

HANDBOOK

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CLERGY TAX

Prepared for the
Upper New York Conference
Of the United Methodist Church

Updated: November 16, 2018

STATEMENT FROM YOUR CONFERENCE COMMITTEE ON FINANCE & ADMINISTRATION (CF&A)

The information provided in this Clergy Tax Handbook is meant to guide licensed, commissioned and ordained clergy with information regarding the unusual requirements of clergy compensation.

Many documents within this handbook have been utilized from the Internal Revenue Service (IRS) website (www.irs.gov). Please check that website frequently for forms and information.

If you have any questions about any of the documents or issues discussed within this document, please contact a member of the Upper New York Conference CF&A directly.

The Upper New York Conference is not engaged in providing legal or accounting advice or services. The service of a competent professional should be sought for legal and tax advice.

Thank you.

Rev. Susan M. Ranous, CPA
Chair, CF&A

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SECTION 3 – CLERGY COMPENSATION

Introduction

The Internal Revenue Code states that licensed, commissioned and ordained clergy are considered employees for federal and state income taxes, and self-employed for Social Security and Medicare tax purposes.

Therefore, all clergy shall receive W-2s from the church to which they are appointed, reporting taxable income in Box 1 (Wages, Tips, Other Compensation) and Box 16 (State Wages, Tips, Etc.) . There is no Social Security or Medicare wages reported, nor should there be any Social Security taxes or Medicare taxes reported (or withheld). If the clergy has elected to have federal or state income tax withheld, then those amounts would be reported accordingly.

Box 14 would typically reflect the amount of housing and parsonage allowances/exclusions, although that is not required.

The fair rental value of the parsonage, or the housing/parsonage allowance is subject only to self-employment taxes.

As always, competent tax professionals should be consulted when preparing clergy tax returns. However, a step-by-step series of forms is attached for your use, in helping your understanding.

******PLEASE NOTE THAT THE TAX FORMS USED ARE FROM THE 2017 TAX YEAR. WITH THE NEW TAX ACT, MOST FORMS ARE BEING RE-DONE. PLEASE BE SURE TO UTILIZE THE NEW RULES FOR 2018 WHEN PREPARING YOUR RETURNS AND COMPUTING YOUR TAXES.***

SCENARIO:

Rev Smith is the minister of First Church. He receives a salary of \$45,000 from First Church, as well as an \$18,000 housing allowance. He also earned \$2,000 in fees received for funerals and weddings throughout the year.

He makes a \$1,125 mortgage payment per month (\$8,000 in interest), plus utilities and other housing related expenses of \$2,000. Real estate taxes paid on the house total \$3,000.

He has spent \$4,000 in unreimbursed business expenses.

STEPS TO RECORD W-2 INFORMATION AND OTHER INFORMATION:

1. \$45,000 in Box 1 of W2 is recorded on Line 7 of Form 1040.
2. \$2,000 earned for funerals and weddings is recorded on Line 1 of Schedule C.
 - a. If there are no expenses directly related ONLY to the funerals and weddings, then the \$2,000 is reported on Line 12 of Form 1040.
3. Computation of amount of housing expenses excludable from wages:
 - a. Housing allowance: \$18,000
 - b. Total housing costs: $\$13,500 (\$1,125 \times 12) + \$2,000 + \$3,000 = \$18,500$
 - c. Rental value of house: \$18,500
 - i. (the lowest amount is the amount excludable from wages) = \$18,000
4. The amount of income subject to self-employment tax is reported on Line 2 of Schedule SE. $(\$45,000 + \$18,000 + \$2,000) = \$65,000$.
 - a. The self-employment tax of \$9,184 is reported on Line 57 of Form 1040
 - b. One-half of the self-employment tax of \$4,592 is reported on Line 27 of Form 1040
5. Itemized deductions are calculated by:
 - a. \$3,000 in real estate taxes is reported on Box 6 of Schedule A
 - b. \$8,000 in mortgage interest is reported on Box 10 of Schedule A
 - c. \$4,000 in unreimbursed business expenses is reported on Box 21 of Schedule A
 - i. The amount of the adjusted gross income is used to calculate the limitation of these miscellaneous itemized deductions. Using the scenario here, only \$3,152 is deductible as a miscellaneous itemized deduction.
 - d. Therefore, the itemized deduction amount is \$14,152. This should be compared to the standard deduction allowed. For 2017, the standard deduction for a married couple was \$12,700, so the itemized deductions of \$14,152 is higher and would be used. However, for 2018, the standard

deduction for a married couple is being increased to \$24,000, so the standard deduction would be used.

