

U.S. Self-Employment Tax Return
 Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern
 Mariana Islands (CNMI), or Puerto Rico
 For the year Jan. 1-Dec. 31, 2000,
 or other tax year beginning , 2000, and ending , 20 .

2000

Department of the Treasury
Internal Revenue Service

Please type or print	Your first name and initial	Last name	Your social security number
	Present home address (number, street, and apt. no., or rural route)		Nature of business
	City, town or post office, commonwealth or territory, and ZIP code		

Part I Total 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 5.

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 Part III, line 36, and your distributive share from farm partnerships. Note: Skip this line if you use the farm optional method. See page 7	1		
2 Net nonfarm profit or (loss) from Part IV, line 27, and your distributive share from nonfarm partnerships. Ministers and members of religious orders, see page 5 for amounts to report on this line. Note: Skip this line if you use the nonfarm optional method. See page 7	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		
b If you elected one or both of the optional methods, enter the total of lines 2 and 4 of Part II here	4b		
c Combine lines 4a and 4b. If less than \$400, do not file this form; you do not owe self-employment tax. Exception. If less than \$400 and you had church employee income, or you owe tax on tips or group-term life insurance, enter -0- and continue	4c		
5a Enter your church employee income from Form(s) W-2, W-2AS, W-2CM, W-2GU, W-2VI, or 499R-2/W-2PR	5a		
b 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 for 2000	7	76,200	00
8a Total social security wages and tips from Form(s) W-2, W-2AS, W-2CM, W-2GU, W-2VI, or 499R-2/W-2PR	8a		
b Unreported tips subject to social security tax from Form 4137, line 9. See page 7	8b		
c 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. See page 7. Add lines 10 and 11	12		
13 Household employment taxes. Attach Schedule H (Form 1040)	13		
14 Total tax. Add lines 12 and 13	14		
15 2000 estimated tax payments	15		
16 If line 15 is larger than line 14, enter amount overpaid	16		
17 Amount of line 16 to be refunded to you	17		
18 Amount of line 16 to be applied to 2001 estimated tax	18		
19 If line 14 is larger than line 15, enter amount you owe . See page 4	19		

Sign Here Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code	EIN	Phone no. ()	

Part II Optional Methods To Figure Net Earnings (See page 7 for limitations.)

Farm Optional Method				
1	Maximum income for optional methods	1	\$1,600	00
2	Enter the smaller of: two-thirds ($\frac{2}{3}$) of gross farm income from Part III, line 11, and your distributive share from farm partnerships (not less than zero), or \$1,600. Include this amount on page 1, line 4b.	2		
Nonfarm Optional Method				
3	Subtract line 2 from line 1	3		
4	Enter the smaller of: two-thirds ($\frac{2}{3}$) of gross income from Part IV, line 5, and your distributive share from nonfarm partnerships (not less than zero), or the amount on line 3 above. Also, include this amount on page 1, line 4b	4		

Part III Profit or Loss From Farming

Section A—Farm Income—Cash Method—Complete Sections A and B
 (Accrual method taxpayers, complete Sections B and C, and line 11 of Section A.)
Do not include sales of livestock held for draft, breeding, sport, or dairy purposes.

1	Sales of livestock and other items you bought for resale	1			
2	Cost or other basis of livestock and other items reported on line 1	2			
3	Subtract line 2 from line 1	3			
4	Sales of livestock, produce, grains, and other products you raised	4			
5a	Total cooperative distributions (Form(s) 1099-PATR).	5a		5b Taxable amount	5b
6	Agricultural program payments received	6			
7	Commodity credit loans reported under election (or forfeited)	7			
8	Crop insurance proceeds	8			
9	Custom hire (machine work) income	9			
10	Other income	10			
11	Gross farm income. Add amounts in the right column for lines 3 through 10. If accrual method taxpayer, enter the amount from Section C, line 49	11			

Section B—Farm Expenses—Cash and Accrual Method

Do not include personal or living expenses (such as taxes, insurance, repairs, etc., on your home) that did not produce farm income. Reduce the amount of your farm expenses by any reimbursements before entering the expenses below.

