

2002 Instructions for Schedule C, Profit or Loss From Business

Use Schedule C (Form 1040) to report income or loss from a business you operated or a profession you practiced as a sole proprietor. Also, use Schedule C to report wages and expenses you had as a statutory employee. An activity qualifies as a business if your primary purpose for engaging in the activity is for income or profit and you are involved in the activity with continuity and regularity. For example, a sporadic activity or a hobby does not qualify as a business. To report income from a nonbusiness activity, see the instructions for Form 1040, line 21.

Small businesses and statutory employees with expenses of \$2,500 or less may be able to file **Schedule C-EZ** instead of Schedule C. See Schedule C-EZ for details.

You may be subject to state and local taxes and other requirements such as business licenses and fees. Check with your state and local governments for more information.

Section references are to the Internal Revenue Code.

General Instructions Changes To Note

Revised Activity Codes. Some of the principal business or professional activity codes beginning on page C-7 have been revised and new codes have been added. Be sure to check the list before you enter your code on line B.

Tax Shelter Disclosure Statement. You must file a disclosure statement for each reportable tax shelter transaction in which you participated, directly or indirectly, if your Federal income tax liability was affected by the transaction. See **Tax Shelter Disclosure Statement** on this page for more details.

Other Schedules and Forms You May Have To File

Schedule A to deduct interest, taxes, and casualty losses not related to your business.

Schedule E to report rental real estate and royalty income or (loss) that is **not** subject to self-employment tax.

Schedule F to report profit or (loss) from farming.

Schedule SE to pay self-employment tax on income from any trade or business.

Form 4562 to claim depreciation on assets placed in service in 2002, to claim amortization that began in 2002, or to report information on listed property.

Form 4684 to report a casualty or theft gain or loss involving property used in your trade or business or income-producing property.

Form 4797 to report sales, exchanges, and involuntary conversions (not from a casualty or theft) of trade or business property.

Form 8271 if you are claiming or reporting on Schedule C or C-EZ any income, deduction, loss, credit, or other tax benefit from a tax shelter.

Form 8594 to report certain purchases or sales of groups of assets that constitute a trade or business.

Form 8824 to report like-kind exchanges.

Form 8829 to claim expenses for business use of your home.

Husband-Wife Business. If you and your spouse jointly own and operate a business and share in the profits and losses, you are partners in a partnership, whether or not you have a formal partnership agreement. **Do not** use Schedule C or C-EZ. Instead, file **Form 1065**. See **Pub. 541** for more details.

Single-Member Limited Liability Company (LLC). Generally, a single-member domestic LLC is not treated as a separate entity for Federal income tax purposes. If you are the sole member of a domestic LLC, file Schedule C or C-EZ (or Schedule E or F, if applicable). However, you may elect to treat a domestic LLC as a corporation. See **Form 8832** for details on the election and the tax treatment of a foreign LLC.

Heavy Highway Vehicle Use Tax. If you use certain highway trucks, truck-trailers, tractor-trailers, or buses in your trade or business, you may have to pay a Federal highway motor vehicle use tax. See the **Instructions for Form 2290** to find out if you owe this tax.

Information Returns. You may have to file information returns for wages paid to employees, certain payments of fees and other nonemployee compensation, interest, rents, royalties, real estate transactions, annuities, and pensions. You may also have to file an information return if you sold \$5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or other similar basis for resale. For details, see the 2002 **General Instructions for Forms 1099, 1098, 5498, and W-2G**.

If you received cash of more than \$10,000 in one or more related transactions in your trade or business, you may have to file **Form 8300**. For details, see **Pub. 1544**.

Tax Shelter Disclosure Statement

For each reportable tax shelter transaction in which you participated, directly or indirectly, you must attach a **disclosure statement** to your return for each year that your Federal income tax liability is affected by your participation in the transaction. In addition, for the first tax year a disclosure statement is attached to your tax return, you must send a copy of the statement to the Internal Revenue Service, LM:PFTG:OTSA, Large & Mid-Size Busi-

ness Division, 1111 Constitution Ave., N.W., Washington, DC 20224. If a transaction becomes a reportable transaction after you file your return, you must attach the statement to the following year's return (whether or not your tax liability is affected for that year). You are considered to have indirectly participated if you know or have reason to know that the tax benefits claimed were derived from a reportable transaction.

Disclosure is required for a reportable transaction that is a listed transaction. A transaction is a listed transaction if it is the same as or substantially similar to a transaction that the IRS has determined to be a tax avoidance transaction and identified as a listed transaction in a notice, regulation, or other published guidance. See Notice 2001-51, 2001-34 I.R.B. 190, for transactions identified by the IRS as listed transactions. You can find Notice 2001-51 on page 190 of Internal Revenue Bulletin 2001-34 at www.irs.gov/pub/irs-irbs/irb01-34.pdf. The listed transactions in this notice will be updated in future published guidance.

See Temporary Regulations section 1.6011-4T for more details, including:

- Definitions of reportable transaction, listed transaction, and substantially similar.
- Form and content of the disclosure statement.
- Filing requirements for the disclosure statement.

Additional Information

See **Pub. 334** for more information for small businesses.

Specific Instructions

Filers of Form 1041. **Do not** complete the block labeled "Social security number." Instead, enter your employer identification number (EIN) on line D.

Line A

Describe the business or professional activity that provided your principal source of income reported on line 1. If you owned more than one business, you must complete a separate Schedule C for each business.

Give the general field or activity and the type of product or service. If your general field or activity is wholesale or retail trade, or services connected with production services (mining, construction, or manufacturing), also give the type of customer or client. For example, "wholesale sale of hardware to retailers" or "appraisal of real estate for lending institutions."

Line D

You need an EIN only if you had a qualified retirement plan or were required to file an employment, excise, estate, trust, or alcohol, tobacco, and firearms tax return. If you need an EIN, file **Form SS-4**. If you do not have an EIN, leave line D blank. **Do not** enter your SSN.

Line E

Enter your business address. Show a street address instead of a box number. Include the suite or room number, if any. If you conducted the business from your home located at the address shown on Form 1040, page 1, you do not have to complete this line.

Line F

Generally, you can use the cash method, accrual method, or any other method permitted by the Internal Revenue Code. In all cases, the method used must clearly reflect income. Unless you are a qualifying taxpayer or a qualifying small business taxpayer, you must use the accrual method for sales and purchases of inventory items. See the Part III instructions on page C-6 for the definition of a qualifying taxpayer and a qualifying small business taxpayer. Special rules apply to long-term contracts. See section 460 for details.

If you use the **cash method**, show all items of taxable income actually or constructively received during the year (in cash, property, or services). Income is constructively received when it is credited to your account or set aside for you to use. Also, show amounts actually paid during the year for deductible expenses. However, if the payment of an expenditure creates an asset having a useful life that extends substantially beyond the close of the year, it may not be deductible or may be deductible only in part for the year of the payment. See **Pub. 535**.

