

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 1
- ▶ 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?
- 2. 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?

Copy 1-For State, City, or Local Tax Department

55555	a Employee's social security number	OMB No. 154	5-00	08			
b Employer identification number (EIN)			Wages, tips, other compensation PFS Line 7a or 7b	2	Federal income ta	x withheld
c Employer's name, address, and	ZIP code		3	Social security wages	4	Social security tax	withheld
			5	Medicare wages and tips	6	Medicare tax with	held
			7	Social security tips	8	Allocated tips	
d Control number			9		10	Dependent care to PFS Line 8b	
e Employee's first name and initial	Last name	Suff.	11	Nonqualified plans	12a	PFS Line	e 8a
			13	Statutory Retirement Third-party employee plan sick pay	12b	Codes -	D,E,F,G,H
			14	Other	12c	PFS Lin	e 8b -
					12d	Codes -	P,R,T,W
f Employee's address and ZIP cod	le						
15 State Employer's state ID numb	er 16 State wages, tips, etc.	. 17 State incom	e tao	18 Local wages, tips, etc. 1	9 Lo	cal income tax	20 Locality nam
orm W-2 Wage and	d Tax Statement	20>	(X	Department of	the T	reasury—Internal F	Revenue Servic

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 8a of the Nontaxable Income Worksheet. If you have multiple W2s, be sure to report the total amount.

You do not have to report any other information from the W2 on the PFS. It is possible that one or more schools you'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.

Filing Status If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the alifying person is a child but not your depend At any time during 2023, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) ne can claim: You as a dependent Your spouse as a de Spouse itemizes on a separate return or you were a dual-status alien ss You: Were born before January 2, 1959 Are blind ☐ Was born before January 2, 1959 ☐ Is blind to you Child tax credit Report this on PFS sections 2 and 3 1a PFS Line Income 1b 1c 1d 1e b Household employee wages not reported on Form(s) W-2 Tip income not reported on line 1a (see ins d Medicaid waiver payments not reported on Form(s) W-2 (see inc e Taxable dependent care benefits from Form 2441, line 26 11 Employer-provided adoption benefits from Form 8839, line 29 Wages from Form 8919, line 6 1g Other earned income (see instruction 1z Add lines 1a through 1h Tax-exempt interest b Taxable interest b Ordinary dividends 3a Qualified dividends . 3b 3a Do not put on Pl b Taxable amount IRA distributions 5b Pensions and annuities 5a Social security benefits If you elect to use the lump-sum election method, check here (see instruct Capital gain or foss). Attach Schedule D if required, if not required, check here 7 PFS Li 8 Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income 10

+ 1040 Page 1

← 1040 Page 2

Form 1040 (2023	9			Page 2
Tax and	16	Tax (see instructions). Check if any from Form(s): 1 8814 2 4972 3	16	
Credits	17	Amount from Schedule 2, line 3	17	
	18	Add lines 16 and 17	18	
	19	Child tax credit or credit for other dependents from Schedule 8812	19	
	20	Amount from Schedule 3, line 8	20	
	21	Add lines 19 and 20	21	
	22	Subtract line 21 from line 18. If zero or less, enter -0	22	
	23	Other taxes, including self-employment tax, from Schedule 2, line 21	23	
	24	Add lines 22 and 23. This is your total tax	24	PFS Line 6h
Payments	25	Federal income tax withheld from:		
-	a	Form(s) W-2		
	b	Form(s) 1099		
	C	Other forms (see instructions)		
	d	Add lines 25a through 25c	25d	
If you have a	26	2023 estimated tax payments and amount applied from 2022 return	26	
qualifying child, attach Sch. EIC.	27	Earned income credit (EIC)		
attach Sch. Elc.	28	Additional child tax credit from Schedule 8812		

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 1 Line 1: Salary/Wages

Salary and wages reported here are the total of salaries earned by the parents in the household. The PFS asks you to report each parent's salary separately, so you 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 1. 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 1 Lines 4B, 4D, and 5B: Distributions from IRA, Pensions, and Social Security

1040 Lines 4A, 4C, and 5A each show the total income you received from IRA, Pensions, and Social Security. Lines 4b, 5b, and 6b show the portion of that total that was taxable. Report taxable amount of IRA on PFS line 7e, taxable amount of Pension on PFS line 7k. Report Line 6b taxable amount of Social Security on PFS Line 7g.

