

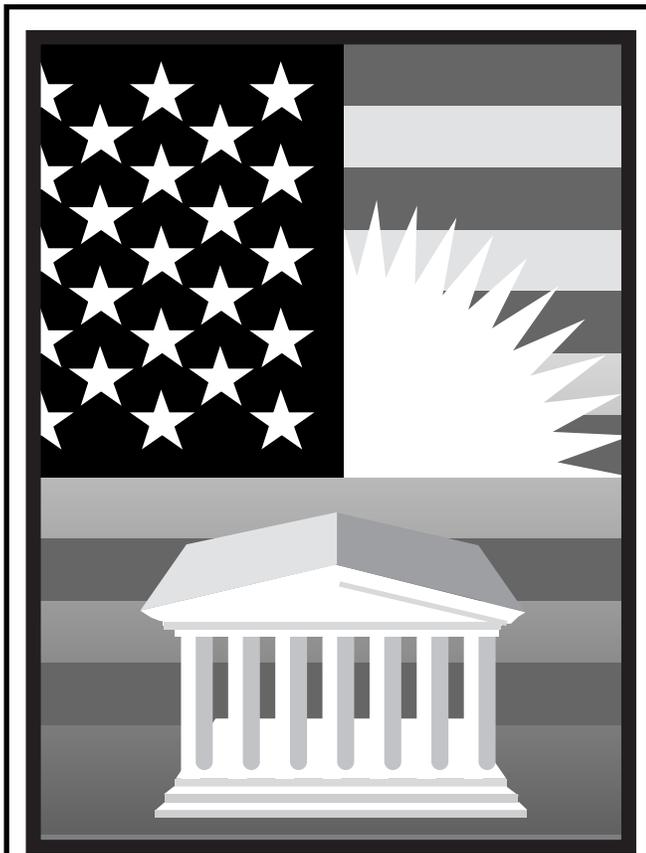


Department of the Treasury
Internal Revenue Service

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Self-Employment Tax

For use in preparing
1998 Returns



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Important Changes

Tax rates and maximum net earnings for self-employment taxes. The self-employment tax rate on net earnings remains the same for calendar year 1998 and 1999. This rate, 15.3%, is a total of 12.4% for social security (old-age, survivors, and disability insurance) and 2.9% for Medicare (hospital insurance).

The maximum amount subject to the social security part for tax years beginning in 1998 is \$68,400. For 1999, that amount increases to \$72,600. All your net earnings of at least \$400 are subject to the Medicare tax.

Certain termination payments to former insurance agents. Certain termination payments made to former insurance agents after December 31, 1997, by an insurance company for services performed for that company are exempt from SE tax if certain requirements are met. See *Former insurance agents*, later.

Introduction

The self-employment tax is a social security and Medicare tax for individuals who work for themselves. It is similar to the social security and Medicare taxes withheld from the pay of wage earners.

This publication explains the following topics.

- What income is subject to self-employment tax.
- Who must pay self-employment tax.
- How to figure self-employment tax.
- How to report self-employment tax.

You usually have to pay self-employment tax if you are self-employed or are a church employee. You have

to figure this tax on Schedule SE (Form 1040).

Useful Items

You may want to see:

Publication

- 15** Circular E, Employer's Tax Guide
- 15-A** Employer's Supplemental Tax Guide
- 225** Farmer's Tax Guide
- 505** Tax Withholding and Estimated Tax
- 517** Social Security and Other Information for Members of the Clergy and Religious Workers
- 541** Partnerships
- 911** Direct Sellers

Form (and Instructions)

- 1040** U.S. Individual Income Tax Return
- Sch C (Form 1040)** Profit or Loss From Business
- Sch C-EZ (Form 1040)** Net Profit From Business
- Sch SE (Form 1040)** Self-Employment Tax

See *How To Get More Information* near the end of this publication for information about getting these publications and forms.

General Information

The following discussions contain general information on social security benefits and coverage, social security numbers, estimated tax, and the self-employment tax (SE tax) deduction.

Social security benefits. Social security benefits are available to self-employed persons just as they are to wage earners. Your payments of SE tax contribute to your coverage under the social security system. Social security coverage provides you with retirement benefits, disability benefits, survivor benefits, and hospital insurance (Medicare) benefits.

You must be insured under the social security system before you begin receiving social security benefits. You are insured if you have the required number of credits (also called quarters of coverage).

For 1998, you received one credit, up to four credits, for each \$700 (\$740 for 1999) of income subject to social security. Therefore, for 1998, if you had income of \$2,800 that was subject to social security taxes (self-employment and wages), you received four credits.

For an explanation of the number of credits you must have to be insured, and of the benefits available to you and your family under the social security program, consult your nearest Social Security Administration office.



Making false statements to get or to increase social security benefits may subject you to penalties.

The Social Security Administration (SSA) time limit for posting self-employment income. Generally, the Social Security Administration will not post your self-employment income to its records unless you file your tax return within 3 years, 3 months, and 15 days after the year you earned the income. If you file your tax return after this time limit, SSA may change its records to agree with the amount of self-employment income you report, but only to remove or reduce, not increase, the amount of your self-employment income on its records.

Social security number. You must have a social security number to pay SE tax. If you do not have a number, apply for one on Form SS-5, *Application for a Social Security Card*. You can get this form at any Social Security office or by calling 1-800-772-1213.

If you have a social security number from the time you were an employee, do not apply again.

If you have a number but lost your card, file Form SS-5 showing where and about when you first applied for it. You will get a new card showing your original number, not a new number.

If your name has changed since you received your social security card, complete Form SS-5 to report a name change.

Estimated tax. You may have to pay estimated tax. This depends on how much income and SE taxes you expect to pay for the year and how much of your income will be subject to withholding tax. The SE tax is treated, and collected, as part of the income tax.

If you are also an employee, you may be able to avoid paying estimated tax by having your employer increase the income tax taken out of your pay.

You may have to pay a penalty if you do not pay enough estimated tax by its due date. For more information on estimated taxes, get Publication 505.

Self-employment tax deduction. You can deduct half of your SE tax in figuring your adjusted gross income. This deduction only effects your income tax. It does not affect either your net earnings from self-employment or your SE tax.

To deduct the tax, enter on Form 1040, line 26, the amount shown on the "Deduction for one-half of self-employment tax" line of the Schedule SE.

Who Must Pay Self-Employment Tax

You must pay SE tax if either of the following applies.

- 1) You were self-employed and your net earnings from self-employment (excluding income described in (2) below) were \$400 or more.
- 2) You performed services for a church as an employee and received income of \$108.28 or more.



If you are a member of the clergy or a religious worker, you may not have to pay SE tax. See Religious Exemptions, later.

You are self-employed if you carry on a trade or business as a sole proprietor, an independent contractor, a member of a partnership, or are otherwise in business for yourself.

You do not have to carry on regular full-time business activities to be self-employed. Part-time work, including work you do on the side in addition to your regular job, may also be self-employment.

A **trade or business** is generally an activity carried on for a livelihood or in good faith to make a profit. The facts and circumstances of each case determine whether or not an activity is a trade or business. Regularity of activities and transactions and the production of income are important elements. You do not need to actually make a profit to be in a trade or business as long as you have a profit motive. You do need, however, to make ongoing efforts to further the interests of your business.

The SE tax rules apply even if you are fully insured under social security or have started receiving benefits.

