

Table of Contents

Introduction.....	1
Sole Proprietors	1
Limited liability company	1
Hobby vs. for-profit business.....	2
Safe harbor	3
Factors determining hobby.....	4
Reporting hobby income and expenses	13
Classify activity properly	14
Recordkeeping and Accounting methods.....	15
Cash method	17
Accrual method	17
Prepayment	18
Depreciation and Form 4562.....	19
Depreciation.....	19
Depreciation elements.....	20
Placed-in-service date.....	21
MACRS depreciation.....	22
Asset class.....	24
Conventions.....	27
MACRS depreciation methods	31
Missed depreciation	33
File amended return	34
Change accounting method	34
Bonus depreciation.....	37
Deductible amount.....	38
§179 expensing	39
Qualifying property	40
Deduction limit	43

Electing §179	44
Recapturing §179	46
Amortization.....	46
Start-up costs	48
Form 4562.....	54
Part I—Election To Expense Certain Property Under §179.....	55
Part II—Special Depreciation Allowance and Other Depreciation	57
Part III—MACRS Depreciation	58
Part IV—Summary	60
Part V—Listed Property.....	60
Part VI—Amortization	67
Business Vehicles	67
Local transportation.....	68
Travel expenses	70
Tax home	70
Temporarily away from home.....	72
Allocating business use	73
Substantiation requirements	74
Standard mileage rate vs. actual expenses	75
Use of standard mileage rate.....	75
Actual method.....	77
Leased vehicles	79
Lease vs. purchase	79
Lease inclusion amount.....	80
Leased vehicle changed to personal use.....	83
Listed property	83
Defined	85
Business-use requirement.....	87
Annual limit	88
SUV limits	89

Section 280F recapture.....	90
Year of disposition.....	90
Vehicle repossession.....	91
Recourse debt	91
Nonrecourse debt	91
Tax impact of recourse debt.....	91
Tax impact of nonrecourse debt	92
Business Use of Home	99
Eligibility	99
Exclusive-use test	99
Regular-use test.....	101
Principal place of business test	101
Business-use portion.....	106
Deduction limit	108
Expenses used to calculate the deduction	109
Daycare facility	114
Completing Form 8829	115
Part I—Part of Your Home Used for Business.....	115
Part II—Figure Your Allowable Deduction.....	117
Part III—Depreciation of Your Home	121
Part IV—Carryover of Unallowed Expenses	124
Simplified method for home office deduction	126
Electing to use the simplified method	128
Associated provisions.....	133
Deductible transportation expenses	133
Sale of home.....	133
Schedule C	141
Heading.....	142
Part I—Income.....	145
Other types of income	147

Part II—Expenses	154
Expenses	156
Part III—Cost of Goods Sold	168
Exception.....	169
Reporting COGS.....	169
Parts IV—Information on Your Vehicle	172
Parts V—Other Expenses	174
Self-employment tax.....	177
Qualified joint ventures	178
Community property income	178
Completing Schedule SE	178
Part I—Self-Employment Tax.....	180
Part II—Optional Methods to Figure Net Earnings.....	184
Index.....	195