

# Profit (or Loss) From Business or Profession

(Sole Proprietorship)

(Compute social security self-employment tax on Schedule C-3 (Form 1040))

# 1968

Attach this schedule to your income tax return, Form 1040 — Partnerships, joint ventures, etc., must file on Form 1065

Name as shown on page 1 of Form 1040 \_\_\_\_\_ Social security number \_\_\_\_\_

A Principal business activity \_\_\_\_\_; product \_\_\_\_\_  
(See separate instructions) (For example: retail—hardware; wholesale—tobacco; services—legal; manufacturing—furniture; etc.)

B Business name \_\_\_\_\_ C Employer Identification Number \_\_\_\_\_

D Business address \_\_\_\_\_ (ZIP code) \_\_\_\_\_

E Indicate method of accounting: (1)  cash; (2)  accrual; (3)  other. \_\_\_\_\_

F Was there any substantial change in the manner of determining quantities, costs, or valuations between the opening and closing inventories?  
 YES  NO. If "Yes," attach explanation.

G Were you required to file Forms 1096 and 1099 or 1087 for the calendar year 1968? (See "Item G" in separate instructions for Schedule C.)  
 YES  NO. If "Yes," where were they filed? \_\_\_\_\_

1	Gross receipts or gross sales \$.....	Less: Returns and allowances \$.....	\$.....
2	Inventory at beginning of year (if different from last year's closing inventory attach explanation) . . . . .		
3	Merchandise purchased \$....., less cost of any items withdrawn from business for personal use \$.....		
4	Cost of labor (do not include salary paid to yourself) . . . . .		
5	Material and supplies . . . . .		
6	Other costs (explain in Schedule C-1) . . . . .		
7	Total of lines 2 through 6 . . . . .		
8	Inventory at end of this year . . . . .		
9	Cost of goods sold and/or operations (subtract line 8 from line 7) . . . . .		
10	Gross profit (subtract line 9 from line 1) . . . . .		

### OTHER BUSINESS DEDUCTIONS

11	Depreciation (explain in Schedule C-2) . . . . .		
12	Taxes on business and business property (explain in Schedule C-1) . . . . .		
13	Rent on business property . . . . .		
14	Repairs (explain in Schedule C-1) . . . . .		
15	Salaries and wages not included on line 4 (exclude any paid to yourself) . . . . .		
16	Insurance . . . . .		
17	Legal and professional fees . . . . .		
18	Commissions . . . . .		
19	Amortization (attach statement) . . . . .		
20	Retirement plans, etc. (other than your share—see separate instructions) . . . . .		
21	Interest on business indebtedness . . . . .		
22	Bad debts arising from sales or services . . . . .		
23	Losses of business property (attach statement) . . . . .		
24	Depletion . . . . .		
25	Other business expenses (explain in Schedule C-1) . . . . .		
26	Total of lines 11 through 25 . . . . .		
27	Net profit (or loss) (subtract line 26 from line 10). Enter here; in Schedule C-3, line 1; and on Form 1040, page 2, Part II, line 4. Figure your self-employment income and tax on Schedule C-3 . . . . .		

### SCHEDULE C-1. EXPLANATION OF LINES 6, 12, 14, AND 25

Line No.	Explanation	Amount	Line No.	Explanation	Amount
		\$.....			\$.....

CONTINUATION OF SCHEDULE C-1. EXPLANATION OF LINES 6, 12, 14, AND 25

Table with 6 columns: Line No., Explanation, Amount, Line No., Explanation, Amount. Includes dollar sign symbols in the Amount columns.

SCHEDULE C-2. EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED ON LINE 11—Where double headings appear use the first heading for depreciation under Revenue Procedures 62-21 and 65-13 and the second heading for other authorized practices.

Table with 8 columns: 1. Group and guideline class OR Description of property, 2. Cost or other basis at beginning of year OR Cost or other basis, 3. Asset additions in year (amount) OR Date acquired, 4. Asset retirements in year (amount) (applicable only to Rev. Proc. 62-21), 5. Depreciation allowed or allowable in prior years, 6. Method of computing depreciation, 7. Class life OR Rate (%) or life, 8. Depreciation for this year. Includes a row for '1 Total additional first-year depreciation' and a '2 Totals' row.

