

U.S. Self-Employment Tax Return

Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands (CNMI)

For the year Jan. 1–Dec. 31, 1990,

or other tax year beginning , 1990, and ending , 19

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, and ZIP code		

- 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 earnings subject to self-employment tax, continue with Part I and check here
- B** If your only income subject to self-employment tax is church employee income, and you are not a minister or a member of a religious order, skip lines 1 through 4b. Enter -0- on line 4c, and go to line 6a. But do not include your church employee income on line 6a.

Part I Social Security Self-Employment Tax

1 Net farm profit or (loss) from Part III, line 36, and your distributive share from farm partnerships. Note: Skip this line if you elect the farm optional method. See instructions for requirements			
2 Net nonfarm profit or (loss) from Part IV, line 27, and your distributive share from nonfarm partnerships. Do NOT include church employee income from Form W-2. See instructions. Note: Skip this line if you elect the nonfarm optional method. See instructions for requirements			
3 Combine lines 1 and 2. Enter the result			
4a If line 3 is more than zero, multiply line 3 by .9235. Otherwise, enter the amount from line 3 here			
4b If you elected one or both of the optional methods, enter the total of lines 2 and 4, Part II here			
4c 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, enter -0- and continue.)			
5 Maximum amount of combined wages and self-employment earnings subject to social security or railroad retirement (tier 1) tax for 1990		\$51,300	00
6a Total social security wages and tips (from Form(s) W-2) and railroad retirement compensation (tier 1). Do not include Medicare qualified government wages or church employee income on this line			
6b Unreported tips subject to social security tax (from Form 4137, line 9) or railroad retirement tax (tier 1). See instructions			
6c Add lines 6a and 6b. Enter the total			
7a Subtract line 6c from line 5. If -0- or less, do not file this form; you do not owe self-employment tax. (Exception: If -0- or less and you owe tax on tips, enter -0- and go to line 10.)			
7b Enter your church employee income from Form W-2 of \$100 or more			
7c Multiply line 7b by .9235 (if the result is less than \$100, enter -0-)			
7d Add lines 4c and 7c. Enter the total			
8 Enter the smaller of line 7a or line 7d			
9 Enter your Medicare qualified government wages. See instructions to see if you must use the worksheet in the instructions to figure your self-employment tax			
10 Self-employment tax. (See instructions.) If line 8 is \$51,300, enter \$7,848.90. Otherwise, multiply the amount on line 8 by .153 and enter the result			
11 1990 estimated tax payments			
12 If line 11 is larger than line 10, enter amount OVERPAID			
13 Amount of line 12 to be REFUNDED TO YOU			
14 Amount of line 12 to be APPLIED TO 1991 ESTIMATED TAX			
15 If line 10 is larger than line 11, enter AMOUNT YOU OWE. Attach check or money order for full amount payable to "U.S. Internal Revenue Service." Write your social security number and "1990 Form 1040SS" on it.			

Please 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 social security no.
	Firm's name (or yours if self-employed) and address	E.I. No.	ZIP code	

Part II Optional Method To Figure Net Earnings (See instructions on page 6 for limitations.)

1	Maximum income for optional methods	1	\$1,600	00
2	Farm Optional Method —Enter the smaller of: two-thirds (2/3) of gross farm income from Part III, line 11, and your distributive share from farm partnerships, or \$1,600. Include this amount on page 1, line 4b	2		
3	Subtract line 2 from line 1. Enter the result	3		
4	Nonfarm Optional Method —Enter the smallest of: two-thirds (2/3) of gross income from Part IV, line 5, and your distributive share from nonfarm partnerships; or \$1,600; or, if you elected the farm optional method, the amount on line 3 above. Also include this amount on page 1, line 4b	4		

Part III Farm Income and Expenses

Section A.—Farm Income—Cash Method—Complete Sections A and B
 (If accrual method taxpayer, 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.

