



February 2, 2022

Tax Considerations for the Newly Self-Employed

Session Materials Available:
Friday, February 4th

CENTER 
REALTOR®
FINANCIAL WELLNESS



Special Thanks to Our Gold Sponsor

OPOLIS



Zoom Webinar

Talking:

Meeting Topic: My Webinar
Host: Brittany Schanck
Password: 664565
Invite Link: <https://realtors.zoom.us/j/94535481554?pwd=N3BuMk1UT...>
Participant ID: 306309

Join Audio
Computer Audio Connected

Share Screen

Invite Others

Mute Start Video Participants Q&A Polls Share Screen More End

Zoom Webinar

Close Q&A Ask question

All(2) My questions

AmyMay 18:00
Should I keep my savings on a different account?
2
Comment

Anonymous attendee 18:01
At what point should I consider investing my savings?
Comment

Presentation Format & Questions
email – FinancialWellness@nar.realtor



CENTER FOR REALTOR® FINANCIAL WELLNESS LIVE! DISCLAIMER


- **For Education and Information Purposes Only**
- Please note that the information and materials provided in Center for REALTOR® Financial Wellness webinars and seminars are not intended or provided to be used as a substitute for the advice of your tax, investment, legal and/or financial advisors or to be the basis of specific financial planning activities. The opinions and views expressed or shared in this presentation represent only those of the developers, speakers, presenters or instructors and have not been endorsed or approved by the National Association of REALTORS®. While substantial care is taken to try to provide accurate and current data and information, the National Association of REALTORS® does not warrant the accuracy, completeness or timeliness of any data and information provided in the webinars and seminars. Further, any principles and conclusions presented are subject to court decisions and to local, state and federal laws and regulations and any revisions of such laws and regulations. If you seek or need tax, investment, legal or financial advice, you must obtain such advice and services from the appropriate professionals.
- Any links to third-party websites, tools, materials or resources are provided as a convenience and for your information. Any products, services or opinions of third-party entities or associated individuals are neither endorsed nor have they been vetted by the National Association of REALTORS®, and their inclusion in the webinar or seminar and any related materials do not constitute a recommendation by the National Association of REALTORS® and should not be inferred as suggesting a preference over other products, services or information available in the market. The National Association of REALTORS® bears no responsibility for the accuracy, completeness, legality or the content provided in the webinar or seminar and any related materials.



Presenter: Heather C. Liston, CFP[®], E.A.

Vice President & Advisor at Hargrave Fiduciary Advisors, LLC
HCListon@HargraveFA.com





Tax Tips for the Newly Self-Employed

2022

Plan

Basics for New Business Owners

- Who is in business? When are you in business?
- Business Entities
- Your Employer Identification Number (EIN)
- When You Employ Others
- QBI
- Retirement Plans for Business Owners

Taxes

- Filing Business Tax Returns
- Schedule C and Schedule E
- Real Estate Professionals
 - Active vs. Passive Income
- Business Expenses
 - Home office deduction
 - Travel & Entertainment
 - Auto
- Business Expenses (C) vs. Personal Deductions (A)



You're in Business!

(Really?)

Who is Self-Employed?

- Are you a business owner?
- Are you self-employed?

You are in business if . . .

- You are engaged in an activity with the **intention** of making a profit
- You receive a 1099 form from someone you work for
- You work for someone and get paid and they do not give you a W-2 or a 1099
- You're a free-lancer

Are you in business?