SUMMARY OF DEPRECIATION

Table with 8 columns: Straight line, Declining balance, Sum of the years-digits, Units of production, Additional first year (section 179), Other (specify), Total. Includes rows for '1 Under Rev. Proc's 62-21 and 65-13' and '2 Other'.

EXPENSE ACCOUNT INFORMATION

Enter information with regard to yourself and your five highest paid employees. In determining the five highest paid employees, expense account allowances must be added to their salaries and wages. However, the information need not be submitted for any employee for whom the combined amount is less than \$10,000, or for yourself if your expense account allowance plus line 27, page 1, is less than \$10,000. See separate instructions for Schedule C, for definition of "expense account."

Table with 3 columns: Name, Expense account, Salaries and wages. Includes a row for 'Owner' and numbered rows 1 through 5.

Did you claim a deduction for expenses connected with: (1) Entertainment facility (boat, resort, ranch, etc.)? YES NO (3) Employees' families at conventions or meetings? YES NO (2) Living accommodations (except employees on business)? YES NO (4) Employee or family vacations not reported on Form W-2? YES NO

- ▶ If you had wages, including tips, of \$7,800 or more which were subject to social security taxes, do not fill in this page.
- ▶ Complete only one Schedule C-3; if you had more than one business, combine profits (or losses) from all of your businesses on this Schedule.
- ▶ Each self-employed person must file a separate schedule.

Name of self-employed person (as shown on social security card)	Social Security Number	Check applicable block (1) <input type="checkbox"/> Male (2) <input type="checkbox"/> Female
<b>1</b> Net profit (or loss) shown in Schedule C (Form 1040), line 27 (Enter combined amount if more than one business)		
<b>2</b> Add to net profit (or subtract from net loss) losses of business property shown in Schedule C, line 23		
<b>3</b> Total (or difference)		
<b>4</b> Net income (or loss) from excluded services or sources included on line 3 Specify excluded services or sources		
<b>5</b> Net earnings (or loss) from self-employment— (a) From business (line 3 less any amount on line 4) (b) From partnerships, joint ventures, etc. (other than farming) (c) From service as a minister, member of a religious order, or a Christian Science practitioner. If you filed Form 4361, check here <input type="checkbox"/> and enter zero on this line (d) From farming reported on line 2 (or line 3 if option used), of separate Schedule F-1 (Form 1040) (e) From service with a foreign government or international organization (f) Other (director's fees, etc.). Specify		
<b>6</b> Total net earnings (or loss) from self-employment reported on line 5. Enter here and in item F below. (If line 6 is under \$400, you are not subject to self-employment tax. Do not fill in rest of page.)		
<b>7</b> The largest amount of combined wages and self-employment earnings subject to social security tax is	\$ 7,800 00	
<b>8</b> (a) Total "F.I.C.A." wages as indicated on Form W-2 (b) Unreported tips, if any, subject to F.I.C.A. tax from Form 4137, line 9 (c) Total of lines 8(a) and 8(b). Enter here and in item G below		
<b>9</b> Balance (subtract line 8(c) from line 7)		
<b>10</b> Self-employment income—line 6 or 9, whichever is smaller. Enter here and in item H, below		
<b>11</b> If line 10 is \$7,800, enter \$499.20; if less, multiply the amount on line 10 by .064		
<b>12</b> Adjustment for hospital insurance benefits tax from Form 4469. (Applies only to railroad employees and railroad employee representatives)		
<b>13</b> Self-employment tax (subtract line 12 from line 11). Enter here and on Form 1040, page 1, line 15		

Do not detach

Schedule C-3 (Form 1040)

**Important.**—The amounts reported on the form below are for your social security account. This account is used in figuring any benefits, based on your earnings, payable to you, your dependents, and your survivors. Fill in each item accurately and completely.

**U.S. Report of Self-Employment Income**  
For crediting to your social security account

Indicate year covered by this return (even though income was received only in part of year):

**A** Calendar year 1968  or other taxable year beginning \_\_\_\_\_, 1968, ending \_\_\_\_\_  
If less than 12 months, was short year due to (a)  Death, or (b)  Change in accounting period, or (c)  Other.