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

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

▶ 1040 Page 2 Line 16

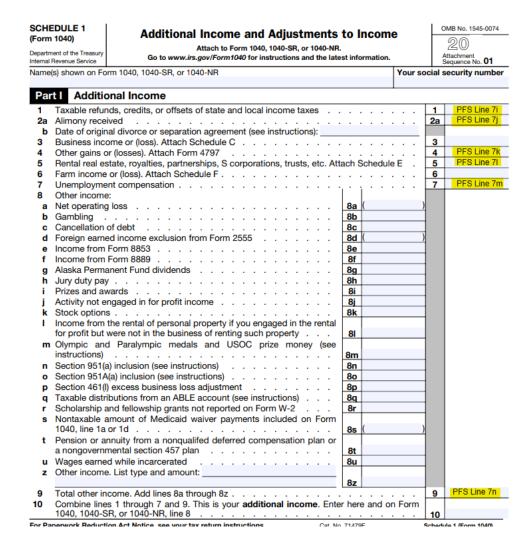
This shows what you owe for the different types of federal taxes on your income. PFS Line 6h asks you to report your federal taxes paid. Be sure to report the amount shown on 1040 Line 24. If you also have Self-Employment taxes reported on 1040 Schedule 2 Line 4, do not include those in PFS Line 6h, since you will report those separately for each business. If you paid self-employment taxes, for PFS Line 6h, report the total tax on Line 16 of Page 2 minus any Schedule 2 Line 4 Self-Employment tax.

Form 1040 Schedule 1

What is it for?

Schedule 1 is used to report your business income from proprietorship business, farm, corporation/partnerships, and rental income. Schedule 1 also list deductions from self-employment tax.

What does Schedule 1 Look Like?



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

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

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

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

▶ 1040 Schedule 1 Line 5: Rental real estate, royalties, partnerships, S corporations, trusts, etc.

This line can be complicated, depending on what type of income is included here, since many different types of income can be reported on your 1040 Schedule 1 Line 5. If any income reported on Line 5 is from rental property, trusts, royalties or business, report it on PFS Line 7I of PFS (you will need to check the box "Taxable income from S-Corps, partnerships, rental real estate, royalties, trusts", this will populate Line 7I.)

Additionally, if the income reported on Line 5 is from S corporations or Partnerships that you share ownership in, report it on Line 15-18 of your PFS, in the section that asks you to detail the income and expenses of the business. Be sure to upload each Schedule E you file if you have income or loss listed on your 1040 Schedule 1 Line 5.

▶ 1040 Schedule 1 Line 6: 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 6 Be sure to upload each Schedule F you file, if you have income or a loss listed on your 1040 Schedule 1 Line 6.

▶ 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 (7p and 7q). Be sure to report the total shown on 1040 Line 26 on PFS line 7o. If you have adjustments in 1040 Lines 14 - 24 report them in the proper lines on the PFS. If you have adjustments be sure to leave a note in PFS Item under 7r in the text box itemizing each adjustment were for (e.g., "alimony paid" or "Educator expenses").

Other Schedule's for Self-Employed Applicants?

← 1040 Schedule 2: Additional Taxes

	EDULE 2	Additional Taxes				OMB No. 1545-0074
•	n 1040)					20
	nent of the Treasury Revenue Service	► Attach to Form 1040, 1040-SR, or 1040-NR.		on.		Attachment Sequence No. 02
Name	e(s) shown on Fo	orm 1040, 1040-SR, or 1040-NR		Your so	ocial s	security number
Pa	rt I Tax					
1	Alternative r	minimum tax. Attach Form 6251			1	
2	Excess adv	ance premium tax credit repayment. Attach Form 8962			2	
3	Add lines 1	and 2. Enter here and on Form 1040, 1040-SR, or 1040	-NR, line	17	3	
Par	t II Other	Taxes				
4	Self-employ	ment tax. Attach Schedule SE			4	PFS Line 17J
5		urity and Medicare tax on unreported tip income.	5			
6	Uncollected Form 8919	I social security and Medicare tax on wages. Attach	6			
7	Total addition	onal social security and Medicare tax. Add lines 5 and 6			7	

▶ 1040 Schedule 2 Line 4

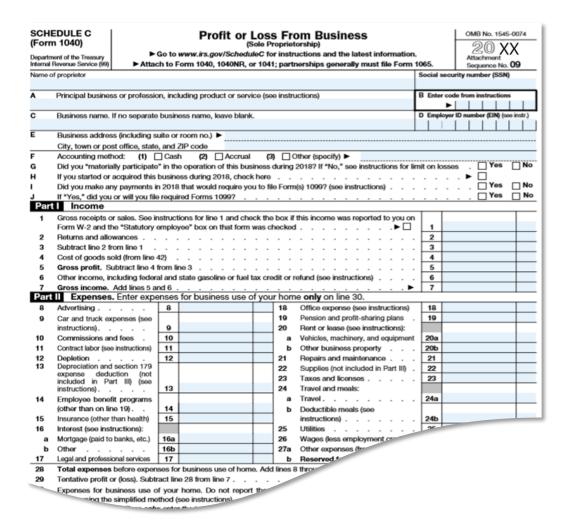
This shows the total amount of self-employment taxes you paid for your business(es). These should also be reported on Line 17J on the PFS. Note that the PFS will ask you how much self-employment tax you paid for each business separately. The total of all those self-employment tax amounts should be equal to what's reported here on the 1040 Schedule 2 Line 4.