6. Using the 2017 tax rates and this very simple scenario results in federal taxes of \$2,311 and self-employment tax of \$9,184, for a total tax of \$11,495

7. *Please note, that if this same scenario were used and calculated for 2018:*

a. <i>Adjusted Gross Income</i>	42,408
b. <i>Standard Deductions</i>	24,000
c. <i>Exemptions</i>	<u>0</u>
d. <i>Taxable Income</i>	18,408
e. <i>Federal Tax</i>	1,843
f. <i>Self-employment tax</i>	<u>9,184</u>
g. <i>Total Tax</i>	11,027

22222		a Employee's social security number		OMB No. 1545-0008			
b Employer identification number (EIN)			1 Wages, tips, other compensation 45000.00		2 Federal income tax withheld		
c Employer's name, address, and ZIP code First Church			3 Social security wages		4 Social security tax withheld		
			5 Medicare wages and tips		6 Medicare tax withheld		
			7 Social security tips		8 Allocated tips		
d Control number			9 Verification code		10 Dependent care benefits		
e Employee's first name and initial		Last name		Suff.		11 Nonqualified plans	
Rev Smith						12a C o d e	
				13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b C o d e	
				14 Other HOUSE 18000.00		12c C o d e	
						12d C o d e	
f Employee's address and ZIP code							
15 State Employer's state ID number		16 State wages, tips, etc. 45000.00		17 State income tax	18 Local wages, tips, etc.	19 Local income tax	
						20 Locality name	

Form **W-2** Wage and Tax Statement
 Copy 1 — For State, City, or Local Tax Department

2018

Department of the Treasury—Internal Revenue Service

For the year Jan. 1–Dec. 31, 2017, or other tax year beginning _____, 2017, ending _____, 20 See separate instructions.

Your first name and initial <i>Rev</i>	Last name	Your social security number
If a joint return, spouse's first name and initial <i>Miss</i>	Last name	Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. **▲** Make sure the SSN(s) above and on line 6c are correct.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).

Foreign country name	Foreign province/state/county	Foreign postal code	Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse
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Filing Status

Check only one box.

1 Single

2 Married filing jointly (even if only one had income)

3 Married filing separately. Enter spouse's SSN above and full name here. ▶

4 Head of household (with qualifying person). (See instructions.)
If the qualifying person is a child but not your dependent, enter this child's name here. ▶

5 Qualifying widow(er) (see instructions)

Exemptions

6a Yourself. If someone can claim you as a dependent, do not check box 6a

b Spouse

c Dependents:		(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if child under age 17 qualifying for child tax credit (see instructions)
(1) First name	Last name			
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

d Total number of exemptions claimed

Boxes checked on 6a and 6b 2

No. of children on 6c who:

- lived with you
- did not live with you due to divorce or separation (see instructions)

Dependents on 6c not entered above

Add numbers on lines above ▶ 2

Income

7	Wages, salaries, tips, etc. Attach Form(s) W-2	7	<u>45000</u>	<u>1</u>
8a	Taxable interest. Attach Schedule B if required	8a		
b	Tax-exempt interest. Do not include on line 8a	8b		
9a	Ordinary dividends. Attach Schedule B if required	9a		
b	Qualified dividends	9b		
10	Taxable refunds, credits, or offsets of state and local income taxes	10		
11	Alimony received	11		
12	Business income or (loss). Attach Schedule C or C-EZ	12	<u>2000</u>	<u>2a</u>
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ <input type="checkbox"/>	13		
14	Other gains or (losses). Attach Form 4797	14		
15a	IRA distributions	15a		
b	Taxable amount	15b		
16a	Pensions and annuities	16a		
b	Taxable amount	16b		
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17		
18	Farm income or (loss). Attach Schedule F	18		
19	Unemployment compensation	19		
20a	Social security benefits	20a		
b	Taxable amount	20b		
21	Other income. List type and amount	21		
22	Combine the amounts in the far right column for lines 7 through 21. This is your total income ▶	22	<u>47000</u>	

