Use Schedule SE (Form 1040) to figure the tax due on net earnings from self-employment. The Social Security Administration uses the information from Schedule SE to figure your benefits under the social security program. This tax applies no matter how old you are and even if you are already getting social security or Medicare benefits.

Additional information. See Pub. 225 or Pub. 334.

Ministers and Members of Religious Orders

In most cases, you must pay SE tax on salaries and other income for services you performed as a minister, a member of a religious order who has not taken a vow of poverty, or a Christian Science practitioner. But if you filed Form 4361 and received IRS approval, you will be exempt from paying SE tax on those net earnings. If you had no other income subject to SE tax, enter “Exempt—Form 4361” on Form 1040, line 56. However, if you had other earnings of $400 or more subject to SE tax, see line A at the top of Long Schedule SE.

If you have ever filed Form 2031 to elect social security coverage on your earnings as a minister, you cannot revoke that election.

If you must pay SE tax, include this income on either Short or Long Schedule SE, line 2. But do not report it on Long Schedule SE, line 5a; it is not considered church employee income. Also, include on line 2:

• The rental value of a home or an allowance for a home furnished to you (including payments for utilities), and
• The value of meals and lodging provided to you, your spouse, and your dependents for your employer’s convenience.

However, do not include on line 2:

• Retirement benefits you received from a church plan after retirement, or
• The rental value of a home or an allowance for a home furnished to you (including payments for utilities) after retirement.

If you were a duly ordained minister who was an employee of a church and you must pay SE tax, the unreimbursed business expenses you incurred as a church employee are allowed only as an itemized deduction for income tax purposes. However, when figuring SE tax, subtract on line 2 the allowable expenses from your self-employment earnings and attach an explanation.

General Instructions

Who Must File Schedule SE

You must file Schedule SE if:

• Your net earnings from self-employment (see page SE-3) from other than church employee income were $400 or more, or
• You had church employee income of $108.28 or more—see Employees of Churches and Church Organizations below.

Who Must Pay Self-Employment (SE) Tax?

Self-Employed Persons

You must pay SE tax if you had net earnings of $400 or more as a self-employed person. If you are in business (farm or nonfarm) for yourself, you are self-employed.

You must also pay SE tax on your share of certain partnership income and your guaranteed payments. See Partnership Income or Loss on page SE-3.

Employees of Churches and Church Organizations

If you had church employee income of $108.28 or more, you must pay SE tax. Church employee income is wages you received as an employee (other than as a minister or member of a religious order) of a church or qualified church-controlled organization that has a certificate in effect electing an exemption from employer social security and Medicare taxes.

Additional information. See Pub. 225 or Pub. 334.

Members of Certain Religious Sects

If you have conscientious objections to social security insurance because of your membership in and belief in the teachings of a religious sect recognized as being in existence at all times since December 31, 1950, and which has provided a reasonable level of living for its dependent members, you are exempt from SE tax if you received IRS approval by filing Form 4029. In this case, do not file Schedule SE. Instead, enter “Exempt—Form 4029” on Form 1040, line 56. See Pub. 517 for details.

U.S. Citizens Employed by Foreign Governments or International Organizations

You must pay SE tax on income you earned as a U.S. citizen employed by a foreign government (or, in certain cases, by a wholly owned instrumentality of a foreign government or an international organization under the International Organizations Immunities Act) for services performed in the United States, Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, or the U.S. Virgin Islands. Report income from this employment on either Short or Long Schedule SE, line 2. If you performed services elsewhere as an employee of a foreign government or an international organization, those earnings are exempt from SE tax.

Exception—Dual citizens. A person with dual U.S.-foreign citizenship is generally considered to be a U.S. citizen for social security purposes. However, if you are a U.S. citizen and also a citizen of a country with which the United States has a bilateral social security agreement, other than Canada or Italy, your work for the government of that foreign country is always exempt from U.S. social security taxes. For further information about these agreements, see the exception shown in the next section.

U.S. Citizens or Resident Aliens Living Outside the United States

If you are a self-employed U.S. citizen or resident alien living outside the United States, in most cases you must pay SE tax. You cannot reduce your foreign earnings by the foreign earned income exclusion or the foreign housing exclusion.
from self-employment by your foreign earned income exclusion.

Exception. The United States has social security agreements with many countries to eliminate dual taxes under two social security systems. Under these agreements, you must generally pay social security and Medicare taxes to only the country you live in.

The United States now has social security agreements with the following countries: Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, Norway, Poland (or Portugal, South Korea, Spain, Sweden, Switzerland, and the United Kingdom. Additional agreements are expected in the future.

