

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 line 15a*, Schedule K-1 (Form 1065)	\$200,000
	*General partners should reduce this amount by the same additional expenses subtracted from line 15a to determine the amount on line 1 or 2 of Schedule SE	
Step 2	Enter your deduction for self-employment tax from line 28, Form 1040	8,072
Step 3	Net earnings from self-employment. Subtract step 2 from step 1	191,928
Step 4	Enter your rate from the <i>Rate Table for Self-Employed</i> or <i>Rate Worksheet for Self-Employed</i>	0.078
Step 5	Multiply step 3 by step 4	14,970
Step 6	Multiply \$200,000 by your plan contribution rate (not the reduced rate)	17,000
Step 7	Enter the smaller of step 5 or step 6	14,970
Step 8	Contribution dollar limit	\$40,000
	<ul style="list-style-type: none"> • If you made any elective deferrals, go to step 9. • Otherwise, skip steps 9 through 18 and enter the smaller of step 7 or step 8 on step 19. 	
Step 9	Enter your allowable elective deferrals made during 2003. Do not enter more than \$12,000	N/A
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, if any. Do not enter more than \$2,000	
Step 18	Enter the smaller of step 16 or step 17	
Step 19	Add steps 13, 15, and 18. This is your maximum deductible contribution	\$14,970
	Next: Enter your deduction on line 30, Form 1040.	

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)

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 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.

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 28 of Form 1040 is \$8,072. 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.

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
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Step 4	Enter your rate from the <i>Rate Table for Self-Employed or Rate Worksheet for Self-Employed</i>	0.078
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Step 6	Multiply \$200,000 by your plan contribution rate (not the reduced rate)	17,000
Step 7	Enter the smaller of step 5 or step 6	14,970
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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	_____
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