Adjusted Gross Income

23	Educator expenses	23		
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24		
25	Health savings account deduction. Attach Form 8889	25		
26	Moving expenses. Attach Form 3903	26		
27	Deductible part of self-employment tax. Attach Schedule SE	27	<u>4592</u>	<u>4b</u>
28	Self-employed SEP, SIMPLE, and qualified plans	28		
29	Self-employed health insurance deduction	29		
30	Penalty on early withdrawal of savings	30		
31a	Alimony paid b Recipient's SSN ▶	31a		
32	IRA deduction	32		
33	Student loan interest deduction	33		
34	Tuition and fees. Attach Form 8917	34		
35	Domestic production activities deduction. Attach Form 8903	35		
36	Add lines 23 through 35	36	<u>4592</u>	
37	Subtract line 36 from line 22. This is your adjusted gross income ▶	37	<u>42408</u>	

Tax and Credits	38	Amount from line 37 (adjusted gross income)	38	42408	
	39a	Check <input type="checkbox"/> You were born before January 2, 1953, <input type="checkbox"/> Blind. } Total boxes if: <input type="checkbox"/> Spouse was born before January 2, 1953, <input type="checkbox"/> Blind. } checked ▶ 39a			
	b	If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ 39b <input type="checkbox"/>			
Standard Deduction for— • People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions. • All others: Single or Married filing separately, \$6,350 Married filing jointly or Qualifying widow(er), \$12,700 Head of household, \$9,350	40	Itemized deductions (from Schedule A) or your standard deduction (see left margin)	40	14152	
	41	Subtract line 40 from line 38	41	28256	
	42	Exemptions. If line 38 is \$156,900 or less, multiply \$4,050 by the number on line 6d. Otherwise, see instructions	42	8100	
	43	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	43	20156	
	44	Tax (see instructions). Check if any from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/>	44	2311	
	45	Alternative minimum tax (see instructions). Attach Form 6251	45		
	46	Excess advance premium tax credit repayment. Attach Form 8962	46		
	47	Add lines 44, 45, and 46	47	2311	6
	48	Foreign tax credit. Attach Form 1116 if required	48		
	49	Credit for child and dependent care expenses. Attach Form 2441	49		
50	Education credits from Form 8863, line 19	50			
51	Retirement savings contributions credit. Attach Form 8880	51			
52	Child tax credit. Attach Schedule 8812, if required	52			
53	Residential energy credits. Attach Form 5695	53			
54	Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	54			
55	Add lines 48 through 54. These are your total credits	55			
56	Subtract line 55 from line 47. If line 55 is more than line 47, enter -0-	56	2311		
57	Self-employment tax. Attach Schedule SE	57	9184	4a	
Other Taxes	58	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	58		
	59	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	59		
	60a	Household employment taxes from Schedule H	60a		
	b	First-time homebuyer credit repayment. Attach Form 5405 if required	60b		
	61	Health care: individual responsibility (see instructions) Full-year coverage <input type="checkbox"/>	61		
	62	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s)	62		
	63	Add lines 56 through 62. This is your total tax	63	11495	6
Payments	64	Federal income tax withheld from Forms W-2 and 1099	64		
	65	2017 estimated tax payments and amount applied from 2016 return	65		
If you have a qualifying child, attach Schedule EIC.	66a	Earned income credit (EIC)	66a		
	b	Nontaxable combat pay election 66b			
	67	Additional child tax credit. Attach Schedule 8812	67		
	68	American opportunity credit from Form 8863, line 8	68		
	69	Net premium tax credit. Attach Form 8962	69		
	70	Amount paid with request for extension to file	70		
	71	Excess social security and tier 1 RRTA tax withheld	71		
	72	Credit for federal tax on fuels. Attach Form 4136	72		
	73	Credits from Form: a <input type="checkbox"/> 2439 b <input checked="" type="checkbox"/> Reserved c <input type="checkbox"/> 8885 d <input type="checkbox"/>	73		
	74	Add lines 64, 65, 66a, and 67 through 73. These are your total payments	74		
Refund	75	If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid	75		
	76a	Amount of line 75 you want refunded to you. If Form 8888 is attached, check here ▶ <input type="checkbox"/>	76a		
Direct deposit? ▶ See instructions.	b	Routing number	c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
	d	Account number			
	77	Amount of line 75 you want applied to your 2018 estimated tax ▶	77		
Amount You Owe	78	Amount you owe. Subtract line 74 from line 63. For details on how to pay, see instructions ▶	78		
	79	Estimated tax penalty (see instructions)	79		