Aliens. Resident aliens are generally subject to the same rules as U.S. citizens. Nonresident aliens do not pay SE tax. Residents of the Virgin Islands, Puerto Rico, Guam, or American Samoa, however, are subject to the tax. For SE tax purposes, they are not nonresident aliens.

Dealers in options and commodities. Dealers in options and commodities must figure SE income by including gains and losses from dealing or trading in section 1256 contracts (regulated futures contracts, foreign currency contracts, nonequity options, and dealer equity options), or property related to those contracts, such as stock used to hedge options. See sections 1256 and 1402(i) of the Internal Revenue Code.

Executors or administrators. When you administer a deceased person's estate, your fees are SE income if you are one of the following.

- 1) A professional fiduciary.
- 2) A nonprofessional fiduciary (personal representative), and:
 - a) The estate includes an active trade or business that you actively participate in, and
 - b) Your fees are related to the operation of that trade or business.
- 3) A nonprofessional fiduciary of a single estate that requires extensive managerial activities on your part for a long period of time, provided these activities are enough to be considered a trade or business.

Report fees that are on Schedule C or C-EZ. If the fees are not SE income, report them on line 21 of Form 1040.

Fishing crew members. Certain members of the crew on a boat that catches fish or other water life are self-employed and must make both SE tax payments and generally estimated tax payments if all of the following apply.

- 1) They do not get any money for their work except for their share of the catch or of the proceeds from the sale of the catch, unless the pay meets all of the following conditions.
 - a) The pay is not more than \$100 per trip.
 - b) The pay is received only if there is a minimum catch.
 - c) The pay is solely for additional duties (such as mate, engineer, or cook) for which additional cash pay is traditional in the fishing industry.
- 2) They get shares of the catch or shares of the proceeds from the sale of the catch.
- 3) Their shares depend on the amount of the catch.
- 4) The operating crew normally numbers fewer than ten individuals. (An operating crew is considered as normally made up of fewer than 10 if the average size of the crew on trips made during the last four calendar quarters is fewer than 10.)

For more information, get Publication 595, *Tax Highlights for Commercial Fishermen*.

Independent contractor. People such as lawyers, accountants, contractors, subcontractors, public stenographers, auctioneers, who follow an independent trade, business, or profession in which they offer their services to the general public are generally not employees. However, whether those people are independent contractors or employees depends on the facts in each case. The general rule is that an individual is an independent contractor if the payer has the right to control or direct only the result of the work and not what will be done and how it will be done. Income earned by a person who is working as independent contractor is SE income.

You are not an independent contractor if you perform services that can be controlled by an employer (what will be done and how it will be done). This applies even if you are given freedom of action. What matters is that the employer has the legal right to control the details of how the services are performed. If an employer-employee relationship exists (no matter what the relationship is called), you are not an independent contractor.

For more information in determining whether you are an independent contractor or an employee, get Publication 15-A.

Newspaper carriers and distributors. A special rule applies to services you perform as a newspaper carrier or distributor. You are a direct seller, and are treated as self-employed for federal tax purposes, if all of the following conditions are met.

- You are in the business of delivering/distributing newspapers or shopping news, including directly

related services such as soliciting customers and collecting receipts.

- Substantially all your pay for these services directly relates to sales or other output rather than to the number of hours worked.
- You perform the delivery services under a written contract between you and the service recipient that states you will not be treated as an employee for federal tax purposes.

This rule applies whether or not you hire others to help you make deliveries. It also applies whether you buy the papers from the publisher or are paid based on the number of papers you deliver.

If you do not meet the above conditions, you may be an employee subject to having taxes withheld from your pay. As an employee, you would not have to pay SE tax on this income. Wages newspaper carrier employees receive for delivering newspapers or shopping news to customers are subject to withholding for social security and Medicare taxes, if the carrier is 18 or over. See Publication 15–A for more information about who is an employee.

Carriers and vendors under age 18. Carriers or distributors (not including those who deliver or distribute to any point for subsequent delivery or distribution), and vendors (working under a buy-sell arrangement), under the age of 18 are not subject to SE tax.

Notary public. Fees received for services performed as a notary public are not subject to SE tax.

Public officials. Public officials generally do not pay SE tax on what they earn for serving in public office. This rule applies to payments received by an elected tax collector from state funds on the basis of a fixed percentage of the taxes collected. Public office includes any elective or appointive office of the United States or its possessions, the District of Columbia, a state or its political subdivisions, or a wholly owned instrumentality of any of these.

However, public officials of state or local governments must pay SE tax on their fees if they are paid solely on a fee basis and if their services are eligible for, but not covered by, social security under a federal-state agreement.

Real estate agents and direct sellers. Income received by a licensed real estate agent or a direct seller may be SE income. A licensed agent or direct seller generally is treated as self-employed if both of the following apply.

- Substantially all the pay for services as a real estate agent or direct seller is directly related to sales or other output rather than to hours worked.
- The services are performed under a written contract that provides that the agent or seller will not be treated as an employee for federal tax purposes.

For more information, see Publication 15–A. Direct sellers should also see Publication 911.

Retired insurance agents. The income paid by insurance companies to retired insurance agents that is based on a percentage of commissions received before retirement is SE income. Also, renewal commissions and deferred commissions for sales made before retirement are generally SE income.

However, renewal commissions paid to the survivor of an insurance agent are not SE income.

Former insurance agents. Certain termination payments made to former insurance agents after December 31, 1997, by an insurance company for services performed for that company are exempt from SE tax if all the following requirements are met.

- The amounts are received after the agent's agreement to perform services for the company has ended.
- The agent performs no services for the company after the service agreement ends and before the end of the tax year.
- The agent enters into a covenant not to compete against the company for at least the 1-year period beginning on the date the service agreement ended.
- The amount of the payment depends primarily on policies sold by or credited to the account of the agent during the last year of the service agreement or on the extent to which those policies remain in force for some period after the service agreement ends, or both.
- The amount of the payment does not depend to any extent on the length of service or overall earnings from services performed for the company (regardless of whether eligibility for payment depends on length of service).

Retired ministers. The retirement benefits you receive from a church plan and the rental value of any parsonage allowance provided to you after you retire are not SE income, even if the rental value of the parsonage or parsonage allowance is includable in income for income tax purposes.

In general, a "church plan" means a plan established and maintained for its employees by a church or by a convention or association of churches that is tax-exempt.

Sole proprietor. If you own and operate your own business as a sole proprietor, the income from your business is SE income. If your spouse works with you in your business, see *Partners*, later.

Statutory employees. If you earned wages as a statutory employee, the box titled "Statutory employee" in box 15 of Form W–2, *Wage and Tax Statement*, will be checked by your employer. You do not pay SE tax on those earnings because social security and Medicare taxes (FICA taxes) were withheld. Do not file Schedule SE if you have no other SE income. However, you should file a separate Schedule C (or Schedule C–EZ) to report only the income and expenses related to your earnings as a statutory employee.

Statutory employees include full-time life insurance agents, certain agent and commission drivers and traveling salespersons, and certain homeworkers.

U.S. citizens working in U.S. for foreign government or international organization. If you are a U.S. citizen employed in the United States by a foreign government, a wholly owned instrumentality of a foreign government, or an international organization, you are subject to SE tax if your employer does not deduct social security and Medicare taxes from your income.

