

## Example One: Active Minister

**Note:** This example is based on an illustrated example contained at the end of IRS *Publication 517*. Because the 2018 version of IRS *Publication 517* was not available as of the date of printing and due to the major changes to tax law effective for the 2018 tax year, this example may be somewhat different than the example in IRS *Publication 517*.

Rev. John Michaels is the minister of the First Baptist Church. He is married and has one child. The child is considered a qualifying child for the child tax credit. Mrs. Michaels is not employed outside the home. Rev. Michaels is a common-law employee of the church, and he has not applied for an exemption from SECA tax. The church paid Rev. Michaels a salary of \$45,000. In addition, as a self-employed person, he earned \$4,000 during the year for weddings, baptisms, and honoraria. He made estimated tax payments during the year totaling \$12,000. He taught a course at the local community college, for which he was paid \$3,400. Rev. Michaels owns a home next to the church. He makes a \$1,125 per month mortgage payment of principal and interest only. His utility bills and other housing-related expenses for the year totaled \$1,450, and the real estate taxes on his home amounted to \$1,750 for the year. The church paid him \$1,400 per month as his parsonage allowance. The home's fair rental value is \$1,380 per month (furnished, utilities already included).

The parts of Rev. and Mrs. Michaels' income tax return are explained in the order they are completed. They are illustrated in the order that Rev. Michaels will assemble the return to send it to the IRS.

Because of tax reform, certain schedules prepared by Rev. Michaels in the prior tax year are not prepared for this example. First, because unreimbursed business expenses are no longer deductible as itemized deductions for purposes of federal income tax, *Schedule 2106-EZ* is not prepared. Additionally, because the \$14,535 remaining available itemized deductions (comprised of state and local sales taxes of \$1,175, real estate taxes of \$1,750, home mortgage interest of \$6,810, and cash contributions of \$4,800) are less than the new \$24,000 standard deduction for married couples filing jointly, *Schedule A* is not prepared.

### Form W-2 from Church

The church completed *Form W-2* for Rev. Michaels as follows:

**Box 1.** The church entered Rev. Michaels' \$45,000 salary.

**Box 2.** The church left this box blank because Rev. Michaels did not request federal income tax withholding.

**Boxes 3 through 6.** Rev. Michaels is considered a self-employed person for purposes of FICA tax withholding, so the church left these boxes blank.

**Box 14.** The church entered Rev. Michaels' total parsonage allowance for the year and identified it.

**TurboTax® Tip:** Listed below are tips for ministers who use TurboTax to complete their returns. We have listed our recommended responses to some of the questions asked by the software when entering your *Form W-2* from your church. These tips should not be construed as an endorsement or recommendation of the TurboTax software.

1. "Do any of these apply to this *Form W-2*?"

Be sure to check the box that says, "Religious employment — This income was for religious employment (clergy, nonclergy, religious sect)."

2. "About your religious employment."

Please note that ministers fall under the category of clergy employment.

3. "Tell us about your clergy housing." TurboTax then asks for the parsonage or housing allowance, as well as the amount of qualifying expenses.

The amount you should enter for qualifying expenses is the lesser of your actual housing expenses, the annual fair rental value of your home (furnished, plus utilities), or the amount of your pay that was designated as ministerial housing allowance by your church.

4. "How would you like us to calculate clergy self-employment tax?"

Please note that self-employment tax should be paid on wages and housing allowance. See *Schedule SE TurboTax Tip* for additional information.

### Form W-2 from College

The community college gave Rev. Michaels a *Form W-2* that showed the following:

**Box 1.** The college entered Rev. Michaels' \$3,400 salary.

**Box 2.** The college withheld \$272 in federal income tax on Rev. Michaels' behalf.

**Boxes 3 and 5.** As an employee of the college, Rev. Michaels is subject to FICA withholding on his full salary from the college.

**Box 4.** The college withheld \$210.80 in Social Security taxes.

**Box 6.** The college withheld \$49.30 in Medicare taxes.

## ***Schedule C-EZ (Form 1040)***

Some of Rev. Michaels' entries on *Schedule C-EZ* are explained here.