Third Party Designee Do you want to allow another person to discuss this return with the IRS (see instructions)? **Yes.** Complete below. **No**

Designee's name ▶	Phone no. ▶	Personal identification number (PIN) ▶
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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 accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation	Daytime phone number
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no.	

**SCHEDULE A
(Form 1040)**

Itemized Deductions

OMB No. 1545-0074

▶ Go to www.irs.gov/ScheduleA for instructions and the latest information.

▶ Attach to Form 1040.

2017

Attachment
Sequence No. **07**

Department of the Treasury
Internal Revenue Service (99)

Caution: If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 28.

Name(s) shown on Form 1040

Your social security number

Medical and Dental Expenses	Caution: Do not include expenses reimbursed or paid by others.				
	1 Medical and dental expenses (see instructions)	1			
	2 Enter amount from Form 1040, line 38 <u>2</u>	2			
	3 Multiply line 2 by 7.5% (0.075).	3			
	4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	4			
Taxes You Paid	5 State and local (check only one box):	5			
	a <input type="checkbox"/> Income taxes, or				
	b <input type="checkbox"/> General sales taxes				
	6 Real estate taxes (see instructions)	6	3000	Sa	
	7 Personal property taxes	7			
	8 Other taxes. List type and amount ▶	8			
	9 Add lines 5 through 8	9		3000	
	Interest You Paid	10 Home mortgage interest and points reported to you on Form 1098	10	8000	
		11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ▶	11		Sb
12 Points not reported to you on Form 1098. See instructions for special rules		12			
13 Mortgage insurance premiums (see instructions)		13			
14 Investment interest. Attach Form 4952 if required. See instructions		14			
15 Add lines 10 through 14		15		8000	
Gifts to Charity	16 Gifts by cash or check. If you made any gift of \$250 or more, see instructions	16			
	17 Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500	17			
	18 Carryover from prior year	18			
	19 Add lines 16 through 18	19			
Casualty and Theft Losses	20 Casualty or theft loss(es) other than net qualified disaster losses. Attach Form 4684 and enter the amount from line 18 of that form. See instructions	20			
Job Expenses and Certain Miscellaneous Deductions	21 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. See instructions. ▶	21	4000	Sc	
	22 Tax preparation fees	22			
	23 Other expenses—investment, safe deposit box, etc. List type and amount ▶	23			
	24 Add lines 21 through 23	24			
	25 Enter amount from Form 1040, line 38 <u>25</u> <u>42408</u>	25			
	26 Multiply line 25 by 2% (0.02)	26	848		
	27 Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-	27		3152 Scli	
Other Miscellaneous Deductions	28 Other—from list in instructions. List type and amount ▶	28			
Total Itemized Deductions	29 Is Form 1040, line 38, over \$156,900?	29			
	<input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40.				
	<input type="checkbox"/> Yes. Your deduction may be limited. See the Itemized Deductions Worksheet in the instructions to figure the amount to enter.				
	30 If you elect to itemize deductions even though they are less than your standard deduction, check here				
				14152 Sd	

**SCHEDULE C
(Form 1040)**

**Profit or Loss From Business
(Sole Proprietorship)**

OMB No. 1545-0074

2018

Attachment
Sequence No. **09**

Department of the Treasury
Internal Revenue Service (99)

▶ Go to www.irs.gov/ScheduleC for instructions and the latest information.
▶ Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.