**B** BUSINESS ACTIVITIES SUBJECT TO SELF-EMPLOYMENT TAX (Grocery store, restaurant, etc.)

**C** BUSINESS ADDRESS (number and street, city or post office, State, ZIP code)

**D** SOCIAL SECURITY NUMBER OF PERSON NAMED IN ITEM E BELOW

PRINT OR TYPE NAME OF SELF-EMPLOYED PERSON AS SHOWN ON SOCIAL SECURITY CARD

**E** PRINT OR TYPE HOME ADDRESS (number and street or rural route)

(City or post office, State, and ZIP code)

PLEASE DO NOT WRITE IN THIS SPACE

<b>F</b> ENTER AMOUNT FROM LINE 6	\$	
<b>G</b> ENTER AMOUNT FROM LINE 8(c) IF ANY	\$	
<b>H</b> ENTER AMOUNT FROM LINE 10	\$	

**SE**

In general, every individual deriving self-employment income from a trade or business or from a partnership is subject to the self-employment tax. This tax must be paid regardless of age and even though the individual is receiving social security benefits.

If you have conscientious objections to social security insurance because you adhere to the established teachings of a religious sect of which you are a member, you may file Form 4029, Application for Exemption from Tax on Self-Employment Income and Waiver of Benefits, to obtain exemption from self-employment tax. If you have filed Form 4029, do not file Schedule C-3; however, write "Exempt—Form 4029" to left of entry space on Form 1040, page 1, line 15.

**Ministers, members of religious orders, and Christian Science practitioners.**—Duly ordained, commissioned, or licensed ministers of churches, members of religious orders (who have not taken a vow of poverty), and Christian Science practitioners are now subject to self-employment tax, but may under certain conditions request to exempt their income from service as a minister, member or practitioner by filing Form 4361, Application for Exemption from Self-Employment Tax for use by Ministers, Members of Religious Orders and Christian Science Practitioners. Copies may be obtained from the District Director. The instructions on the form set out the provisions of the law which permit ministers, etc. to file this form to request exemption from self-employment tax. (If you previously filed an effective waiver certificate Form 2031, you may not now file for an exemption.) See **Publication 484**, Social Security for Clergymen, available at the District Director's office.

Ministers and members of religious orders must include in their earnings from self-employment (but not for income tax) the rental value of a parsonage or allowance for the rental value of the parsonage and the value of meals and lodging furnished them for the convenience of their employers.

**Fee basis State or local government employees.**—Fees received for functions and services performed by employees (including public officers who in such capacity are employees) are subject to self-employment tax if such functions and services are performed in positions which are: (1) compensated solely on a fee basis; and (2) not covered under a Federal-State social security coverage agreement. However, if an individual occupied such a position in 1968, he may irrevocably elect to exempt such fees from self-employment tax by filing Form 4415, Election to Exempt from Self-Employment Coverage Fees Received by Certain Public Officers and Employees of a State or a Political Subdivision Thereof, on or before the due date of his 1968 Federal income tax return.

**U.S. citizens employed by foreign governments or international organizations.**—A U.S. citizen employed in the United States, Puerto Rico, Guam, American Samoa, or the Virgin Islands by a foreign government, an instrumentality wholly owned by a foreign government, or an international organization which is organized under the International Organizations Immunities Act, is subject to the social security self-employment tax. Such an employee should report his income from such employment on line 5(e), of this Schedule, compute his self-employment tax, and file the Schedule with his Form 1040. In item B of Schedule SE, enter "Employee of foreign government, etc."

**Farm income.**—Report farm income and net earnings from farm self-employment on Schedules F and F-1 (Form 1040).

## EXCLUSIONS

Income (or loss) from the following sources and deductions attributable thereto are not taken into account in figuring net earnings from self-employment. Use line 4 to exclude any such amounts reported on separate Schedule C (Form 1040) that should not be taken into account in figuring your self-employment income.

**Employees and public officials.**—Income (fees, salaries, etc.) from the performance of service as: (a) a public official (except as noted above); (b) an employee or employee representative under the railroad retirement system; or (c) an employee (except as indicated above).

**Note.**—Income of an employee 18 or over from the sale of newspapers or magazines to an ultimate consumer is subject to self-employment tax if the income consists of retained profits from such sales.

**Certain payments to retired partners.**—Income received by a retired partner under a written plan of the partnership which provides for lifelong periodic retirement payments if the retired partner no longer has any interest in the partnership (except for the right to the retirement payments) and did not perform any services for the partnership during the year.

