurate documentation of the number of miles driven for business and other use. Use of a basic auto log or the Sports Officials Game Log in Part 6 of this booklet can simplify that record-keeping requirement. There are many software options that track your mileage every time you drive.

1. The election to use the standard mileage rate must be made in the first year the car is available for use in your business and can be changed in later years (limits apply).
  - If you use the vehicle for more than 50% business use you may depreciate the vehicle purchase and you must use actual expenses or a reduced mileage rate - please see a professional to use this method.
  - or
  - Choose to deduct standard mileage rate (recommended).
2. Lease: you may not deduct both lease costs and the standard mileage rate. You can either:
  - Deduct the standard mileage rate for the business miles driven. If you choose this method, you must use the standard mileage rate method for the entire lease period (including renewals).
  - or
  - Claim actual expenses, which would include lease payments. If you choose this method, only the business-related portion of the lease payment is deductible.
3. You cannot use the car for hire (such as a taxi, Uber or Lyft).

4. You cannot operate two or more cars simultaneously. (Note: You can alternate between two vehicles and still use the standard mileage rate). Your deduction is equal to your business miles times the standard rate. The rate for 2023 is 65.5 cents per mile. You can also deduct any business-related parking fees and tolls. Speeding and parking fines are not deductible.

If you use actual expenses, the business percentage of your total miles is multiplied times your actual expenses to determine the amount of deduction. Actual expenses include gas, oil, insurance, repairs, maintenance and lease payments. If you use actual expenses you may be entitled to deduct depreciation. There are special rules for depreciation so consult a knowledgeable tax professional.

What miles are deductible? Exhibit 6 shows clearly what can and cannot be deductible. Generally, only your mileage from your primary job (assuming officiating is a second job) to your game site, meeting location, etc. is deductible. If you leave from home to a game or meeting, that is not deductible. If you have a home office, the rules are a little different. You can deduct from your home office to the game or meeting.

## LEGAL AND PROFESSIONAL

If you require any legal assistance connected to sports officiating and it falls under “ordinary and necessary,” it may be deductible. The IRS has issued a ruling allowing taxpayers to allocate a portion of their tax preparation fees to various tax-return schedules, including Schedule C, which means if you pay someone to prepare your tax return then a portion of that fee could be a deduction against officiating income.

## TRAVEL

For tax purposes, travel expenses are the “ordinary and necessary” expenses of traveling away from your tax home for officiating. They include transportation, lodging, meals and incidentals. (See Exhibit 7 for details.) What is your tax home? Generally, your tax home is where your regular place of business is located, regardless of where you maintain your family home. It includes the entire city or general area in which your primary place of employment is located. In simple language, you generally would have to remain overnight in order to qualify for travel expenses beyond transportation expenses.

It is necessary to keep a record of all expenses you incur and any advances you receive. You can use a log, diary, notebook or any other written record to keep track of those expenses. Exhibit 8 details what elements are required for proper record-keeping of various types of expenses.

## **MEALS**

Meals for 2023 are deductible at 50% in 2023 (Refer to Exhibit 7). The general rule is that meals are personal in nature and not deductible. For those expenditures to be deductible, they must meet very stringent record-keeping requirements. That is, the meal must be directly preceded or followed by a business activity. Documentation of who is in attendance, what business topic was discussed, and when/where the meal took place must be made at or close to the time the expense is incurred. Meals for building general goodwill in your business is not a deductible expense.

Entertainment is no longer deductible in most cases. Consult a tax professional for more information.

Meals while away from home for a business purpose are not required to pass the “directly related to a business activity” test. The fact you are away from home for business is sufficient to make those meals deductible. Meals while away from home, are subject to a 50 percent limitation.

## **DUES AND SUBSCRIPTIONS**

Dues and subscriptions that are specific to carrying out the duties of your job are generally deductible. Professional or trade association dues like NASO's or a subscription to Referee Magazine are examples of deductible dues and subscriptions. Booking fees are another example.

## **UNIFORMS**

You can deduct the cost and upkeep of work clothes only if you must wear them as a condition of your employment and they are not suitable for everyday wear. If the shirt you wear for officiating has a patch or emblem on it, it would be considered a uniform. Additionally, items considered protective clothing, like shin guards, chest protectors or steel-toe shoes, would be deductible. Clothing you can wear in your normal day to day that is not logo'd is not deductible e.g. Suit. Business clothes.