**Line 1.** Rev. Michaels reports the \$4,000 from weddings, baptisms, and honoraria.

**Line 2.** Rev. Michaels reports his expenses related to the line 1 amount. The total consisted of \$87 for marriage and family booklets and \$251 for 461 miles of business use of his car, mainly in connection with honoraria. Rev. Michaels used the standard mileage rate to figure his car expense. He multiplied the standard mileage rate of 54.5 cents by 461 miles for a total of \$251. These expenses total \$338 (\$251 + \$87). However, he cannot deduct the part of his expenses allocable to his tax-free parsonage allowance. He attaches the required statement, *Attachment 1* (shown later), to his return showing that 25 percent (or \$85) of his business expenses are not deductible because they are allocable to that tax-free allowance. He subtracts the \$85 from the \$338 and enters the \$253 difference on line 2.

**Line 3.** He enters his net profit of \$3,747 both on line 3 and on *Schedule 1 (Form 1040)* line 12.

**Lines 4 through 8b.** Rev. Michaels fills out these lines to report information about his car.

**TurboTax Tip:** TurboTax does not appear to calculate the non-deductible portion of the expenses that should be allocated to the tax-free portion of the housing allowance. The taxpayer will need to adjust the expenses (as shown in *Attachment 1*) and input the reduced figure into the software.

## ***Schedule SE (Form 1040)***

After Rev. Michaels prepares *Schedule C-EZ*, he fills out *Schedule SE (Form 1040)*. He reads the chart on page 1 of the schedule, which tells him he can use Section A—Short Schedule SE to figure his self-employment tax. Rev. Michaels is a minister, so his salary from the church is not considered church employee income. Thus, he does not have to use Section B—Long Schedule SE. He fills out the following lines in Section A:

**Line 2.** Rev. Michaels attaches a statement (see *Attachment 2*, later) that explains how he figures the amount (\$63,826) he enters here. The calculation in *Attachment 2* includes unreimbursed business expenses from his work for the church. Although unreimbursed business expenses are clearly no longer

deductible on *Schedule A* as itemized deductions for federal income tax purposes, there is still some ambiguity as of the date of this writing as to whether these expenses remain deductible for self-employment tax purposes. The author has prepared this example, based on rulings and other information, assuming unreimbursed business expenses are deductible against self-employment earnings. Ministers should consult with their personal tax advisors regarding the deductibility of these expenses for purposes of self-employment tax on their 2018 *Form 1040*, in light of the developing nature of guidance in this area as of the date of this writing. Rev. Michaels' records show that he drove 2,600 miles. He multiplies miles driven by the mileage rate of 54.5 cents. The combined result is \$1,417. Additionally, Rev. Michaels paid \$219 for professional publications and booklets in connection with his work for the church. The total unreimbursed business expenses were \$1,636. After including the \$85 of *Schedule C-EZ* expenses allocable to tax-free income, the total deductions against self-employment income are \$1,721.

**Line 4.** He multiplies \$63,826 by .9235 to get his net earnings from self-employment (\$58,943).

**Line 5.** The amount on line 4 is less than \$128,400, so Rev. Michaels multiplies the amount on line 4 (\$58,943) by .153 to get his self-employment tax of \$9,018. He enters that amount here and on *Schedule 4 (Form 1040)* lines 57 and 64.

**Line 6.** Rev. Michaels multiplies the amount on line 5 by .50 to get his deduction for the employer-equivalent portion of self-employment tax of \$4,509. He enters that amount here and on *Schedule 1 (Form 1040)* line 27.

**TurboTax Tip:** The software asks about self-employment tax on clergy wages. The taxpayer should check the box to pay self-employment tax on wages and housing allowance (assuming, as shown in this example, that the minister has not applied for exemption from the SECA tax). Please note that the software does not appear to automatically reduce self-employment wages by the business expenses allocated to tax-free income. The taxpayer will need to adjust net self-employment income (as shown in *Attachment 2*) and input the reduced figure into the software. This can be done by going into the "Business Taxes" section and selecting "Self-Employment Tax". Choose "Make Adjustments", and enter in the "Ministerial Business Expenses" item the additional expenses that were allocable to tax-free income (\$1,721 in this example — see *Attachment 2*).