**Real estate rentals.**—Rentals from real estate, except rentals received in the course of a trade or business as a real estate dealer. This includes cash and crop shares received from a tenant or sharefarmer. These amounts should be reported in Schedule B (Form 1040), Part II. However, rental income from a farm is not excluded if the rental

arrangement provides for material participation by the landlord and he does participate materially in the production or in the management of the production of one or more farm products on his land. Such income represents farm earnings and should be reported on separate Schedules F and F-1.

Payments for the use or occupancy of rooms or other space where services are also rendered to the occupant, such as rooms in hotels, boarding houses, apartment houses furnishing hotel services, tourist camps or homes, or space in parking lots, warehouses, or storage garages do not constitute rentals from real estate and are included in determining net earnings from self-employment on this Schedule.

**Interest and dividends.**—Dividends on shares of stock, and interest on bonds, debentures, notes, certificates, or other evidences of indebtedness, issued with interest coupons or in registered form by a corporation, or by a government or political subdivision thereof, unless received in the course of a trade or business as a dealer in stocks or securities. Report these amounts on Form 1040, page 2, Part II.

**Property gains and losses.**—Gain or loss: (a) from the sale or exchange of a capital asset; (b) to which sections 631 and 1231 are applicable; or (c) from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither (1) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor (2) property held primarily for sale to customers in the ordinary course of the trade or business. These amounts should be reported on separate Schedule D (Form 1040).

**Net operating losses.**—No deduction for net operating losses of other years shall be allowed in determining the net earnings from self-employment. Such deduction should be entered as a "minus" figure on Form 1040, page 2, Part II, in "Miscellaneous income."

**MORE THAN ONE TRADE OR BUSINESS.**—If an individual is engaged in more than one trade or business, his net earnings from self-employment are the combined net earnings from self-employment of all his trades or businesses. Thus, the loss sustained in one trade or business will operate to reduce the income derived from another trade or business. An individual shall fill in and file only one Schedule C-3, including Schedule SE, for any one year.

**JOINT RETURNS.**—Where husband and wife file a joint income tax return, Schedule C-3 (Form 1040) should show the name of the one with self-employment income. Where husband and wife each have self-employment income, separate Schedules C and C-3 must be attached for each. In such cases the total of amounts shown on line 27 of each separate Schedule C should be entered on Form 1040, page 2, Part II, line 4, and the aggregate self-employment tax, line 13, Schedule C-3 should be entered on Form 1040, page 1, line 15.

**COMMUNITY INCOME.**—For the purpose of computing net earnings from self-employment, if any of the income from a trade or business is community income, all the income from such trade or business is considered the income of the husband unless the wife exercises substantially all the management and control of the trade or business, in which case all of such income is considered the income of the wife. (Also see instructions on partnerships below.)

If separate income tax returns are filed by husband and wife, Schedules C and C-3 should be attached to the return of the one with self-employment income. Community income included on Schedule C must be allocated between the two returns (on Form 1040, page 2, Part II, line 4) on the basis of the community property laws.

**PARTNERSHIPS.**—A partner, in computing his combined net earnings from self-employment, should include his entire share of such earnings from a partnership including any guaranteed payments. No part of that share may be allocated to the partner's wife (or husband) even though the income may, under State law, be community income. In the case of a husband-and-wife partnership, like other partnerships, the distributive share of each should be entered in Schedule B (Form 1040), Part III, for income tax purposes. For self-employment tax purposes the distributive share of each partner should be entered on line 5(b), of this Schedule (except that farm partnership earnings are to be reported on Schedule F-1 (Form 1040), line 1(b)).

**Note.**—If a member of a continuing partnership dies, a portion of the deceased partner's distributive share of the partnership's ordinary income (or loss) for the taxable year of the partnership in which he died must be included in the partner's net earnings from self-employment. In such cases consult an Internal Revenue Service office as to how to report.

## SCHEDULE SE (Form 1040)

Schedule SE provides the Social Security Administration with the information on self-employment income necessary for computing benefits.

Regardless of whether joint or separate returns are filed by husband and wife, Schedule SE (Form 1040) must show only the name of the one with the self-employment income. However, if both had self-employment income, a separate Schedule SE must be filed by each.