International social security agreements. The United States has social security (totalization) 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 country to which you must pay the tax will issue a certificate which serves as proof of exemption from social security tax in the other country.

The United States now has social security agreements with the following countries: Austria, Belgium, Canada, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. Additional agreements are expected in the future. For more information, contact the social security agency of the country in which you are living, visit the United States Social Security Administration site at www.ssa.gov or you can write to:

Social Security Administration
Office of International Policy
P.O. Box 17741
Baltimore, MD 21235

Partners

If you are a member of a partnership that carries on a trade or business, your distributive share of its income or loss from the trade or business is included in figuring your SE income. Guaranteed payments from your partnership should be included, along with your share of earnings or losses, when you figure your SE income.

For information on partnerships, get Publication 541.

Inactive partner. An inactive partner figures SE income by including the distributive share of partnership income (or loss) and any guaranteed payments.

Limited partner. A limited partner figures SE income by excluding the distributive share of partnership income (or loss). But guaranteed payments, such as salary and professional fees received for services performed during the year, are included as SE income.

Retired partner. A retired partner pays no SE tax on retirement income received from the partnership under a written plan if all of the following apply.

- The retired partner receives lifelong periodic payments.

- The retired partner's share of the partnership capital was fully repaid to the retired partner.
- The retired partner performs no services for the partnership during the year.
- The partnership owes the retired partner nothing but the retirement payments.

Husband and wife partners. You and your spouse may operate a business as a partnership. If you and your spouse join together in the conduct of a business and share in the profits and losses, a partnership has been created. The partnership must report the business income and expenses on Form 1065, *U.S. Partnership Return of Income*, along with Schedule K-1 showing each partner's share of the net income. Both of you must report the net income on Form 1040 and file separate Schedules SE (Form 1040) to report your individual SE tax.

However, if your spouse is your employee, not your partner, you must pay social security and Medicare taxes for him or her. For more information, see Publication 15, *Circular E, Employer's Tax Guide*.

Investment club partnership. A member's share of income from an investment club partnership is not SE income if the club limits its activities to both of the following activities.

- Investing in savings certificates, stock, or securities.
- Collecting interest or dividends for its members' accounts.

Different tax years. If your tax year is not the same as your partnership's, report your share of partnership income (or loss) on your return for the year that includes the end of the partnership tax year.

Example. You file your return on a calendar year basis, but your partnership uses the fiscal year ending January 31. You must include on your return for calendar year 1998 your distributive share of partnership earnings and your guaranteed payments for the fiscal year ending January 31, 1998.

Death of a partner. When a partner dies, his or her distributive share of partnership income (or loss) is figured through the end of the month in which the death occurs. This is true even though the decedent's estate or heirs may succeed to rights in the partnership. The partnership income (or loss) for the year is treated as though it was earned in equal amounts each month.

Example. ABC Partnership operates a business. Its tax year ends on December 31. A partner dies on August 18. The deceased partner's (and his or her estate's) distributive share of partnership income for the year of death is \$12,000. That partner's SE income from the partnership is \$8,000 ($\frac{8}{12}$ of \$12,000).

Religious Exemptions

In most cases, ministers, Christian Science practitioners, and members of religious orders who have not taken a vow of poverty have to pay SE tax on their net earnings. But they can get an exemption from SE tax

on certain earnings by filing Form 4361, *Application for Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners*.

Members of religious orders who have taken a **vow of poverty** are automatically exempt from SE tax for amounts received while working for a church or an integral agency of the church. However, amounts they receive for performing services for an organization other than the church are not exempt from SE tax.

For more information on getting an exemption, get Publication 517.

Members of recognized religious sects opposed to insurance. If you belong to a recognized religious sect that is opposed to insurance, you may qualify for an exemption from the SE tax. To qualify, you must be conscientiously opposed to accepting the benefits of any public or private insurance that makes payments because of death, disability, old age, retirement, or medical care, or that provides services for medical care. If you buy a retirement annuity from an insurance company, you will not be eligible for this exemption. Religious opposition based on sect teachings is the only legal basis for the exemption. In addition, your religious sect (or division) must have existed since December 31, 1950.

To get the exemption, you must file in triplicate Form 4029, *Application for Exemption From Social Security and Medicare Taxes and Waiver of Benefits*, and waive all social security benefits.

Employee of a church or church-controlled organization. If you work for a church or a qualified church-controlled organization that elected exemption from social security and Medicare taxes, you will have to pay SE tax if you are paid \$108.28 or more in a year by the church or organization.

However, you can elect to be exempt from these taxes if you are a member of a qualifying religious sect. See *Members of recognized religious sects opposed to insurance*, above. Both you and your employer must receive an approved copy of the application for exemption from social security coverage before the exemption can take effect. Employees use Form 4029 to apply for an exemption.

Self-Employment Income

Different types of income can be SE income. The source of your income and your involvement in the activity from which your income is derived will determine whether it is SE income.

Gains and losses. A gain or loss from the disposition of property that is neither stock in trade nor held primarily for sale to customers is not SE income. It does not matter whether the disposition is a sale, exchange, or an involuntary conversion. For example, gains or losses from the disposition of the following types of property are not SE income.

- Investment property.

- Depreciable property or other fixed assets used in your trade or business.
- Livestock held for draft, dairy, breeding, or sporting purposes and not held primarily for sale, regardless of how long the livestock were held or whether they were raised or purchased.
- Standing crops sold with land held more than one year.
- Timber, coal, or iron ore held for more than one year, if an economic interest was retained, such as a right to receive coal royalties.

A gain or loss from the cutting of timber is not SE income if the cutting is treated as a sale or exchange.

Dividends. Dividends on securities are not SE income unless you are a dealer in securities who is not holding the securities for speculation or investment.

Interest. Interest is not SE income unless you receive it in your trade or business. This includes interest on accounts receivable, bonds, notes, or other debt, unless you are a dealer in stocks or securities. But the interest is not SE income if the stocks or securities are held for speculation or investment.

Lost income payments. If you are self-employed and reduce or stop your business activities, any payment you receive from insurance or other sources for the lost business income is SE income. If you are not working when you receive the payment, it still relates to your business (even though it is temporarily inactive) and is SE income.

If there is a connection between any payment you receive and your trade or business, the payment is SE income. A connection exists if it is clear that the payment would not have been made but for your conduct of the trade or business.

Part-time business. Income from a part-time business is SE income. For example, you fix televisions and radios in your spare time. You have your own shop, equipment, and tools. You get your customers from advertising and word-of-mouth. The income you earn from your repair shop is SE income.

Real estate rent. Rent from real estate and personal property leased with real estate is not SE income unless either of the following applies to you.

- You are a real estate dealer.
- You provide services for your tenants.

Real estate dealers. If you receive rent as a real estate dealer, include the rental income and related deductions in figuring net SE income. You are a real estate dealer if you are engaged in the business of selling real estate to customers with the purpose of making profits from those sales.

Trailer park owners. If you are a trailer park owner who provides trailer lots and facilities, the rent you receive is SE income if you provide substantial services for the convenience of your tenants. You generally are

considered to provide substantial services for tenants if they are primarily for the tenants' convenience and are not normally provided to maintain the lots in a condition for occupancy. Examples of services that are for the tenants' convenience include supervising and maintaining a recreational hall provided by the park, distributing a monthly newsletter to tenants, operating a laundry facility, and helping tenants buy or sell their trailers. Examples of services that are normally provided to maintain the lots in a condition for tenant occupancy include city sewerage, electrical connections, and roadways. Services are substantial if the compensation for the services makes up a material part of the tenants' rental payments.