## ***Form 1040, Schedule 1 (Form 1040), Schedule 4 (Form 1040), and Schedule 5 (Form 1040)***

After Rev. Michaels prepares the above schedules, he fills out *Form 1040*, along with *Schedules 1* through *5* to the extent required. He files a joint return with his wife. First he fills out *Form*

*1040*, Page 1 and completes the appropriate lines for his filing status and exemptions. Then, he fills out the rest of the forms as follows:

**Form 1040, Page 2, line 1.** Rev. Michaels reports \$48,640. This amount is the total of his \$45,000 church salary, \$3,400 college salary, and \$240, the excess of the amount designated and paid to him as a parsonage allowance over the lesser of his actual expenses and the fair rental value of his home (furnished, plus utilities). The two salaries were reported to him in Box 1 of the *Forms W-2* he received.

**Schedule 1 (Form 1040) line 12.** He reports his net profit of \$3,747 from *Schedule C-EZ* line 3. Since no other amounts are reported on *Schedule 1 (Form 1040)* lines 1–21, he also reports this amount on line 22 and carries the figure to the blank space on *Form 1040*, Page 2, line 6.

**Form 1040, Page 2, line 6.** Rev. Michaels adds *Form 1040*, Page 2, line 1 and the amount reported on the blank space on *Form 1040*, Page 2, line 6 and enters the total (\$52,387) on line 6.

**Form 1040, Page 2, line 7.** Because Rev. Michaels has reported deductible self-employment tax on *Schedule 1 (Form 1040)* line 27, Rev. Michaels goes to *Schedule 1 (Form 1040)* and completes the bottom section of the form. Since there are no other amounts listed on lines 23–33, Rev. Michaels reports \$4,509 on line 36 and subtracts this amount from the amount reported on *Form 1040*, Page 2, line 6. The result (\$47,878) is entered on *Form 1040*, Page 2, line 7. This is his AGI.

**Form 1040, Page 2, line 8.** He enters the standard deduction for married couples filing jointly (\$24,000) on line 8.

**Form 1040, Page 2, line 9.** He enters \$749 on line 9. (Note: Because the Michaels' line 7 AGI is less than \$315,000, Rev. Michaels is eligible for the qualified business income deduction equal to 20 percent of his *Schedule C-EZ* net profit of \$3,747.)

**Form 1040, Page 2, line 10.** Rev. Michaels subtracts line 8 from line 7. This is his taxable income.

**Form 1040, Page 2, lines 11a and 11.** Rev. Michaels uses the tax tables in the 2018 *Form 1040* instructions to determine his applicable tax and enters the amount (\$2,394) on the space provided on lines 11a and 11.


**Form 1040, Page 2, line 12a.** The Michaels can take the child tax credit for their daughter, Jennifer. Rev. Michaels figures the credit by completing the Child Tax Credit Worksheet (not shown) contained in the *Form 1040* general instructions. He enters the \$2,000 credit. (Note: The Michaels are not required to attach *Schedule 8812* to claim the child tax credit since they are not eligible for the additional child tax credit and their daughter does not have an individual taxpayer identification number (ITIN). The IRS issues ITINs to foreign nationals and others who have federal tax reporting or

filing requirements and do not qualify for Social Security numbers (SSNs). Since Jennifer has an SSN, she is not required to obtain an ITIN and therefore *Schedule 8812* is not applicable.)

**Form 1040, Page 2, line 14 and Schedule 4 (Form 1040).** Rev. Michaels completes *Schedule 4 (Form 1040)*. Since the only amount reported on *Schedule 4 (Form 1040)* is his self-employment tax from *Schedule SE*, he reports the amount (\$9,018) on *Schedule 4 (Form 1040)* line 64 and on *Form 1040*, Page 2, line 14.