If you have questions about international social security agreements, you can:

1. Visit the Social Security Administration (SSA) website at www.socialsecurity.gov/international.
2. Call the SSA’s Office of International Programs at:
   a. (410) 965-0144 for questions on benefits under agreements,
   b. (410) 965-3549 for questions on the coverage rules of the agreements,
3. Write to:
   a. Social Security Administration, Office of International Programs, P.O. Box 17741, Baltimore, MD 21235-7741 USA for information about an agreement,
   b. Social Security Administration, OIO—Totalization, P.O. Box 17769, Baltimore, MD 21235-7769 USA for information about a claim for benefits.

If your self-employment income is exempt from SE tax, you should get a statement from the appropriate agency of the foreign country verifying that your self-employment income is subject to social security coverage in that country. If the foreign country will not issue the statement, contact the SSA at the address shown in (3a) above. Do not complete Schedule SE. Instead, attach a copy of the statement to Form 1040 and enter “Exempt, see attached statement” on Form 1040, line 56.

Chapter 11 Bankruptcy Cases

While you are a debtor in a chapter 11 bankruptcy case, your net profit or loss from self-employment (for example, from Schedule C or Schedule F) will not be included in your Form 1040 income. Instead, it will be included on the income tax return (Form 1041) of the bankruptcy estate. However, you (not the bankruptcy estate) are responsible for paying self-employment tax on your net earnings from self-employment.

Enter on the dotted line to the left of Schedule SE, line 3, “Chapter 11 bankruptcy income” and the amount of your net profit or (loss) from Schedule SE-2. If you do not file Schedule SE, line 3, the net profit or (loss) reported on the other spouse’s Schedule C, C-EZ, or F (except income not included in net earnings from self-employment as explained beginning on page SE-3) will be included on the dotted line to the left of Schedule SE, line 3, “Community income taxed to spouse” and the amount of any net profit or (loss) allocated to your spouse as community income. Combine that amount with the total of lines 1a, 1b, and 2 and enter the result on line 3.

More Than One Business

For other reporting requirements, see page 21 in the instructions for Form 1040.

Community Income

For any income from a business (including farming) that is community income, the income and deductions are reported on the following:

• If only one spouse participates in the business, all of the income from that business is the self-employment earnings of the spouse who carried on the business. Schedule SE, line 3, “Community income or loss” on page SE-3.
• If both spouses participate, the income and deductions are allocated to the spouses based on their distributive shares. Schedule SE, line 3, “Community income or loss” on page SE-3.

Married filing separately.

If you and your spouse had separate income, deduction, or loss. Each of you must file a separate Schedule SE to pay SE tax, as applicable.

Rental real estate business.

If you are the spouse who carried on the business, you must include Schedule SE, line 3, the net profit or (loss) reported on the other spouse’s Schedule C, C-EZ, or F (except income not included in net earnings from self-employment as explained beginning on page SE-3) on the dotted line to the left of Schedule SE, line 3, “Community income taxed to spouse” and the amount of any net profit or (loss) allocated to your spouse as community income. Combine that amount with the total of lines 1a, 1b, and 2 and enter the result on line 3.

If you are not the spouse who carried on the business and you had no other income subject to SE tax, enter “Exempt community income” on Form 1040, line 56; do not file Schedule SE. However, if you had $400 or more of other earnings subject to SE tax, include on Schedule SE, line 1a or 2, the net profit or (loss) from Schedule(s) C, C-EZ, or F allocated to you as community income. Also, enter on the dotted line to the left of Schedule SE, line 3, “Exempt community income” and the allocated amount. If that amount is a net profit, subtract it from the total of lines 1a, 1b, and 2, and enter the result on line 3. If that amount is a loss, treat it as a positive amount, add it to the total of lines 1a, 1b, and 2, and enter the result on line 3.

Qualified Joint Ventures

If you and your spouse materially participate (see Material participation in the 2009 Instructions for Schedule C) as the only members of a jointly owned and operated business, and you file a joint return for the tax year, you can make a joint election to be taxed as a qualified joint venture instead of a partnership.

Qualified Joint Ventures
earnings from self-employment. Read the following instructions to see what to include as net earnings and how to fill in either Short or Long Schedule SE, lines 1a, 1b, and 2. Enter all negative amounts in parentheses.

**Line 1b (Short or Long Schedule SE)**
If you were receiving social security retirement or social security disability benefits at the time you received your Conservation Reserve Program (CRP) payment(s), enter the amount of your taxable CRP payment(s) on line 1b. These payments are included on Schedule F, line 6b, or listed on Schedule K-1 (Form 1065), box 20, code Y.