A Do you elect, or did you previously elect, to currently deduct certain preproductive period expenses?		<input type="checkbox"/> Does not apply <input type="checkbox"/> Yes <input type="checkbox"/> No	
1	Sales of livestock and other items you bought for resale	1	
2	Cost or other basis of livestock and other items you bought for resale	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
6	Agricultural program payments received	6	
7	Commodity credit loans 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 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	Breeding fees	12		24	Labor hired	24	
13	Chemicals	13		25	Pension and profit-sharing plans	25	
14	Conservation expenses (you must attach Form 8645)	14		26	Rent or lease:	26	
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:	23		33	Veterinary fees and medicine	33	
a	Mortgage (paid to banks, etc.)	23a		34	Other expenses (specify):	34	
b	Other	23b		a	-----	34a	
				b	-----	34b	
				c	-----	34c	
				d	-----	34d	
				e	-----	34e	
35	Total expenses. Add amounts on lines 12 through 34e	35		35		35	
36	Net farm profit or (loss). Subtract line 35 from line 11. Enter the result here and on page 1, line 1	36		36		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 Taxable amount	38b		
39	Agricultural program payments received	39		
40	Commodity credit loans 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 and 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 \$ ----- minus 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 salary 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		
7	Bad debts from sales or services	7		
8	Car and truck expenses (attach Form 4562).	8		
9	Commissions and fees	9		
10	Depletion	10		
11	Depreciation and section 179 expense deduction (not included in Section A) (attach Form 4562 if required).	11		
12	Employee benefit programs (other than line 17)	12		
13	Insurance (other than health).	13		
14	Interest on business indebtedness	14		
15	Legal and professional services	15		
16	Office expense	16		
17	Pension and profit-sharing plans	17		
18	Rent or lease: -----			
a	Vehicles, machinery, and equipment	18a		
b	Other business property	18b		
19	Repairs and maintenance	19		
20	Supplies (not included in Section A)	20		
21	Taxes and licenses	21		
22	Travel, meals, and entertainment: -----	22a		
a	Travel			
b	Meals and entertainment			
c	Enter 20% of line 22b subject to limitations			
d	Subtract line 22c from line 22b	22d		
23	Utilities	23		
24	Wages not included in 2c	24		
25a	Other expenses (list type and amount): -----			
25b	Total other expenses	25b		
26	Total expenses. Add amounts on lines 6 through 25b ▶	26		
27	Net profit or (loss). Subtract line 26 from line 5. Enter the result here and on page 1, line 2	27		

Paperwork Reduction Act Notice.—We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

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

Recordkeeping	7 hrs., 19 min.
Learning about the law or the form	25 min.
Preparing the form	2 hrs., 43 min.
Copying, assembling, and sending the form to IRS	49 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the **Internal Revenue Service**, Washington, DC 20224, Attention: IRS Reports Clearance Officer, T:FP; and the **Office of Management and Budget**, Paperwork Reduction Project (1545-0090), Washington, DC 20503. DO NOT send this form to either of these offices. Instead, see **Where To File**, below.

General Instructions

(Section references are to the *Internal Revenue Code* unless otherwise noted.)

A Change You Should Note

A new deduction is allowed in computing self-employment tax. For 1990, the deduction is 7.65% of your total earnings from self-employment. This deduction is computed on page 1 by multiplying your total earnings by .9235. (This gives the same deduction as multiplying total earnings by .0765 and then subtracting the result.)

Purpose

Use Form 1040SS to report self-employment income and pay self-employment tax. The Social Security Administration uses this information to figure benefits under the social security program for self-employed people. Social security self-employment tax applies regardless of your age, and even if you are receiving social security benefits.

Additional Information

For more details, get **Pub. 533**, Self-Employment Tax, available from most Internal Revenue Service offices. Information about profit or loss from business and farm income and expenses can be found in the Instructions for Form 1040.

If you expect to owe self-employment tax of \$500 or more for 1991, you may have to make estimated tax payments. Use **Form 1040-ES**, Estimated Tax for Individuals, to make any estimated tax payments.

Who Must File

You **MUST** file Form 1040SS if:

—You were self-employed and your net earnings from self-employment were \$400 or more (\$100 or more if you were an employee of an electing church or church-controlled organization); and

—You received wages (including tips but not Medicare qualified government wages) of less than \$51,300 that were subject to social security tax or railroad retirement tax; 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 Commonwealth of the Northern Mariana Islands (CNMI), or
- Puerto Rico. (You may file either Form 1040-PR or Form 1040SS, whichever applies.)

You must also file Form 1040SS to pay any employee social security tax on unreported tip income or uncollected employee social security tax on tip income (see instructions for Part I, line 6b and line 10).

When To File

If you file on the calendar year basis, file by April 15, 1991. If you file on the fiscal year basis, file this form 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.

Where To Get Forms

Puerto Rico.—Director's Representative, U.S. Internal Revenue Service, Edificio Plaza Mercantil, Parada 27½, Avenida Ponce de Leon, Hato Rey, or you may send your order to IRS Forms Distribution Center, P.O. Box 25866, Richmond, VA 23289.

Virgin Islands.—Federal Building, Room 216, Veterans Drive, Charlotte Amalie, St. Thomas, VI 00801; or V.I. Bureau of Internal Revenue, P.O. Box 3186, St. Thomas, VI 00801.