**Form 1040, Page 2, line 16.** He enters the federal income tax shown in Box 2 of his *Form W-2* from the college.

**Form 1040, Page 2, line 17 and Schedule 5 (Form 1040).** Rev. Michaels enters the \$12,000 estimated tax payments he made for the year on *Schedule 5 (Form 1040)* line 66. Since there are no other amounts reported on *Schedule 5 (Form 1040)*, he reports the amount on *Schedule 5 (Form 1040)* line 75 and also enters the amount on the blank space provided beside "Add any amount from Schedule 5" on line 17 and on line 17 itself.

		<b>a</b> Employee's social security number 011-00-1111		OMB No. 1545-0008		Safe, accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile	
<b>b</b> Employer identification number (EIN) 00-0246810				<b>1</b> Wages, tips, other compensation 45000.00		<b>2</b> Federal income tax withheld					
<b>c</b> Employer's name, address, and ZIP code  First Baptist Church 1042 Main Street Hometown, Texas 77099				<b>3</b> Social security wages		<b>4</b> Social security tax withheld					
				<b>5</b> Medicare wages and tips		<b>6</b> Medicare tax withheld					
				<b>7</b> Social security tips		<b>8</b> Allocated tips					
<b>d</b> Control number				<b>9</b> Verification code		<b>10</b> Dependent care benefits					
<b>e</b> Employee's first name and initial      Last name      Suff.  John E. Michaels 1040 Main Street Hometown, Texas 77099				<b>11</b> Nonqualified plans		<b>12a</b> See instructions for box 12					
				<b>13</b> Statutory employee      Retirement plan      Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		<b>12b</b>					
				<b>14</b> Other Parsonage Allowance \$16800		<b>12c</b>					
						<b>12d</b>					
<b>f</b> Employee's address and ZIP code											
<b>15</b> State      Employer's state ID number		<b>16</b> State wages, tips, etc.		<b>17</b> State income tax		<b>18</b> Local wages, tips, etc.		<b>19</b> Local income tax		<b>20</b> Locality name	
-----		-----		-----		-----		-----		-----	


Form **W-2** Wage and Tax Statement

2018

Department of the Treasury—Internal Revenue Service

Copy B—To Be Filed With Employee's FEDERAL Tax Return.  
This information is being furnished to the Internal Revenue Service.

Sample: from church

		<b>a</b> Employee's social security number 011-00-1111		OMB No. 1545-0008		Safe, accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile	
<b>b</b> Employer identification number (EIN)				<b>1</b> Wages, tips, other compensation 3400.00		<b>2</b> Federal income tax withheld 272.00					
<b>c</b> Employer's name, address, and ZIP code Hometown College 40 Honor Road Hometown, Texas 77099				<b>3</b> Social security wages 3400.00		<b>4</b> Social security tax withheld 210.80					
				<b>5</b> Medicare wages and tips 3400.00		<b>6</b> Medicare tax withheld 49.30					
				<b>7</b> Social security tips		<b>8</b> Allocated tips					
<b>d</b> Control number				<b>9</b> Verification code				<b>10</b> Dependent care benefits			
<b>e</b> Employee's first name and initial      Last name      Suff.  John E. Michaels 1040 Main Street Hometown, Texas 77099				<b>11</b> Nonqualified plans				<b>12a</b> See instructions for box 12			
				<b>13</b> Statutory employee      Retirement plan      Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		<b>12b</b>					
				<b>14</b> Other				<b>12c</b>			
								<b>12d</b>			
<b>f</b> Employee's address and ZIP code											
<b>15</b> State      Employer's state ID number		<b>16</b> State wages, tips, etc.		<b>17</b> State income tax		<b>18</b> Local wages, tips, etc.		<b>19</b> Local income tax		<b>20</b> Locality name	

Form **W-2** Wage and Tax Statement

2018

Department of the Treasury—Internal Revenue Service

Copy B—To Be Filed With Employee's FEDERAL Tax Return.  
This information is being furnished to the Internal Revenue Service.

Sample: from college

Filing status:  Single  Married filing jointly  Married filing separately  Head of household  Qualifying widow(er)

Your first name and initial: **John E.** Last name: **Michaels** Your social security number: **0 1 1 0 0 1 1 1 1**

Your standard deduction:  Someone can claim you as a dependent  You were born before January 2, 1954  You are blind

If joint return, spouse's first name and initial: **Susan R.** Last name: **Michaels** Spouse's social security number: **0 1 1 0 0 2 2 2 2**

Spouse standard deduction:  Someone can claim your spouse as a dependent  Spouse was born before January 2, 1954  Full-year health care coverage or exempt (see inst.)

