



Welcome

www.jmfservices.biz

Inventory Tracking Cost Of Goods Sold Deduction

This deduction is calculated on your Schedule C form. It is largely determined by the value of your inventory and the amount of your sales at the end of your business year.

Whenever an item leaves your shelf, your COGS deduction increases.

Sales Tax is NOT included in your COGS deduction

Inventory Tracking COGS Deduction Illustration

Date	Amount of Inventory (Retail)	What you Sold (Retail)	How much did it Cost you to purchase the items sold
Jan	\$3,000	\$0	\$0
Feb	\$2,500	\$500	\$250
Mar	\$2,300	\$200	\$100
Apr			
May			
Jun			
Jul			
Aug			
Sep			
Oct			
Nov			
Dec			
Total		\$700	\$350

Note: In this illustration you paid \$350 to buy the items that you sold for \$700 from Jan-Mar, so your Cost of Goods Sold deduction is \$350

Inventory Tracking

Types of Sales

Regular Sale to a Customer	Increases COGS Deduction
Sale with a Section 1 Hostess Gift	Increases COGS Deduction AND has Non-Recovered Sales Tax Deduction
Sale with a Section 1 Demonstration Item	Increases COGS Deduction AND has Non-Recovered Sales Tax Deduction
Discount applied to Sale	Increases COGS Deduction AND has Non-Recovered Sales Tax Deduction
Non Business Use- Gift to a friend	No Deductible Expenses
Non Business Use- Personal Use	No Deductible Expenses

Inventory Tracking Regular Sale To A Customer

Record Keeping

- Write out a Sales Receipt for the Items Sold

Inventory Adjustment

- **Items Sold are removed from your shelf**
- **Will increase your COGS deduction on Sch C**

Sales Tax

- Sales Tax is Recovered

Inventory Tracking

Sale With Section 1 Hostess Gift

Record Keeping

- Write out a Sales Receipt for the Items Sold
- Record Section 1 Hostess Gift

Inventory Adjustment

- **Items Sold are removed from your shelf**
- **Hostess Gift is also removed from your shelf**
- **Will increase your COGS deduction on Sch C**

Sales Tax

- **Sales Tax on the Section 1 Hostess Gift was NOT Recovered- so its deductible**

Inventory Tracking Sale With Hostess Gift

*Hostess Gift of Section 2 Items may NOT
be more than \$25*

Inventory Tracking

Sale With Section 1 Demonstration Item

Record Keeping

- Write out a Sales Receipt for the Items Sold
- Record the Section 1 Demonstration Item

Inventory Adjustment

- **Items Sold are removed from your shelf**
- **Demonstration Item is also removed from your shelf**
- **Will increase your COGS deduction on Sch C**

Sales Tax

- **Sales Tax on the Section 1 Demonstration Item was NOT Recovered- so its deductible**

Inventory Tracking Discount Applied To Sale

Record Keeping

- Write out a Sales Receipt for the Items Sold and apply the Discount
- **Record (Retail Price – Discount Price)**

Inventory Adjustment

- **Items Sold are removed from your shelf**
- **Will increase your COGS deduction on Sch C**

Sales Tax

- **(Sales Tax on Retail – Sales Tax on Discount) was NOT Recovered, so its deductible**

Schedule C Deductions

Discount Illustration



Inventory Tracking Non Business Use

The Wholesale Value (i.e., Cost) of Non Business Use Items is subtracted from your Purchases on the Schedule C.

This in effect removes the Non Business Use Item from your inventory.

Keep a record of your Non-Business Use Items

Inventory Tracking

Non Business Use- Gift To A Friend

Record Keeping

- Record the Wholesale Value (i.e., Cost) of the Item
- Do NOT include in your Gross Sales

Inventory Adjustment

- The Gift To A Friend Item is removed from your shelf
- The Wholesale Value (i.e., Cost) is subtracted from your Purchase Amount on Schedule C

Sales Tax

- Record 100% of the Sales Tax as PAID- No Deduction

Inventory Tracking

Non Business Use- Personal Use

Record Keeping

- Record the Wholesale Value (i.e., Cost) of the Item
- Do NOT include in your Gross Sales

Inventory Adjustment

- The Personal Use Item is removed from your shelf
- The Wholesale Value (i.e., Cost) is subtracted from your Purchase Amount on Schedule C

Sales Tax

- Record 100% of the Sales Tax as PAID- No Deduction

Thank You

www.jmfservices.biz