

**Statement in Support of Deduction for Payments
Made on Behalf of Self-Employed Individuals to
Defined Benefit and Defined Contribution Plans**

▶ Attach to Form 5500, 5500-C or 5500-K
and file only with Internal Revenue Service.

1975

This Form is
**NOT Open to
Public Inspection**

Name of employer	Employer identification number
Name of plan administrator	Administrator's identification number

Computation of Allowable Deduction for Employer Contributions Made on Behalf of Self-Employed Individuals
(If more than one plan is involved, combine amounts for all plans and enter result on one form only.)

1 Employer contributions made to the plan for sole proprietor or partners	
(a) Enter dates paid ▶	
2 Less amount allocated to life insurance protection (the term insurance premium)	
3 Net contributions	
4 Earned income of sole proprietor and of all participating partners but not in excess of \$50,000 for a sole proprietor or for any one partner	
5 15% of line 4. (Sole proprietor, if 15% of line 4 is less than \$750, enter lesser of amount on line 4 or \$750. Partnerships, if any partner's earned income is less than \$5,000, see instructions.)	
6 Allowable deduction (lesser of lines 3 or 5). Sole proprietors, enter here and on line 40a, Form 1040	
7 Did the annual addition with respect to any one participant exceed the lesser of \$25,000 or 25% of such participant's compensation?	<input type="checkbox"/> Yes <input type="checkbox"/> No

8 Plan information:	(b) Plan number	(c) Type of Plan (Check applicable column)	
		(i) Defined Benefit	(ii) Defined Contribution
A			
B			
C			

9 Complete only if you are not required to file Form 5501:
Total number of employees including self-employed

General Instructions

(Section References are to the Internal Revenue Code)

A. Who Must File.—Every sole proprietor or partnership who has contributed to one or more Keogh plans must file Form 5505 as an attachment to either Form 5500, 5500-C or 5500-K whichever is applicable.

A self-employed individual is an individual or partner who has earned income, as described in instruction C, from an unincorporated trade, business or profession.

B. Amount of Allowable Deduction.—The overall limitation as shown on line 5 applies to the aggregate net contributions made on your behalf to all plans.

Contributions Made After Close of Your Taxable Year.—You may claim a deduction for contributions made after the close of your taxable year and by the due date of your tax return (including extensions) for such taxable year.

Contributions Allocable to Insurance Protection.—For purposes of determining the amount deductible with respect to contributions on behalf of a self-employed individual, amounts allocable to the purchase of life, accident, health, or other insurance protection shall not be taken into account. The amount of a contribution allocable to insurance shall be an amount equal to a reasonable net premium cost for such amount of insurance for the appropriate period. After deducting the amount allocable to insurance protection on line 2, report on line 3 only the net contribution.

C. Earned Income.—Earned income means net earnings from self-employment with respect to a trade or business in which personal services are actually rendered. Generally, a self-employed person may treat his entire share of the net profits of the trade or business as "earned income" even though both personal services and capital are material income producing factors.

Income from Disposition of Certain Property.—For retirement plan purposes, earned income includes gains (other than gain from the sale or exchange of a capital

asset) and net earnings derived from the sale or other disposition of, the transfer of interest in, or the licensing of the use of property (other than good will) by an individual whose personal efforts created the property.

The net earnings from self-employment are the same as those shown on Schedule SE (Form 1040) for self-employed individuals or those shown on Schedule K, Form 1065 for each partner of a partnership.

For a more detailed explanation of earned income see section 401(c) and the regulations thereunder.

Specific Instructions

5. If the earned income of one or more partners is less than \$5,000, compute an amount for each partner and enter the total on line 5. For partners with earned income of \$5,000 or more, the amount to be included on line 5 is 15% of such earned income. For a partner with less than \$5,000 earned income, the amount to be included on line 5 is the lesser of \$750 or the amount of earned income.