**Net Earnings From Self-Employment**
In most cases, net earnings include your net profit from your business. If you were a partner in a partnership, see the following instructions.

**Partnership Income or Loss**
If you were a general or limited partner in a partnership, include on line 1a or line 2, whichever applies, the amount of net earnings from self-employment from Schedule K-1 (Form 1065), box 14, code A, and Schedule K-1 (Form 1065-B), box 9, code J1. General partners should reduce this amount before entering it on Schedule SE by any section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties. However, if you reduce the amount you enter on Schedule SE, attach an explanation. See Partner’s Instructions for Schedule K-1 (Form 1065) for details. Limited partners include only guaranteed payments for services actually rendered to or on behalf of the partnership.

If a partner died and the partnership continued, include in self-employment income the deceased’s distributive share of the partnership’s ordinary income or loss through the end of the month in which he or she died. See section 1402(i).

If you were married and both you and your spouse were partners in a partnership, each of you must report your net earnings from self-employment from the partnership. Each of you must file a Schedule SE and report the partnership income or loss on Schedule E (Form 1040), Part II, for income tax purposes. If only one of you was a partner in a partnership, the spouse who was the partner must report his or her net earnings from self-employment from the partnership.

**Community income.** Your own distributive share of partnership income is included in figuring your earnings from self-employment. Unlike the division of that income between spouses for figuring income tax, no part of your share can be included in figuring your spouse’s net earnings from self-employment.

**Net Earnings From Self-Employment**
In most cases, net earnings include your net profit from your business. If you were a partner in a partnership, see the following instructions.

**Partnership Income or Loss**
If you were a general or limited partner in a partnership, include on line 1a or line 2, whichever applies, the amount of net earnings from self-employment from Schedule K-1 (Form 1065), box 14, code A, and Schedule K-1 (Form 1065-B), box 9, code J1. General partners should reduce this amount before entering it on Schedule SE by any section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties. However, if you reduce the amount you enter on Schedule SE, attach an explanation. See Partner’s Instructions for Schedule K-1 (Form 1065) for details. Limited partners include only guaranteed payments for services actually rendered to or on behalf of the partnership.

If a partner died and the partnership continued, include in self-employment income the deceased’s distributive share of the partnership’s ordinary income or loss through the end of the month in which he or she died. See section 1402(i).

If you were married and both you and your spouse were partners in a partnership, each of you must report your net earnings from self-employment from the partnership. Each of you must file a Schedule SE and report the partnership income or loss on Schedule E (Form 1040), Part II, for income tax purposes. If only one of you was a partner in a partnership, the spouse who was the partner must report his or her net earnings from self-employment from the partnership.

**Community income.** Your own distributive share of partnership income is included in figuring your earnings from self-employment. Unlike the division of that income between spouses for figuring income tax, no part of your share can be included in figuring your spouse’s net earnings from self-employment.

**Net Earnings From Self-Employment**
In most cases, net earnings include your net profit from your business. If you were a partner in a partnership, see the following instructions.

**Partnership Income or Loss**
If you were a general or limited partner in a partnership, include on line 1a or line 2, whichever applies, the amount of net earnings from self-employment from Schedule K-1 (Form 1065), box 14, code A, and Schedule K-1 (Form 1065-B), box 9, code J1. General partners should reduce this amount before entering it on Schedule SE by any section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties. However, if you reduce the amount you enter on Schedule SE, attach an explanation. See Partner’s Instructions for Schedule K-1 (Form 1065) for details. Limited partners include only guaranteed payments for services actually rendered to or on behalf of the partnership.

If a partner died and the partnership continued, include in self-employment income the deceased’s distributive share of the partnership’s ordinary income or loss through the end of the month in which he or she died. See section 1402(i).

If you were married and both you and your spouse were partners in a partnership, each of you must report your net earnings from self-employment from the partnership. Each of you must file a Schedule SE and report the partnership income or loss on Schedule E (Form 1040), Part II, for income tax purposes. If only one of you was a partner in a partnership, the spouse who was the partner must report his or her net earnings from self-employment from the partnership.

**Community income.** Your own distributive share of partnership income is included in figuring your earnings from self-employment. Unlike the division of that income between spouses for figuring income tax, no part of your share can be included in figuring your spouse’s net earnings from self-employment.

**Net Earnings From Self-Employment**
In most cases, net earnings include your net profit from your business. If you were a partner in a partnership, see the following instructions.