Hotels, boarding houses, and apartments. Rents received for the use or occupancy of hotels, boarding houses, or apartment houses are SE income if services are provided for the occupants. Services generally are provided for the occupants if they are primarily for their convenience and not services normally provided with the rental of rooms for occupancy only. Maid service, for example, is a service provided for the convenience of the occupants. However, heat and light, the cleaning of stairways and lobbies, and the collection of trash are not services primarily for the occupants' convenience.

Research grants. If you receive payments under a research grant and perform services for the grantor as an independent contractor, the payments you receive are SE income.

For more information about whether you are an independent contractor, see *Independent contractor*, earlier.

U.S. possession self-employment income. SE income from activities in a U.S. possession is subject to SE tax, even if your possession income is exempt from U.S. income tax. The following are treated as U.S. possessions.

- Guam
- American Samoa
- The Virgin Islands
- The Commonwealth of the Northern Mariana Islands
- Puerto Rico

Form to file. If you must file Form 1040, report all of your SE income on Schedule SE. This is true even if your possession income is not otherwise reported on Form 1040. If you do not have to file Form 1040, use Form 1040-SS (or Form 1040-PR if appropriate) to report your SE income. For more information on U.S. citizens in U.S. possessions, get Publication 570, *Tax Guide for Individuals With Income From U.S. Possessions*.

Wages, salaries, and tips. Wages and salaries received for services performed as an employee and covered by social security or railroad retirement are not SE income. Tips received for similar services as an employee are not SE income.

Corporate Payments

Whether income received from a corporation is SE income depends on the reason for the payment.

Corporate director. Fees received for performing services as a director of a corporation are SE income. It does not matter whether the fees are for going to directors' meetings or for serving on committees.

Corporate employee. Even if you own most or all of the stock of a corporation, your income as an employee or officer of the corporation is not SE income.

S corporations. If you are a shareholder in an S corporation, your share of the corporation's taxable income is not SE income, even though you include it in your gross income for income tax purposes.

If you are a shareholder and also an officer of an S corporation and perform substantial services, you are an employee of the S corporation. Your payment for services is subject to withholding for social security and Medicare taxes and is not SE income, regardless of what the S corporation calls the payments.

Figuring Self-Employment Tax

There are three steps to figure the SE tax you owe.

- 1) Figure your net self-employment income.
- 2) Figure your net earnings from self-employment.
- 3) Multiply your net earnings by the tax rate.

Step 1—Figure Your Net Self-Employment Income

Net SE income usually includes all business income less all business deductions allowed for income tax purposes. You must claim all allowable deductions when figuring net SE income. Your net SE income is used to figure your net earnings from self-employment. See *Step 2—Figure Your Net Earnings From Self-Employment*, later. You must figure your net income from self-employment by using the same accounting method you use for income tax purposes.

Your net SE income is shown on the lines of the following schedules:

Schedule C (Form 1040)	Line 31
Schedule C-EZ (Form 1040)	Line 3
Schedule F (Form 1040)	Line 36
Schedule K-1 (Form 1065)	Line 15a

More than one business. If you have more than one trade or business, you must combine the net profit (or loss) from each business to determine your net SE income. A loss from one business will reduce your profit from another business. File one Schedule SE showing the net SE income, but file a separate Schedule C or F for each business.

Example. You are the sole proprietor of two separate businesses. You operate a restaurant that made a net profit of \$25,000. You also have a cabinetmaking business that had a net loss of \$500. You file Schedule SE showing net SE income of \$24,500. You must also file a Schedule C for each business—a Schedule C for the restaurant showing your net profit of \$25,000, and another Schedule C for the cabinetmaking business showing your net loss of \$500.

Church employee. If you are an employee of a church or church-related organization that elected exemption from social security and Medicare taxes, your net SE income is the gross income you received for your services (gross income without any deductions).

Recapture of depreciation. If you recaptured any depreciation, including any section 179 deduction, because the business use of certain property was reduced to 50% or less, these recaptured amounts are subject to the SE tax. This rule does not apply to amounts recaptured on the disposition of property. For more information, see the instructions for Form 4797, *Sales of Business Property*.

Employment credits. Use your reduced wage and salary expense deduction to determine your net SE income if you claimed the following credits.

- Empowerment zone employment credit.
- Indian employment credit.
- Welfare-to-work credit.
- Work opportunity credit.

Deductions and exemptions. Do **not** reduce your SE income by any of the following.

- Deductions for personal exemptions for yourself, your spouse, or dependents.
- The standard deduction or itemized deductions.
- The net operating loss deduction.
- Nonbusiness deductions including contributions on your behalf to a pension, profit-sharing plan, annuity plan, Keogh, SIMPLE, or SEP plan.
- The self-employed health insurance deduction.
- The deduction for one-half of your SE tax.

Example. You own a grocery store that had the following items for the year.

Gross income	\$87,400
Salaries	30,000
Rent	6,000
Heat, light, and air conditioning	2,400
Other expenses	1,900
Gain on refrigerator sale	350
Fire loss on store building	1,200
Net operating loss carryover	1,000

To figure taxable income, consider all the above items. But to figure **net self-employment income**, use only the following.

Gross income	\$87,400
Expenses:	
Salaries	\$30,000
Rent	6,000
Heat, light, and air conditioning	2,400
Other expenses	1,900
	40,300
Net profit	\$47,100

The \$47,100 is your net SE income. The refrigerator sale, the fire loss, and the net operating loss carried over from a previous year are not included in the calculation.

Step 2—Figure Your Net Earnings From Self-Employment

The net SE income subject to SE tax is called net earnings from self-employment.

Minimum earnings subject to SE tax. You must have \$400 or more of net earnings from self-employment to be subject to the tax. For this purpose, net earnings are figured on line 4 of Schedule SE, Section A or line 4c of Schedule SE, Section B. If your net earnings are less than \$400, you do not have to file Schedule SE (Form 1040) or pay the tax, unless you performed services for a church as an employee and received income of \$108.28 or more.

How to figure net earnings. There are three ways to figure net earnings from self-employment.

- The regular method.
- The nonfarm optional method.
- The farm optional method.

You must use the regular method unless you are eligible to use one or both of the optional methods. See *Figure 1. Can I Use the Optional Methods?*

Why use the optional methods? You can generally use the optional methods (discussed later) when you have a loss or a small amount of net income from self-employment and any one of the following apply.