- Two young people with an idea for an app, who form a legal partnership
- Yoga instructor with private clients who pay her cash
- Pet store owner with a shop and \$6,000,000 in annual sales
- Lyft driver
- Part-time actor with an LLC
- Part-time actor without an LLC
- Tax preparer who works out of her home and did not incorporate
- Free-lance writer who sells a couple of magazine articles but still has no self confidence
- Gig worker who gets a 1099 but has not applied for an employer ID number or a business license
- Part-time laborer who works occasionally for several different companies and gets a W-2 from each
- Hobbyist who enjoys making jewelry and thinks she might sell some someday, but not right now

Business Entity Types

- Sole Proprietor
- LLC
 - Single-Member LLC
 - Multiple-Member LLC
- Partnership
 - Two or more people in business together
 - Spouses in Partnership
- S-Corporation
- C-Corporation

Sole Proprietor

- The default: You are a sole proprietor as soon as you start working or earn money
- You and the business are one
- Tax form: Schedule C
- License Fees: \$0
- Liability Protection: No
- **QBI: YES**
- **Business Expenses: All deductible**

Partnership

- Pass-Through: the Partnership does not pay taxes
- Tax Form: 1065 (Informational Return)
- Liability Protection? Maybe
- QBI: YES
- Business Expenses: All deductible

LLC: Limited Liability Company

- Pass-Through: the LLC does not pay taxes to the IRS
- The IRS treats a single-member LLC like a sole proprietor, and a multi-owner LLC like a partnership, unless you request to be treated like a corporation
- State-level taxes and fees: probably
- Tax Form: 1065 (Informational Return)
 - And a K-1 for each partner
- **QBI: YES**
- **Business Expenses: All deductible**

S-Corporation

- Limited Liability
- Pass-Through: the S-Corp. not pay taxes
- Tax Form: 1065-S
- **QBI: YES**
- **Business Expenses: All deductible**

C-Corporation

- Liability protection
- Double taxation
- Additional fees, filings, and lawyers
- QBI: No
- Tax Form: 1120
- Business Expenses: All deductible

Summary: Business Entity Types

- Sole Proprietorship
 - The simplest, least expensive form
- Partnership?
 - If you have one or more partners
- S-Corp or LLC?
 - If limited liability is important
- C-Corp?
 - Probably not

Other Taxes and Fees for Business Entities

- Business Licenses & Permits
 - San Francisco, Minneapolis, New York, many other cities
 - Nevada: \$200 fee
- LLC Fees
 - California: at least \$800 per year, up to 11,790, depending on your earnings
 - Nevada: \$150/year
 - Delaware: \$300/year
 - New York: up to \$2,000/year
 - Check your state!
- See your local state, city, and county regulations

YOUR Business Structure

- Always talk to your own tax professional, attorney, and/or financial advisor
- Everyone's situation is different, and the laws have many nuances



- But remember: **Everyone with a legit business gets to deduct legit business expenses.** You do not need to incorporate to do that.



Your EIN

Employer Identification Number

Employer Identification Number (EIN)

- Who can have one?
 - A sole proprietor, LLC owner, partnership corporation, estate, or trust
- Do you need one?
 - Not necessarily, if you're a sole proprietor
 - Yes, if you hire employees
 - Yes, if you want to set up a SOLO 401(k) plan
 - Protects your identity sometimes. Use it instead of a SSN for some purposes

EIN

- How to get it?
 - <https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online>
- Free!
- Easy!



When You're an Employer

Hiring Workers

Your Responsibilities as an Employer

- Classify Workers Correctly
- File 1099s and W2s
- If you have W-2 Employees, Remit Payroll Taxes Quarterly

Classification of Employees

- The IRS and your state have the final word
- <https://www.irs.gov/businesses/small-businesses-self-employed/independent-contractor-self-employed-or-employee>
- Default assumption when you hire someone: employee

Employees and Contractors who Work for You

- W-2
 - “Any worker who is as an employee (rather than a contractor, for example) must receive Form W-2, no matter how much or little he works or how he is paid, such as through salary, wages or bonuses.”
- 1099s
 - “A 1099 document [is] known as an Independent Contractors document. This includes much of the same information as a W-2, but does not show withholding for taxes, since contractors are not subject to withholding.”
 - This year, this form will often be “1099-NEC”



Qualified Business Income Tax Deduction

QBI, or Section 199A

QBI

- In effect from 2018 – 2025
- 20% tax deduction on net earnings pass-through businesses
- Applies to:
 - Sole Proprietorships
 - Partnerships
 - S-Corps
 - LLCs
 - Also REITs and Publicly Traded Partnerships

QBI

- Does NOT apply to:
 - C-Corporations
 - Passive real estate income (Schedule E)

Qualified Business Income Deduction

- Many complexities, but essentially:
- **20%** Reduction in Taxable Income from a Pass-Through Business

What's a Pass-Through?