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 from the business. It itemizes the allowable expenses of the business that can be written off against the business's income to 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 3. 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?



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

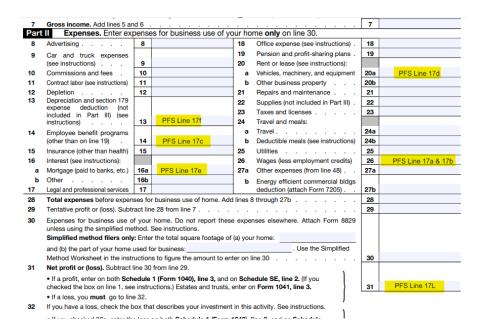
If you have a Schedule C, you have a Sole Proprietorship. On PFS Line 6H, answer "Yes." You will be required to complete Section 15 for Business/Farm information.

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)	Profit or Loss From Business				No. 154	5-0074
(FOII	11 1040)	(Sole Proprietorship)	_		2	20	
	ment of the Treasury	Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file	Form	1065.		chment	
	Revenue Service	Go to www.irs.gov/ScheduleC for instructions and the latest information.				uence No	
Name	of proprietor		Soci	al seci	urity nu	ımber (SSN)
	Principal busines	s or profession, including product or service (see instructions)	R Fr	ter cor	le from	instructi	ions
		S Line 15I					Olio
С	Business name.	If no separate business name, leave blank.	D Er	nployer	ID num	ber (EIN)	(see instr.)
	PF	S Line 15a					
E	Business addres	s (including suite or room no.) PFS Line 15h through 15k					
	City, town or po	st office, state, and ZIP code					
F	Accounting met	nod: (1) Cash (2) Accrual (3) Other (specify)					
G	Did you "materia	ally participate" in the operation of this business during 2023? If "No," see instructions for lin	nit on	losses	3.	Yes	☐ No
н		acquired this business during 2023, check here					
ı	Did you make ar	y payments in 2023 that would require you to file Form(s) 1099? See instructions			[Yes	No
J	If "Yes," did you	or will you file required Form(s) 1099?			[Yes	No
Par	t I Income						
1		r sales. See instructions for line 1 and check the box if this income was reported to you on the "Statutory employee" box on that form was checked	1		PFS Li	ne 16a	
2	Returns and allo	wances	2				
3	Subtract line 2 f	om line 1	3				
4	Cost of goods s	old (from line 42)	4		PFS Li	ne 16b	
5	Gross profit. St	btract line 4 from line 3	5		PFS Li	ne 15c	
6	Other income, in	cluding federal and state gasoline or fuel tax credit or refund (see instructions)	6		PFS Li	ne 15d	
7	Gross income.	Add lines 5 and 6	7				
Par	Expense	s. Enter expenses for business use of your home only on line 30.					

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



Schedule C: Business Expenses and Net Profit/Loss

Look at Line 13

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

Look at Line 26

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

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

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

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

Schedule E

What is the Schedule E for?

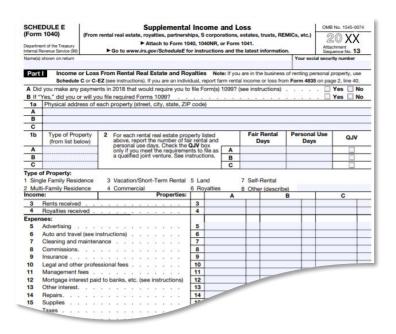
The Schedule E is used for reporting specific details about several types of income sources such as rental real estate income, income from partnerships, S-Corporations, royalties, trusts, estates, and more.

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 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 5. 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.

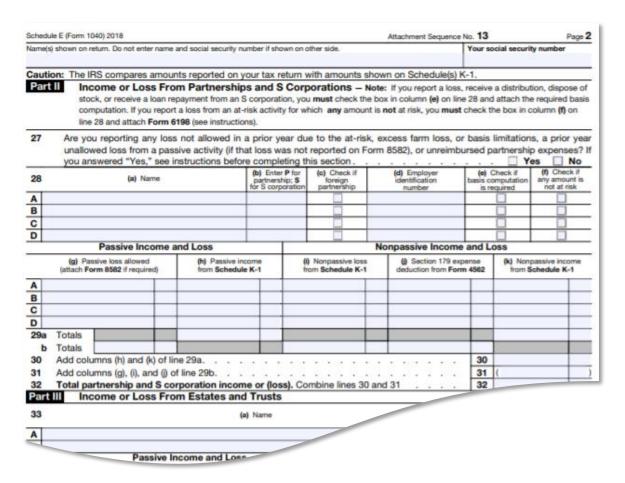
For Partnerships and S-Corporations, it details the names and types of businesses you own or co-own as partnerships or S-Corporations. It itemizes the income or loss for each entity that is passed through to you to claim on your 1040. The income or loss is included in the entry on your Form 1040 Schedule 1 on Line 5.