Guam.—Commissioner of Revenue and Taxation, 855 West Marine Drive, Agana, GU 96910.

American Samoa.—American Samoa Government, Tax Division, Suite III, Pago Plaza, Pago Pago, AS 96799.

CNMI.—Division of Revenue and Taxation, CNMI, Central Office, Capitol Hill, Saipan, MP 96950.

Signature and Date

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

Generally, anyone you pay to prepare your return must sign it and fill in the other blanks in the Paid Preparer's Use Only area of your return. Someone who prepares your return, but **does not charge you, should not sign.**

If you have questions about whether a preparer is required to sign your return, please contact an Internal Revenue Service office.

Note: The preparer required to sign your return **MUST:**

- Sign it, by hand, in the space provided for the preparer's signature. (Signature stamps or labels are not acceptable.)
- Give you a copy of your return in addition to the copy to be filed with the Internal Revenue Service.

Name and Social Security Number

To ensure proper credit to your social security account, enter your name and social security number exactly as they are shown on your social security card. If you don't have a social security number, please get **Form SS-5** from the Social Security Administration District Offices at one of the following addresses:

Puerto Rico.—2nd Floor 65th Infantry Commercial Center, 65 Infantry and Barbosa Ave., Rio Piedras, PR 00923; Ave. Rotarios 521, Arecibo, PR 00612; Calles Baldorioty or Vizcarrondo, Caguas, PR 00626; Mayaguez Mall, Mayaguez, PR 00708; Victory Shopping Center, Carretera 167, Bayamon, PR 00619; or San Rafael Industrial Park, Ponce By-Pass, Ponce, PR 00731.

Virgin Islands.—Room 113, Federal Office Building, 26 Veterans Dr., St. Thomas, VI 00801, or Ville La Reine Shopping Center, P.O. Box 1346, St. Croix, VI 00850.

Guam.—230 O'Hara St., P.O. Box 3490, Agana, GU 96910.

American Samoa.—Room 210, Lumanai Building, P.O. Box 338, Pago Pago, AS 96799.

CNMI.—The CNMI Social Security Office, Navru Building, P.O. Box 489, Saipan, MP 96950.

More Than One Trade or Business

If you have income from more than one trade or business, your net self-employment earnings or losses from all of them are combined to get your net self-employment earnings or loss. A loss in one trade or business reduces the income from another one. Complete and file only one Form 1040SS for any one year. Attach a profit and loss statement for each trade or business, and include the net earnings in Part I.

Community Income

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 unless there is a husband and wife partnership. The identity of the spouse who carried on the trade or business is determined by the facts in each situation.

Partnerships

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 personal services. However, if you are a limited partner, include only guaranteed payments.

If your partnership is 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 dies, and the partnership continues, 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 dies must be included in self-employment income. See section 1402 (f).

Share-Farming

If you produced crops or livestock on someone else's land for a share of the crops or livestock produced, or the proceeds from the sale of them, you are considered a self-employed person rather than an employee.

Exemption From Self-Employment Tax for Members of the Clergy and Certain Religious Orders and Sects

Income you received as a duly ordained, commissioned, or licensed minister of a church, member of a religious order (not under a vow of poverty), or a Christian Science practitioner is subject to social security self-employment tax unless you filed Form 4361, Application for Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners. If you filed Form 4361, received IRS approval to exempt your ministerial earnings, and have no other income subject to self-employment tax, then you are not required to file Form 1040SS. If you filed Form 4361, but have \$400 or more from other earnings subject to self-employment tax, you must check the box on line A of page 1, and continue with Part I.

Note: If you have ever filed Form 2031 to elect social security coverage, you cannot apply for exemption now.

If you have conscientious objections to social security insurance because of your belief in the teachings of a recognized religious sect of which you are a member, you can request exemption from self-employment tax by filing Form 4029, Application for Exemption From Social Security Taxes and Waiver of Benefits. If you filed Form 4029 and have received IRS approval, do not file Form 1040SS.

Employees of Churches and Church-Controlled Organizations

Note: If you are a minister or member of a religious order, the following instructions do not apply to you.

If you were employed by a church or a qualified church-controlled organization that has in effect a certificate electing exemption from employer social security taxes, and you received wages (church employee income) of \$100 or more from any one church or church-controlled organization, you may be subject to self-employment tax. If the only income you have that is subject to self-employment tax is church employee income, see line B on page 1.