- Sole proprietorship
- Partnership
- LLC
- LLP
- S-Corporation



Retirement Plans for Business Owners

Saving Effectively

Choices

- SOLO 401(k)
- SOLO Roth 401(k)
- SEP-IRA
- 401(k)
- SIMPLE IRA
- Traditional IRA
- Roth IRA
- Defined Benefit Plan (Pension)

My Recommendation

- The SOLO 401(k) with a Roth Option
 - NOTE: This is only for people with NO employees (except a spouse)
 - Does not lower your taxable income this year
 - BUT: You save money that grows tax free
 - And: Take advantage of the Qualified Business Income Tax Deduction

Example

SEP-IRA

- Net Income: \$100,000
- Contribute \$20,000 to your SEP-IRA
- Taxable Income: \$80,000
- QBI permanent deduction of 20% = \$16,000
- Final Taxable Income = \$64,000

Your \$20,000 SEP contribution is tax-deferred and you will pay tax on it when you use that money, in the future.

SOLO Roth 401(k)

- Net Income: \$100,000
- Contribute \$20,000 to your Solo Roth 401(k)
- Taxable Income: \$100,000
- QBI permanent deduction of 20% = \$20,000
- Final Taxable Income = \$80,000

Your \$20,000 Roth 401(k) contribution will grow tax-FREE and you will never pay tax on the earnings when you use that money, in the future.



TAXES

What forms to file

Tax Forms for Pass-Through Businesses

- Partnerships & Multi-member LLCs: 1065
- S-Corps: 1065-S

- But then . . . K-1
- K-1 flows through to your personal tax return

What Tax Forms to File?

Your Personal 1040

- Schedule C or Schedule E?
- Schedule C = Profit or Loss from **Business**
- Schedule E = Supplemental Income and Loss from **Rental Real Estate**, Royalties, etc.

BIG QUESTION

- **Are you a Real Estate Professional?**
- (REP)

SCHEDULE C (Form 1040)

Profit or Loss From Business (Sole Proprietorship)

OMB No. 1545-0074

2021 Attachment Sequence No. 09

Department of the Treasury Internal Revenue Service (99)

Go to www.irs.gov/ScheduleC for instructions and the latest information.

Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships must generally file Form 1065.

Name of proprietor, Social security number (SSN), Principal business or profession, Business name, Business address, Accounting method, Did you materially participate, etc.

Part I Income

Table with 7 rows for income reporting: Gross receipts or sales, Returns and allowances, Subtract line 2 from line 1, Cost of goods sold, Gross profit, Other income, Gross income.

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

Table with 27 rows for expense reporting: Advertising, Car and truck expenses, Commissions and fees, Contract labor, Depreciation, Employee benefit programs, Insurance, Interest, Mortgage, Other, Legal and professional services, Office expense, Pension and profit-sharing plans, Rent or lease, Vehicles, machinery, and equipment, Other business property, Repairs and maintenance, Supplies, Taxes and licenses, Travel and meals, Deductible meals, Utilities, Wages, Other expenses, Reserved for future use.

28 Total expenses before expenses for business use of home. Add lines 8 through 27a. 29 Tentative profit or (loss). Subtract line 28 from line 7. 30 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. Simplified method filers only: 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. 31 Net profit or (loss). Subtract line 30 from line 29.

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 Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. (If you checked the box on line 1, see the line 31 instructions.) Estates and trusts, enter on Form 1041, line 3. If you checked 32b, you must attach Form 6198. Your loss may be limited. 32a All investment is at risk. 32b Some investment is not at risk.