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?

SCHI	EDULE 1	Additional Income and Adjustments to Income		(MB No. 1545-0074
Departn	n 1040) nent of the Treasury Revenue Service	Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form1040 for instructions and the latest information.	-	,	20 XX Attachment Sequence No. 01
Name	(s) shown on Fo	rm 1040, 1040-SR, or 1040-NR	Your so	_	security number
Pai	rt I Additio	onal Income			
1	Taxable refu	nds, credits, or offsets of state and local income taxes		1	
2a	Alimony rece	ived		2a	
b	Date of origin	nal divorce or separation agreement (see instructions):			
3	Business inc	ome or (loss). Attach Schedule C		3	
4		or (losses). Attach Form 4797		4	
5		state, royalties, partnerships, S corporations, trusts, etc. Attach Schedule		5	PFS Line 7I
6	Farm income	or (loss). Attach Schedule F		6	
7	Unemployme	ent compensation		7	

← 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 will be included on line 7l. This amount is found on Line 5 of Form Schedule 1

Rental property owners must also complete All Other Real Estate questions. Select yes for 10m and answer 10n - 10s for total on all rental properties and then 10t- 10y for each property that you own on the PFS.

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

Schedu	le E (For	m 1040)				Attachment	Sequence No.	13				Page 2
Name(s) shown	on return. Do not ente	er name an	d social security number	if show	n on other s	ide.			Your soc	ial security	number
Cauti	on: The	e IRS compares a	amounts	reported on your ta	x retu	ırn with a	mounts show	vn c	on Schedule(s) K-	1.		
Part	_	Note: If you report the box in column	a loss, re (e) on line	Partnerships and ceive a distribution, die 28 and attach the request check the box in course.	spose uired l	of stock, obasis com	or receive a loa putation. If you	ı rep	port a loss from an a	at-risk ac		
27	passi	ve activity (if that	t loss wa	t allowed in a prior y as not reported on eting this section	Form	8582), or	r unreimburs	ed		nses? If	you answ	
28		(a) Name		partr	inter P for nership; S corporation	(c) Check if foreign partnership	ic	(d) Employer dentification number	basis co	Check if omputation equired	(f) Check if any amount is not at risk
Α		PFS Line 15a			PFS	S 15c						
В												
С												
D												
				and Loss					passive Income			
	(at	(g) Passive loss allow tach Form 8582 if red		(h) Passive income from Schedule K-			ssive loss allow	ed	(j) Section 179 ex deduction from For			assive income chedule K-1
Α	1	Macri Torri Good ii Tee	quiicaj	PFS Line 17I		(500)	ouricadic It I)		dedddddi ii dii i G	111 4002		Line 17I
В				TTO LINE III	_			_				2
С				_	_							
D												
29a	Totals	3										
b	Totals	3										
30	Add o	columns (h) and (k) of line	29a						. 30		
31	Add o	columns (g), (i), ai	nd (j) of I	ine 29b						31	(
32	Total	partnership and	d S corp	oration income or	(loss)	. Combir	ne lines 30 ar	nd 3	81	32	included i	in PFS Line 71

Partnerships and S-Corporations

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.

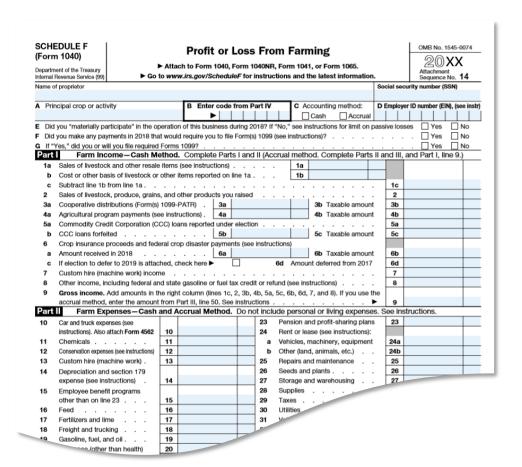
The total pass-through income (or loss) across all entities appears on line 32 of the Schedule E. This is then included in the total income (or loss) reported on the 1040 Schedule 1, Line 5 (along with other income reported on Schedule E). This amount, in turn, should be reported on Line 7I of the PFS.