12	Car and truck expenses (attach Form 4562)	12			24	Labor hired	24		
13	Chemicals	13			25	Pension and profit-sharing plans	25		
14	Conservation expenses	14			26	Rent or lease:			
15	Custom hire (machine work)	15			a	Vehicles, machinery, and equipment	26a		
16	Depreciation and section 179 expense deduction not claimed elsewhere (attach Form 4562 if required)	16			b	Other (land, animals, etc.)	26b		
17	Employee benefit programs other than on line 25	17			27	Repairs and maintenance	27		
18	Feed purchased	18			28	Seeds and plants purchased	28		
19	Fertilizers and lime	19			29	Storage and warehousing	29		
20	Freight and trucking	20			30	Supplies purchased	30		
21	Gasoline, fuel, and oil	21			31	Taxes	31		
22	Insurance (other than health)	22			32	Utilities	32		
23	Interest:				33	Veterinary, breeding, and medicine	33		
a	Mortgage (paid to banks, etc.)	23a			34	Other expenses (specify):			
b	Other	23b			a	.....	34a		
					b	.....	34b		
					c	.....	34c		
					d	.....	34d		
					e	.....	34e		
35	Total expenses. Add lines 12 through 34e	35							
36	Net farm profit or (loss). Subtract line 35 from line 11. Enter the result here and on page 1, line 1	36							

Section C—Farm Income—Accrual Method

Do not include sales of livestock held for draft, breeding, sport, or dairy purposes on any of the lines below.

37	Sales of livestock, produce, grains, and other products during the year			37		
38a	Total cooperative distributions (Form(s) 1099-PATR) 38a | | |			38b		
						38b Taxable amount
39	Agricultural program payments received			39		
40	Commodity credit loans reported under election (or forfeited)			40		
41	Custom hire (machine work) income			41		
42	Other farm income (specify) ----- -----			42		
43	Add the amounts in the right column for lines 37 through 42			43		
44	Inventory of livestock, produce, grains, and other products at the beginning of the year	44				
45	Cost of livestock, produce, grains, and other products purchased during the year	45				
46	Add lines 44 and 45	46				
47	Inventory of livestock, produce, grains, and other products at the end of the year	47				
48	Cost of livestock, produce, grains, and other products sold. Subtract line 47 from line 46*			48		
49	Gross farm income. Subtract line 48 from line 43. Enter the result here and on page 2, Part III, line 11 ▶			49		

*If you use the unit-livestock-price method or the farm-price method of valuing inventory and the amount on line 47 is larger than the amount on line 46, subtract line 46 from line 47. Enter the result on line 48. Add lines 43 and 48. Enter the total on line 49.

Part IV Profit or Loss From Business (Sole Proprietorship)

Section A—Income

1	Gross receipts \$ ----- Less returns and allowances \$ -----			Balance ▶	1	
2a	Inventory at beginning of year	2a				
b	Purchases less cost of items withdrawn for personal use	2b				
c	Cost of labor. Do not include any amounts paid to yourself	2c				
d	Materials and supplies	2d				
e	Other costs (attach statement)	2e				
f	Add lines 2a through 2e	2f				
g	Inventory at end of year	2g				
h	Cost of goods sold. Subtract line 2g from line 2f				2h	
3	Gross profit. Subtract line 2h from line 1				3	
4	Other income				4	
5	Gross income. Add lines 3 and 4 ▶				5	

Section B—Expenses

6	Advertising	6		19	Repairs and maintenance	19	
7	Bad debts from sales or services	7		20	Supplies (not included in Section A)	20	
8	Car and truck expenses (attach Form 4562)	8		21	Taxes and licenses	21	
9	Commissions and fees	9		22	Travel, meals, and entertainment:	22a	
10	Depletion	10		a	Travel		
11	Depreciation and section 179 expense deduction (not included in Section A). (Attach Form 4562 if required.)	11		b	Meals and entertainment		
12	Employee benefit programs (other than on line 17)	12		c	Enter nondeductible amount included on line 22b		
13	Insurance (other than health)	13		d	Subtract line 22c from line 22b	22d	
14	Interest on business indebtedness	14		23	Utilities	23	
15	Legal and professional services	15		24	Wages not included on line 2c	24	
16	Office expense	16		25a	Other expenses (list type and amount): ----- ----- ----- -----		
17	Pension and profit-sharing plans	17					
18	Rent or lease:			25b	Total other expenses	25b	
a	Vehicles, machinery, and equipment	18a					
b	Other business property	18b					
26	Total expenses. Add lines 6 through 25b ▶			26		26	
27	Net profit or (loss). Subtract line 26 from line 5. Enter the result here and on page 1, line 2			27		27	

General Instructions

Section references are to the Internal Revenue Code.