© 2022 Heather C. Liston, CFP® EA

**SCHEDULE E
(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)

Name(s) shown on return

Supplemental Income and Loss

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

▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041.

▶ Go to www.irs.gov/ScheduleE for instructions and the latest information.

OMB No. 1545-0074

2021

Attachment
Sequence No. **13**

Your social security number

Part I **Income or Loss From Rental Real Estate and Royalties** **Note:** If you are in the business of renting personal property, use **Schedule C**. See instructions. If you are an individual, report farm rental income or loss from **Form 4835** on page 2, line 40.

A Did you make any payments in 2021 that would require you to file Form(s) 1099? See instructions **Yes** **No**
B If "Yes," did you or will you file required Form(s) 1099? **Yes** **No**

1a	Physical address of each property (street, city, state, ZIP code)				
A					
B					
C					
1b	Type of Property (from list below)	2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.	Fair Rental Days	Personal Use Days	QJV
A		A			<input type="checkbox"/>
B		B			<input type="checkbox"/>
C		C			<input type="checkbox"/>

Type of Property:

- 1 Single Family Residence 3 Vacation/Short-Term Rental 5 Land 7 Self-Rental
- 2 Multi-Family Residence 4 Commercial 6 Royalties 8 Other (describe)

Income:	Properties:	A	B	C
3 Rents received	3			
4 Royalties received	4			
Expenses:				
5 Advertising	5			
6 Auto and travel (see instructions)	6			
7 Cleaning and maintenance	7			
8 Commissions.	8			
9 Insurance	9			
10 Legal and other professional fees	10			
11 Management fees	11			
12 Mortgage interest paid to banks, etc. (see instructions)	12			
13 Other interest.	13			
14 Repairs.	14			
15 Supplies	15			
16 Taxes	16			
17 Utilities.	17			
18 Depreciation expense or depletion	18			
19 Other (see instructions)	19			
20 Total expenses. Add lines 5 through 19	20			
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must				

Schedule C vs. Schedule E

Schedule C: Business

- Retirement plan deduction
- Pay self-employment tax (SS & Medicare)
- QBI deduction! (Hooray!)
- You're self-employed so you can deduct your health insurance
- Deduct net losses from your total taxable income
- Home office deduction, if you qualify

Schedule E: Real Estate Passive Income

- No retirement plan & No IRA contributions based on this income
- This is not considered "earned" income
- No QBI deduction
- Income subject to NIIT (3.8% for hi-income TPs)
- Net losses deductible against ordinary income only up to \$25,000, and phase out when your income (MAGI) is \$150,000 or more
- Unused losses are suspended, and you can take them in the year you sell the property.

The IRS says . . .

Real property trades or businesses.

- A real property trade or business is a trade or business that does any of the following with real property.
 - Develops or redevelops it.
 - Constructs or reconstructs it.
 - Acquires it.
 - Converts it.
 - Rents or leases it.
 - Operates or manages it.
 - Brokers it.



Real Estate Professionals

Who gets to be one?

Real Estate Pro

- According to the IRS, you qualify as a real estate professional for the tax year if you meet **both** of the following requirements.
- *More than half* of the personal services you perform in *all trades or businesses* during the tax year are performed in real property trades or businesses in which you materially participate.
- You perform *more than 750 hours* of services during the tax year in real property trades or businesses in which you materially participate.”

How to be a Real Estate Professional (and prove it)

- Keep Records!
 - Jot down the hours you spend working on your real estate business
 - Keep toll receipts and other records that prove you visited your properties
 - Don't have a day job

Real Life Question: Real Estate Losses

I have a question on Real Estate loss and its effect on AGI. This is scaring me, so I'd appreciate your input.

I have a planning client who does his and his wife's taxes. (They file MFJ.) Their combined income is about \$157k. They own three rental properties and are claiming a loss on all of them, reporting a loss of \$89k on their tax return, forcing their AGI down to \$33k.

Can you do that? I thought that you couldn't deduct passive income from wages; that there was a \$25,000 deduction which phases out when MAGI is \$100k, with no deduction above \$150k.