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 from 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 6. 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 6i, 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

	HEDULE F	Profit	or	Los	s Fro	om I	Farr	ning	g		C	MB No. 15	45-0074	
Depar	rm 1040) rtment of the Treasury al Revenue Service	Attach to Form 104 Go to www.irs.gov/Sche	0, 10	040-S	R, 1040-	SS, 10)40-NI	R, 104	1, or 1065.		4	20' Attachment Sequence N	lo. 14	
Nam	e of proprietor									Social s	ecurity	y number	(SSN)	_
	PFS Line 15e													
A P	rincipal crop or acti	vity	В	Enter o	ode from l	Part IV	C A	ccoun	ting method:	D Emplo	yer ID r	number (Ell	V) (see ins	str.)
F	PFS Line 15I							Cash	n Accrual					
E D	id you "materially p	articipate" in the operation of this busi	ness	s durin	ng 2023?	If "No	," see	instru	ctions for limit o	n passive	losses	Yes	□ N	5
F D	id you make any pa	yments in 2023 that would require you	to 1	file Fo	rm(s) 109	99? Se	e inst	ruction	ns			Yes	□ N	0
G If	"Yes," did you or v	vill you file required Form(s) 1099? .										Yes	■ Ne	
Pa	rt Farm In	come - Cash Method. Complete	e Pa	arts I	and II.	(Accr	ual m	ethod	d. Complete P	arts II an	ıd III, a	and Part	I, line	9.)
1a	Sales of purchas	sed livestock and other resale items (se	ee ir	nstruc	tions)				1a PFS Lir	ne 16a				
t	Cost or other ba	sis of purchased livestock or other iter	ms r	eporte	ed on line	e 1a			1b PFS Lir	ne 16b				
	Subtract line 1b	from line 1a									1c	PFS Li	ne 16a	1
2	Sales of livestoo	k, produce, grains, and other products	s yo	u raise	ed .						2	PFS Li	ne 16	d
3a	a Cooperative dis	tributions (Form(s) 1099-PATR) .	3a				3b	Tax	able amount		3b	PFS L	ine 16	d
4a	Agricultural prog	gram payments (see instructions) .	4a				4b	Tax	able amount		4b	PFS Li	ne 16	d
5a	a Commodity Cre	dit Corporation (CCC) loans reported u	ınde	r elec	tion .						5a	PFS Li	ne 16	ŀ
t	CCC loans forfe	ited	5b				5c	Tax	able amount		5c	PFS Li	ne 16	d
6	Crop insurance	proceeds and federal crop disaster pa	yme	ents (s	ee instru	ctions):							
ā	Amount receive	d in 2023	6a				6b	Tax	able amount		6b	PFS L	ine 16	d
	If election to def	er to 2024 is attached, check here .				. 🔲	6d	Amo	ount deferred fro	m 2022	6d	PFS L	ine 16	ď
7	Custom hire (ma	chine work) income									7	PFS L	ine 16	d
8	Other income, in	ncluding federal and state gasoline or f	uel t	tax cre	edit or re	fund (s	see ins	struction	ons)		8	PFS L	ine 16	d
9	Gross income.	Add amounts in the right column (lir	nes	1c, 2,	3b, 4b,	5a, 5	c, 6b,	6d, 7	, and 8). If you	use the				
	accrual method,	enter the amount from Part III, line 50	. Se	e instr	ructions				<u> </u>		9	PFS L	ine 16	е
Pa	rt Farm Ex	penses—Cash and Accrual Me	eth	od. [Do not i	ncluc	le pe	rsona	al or living exp	enses. S	See ins	struction	S.	

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

			,				I I J LIIIC IOL
Part	Farm Expenses – Cash and A	Accru	al Method. Do no	t includ	e personal or living expenses. See in	struct	ions.
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 expense			26	Seeds and plants	26	
	(see instructions)	14	PFS Line 17F	27	Storage and warehousing	27	
15	Employee benefit programs other than			28	Supplies	28	
	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		a		32a	
20	Insurance (other than health)	20		b		32b	
21	Interest (see instructions):			С		32c	
a	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 through 3	2f. If li	ne 32f is negative, se	e instruc	etions	33	PFS Line 17I
34	Net farm profit or (loss). Subtract line 3	33 fron	n line 9			34	PFS Line 17L
	If a profit, stop here and see instructions	for w	here to report. If a lo	ss, comp	lete lines 35 and 36.		
35	Reserved for future use.						
36	Check the box that describes your investigation	tment	in this activity and s	ee instru	ctions for where to report your loss:		
a	All investment is at risk.	b	Some investment is	not at ri	sk.		
	·		·				·

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?

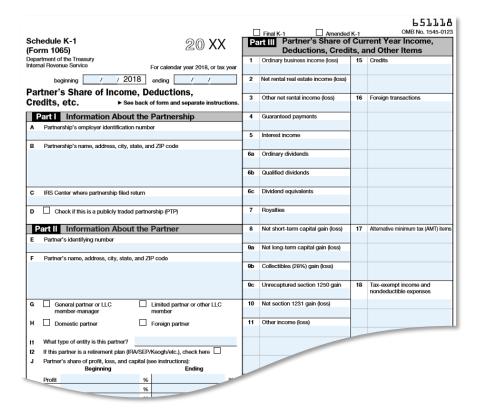
The Schedule K-1 is designed to report a partner's or shareholder's share of the partnership or S Corporation's income, deductions, and credits. It indicates additional information such as the percentage ownership the individual holds and some insight into the individual's share of, and activity with,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

