**Computation of Social Security Self-Employment Tax**

Each self-employed person must file a separate Schedule SE.

Attach to Form 1040.

**Important.** The self-employment income reported below will be credited to your social security record and used in figuring social security benefits.

Name of self-employed person (as shown on social security card) | Social security number | Check applicable block | 1 ☐ Male 2 ☐ Female

Business activities subject to self-employment tax (grocery store, restaurant, farm, etc.)

**Part I** Computation of Net Earnings from BUSINESS Self-Employment (other than farming)

1. Net profit (or loss) shown in Schedule C (Form 1040), line 26. (Enter combined amount if more than one business.)

2. Net income (or loss) from excluded services or sources included on line 1.

   Specify excluded services or sources

3. Net earnings (or loss) from business self-employment. (Subtract line 2 from line 1, and enter here and on line 1(a), Part III, below.)

**Part II** Computation of Net Earnings from FARM Self-Employment

A farmer may elect to compute net farm earnings using the OPTIONAL METHOD (line 3, below) INSTEAD OF THE REGULAR METHOD (line 2, below) if his gross profits are: (1) $2,400 or less, or (2) more than $2,400 and net profits are less than $1,600. If your gross profits from farming are not more than $2,400 and you elect to use the optional method, you need not complete lines 1 and 2.

**Computation under Regular Method**

1. Net farm profit (or loss) from:
   
   (a) Schedule F, line 52 (cash method), or line 69 (accrual method).
   
   (b) Farm partnerships.

2. Net earnings from self-employment from farming. Add lines 1(a) and (b).

**Computation under Optional Method**

3. If gross profits from farming are:
   
   (a) Not more than $2,400, enter two-thirds of the gross profits.
   
   (b) More than $2,400 and the net farm profit is less than $1,600, enter $1,600.

   *Note. Gross profits from farming are the total of the gross profits from Schedule F, line 28 (cash method), or line 67 (accrual method), plus the distributive share of gross profit from farm partnerships as explained in Instructions for Schedule SE.

4. Enter here and on line 1(b), Part III, below, the amount on line 2 (or line 3, if you use the optional method).

**Part III** Computation of Social Security Self-Employment Tax

1. Net earnings (or loss) from self-employment—
   
   (a) From business (other than farming—from line 3, Part I, above).
   
   (b) From farming (from line 4, Part II, above).
   
   (c) From partnerships, joint ventures, etc. (other than farming).
   
   (d) From service as a minister, member of a religious order, or a Christian Science practitioner. If you filed Form 4361, check here ☐ and enter zero on this line.
   
   (e) From service with a foreign government or international organization.
   
   (f) Other (director's fees, etc.). Specify.

2. Total net earnings (or loss) from self-employment reported on line 1. (If line 2 is less than $400, you are not subject to self-employment tax. Do not fill in rest of page.)

3. The largest amount of combined wages and self-employment earnings subject to social security tax is $7,800.

4. (a) Total "FICA" wages as indicated on Form W-2.

   (b) Unreported tips, if any, subject to FICA tax from Form 4137, line 9.

   (c) Total of lines 4(a) and 4(b).

5. Balance (subtract line 4(c) from line 3).

6. Self-employment income—line 2 or 5, whichever is smaller.

7. If line 6 is $7,800, enter $538.20; if less, multiply the amount on line 6 by .069.

8. Railroad employee's and railroad employee representative's adjustment for hospital insurance benefits tax from Form 4469.

9. Self-employment tax (subtract line 8 from line 7). Enter here and on Form 1040, line 56.
Instructions for Schedule SE (Form 4029) - 1970

Schedule SE provides the Social Security Administration with information on self-employment income necessary for computing benefits under the social security program. You must pay self-employment tax regardless of age, and even though you are receiving social security benefits. To assure proper credit to your account, enter your social security number on Schedule SE exactly as they are shown on your social security card.