A Change To Note

For 2000, the maximum amount of self-employment income subject to social security tax is \$76,200.

Purpose of Form

Use Form 1040-SS to report net earnings from self-employment and pay self-employment (SE) tax. The Social Security Administration (SSA) uses this information to figure your benefits under the social security program. SE tax applies no matter how old you are and even if you already receive social security or Medicare benefits. If you are otherwise required to file Form 1040-SS, also use it to pay any household employment taxes.

You may also be required to file an income tax return with the government of Guam, American Samoa, the Virgin Islands, the Commonwealth of the Northern Mariana Islands (CNMI), or Puerto Rico. Check with your local tax office for more details.

Additional Information

For more details, see **Pub. 533**, Self-Employment Tax, available from most IRS offices. See the instructions for **Schedules C and F (Form 1040)** for information on business and farm income and expenses.

For details on 2000 tax law changes, see **Pub. 553**, Highlights of 2000 Tax Changes.

If you expect to owe SE tax of \$1,000 or more for 2001, you may have to make estimated tax payments. Use **Form 1040-ES**, Estimated Tax for Individuals, to make estimated tax payments.

Who Must File

You **must** file Form 1040-SS if:

—You were self-employed and your net earnings from self-employment (from other than church employee income) were \$400 or more (or you had church employee income of \$108.28 or more—see **Church Employees** on page 5); **and**

—You do not have to file Form 1040 with the United States; **and**

—You are a resident of:

- Guam,
- American Samoa,
- The Virgin Islands,
- The CNMI, or
- Puerto Rico. (You may file either **Form 1040-PR** or Form 1040-SS.)

You must also file Form 1040-SS to pay any employee social security and Medicare tax on unreported tips or uncollected employee social security and Medicare tax on tips or group-term life insurance (see the instructions for Part I, lines 8b and 12).

Note: *Even if you have a loss or little income from self-employment, it may benefit you to file Form 1040-SS and use either "optional method" in Part II. See page 7.*

When To File

If you file on a calendar year basis, file by April 16, 2001. If you file on a fiscal year basis, file by the 15th day of the 4th month after the close of your fiscal year.

Where To File

Internal Revenue Service Center,
Philadelphia, PA 19255.

Amount You Owe

Enclose your check or money order for the full amount with Form 1040-SS. Make it payable to the "United States Treasury." **Do not send cash.** Include your name, address, social security number, daytime phone number, and "2000 Form 1040-SS" on your payment.

To help us process your payment, enter the amount on the right side of the check like this: \$ XXX.XX. Do not use dashes or lines (for example, do not enter "\$ XXX-" or "\$ XXX-^{XX}/₁₀₀ ").

Signature and Date

Sign and date your return. It is not valid unless you sign it.

Generally, anyone you pay to prepare your return must sign it by hand in the space provided. Signature stamps or labels cannot be used. The preparer must give you a copy of the return for your records. Someone who prepares your return but does not charge you should not sign your return.

Paid Preparer Authorization

If you want to allow the IRS to discuss your 2000 tax return with the paid preparer who signed it, check the "Yes" box in the signature area of the return. This authorization applies only to the individual whose signature appears in the "Paid Preparer's Use Only" section of your return. It does not apply to the firm, if any, shown in that section.

If you check the "Yes" box, you are authorizing the IRS to call the paid preparer to answer any questions that may arise during the processing of your

return. You are also authorizing the paid preparer to:

- Give the IRS any information that is missing from your return,
- Call the IRS for information about the processing of your return or the status of your refund or payment(s), and
- Respond to certain IRS notices that you have shared with the preparer about math errors, offsets, and return preparation. The notices will not be sent to the preparer.

You are not authorizing the paid preparer to receive any refund check, bind you to anything (including any additional tax liability), or otherwise represent you before the IRS. If you want to expand the paid preparer's authorization, see **Pub. 947**, Practice Before the IRS and Power of Attorney.