Spouse is blind  Spouse itemizes on a separate return or you were dual-status alien

Home address (number and street). If you have a P.O. box, see instructions. **1040 Main Street** Apt. no. **Presidential Election Campaign (see inst.)**  You  Spouse

City, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule 6. **Hometown, Texas 77099** If more than four dependents, see inst. and  here

Dependents (see instructions):		(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see inst.):	
(1) First name	Last name			Child tax credit	Credit for other dependents
Jennifer	Michaels	0 1 1 0 0 3 3 3 3	Daughter	<input checked="" type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

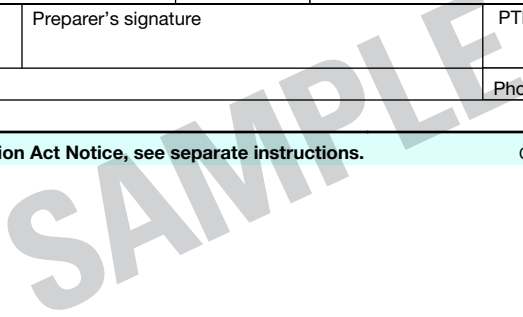
**Sign Here** Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See instructions. Keep a copy for your records.

Your signature <i>John E. Michaels</i>	Date <b>3/15/19</b>	Your occupation <b>Minister</b>	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
Spouse's signature. If a joint return, <b>both</b> must sign. <i>Susan R. Michaels</i>	Date <b>3/15/19</b>	Spouse's occupation <b>Homemaker</b>	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

**Paid Preparer Use Only**

Preparer's name	Preparer's signature	PTIN	Firm's EIN	Check if: <input type="checkbox"/> 3rd Party Designee <input type="checkbox"/> Self-employed
Firm's name ▶	Phone no.			
Firm's address ▶				



Attach Form(s) W-2. Also attach Form(s) W-2G and 1099-R if tax was withheld.

**Standard Deduction for —**

- Single or married filing separately, \$12,000
- Married filing jointly or Qualifying widow(er), \$24,000
- Head of household, \$18,000
- If you checked any box under Standard deduction, see instructions.

<b>1</b>	Wages, salaries, tips, etc. Attach Form(s) W-2	<b>1</b>	48,640
<b>2a</b>	Tax-exempt interest	<b>2b</b>	Taxable interest
<b>3a</b>	Qualified dividends	<b>3b</b>	Ordinary dividends
<b>4a</b>	IRAs, pensions, and annuities	<b>4b</b>	Taxable amount
<b>5a</b>	Social security benefits	<b>5b</b>	Taxable amount
<b>6</b>	Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22	<b>6</b>	52,387
<b>7</b>	Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6	<b>7</b>	47,878
<b>8</b>	<b>Standard deduction or itemized deductions</b> (from Schedule A)	<b>8</b>	24,000
<b>9</b>	Qualified business income deduction (see instructions)	<b>9</b>	749
<b>10</b>	Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0-	<b>10</b>	23,129
<b>11</b>	<b>a</b> Tax (see inst) <u>2,394</u> (check if any from: <b>1</b> <input type="checkbox"/> Form(s) 8814 <b>2</b> <input type="checkbox"/> Form 4972 <b>3</b> <input type="checkbox"/> )	<b>11</b>	2,394
	<b>b</b> Add any amount from Schedule 2 and check here <input type="checkbox"/>		
<b>12</b>	<b>a</b> Child tax credit/credit for other dependents <u>2,000</u> <b>b</b> Add any amount from Schedule 3 and check here <input type="checkbox"/>	<b>12</b>	2,000
<b>13</b>	Subtract line 12 from line 11. If zero or less, enter -0-	<b>13</b>	394
<b>14</b>	Other taxes. Attach Schedule 4	<b>14</b>	9,018
<b>15</b>	Total tax. Add lines 13 and 14	<b>15</b>	9,412
<b>16</b>	Federal income tax withheld from Forms W-2 and 1099	<b>16</b>	272
<b>17</b>	Refundable credits: <b>a</b> EIC (see inst.) <b>b</b> Sch 8812 <b>c</b> Form 8863		
	<b>Add</b> any amount from Schedule 5 <u>12,000</u>	<b>17</b>	12,000
<b>18</b>	Add lines 16 and 17. These are your total payments	<b>18</b>	12,272
<b>19</b>	If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you <b>overpaid</b>	<b>19</b>	2,860
<b>20a</b>	Amount of line 19 you want <b>refunded to you</b> . If Form 8888 is attached, check here <input type="checkbox"/>	<b>20a</b>	
<b>21</b>	Amount of line 19 you want <b>applied to your 2019 estimated tax</b>	<b>21</b>	2,860
<b>22</b>	<b>Amount you owe</b> . Subtract line 18 from line 15. For details on how to pay, see instructions	<b>22</b>	
<b>23</b>	Estimated tax penalty (see instructions)	<b>23</b>	