If you use the **accrual method**, report income when you earn it and deduct expenses when you incur them even if you do not pay them during the tax year. Accrual-basis taxpayers are put on a cash basis for deducting business expenses owed to a related cash-basis taxpayer. Other rules determine the timing of deductions based on economic performance. See **Pub. 538**.

To change your accounting method, you generally must file **Form 3115**. You may also have to make an adjustment to prevent amounts of income or expense from being

duplicated or omitted. This is called a section 481(a) adjustment.

Example. You change to the cash method of accounting and choose to account for inventoriable items in the same manner as materials and supplies that are not incidental. You accrued sales in 2001 for which you received payment in 2002. You must report those sales in both years as a result of changing your accounting method and must make a section 481(a) adjustment to prevent duplication of income.

A net negative section 481(a) adjustment is taken into account entirely in the year of the change. A net positive section 481(a) adjustment is generally taken into account over a period of 4 years. Include any net positive section 481(a) adjustments on line 6. If the net section 481(a) adjustment is negative, report it in Part V.

For details on figuring section 481(a) adjustments, see Rev. Proc. 2002-9, Rev. Proc. 2002-19, and Rev. Proc. 2002-54. You can find Rev. Proc. 2002-9 on page 327 of Internal Revenue Bulletin 2002-3 at www.irs.gov/pub/irs-irbs/irb02-03.pdf, Rev. Proc. 2002-19 on page 696 of Internal Revenue Bulletin 2002-13 at www.irs.gov/pub/irs-irbs/irb02-13.pdf, and Rev. Proc. 2002-54 on page 432 of Internal Revenue Bulletin 2002-35 at www.irs.gov/pub/irs-irbs/irb02-35.pdf.

Line G

If your business activity was not a rental activity **and** you met any of the material participation tests below **or** the exception for oil and gas applies (explained on page C-3), check the "Yes" box. Otherwise, check the "No" box. If you check the "No" box, this business is a passive activity. If you have a loss from this business, see **Limit on Losses** on page C-3. If you have a profit from this business activity but have current year losses from other passive activities or you have prior year unallowed passive activity losses, see the **Instructions for Form 8582**.

Material Participation. Participation, for purposes of the seven material participation tests listed below, generally includes any work you did in connection with an activity if you owned an interest in the activity at the time you did the work. The capacity in which you did the work does not matter. However, work is not treated as participation if it is work that an owner would not customarily do in the same type of activity and one of your main reasons for doing the work was to avoid the disallowance of losses or credits from the activity under the passive activity rules.

Work you did as an investor in an activity is not treated as participation unless you were directly involved in the day-to-day management or operations of the activity. Work done as an investor includes:

1. Studying and reviewing financial statements or reports on the activity,

2. Preparing or compiling summaries or analyses of the finances or operations of the activity for your own use, and

3. Monitoring the finances or operations of the activity in a nonmanagerial capacity.

Participation by your spouse during the tax year in an activity you own can be counted as your participation in the activity. This applies even if your spouse did not own an interest in the activity and whether or not you and your spouse file a joint return.

For purposes of the passive activity rules, you materially participated in the operation of this trade or business activity during 2002 if you met any of the following seven tests.

1. You participated in the activity for more than 500 hours during the tax year.

2. Your participation in the activity for the tax year was substantially all of the participation in the activity of all individuals (including individuals who did not own any interest in the activity) for the tax year.

3. You participated in the activity for more than 100 hours during the tax year, and you participated at least as much as any other person for the tax year. This includes individuals who did not own any interest in the activity.

4. The activity is a significant participation activity for the tax year, and you participated in all significant participation activities for more than 500 hours during the year. An activity is a "significant participation activity" if it involves the conduct of a trade or business, you participated in the activity for more than 100 hours during the tax year, and you did not materially participate under any of the material participation tests (other than this test 4).

5. You materially participated in the activity for any 5 of the prior 10 tax years.

6. The activity is a personal service activity in which you materially participated for any 3 prior tax years. A personal service activity is an activity that involves performing personal services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, or any other trade or business in which capital is not a material income-producing factor.

7. Based on all the facts and circumstances, you participated in the activity on a regular, continuous, and substantial basis during the tax year. But you do not meet this test if you participated in the activity for 100 hours or less during the tax year. Your participation in managing the activity does not count in determining if you meet this test if any person (except you) (a) received compensation for performing management services in connection with the activity or (b) spent more hours during the tax year than you spent performing management services in connection with the activity (regardless of whether the person was compensated for the services).

Rental of Personal Property. A rental activity (such as long-term equipment leasing)

is a passive activity even if you materially participated in the activity. However, if you met any of the five exceptions listed under **Rental Activities** in the Instructions for Form 8582, the rental of the property is not treated as a rental activity and the material participation rules above apply.

Exception for Oil and Gas. If you are filing Schedule C to report income and deductions from an oil or gas well in which you own a working interest directly or through an entity that does not limit your liability, check the "Yes" box. The activity of owning the working interest is not a passive activity regardless of your participation.

Limit on Losses. If you checked the "No" box and you have a loss from this business, you may have to use **Form 8582** to figure your allowable loss, if any, to enter on Schedule C, line 31. Generally, you can deduct losses from passive activities only to the extent of income from passive activities.

For details, see **Pub. 925**.

Line H

If you started or acquired this business in 2002, check the box on line H. Also check the box if you are reopening or restarting this business after temporarily closing it, and you did not file a 2001 Schedule C or C-EZ for this business.

Part I. Income

Except as otherwise provided in the Internal Revenue Code, gross income includes all income from whatever source derived. Gross income, however, does not include extraterritorial income that is qualifying foreign trade income. Use **Form 8873** to figure the extraterritorial income exclusion. Report it on Schedule C as explained in the Instructions for Form 8873.

Line 1

Enter gross receipts from your trade or business. Include amounts you received in your trade or business that were properly shown on **Forms 1099-MISC**. If the total amounts that were reported in box 7 of Forms 1099-MISC are more than the total you are reporting on line 1, attach a statement explaining the difference.

Statutory Employees. If you received a Form W-2 and the "Statutory employee" box in box 13 of that form was checked, report your income and expenses related to that income on Schedule C or C-EZ. Enter your statutory employee income from box 1 of Form W-2 on line 1 of Schedule C or C-EZ and **check the box** on that line. Social security and Medicare tax should have been withheld from your earnings; therefore, you do not owe self-employment tax on these earnings. Statutory employees include full-time life insurance agents, certain agent or commission drivers and traveling salespersons, and certain homeworkers.

If you had both self-employment income and statutory employee income, you **must** file two Schedules C. You **cannot** use Schedule C-EZ or combine these amounts on a single Schedule C.

Installment Sales. Generally, the installment method may not be used to report income from the sale of (a) personal property regularly sold under the installment method or (b) real property held for resale to customers. But the installment method may be used to report income from sales of certain residential lots and timeshares if you elect to pay interest on the tax due on that income after the year of sale. See section 453(l)(2)(B) for details. If you make this election, include the interest on Form 1040, line 61. Also, enter "453(l)(3)" and the amount of the interest on the dotted line to the left of line 61.