The authorization cannot be revoked. However, the authorization will automatically end no later than the due date (without regard to extensions) for filing your 2001 tax return. This is April 15, 2002, for most people.

How To Get Forms and Publications

By Personal Computer

You can access the IRS Web Site 24 hours a day, 7 days a week, at www.irs.gov to download forms, instructions, and publications. You can also reach us using File Transfer Protocol at [ftp.irs.gov](ftp://ftp.irs.gov).

By Phone

If you are a resident of the Virgin Islands or Puerto Rico, you can order forms and publications 24 hours a day, 7 days a week, by calling **1-800-TAX-FORM** (1-800-829-3676).

In Person

Puerto Rico. U.S. Internal Revenue Service, Edificio Mercantil Plaza, Parada 27½, Avenida Ponce de León, Hato Rey, PR 00917; or send your order to Eastern Area Distribution Center, P.O. Box 25866, Richmond, VA 23286-8107.

Virgin Islands. Federal Building, Room 216, 5500 Veterans Drive, Charlotte Amalie, St. Thomas, VI 00802; V.I. Bureau of Internal Revenue, 9601 Estate Thomas, Charlotte Amalie, St. Thomas, VI 00802; or V.I. Bureau of Internal Revenue, 4008 Estate Diamond, Christiansted, St. Croix, VI 00820.

Guam. Internal Revenue Service, Pacific Daily News Bldg., 230 O'Hara St., Suite 902, Agana, GU 96910.

American Samoa. American Samoa Government, Tax Division, Suite 111, Pago Plaza, Pago Pago, AS 96799; or Tax Office, EOB Building, Utulei, AS 96799.

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CNMI. Division of Revenue and Taxation, CNMI, Central Office, Civic Center, Saipan, MP 96950.

Name and SSN

To ensure proper credit to your social security account, enter your name and SSN exactly as shown on your social security card. If you do not have an SSN, get **Form SS-5**, Application for a Social Security Card, from an SSA district office.

Who Must Pay 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 for yourself or you are a farmer, 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 6.

Church Employees

If you had church employee income of \$108.28 or more, you must pay SE tax on that income. **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 exemption from employer social security and Medicare taxes.

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**, Application for Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners, 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, you are not required to file Form 1040-SS. But if you had other earnings of \$400 or more subject to SE tax, you must check the box on page 1, line A, and finish Part I. Also see **Revocation of election** on this page.

If you must pay SE tax, include this income on Part IV, line 1. But **do not** report it on line 5a of Part I; it is not considered church employee income. Also, include on Part IV, line 1:

- The rental value of or 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.

Do not include on Part IV, line 1:

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

If you were a duly ordained minister who was a church employee and you must pay SE tax, report in Part IV your income and expenses from performing services as a minister. Enter the net amount on Part I, line 2.

For details, see **Pub. 517**, Social Security and Other Information for Members of the Clergy and Religious Workers.

Revocation of election. If you previously filed Form 4361 and received IRS approval, you can revoke that election to be exempt from SE tax. To do so, you must file **Form 2031**, Revocation of Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders, and Christian Science Practitioners. See Form 2031 for details.

Note: *Once you file Form 2031 to elect social security coverage on your earnings as a minister, you cannot revoke that election.*

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 can request exemption from SE tax by filing **Form 4029**, Application for Exemption From Social Security and Medicare Taxes and Waiver of Benefits. If you filed Form 4029 and have received IRS approval, do not file Form 1040-SS. See Pub. 517 for details.

Employees of Foreign Governments or International Organizations

You must pay SE tax on income you earned as a U.S. citizen or a resident of Puerto Rico 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 CNMI, or the Virgin Islands. Report income from this employment on Part IV,

line 1. If you performed services elsewhere as an employee of a foreign government or an international organization, those earnings are exempt from SE tax.

Commonwealth or Territory Residents Living Abroad

If you are a resident of Guam, American Samoa, the Virgin Islands, the CNMI, or Puerto Rico living abroad, in most cases you must pay SE tax.

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 only to the country you live in.

