

Deduction Worksheet for Self-Employed

Step 1	Enter your net profit from line 31, Schedule C (Form 1040); line 3, Schedule C-EZ (Form 1040); line 36, Schedule F (Form 1040); or box 14, code A*, Schedule K-1 (Form 1065)	
	*General partners should reduce this amount by the same additional expenses subtracted from box 14, code A to determine the amount on line 1 or 2 of Schedule SE	
Step 2	Enter your deduction for self-employment tax from line 27, Form 1040	
Step 3	Net earnings from self-employment. Subtract step 2 from step 1	
Step 4	Enter your rate from the <i>Rate Table for Self-Employed</i> or <i>Rate Worksheet for Self-Employed</i>	
Step 5	Multiply step 3 by step 4	
Step 6	Multiply \$245,000 by your plan contribution rate (not the reduced rate)	
Step 7	Enter the smaller of step 5 or step 6	
Step 8	Contribution dollar limit	\$49,000
	<ul style="list-style-type: none"> • If you made any elective deferrals to your self-employed plan, go to step 9. • Otherwise, skip steps 9 through 20 and enter the smaller of step 7 or step 8 on step 21. 	
Step 9	Enter your allowable elective deferrals (including designated Roth contributions) made to your self-employed plan during 2009. Do not enter more than \$16,500	
Step 10	Subtract step 9 from step 8	
Step 11	Subtract step 9 from step 3	
Step 12	Enter one-half of step 11	
Step 13	Enter the smallest of step 7, 10, or 12	
Step 14	Subtract step 13 from step 3	
Step 15	Enter the smaller of step 9 or step 14	
	<ul style="list-style-type: none"> • If you made catch-up contributions, go to step 16. • Otherwise, skip steps 16 through 18 and go to step 19. 	
Step 16	Subtract step 15 from step 14	
Step 17	Enter your catch-up contributions (including designated Roth contributions), if any. Do not enter more than \$5,500	
Step 18	Enter the smaller of step 16 or step 17	
Step 19	Add steps 13, 15, and 18.	
Step 20	Enter the amount of designated Roth contributions included on lines 9 and 17.	
Step 21	Subtract step 20 from step 19. This is your maximum deductible contribution	
Next: Enter this amount on line 28, Form 1040.		

Terminating Plan. Your application must be accompanied by the appropriate user fee and Form 8717, User Fee for Employee Plan Determination, Opinion, and Advisory Letter Request.

More information. For more information about reporting requirements, see the forms and their instructions.

5.

Table and Worksheets for the Self-Employed

As discussed in chapters 2 and 4, if you are self-employed, you must use the following rate table or rate worksheet and deduction worksheet to figure your deduction for contributions you made for yourself to a SEP-IRA or qualified plan.

First, use either the rate table or rate worksheet to find your reduced contribution rate. Then complete the deduction worksheet to figure your deduction for contributions.



The table and the worksheets in chapter 5 apply only to self-employed individuals who have only one defined contribution plan, such as a profit-sharing plan. A SEP plan is treated as a profit-sharing plan. However, do not use this worksheet for SAR-SEPs.

Rate table for self-employed. If your plan's contribution rate is a whole percentage (for example, 12% rather than 12½%), you can use the table on the next page to find your reduced contribution rate. Otherwise, use the rate worksheet provided below.

First, find your plan contribution rate (the contribution rate stated in your plan) in *Column A* of the table. Then read across to the rate under *Column B*. Enter the rate from *Column B* in step 4 of the *Deduction Worksheet for Self-Employed* on this page.

Example. You are a sole proprietor with no employees. If your plan's contribution rate is 10% of a participant's compensation, your rate is 0.090909. Enter this rate in step 4 of the *Deduction Worksheet for Self-Employed* on this page.

Rate worksheet for self-employed. If your plan's contribution rate is not a whole percentage (for example, 10½%), you cannot use the *Rate Table for Self-Employed*. Use the following worksheet instead.

Rate Worksheet for Self-Employed

- 1) Plan contribution rate as a decimal (for example, 10½% = 0.105)
- 2) Rate in line 1 plus 1 (for example, 0.105 + 1 = 1.105)
- 3) Self-employed rate as a decimal rounded to at least 3 decimal places (line 1 ÷ line 2) (for example, 0.105 ÷ 1.105 = 0.095)

Figuring your deduction. Now that you have your self-employed rate from either the rate table or rate worksheet, you can figure your maximum deduction for contributions for yourself by