Name of proprietor	Social security number (SSN)
A Principal business or profession, including product or service (see instructions)	B Enter code from instructions ▶
C Business name. If no separate business name, leave blank.	D Employer ID number (EIN) (see instr.)
E Business address (including suite or room no.) ▶ City, town or post office, state, and ZIP code	
F Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ▶	
G Did you "materially participate" in the operation of this business during 2018? If "No," see instructions for limit on losses . <input type="checkbox"/> Yes <input type="checkbox"/> No	
H If you started or acquired this business during 2018, check here ▶ <input type="checkbox"/>	
I Did you make any payments in 2018 that would require you to file Form(s) 1099? (see instructions) <input type="checkbox"/> Yes <input type="checkbox"/> No	
J If "Yes," did you or will you file required Forms 1099? <input type="checkbox"/> Yes <input type="checkbox"/> No	

Part I Income			
1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked ▶ <input type="checkbox"/>	1	2000
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	Gross profit. Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	Gross income. Add lines 5 and 6 ▶	7	

Part II Expenses. Enter expenses for business use of your home only on line 30.			
8	Advertising	8	
9	Car and truck expenses (see instructions).	9	
10	Commissions and fees	10	
11	Contract labor (see instructions)	11	
12	Depletion	12	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions).	13	
14	Employee benefit programs (other than on line 19).	14	
15	Insurance (other than health)	15	
16	Interest (see instructions):		
a	Mortgage (paid to banks, etc.)	16a	
b	Other	16b	
17	Legal and professional services	17	
18	Office expense (see instructions)	18	
19	Pension and profit-sharing plans	19	
20	Rent or lease (see instructions):		
a	Vehicles, machinery, and equipment	20a	
b	Other business property	20b	
21	Repairs and maintenance	21	
22	Supplies (not included in Part III)	22	
23	Taxes and licenses	23	
24	Travel and meals:		
a	Travel	24a	
b	Deductible meals (see instructions)	24b	
25	Utilities	25	
26	Wages (less employment credits)	26	
27a	Other expenses (from line 48)	27a	
b	Reserved for future use	27b	
28	Total expenses before expenses for business use of home. Add lines 8 through 27a ▶	28	
29	Tentative profit or (loss). Subtract line 28 from line 7	29	
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). Simplified method filers only: enter the total square footage of: (a) your home: _____ and (b) the part of your home used for business: _____ . Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30	
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Schedule 1 (Form 1040), line 12 (or Form 1040NR, line 13) and on Schedule SE, line 2 . (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3 . • If a loss, you must go to line 32.	31	2000
32	If you have a loss, check the box that describes your investment in this activity (see instructions). • If you checked 32a, enter the loss on both Schedule 1 (Form 1040), line 12 (or Form 1040NR, line 13) and on Schedule SE, line 2 . (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on Form 1041, line 3 . • If you checked 32b, you must attach Form 6198 . Your loss may be limited.		

**SCHEDULE SE
(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)

Self-Employment Tax

▶ Go to www.irs.gov/ScheduleSE for instructions and the latest information.
▶ Attach to Form 1040 or Form 1040NR.