If you use the installment method, attach a schedule to your return. Show separately for 2002 and the 3 preceding years: gross sales, cost of goods sold, gross profit, percentage of gross profit to gross sales, amounts collected, and gross profit on amounts collected.

Line 6

Report on line 6 amounts from finance reserve income, scrap sales, bad debts you recovered, interest (such as on notes and accounts receivable), state gasoline or fuel tax refunds you got in 2002, credit for Federal tax paid on gasoline or other fuels claimed on your 2001 Form 1040, prizes and awards related to your trade or business, and other kinds of miscellaneous business income. Include amounts you received in your trade or business as shown on **Form 1099-PATR**. Also, include any recapture of the deduction for clean-fuel vehicles used in your business and clean-fuel vehicle refueling property. For details, see **Pub. 535**.

If the business use percentage of any listed property (defined in the instructions for line 13 on page C-4) decreased to 50% or less in 2002, report on this line any recapture of excess depreciation, including any section 179 expense deduction. Use **Form 4797** to figure the recapture. Also, if the business use percentage drops to 50% or less on leased listed property (other than a vehicle), include on this line any inclusion amount. See **Pub. 946** to figure the amount.

Part II. Expenses

Capitalizing Costs of Property. If you produced real or tangible personal property or acquired property for resale, certain expenses attributable to the property generally must be included in inventory costs or capitalized. In addition to direct costs, producers of inventory property generally must also include part of certain indirect costs in their inventory. Purchasers of personal property acquired for resale must include part of certain indirect costs in inventory only if the average annual gross receipts for the 3 prior

tax years exceed \$10 million. Also, you must capitalize part of the indirect costs that benefit real or tangible personal property constructed for use in a trade or business, or noninventory property produced for sale to customers. Reduce the amounts on lines 8-26 and Part V by amounts capitalized. For details, see **Pub. 538**.

Exception for Certain Producers. Producers who account for inventoriable items in the same manner as materials and supplies that are not incidental may currently deduct expenditures for direct labor and all indirect costs that would otherwise be included in inventory costs. See **Cost of Goods Sold** on page C-6 for more details.

Exception for Creative Property. If you are an artist, author, or photographer, you may be exempt from the capitalization rules. However, your personal efforts must have created (or reasonably be expected to create) the property. This exception does not apply to any expense related to printing, photographic plates, motion picture films, video tapes, or similar items. These expenses are subject to the capitalization rules. For details, see **Pub. 538**.

Line 9

Include debts and partial debts from sales or services that were included in income and are definitely known to be worthless. If you later collect a debt that you deducted as a bad debt, include it as income in the year collected. For details, see **Pub. 535**.

Line 10

You can deduct the actual expenses of running your car or truck or take the **standard mileage rate**. You **must** use actual expenses if you used your vehicle for hire (such as a taxicab) or you used more than one vehicle simultaneously in your business (such as in fleet operations). You cannot use actual expenses for a leased vehicle if you previously used the standard mileage rate for that vehicle.

You can take the standard mileage rate for 2002 **only** if:

- You owned the vehicle and use the standard mileage rate for the first year you placed the vehicle in service or
- You leased the vehicle and are using the standard mileage rate for the entire lease period (except the period, if any, before 1998).

If you deduct actual expenses:

- Include on line 10 the business portion of expenses for gasoline, oil, repairs, insurance, tires, license plates, etc., and
- Show depreciation on line 13 and rent or lease payments on line 20a.

If you take the standard mileage rate, multiply the number of business miles by 36.5 cents. Add to this amount your parking fees and tolls, and enter the total on line 10. **Do**

not deduct depreciation, rent or lease payments, or your actual operating expenses.

For details, see **Pub. 463**.

Information on Your Vehicle. If you claim any car and truck expenses, you must provide certain information on the use of your vehicle by completing one of the following.

- Part IV of Schedule C or Part III of Schedule C-EZ if: (a) you are claiming the standard mileage rate, you lease your vehicle, or your vehicle is fully depreciated and (b) you are **not** required to file **Form 4562** for any other reason. If you used more than one vehicle during the year, attach your own schedule with the information requested in Part IV of Schedule C, or Part III of Schedule C-EZ, for each additional vehicle.

- Part V of Form 4562 if you are claiming depreciation on your vehicle or you are required to file Form 4562 for any other reason (see the instructions for line 13).

Line 12

Enter your deduction for depletion on this line. If you have timber depletion, attach **Form T**. See **Pub. 535** for details.

Line 13

Depreciation and Section 179 Expense Deduction. Depreciation is the annual deduction allowed to recover the cost or other basis of business or investment property having a useful life substantially beyond the tax year. You can also depreciate improvements made to leased business property. However, stock in trade, inventories, and land are not depreciable. Depreciation starts when you first use the property in your business or for the production of income. It ends when you take the property out of service, deduct all your depreciable cost or other basis, or no longer use the property in your business or for the production of income. You may also elect under section 179 to expense part of the cost of certain property you bought in 2002 for use in your business. See the Instructions for Form 4562 to figure the amount to enter on line 13.

When To Attach Form 4562. You must complete and attach Form 4562 **only** if:

- You are claiming depreciation on property placed in service during 2002;
- You are claiming depreciation on listed property (defined below), regardless of the date it was placed in service; or
- You are claiming a section 179 expense deduction.

If you acquired depreciable property for the first time in 2002, see Pub. 946.

Listed property generally includes, but is not limited to:

- Passenger automobiles weighing 6,000 pounds or less;
- Any other property used for transportation if the nature of the property lends

itself to personal use, such as motorcycles, pickup trucks, etc.;

- Any property used for entertainment or recreational purposes (such as photographic, phonographic, communication, and video recording equipment);
- Cellular telephones or other similar telecommunications equipment; and
- Computers or peripheral equipment.

Exceptions. Listed property does not include photographic, phonographic, communication, or video equipment used exclusively in your trade or business or at your regular business establishment. It also does not include any computer or peripheral equipment used exclusively at a regular business establishment and owned or leased by the person operating the establishment. For purposes of these exceptions, a portion of your home is treated as a regular business establishment only if that portion meets the requirements under section 280A(c)(1) for deducting expenses for the business use of your home.

See the instructions for line 6 on page C-3 if the business use percentage of any listed property decreased to 50% or less in 2002.

Line 14

Deduct contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included on line 19. Examples are accident and health plans, group-term life insurance, and dependent care assistance programs.

Do not include on line 14 any contributions you made on your behalf as a self-employed person to an accident and health plan or for group-term life insurance. You may be able to deduct on Form 1040, line 30, part of the amount you paid for health insurance on behalf of yourself, your spouse, and dependents, even if you do not itemize your deductions. See the instructions for Form 1040, line 30, for details.

Line 15

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

Lines 16a and 16b

Interest Allocation Rules. The tax treatment of interest expense differs depending on its type. For example, home mortgage interest and investment interest are treated differently. "Interest allocation" rules require you to allocate (classify) your interest expense so it is deducted (or capitalized) on the correct line of your return and receives the right tax treatment. These rules could

affect how much interest you are allowed to deduct on Schedule C or C-EZ.