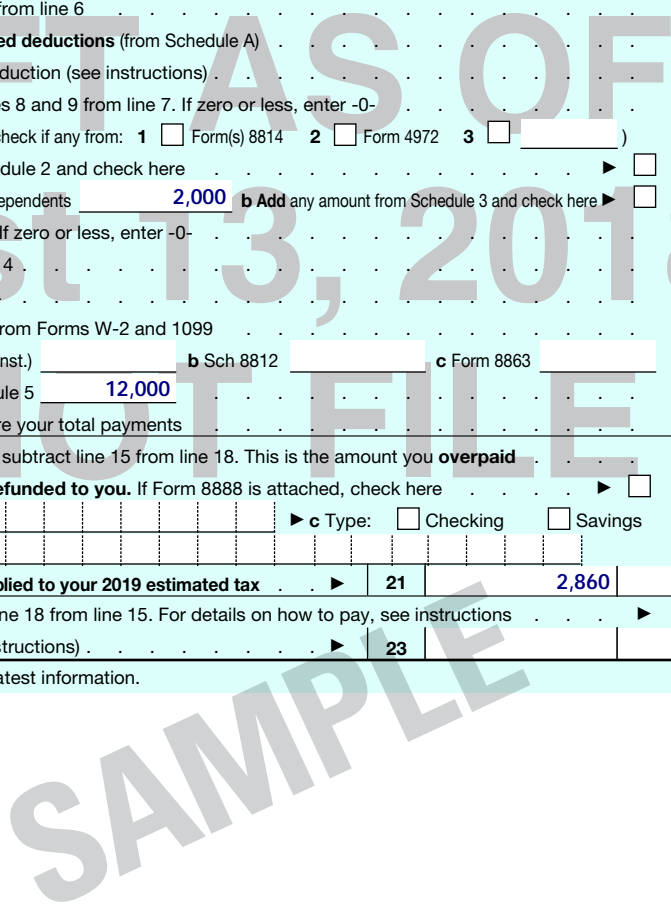
**Refund**

Direct deposit? See instructions.