OMB No. 1545-0074

2018
Attachment
Sequence No. **17**

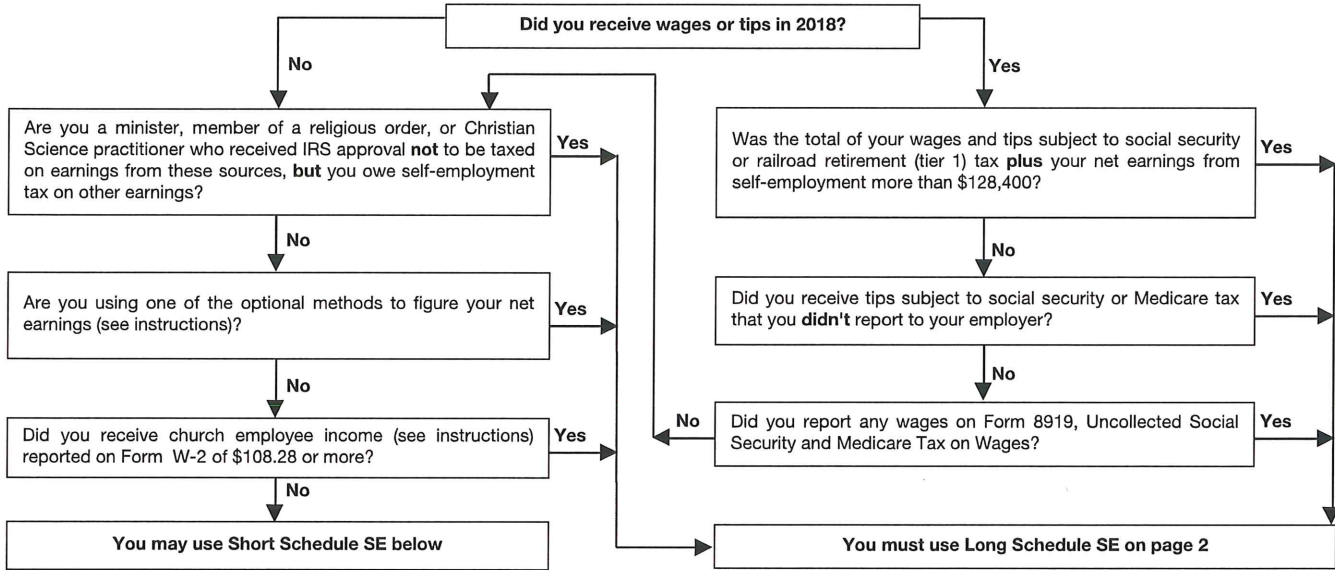
Name of person with self-employment income (as shown on Form 1040 or Form 1040NR)

Social security number of person
with self-employment income ▶

Before you begin: To determine if you must file Schedule SE, see the instructions.

May I Use Short Schedule SE or Must I Use Long Schedule SE?

Note: Use this flowchart **only** if you must file Schedule SE. If unsure, see *Who Must File Schedule SE* in the instructions.



Section A—Short Schedule SE. Caution: Read above to see if you can use Short Schedule SE.

1a Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A	1a		
b If you received social security retirement or disability benefits, enter the amount of Conservation Reserve Program payments included on Schedule F, line 4b, or listed on Schedule K-1 (Form 1065), box 20, code AH	1b ()
2 Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1. Ministers and members of religious orders, see instructions for types of income to report on this line. See instructions for other income to report	2	65000	4
3 Combine lines 1a, 1b, and 2	3	65000	
4 Multiply line 3 by 92.35% (0.9235). If less than \$400, you don't owe self-employment tax; don't file this schedule unless you have an amount on line 1b. ▶	4	60028	
Note: If line 4 is less than \$400 due to Conservation Reserve Program payments on line 1b, see instructions.			
5 Self-employment tax. If the amount on line 4 is: • \$128,400 or less, multiply line 4 by 15.3% (0.153). Enter the result here and on Schedule 4 (Form 1040), line 57, or Form 1040NR, line 55 • More than \$128,400, multiply line 4 by 2.9% (0.029). Then, add \$15,921.60 to the result. Enter the total here and on Schedule 4 (Form 1040), line 57, or Form 1040NR, line 55 . . .	5	9184	4a
6 Deduction for one-half of self-employment tax. Multiply line 5 by 50% (0.50). Enter the result here and on Schedule 1 (Form 1040), line 27, or Form 1040NR, line 27 . . .	6	4592	

Name of person with self-employment income (as shown on Form 1040 or Form 1040NR)

Social security number of person with self-employment income

Section B—Long Schedule SE

Part I Self-Employment Tax

Note: If your only income subject to self-employment tax is church employee income, see instructions. Also see instructions for the definition of church employee income.