Generally, you allocate interest expense by tracing how the proceeds of the loan were used. See **Pub. 535** for details.

Do not deduct interest you paid or accrued on debts allocable to investment property. This interest is generally deducted on **Schedule A**. For details, see **Pub. 550**.

If you paid interest on a debt secured by your main home and any of the proceeds from that debt were used in connection with your trade or business, see Pub. 535 to figure the amount that is deductible on Schedule C or C-EZ.

If you have a mortgage on real property used in your business (other than your main home), enter on line 16a the interest you paid for 2002 to banks or other financial institutions for which you received a **Form 1098** (or similar statement). If you did not receive a Form 1098, enter the interest on line 16b.

If you paid more mortgage interest than is shown on Form 1098, see Pub. 535 to find out if you can deduct the additional interest. If you can, include the amount on line 16a. Attach a statement to your return explaining the difference and enter "See attached" in the margin next to line 16a.

If you and at least one other person (other than your spouse if you file a joint return) were liable for and paid interest on the mortgage and the other person received the Form 1098, include your share of the interest on line 16b. Attach a statement to your return showing the name and address of the person who received the Form 1098. In the margin next to line 16b, enter "See attached."

If you paid interest in 2002 that applies to future years, deduct only the part that applies to 2002.

Line 17

Include on this line fees for tax advice related to your business and for preparation of the tax forms related to your business.

Line 19

Enter your deduction for contributions to a pension, profit-sharing, or annuity plan, or plans for the benefit of your employees. If the plan includes you as a self-employed person, enter contributions made as an employer on your behalf on Form 1040, line 31, not on Schedule C.

Generally, you must file the applicable form listed below if you maintain a pension, profit-sharing, or other funded-deferred compensation plan. The filing requirement is not affected by whether or not the plan qualified under the Internal Revenue Code, or whether or not you claim a deduction for the current tax year. There is a penalty for failure to timely file these forms.

Form 5500. File this form for a plan that is not a one-participant plan (see page C-5).

Form 5500-EZ. File this form for a one-participant plan. A **one-participant plan** is a plan that only covers you (or you and your spouse).

For details, see **Pub. 560**.

Lines 20a and 20b

If you rented or leased vehicles, machinery, or equipment, enter on line 20a the business portion of your rental cost. But if you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction by an amount called the **inclusion amount**.

You may have to do this if—

The lease term began during . . .	And the vehicle's fair market value on the first day of the lease exceeded . . .
1999 or later	\$15,500
1997 or 1998	15,800
1995 or 1996	15,500
If the lease term began before 1995, see Pub. 463 to find out if you have an inclusion amount.	

See **Pub. 463** to figure your inclusion amount.

Enter on line 20b amounts paid to rent or lease other property, such as office space in a building.

Line 21

Deduct the cost of repairs and maintenance. Include labor, supplies, and other items that do not add to the value or increase the life of the property. Do not deduct the value of your own labor. Do not deduct amounts spent to restore or replace property; they must be capitalized.

Line 22

Generally, you can deduct the cost of supplies only to the extent you actually consumed and used them in your business during the tax year (unless you deducted them in a prior tax year). However, if you had incidental supplies on hand for which you kept no inventories or records of use, you may deduct the cost of supplies you actually purchased during the tax year, provided that method clearly reflects income.

Line 23

You can deduct the following taxes and licenses on this line.

- State and local sales taxes imposed on you as the **seller** of goods or services. If you collected this tax from the **buyer**, you must also include the amount collected in gross receipts or sales on line 1.
- Real estate and personal property taxes on business assets.

- Licenses and regulatory fees for your trade or business paid each year to state or local governments. But some licenses, such as liquor licenses, may have to be amortized. See **Pub. 535** for details.

- Social security and Medicare taxes paid to match required withholding from your employees' wages. Also, Federal unemployment tax paid. Reduce your deduction by the amount of the current year credit shown on line 4 of **Form 8846**.

- Federal highway use tax.

Do not deduct the following on this line.

- Federal income taxes, including your self-employment tax. However, you may deduct one-half of your self-employment tax on Form 1040, line 29.

- Estate and gift taxes.

- Taxes assessed to pay for improvements, such as paving and sewers.

- Taxes on your home or personal use property.

- State and local sales taxes on property purchased for use in your business. Instead, treat these taxes as part of the cost of the property.

- State and local sales taxes imposed on the **buyer** that you were required to collect and pay over to state or local governments. These taxes are not included in gross receipts or sales nor are they a deductible expense. However, if the state or local government allowed you to retain any part of the sales tax you collected, you must include that amount as income on line 6.

- Other taxes and license fees not related to your business.

Line 24a

Enter your expenses for lodging and transportation connected with overnight travel for business while away from your tax home. Generally, your tax home is your main place of business regardless of where you maintain your family home. You cannot deduct expenses paid or incurred in connection with employment away from home if that period of employment exceeds 1 year. Also, you cannot deduct travel expenses for your spouse, your dependent, or any other individual unless that person is your employee, the travel is for a bona fide business purpose, and the expenses would otherwise be deductible by that person.

Do not include expenses for meals and entertainment on this line. Instead, see the instructions for lines 24b and 24c on this page.

You cannot deduct expenses for attending a foreign convention unless it is directly related to your trade or business and it is as reasonable for the meeting to be held outside the North American area as within it. These rules apply to both employers and employees. Other rules apply to luxury water travel.

For details, see **Pub. 463**.

Lines 24b and 24c

On line 24b, enter your total business meal and entertainment expenses. Include meals while traveling away from home for business. Instead of the actual cost of your meals while traveling away from home, you may use the standard meal allowance. The standard meal allowance is the Federal M&IE rate. You can find these rates on the Internet at www.policyworks.gov/perdiem. Click on **2002 Domestic Per Diem Rates** for the period January 1, 2002–September 30, 2002 and on **2003 Domestic Per Diem Rates** for the period October 1, 2002–December 31, 2002. For locations outside the continental United States, the applicable rates are published monthly. You can find these rates on the Internet at www.state.gov/m/a/als/prdm/2002.

See **Pub. 463** for details on how to figure your deduction using the standard meal allowance, including special rules for partial days of travel.

Business meal expenses are deductible only if they are (a) directly related to or associated with the active conduct of your trade or business, (b) not lavish or extravagant, and (c) incurred while you or your employee is present at the meal.

You cannot deduct any expense paid or incurred for a facility (such as a yacht or hunting lodge) used for any activity usually considered entertainment, amusement, or recreation.

Also, you cannot deduct membership dues for any club organized for business, pleasure, recreation, or other social purpose. This includes country clubs, golf and athletic clubs, airline and hotel clubs, and clubs operated to provide meals under conditions favorable to business discussion. But it does not include civic or public service organizations, professional organizations (such as bar and medical associations), business leagues, trade associations, chambers of commerce, boards of trade, and real estate boards, unless a principal purpose of the organization is to entertain, or provide entertainment facilities for, members or their guests.

There are exceptions to these rules as well as other rules that apply to sky-box rentals and tickets to entertainment events. See **Pub. 463**.