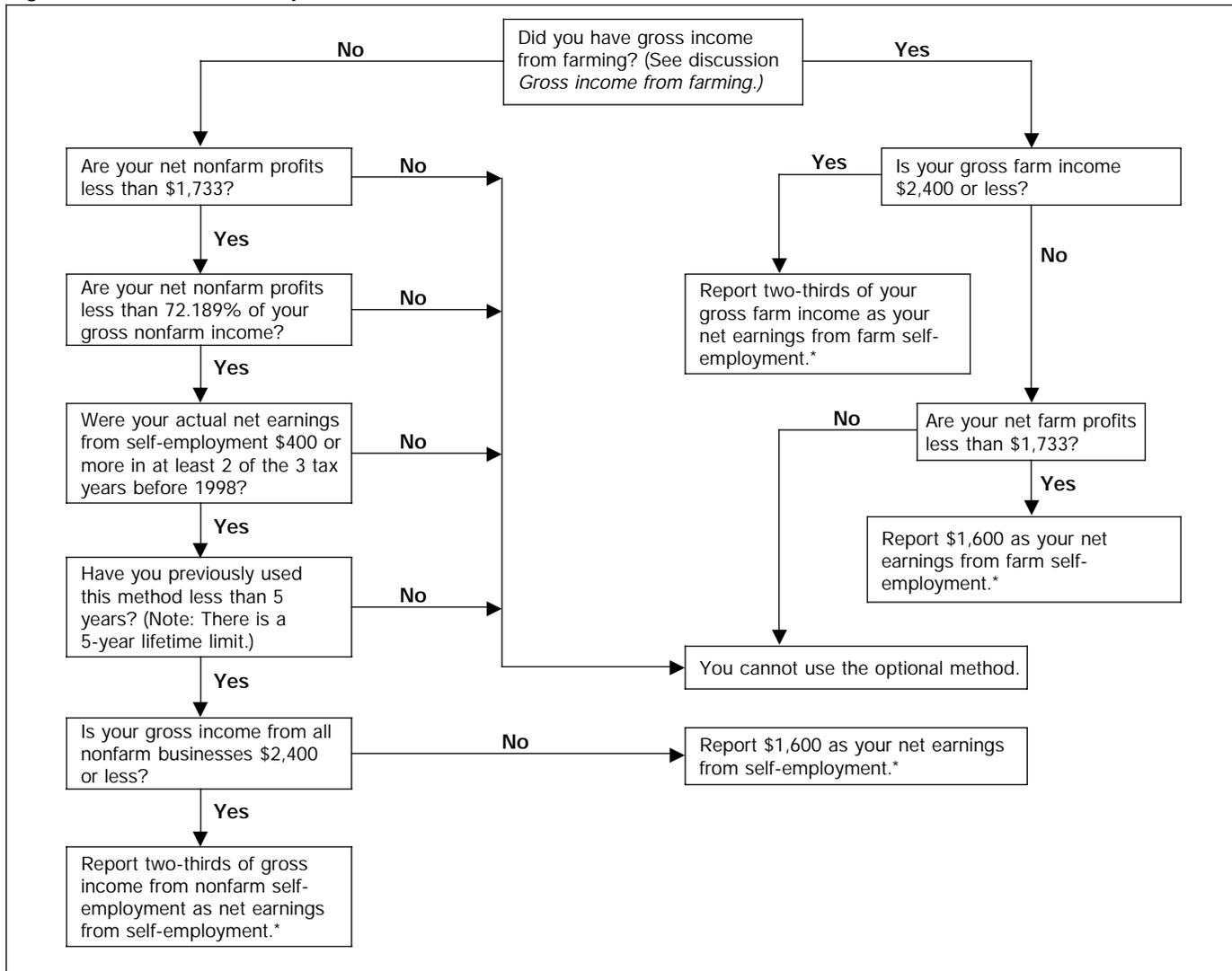
- You want to receive credit for social security benefit coverage.
- You incurred child or dependent care expenses for which you could claim a credit (this method will increase your earned income, which could increase your credit).
- You are entitled to the earned income credit (this method will increase your earned income, which could increase your credit).

Regular Method

Multiply your net SE income by 92.35% (.9235) to get your net earnings under the regular method. See *Short Schedule SE*, line 4, or *Long Schedule SE*, line 4a.

You must use the regular method unless you are eligible to use one or both of the optional methods.

Figure 1. Can I Use the Optional Methods?



* If you use both optional methods, see *Using Both Optional Methods* for limits on the amount to report.

Nonfarm Optional Method

By using the nonfarm optional method, you can continue paying SE tax for your social security coverage when your net profit for the year is small or you have a loss. But you may not use this method to report an amount less than your actual net earnings from self-employment. Your actual net earnings are your net earnings figured using the regular method, explained above.

Use the nonfarm optional method only for SE income that does not come from farming. You may use this method if you meet all the following tests.

- Your net nonfarm profits as shown on line 31 of Schedule C (Form 1040), line 3 of Schedule C-EZ (Form 1040), and line 15a of Schedule K-1 (Form 1065), are less than \$1,733.
- Your net nonfarm profits are less than 72.189% of your gross nonfarm income.
- You are self-employed on a regular basis. This means that your actual net earnings from self-employment were \$400 or more in at least 2 of the 3 tax years before the one for which you use this

method. The net earnings can be from either farm or nonfarm earnings or both.

- You have not previously used this method more than 4 years (there is a 5-year lifetime limit). The years do not have to be one after another.

Gross income of \$2,400 or less. If your gross income from all nonfarm trades or businesses is \$2,400 or less and you meet the four tests in the preceding paragraph, you may report two-thirds of the gross income from your nonfarm self-employment as net earnings from self-employment.

Example 1. Ann Green had actual net earnings from self-employment of \$800 in 1996 and \$900 in 1997 from her craft business. She thus meets the test for being self-employed on a regular basis. Her gross income and net profit in 1998 are as follows:

Gross income	\$2,100
Net profit	\$1,200

Because her net profit is less than \$1,733 and less than 72.189% of her gross nonfarm income, Ann may use her nonfarm optional method net earnings of \$1,400 (two-thirds of \$2,100).

Example 2. Assume that in Example 1 Ann's gross income is \$1,000 and her net profit is \$800. She must use the regular method to figure her net earnings. She cannot use the non optional method because her net profit is not less than 72.189% of her gross nonfarm income.

Example 3. Assume that in Example 1 Ann has a net loss of \$700. In this situation, she may use \$1,400 (two-thirds of \$2,100) as her net earnings under the nonfarm optional method.

Example 4. Assume that in Example 1 Ann has gross income of \$525 and a net profit of \$175. In this situation, she would not pay any SE tax under either the regular method or the nonfarm optional method because her net earnings under both methods are less than \$400.

Gross income of more than \$2,400. If your gross income from all nonfarm trades or businesses is more than \$2,400 and you meet the four tests for using the nonfarm optional method, you may report \$1,600 as your net earnings from nonfarm self-employment.

Example 1. John White runs an appliance repair shop. His actual net earnings from self-employment were \$8,500 in 1995, \$10,500 in 1996, and \$9,500 in 1997. He thus meets the test for being self-employed on a regular basis. His gross income and net profit in 1998 are as follows:

Gross income	\$12,000
Net profit	\$1,200

Because his net profit is less than \$1,733 and less than 72.189% of his gross nonfarm income, John may use \$1,600 as his net earnings.

Example 2. Assume that in Example 1 John's net profit is \$1,800. He must use the regular method. He cannot use the nonfarm optional method because his net nonfarm profit is not less than \$1,733.

Example 3. Assume that in Example 1 John has a net loss of \$700. He may use the nonfarm optional method and report \$1,600 as his net earnings from self-employment.

Farm Optional Method

If you are in the farming business, either as an individual or as a partner, you may be able to use the farm optional method to figure your net earnings from farm self-employment. Like the nonfarm method, this method also allows you to continue paying SE tax for your social security coverage when your net profit for the year is small or you have a loss.

Gross income of \$2,400 or less. If your gross income from farming is \$2,400 or less, you may report two-thirds of your gross income as your net earnings from farm self-employment.

