

Deduction Worksheet for Self-Employed

Rate table for self-employed. If your plan's contribution rate is a whole percentage (for example, 12% rather than 12¹/₂%), 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, 10¹/₂%), 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, 10¹/₂% = 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 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.

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)*. For information on other income included in net profit from self-employment, see the Instructions for Schedule SE, Form 1040.	
	*Reduce this amount by any amount reported on Schedule SE (Form 1040), line 1b.	
	**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 Form 1040, line 27	
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 \$250,000 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	\$50,000
	<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 2012. Do not enter more than \$17,000	
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 your actual contribution, not to exceed your maximum deductible contribution, on Form 1040, line 28.	

Rate Table for Self-Employed

Column A If the plan contribution rate is: (shown as %)	Column B 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 \$9,504. 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

- Plan contribution rate as a decimal (for example, 10½% = 0.105) 0.085
- Rate in line 1 plus 1 (for example, 0.105 + 1 = 1.105) 1.085
- 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

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)*. For information on other income included in net profit from self-employment, see the Instructions for Schedule SE, Form 1040.	\$200,000
*Reduce this amount by any amount reported on Schedule SE (Form 1040), line 1b. **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 Form 1040, line 27	9,504
Step 3 Net earnings from self-employment. Subtract step 2 from step 1	190,496
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	14,859
Step 6 Multiply \$250,000 by your plan contribution rate (not the reduced rate)	21,250
Step 7 Enter the smaller of step 5 or step 6	14,859
Step 8 Contribution dollar limit	\$50,000
• 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 2012. Do not enter more than \$17,000	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	
• 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	\$14,859
Next: Enter your actual contribution, not to exceed your maximum deductible contribution, on Form 1040, line 28.	