	_	lew. D)
Schedule K-1	_	Final K-1 Amended Shareholder's Share	of C	
(Form 11203)		Deductions, Credits		
Department of the Treasury Internal Revenue Service For calendar year 2018, or tax year	1	Ordinary business income (loss)	13	Credits
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		
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				

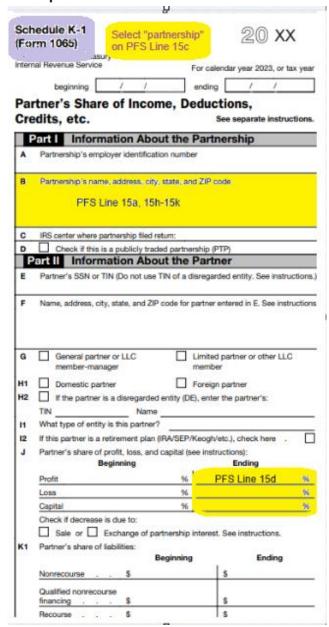
Although they share the same "K-1" name, the K-1's are different enough that it's important not to get them confused with each other.

"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.

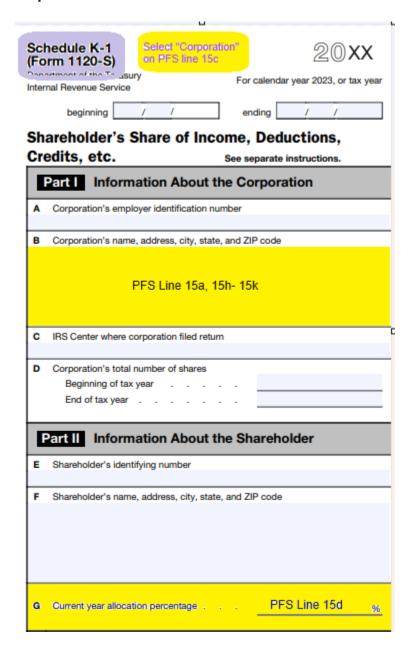
Which lines on the Schedule K-1 matter most for completing the PFS?

Schedule K-1 for Partnerships



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 7I.

← 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 7I.

Form 1099-MISC

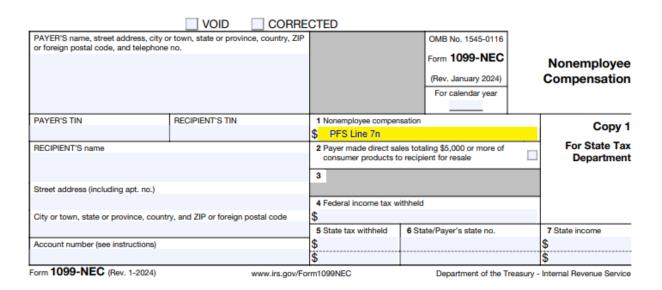
What is Form 1099-MISC for?

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-NEC look like?



Which lines on Form 1099-NEC 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-NEC (other than rents and royalties) should be reported on PFS Line 7n.

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

Important Notes

- Do not report any amounts reported on a 1099-NEC 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-NEC as a contractor or freelancer, submit your 1099-NEC in place of the W-2 the school requires.

Form 1065

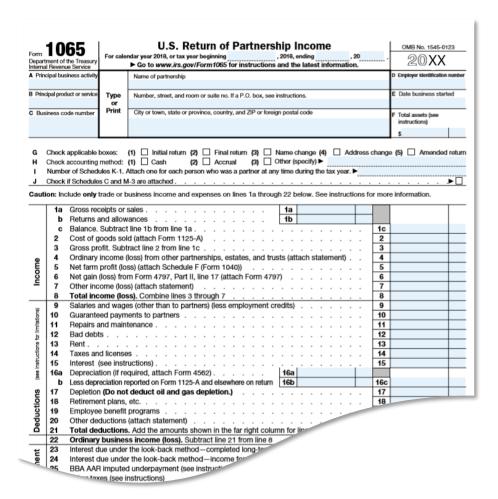
What is Form 1065 for?

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 their income but pass 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:

	1065	l	U.S.	Return of Pa	artnership Inco	me	OMB No. 1545-0123
De	partment of the Treasury ernal Revenue Service	For cal			, 2023, ending structions and the lates		20 xx
A	Principal business activity		Name of partnership	PS Line 15a			D Employer identification number
В	Principal product or service	Туре	Number, street, and ro	om or suite no. If a P.O. I	oox, see instructions.		E Date business started
	PFS line 15I	or		PFS Line 15h			PFS Line 15f
С	Business code number	Print	City or town, state or p	rovince, country, and ZIF	or foreign postal code		F Total assets (see instructions)
				PFS 15i - 15k			\$
G	Check applicable bo	oxes:	(1) Initial return	(2) Final return	(3) Name change	(4) Address change	(5) Amended return
н			(1) Cash	(2) Accrual	(3) Other (specify):		
1	Number of Schedule	es K-1. A	Attach one for each p	erson who was a partr	ner at any time during the	tax year:	
J	Check if Schedules						
K	Check if partnership:	(1)	Aggregated activities	for section 465 at-risk	purposes (2) Group	ed activities for section 469	passive activity purpose

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.