Gross income of more than \$2,400. If your gross income from farming is more than \$2,400 and your net farm profits are less than \$1,733, you may report \$1,600 as your net earnings from farm self-employment. But if your gross income from farming is

more than \$2,400 and your net farm profits are \$1,733 or more, you cannot use the optional method.

Optional earnings less than actual earnings. If your net earnings under the farm optional method are less than your actual net earnings, you can still use the farm optional method. For example, your actual net earnings from self-employment are \$425 and your net earnings figured under the farm optional method are \$390. You owe no SE tax if you use the optional method, because your net earnings under the farm optional method are below \$400.

Gross income from farming. Farming income includes what you receive from cultivating the soil or raising or harvesting any agricultural commodities. It also includes income from the operation of a livestock, dairy, poultry, bee, fish, fruit, or truck farm, or plantation, ranch, nursery, range, orchard, or oyster bed. This includes income in the form of crop shares if you materially participate in production or management of production.

If you receive government commodity program payments on land you rent out, do not include these payments unless you meet the material participation test. For more information on material participation, see chapter 15 in Publication 225.

Cash method of accounting. If you file your return using the cash method and are not a member of a farming partnership, your gross income from farming will ordinarily be the amount shown on line 11 of Schedule F.

Accrual method of accounting. If you file your return using an accrual method and are not a member of a farming partnership, your gross income from farming will ordinarily be the amount shown on line 51 of Schedule F.

Gross income from a farm partnership. Your gross income under the farm optional method includes your distributive share of a partnership's gross income from farming.

Take the following steps to determine your distributive share of gross income from a farm partnership.

- 1) Figure the partnership's gross income from farming.
- 2) Subtract any guaranteed payments to partners for services or the use of capital if the payments are determined without regard to partnership income.
- 3) Determine your share of what is left. The gross income that remains after steps (1) and (2) is divided among the partners in the same way they share the ordinary income (or loss) of the partnership unless the partnership agreement provides otherwise.

The result determined in (3) above is your distributive share of the partnership's gross income from farming. If you have no other gross income from farming, including guaranteed payments discussed next, use this distributive share of gross income to determine whether you can use the farm optional method to figure your net earnings from self-employment.

Guaranteed payments. Any guaranteed payments you receive from a farm partnership that are determined without regard to partnership income are gross income

from your farming business (not the partnership's). Use the total of these guaranteed payments, your distributive share of gross income from a farm partnership, and any other gross income you receive from farming, to determine whether you can use the farm optional method to figure your net earnings from self-employment.

Using Both Optional Methods

You may not combine farming income with nonfarm income to figure your net earnings under either of the optional methods. If you use both optional methods, you must add together the net earnings figured under each method to arrive at your total net earnings from self-employment. You may report less than actual total net earnings but not less than actual net earnings from nonfarm self-employment alone when using both methods. If you use both optional methods, you may report no more than \$1,600 as your combined net earnings from self-employment.

Example 1. You are a self-employed farmer. You also operate a retail grocery store. Your 1998 gross income, actual net earnings from self-employment, and optional farm and optional nonfarm net earnings from self-employment are as follows:

	Farm	Nonfarm
Gross income	\$1,200	\$1,500
Actual net earnings	900	500
Optional net earnings (2/3 of gross income)	800	1,000

You may figure your 1998 net earnings from self-employment in any of the four combinations shown below:

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
Actual farm net earnings	\$900	—	\$900	—
Optional farm net earnings	—	\$800	—	\$800
Actual nonfarm net earnings	500	500	—	—
Optional nonfarm net earnings	—	—	1,000	1,000
Net earnings	<u>\$1,400</u>	<u>\$1,300</u>	<u>\$1,900</u>	<u>\$1,600*</u>

*Limited to \$1,600 because both optional methods are used.

Example 2. Assume that in Example 1 your gross income, actual net earnings from self-employment, and 2/3 of your gross income from self-employment are as follows:

	Farm	Nonfarm
Gross income	\$2,600	\$1,000
Actual net earnings	400	800
2/3 of gross income	1,733	667

Your 1998 net earnings from self-employment may be either of the amounts figured below:

	<u>1</u>	<u>2</u>
Actual farm net earnings	\$400	—
Optional farm net earnings	—	\$1,600*
Actual nonfarm net earnings	800	800
Optional nonfarm net earnings	—	—
Net earnings	<u>\$1,200</u>	<u>\$2,400</u>

*Limited to \$1,600.

You may not use the nonfarm optional method for 1998 because your actual net earnings from nonfarm

self-employment (\$800) are not less than 72.189% of gross nonfarm income (.72189 × \$1,000 = \$721.89).

Step 3—Multiply Your Net Earnings by the Tax Rate

Multiply the net earnings you figured in Step 2 by the tax rate to get your SE tax. The SE tax rate is 15.3% (12.4% social security tax plus 2.9% Medicare tax). It is the same for net earnings figured under each method.

Special rules (explained next) apply to this computation if either of the following applies.

- Your combined wages, tips, and net earnings are more than \$68,400.
- You use a fiscal tax year.

Maximum earnings subject to SE tax. Only the first \$68,400 of your combined wages, tips, and net earnings in 1998 is subject to any combination of the 12.4% social security part of SE tax, social security tax, or railroad retirement (tier 1) tax.

All your combined wages, tips, and net earnings in 1998 are subject to any combination of the 2.9% Medicare part of SE tax, social security tax, or railroad retirement (tier 1) tax.

If your wages and tips are subject to either social security or railroad retirement (tier 1) tax, or both, and total at least \$68,400, you do not have to pay the 12.4% social security part of the SE tax on any of your net earnings. However, **you must pay the 2.9% Medicare part** of the SE tax on all your net earnings.

Fiscal tax year. If you use a tax year other than the calendar year, you must use the tax rate and maximum earnings limit in effect at the beginning of your tax year. Even if the tax rate or maximum earnings limit changes during your tax year, you should continue to use the same rate and limit throughout your tax year.

Regular Method

The following paragraphs explain how to figure the SE tax using net earnings under the regular method.

Net earnings and wages not more than \$68,400. If your net earnings from self-employment plus any wages and tips are not more than \$68,400, and you do not have to use *Long Schedule SE*, use *Short Schedule SE*. On line 5, multiply your net earnings by 15.3% (.153). The result is your SE tax.

Example 1. During 1998, you have \$30,000 in net SE income and receive no wages subject to social security and Medicare taxes. Multiply the \$30,000 by 0.9235 on *Short Schedule SE* to get your net earnings from self-employment of \$27,705. Your SE tax is 15.3% (0.153) of \$27,705, or \$4,238.87.

Example 2. During 1998, you have \$20,000 in net SE income and receive \$15,000 in wages subject to social security and Medicare taxes. Multiply the \$20,000 by 0.9235 on *Short Schedule SE* to get your net earnings from self-employment of \$18,470. Your SE tax is 15.3% (0.153) of \$18,470, or \$2,825.91.

Net earnings more than \$68,400 and no wages. If you had no wages, had net earnings from self-employment of more than \$68,400, and do not have to use *Long Schedule SE*, use *Short Schedule SE*. On line 5, multiply the line 4 net earnings by the 2.9% (.029) Medicare tax and add the result to \$8,481.60 (12.4% of \$68,400). The total is your SE tax.