Generally, you may deduct only 50% of your business meal and entertainment expenses, including meals incurred while away from home on business. For individuals subject to the Department of Transportation (DOT) hours of service limits, that percentage is increased to 65% for business meals consumed during, or incident to, any period of duty for which those limits are in effect. Individuals subject to the DOT hours of service limits include the following persons:

- Certain air transportation workers (such as pilots, crew, dispatchers, mechanics, and control tower operators) who are

under Federal Aviation Administration regulations.

- Interstate truck operators who are under DOT regulations.
- Certain merchant mariners who are under Coast Guard regulations.

However, you may fully deduct meals and entertainment furnished or reimbursed to an employee if you properly treat the expense as wages subject to withholding. You may also fully deduct meals and entertainment provided to a nonemployee to the extent the expenses are includible in the gross income of that person and reported on Form 1099-MISC. See **Pub. 535** for details and other exceptions.

Figure how much of the amount on line 24b is not deductible and enter that amount on line 24c.

Line 25

Deduct only utility expenses for your trade or business.

Local Telephone Service. If you used your home phone for business, do not deduct the base rate (including taxes) of the first phone line into your residence. But you can deduct expenses for any additional costs you incurred for business that are more than the cost of the base rate for the first phone line. For example, if you had a second line, you can deduct the business percentage of the charges for that line, including the base rate charges.

Line 26

Enter the total salaries and wages for the tax year. Do not include salaries and wages deducted elsewhere on your return or amounts paid to yourself. Reduce your deduction by the current year credits claimed on:

- **Form 5884**, Work Opportunity Credit,
- **Form 8844**, Empowerment Zone and Renewal Community Employment Credit,
- **Form 8845**, Indian Employment Credit,
- **Form 8861**, Welfare-to-Work Credit, and
- **Form 8884**, New York Liberty Zone Business Employee Credit.



If you provided taxable fringe benefits to your employees, such as personal use of a car, do not deduct as wages the amount applicable to depreciation and other expenses claimed elsewhere.

Line 30

Business Use of Your Home. You may be able to deduct certain expenses for business use of your home, subject to limitations. You must attach **Form 8829** if you claim this deduction. For details, see the Instructions for Form 8829 and **Pub. 587**.

Line 31

If you have a loss, the amount of loss you can deduct this year may be limited. Go to line 32 before entering your loss on line 31. If you answered “No” to Question G on Schedule C, also see the Instructions for Form 8582. Enter the net profit or **deductible** loss here. Combine this amount with any profit or loss from other businesses, and enter the total on Form 1040, line 12, and Schedule SE, line 2. Estates and trusts should enter the total on Form 1041, line 3.

If you have a net profit on line 31, this amount is earned income and may qualify you for the earned income credit. See the instructions for Form 1040, line 64, for details.

Statutory Employees. Include your net profit or deductible loss from line 31 with other Schedule C amounts on Form 1040, line 12. However, **do not** report this amount on Schedule SE, line 2. If you are required to file Schedule SE because of other self-employment income, see the Instructions for Schedule SE.

Line 32

At-Risk Rules. Generally, if you have (a) a business loss and (b) amounts in the business for which you are **not at risk**, you will have to complete **Form 6198** to figure your allowable loss. The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the business.

Check **box 32b** if you have amounts for which you are not at risk in this business, such as the following.

- Nonrecourse loans used to finance the business, to acquire property used in the business, or to acquire the business that are not secured by your own property (other than property used in the business). However, there is an exception for certain nonrecourse financing borrowed by you in connection with holding real property.
- Cash, property, or borrowed amounts used in the business (or contributed to the business, or used to acquire the business) that are protected against loss by a guarantee, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).
- Amounts borrowed for use in the business from a person who has an interest in the business, other than as a creditor, or who is related under section 465(b)(3) to a person (other than you) having such an interest.

If all amounts are at risk in this business, check **box 32a** and enter your loss on line 31. But if you answered “No” to Question G, you may need to complete **Form 8582** to figure your deductible loss. See the Instructions for Form 8582 for details.

If you checked **box 32b**, see Form 6198 to determine the amount of your deductible

loss. But if you answered “No” to Question G, your loss may be further limited. See the Instructions for Form 8582. If your at-risk amount is zero or less, enter zero on line 31. Be sure to attach Form 6198 to your return. If you checked box 32b and you do not attach Form 6198, the processing of your tax return may be delayed.

Any loss from this business not allowed for 2002 because of the at-risk rules is treated as a deduction allocable to the business in 2003. For details, see the Instructions for Form 6198 and **Pub. 925**.

Part III. Cost of Goods Sold

Generally, if you engaged in a trade or business in which the production, purchase, or sale of merchandise was an income-producing factor, you must take inventories into account at the beginning and end of your tax year.

However, if you are a qualifying taxpayer or a qualifying small business taxpayer, you may account for inventoriable items in the same manner as materials and supplies that are not incidental. To change your accounting method, see the instructions for line F on page C-2.

A **qualifying taxpayer** is a taxpayer (a) whose average annual gross receipts for the 3 prior tax years are \$1 million or less and (b) whose business is not a tax shelter (as defined in section 448(d)(3)).

A **qualifying small business taxpayer** is a taxpayer (a) whose average annual gross receipts for the 3 prior tax years are more than \$1 million but not more than \$10 million, (b) whose business is not a tax shelter (as defined in section 448(d)(3)), and (c) whose principal business activity is not an ineligible activity as explained in Rev. Proc. 2002-28, 2002-18 I.R.B. 815. You can find Rev. Proc. 2002-28 on page 815 of Internal Revenue Bulletin 2002-18 at www.irs.gov/pub/irs-irbs/irb02-18.pdf.

Under this accounting method, inventory costs for raw materials purchased for use in producing finished goods and merchandise purchased for resale are deductible in the year the finished goods or merchandise are sold (but not before the year you paid for the raw materials or merchandise, if you are also using the cash method). Enter amounts paid for all raw materials and merchandise during 2002 on line 36. The amount you can deduct for 2002 is figured on line 42.

Additional information. For additional guidance on this method of accounting for inventoriable items, see Rev. Proc. 2001-10, 2001-2 I.R.B. 272 if you are a qualifying taxpayer or Rev. Proc. 2002-28 if you are a qualifying small business taxpayer. You can find Rev. Proc. 2001-10 on page 272 of Internal Revenue Bulletin 2001-2 at www.irs.gov/pub/irs-irbs/irb01-02.pdf, and Rev. Proc. 2002-28 on page 815 of Internal

Note. Certain direct and indirect expenses may have to be capitalized or included in inventory. See the instructions for Part II beginning on page C-3.

Line 33

Your inventories can be valued at cost; cost or market value, whichever is lower; or any other method approved by the IRS. However, you are required to use cost if you are using the cash method of accounting.

Line 35

If you are changing your method of accounting beginning with 2002, refigure last year's closing inventory using your new method of accounting and enter the result on line 35. If there is a difference between last year's closing inventory and the refigured amount, attach an explanation and take it into account when figuring your section 481(a) adjustment. See the example on page C-2 for details.