## SUPPLIES

Supplies necessary to carry out your officiating duties would also be deductible. Examples might be whistles, flags, penalty cards or a plate brush. Those supplies may vary by sport, but all sports require officials to have certain tools of the trade.

## HOME OFFICE EXPENSE

There is now a simpler option for computing the business use of your home. The simplified option can significantly reduce the record keeping burden by allowing a qualified taxpayer to multiply a prescribed rate by the allowable square footage of the office in lieu of determining actual expenses of the home office.

Taxpayers using the regular method instead of the optional method, must determine the actual expenses of their home office. Those expenses may include mortgage interest, insurance, utilities, repairs and depreciation. Generally, when using the regular method, deductions for a home office are based on the percentage of your home devoted to business use. So, if you use a whole room exclusively for conducting your business, you need to figure out the percentage of your home devoted to your business activities.

Regardless of the method chosen, there are two basic requirements for your home to qualify as a deduction:

### 1. Regular and Exclusive Use

You must regularly use part of your home exclusively for conducting business. For example, if you use an extra room to run your business, you can take a home office deduction for that extra room.

### 2. Principal Place of Your Business

You must show that you use your home as your principal place of business. If you conduct business at a location outside of your home (as all officials do), but also use your home substantially and regularly to conduct business, you may qualify for a home office deduction. For example, if you have a room solely for the purpose of storing uniforms, equipment, work desk and computer, even though you also carry on business at another location, you can deduct your expenses for the part of your home used exclusively and regularly for business. You



can deduct expenses for a separate free-standing structure, such as a studio, garage, or barn, if you use it exclusively and regularly for your business. The structure does not have to be your principal place of business or the only place where you conduct business.

Generally, deductions for a home office are based on the percentage of your home devoted to business use. So, if you use a room for conducting your business, you need to figure out the percentage of your home devoted to your business activities.

Unless a taxpayer qualified for the home office deduction, use of his auto from his home to the first job site within the metropolitan area is considered commuting and is non-deductible even though the home office might be the only location of the business. Remember that Exhibit 6 is only applicable if you do not qualify for the office in the home deduction.

The law around the home office deduction is very complex and not a do-it-yourself project. It is highly recommended that you seek tax advice before you file your return if claiming the home office deduction.

## **DOCUMENTATION**

Keep your receipts! They serve two purposes. First, they will aid you in preparing your tax return. Second, if your return is subjected to an audit, the receipts will help establish the validity of the expense. The basic rule of the IRS is that if it is not documented then it did not happen.



# PART 4

## FREQUENTLY ASKED QUESTIONS

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### ■ Are business gifts deductible?

■ If you give business gifts in the course of your trade or business, you can deduct all or part of the costs subject to the following limitations:

You deduct no more than \$25 of the cost of business gifts you give directly or indirectly to each person during your tax year.

If you and your spouse both give gifts to the same person, both of you are treated as one taxpayer.

Incidental costs such as engraving, packing or shipping aren't included in the \$25 limit if they don't add substantial value to the gift.

For purposes of the \$25 per person limit, don't consider gifts costing \$4.00 or less that have your business name permanently engraved on the item and which you distribute on a regular basis.

Any item that could be considered either a gift or as entertainment is generally considered entertainment and cannot be deducted.

You need to have records that prove the business purpose of the gift as well as the details of the amount spent.

### ■ What should I do if I receive notice from the IRS saying my return has been selected for examination?

■ Most examinations conducted by the IRS are requests for additional information. You will probably be able to respond to the request without hiring a professional. It would be prudent to let your tax return preparer (if you used one) know about the letter. If you are confused about the request then certainly you will want to seek out professional help.

If you received a notice of an examination that requires you to meet with an IRS agent then you definitely want to consult your CPA or tax

attorney. The most common mistake made by taxpayers who represent themselves is saying something that causes the examiner to look into issues other than those that they originally intended to audit. IRS agents are trained to audit the taxpayer, not just the return. With that frame of reference, some of the questions asked by the examiner are hot buttons or emotional areas for the taxpayer. To avoid the audit being based on emotions instead of facts, it is very important that the person dealing with the agent be knowledgeable about both the tax issues that may be raised and the system in which the auditor must work. Your most important job is having complete documentation in good order. That process starts when the expenses are incurred, not when your return is prepared or when your return is selected for examination. If you have knowingly understated your income or grossly overstated your deductions, what the IRS calls fraud, do not disclose that to anyone but your attorney. An attorney, not a CPA or tax preparer, is the only person having privileged communication.