Example. During 1998, you have \$75,000 in net SE income and receive no wages subject to social security and Medicare taxes. Multiply the \$75,000 by 0.9235 on *Short Schedule SE* to get your net earnings of \$69,263. Since only \$68,400 of your earnings is subject to the social security part of the SE tax, your tax for this part is \$8,481.60 (12.4% of \$68,400).

Since all of your net earnings are subject to the Medicare part of the SE tax, multiply \$69,263 by 2.9% (.029) on *Short Schedule SE* for the Medicare part. The result is \$2,008.63. Add this to \$8,481.60 for a total SE tax of \$10,490.23.

Net earnings and wages more than \$68,400. If your net earnings from self-employment plus any wages and tips are more than \$68,400, you must use *Long Schedule SE*. Subtract your total wages and tips from \$68,400 to find the maximum earnings subject to the 12.4% social security part of the tax. If more than zero, multiply the amount by 12.4% (.124). The result is the social security tax amount. Then multiply your net earnings from self-employment by 2.9% (.029). The result is the Medicare tax amount. The total of the social security tax amount and the Medicare tax amount is your SE tax.

Example. During 1998, you have \$70,000 in net SE income and receive \$10,000 in wages subject to social security and Medicare taxes. Your net earnings are figured on *Long Schedule SE*, line 4a to be \$64,645. Next, subtract your wages of \$10,000 from \$68,400, the maximum income subject to the social security part of the SE tax. The result is \$58,400. Since only \$58,400 of your earnings is subject to the social security part of the SE tax, your tax for this part is 12.4% (.124) × \$58,400, or \$7,241.60.

Since all your net earnings are subject to the Medicare part of the SE tax, multiply all your net earnings from self-employment, \$64,645, by 2.9% (.029) on *Long Schedule SE* for the Medicare part. The result is \$1,874.71. Add this to the \$7,241.60 figured above for total SE tax of \$9,116.31.

Optional Methods

If your net earnings under the nonfarm optional method or under the farm optional method are \$400 or more, use *Long Schedule SE* to figure your SE tax. *Long Schedule SE* is reproduced on page 15.

Effect on taxes. If you use either or both optional methods, you must figure and pay the SE tax due under these methods, even if you would have had a smaller tax or no tax using the regular method.

The optional methods may be used only to figure your SE tax. To figure your income tax, include your actual SE income in gross income, regardless of which method you use to figure SE tax.

Reporting Self-Employment Tax

Use Schedule SE (Form 1040) to report and figure your SE tax. Then enter the SE tax on line 50 of Form 1040, and attach Schedule SE to Form 1040.

Most taxpayers can use *Short Schedule SE* (Section A) to figure their SE tax. However, certain taxpayers must use *Long Schedule SE* (Section B). Use the chart on page 1 of Schedule SE (reproduced on page 14) to find out which one to use.

You must file Schedule SE if either of the following applies.

- 1) You were self-employed, and your net earnings from self-employment (excluding income described in (2) below) were \$400 or more.
- 2) You performed services for a church as an employee and received income of \$108.28 or more.



Even if you do not have to file Schedule SE, it may be to your benefit to file it and use either optional method in Part II of Section B.



If you have to pay SE tax, you must file a Form 1040 (with Schedule SE attached) even if you do not otherwise have to file a federal income tax return.



If you file a joint return you cannot file a joint Schedule SE (Form 1040). This is true whether one spouse or both spouses have SE income. If both of you have SE income, each of you must complete a separate Schedule SE (Form 1040). Attach both schedules to the joint return. If you and your spouse operate a business as a partnership, see Husband and wife partners, earlier, under Partners.

Community income. If any of the income from a trade or business other than a partnership is community income under state law, it is subject to SE tax as the income of the spouse carrying on the trade or business. The identity of the spouse carrying on the trade or business is determined by the facts in each case.

Example Illustrating Schedule SE

Susan J. Brown is sole proprietor of a dress shop, "Milady Fashions." Her Schedule C (Form 1040) shows a net profit of \$35,100 in 1998. She received no wages. Her completed Schedule SE (Form 1040) with *Short Schedule SE* filled out is shown on page 14.

(If Susan were the sole proprietor of more than one business, she would have combined the profits and losses from all of them and completed only one Schedule SE. If, in addition to operating her dress shop, she had worked for wages and the total of her wages and her SE income was more than \$68,400, she would have filled out *Long Schedule SE*.)

Susan's Schedule SE does not have her husband's name on it. Because her husband has no interest in her

business, he does not pay SE tax on this income. If her husband has SE income of his own, he will file a separate Schedule SE.

The line numbers shown below in bold type refer to the line numbers on the filled-in *Short Schedule SE* on page 14.

Line 1. Since Susan has no farm income, she leaves line 1 blank.

Line 2. Susan enters the net profit from her Schedule C, \$35,100.

Line 3. Since Susan has no farm income, she enters the same amount on line 3.

Line 4. Susan multiplies the \$35,100 by 0.9235 to get her net earnings and enters \$32,414.85.

Line 5. Susan now figures her SE tax. She multiplies the \$32,414.85 on line 4 by the tax rate (15.3%) on line 5. She enters the result, \$4,959.47, on line 5. This is the SE tax she owes. She also enters the amount on line 50 of Form 1040 (not illustrated).

Line 6. She multiplies \$4,959.47 on line 5 by 0.50. She enters \$2,479.74 here and on Form 1040, line 27.

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**SCHEDULE SE
(Form 1040)**

Department of the Treasury
Internal Revenue Service

Self-Employment Tax

▶ See Instructions for Schedule SE (Form 1040).

▶ Attach to Form 1040.

OMB No. 1545-0074

1998

Attachment
Sequence No. **17**

Name of person with self-employment income (as shown on Form 1040)
Susan J. Brown

Social security number of person
with self-employment income ▶

123 : 00 : 6789

Who Must File Schedule SE

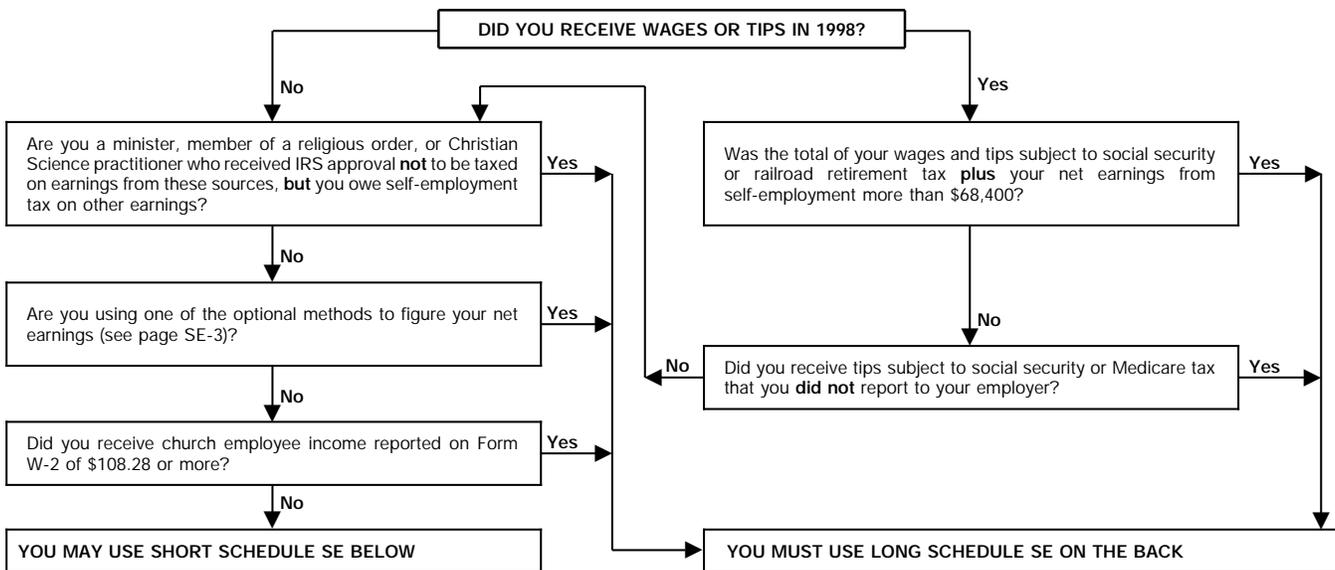
You must file Schedule SE if:

- You had net earnings from self-employment from **other than** church employee income (line 4 of Short Schedule SE or line 4c of Long Schedule SE) of \$400 or more, **OR**
- You had church employee income of \$108.28 or more. Income from services you performed as a minister or a member of a religious order **is not** church employee income. See page SE-1.

Note: Even if you had a loss or a small amount of income from self-employment, it may be to your benefit to file Schedule SE and use either "optional method" in Part II of Long Schedule SE. See page SE-3.

Exception. If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner **and** you filed Form 4361 and received IRS approval not to be taxed on those earnings, **do not** file Schedule SE. Instead, write "Exempt-Form 4361" on Form 1040, line 50.

May I Use Short Schedule SE or MUST I Use Long Schedule SE?



Section A—Short Schedule SE. Caution: Read above to see if you can use Short Schedule SE.

1	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), line 15a	1		
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), line 15a (other than farming); and Schedule K-1 (Form 1065-B), box 9. Ministers and members of religious orders, see page SE-1 for amounts to report on this line. See page SE-2 for other income to report	2	35,100	00
3	Combine lines 1 and 2	3	35,100	00
4	Net earnings from self-employment. Multiply line 3 by 92.35% (.9235). If less than \$400, do not file this schedule; you do not owe self-employment tax ▶	4	32,414	85
5	Self-employment tax. If the amount on line 4 is: • \$68,400 or less, multiply line 4 by 15.3% (.153). Enter the result here and on Form 1040, line 50. • More than \$68,400, multiply line 4 by 2.9% (.029). Then, add \$8,481.60 to the result. Enter the total here and on Form 1040, line 50.	5	4,959	47
6	Deduction for one-half of self-employment tax. Multiply line 5 by 50% (.5). Enter the result here and on Form 1040, line 27	6	2,479	74

Name of person with self-employment income (as shown on Form 1040)	Social security number of person with self-employment income ▶

Section B—Long Schedule SE

Part I Self-Employment Tax

Note: If your only income subject to self-employment tax is **church employee income**, skip lines 1 through 4b. Enter -0- on line 4c and go to line 5a. Income from services you performed as a minister or a member of a religious order is **not** church employee income. See page SE-1.

A If you are a minister, member of a religious order, or Christian Science practitioner **and** you filed Form 4361, but you had \$400 or more of **other** net earnings from self-employment, check here and continue with Part I.

1 Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), line 15a. Note: Skip this line if you use the farm optional method. See page SE-4	1		
2 Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), line 15a (other than farming); and Schedule K-1 (Form 1065-B), box 9. Ministers and members of religious orders, see page SE-1 for amounts to report on this line. See page SE-2 for other income to report. Note: Skip this line if you use the nonfarm optional method. See page SE-4	2		
3 Combine lines 1 and 2	3		
4a If line 3 is more than zero, multiply line 3 by 92.35% (.9235). Otherwise, enter amount from line 3	4a		
4b If you elected one or both of the optional methods, enter the total of lines 15 and 17 here	4b		
4c Combine lines 4a and 4b. If less than \$400, do not file this schedule; you do not owe self-employment tax. Exception. If less than \$400 and you had church employee income , enter -0- and continue ▶	4c		
5a Enter your church employee income from Form W-2. Caution: See page SE-1 for definition of church employee income	5a		
5b Multiply line 5a by 92.35% (.9235). If less than \$100, enter -0-	5b		
6 Net earnings from self-employment. Add lines 4c and 5b	6		
7 Maximum amount of combined wages and self-employment earnings subject to social security tax or the 6.2% portion of the 7.65% railroad retirement (tier 1) tax for 1998	7	68,400	00
8a Total social security wages and tips (total of boxes 3 and 7 on Form(s) W-2) and railroad retirement (tier 1) compensation	8a		
8b Unreported tips subject to social security tax (from Form 4137, line 9)	8b		
8c Add lines 8a and 8b	8c		
9 Subtract line 8c from line 7. If zero or less, enter -0- here and on line 10 and go to line 11 . ▶	9		
10 Multiply the smaller of line 6 or line 9 by 12.4% (.124)	10		
11 Multiply line 6 by 2.9% (.029)	11		
12 Self-employment tax. Add lines 10 and 11. Enter here and on Form 1040, line 50	12		
13 Deduction for one-half of self-employment tax. Multiply line 12 by 50% (.5). Enter the result here and on Form 1040, line 27	13		

Part II Optional Methods To Figure Net Earnings (See page SE-3.)

<p>Farm Optional Method. You may use this method only if:</p> <ul style="list-style-type: none"> ● Your gross farm income¹ was not more than \$2,400, or ● Your gross farm income¹ was more than \$2,400 and your net farm profits² were less than \$1,733. 			
14 Maximum income for optional methods	14	1,600	00
15 Enter the smaller of: two-thirds (2/3) of gross farm income ¹ (not less than zero) or \$1,600. Also, include this amount on line 4b above	15		
<p>Nonfarm Optional Method. You may use this method only if:</p> <ul style="list-style-type: none"> ● Your net nonfarm profits³ were less than \$1,733 and also less than 72.189% of your gross nonfarm income,⁴ and ● You had net earnings from self-employment of at least \$400 in 2 of the prior 3 years. <p>Caution: You may use this method no more than five times.</p>	16		
16 Subtract line 15 from line 14	16		
17 Enter the smaller of: two-thirds (2/3) of gross nonfarm income ⁴ (not less than zero) or the amount on line 16. Also, include this amount on line 4b above	17		

¹From Sch. F, line 11, and Sch. K-1 (Form 1065), line 15b. ²From Sch. C, line 31; Sch. C-EZ, line 3; Sch. K-1 (Form 1065), line 15a; and Sch. K-1 (Form 1065-B), box 9.
³From Sch. F, line 36, and Sch. K-1 (Form 1065), line 15a. ⁴From Sch. C, line 7; Sch. C-EZ, line 1; Sch. K-1 (Form 1065), line 15c; and Sch. K-1 (Form 1065-B), box 9.



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- Current tax forms, instructions, and publications.
- Prior-year tax forms, instructions, and publications.
- Popular tax forms which may be filled in electronically, printed out for submission, and saved for recordkeeping.
- Internal Revenue Bulletins.

The CD-ROM can be purchased from National Technical Information Service (NTIS) for \$25.00 by calling 1-877-233-6767 or for \$18.00 on the Internet at **www.irs.ustreas.gov/cdorders**. The first release is available in mid-December and the final release is available in late January.

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