



PROFILE Online – Tips for Self-employed Applicants

When estimating income, use the previous year's tax return as a guide for the current year, but also refer to your current year balance sheet to impute income and expenses. If you estimate tax payments, the estimated tax worksheets are a good guide to use in estimating income. No matter how hard it is to estimate, be sure you meet all published deadlines, even if you need to use estimated figures.

If you have also been asked to complete a Business/Farm Supplement, do it at the same time as you do the PROFILE so that the reported figures are consistent.

Most colleges will want copies of your final tax returns; complete them as soon as possible after January 1st. If you will file for an extension, you should contact the student's college(s) to see if they want any information prior to receipt of the actual tax return.

For colleges and programs that request business tax forms, you must submit all forms associated with the business. For Partnerships and S-corps, you need to submit both Form 1065 or 1120 along with the K-1; the K-1 alone is not sufficient in most cases

Clarify your business structure in Section P.

Medical and Dental Expenses not Covered by Insurance (Section H, questions 35a & b – parents; Section E, question 24 – student)

Only include medical or dental expenses that could be itemized on Schedule A. Do not report amounts covered by insurance; health insurance deductions for the self-employed from 2005 IRS Form 1040, line 29; or medical and dental expenses that have already been deducted as a business expense.

Income from Work (Section K, questions 53 & 54 – parents; Section B, questions 10 & 11 – student)

When reporting "income from work" you should include wages plus **net** business income reported on Schedule C. If your tax return filing status is married, filing jointly and both filers submit a Schedule C the income for each parent must be reported separately in questions 53 & 54 (or student and spouse in questions 10 & 11) based on each individual's Schedule C. Losses on Schedule C (net income is negative) should be treated as 0 - do **not** subtract the loss from wages or other business income when calculating "income from work".

Report any income reported on Schedule F as "income form work." Income from Schedule E should not be reported as "income from work."

U.S. Income Tax Paid (Section K, question 51a – parents; Section B, question 8a – student)

Only include U.S. income tax when answering the question about income taxes paid. Do not include self-employment tax; an allowance for self-employment tax is built into the formula.

Investments (Section I, question 39a – parents; Section C, question 17a – student)
Report the “fair market value” of any investments in Section I (parents) or Section C (student).

Deductible IRAs, SEP, Simple, or Keogh payments (Section K, question 55e – parents; Section C, question 13e – student)
Report any IRA, SEP, Simple, and Keogh plan payments or retirement contributions made on your behalf in Section K (parents) or Section C (student).