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 details about social security agreements between the United States and other countries, contact:

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

Even if you do not have to pay self-employment tax because of a social security agreement, you may still have to file a tax return with the Internal Revenue Service. **Do not** send Form 1040-SS to the SSA.

More Than One Business

If you were a farmer and had at least one other business or you had two or more businesses, your net earnings from self-employment are the combined net earnings from all of your businesses. If you had a loss in one business, it reduces the income from another. Complete and file only one Form 1040-SS for any 1 year. Attach a profit and loss statement for each trade or business, and include the net earnings in Part I.

Community Income

In most cases, if any of the income from a business, including farming, is community income, all of the income from that business is considered self-employment earnings of the spouse who carried on the trade or business. The identity of the spouse who carried on the trade or business is determined by the facts in each situation. If you and

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your spouse are partners in a partnership, see **Partnership Income or Loss** below.

Fiscal Year Filers

If your tax year is a fiscal year, use the tax rate and earnings base that apply at the time the fiscal year begins. Do not prorate the tax or earnings base for a fiscal year that overlaps the date of a rate or earnings base change.

Specific Instructions

The accounting method you used to record your farm income determines whether you complete Section A or C of Part III.

Cash method. Include all of your income in the year you actually get it. Generally, you deduct your expenses when you pay them.

Accrual method. Include your income in the year you earned it. It does not matter when you get it. You deduct your expenses when you incur them.

Part I—Total Tax

What Is Included in Net Earnings From Self-Employment

Generally, net earnings include your net profits from a farm or nonfarm business. If you were a partner in a partnership, see the following instructions.

Partnership Income or Loss

When figuring your total net earnings from self-employment, include your share of partnership income or loss attributable to a trade or business and any guaranteed payments for services or the use of capital. However, if you were a limited partner, include only guaranteed payments for services you actually rendered to or on behalf of the partnership.

If you were a general partner, reduce lines 1 and 2 for any section 179 expense deduction, oil or gas depletion, and unreimbursed partnership expenses.

If your partnership was engaged solely in the operation of a group investment program, earnings from the operation are not self-employment earnings for either the general or limited partners.

If a partner died and the partnership continued, include in self-employment income the deceased partner'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(f).

If you were married and both you and your spouse were partners in a partnership, each of you must pay SE tax on your own share of the partnership income. Each of you must file a separate Form 1040-SS.

Share Farming

You are considered self-employed if you produced crops or livestock on someone else's land for a share of the crops or livestock produced (or a share of the proceeds from the sale of them). For details, see **Pub. 225**, Farmer's Tax Guide.

Other Income and Losses Included in Net Earnings From Self-Employment

- Rental income from a farm if, as landlord, you materially participated in the production or management of the production of farm products on this land. This income is farm earnings. To determine if you materially participated in farm management or production, do not consider the activities of any agent who acted for you. The material participation tests are explained in **Pub. 225**.
- Cash or a payment-in-kind from the Department of Agriculture for participating in a land diversion program.
- Payments for the use of rooms or other space when you also provided substantial services. Examples are: hotel rooms, boarding houses, tourist camps or homes, parking lots, warehouses, and storage garages.
- Income from the retail sale of newspapers and magazines if you were age 18 or older and kept the profits.
- Amounts received by current or former self-employed insurance agents and salespersons that are:
 1. Paid after retirement but figured as a percentage of commissions received from the paying company before retirement,
 2. Renewal commissions, or
 3. Deferred commissions paid after retirement for sales made before retirement.

However, certain termination payments received by former insurance salespersons are not included in net earnings from self-employment. See the bulleted item regarding termination payments under **Income and Losses Not Included in Net Earnings From Self-Employment**.

- Income of certain crew members of fishing vessels with crews of normally fewer than 10 people. See **Pub. 595**, Tax Highlights for Commercial Fishermen, for details.
- Fees as a state or local government employee if you were paid only on a fee basis and the job was not covered under a Federal-state social security coverage agreement.

- Interest received in the course of any trade or business, such as interest on notes or accounts receivable.
- Fees and other payments received by you for services as a director of a corporation.
- Recapture amounts under sections 179 and 280F included in gross income because the business use of the property dropped to 50% or less. Do not include amounts recaptured on the disposition of property. See **Form 4797**, Sales of Business Property.
- Fees you received as a professional fiduciary. This may also apply to fees paid to you as a nonprofessional fiduciary if the fees relate to active participation in the operation of the estate's trade or business or the management of an estate that required extensive management activities over a long period of time.
- Gain or loss from section 1256 contracts or related property by an options or commodities dealer in the normal course of dealing in or trading section 1256 contracts.