**Partnership Income or Loss**
If you were a general or limited partner in a partnership, include on line 1a or line 2, whichever applies, the amount of net earnings from self-employment from Schedule K-1 (Form 1065), box 14, code A, and Schedule K-1 (Form 1065-B), box 9, code J1. General partners should reduce this amount before entering it on Schedule SE by any section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties. However, if you reduce the amount you enter on Schedule SE, attach an explanation. See Partner’s Instructions for Schedule K-1 (Form 1065) for details. Limited partners include only guaranteed payments for services actually rendered to or on behalf of the partnership.

If a partner died and the partnership continued, include in self-employment income the deceased’s distributive share of the partnership’s ordinary income or loss through the end of the month in which he or she died. See section 1402(i).

If you were married and both you and your spouse were partners in a partnership, each of you must report your net earnings from self-employment from the partnership. Each of you must file a Schedule SE and report the partnership income or loss on Schedule E (Form 1040), Part II, for income tax purposes. If only one of you was a partner in a partnership, the spouse who was the partner must report his or her net earnings from self-employment from the partnership.

**Community income.** Your own distributive share of partnership income is included in figuring your earnings from self-employment. Unlike the division of that income between spouses for figuring income tax, no part of your share can be included in figuring your spouse’s net earnings from self-employment.

**Net Earnings From Self-Employment**
In most cases, net earnings include your net profit from your business. If you were a partner in a partnership, see the following instructions.

**Partnership Income or Loss**
If you were a general or limited partner in a partnership, include on line 1a or line 2, whichever applies, the amount of net earnings from self-employment from Schedule K-1 (Form 1065), box 14, code A, and Schedule K-1 (Form 1065-B), box 9, code J1. General partners should reduce this amount before entering it on Schedule SE by any section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties. However, if you reduce the amount you enter on Schedule SE, attach an explanation. See Partner’s Instructions for Schedule K-1 (Form 1065) for details. Limited partners include only guaranteed payments for services actually rendered to or on behalf of the partnership.

If a partner died and the partnership continued, include in self-employment income the deceased’s distributive share of the partnership’s ordinary income or loss through the end of the month in which he or she died. See section 1402(i).

If you were married and both you and your spouse were partners in a partnership, each of you must report your net earnings from self-employment from the partnership. Each of you must file a Schedule SE and report the partnership income or loss on Schedule E (Form 1040), Part II, for income tax purposes. If only one of you was a partner in a partnership, the spouse who was the partner must report his or her net earnings from self-employment from the partnership.

**Community income.** Your own distributive share of partnership income is included in figuring your earnings from self-employment. Unlike the division of that income between spouses for figuring income tax, no part of your share can be included in figuring your spouse’s net earnings from self-employment.

**Net Earnings From Self-Employment**
In most cases, net earnings include your net profit from your business. If you were a partner in a partnership, see the following instructions.

**Partnership Income or Loss**
If you were a general or limited partner in a partnership, include on line 1a or line 2, whichever applies, the amount of net earnings from self-employment from Schedule K-1 (Form 1065), box 14, code A, and Schedule K-1 (Form 1065-B), box 9, code J1. General partners should reduce this amount before entering it on Schedule SE by any section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties. However, if you reduce the amount you enter on Schedule SE, attach an explanation. See Partner’s Instructions for Schedule K-1 (Form 1065) for details. Limited partners include only guaranteed payments for services actually rendered to or on behalf of the partnership.

If a partner died and the partnership continued, include in self-employment income the deceased’s distributive share of the partnership’s ordinary income or loss through the end of the month in which he or she died. See section 1402(i).

If you were married and both you and your spouse were partners in a partnership, each of you must report your net earnings from self-employment from the partnership. Each of you must file a Schedule SE and report the partnership income or loss on Schedule E (Form 1040), Part II, for income tax purposes. If only one of you was a partner in a partnership, the spouse who was the partner must report his or her net earnings from self-employment from the partnership.

**Community income.** Your own distributive share of partnership income is included in figuring your earnings from self-employment. Unlike the division of that income between spouses for figuring income tax, no part of your share can be included in figuring your spouse’s net earnings from self-employment.
Optional Methods

How Can the Optional Methods Help You?

Social security coverage. The optional methods may give you credit toward your social security coverage even though you have a loss or a small amount of income from self-employment.

Earned income credit (EIC). Using the optional methods may qualify you to claim the EIC. If you or your spouse had a smaller credit than you would have under the regular method, the optional method may give you credit under the rules above.

Child and dependent care credit. The optional methods may give you credit under the rules above.

