## Computation of Social Security Self-Employment Tax

### Part I  Regular Computation of Net Earnings From Self-Employment

1. **Net farm profit (or loss) from Schedule F (Form 1040), line 37, and farm partnerships, Schedule K-1 (Form 1065), line 14a**

2. **Net profit (or loss) from Schedule C (Form 1040), line 31, and Schedule K-1 (Form 1065), line 14a (other than farming). (See Instructions for other income to report.) Employees of an electing church or church-controlled organization DO NOT enter your Form W-2 wages on line 2. See the Instructions**

### Part II  Optional Computation of Net Earnings From Self-Employment

See Instructions for limitations. Generally, this part may be used only if you meet any of the following tests:

- **Your gross farm income** was not more than $2,400; or
- **Your gross farm income** was more than $2,400 and your net farm profits were less than $1,600; or
- **Your net nonfarm profits** were less than $1,600 and your net nonfarm profits were also less than two-thirds (2/3) of your gross nonfarm income.

**Note:** If line 2 above is two-thirds (2/3) or more of your gross nonfarm income, if line 2 is $1,600 or more, you **may not use the optional method**.

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

7. Enter the amount from Part I, line 1, or, if you elected the farm optional method, Part II, line 4

8. Enter the amount from Part I, line 2, or, if you elected the nonfarm optional method, Part II, line 6

9. Add lines 7 and 8. If less than $400, do not file this schedule. (Exception: If you are an employee of an electing church or church-controlled organization and the total of lines 7 and 8 is less than $400, enter zero and complete the rest of this schedule.)

10. The largest amount of combined wages and self-employment earnings subject to social security or railroad retirement tax (tier 1) for 1987 is $43,800

11a. Total social security wages and tips from Forms W-2 and railroad retirement compensation (tier 1). **Note:** Medicare qualified government employees whose wages are only subject to the 1.45% medicare (hospital insurance benefits) tax and employees of certain church or church-controlled organizations should **not include those wages on this line.** (See Instructions.)

11b. Unreported tips subject to social security tax from Form 4137, line 9, or to railroad retirement tax (tier 1)

11c. Add lines 11a and 11b

12a. Subtract line 11c from line 10. (If zero or less, enter zero.)

12b. Enter your medicare qualified government wages if you are required to use the worksheet in Part III of the Instructions

12c. Enter your Form W-2 wages of $100 or more from an electing church or church-controlled organization

12d. Add lines 9 and 12c

13. Enter the smaller of line 12a or line 12d.

If line 13 is $43,800, enter $5,387.40 on line 14. Otherwise, multiply line 13 by .123 and enter the result on line 14

14. Self-employment tax. Enter this amount on Form 1040, line 48

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