

Automotive Manufacturers' Incentive Program

to Vehicle Salespersons



Did you know . . .

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

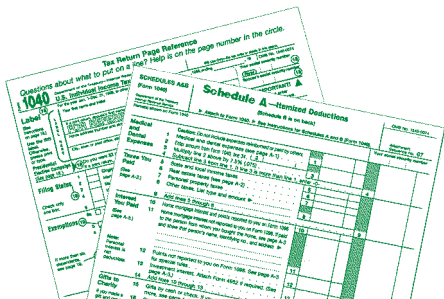
Reporting Incentive Payments

Follow the filing guidelines below when reporting incentive payments you received from a manufacturer. If someone other than yourself prepares your tax return, make sure the preparer is aware of these guidelines:

- Report the income on page 1 of **Form 1040**, *U.S. Individual Income Tax Return* under **Income** on the line titled "Other Income".
- Check to see if the expenses you incur to get the incentive payments are deductible on **Schedule A**, *Itemized Deductions* (Form 1040) under **Job Expenses and Most Other Miscellaneous Deductions** on the line titled "Other Expenses". These expenses are subject to the 2% adjusted gross income limitation.
- Do not report the income 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.

Good News about the Payments

Payments reported on Form 1099-MISC, *Miscellaneous Income*, (1) are not treated as wages, (2) are not subject to federal income tax withholding, social security, medicare, or federal unemployment tax, and (3) are not considered to be self-employment income and, therefore, are not subject to self-employment tax.



Additional Information is Available

For information on taxable income, including bonuses and awards, see Publication 525, *Taxable and Nontaxable Income*. To order free IRS tax publications and forms, call the IRS at 1-800-829-3676 (1-800-TAX-FORM). You may also download and print publications, forms, and other tax information materials.

Often you will be able to find answers to your tax questions by reading tax publications and related forms. When you need more information, you may call the IRS at 1-800-829-1040.



IRS

Department of the Treasury
Internal Revenue Service

Publication 3204 (Rev. 2-2008)

Catalog Number 26742N

www.irs.gov