Nonfarm Optional Method

You may be able to use this method to figure your net earnings from nonfarm self-employment if your net nonfarm profits were less than $4,721 and also less than 72.189% of your gross nonfarm income.

Net nonfarm profits are the total of the amounts from:

- Schedule C (Form 1040), line 31
- Schedule C-EZ (Form 1040), line 3
- Schedule K-1 (Form 1065), box 14, code A (from other than farm partnerships), and
- Schedule K-1 (Form 1065-B), box 9, code J1.

To use this method, you also must be regularly self-employed. You meet this requirement if your actual net earnings from self-employment were $400 or more in 2 of the 3 years preceding the year you use the nonfarm optional method. The net earnings of $400 or more could be from either farm or nonfarm earnings or both. The net earnings include your distributive share of partnership income or loss subject to SE tax.

Use of the nonfarm optional method from nonfarm self-employment is limited to 5 years. The 5 years do not have to be consecutive.

Under this method, report in Part II, line 17, of your net nonfarm income, up to the amount on line 16, as your self-employment income, even though the income may be from sources other than farming.

Using Both Optional Methods

If you can use both methods, you can report less than your actual net earnings from farm self-employment even though the income may be from sources other than farming.

Changing Your Method

You can change the method after you file your return. That is, you can change from the regular to the optional method or from the optional to the regular method. To do this, file Form 1040X.

Farm Optional Method

You may use this method to figure your net earnings from farm self-employment if your gross farm income was $6,540 or less or your net farm profits were less than $4,721.

Net farm profits are:

- The total of the amounts from Schedule F (Form 1040), line 36, and Schedule K-1 (Form 1065), box 14, code A, minus
- The amount you would have entered on Schedule SE, line 1b, had you not used the optional method.

There is no limit on how many years you can use this method.

Under this method, report in Part II, line 11, two-thirds of your gross farm income, up to $4,360, as your net earnings. This method can increase or decrease your net earnings from farm self-employment even if the farming business had a loss.

For a farm partnership, figure your share of gross income based on the partnership agreement. With guaranteed payments, your share of the partnership's gross income is your guaranteed payments plus your share of the gross income after it is reduced by all guaranteed payments made by the partnership. If you were a limited partner, include only guaranteed payments for services you actually rendered to or on behalf of the partnership.

Statutory Employee Income

If you were required to check the box on Schedule C or C-EZ, line 1, because you were a statutory employee, do not include the net profit (or loss) from that Schedule on Schedule SE, line 1b, had you not used the optional method.

The amount that you would have entered on Schedule SE, line 1b, had you not used the optional method.

There is no limit on how many years you can use this method.

Under this method, report in Part II, line 11, two-thirds of your gross farm income, up to $4,360, as your net earnings. This method can increase or decrease your net earnings from farm self-employment even if the farming business had a loss.

For a farm partnership, figure your share of gross income based on the partnership agreement. With guaranteed payments, your share of the partnership’s gross income is your guaranteed payments plus your share of the gross income after it is reduced by all guaranteed payments made by the partnership. If you were a limited partner, include only guaranteed payments for services you actually rendered to or on behalf of the partnership.

Nonfarm Optional Method

You may be able to use this method to figure your net earnings from nonfarm self-employment if your net nonfarm profits were less than $4,721 and also less than 72.189% of your gross nonfarm income.

Net nonfarm profits are the total of the amounts from:

- Schedule C (Form 1040), line 31
- Schedule C-EZ (Form 1040), line 3
- Schedule K-1 (Form 1065), box 14, code A (from other than farm partnerships), and
- Schedule K-1 (Form 1065-B), box 9, code J1.

To use this method, you also must be regularly self-employed. You meet this requirement if your actual net earnings from self-employment were $400 or more in 2 of the 3 years preceding the year you use the nonfarm optional method. The net earnings of $400 or more could be from either farm or nonfarm earnings or both. The net earnings include your distributive share of partnership income or loss subject to SE tax.

Use of the nonfarm optional method from nonfarm self-employment is limited to 5 years. The 5 years do not have to be consecutive.

Under this method, report in Part II, line 17, two-thirds of your gross nonfarm income, up to the amount on line 16, as your net earnings. But you cannot report less than your actual net earnings from nonfarm self-employment.

Figure your share of gross income from a nonfarm partnership in the same manner as a farm partnership. See Farm Optional Method on this page for details.

Using Both Optional Methods

If you can use both methods, you can report less than your total actual net earnings from farm and nonfarm self-employment, but you cannot report less than your actual net earnings from nonfarm self-employment alone.

If you use both methods to figure net earnings, you cannot report more than $4,360 of net earnings from self-employment.