**■ Do I have any retirement plan options from my officiating activity?**

**■** Yes. If you're being treated as an independent contractor, you may be able to contribute to a retirement plan over and above what you are doing now. The options and limitations available to you will vary based on the rest of your tax facts. This area requires consultation with a professional familiar with your situation and goals.

**■ Are the officiating camps I attend deductible?**

**■** Yes. Your education and training to stay current in your skills are directly related to the business of officiating. For example, your attendee fee for the NASO Sports Officiating Summit would be deductible. Some of the expense that might be incurred include travel, meals (at 50%) and registration fees. Keep careful record of those expenses at the time they are incurred. If your camp fee includes meals it is 100% deductible, no adjustment is required for the value of the meals.

**■ Is all my mileage deductible if I leave my primary employment and stop by home on the way to a game?**

**■** No. If you went home before you went to the game site, the miles from home to the game site would be personal miles. A simple way of looking at it is if you are going from one business location to another business location, your miles are business. If you are leaving from your home, the miles are personal. This gets even more complicated if your home is also your business location (office in the home). The key to maximizing the

deduction is keeping good records of the use of your vehicle and using common sense when traveling from your primary job to your officiating assignments, meetings, etc.

**■ If I receive my fee in cash, do I have to report it?**

■ Yes. Income is not determined based on how it is paid to you or how much it is. If you provided services for the cash, it is income to you. That will be true even if you do not receive a Form 1099 for the income.

**■ If I travel away from home overnight, can I deduct my spouse's expenses if she or he travels with me?**

■ No. Unless your spouse is also on a business related trip with you, those expenses are personal. Only your expenses would be deductible.

**■ Can I deduct my cell phone for use in my officiating business?**

■ Yes, you may deduct the amount related to your business. If you have a flat fee plan, you need to document the portion that is used for officiating, usually by looking at the minutes used.

**■ If I go to a game in the sport I officiate to watch the officials, can I deduct those expenses?**


■ Maybe. The expenses related to this activity will usually be personal and therefore nondeductible. The training you might gain is too ambiguous to be directly related to your business. If the purpose is to evaluate the officials for your association, then the expenses would be deductible.

**■ Can I deduct my computer?**

■ Again, maybe. If you are officiating as an independent contractor, then you can deduct the business portion of your computer. If you are officiating as an employee, the computer must be a condition of employment before the business portion would be deductible.

**■ How long should I keep my records?**

■ For federal purposes you should keep proof to support your claim to a deduction for as long as your income tax return can be examined. Generally, it will be necessary for you to keep your records for three years from the date you file the income tax return. A return filed early is considered as filed on the due date. The statute of limitations for state returns will vary by state. Check with your tax professional for your state requirements.



# PART 5

## TABLES & EXAMPLES

### EXHIBIT 1 TAX CONSIDERATIONS

TAX ISSUE	EMPLOYEE	INDEPENDENT CONTRACTOR
Payment of Income	Payroll Withholding	Estimated Tax Payments
Payment of Social Security Taxes	Payroll Withholding at 7.65%	Estimated Tax Payments Computed at 15.3%
Matching Social Security Taxes	Yes - By Employer at 7.65%	No
Eligible For Unemployment Compensation	Maybe	Maybe due to COVID-19
Qualified Business Income Deduction	No	Maybe
Income Reporting	W-2	1099-NEC

# EXHIBIT 2 SCHEDULE C: PAGE 1

<b>SCHEDULE C (Form 1040)</b>		<b>Profit or Loss From Business (Sole Proprietorship)</b>		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065. Go to <a href="http://www.irs.gov/ScheduleC">www.irs.gov/ScheduleC</a> for instructions and the latest information.		<b>2023</b> Attachment Sequence No. <b>09</b>
Name of proprietor			Social security number (SSN)	
A Principal business or profession, including product or service (see instructions)			B Enter code from instructions	
C Business name. If no separate business name, leave blank.			D 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 2023? 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 2023, check here			<input type="checkbox"/> Yes <input type="checkbox"/> No	
I Did you make any payments in 2023 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	
<b>Part I Income</b>				
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			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
<b>Part II Expenses. Enter expenses for business use of your home only on line 30.</b>				
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
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		26 Wages (less employment credits)	26
29	Tentative profit or (loss). Subtract line 28 from line 7		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		b Energy efficient commercial bldgs deduction (attach Form 7205)	27b
31	Net profit or (loss). 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> . • If a loss, you <b>must</b> go to line 32.			31
32	If you have a loss, check the box that describes your investment in this activity. See instructions. • If you checked 32a, enter the loss 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 the line 31 instructions.) Estates and trusts, enter on <b>Form 1041, line 3</b> . • If you checked 32b, you <b>must</b> attach <b>Form 6198</b> . Your loss may be limited.			32a <input type="checkbox"/> All investment is at risk. 32b <input type="checkbox"/> Some investment is not at risk.
For Paperwork Reduction Act Notice, see the separate instructions.			Cat. No. 11334P Schedule C (Form 1040) 2023	