Ministers, members of religious orders, and Christian Scientists practitioners.—Duly ordained, commissioned, or licensed ministers of churches, members of religious orders (who have not received a civil status register of poverty), and Christian Scientists 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. See Form 4361. If you file Form 4361, write “Exempt-Form 4361” in the bottom margin on the back of Form 1040. Forms, schedules and publications may be obtained from the District Director. If you previously received payments from a religious organization, see Form 2031, to pay self-employment tax, you may not now file for an exemption. See Publication 484, Social Security for Clergymen. Ministers and members of religious orders must include their earnings from self-employment (but not for income tax purposes) 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.

Members of certain religious faiths.—If you have not been covered by social security insurance by virtue of your adherence to the established teachings of a recognized religious sect of which you are a member, you may file Form 4029 to obtain exemption from self-employment tax. If you file Form 4029, do not file Schedule SE. Instead, write “Exempt-Form 4029” in the bottom margin on the back of Form 1040.

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 international organization or an instrumentality wholly owned by a foreign government, or an international organization organized under the First Amendment or the Anti-Immunities Act, is subject to the social security self-employment tax. Report income from such employment on line 1(e), Part III, Schedule SE.

Fee basis State or local government employees.—Earnings received for functions and services performed by these employees (including public officers who in such capacity are employees) are subject to self-employment tax if their 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. If you filed Form 4415, write, “Exempt-Form 4415” in the bottom margin on the back of Form 1040.

Exclusions

In figuring net earnings from self-employment, do not take into account income (or loss) from the following sources, or any resultant deductions. Use Part I, line 2 to exclude net income (or losses) from Schedule C that should not be taken into account in figuring your self-employment income. Exclusion from Part II, line 2, any item of income or expense that is not included in the computation of self-employment tax and attach an explanation.

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

Joint Returns

For a joint return, show the name of the one with self-employment income on Schedule SE. If both have self-employment income, each must file a separate Schedule SE. However, include the total of profits (or losses) from all businesses on Form 1040, line 35 or 38, whichever is applicable, and enter the combined self-employment tax on Form 1040, line 56.

Community Income

For the purpose of computing net earnings from self-employment, if any of the income from a trade or business, including farming, is community income, all the income from that trade or business is considered the income of the husband, unless the wife exercises substantially all the management and control of the operation. In that case, all self-employment income is considered the wife’s. (See “Partnerships” below.)

If separate returns are filed, Schedules C and SE or Schedules F and SE must be attached to the return of the one with self-employment income. Community income included on such schedules must be allocated for income tax purposes on the basis of the community property laws.

Partnerships

In computing his combined net earnings from self-employment, a partner should include his entire share of such earnings from a partnership in his report of 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. However, in the case of a husband in a partnership, the distributive share of each must be entered as partnership income in Schedule E, Part III, for income tax purposes, and in Schedule SE, Part II, line 1(b), for self-employment tax purposes. (Report nonfarm partnership income in Part III, line 1(c), for social security purposes.)

Note.—If a member of a continuing partnership dies, a portion of the deceased partner’s distributive share of the partnership’s ordinary income for the taxable year of the partnership in which he died must be included in the partner’s net earnings from self-employment.

Optional Method for Computing Net Earnings From Farm Self-Employment

If a farmer’s gross profits for the year from farming are not more than $2,400, he may report two-thirds of his gross profits from farming instead of his actual net earnings from farming. If his gross profits from farm self-employment are more than $2,400, and his actual net earnings from farm self-employment are less than $1,600, he may report $1,600. For the optional method, a partner should compute his share of gross profits from a farm partnership in accordance with the partnership agreement. In the case of guaranteed payments, his share of the partnership’s gross profits is his guaranteed payments plus his share of the gross profits, after such gross profits are reduced by all guaranteed payments of the partnership.

Share-Farming Arrangements

An individual who undertakes to produce a crop or livestock on land belonging to another for a proportionate share of the crop or livestock produced, or the proceeds from them, is considered to be an independent contractor and a self-employed person rather than an employee. His net earnings should be reported on Schedule F for income tax purposes and on Schedule SE for self-employment tax purposes.