Line 41

If you account for inventoriable items in the same manner as materials and supplies that are not incidental, enter on line 41 the portion of your raw materials and merchandise purchased for resale that are included on line 40 and were not sold during the year.

Part V. Other Expenses

Include all ordinary and necessary business expenses not deducted elsewhere on Schedule C. List the type and amount of each expense separately in the space provided. Enter the total on lines 48 and 27. Do not include the cost of business equipment or furniture, replacements or permanent improvements to property, or personal, living, and family expenses. Do not include charitable contributions. Also, you may not deduct fines or penalties paid to a government for violating any law. For details on business expenses, see **Pub. 535**.

Amortization. Include amortization in this part. For amortization that begins in 2002, you must complete and attach **Form 4562**.

You may amortize:

- The cost of pollution-control facilities.
- Amounts paid for research and experimentation.
- Certain business startup costs.
- Qualified forestation and reforestation costs. See Pub. 535 for limitations.
- Qualified revitalization expenditures.
- Amounts paid to acquire, protect, expand, register, or defend trademarks or trade names.
- Goodwill and certain other intangibles.

In general, you **may not** amortize real property construction period interest and

taxes. Special rules apply for allocating interest to real or personal property produced in your trade or business.

At-Risk Loss Deduction. Any loss from this activity that was not allowed as a deduction last year because of the at-risk rules is treated as a deduction allocable to this activity in 2002.

Capital Construction Fund. Do not claim on Schedule C or C-EZ the deduction for amounts contributed to a capital construction fund set up under the Merchant Marine Act of 1936. Instead, reduce the amount you would otherwise enter on Form 1040, line 41, by the amount of the deduction. Next to line 41, enter "CCF" and the amount of the deduction. For details, see **Pub. 595**.

Deduction for Clean-Fuel Vehicles and Clean-Fuel Vehicle Refueling Property. You may deduct part of the cost of qualified clean-fuel vehicle property used in your business and qualified clean-fuel vehicle refueling property. See Pub. 535 for details.

Disabled Access Credit and the Deduction for Removing Barriers to Individuals With Disabilities and the Elderly. You may be able to claim a tax credit of up to \$5,000 for eligible expenditures paid or incurred in 2002 to provide access to your business for individuals with disabilities. See **Form 8826** for details. You can also deduct up to \$15,000 of costs paid or incurred in 2002 to remove architectural or transportation barriers to individuals with disabilities and the elderly. However, you cannot take both the credit and the deduction on the same expenditures.

Principal Business or Professional Activity Codes

These codes for the Principal Business or Professional Activity classify sole proprietorships by the type of activity they are engaged in to facilitate the administration of the Internal Revenue Code. These six-digit codes are based on the North American Industry Classification System (NAICS).

Select the category that best describes your primary business activity (for example, Real Estate). Then select the activity that best identifies the principal source of your sales or receipts (for example, real estate agent). Now find the six-digit code assigned to this activity (for example,

531210, the code for offices of real estate agents and brokers) and **enter it on line B of Schedule C or C-EZ**.

Note. If your principal source of income is from farming activities, you should file **Schedule F, Profit or Loss From Farming**.

<p>Accommodation, Food Services, & Drinking Places</p> <p>Accommodation</p> <p>721310 Rooming & boarding houses</p> <p>721210 RV (recreational vehicle) parks & recreational camps</p> <p>721100 Travel accommodation (including hotels, motels, & bed & breakfast inns)</p> <p>Food Services & Drinking Places</p> <p>722410 Drinking places (alcoholic beverages)</p> <p>722110 Full-service restaurants</p> <p>722210 Limited-service eating places</p> <p>722300 Special food services (including food service contractors & caterers)</p> <p>Administrative & Support and Waste Management & Remediation Services</p> <p>Administrative & Support Services</p> <p>561430 Business service centers (including private mail centers & copy shops)</p>	<p>561740 Carpet & upholstery cleaning services</p> <p>561440 Collection agencies</p> <p>561450 Credit bureaus</p> <p>561410 Document preparation services</p> <p>561300 Employment services</p> <p>561710 Exterminating & pest control services</p> <p>561210 Facilities support (management) services</p> <p>561600 Investigation & security services</p> <p>561720 Janitorial services</p> <p>561730 Landscaping services</p> <p>561110 Office administrative services</p> <p>561420 Telephone call centers (including telephone answering services & telemarketing bureaus)</p> <p>561500 Travel arrangement & reservation services</p> <p>561490 Other business support services (including repossession services, court reporting, & stenotype services)</p>	<p>561790 Other services to buildings & dwellings</p> <p>561900 Other support services (including packaging & labeling services, & convention & trade show organizers)</p> <p>Waste Management & Remediation Services</p> <p>562000 Waste management & remediation services</p> <p>Agriculture, Forestry, Hunting, & Fishing</p> <p>112900 Animal production (including breeding of cats and dogs)</p> <p>114110 Fishing</p> <p>113000 Forestry & logging (including forest nurseries & timber tracts)</p> <p>114210 Hunting & trapping</p> <p>Support Activities for Agriculture & Forestry</p> <p>115210 Support activities for animal production (including farriers)</p>	<p>115110 Support activities for crop production (including cotton ginning, soil preparation, planting, & cultivating)</p> <p>115310 Support activities for forestry</p> <p>Arts, Entertainment, & Recreation</p> <p>Amusement, Gambling, & Recreation Industries</p> <p>713100 Amusement parks & arcades</p> <p>713200 Gambling industries</p> <p>713900 Other amusement & recreation services (including golf courses, skiing facilities, marinas, fitness centers, bowling centers, skating rinks, miniature golf courses)</p> <p>Museums, Historical Sites, & Similar Institutions</p> <p>712100 Museums, historical sites, & similar institutions</p>
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Principal Business or Professional Activity Codes (continued)