The tax forms on this and the following pages represent the latest available forms from the IRS at the time of publication. Always check in at [www.irs.gov](http://www.irs.gov) for the latest information.



# EXHIBIT 3 FORM 8995

Form <b>8995</b>  Department of the Treasury Internal Revenue Service	<b>Qualified Business Income Deduction Simplified Computation</b>  Attach to your tax return. Go to <a href="http://www.irs.gov/Form8995">www.irs.gov/Form8995</a> for instructions and the latest information.	OMB No. 1545-2294  <div style="text-align: center; font-size: 24pt; font-weight: bold;">2022</div> Attachment Sequence No. <b>55</b>	
Name(s) shown on return		Your taxpayer identification number	
<p><b>Note.</b> You can claim the qualified business income deduction <b>only</b> if you have qualified business income from a qualified trade or business, real estate investment trust dividends, publicly traded partnership income, or a domestic production activities deduction passed through from an agricultural or horticultural cooperative. See instructions. Use this form if your taxable income, before your qualified business income deduction, is at or below \$170,050 (\$340,100 if married filing jointly), and you aren't a patron of an agricultural or horticultural cooperative.</p>			
	(a) Trade, business, or aggregation name	(b) Taxpayer identification number	(c) Qualified business income or (loss)
1			
i			
ii			
iii			
iv			
v			
2	Total qualified business income or (loss). Combine lines 1i through 1v, column (c)	2	
3	Qualified business net (loss) carryforward from the prior year	3	( )
4	Total qualified business income. Combine lines 2 and 3. If zero or less, enter -0-	4	
5	Qualified business income component. Multiply line 4 by 20% (0.20)	5	
6	Qualified REIT dividends and publicly traded partnership (PTP) income or (loss) (see instructions)	6	
7	Qualified REIT dividends and qualified PTP (loss) carryforward from the prior year	7	( )
8	Total qualified REIT dividends and PTP income. Combine lines 6 and 7. If zero or less, enter -0-	8	
9	REIT and PTP component. Multiply line 8 by 20% (0.20)	9	
10	Qualified business income deduction before the income limitation. Add lines 5 and 9	10	
11	Taxable income before qualified business income deduction (see instructions)	11	
12	Net capital gain (see instructions)	12	
13	Subtract line 12 from line 11. If zero or less, enter -0-	13	
14	Income limitation. Multiply line 13 by 20% (0.20)	14	
15	Qualified business income deduction. Enter the smaller of line 10 or line 14. Also enter this amount on the applicable line of your return (see instructions)	15	
16	Total qualified business (loss) carryforward. Combine lines 2 and 3. If greater than zero, enter -0-	16	( )
17	Total qualified REIT dividends and PTP (loss) carryforward. Combine lines 6 and 7. If greater than zero, enter -0-	17	( )
For Privacy Act and Paperwork Reduction Act Notice, see instructions.		Cat. No. 37806C	Form <b>8995</b> (2022)

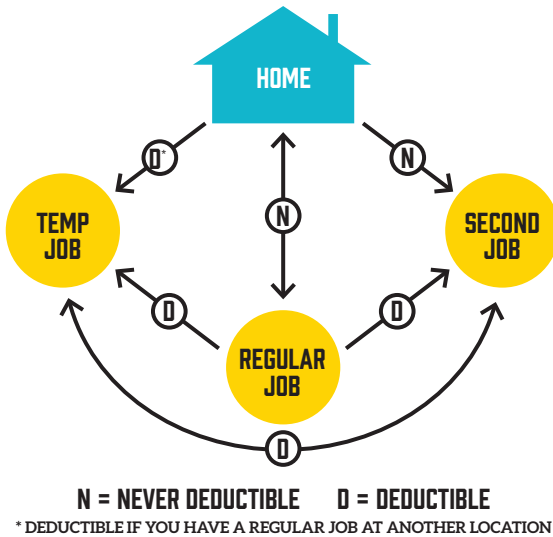




## EXHIBIT 4 LOCAL TRANSPORTATION EXPENSE

### When are local transportation expenses deductible?

All employees and self-employed persons can use this chart. Do not use this chart if your home is your principle place of business.