— feeling worried.

Real Life Answer

- The IRS presumption is that if you are a full-time W-2 taxpayer, you don't meet the hours test to qualify for REP (Real Estate Professional) status.
- I would expect an audit in about 9-12 months. The first thing the IRS will request in the IDR (Information Document Request) is the [time log](#). -- Olga

REP?

- The Tax Court is more or less saying that people with day jobs will never be able to meet the standard -- Forbes.com, 2021



Business Deductions

2021 and 2022

What Can I Deduct?

- Expenses related to your day job, where you get a W-2? **NOTHING**
- Expenses related to your Schedule E real estate investment?
 - Most expenses related to the property
- Expenses related to your Schedule C business?
 - All legitimate business expenses

Schedule C: Deductible Business Expenses

7		Gross income. Add lines 5 and 6 ▶		7	
Part II Expenses. Enter expenses for business use of your home only on line 30.					
8	Advertising	8		18	Office expense (see instructions)
9	Car and truck expenses (see instructions)	9		18	Office expense (see instructions)
10	Commissions and fees	10		19	Pension and profit-sharing plans
11	Contract labor (see instructions)	11		20	Rent or lease (see instructions):
12	Depletion	12		a	Vehicles, machinery, and equipment
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13		b	Other business property
14	Employee benefit programs (other than on line 19)	14		21	Repairs and maintenance
15	Insurance (other than health)	15		22	Supplies (not included in Part III)
16	Interest (see instructions):			23	Taxes and licenses
a	Mortgage (paid to banks, etc.)	16a		24	Travel and meals:
b	Other	16b		a	Travel
17	Legal and professional services	17		b	Deductible meals (see instructions)
				25	Utilities
				26	Wages (less employment credits)
				27a	Other expenses (from line 48)
				b	Reserved for future use

Three Expenses that Raise the Most Questions

1. Automobiles
2. Home Office
3. Meals & Entertainment



Business Use of Automobile

IRS Rules

Business Use of Auto Expenses

- If you use your car **only** for business purposes, you may deduct its entire cost of ownership and operation (subject to limits discussed later). However, if you use the car for both business and personal purposes, you may deduct **only the cost of its business use**.
- You can generally figure the amount of your deductible car expense by using one of two methods: the **standard mileage rate** method or the **actual expense method**.

Business Use of Auto Expenses

- **Actual Expenses** - To use the actual expense method, you must determine what it actually costs to operate the car for the portion of the overall use of the car that's business use.
- Include gas, oil, repairs, tires, insurance, registration fees, licenses, and depreciation (or lease payments) attributable to the portion of the total miles driven that are business miles.
- For more info on calculating depreciation, see IRS Publication 463

Business Use of Auto Expenses

- IRS mileage allowance
 - 2021: 56 cents/mile
 - 2022: **58.5 cents/mile**
- **Note:** Other car expenses for parking fees and tolls attributable to business use are separately deductible, whether you use the standard mileage rate or actual expenses.

Business Automobile Expenses

- **Standard Mileage Rate** - For the current standard mileage rate, refer to [Publication 463, Travel, Entertainment, Gift, and Car Expenses](#). To use the standard mileage rate, you must own or lease the car and:
 - To use the standard mileage rate for a car you own, you must choose to use it in the first year the car is available for use in your business. Then, in later years, you can choose to use the standard mileage rate or actual expenses.
 - For a car you lease, you must use the standard mileage rate method for the entire lease period (including renewals) if you choose the standard mileage rate.



The Home Office Deduction

For Self-Employed People Only

Home Office? MAYBE

- The Home Office Deduction can be very valuable.
- If you qualify, use it.
- But follow all the rules!

Home Office Deduction Rules Direct from the IRS

There are two basic requirements for your home to qualify as a deduction:

1. Regular and exclusive use.
2. Principal place of your business.

- **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.

- **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, but also use your home substantially and regularly to conduct business, you may qualify for a home office deduction.