<p>Performing Arts, Spectator Sports, & Related Industries</p> <p>711410 Agents & managers for artists, athletes, entertainers, & other public figures</p> <p>711510 Independent artists, writers, & performers</p> <p>711100 Performing arts companies</p> <p>711300 Promoters of performing arts, sports, & similar events</p> <p>711210 Spectator sports (including professional sports clubs & racetrack operations)</p>	<p>Insurance Agents, Brokers, & Related Activities</p> <p>524210 Insurance agencies & brokerages</p> <p>524290 Other insurance related activities</p> <p>Securities, Commodity Contracts, & Other Financial Investments & Related Activities</p> <p>523140 Commodity contracts brokers</p> <p>523130 Commodity contracts dealers</p> <p>523110 Investment bankers & securities dealers</p> <p>523210 Securities & commodity exchanges</p> <p>523120 Securities brokers</p> <p>523900 Other financial investment activities (including investment advice)</p>	<p>Internet Publishing & Broadcasting</p> <p>516110 Internet publishing & broadcasting</p> <p>Internet Service Providers, Web Search Portals, & Data Processing Services</p> <p>518210 Data processing, hosting, & related services</p> <p>518111 Internet service providers</p> <p>518112 Web search portals</p> <p>519100 Other information services (including news syndicates and libraries)</p> <p>Motion Picture & Sound Recording</p> <p>512100 Motion picture & video industries (except video rental)</p> <p>512200 Sound recording industries</p>	<p>311300 Sugar & confectionery product mfg.</p> <p>311900 Other food mfg. (including coffee, tea, flavorings, & seasonings)</p> <p>Leather & Allied Product Manufacturing</p> <p>316210 Footwear mfg. (including leather, rubber, & plastics)</p> <p>316110 Leather & hide tanning & finishing</p> <p>316990 Other leather & allied product mfg.</p> <p>Nonmetallic Mineral Product Manufacturing</p> <p>327300 Cement & concrete product mfg.</p> <p>327100 Clay product & refractory mfg.</p> <p>327210 Glass & glass product mfg.</p> <p>327400 Lime & gypsum product mfg.</p> <p>327900 Other nonmetallic mineral product mfg.</p>
<p>Construction of Buildings</p> <p>236200 Nonresidential building construction</p> <p>236100 Residential building construction</p> <p>Heavy and Civil Engineering Construction</p> <p>237310 Highway, street, & bridge construction</p> <p>237210 Land subdivision</p> <p>237100 Utility system construction</p> <p>237990 Other heavy & civil engineering construction</p> <p>Specialty Trade Contractors</p> <p>238310 Drywall & insulation contractors</p> <p>238210 Electrical contractors</p> <p>238350 Finish carpentry contractors</p> <p>238330 Flooring contractors</p> <p>238130 Framing carpentry contractors</p> <p>238150 Glass & glazing contractors</p> <p>238140 Masonry contractors</p> <p>238320 Painting & wall covering contractors</p> <p>238220 Plumbing, heating & air-conditioning contractors</p> <p>238110 Poured concrete foundation & structure contractors</p> <p>238160 Roofing contractors</p> <p>238170 Siding contractors</p> <p>238910 Site preparation contractors</p> <p>238120 Structural steel & precast concrete construction contractors</p> <p>238340 Tile & terrazzo contractors</p> <p>238290 Other building equipment contractors</p> <p>238390 Other building finishing contractors</p> <p>238190 Other foundation, structure, & building exterior contractors</p> <p>238990 All other specialty trade contractors</p>	<p>Health Care & Social Assistance</p> <p>Ambulatory Health Care Services</p> <p>621610 Home health care services</p> <p>621510 Medical & diagnostic laboratories</p> <p>621310 Offices of chiropractors</p> <p>621210 Offices of dentists</p> <p>621330 Offices of mental health practitioners (except physicians)</p> <p>621320 Offices of optometrists</p> <p>621340 Offices of physical, occupational & speech therapists, & audiologists</p> <p>621111 Offices of physicians (except mental health specialists)</p> <p>621112 Offices of physicians, mental health specialists</p> <p>621391 Offices of podiatrists</p> <p>621399 Offices of all other miscellaneous health practitioners</p> <p>621400 Outpatient care centers</p> <p>621900 Other ambulatory health care services (including ambulance services, blood, & organ banks)</p> <p>Hospitals</p> <p>622000 Hospitals</p> <p>Nursing & Residential Care Facilities</p> <p>623000 Nursing & residential care facilities</p> <p>Social Assistance</p> <p>624410 Child day care services</p> <p>624200 Community food & housing, & emergency & other relief services</p> <p>624100 Individual & family services</p> <p>624310 Vocational rehabilitation services</p>	<p>Manufacturing</p> <p>315000 Apparel mfg.</p> <p>312000 Beverage & tobacco product mfg.</p> <p>334000 Computer & electronic product mfg.</p> <p>335000 Electrical equipment, appliance, & component mfg.</p> <p>332000 Fabricated metal product mfg.</p> <p>337000 Furniture & related product mfg.</p> <p>333000 Machinery mfg.</p> <p>339110 Medical equipment & supplies mfg.</p> <p>322000 Paper mfg.</p> <p>324100 Petroleum & coal products mfg.</p> <p>326000 Plastics & rubber products mfg.</p> <p>331000 Primary metal mfg.</p> <p>323100 Printing & related support activities</p> <p>313000 Textile mills</p> <p>314000 Textile product mills</p> <p>336000 Transportation equipment mfg.</p> <p>321000 Wood product mfg.</p> <p>339900 Other miscellaneous mfg.</p> <p>Chemical Manufacturing</p> <p>325100 Basic chemical mfg.</p> <p>325500 Paint, coating, & adhesive mfg.</p> <p>325300 Pesticide, fertilizer, & other agricultural chemical mfg.</p> <p>325410 Pharmaceutical & medicine mfg.</p> <p>325200 Resin, synthetic rubber, & artificial & synthetic fibers & filaments mfg.</p> <p>325600 Soap, cleaning compound, & toilet preparation mfg.</p> <p>325900 Other chemical product & preparation mfg.</p> <p>Food Manufacturing</p> <p>311110 Animal food mfg.</p> <p>311800 Bakeries & tortilla mfg.</p> <p>311500 Dairy product mfg.</p> <p>311400 Fruit & vegetable preserving & speciality food mfg.</p> <p>311200 Grain & oilseed milling</p> <p>311610 Animal slaughtering & processing</p> <p>311710 Seafood product preparation & packaging</p>	<p>Mining</p> <p>212110 Coal mining</p> <p>212200 Metal ore mining</p> <p>212300 Nonmetallic mineral mining & quarrying</p> <p>211110 Oil & gas extraction</p> <p>213110 Support activities for mining</p> <p>Other Services</p> <p>Personal & Laundry Services</p> <p>812111 Barber shops</p> <p>812112 Beauty salons</p> <p>812220 Cemeteries & crematories</p> <p>812310 Coin-operated laundries & drycleaners</p> <p>812320 Drycleaning & laundry services (except coin-operated) (including laundry & drycleaning dropoff & pickup sites)</p> <p>812210 Funeral homes & funeral services</p> <p>812330 Linen & uniform supply</p> <p>812113 Nail salons</p> <p>812930 Parking lots & garages</p> <p>812910 Pet care (except veterinary) services</p> <p>812920 Photofinishing</p> <p>812190 Other personal care services (including diet & weight reducing centers)</p> <p>812990 All other personal services</p> <p>Repair & Maintenance</p> <p>811120 Automotive body, paint, interior, & glass repair</p> <p>811110 Automotive mechanical & electrical repair & maintenance</p> <p>811190 Other automotive repair & maintenance (including oil change & lubrication shops & car washes)</p> <p>811310 Commercial & industrial machinery & equipment (except automotive & electronic) repair & maintenance</p> <p>811210 Electronic & precision equipment repair & maintenance</p> <p>811430 Footwear & leather goods repair</p>
<p>Educational Services</p> <p>611000 Educational services (including schools, colleges, & universities)</p>	<p>Information</p> <p>511000 Publishing industries (except Internet)</p> <p>Broadcasting (except Internet) & Telecommunications</p> <p>515000 Broadcasting (except Internet)</p> <p>517000 Telecommunications</p>		
<p>Finance & Insurance Credit Intermediation & Related Activities</p> <p>522100 Depository credit intermediation (including commercial banking, savings institutions, & credit unions)</p> <p>522200 Nondepository credit intermediation (including sales financing & consumer lending)</p> <p>522300 Activities related to credit intermediation (including loan brokers)</p>			