Employees of Foreign Governments or International Organizations

Your net profit or loss from service with a foreign government or international organization is subject to self-employment tax in the following cases:

- You are a citizen or resident alien employed in Puerto Rico, Guam, American Samoa, the CNMI, or the Virgin Islands.
- You are a U.S. citizen employed in the United States, Puerto Rico, Guam, American Samoa, the CNMI, or the Virgin Islands by a foreign government (in certain cases).

- You are a U.S. citizen employed in the United States, Puerto Rico, Guam, American Samoa, the CNMI, or the Virgin Islands by an agency wholly owned by a foreign government or an international organization established under the International Organizations Immunities Act.

Specific Instructions

We have provided specific instructions for some of the lines on the form. Lines that do not appear in the instructions are self-explanatory.

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

Social Security Self-Employment Tax

Generally, net earnings from self-employment are your net profits from a sole proprietorship operated by you and your distributions from a partnership. See instructions under **Partnerships** for when to include your share of partnership income or loss. See instructions below for income included or not included in net earnings from self-employment.

Lines 1 and 2.—Do not include on lines 1 and 2 any income or expense not included in figuring net earnings from self-employment, and attach an explanation. If you are a partner, adjust lines 1 and 2 for any section 179 expense deduction, oil or gas depletion, or unreimbursed partnership expenses.

If you deposited earnings into a capital construction fund established under the Merchant Marine Act of 1936, get **Pub. 595, Tax Guide for Commercial Fishermen.**

If you are a duly ordained minister who is an employee of a church and you are subject to self-employment tax, the unreimbursed business expenses that you incurred as a church employee are deducted from your self-employment earnings in figuring your self-employment tax. Report your income and expenses from performing services as a minister in Part IV. Enter the net amount on line 2, Part I. For more information, get **Pub. 517, Social Security for Members of the Clergy and Religious Workers.**

Income Not Included in Net Earnings From Self-Employment

- Salaries, fees, etc., subject to social security 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 later under **Other Income Included in Net Earnings From Self-Employment**) or as an employee or employee representative under the U.S. railroad retirement system.

- Income you received as a retired partner under a written partnership plan that provides for 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, unless received in the course of a trade or business as a real estate dealer. This includes cash and crop shares received from a tenant or sharefarmer.

- Dividends on shares of stock and interest on bonds, notes, etc., unless received in the course of your trade or business as a dealer in stocks or securities.

- Gain or loss from:

- the sale or exchange of a capital asset;
- 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 primarily for sale to customers in the ordinary course of the business; or

- certain transactions in timber, coal, or domestic iron ore.

- Net operating losses from other years.

Other Income Included in Net Earnings From Self-Employment

- Rental income from a farm if, as landlord, you participated materially in the production or management of the production of farm products on this land. This income is farm earnings. To determine whether you participated materially in farm management or production, do not consider the activities of any agent who acted for you.
- Cash or a payment-in-kind received from the Department of Agriculture for participation 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.
- Income as a crew member of a fishing vessel with a crew of normally less than 10 individuals. See **Pub. 595** for more information.
- 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.
- The rental value of a home or an allowance for a home furnished to you as a minister or member of a religious order. See **Pub. 517.**
- The value of meals or lodging given to you for the convenience of your employer if you are a minister or member of a religious order. See **Pub. 17.**
- Fees and other payments received by you for services as a director of a corporation. **Note:** Director's earnings are treated as received when the services are performed, regardless of when paid, for self-employment tax purposes.

● Recapture amounts under sections 179 and 280F that were included in gross income because the business use of the property dropped to 50% or less. Do not include amounts recaptured on the disposal of property.

● Fees you received as a professional fiduciary. Also, 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.

Option and commodity dealers engaged in trading section 1256 contracts, see section 1402(i) to figure net earnings from self-employment.

Unreported Tips Subject to Social Security or Railroad Retirement Tax

Line 6b.—If you received tips of \$20 or more in any month and did not report all of those tips to your employer, you must file Form 4137, Social Security Tax on Unreported Tip Income. You must also file Form 4137 if your Form(s) W-2 shows allocated tips that you must report as income. (Allocated tips should be shown in Box 7 of your Form(s) W-2.) You must report as income the amount of allocated tips shown on your Form(s) W-2 unless you have adequate records that show you did not receive that amount. If you do, you must report as income the amount of tips your records show you actually received, even if this amount is more or less than the allocated tips. Disregard the references to Form 1040 shown on Form 4137. Also see the instructions for line 10.

Enter on line 6b the amount from Form 4137, line 9. Also report on line 6b tips received for work covered by the Railroad Retirement Tax Act. Contact any Railroad Retirement Board office for information on how to get railroad retirement credit for tips not reported to railroad employers.