More from the IRS

- For example, if you have in-person meetings with patients, clients, or customers in your home in the normal course of your business, 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 meet patients, clients, or customers.
- Generally, deductions for a home office are based on the percentage of your home devoted to business use. So, if you use a whole room or part of a room for conducting your business, you need to figure out the percentage of your home devoted to your business activities.
- If the use of the home office is merely appropriate and helpful, you cannot deduct expenses for the business use of your home.

Home Office Expenses: Examples

Direct

- Painting or carpeting the room you work in
- Building a new shed or storage unit exclusively for business

Indirect

- A percentage of your rent
- Or a percentage of your mortgage interest and property taxes
- A percentage of your utilities for the house or apartment

Home Office Deduction

- Form 8829: Expenses for Business Use of Your Home
- If you are a business owner, use 8829 in conjunction with Schedule C
- A home office cannot cause a loss. You can take the home office deduction only up to your business's net income.
- You can carry forward unused home office deductions.
- But NO carryforward if you take the simplified deduction (\$5/s.f. up to 300 s.f.)
- Simplified calculation available as of 1/1/2013
- Details available in IRS Publication 587

More on the Home Office Deduction

- Simplified (or “Safe Harbor”) method is available for taxable years beginning on or after January 1, 2013.
- If you use the safe-harbor method to claim your home office deduction, no carryover is permitted. It is lost forever.

Direct from the IRS

- See IRS [Publication 587, Business Use of Your Home](#) for all the rules.

Notes from the Past

- ~~If you are an employee with a home office, put the amount on Schedule A, Line 21 (subject to 2% limitation) For 2017.~~
- **No good in 2018-2025.**
- Even now! When so many people *have* to work at home!



Business Meals & Entertainment

Also for Self-Employed People Only

100% again!

The Consolidated Appropriations Act of 2021

- Increased the business-meal deduction for the cost of food and beverages provided by a restaurant from 50 percent to 100 percent in 2021 and 2022
- if certain conditions are met.

Business Meals: Conditions

- Food and beverage costs qualify
- Meal must be in a restaurant
- Business owner or employee must be present when the meal is consumed
- The expense is not lavish or extravagant under the circumstances
- This law applies from 1/1/2021 through 12/31/2022

Other Business Meals

NOT qualified for the 100% deduction

- All other entertainment & business-meal expenses, still **50%** deduction
- Examples:
 - Food for purchased at grocery store, liquor store, vending machine, take-out, or kiosk
 - Cafeteria or food services on company premises, or for employee meals

Business Entertainment

- **Not Deductible:**
- Sporting event tickets
- Transportation to or from a restaurant for client business meals
- Club memberships and club-related expenses
- Meals during entertainment that are not listed separately on the invoice

One More Caveat

- Rules about business meals and entertainment change EVEN more often than other tax rules, and they can be particularly confusing.
- Always check with your own tax advisor before assuming you can deduct something.

Business Expenses: Pro Tips

- As much as possible, organize your expenses into the categories listed on Schedule C. It will save your tax preparer (and you) a lot of time.
- Under “Other,” list things separately. No big unidentified amounts.
- Save all your receipts, even if you’re not sure something is deductible.
- If you’re going to take a home office deduction, follow the rules!
- The standard mileage deduction is much easier, and usually more lucrative, than figuring out actual car expenses.
- Keep a written record of business miles driven.



Major Confusion

Schedule A vs. Schedule C

What's Wrong with This Statement?

- I'm not itemizing this year, so I'm not going to keep track of my business expenses.

Answer

- “Itemizing” refers only to PERSONAL expenses.
- And only to a few things that are listed on Schedule A.
- Has nothing to do with Schedule C or E.
- You can always deduct legitimate business expenses, whether or not you take the Standard Deduction.

Standard Deduction

(For personal expenses! Nothing to do with business.)

- Single (or MFS)

- \$12,550 in 2021

- \$12,950 in 2022

- Married Filing Jointly

- \$25,100 in 2021

- \$25,900 in 2020

**SCHEDULE A
(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)

Itemized Deductions

Go to www.irs.gov/ScheduleA for instructions and the latest information.
Attach to Form 1040 or 1040-SR.