Deduction Worksheet for Self-Employed

Rate Table for Self-Employed

Step 1	
Enter your net profit from line 31, Schedule C (Form 1040); line 3, Schedule C-EZ (Form 1040); line 36, Schedule F (Form 1040); or box 14, code A*, Schedule K-1 (Form 1065)	<u>\$200,000</u>
<small>*General partners should reduce this amount by the same additional expenses subtracted from box 14, code A to determine the amount on line 1 or 2 of Schedule SE</small>	
Step 2	
Enter your deduction for self-employment tax from line 27, Form 1040	<u>9,300</u>
Step 3	
Net earnings from self-employment. Subtract step 2 from step 1	<u>190,700</u>
Step 4	
Enter your rate from the <i>Rate Table for Self-Employed</i> or <i>Rate Worksheet for Self-Employed</i>	<u>0.078</u>
Step 5	
Multiply step 3 by step 4	<u>14,875</u>
Step 6	
Multiply \$245,000 by your plan contribution rate (not the reduced rate)	<u>20,825</u>
Step 7	
Enter the smaller of step 5 or step 6	<u>14,875</u>
Step 8	
Contribution dollar limit	<u>\$49,000</u>
<ul style="list-style-type: none"> • If you made any elective deferrals to your self-employed plan, go to step 9. • Otherwise, skip steps 9 through 20 and enter the smaller of step 7 or step 8 on step 21. 	
Step 9	
Enter your allowable elective deferrals (including designated Roth contributions) made to your self-employed plan during 2009. Do not enter more than \$16,500	<u>N/A</u>
Step 10	
Subtract step 9 from step 8	<u> </u>
Step 11	
Subtract step 9 from step 3	<u> </u>
Step 12	
Enter one-half of step 11	<u> </u>
Step 13	
Enter the smallest of step 7, 10, or 12	<u> </u>
Step 14	
Subtract step 13 from step 3	<u> </u>
Step 15	
Enter the smaller of step 9 or step 14	<u> </u>
<ul style="list-style-type: none"> • If you made catch-up contributions, go to step 16. • Otherwise, skip steps 16 through 18 and go to step 19. 	
Step 16	
Subtract step 15 from step 14	<u> </u>
Step 17	
Enter your catch-up contributions (including designated Roth contributions), if any. Do not enter more than \$5,500	<u> </u>
Step 18	
Enter the smaller of step 16 or step 17	<u> </u>
Step 19	
Add steps 13, 15, and 18.	<u> </u>
Step 20	
Enter the amount of designated Roth contributions included on lines 9 and 17	<u> </u>
Step 21	
Subtract step 20 from step 19. This is your maximum deductible contribution	<u>\$14,875</u>
Next: Enter this amount on line 28, Form 1040.	

Column A	Column B
If the plan contribution rate is: (shown as %)	Your rate is: (shown as decimal)
1 . . . . .	.009901
2 . . . . .	.019608
3 . . . . .	.029126
4 . . . . .	.038462
5 . . . . .	.047619
6 . . . . .	.056604
7 . . . . .	.065421
8 . . . . .	.074074
9 . . . . .	.082569
10 . . . . .	.090909
11 . . . . .	.099099
12 . . . . .	.107143
13 . . . . .	.115044
14 . . . . .	.122807
15 . . . . .	.130435
16 . . . . .	.137931
17 . . . . .	.145299
18 . . . . .	.152542
19 . . . . .	.159664
20 . . . . .	.166667
21 . . . . .	.173554
22 . . . . .	.180328
23 . . . . .	.186992
24 . . . . .	.193548
25* . . . . .	.200000*

*The deduction for annual employer contributions (other than elective deferrals) to a SEP plan, a profit-sharing plan, or a money purchase plan cannot be more than 20% of your net earnings (figured without deducting contributions for yourself) from the business that has the plan.

Example. You are a sole proprietor with no employees. The terms of your plan provide that you contribute 8½% (.085) of your compensation to your plan. Your net profit from line 31, Schedule C (Form 1040) is \$200,000. You have no elective deferrals or catch-up contributions. Your self-employment tax deduction on line 27 of Form 1040 is \$9,300. See the filled-in portions of both Schedule SE (Form 1040), Self-Employment Income, and Form 1040, later.

You figure your self-employed rate and maximum deduction for employer contributions you made for yourself as follows.

See the filled-in Deduction Worksheet for Self-Employed on this page.

Rate Worksheet for Self-Employed

- 1) Plan contribution rate as a decimal (for example, 10½% = 0.105) 0.085
- 2) Rate in line 1 plus 1 (for example, 0.105 + 1 = 1.105) 1.085
- 3) Self-employed rate as a decimal rounded to at least 3 decimal places (line 1 ÷ line 2) (for example, 0.105 ÷ 1.105 = 0.095) 0.078

completing the *Deduction Worksheet for Self-Employed*.

Community property laws. If you reside in a community property state and you are married

and filing a separate return, disregard community property laws for step 1 of the *Deduction Worksheet for Self-Employed*. Enter on step 1 the total net profit you actually earned.