SCHEDULE C (File with Form 1040)
U. S. TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

1950

SCHEDULE OF PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION

(Farmers should obtain Form 1040F)

For Calendar Year 1950 or other taxable years ending after Sept. 30, 1950, but before Dec. 31, 1951

NAME AND ADDRESS ....

State (1) nature of business..
(2) business name..
(3) business address..

Do NOT include in this schedule cost of goods withdrawn for personal use or deductions not connected with your business or profession

1. Total receipts from business or profession		$
COST OF GOODS SOLD		
2. Inventory at beginning of year	$	
3. Merchandise bought for manufacture or sale		
4. Cost of labor		
5. Material and supplies		
6. Other costs (explain in Schedule C–2)		
7. Total of lines 2 to 6	$	
8. Less inventory at end of year		
9. Net cost of goods sold (line 7 less line 8)		
10. Gross profit (line 1 less line 9)		$
OTHER BUSINESS DEDUCTIONS		
11. Salaries and wages not included in line 4	$	
12. Rent on business property		
13. Interest on business indebtedness		
14. Taxes on business and business property		
15. Losses of business property (attach statement)		
16. Bad debts arising from sales or services		
17. Depreciation and obsolescence (explain in Schedule C–1)		
18. Repairs (explain in Schedule C–2)		
19. Depletion of mines, oil and gas wells, timber, etc. (submit schedule)		
20. Amortization of emergency facilities (attach statement)		
21. Other business expenses (explain in Schedule C–2)		
22. Total of lines 11 to 21		
23. Net profit (or loss) before net operating loss deduction (line 10 less line 22)		$
24. Less net operating loss deduction (attach statement)		
25. Net profit (or loss). (Enter in Schedule C, page 2, Form 1040)		$

Schedule C–1. EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED ON LINE 17

1. Kind of property (If buildings, state material of which constructed)	2. Date acquired	3. Cost or other basis (do not include land or other nondepreciable property)	4. Assets fully depreciated in use at end of year	5. Depreciation allowed (or allowable) in prior years	6. Remaining cost or other basis to be recovered	7. Estimated life used in accumulating depreciation	8. Estimated remaining life from beginning of year	9. Depreciation allowable this year
		$	$	$	$			$

Schedule C–2. EXPLANATION OF LINES 6, 18, AND 21

1. Line No.	2. Explanation	3. Amount	1. Line No.	2. Explanation	3. Amount
		$			$

INSTRUCTIONS

If you owned a business, or practiced a profession, you should fill in separate Schedule C on other side and enter the net profit (or loss) in Schedule C, page 2, on Form 1040.

Separate Schedule C should include income from (1) sale of merchandise, or products of manufacturing, mining, and construction; (2) business service; and (3) professional service. In general, you should report any income in the earning of which you have incurred expenses for material, labor, supplies, and the like. A farmer keeping his books of account on the accrual basis may include the income in such schedule from the sale of products of agriculture in lieu of including such income in Form 1040F.

Kind of Business.—Describe the business or profession in the space provided at the top of the schedule, as "drug store," "laundry," "grocery," "doctor," "lawyer," etc. Indicate also the name under which the business or profession is conducted and the established business address.

Total Receipts.—You should include all income derived from your trade or business. In determining the amount to be entered as total receipts, you should subtract from your total income such items as cost of returned goods, rebates, and allowances from the sale price or service charge.

Cost of Goods Sold.—If you are engaged in a trade or business in which the production, purchase, or sale of merchandise is an income-producing factor, you should, in order to reflect the gross profits correctly, take an inventory of merchandise on hand at the beginning and end of the taxable year. Generally, the bases of valuation most commonly used by business concerns and which meet the requirements of the applicable law and regulations are (*a*) cost and (*b*) cost or market, whichever is lower. The basis properly adopted for the first year is controlling, and a change can be made only after permission is secured from the Commissioner. Application for permission to change the basis of valuing inventories must be made in writing and filed with the Commissioner within 90 days after the beginning of the taxable year in which it is desired to effect a change. You should enter the letters "C" or "C or M" immediately before the amount column, if inventories are valued at either cost, or cost or market, whichever is lower.

If you are a dealer in securities and your books of account reflect inventories of unsold securities on hand either at (*a*) cost; (*b*) cost or market, whichever is lower; or (*c*) market value, you may use, in computing your cost of goods sold, the basis upon which your accounts are kept. A description of the method used must be included in the return. All securities must be inventoried by the same method. The method adopted must be adhered to in subsequent years, unless another method is authorized by the Commissioner.

If you are a retail merchant using the "retail method" of pricing inventories you may make your return upon that basis, provided that (*a*) the use of such method is designated upon the return; (*b*) accurate accounts are kept; and (*c*) such method is consistently adhered to unless a change is authorized by the Commissioner.

The Commissioner may consent, if you are engaged in mining or manufacturing, to the use of allocated costs as a basis for pricing inventories provided the allocation bears a reasonable relation to the respective selling values of the different kinds, sizes, or grades of products which in the aggregate absorbs the total cost of production.

An elective inventory method is provided by law which is not dependent upon the character of the business in which you are engaged and may be adopted as of the close of any taxable year. If you are permitted or required to take inventories in accordance with any one of the methods outlined above, you may treat all goods, specified in your application, remaining on hand at the close of the taxable years as being those (*a*) included in the opening inventory of the taxable year, in the order of acquisition and to the extent thereof, and (*b*) acquired during the taxable year.