Medicare Qualified Government Wages

Line 9.—Medicare qualified government wages are wages you get as a Federal, state, or local government employee that are subject ONLY to the 1.45% Medicare tax. If you received such wages, do NOT include them on line 6a. Instead, include them on line 9. Wages entered on line 6a are subject to the old-age, survivors, and disability insurance tax as well as the Medicare tax.

If your social security or RRTA wages when combined with your Medicare qualified government wages total more than \$51,300, see the instructions for line 10, **Excess Medicare Tax**.

Figure your self-employment tax on line 10 if you do not have to use the worksheet below. Do not reduce the rate used on line 10 (.153) by the Medicare tax rate.

You must use the worksheet below to figure your self-employment tax to enter on line 10 if:

- a. you had Medicare qualified government wages as explained above, and
- b. the total of the amounts on lines 6c, 7d, and 9 of Part I is more than \$51,300.

Worksheet (Keep for your records)

1. Enter the amount from page 1, line 7d 1. _____
2. Enter the amount from page 1, line 7a 2. _____
3. Enter your Medicare qualified government wages from page 1, line 9. 3. _____
4. Subtract line 3 from line 2. (If zero or less, enter -0-.) 4. _____
5. Multiply the smaller of line 1 or line 2 by .124 5. _____
6. Multiply the smaller of line 1 or line 4 by .029 6. _____
7. Add lines 5 and 6. Enter the total on page 1, line 10 7. _____

Self-Employment Tax

Line 10.—Add to your self-employment tax any employee social security tax on tips figured on Form 4137 and any uncollected employee social security tax on tips shown on Form W-2.

Employee Social Security Tax on Tips.—Complete Form 4137 if you received cash or charge tips of \$20 or more in any month and you did not report all of those tips to your employer. You must also complete Form 4137 if your Form(s) W-2 shows allocated tips that you must report as income.

Write the amount of tax due (from line 10 of Form 4137) on the dotted line next to line 10 on page 1 of Form 1040SS and label the amount "Tax on Tips." Include it in the total on line 10 and attach Form 4137 to Form 1040SS. Be sure to complete **Schedule U** of Form 4137.

Excess Medicare Tax.—If you had Medicare qualified government wages (defined earlier) you may be entitled to a credit for excess Medicare tax paid. Use Form 4469, Excess Medicare Tax Credit, to figure the credit if you had wages under the social security program or compensation as a railroad employee and the total of these wages combined with your taxable compensation as a Medicare qualified government employee exceeds \$51,300.

Subtract the credit from the self-employment tax (line 10) and enter the balance of the tax on line 10. On the dotted line next to this total, write "From Form 4469" and enter the amount of the credit.

**Part II
Optional Method To Figure Net Earnings**

Use of the optional method gives you credit toward your social security coverage even though you have a loss or low income from self-employment. But the optional method may require you to pay self-employment tax when none would otherwise be required to be paid.

Farm Optional Method

If your gross farm income for the year was not more than \$2,400, you can report two-thirds of your gross farm income instead of your actual net earnings from farming.

If your gross farm income was more than \$2,400, and your net farm profits (from Part III, line 36, and your distributive share from farm partnerships) were less than \$1,733, you can report \$1,600 on line 2 of Part II.

There is no limit on how many times you can use this method. If you use this method, you must apply it to all farm earnings from self-employment for the year. This method can be used to increase or decrease net farm earnings, even if the farming operation resulted in a loss. You may change the method (from actual net earnings to the optional method or the reverse) after you file your return.

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 payment plus your share of the gross income after it is reduced by all guaranteed payments made by the partnership. Limited partners should include only guaranteed payments.

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 (from Part IV, line 27, and your distributive share from nonfarm partnerships) were less than \$1,733, and also less than two-thirds of your gross nonfarm income.

You may use this method if you are regularly self-employed or a regular member of a partnership. You meet this requirement if you had actual net earnings from self-employment of \$400 or more (including your distributive share of the income or loss from any partnership of which you are a member) from nonfarm and farm businesses in at least 2 of the 3 years immediately before the year for which you use the nonfarm optional method.

You may report on line 4 of Part II two-thirds of your gross nonfarm income (but not more than \$1,600) as your net earnings from self-employment. **But you may not report less than your actual net earnings** from nonfarm self-employment.

For a nonfarm partnership, see **Farm Optional Method** on this page for details on how to figure your share of gross income from the partnership.

The limit for the optional method for nonfarm self-employment is 5 years. The 5 years need not be consecutive.

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.