**Home:** The place where you reside. Transportation expenses between your home and your main or regular place of work are personal commuting expenses.

**Regular or main job:** Your principal place of business. If you have more than one job, you must determine which one is your regular or main job. Consider the time you spend at each, the activity you have at each and the income you earn at each.

**Temporary work location:** A place where your work assignment is irregular or short-term, generally a matter of days or weeks. Unless you have a regular place of business, you can only deduct your transportation expenses to a temporary location outside your metropolitan area.

**Second job:** If you regularly work at two or more places in one day, whether or not for the same employer, you can deduct your transportation expenses of getting from one workplace to another. You cannot deduct your transportation costs between your home and second job on a day off from your main job.

## EXHIBIT 5 TRAVEL COMPONENTS

EXPENSE	DESCRIPTION
Transportation	The cost of travel by airplane, train or bus between your home and your business destination.
Taxi, Commuter Bus and Limousine	Fares for these and other types of transportation between the airport and your hotel or between the hotel and your work location away from home.
Baggage and Shipping	The cost of sending baggage and sample or display material between your regular and temporary work sites.
Car	The costs of operating and maintaining your car when traveling away from home on business. You may deduct actual expenses or the standard mileage rate, including business-related tolls and parking. If you lease a car while away from home on business, you can deduct business-related expenses only.
Lodging	The cost of lodging if your business trip is overnight or long enough to require you to get substantial rest to perform your duties.
Meals	The cost of meals only if your business trip is overnight or long enough to require you to get substantial rest. Includes amounts spent for food, beverages, taxes and related tips.
Cleaning	Cleaning and laundry expenses while away from home overnight.
Telephone	The cost of business calls while on your business trip including business communication devices.
Tips	Tips you pay for any expenses in this chart.
Other	Other similar ordinary and necessary expenses related to your business travel such as public stenographer's fees and computer rental fees.

## EXHIBIT 6 RECORD KEEPING REQUIREMENTS

ELEMENT TO BE PROVED	DESCRIPTION	GIFT	TRANSPORTATION [CAR]
Amount	Amount of each separate expense For travel, lodging and meals. Incidental expenses may be totaled in reasonable categories, such as taxis, daily meals for traveler, etc.	Cost of gift.	<ol style="list-style-type: none"> <li>1. Amount of each separate expense including cost of the car.</li> <li>2. Mileage for each business use of the car.</li> <li>3. Total miles for the tax year.</li> </ol>
Time	Date you left and returned for each trip, and number of days for business.	Date of gift.	Date of the expense or use.
Place	Name of city or other designation.	Not applicable.	Name of city or other designation if applicable.
Description	Not applicable.	Description of gift.	Not applicable.
Business Purpose	Business reason for travel or the business benefit gained or expected to be gained.	Business reason for giving the gift or the business benefit gained or expected to be gained.	Business reason for the expense or use of the car.
Business Relationship	Not applicable.	Occupation or other information - such as names or other designation - about recipients that shows their business relationship to you.	Not applicable.





## PART 7 MEALS AND ENTERTAINMENT EXPENSES

Changes to the deductibility of meals and entertainment expenses following the CAA:

TYPE OF EXPENSE	UNDER 2018 TAX REFORM	UNDER 2021 CAA
Business meals (e.g. meals for out-of-town travel, meals during business discussion with clients, etc.)	50% deductible if not lavish or extravagant	100% deductible if not lavish or extravagant and purchased from a qualifying restaurant (see above)
Entertainment-related meals	Nondeductible, unless separately stated from the cost of the entertainment - if so, 50% deductible	Nondeductible, unless separately stated from the cost of the entertainment - if so, 50% deductible

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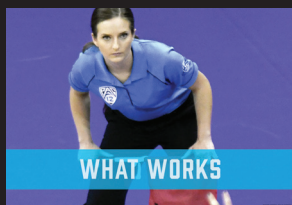
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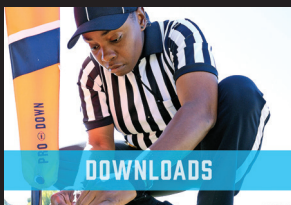
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