Income and Losses Not Included in Net Earnings From Self-Employment

- Salaries, fees, etc., subject to social security or Medicare tax that you received for performing services as an employee, including services performed as a public official (except as a fee basis government employee as explained under **Other Income and Losses Included in Net Earnings From Self-Employment** on this page).
- Fees received for services performed as a notary public. If you have other earnings of \$400 or more subject to SE tax, on the dotted line next to line 3 write "Exempt-Notary" and, in parentheses, the amount of your net profit as a notary public from line 2. Subtract that amount from the total of lines 1 and 2 and enter the result on line 3.
- Income you received as a retired partner under a written partnership plan that provides lifelong periodic retirement payments if you had no other interest in the partnership and did not perform services for it during the year.
- Income from real estate rentals if you did not receive the income in the course of your trade or business as a real estate dealer.
- Income from farm rentals (including rentals paid in crop shares) if, as landlord, you did not materially participate in the production or management of the production of farm products on the land. See **Pub. 225** for details.

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- Dividends on shares of stock and interest on bonds, notes, etc., if you did not receive the income in the course of your trade or business as a dealer in stocks or securities.

- Gain or loss from:

1. The sale or exchange of a capital asset;

2. The sale, exchange, involuntary conversion, or other disposition of property unless the property is stock in trade or other property that would be includible in inventory, or held mainly for sale to customers in the ordinary course of the business; or

3. Certain transactions in timber, coal, or domestic iron ore.

- Net operating losses from other years.

- Termination payments you received as a former insurance salesperson if **all** of the following conditions are met.

1. The payment was received from an insurance company because of services you performed as an insurance salesperson for the company.

2. The payment was received after termination of your agreement to perform services for the company.

3. You did not perform any services for the company after termination and before the end of the year in which you received the payment.

4. You entered into a covenant not to compete against the company for at least a 1-year period beginning on the date of termination.

5. The amount of the payment depended primarily on policies sold by or credited to your account during the last year of the agreement, or the extent to which those policies remain in force for some period after termination, or both.

6. The amount of the payment did not depend to any extent on length of service or overall earnings from services performed for the company (regardless of whether eligibility for the payment depended on length of service).

Line 8b

If you received tips of \$20 or more in any month and did not report the full amount to your employer, you **must** file **Form 4137**, Social Security and Medicare Tax on Unreported Tip Income. Disregard the references to Form 1040 shown on Form 4137. Also see the instructions for line 12 below. Enter on line 8b the amount from Form 4137, line 9.

Line 12

Employee social security and Medicare tax on tips not reported to employer. Complete Form 4137 if you

received cash and charge tips of \$20 or more in any month and did not report all of those tips to your employer.

On the dotted line next to line 12 on page 1 of Form 1040-SS, write "Tax on Tips," and the amount of tax due (from Form 4137, line 12). Be sure to include the amount due in the total on Form 1040-SS, line 12. Attach to Form 1040-SS the completed Form 4137 and **Schedule U (Form 1040)** (found at the bottom of Form 4137).

Uncollected employee social security and Medicare tax on tips. If you did not have enough wages to cover the social security and Medicare tax due on tips you reported to your employer, the amount of tax due should be identified with codes **A** and **B** in box 13 of your Form W-2AS, W-2CM, W-2GU, or W-2VI. Include this tax in the total for line 12. Enter the amount of this tax and "Uncollected Tax" on the dotted line next to line 12.

Uncollected employee social security and Medicare tax on group-term life insurance. If you had group-term life insurance through a former employer, you may have to pay social security and Medicare tax on part of the cost of the life insurance. The amount of tax due should be identified with codes **M** and **N** in box 13 of your Form W-2AS, W-2CM, W-2GU, or W-2VI. Include this tax in the total for line 12. Enter the amount of this tax and "Uncollected Tax" on the dotted line next to line 12.

