

individual having only \$300 of net earnings from self-employment for the taxable year would not have any self-employment income. However, an individual having net earnings from self-employment of \$400 or more for the taxable year may, by application of paragraph (b)(2) of this section, have less than \$400 of self-employment income for purposes of the tax imposed under section 1401(a) and the tax imposed under section 1401(b) or may have self-employment income of \$400 or more for purposes of the tax imposed under section 1401(a) and of less than \$400 for purposes of the tax imposed under section 1401(b). This could occur in a case in which the amount of the individual's net earnings from self-employment is \$400 or more for a taxable year and the amount of such net earnings from self-employment plus the amount of wages, as defined in paragraph (b)(3) of this section, paid to him during the taxable year exceed the maximum self-employment income, as set forth in paragraph (b)(1) of this section, for the taxable year. However, the result occurs only if such maximum self-employment income exceeds the amount of such wages. The application of this paragraph may be illustrated by the following example:

Example. For 1974 M, a calendar-year taxpayer, has net earnings from self-employment of \$2,000 and wages (as defined in paragraph (b)(3) (i) and (ii) of this section) of \$12,500. Since M's net earnings from self-employment plus his wages exceed the maximum self-employment income for 1974 (\$13,200), his self-employment income for 1974 is \$700 (\$13,200-\$12,500). If M also had wages, as defined in paragraph (b)(3)(iii) of this section, of \$200, his self-employment income would be \$700 for purposes of the tax imposed under section 1401(a) and \$500 (\$13,200-\$12,700 (\$12,500+\$200)) for purposes of the tax imposed under section 1401(b).

For provisions relating to when wages as defined in paragraph (b)(3)(iii) of this section are treated as paid, see paragraph (b)(2)(iii) of this section.

(d) *Nonresident aliens.* A nonresident alien individual never has self-employment income. While a nonresident alien individual who derives income from a trade or business carried on within the United States, Puerto Rico, the Virgin Islands, Guam, or American Samoa (whether by agents or employ-

ees, or by a partnership of which he is a member) may be subject to the applicable income tax provisions on such income, such nonresident alien individual will not be subject to the tax on self-employment income, since any net earnings which he may have from self-employment do not constitute self-employment income. For the purpose of the tax on self-employment income, an individual who is not a citizen of the United States but who is a resident of the Commonwealth of Puerto Rico, the Virgin Islands, or, for taxable years beginning after 1960, of Guam or American Samoa is not considered to be a nonresident alien individual.

[T.D. 6691, 28 FR 12796, Dec. 3, 1963, as amended by T.D. 7333, 39 FR 44447, Dec. 24, 1974]

§ 1.1402(c)-1 Trade or business.

In order for an individual to have net earnings from self-employment, he must carry on a trade or business, either as an individual or as a member of a partnership. Except for the exclusions discussed in §§1.1402(c)-2 to 1.1402(c)-7, inclusive, the term "trade or business", for the purpose of the tax on self-employment income, shall have the same meaning as when used in section 162. An individual engaged in one of the excluded activities specified in such sections of the regulations may also be engaged in carrying on activities which constitute a trade or business for purposes of the tax on self-employment income. Whether or not he is also engaged in carrying on a trade or business will be dependent upon all of the facts and circumstances in the particular case. An individual who is a crew leader, as defined in section 3121(o) (see such section and the regulations thereunder in part 31 of this chapter (Employment Tax Regulations)), is considered to be engaged in carrying on a trade or business with respect to services performed by him after 1956 in furnishing individuals to perform agricultural labor for another person or services performed by him after 1956 as a member of the crew.

[T.D. 6978, 33 FR 15937, Oct. 30, 1968]

§ 1.1402(c)-2 Public office.

(a) *In general*—(1) *General rule.* Except as otherwise provided in subparagraph