-		Schedules C and M-3 are attached		ive activity purposes
		clude only trade or business income and expenses on lines 1a through 23 below. See instructions for	_	
	1a	Gross receipts or sales PFS Line 16a b Less returns and allowances Do not report on PFS c Balance	1c	
	2	Cost of goods sold (attach Form 1125-A)	2	PFS Line 16b
Ф	3	Gross profit. Subtract line 2 from line 1c	3	
ncome	4	Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)	4	PFS Line 16d
ခို	5	Net farm profit (loss) (attach Schedule F (Form 1040))	5	PFS Line 16d
=	6	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)	6	PFS Line 16d
	7	Other income (loss) (attach statement)	7	PFS Line 16d
	8	Total income (loss). Combine lines 3 through 7	8	
	9	Salaries and wages (other than to partners) (less employment credits)	9	PFS Line 17b
ns)	10	Guaranteed payments to partners	10	PFS Line 17c
atio	11	Repairs and maintenance	11	PFS Line 17g
Ē	12	Bad debts	12	PFS Line 17g
ğ	13	Rent	13	PFS Line 17d
(see instructions for limitations)	14	Taxes and licenses	14	PFS Line 17g
truc	15	Interest (see instructions)	15	PFS Line 17g
e ins	16a	Depreciation (if required, attach Form 4562)		
	b	Less depreciation reported on Form 1125-A and elsewhere on return . 16b	16c	PFS Line 17f
us	17	Depletion (Do not deduct oil and gas depletion.)	17	PFS Line 17g
엹	18	Retirement plans, etc	18	PFS Line 17c
2	19	Employee benefit programs	19	PFS Line 17c
Deductions	20	Energy efficient commercial buildings deduction (attach Form 7205)	20	PFS Line 17g
	21	Other deductions (attach statement)	21	PFS Line 17g
	22	Total deductions. Add the amounts shown in the far right column for lines 9 through 21	22	
	23	Ordinary business income (loss). Subtract line 22 from line 8	23	
	24	Interest due under the look-back method—completed long-term contracts (attach Form 8697) .	24	

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.

	Littliced partitiers				
Sch	edule L Balance Sheets per Books		of tax year		tax year
	Assets	(a)	(b)	(c)	(d)
1	Cash				PFS Line 18a
2a	Trade notes and accounts receivable			PFS Line 18e	
b	Less allowance for bad debts			offsets PFS Line 18	
3	Inventories				PFS Line18d
4	U.S. Government obligations				PFS Line 18f
5	Tax-exempt securities				PFS Line 18f
6	Other current assets (attach statement)				PFS Line 18f
7a	Loans to partners (or persons related to partners) .				PFS Line 18f
b	Mortgage and real estate loans				PFS 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			PFS Line 18f	
b	Less accumulated depletion				
11	Land (net of any amortization)				PFS Line 18b
12a	Intangible assets (amortizable only)			PFS Line 18f	
b	Less accumulated amortization				
13	Other assets (attach statement)				PFS Line 18f
14	Total assets				
	Liabilities and Capital				
15	Accounts payable				PFS Line 18j
16	Mortgages, notes, bonds payable in less than 1 year				PFS Line 18h
17	Other current liabilities (attach statement)				PFS Line 18i or 18j
18	All nonrecourse loans				PFs Line 18j
19a	Loans from partners (or persons related to partners) .				PFs Line 18j
b	Mortgages, notes, bonds payable in 1 year or more .				PFS Line 18h
20	Other liabilities (attach statement)				PFs Line 18j
21	Partners' capital accounts				
22	Total liabilities and capital				

Schedule M-1 Reconciliation of Income (Loss) per Books With Analysis of Net Income (Loss) per Return

Form 1120S

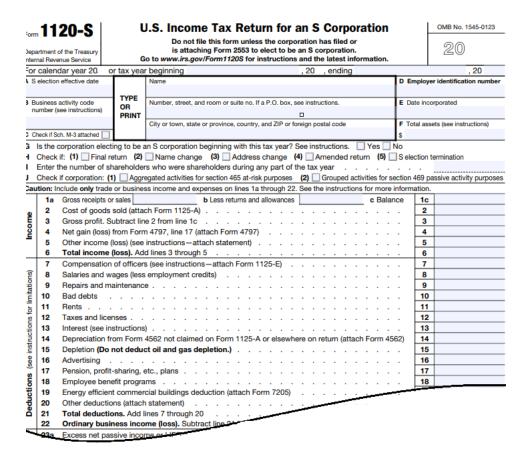
What is Form 1120S for?