OMB No. 1545-0074

2021
Attachment
Sequence No. 07

Caution: If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 16.

Name(s) shown on Form 1040 or 1040-SR

Your social security number

Medical and Dental Expenses	Caution: Do not include expenses reimbursed or paid by others.		
	1 Medical and dental expenses (see instructions)	1	
	2 Enter amount from Form 1040 or 1040-SR, line 11 2	2	
	3 Multiply line 2 by 7.5% (0.075)	3	
	4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	4	
Taxes You Paid	5 State and local taxes.		
	a State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box <input type="checkbox"/>	5a	
	b State and local real estate taxes (see instructions)	5b	
	c State and local personal property taxes	5c	
	d Add lines 5a through 5c	5d	
	e Enter the smaller of line 5d or \$10,000 (\$5,000 if married filing separately)	5e	
	6 Other taxes. List type and amount	6	
7 Add lines 5e and 6	7		
Interest You Paid	Caution: Your mortgage interest deduction may be limited (see instructions).		
	8 Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box <input type="checkbox"/>		
	a Home mortgage interest and points reported to you on Form 1098. See instructions if limited	8a	
	b Home mortgage interest not reported to you on Form 1098. See instructions if limited. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address	8b	
	c Points not reported to you on Form 1098. See instructions for special rules	8c	
	d Mortgage insurance premiums (see instructions)	8d	
	e Add lines 8a through 8d	8e	
9 Investment interest. Attach Form 4952 if required. See instructions.	9		
10 Add lines 8e and 9	10		
Gifts to Charity	Caution: If you made a gift and got a benefit for it, see instructions.		
	11 Gifts by cash or check. If you made any gift of \$250 or more, see instructions	11	
	12 Other than by cash or check. If you made any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500.	12	
	13 Carryover from prior year	13	
14 Add lines 11 through 13	14		
Casualty and Theft Losses	15 Casualty and theft loss(es) from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions	15	
Other Itemized Deductions	16 Other—from list in instructions. List type and amount	16	
Total Itemized Deductions	17 Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040 or 1040-SR, line 12a	17	
	18 If you elect to itemize deductions even though they are less than your standard deduction, check this box <input type="checkbox"/>		

If You Don't Itemize

- Deductions you Lose
 - Large medical expenses
 - State & Local Income Tax
 - Real Estate Tax
 - Mortgage Interest
 - Charitable Contributions*
- Deductions you Keep
 - **Business Expenses (Schedule C)**
 - **Rental Real Estate Expenses (Schedule E)**
 - Self-Employed Health Insurance
 - Retirement Plan Contributions
 - Student Loan Interest
 - Educator Expenses
 - Medical HSA & FSA
 - Child Tax Credit
 - Child & Dependent Care Credit
 - Health Insurance Premium Credit
 - All the other Credits

Disclaimer

- Tax rules are complicated and they change frequently.
- Always check with your own tax advisor, accountant, attorney, or other professionals who know your particular situation.



I am a Business OWNER!

What Else Do I Need to Do?

Banks and Credit Cards

- Separate Business Bank Account and Credit Cards?
 - Not required. But keeping good records of business income and expenses IS required, so use whatever tools help you keep track.



Other Questions?

Self-Employed Professionals



Presenter: Heather C. Liston, CFP[®], E.A.

Vice President & Advisor at Hargrave Fiduciary Advisors, LLC
HCListon@HargraveFA.com





Questions?

ASK IN THE Q&A BOX

NOTE: PLEASE BE MINDFUL OF PERSONAL FINANCIAL/TAX- RELATED QUESTIONS.

FinancialWellness@nar.realtor



CENTER 
REALTOR®
FINANCIAL WELLNESS

Recording Available:
Friday, February 4

Visit:

nar.realtor/cffw/webinars

Take:

free survey after session

Register:

CFFW March Webinar