Principal Business or Professional Activity Codes (continued)

811410 Home & garden equipment & appliance repair & maintenance	532210 Consumer electronics & appliances rental	441110 New car dealers	Warehousing & Storage Facilities 493100 Warehousing & storage (except leases of miniwarehouses & self-storage units)
811420 Reupholstery & furniture repair	532220 Formal wear & costume rental	441210 Recreational vehicle dealers (including motor home & travel trailer dealers)	
811490 Other personal & household goods repair & maintenance	532310 General rental centers	441120 Used car dealers	Utilities 221000 Utilities
	532230 Video tape & disc rental	441229 All other motor vehicle dealers	
Professional, Scientific, & Technical Services	Religious, Grantmaking, Civic, Professional, & Similar Organizations	Sporting Goods, Hobby, Book, & Music Stores	Wholesale Trade Merchant Wholesalers, Durable Goods 423600 Electrical & electronic goods 423200 Furniture & home furnishing 423700 Hardware, & plumbing & heating equipment & supplies 423940 Jewelry, watch, precious stone, & precious metals 423300 Lumber & other construction materials 423800 Machinery, equipment, & supplies 423500 Metal & mineral (except petroleum) 423100 Motor vehicle & motor vehicle parts & supplies 423400 Professional & commercial equipment & supplies 423930 Recyclable materials 423910 Sporting & recreational goods & supplies 423920 Toy & hobby goods & supplies 423990 Other miscellaneous durable goods
541100 Legal services	813000 Religious, grantmaking, civic, professional, & similar organizations	451211 Book stores	
541211 Offices of certified public accountants		451120 Hobby, toy, & game stores	Merchant Wholesalers, Nondurable Goods 424300 Apparel, piece goods, & notions 424800 Beer, wine, & distilled alcoholic beverage 424920 Books, periodicals, & newspapers 424600 Chemical & allied products 424210 Drugs & druggists' sundries 424500 Farm product raw materials 424910 Farm supplies 424930 Flower, nursery stock, & florists' supplies 424400 Grocery & related products 424950 Paint, varnish, & supplies 424100 Paper & paper products 424700 Petroleum & petroleum products 424940 Tobacco & tobacco products 424990 Other miscellaneous nondurable goods
541214 Payroll services		451140 Musical instrument & supplies stores	
541213 Tax preparation services		451212 News dealers & newsstands	Wholesale Electronic Markets and Agents & Brokers 425110 Business to business electronic markets 425120 Wholesale trade agents & brokers
541219 Other accounting services		451220 Prerecorded tape, compact disc, & record stores	
Architectural, Engineering, & Related Services	Retail Trade	451130 Sewing, needlework, & piece goods stores	999999 Unclassified establishments (unable to classify)
541310 Architectural services	Building Material & Garden Equipment & Supplies Dealers	451110 Sporting goods stores	
541350 Building inspection services	444130 Hardware stores	Miscellaneous Store Retailers	
541340 Drafting services	444110 Home centers	453920 Art dealers	
541330 Engineering services	444200 Lawn & garden equipment & supplies stores	453110 Florists	
541360 Geophysical surveying & mapping services	444120 Paint & wallpaper stores	453220 Gift, novelty, & souvenir stores	
541320 Landscape architecture services	444190 Other building materials dealers	453930 Manufactured (mobile) home dealers	
541370 Surveying & mapping (except geophysical) services	Clothing & Accessories Stores	453210 Office supplies & stationery stores	
541380 Testing laboratories	448130 Children's & infants' clothing stores	453910 Pet & pet supplies stores	
Computer Systems Design & Related Services	448150 Clothing accessories stores	453310 Used merchandise stores	
541510 Computer systems design & related services	448140 Family clothing stores	453990 All other miscellaneous store retailers (including tobacco, candle, & trophy shops)	
Specialized Design Services	448310 Jewelry stores	Nonstore Retailers	
541400 Specialized design services (including interior, industrial, graphic, & fashion design)	448320 Luggage & leather goods stores	454112 Electronic auctions	
Other Professional, Scientific, & Technical Services	448110 Men's clothing stores	454111 Electronic shopping	
541800 Advertising & related services	448210 Shoe stores	454310 Fuel dealers	
541600 Management, scientific, & technical consulting services	448120 Women's clothing stores	454113 Mail-order houses	
541910 Market research & public opinion polling	448190 Other clothing stores	454210 Vending machine operators	
541920 Photographic services	Electronic & Appliance Stores	454390 Other direct selling establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)	
541700 Scientific research & development services	443130 Camera & photographic supplies stores	Transportation & Warehousing	
541930 Translation & interpretation services	443120 Computer & software stores	481000 Air transportation	
541940 Veterinary services	443111 Household appliance stores	485510 Charter bus industry	
541990 All other professional, scientific, & technical services	443112 Radio, television, & other electronics stores	484110 General freight trucking, local	
Real Estate & Rental & Leasing	Food & Beverage Stores	484120 General freight trucking, long distance	
Real Estate	445310 Beer, wine, & liquor stores	485210 Interurban & rural bus transportation	
531100 Lessors of real estate (including miniwarehouses & self-storage units)	445220 Fish & seafood markets	486000 Pipeline transportation	
531210 Offices of real estate agents & brokers	445230 Fruit & vegetable markets	482110 Rail transportation	
531320 Offices of real estate appraisers	445100 Grocery stores (including supermarkets & convenience stores without gas)	487000 Scenic & sightseeing transportation	
531310 Real estate property managers	445210 Meat markets	485410 School & employee bus transportation	
531390 Other activities related to real estate	445290 Other specialty food stores	484200 Specialized freight trucking (including household moving vans)	
Rental & Leasing Services	Furniture & Home Furnishing Stores	485300 Taxi & limousine service	
532100 Automotive equipment rental & leasing	442110 Furniture stores	485110 Urban transit systems	
532400 Commercial & industrial machinery & equipment rental & leasing	442200 Home furnishings stores	483000 Water transportation	
	Gasoline Stations	485990 Other transit & ground passenger transportation	
	447100 Gasoline stations (including convenience stores with gas)	488000 Support activities for transportation (including motor vehicle towing)	
	General Merchandise Stores	Couriers & Messengers	
	452000 General merchandise stores	492000 Couriers & messengers	
	Health & Personal Care Stores		
	446120 Cosmetics, beauty supplies, & perfume stores		
	446130 Optical goods stores		
	446110 Pharmacies & drug stores		
	446190 Other health & personal care stores		
	Motor Vehicle & Parts Dealers		
	441300 Automotive parts, accessories, & tire stores		
	441222 Boat dealers		
	441221 Motorcycle dealers		