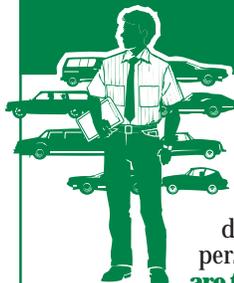


Automotive Manufacturers' Incentive Program

Sales Vehicles

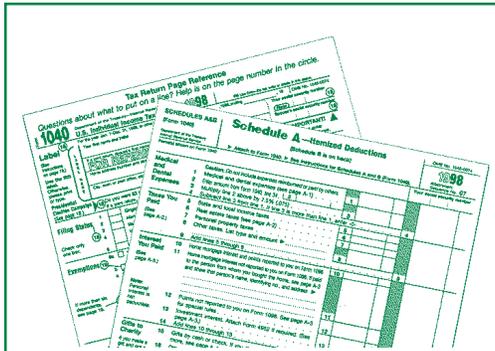


Did you know that **incentive payments** paid by an automotive manufacturer whether directly to individual salespersons or through a dealer **are taxable income?**

The good news is that these payments, reported on Form 1099-MISC, *Miscellaneous Income*, are not treated as wages. Therefore these incentive payments from the manufacturer are not subject to Federal income tax withholding, social security, Medicare, or Federal unemployment tax. Also, these payments are not considered to be self-employment income and therefore are not subject to self-employment tax.

If you are the recipient of a manufacturer's incentive payment, you need to report the income on a Form 1040, *U.S. Individual Income Tax Return*,—page 1, under **Income** [line titled "Other income"], when you file your income tax return. The expenses that you incur to get the incentive payment may be deductible on **Schedule A, Itemized Deductions** (Form 1040),—under **Job Expenses and Most Other Miscellaneous Deductions** [line titled "Other expenses"] and are subject to the 2% adjusted gross income limitation.

NOTE: This income may **not** be reported on Schedule C (Form 1040), *Profit and Loss from Business*, because recipients of these payments are not engaged in an individual trade or business and are therefore not self-employed. Similarly, **no** expenses may be taken on Schedule C to offset incentive payment income.



If your tax return is prepared by someone other than yourself, make sure that the preparer is aware of the filing guidelines described previously for incentive payments. For information on taxable income to include bonuses and awards, see Publication 525, *Taxable and Nontaxable Income*. You may call the IRS at 1-800-829-3676 (1-800-TAX-FORM) to order free IRS tax publications and forms, or you can download and print publications, forms, and other tax information materials from the Internet or the IRS Bulletin Board System - *Internal Revenue Information Services* (IRIS).

World Wide Web - www.irs.ustreas.gov
File Transfer Protocol - [ftp.irs.ustreas.gov](ftp://ftp.irs.ustreas.gov)
Telnet - [iris.irs.ustreas.gov](telnet://iris.irs.ustreas.gov)
IRIS - (703) 321-8020

From a fax machine, dial (703) 368-9694 and follow the voice prompts to get an index of IRS tax forms or to get a specific form faxed back to you.

Often your tax questions can be answered by reading tax publications and related forms. But when you need more information, you may call the IRS at 1-800-829-1040.

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