Line 13

If **either** of the following applies, see **Schedule H (Form 1040)**, Household Employment Taxes, and its instructions to find out if you owe these taxes.

1. You paid **any one** household employee cash wages of \$1,200 or more in 2000.

2. You paid **total** cash wages of \$1,000 or more in **any** calendar **quarter** of 1999 or 2000 to household employees.

Part II—Optional Methods To Figure Net Earnings

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. But the optional methods may require you to pay SE tax when you would otherwise not be required to pay.

Farm Optional Method

You may use this method to figure your net earnings from farm self-employment if your gross farm income was \$2,400 or less **or** your net farm profits (defined on this page) were less than \$1,733. There

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

Under this method, you report on line 2, Part II, two-thirds of your gross farm income, up to \$1,600, as your net earnings. This method can increase or decrease your net self-employment farm earnings even if the farming business had a loss.

You may 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.

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.

Net farm profits is the total of the amounts from Part III, line 36, and your distributive share from farm partnerships.

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 (defined on page 8) were less than \$1,733 and also less than 72.189% of your gross nonfarm income. 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 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 this method is limited to 5 years, which do not have to be consecutive.

Under this method, report on Part II, line 4, two-thirds of your gross nonfarm income, up to \$1,600, as your net earnings. **But you may not report less than your actual net earnings** from nonfarm self-employment.

You may 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.

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.

(Continued on page 8)

Net nonfarm profits is the total of the amounts from Part IV, line 27, and your distributive share from other than farm partnerships.

Using Both Optional Methods

If you can use both methods, you may 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 from self-employment, you **cannot** report more than \$1,600 of net earnings from self-employment.

Disclosure, Privacy Act, and Paperwork Reduction Act Notice

The IRS Restructuring and Reform Act of 1998, the Privacy Act of 1974, and Paperwork Reduction Act of 1980 require that when we ask you for information we must first tell you our legal right to ask for the information, why we are asking for it, and how it will be used. We must also tell you what could happen if we do not receive it and whether your response is voluntary, required to obtain a benefit, or mandatory under the law.

This notice applies to all papers you file with us, including this tax return. It also applies to any questions we need to ask you so we can complete, correct, or process your return; figure your tax; and collect tax, interest, or penalties.

Our legal right to ask for information is sections 6001, 6011, and 7651 and their regulations. They say that you must file a return or statement with the IRS and pay to the United States Treasury any tax for which you are liable. Your response is mandatory under these sections. Section 6109 requires that you provide your SSN on what you file. This is so we know who you are, and can

process your return and other papers. You must fill in all parts of the tax form that apply to you.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law.

We ask for tax return information to carry out the tax laws of the United States. We need it to figure and collect the right amount of tax.

If you do not file a return, do not provide the information we ask for, or provide fraudulent information, you may be charged penalties and be subject to criminal prosecution. We may also have to disallow any deductions shown on the tax return. This could make the tax higher or delay any refund, and the calculation of your social security benefits may be affected. Interest may also be charged.

Generally, tax returns and return information are confidential, as stated in section 6103. However, section 6103 allows or requires the IRS to disclose or give the information shown on your tax return to others as described in the Code. For example, we may disclose your tax information to the SSA for use in calculating your social security benefits; to the Department of Justice, to enforce the tax laws, both civil and criminal; and to cities, states, the District of Columbia, U.S. commonwealths or possessions, and certain foreign governments to carry out their tax laws.

We may disclose your tax information to other persons as necessary to obtain information which we cannot get in any other way in order to determine the amount of or to collect the tax you owe. We may disclose your tax information to the Comptroller General of the United States to permit the Comptroller General to review the Internal Revenue Service. We may also disclose your tax information to Committees of Congress; Federal, state, and local child support agencies; and to other Federal agencies for the purposes of determining entitlement for benefits or the eligibility for and the repayment of loans.

Keep this notice with your records. It may help you if we ask you for other information. If you have questions about the rules for filing and giving information, call or visit any IRS office.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

- Recordkeeping** 7 hr., 19 min.
- Learning about the law or the form** 24 min.
- Preparing the form** 2 hr., 37 min.
- Copying, assembling, and sending the form to the IRS** . 48 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **Do not** send the form to this address. Instead, see **Where To File** on page 4.