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

1a Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A. Note: Skip lines 1a and 1b if you use the farm optional method (see instructions)

b If you received social security retirement or disability benefits, enter the amount of Conservation Reserve Program payments included on Schedule F, line 4b, or listed on Schedule K-1 (Form 1065), box 20, code AH

2 Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1. Ministers and members of religious orders, see instructions for types of income to report on this line. See instructions for other income to report. Note: Skip this line if you use the nonfarm optional method (see instructions)

3 Combine lines 1a, 1b, and 2

4a If line 3 is more than zero, multiply line 3 by 92.35% (0.9235). Otherwise, enter amount from line 3. Note: If line 4a is less than \$400 due to Conservation Reserve Program payments on line 1b, see instructions.

b If you elect one or both of the optional methods, enter the total of lines 15 and 17 here

c Combine lines 4a and 4b. If less than \$400, stop; you don't owe self-employment tax.

Exception: If less than \$400 and you had church employee income, enter -0- and continue

5a Enter your church employee income from Form W-2. See instructions for definition of church employee income

b Multiply line 5a by 92.35% (0.9235). If less than \$100, enter -0-

6 Add lines 4c and 5b

7 Maximum amount of combined wages and self-employment earnings subject to social security tax or the 6.2% portion of the 7.65% railroad retirement (tier 1) tax for 2018

8a Total social security wages and tips (total of boxes 3 and 7 on Form(s) W-2) and railroad retirement (tier 1) compensation. If \$128,400 or more, skip lines 8b through 10, and go to line 11

b Unreported tips subject to social security tax (from Form 4137, line 10)

c Wages subject to social security tax (from Form 8919, line 10)

d Add lines 8a, 8b, and 8c

9 Subtract line 8d from line 7. If zero or less, enter -0- here and on line 10 and go to line 11

10 Multiply the smaller of line 6 or line 9 by 12.4% (0.124)

11 Multiply line 6 by 2.9% (0.029)

12 Self-employment tax. Add lines 10 and 11. Enter here and on Schedule 4 (Form 1040), line 57, or Form 1040NR, line 55

13 Deduction for one-half of self-employment tax. Multiply line 12 by 50% (0.50). Enter the result here and on Schedule 1 (Form 1040), line 27, or Form 1040NR, line 27

Part II Optional Methods To Figure Net Earnings (see instructions)

Farm Optional Method. You may use this method only if (a) your gross farm income1 wasn't more than \$7,920, or (b) your net farm profits2 were less than \$5,717.

14 Maximum income for optional methods

15 Enter the smaller of: two-thirds (2/3) of gross farm income1 (not less than zero) or \$5,280. Also include this amount on line 4b above

Nonfarm Optional Method. You may use this method only if (a) your net nonfarm profits3 were less than \$5,717 and also less than 72.189% of your gross nonfarm income,4 and (b) you had net earnings from self-employment of at least \$400 in 2 of the prior 3 years. Caution: You may use this method no more than five times.

16 Subtract line 15 from line 14

17 Enter the smaller of: two-thirds (2/3) of gross nonfarm income4 (not less than zero) or the amount on line 16. Also include this amount on line 4b above

1 From Sch. F, line 9, and Sch. K-1 (Form 1065), box 14, code B.

2 From Sch. F, line 34, and Sch. K-1 (Form 1065), box 14, code A—minus the amount you would have entered on line 1b had you not used the optional method.

3 From Sch. C, line 31; Sch. C-EZ, line 3; Sch. K-1 (Form 1065), box 14, code A; and Sch. K-1 (Form 1065-B), box 9, code J1.

4 From Sch. C, line 7; Sch. C-EZ, line 1; Sch. K-1 (Form 1065), box 14, code C; and Sch. K-1 (Form 1065-B), box 9, code J2.