The requirements with respect to the adoption and use of the elective inventory method are set forth on Form 970 which should be filed with your return for the first year of the election. Thereafter, you should attach a separate schedule showing: (*a*) A summary of all inventories; (*b*) with respect to inventories computed under the elective method, if any, the computation of quantities and cost by acquisition levels.

Installment Sales.—If you use the installment method of reporting income from sales, you should attach to your return a schedule showing separately for the years 1947, 1948, 1949, and 1950 the following: (*a*) Gross sales; (*b*) cost of goods sold; (*c*) gross profits; (*d*) percentage of profits to gross sales; (*e*) amounts collected; and (*f*) gross profit on amount collected.

Salaries and Wages.—You should enter all salaries and wages not included as "Cost of Labor" under "Cost of Goods Sold." Do not deduct any salary or wages for your own services or services of others not performed in connection with your business.

Rent on Business Property.—Rents paid or accrued on business property in which you have no equity are deductible. Do not include rent for a building, or any part, which you occupy for residential purposes.

Interest on Business Indebtedness.—Interest on business indebtedness to others is deductible. Do not include interest to yourself on capital invested in or advanced to the business.

Taxes on Business and Business Property.—Include taxes paid or accrued on business property or incurred for carrying on your business. Federal import duties and Federal excise and stamp taxes are deductible if paid or incurred in carrying on a trade or business. Do not include taxes assessed against local benefits of a kind tending to increase the value of the property assessed, as for paving, sewers, etc.

Losses of Business Property.—You may deduct losses of business property by fire, storm, or other casualty, or theft, not compensated by insurance or otherwise and not made good by repairs claimed as a deduction. Attach a statement showing a description of the property, date acquired, cost, subsequent improvements, depreciation allowable since acquisition, insurance, salvage value, and deductible loss.

Bad Debts Arising From Sales or Services.—Include debts, or portions thereof, arising from sales or professional services that have been reflected in income, which have been definitely ascertained to be worthless, or such reasonable amount as has been added to a reserve for bad debts within the taxable year. A debt previously deducted as bad which reduced your tax in a prior year, if subsequently collected, must be returned as income for the year in which collected.

Depreciation and Obsolescence.—You may deduct a reasonable allowance for exhaustion, wear and tear, and obsolescence of property used in the trade or business. If the property was acquired by purchase on or after March 1, 1913, the amount of depreciation should be determined upon the basis of the original cost (not replacement cost) of the property, and the probable number of years remaining of its expected useful life. In case the property was purchased prior to March 1, 1913, the amount of depreciation will be determined in the same manner, except that it will be computed on its original cost, less depreciation sustained prior to March 1, 1913, or its fair market value as of that date, whichever is greater. The capital sum to be recovered should be charged off ratably over the useful life of the property.

If a deduction is claimed on account of depreciation you should fill in Schedule C–1. In case obsolescence is included, state separately amount claimed and basis upon which it is computed. Land values or cost must not be included in this schedule, and where land and buildings were purchased for a lump sum, the cost of the building subject to depreciation must be established. The adjusted property accounts and the accumulated depreciation shown in the schedule should be reconciled with those accounts as reflected on your books.

Repairs.—You may deduct the cost of incidental repairs, including labor, supplies, and other items, which do not add to the value or appreciably prolong the life of the property. Expenditures for new buildings, machinery, equipment, or for permanent improvements or betterments which increase the value of the property are chargeable to capital accounts. Expenditures for restoring or replacing property are not deductible, since such expenditures are chargeable to capital accounts or to depreciation reserve depending on how depreciation is charged on your books.

Depletion of Mines, Oil and Gas Wells, Timber, Etc.—If a deduction is claimed on account of depletion, you should procure from the collector Form M (mines and other natural deposits), Form O (oil and gas), or Form T (timber), fill in and file with return. If complete valuation data have been filed with questionnaire in previous years, then file with your return information necessary to bring depletion schedule up to date, setting forth, in full, statement of all transactions bearing on deductions from or additions to value of physical assets during the taxable year with explanation of how depletion deduction for the taxable year has been determined.

Amortization.—You are entitled, at your election, to a deduction with respect to the amortization of the adjusted basis of any emergency facility the construction, reconstruction, erection, or installation of which was completed after December 31, 1949, or the acquisition of which occurred after December 31, 1949, and with respect to which the Government has issued a certificate of necessity. A statement of the pertinent facts should be filed with the taxpayer's election to take amortization deduction with respect to such facility. (See section 124A of the Internal Revenue Code and the regulations issued thereunder.)

Other Business Deductions.—You should include all ordinary and necessary business expenses for which no space is provided in the schedule. Any deduction claimed should be explained in Schedule C–2. Do not include cost of business equipment or furniture, expenditures for replacements, or for permanent improvements to property, nor personal living and family expenses.

Net Operating Loss Deduction.—If you claim a net operating loss deduction on your return, you should file a concise statement setting forth the amount of the net operating loss deduction claimed and all material and pertinent facts relative thereto, including a detailed statement showing the computation of the net operating loss deduction. If you desire prompt payment of any refund attributable to a carry-back of a net operating loss, you should file Form 1045 in accordance with the instructions printed on such form.

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