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?

Form 1120-S Department of the Treasury Internal Revenue Service				U.S. Income Tax Return for an S Corporation 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 information.						OMB No. 1			
Fo	r cale	ndary	vear o	r tax vea	r beginning		, 20	., ending				. 20	
A S election effective date					Name PFS Line	15a	, 20	, origing		D Emp	loyer identificati	,	
			ity code	TYPE Number, street, and room or suite no. If a P.O. box, see instructions.						E Date	E Date incorporated		
number (see instructions)				PRINT	PFS Line 15h				PFS Line 15f F Total assets (see instructions)				
				City or town, state or province; country, and ZIP or foreign postal code									
C	Check if:	Sch M-	3 attached	i	PFS Line 15i - 15k					S			
G				na to bo a	an S corporation beginnin		er? Con inni	trustions 🔲 V	es 🗆 t	No.			
_				-		,		_					
н					Name change (3)				(5)	S electi	on termination		
•	Enter	the n		nareholder	s who were shareholder		of the tax						
	Car	rtion: I			ess income and expenses on				nformati				
		1a			PFS Line 16a b Less rei					lc			
		2			tach Form 1125-A)						F Line 16b		
		3	9		ine 2 from line 1c				_	3	LIIIO TOD		
	Income	4							. –	_	S line 16d		
	으	5	9	tet gain (loss) from Form 4797, line 17 (attach Form 4797)							S Line 16d		
		6			dd lines 3 through 5					6			
		7			ers (see instructions—attach					_	FS Line 17c		
	(S)	8			ss employment credits) .	,			· -		Line 171, 17b		
	ģ	9		9	ice				_		S Line 17g		
	uje.	10	Bad debts						. -	IO PF	S Line 17d		
	<u>-</u>	11	Rents						. 1	I1 PF	S Line 17g	1	
	ş	12	Taxes and li	icenses .					.	ı2 PF	S Line 17g		
	(see instructions for limitations)	13	Interest (see	instruction	ns)				.	ıs PF	S Line 17f		
		14	Depreciation	n from Forn	n 4562 not claimed on Form	1125-A or elsewho	ere on return	n (attach Form 45	62)	I4 PF	S Line 17g		
		15	Depletion (D	o not ded	uct oil and gas depletion.)				. 7	I5 PF	S Line 17g		
		16	Advertising						. 🗔	I6 PF	S Line 17g		
		17	Pension, pro	ofit-sharing	, etc., plans				. 1	7 PF	S Line 17c		
	Suo	18			rams					I8 PF	S Line 17c		
	Deductions	19	Energy effic	ient comme	ercial buildings deduction (a	ttach Form 7205)			. [ı9 PF	S Line 17g		
	ģ	20			ch statement)					20 PF	S Line 17g		
	Õ	21	Total deduc	ctions. Add	lines 7 through 20				. [21			
		22	Ordinary bu	ısiness inc	come (loss). Subtract line 2	from line 6			. [3	22			

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.

iche	edule L Balance Sheets per Books	Beginning	of tax year	End	End of tax year			
	Assets	(a)	(b)	(c)		(d)		
1	Cash				Р	FS Line 18a		
2a	Trade notes and accounts receivable							
b	Less allowance for bad debts ()		() P	FS Line 18a		
3	Inventories				Р	FS Line 18d		
4	U.S. government obligations				PF	S Line 18f		
5	Tax-exempt securities (see instructions)				Pf	FS Line 18f		
6	Other current assets (attach statement)				PF	S Line 18a		
7	Loans to shareholders				Pi	FS Line 18f		
В	Mortgage and real estate loans				Pi	FS Line 18f		
9	Other investments (attach statement)				Pf	FS Line 18f		
0a	Buildings and other depreciable assets			PFS Line 18b				
b	Less accumulated depreciation ()		(PFS Line 18c)			
1a	Depletable assets							
b	Less accumulated depletion ()		() PF	S Line 18d		
2	Land (net of any amortization)				PF	S Line 18b		
3a	Intangible assets (amortizable only)							
b	Less accumulated amortization ()		() PF	S Line 18f		
1	Other assets (attach statement)				PF	S Line 18f		
5	Total assets							
	Liabilities and Shareholders' Equity							
6	Accounts payable				Pf	FS Line 18j		
7	Mortgages, notes, bonds payable in less than 1 year				Pi	FS Line 18h		
3	Other current liabilities (attach statement)				Pf	FS Line 18j		
9	Loans from shareholders				PF	S Line 18j		
)	Mortgages, notes, bonds payable in 1 year or more				P	FS Line 18h		
1	Other liabilities (attach statement)				PF	S Line 18j		
2	Capital stock							
3	Additional paid-in capital							
ı	Retained earnings							
5	Adjustments to shareholders' equity (attach statement)							
6	Less cost of treasury stock		()	(
7	Total liabilities and shareholders' equity							

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:

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.