**20a** Amount of line 19 you want refunded to you. If Form 8888 is attached, check here

**b** Routing number  **c** Type:  Checking  Savings

**d** Account number



**SCHEDULE 1**  
**(Form 1040)**

**Additional Income and Adjustments to Income**

OMB No. 1545-0074

**2018**  
Attachment  
Sequence No. **01**

Department of the Treasury  
Internal Revenue Service

▶ **Attach to Form 1040.**

▶ **Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.**

Name(s) shown on Form 1040

**John E. & Susan R. Michaels**

Your social security number

**011-00-1111**

<b>Additional Income</b>					
<b>1-9b</b>	Reserved			<b>1-9b</b>	
<b>10</b>	Taxable refunds, credits, or offsets of state and local income taxes			<b>10</b>	
<b>11</b>	Alimony received			<b>11</b>	
<b>12</b>	Business income or (loss). Attach Schedule C or C-EZ			<b>12</b>	<b>3,747</b>
<b>13</b>	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>			<b>13</b>	
<b>14</b>	Other gains or (losses). Attach Form 4797			<b>14</b>	
<b>15a</b>	Reserved			<b>15b</b>	
<b>16a</b>	Reserved			<b>16b</b>	
<b>17</b>	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E			<b>17</b>	
<b>18</b>	Farm income or (loss). Attach Schedule F			<b>18</b>	
<b>19</b>	Unemployment compensation			<b>19</b>	
<b>20a</b>	Reserved			<b>20b</b>	
<b>21</b>	Other income. List type and amount ▶			<b>21</b>	
<b>22</b>	Combine the amounts in the far right column. If you don't have any adjustments to income, enter here and include on Form 1040, line 6. Otherwise, go to line 23			<b>22</b>	<b>3,747</b>
<b>Adjustments to Income</b>					
<b>23</b>	Educator expenses	<b>23</b>			
<b>24</b>	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	<b>24</b>			
<b>25</b>	Health savings account deduction. Attach Form 8889	<b>25</b>			
<b>26</b>	Moving expenses for members of the Armed Forces. Attach Form 3903	<b>26</b>			
<b>27</b>	Deductible part of self-employment tax. Attach Schedule SE	<b>27</b>	<b>4,509</b>		
<b>28</b>	Self-employed SEP, SIMPLE, and qualified plans	<b>28</b>			
<b>29</b>	Self-employed health insurance deduction	<b>29</b>			
<b>30</b>	Penalty on early withdrawal of savings	<b>30</b>			
<b>31a</b>	Alimony paid <b>b</b> Recipient's SSN ▶	<b>31a</b>			
<b>32</b>	IRA deduction	<b>32</b>			
<b>33</b>	Student loan interest deduction	<b>33</b>			
<b>34</b>	Reserved	<b>34</b>			
<b>35</b>	Reserved	<b>35</b>			
<b>36</b>	Add lines 23 through 35	<b>36</b>			<b>4,509</b>

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71479F

Schedule 1 (Form 1040) 2018



**SCHEDULE 4  
(Form 1040)**

**Other Taxes**

OMB No. 1545-0074

Department of the Treasury  
Internal Revenue Service

▶ **Attach to Form 1040.**

**2018**  
Attachment  
Sequence No. **04**

▶ **Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.**

Name(s) shown on Form 1040

**John E. & Susan R. Michaels**

Your social security number

**011-00-1111**

**Other  
Taxes**

<b>57</b>	Self-employment tax. Attach Schedule SE . . . . .	<b>57</b>	<b>9,018</b>
<b>58</b>	Unreported social security and Medicare tax from: Form <b>a</b> <input type="checkbox"/> 4137 <b>b</b> <input type="checkbox"/> 8919	<b>58</b>	
<b>59</b>	Additional tax on IRAs, other qualified retirement plans, and other tax-favored accounts. Attach Form 5329 if required . . . . .	<b>59</b>	
<b>60a</b>	Household employment taxes. Attach Schedule H . . . . .	<b>60a</b>	
<b>b</b>	Repayment of first-time homebuyer credit from Form 5405. Attach Form 5405 if required . . . . .	<b>60b</b>	
<b>61</b>	Health care: individual responsibility (see instructions) . . . . .	<b>61</b>	
<b>62</b>	Taxes from: <b>a</b> <input type="checkbox"/> Form 8959 <b>b</b> <input type="checkbox"/> Form 8960 <b>c</b> <input type="checkbox"/> Instructions; enter code(s)	<b>62</b>	
<b>63</b>	Section 965 net tax liability installment from Form 965-A . . . . .	<b>63</b>	
<b>64</b>	Add the amounts in the far right column. These are your <b>total other taxes</b> . Enter here and on Form 1040, line 14 . . . . .	<b>64</b>	<b>9,018</b>

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71481R

Schedule 4 (Form 1040) 2018

**SCHEDULE 5**  
**(Form 1040)**

**Other Payments and Refundable Credits**

OMB No. 1545-0074

Department of the Treasury  
Internal Revenue Service

▶ **Attach to Form 1040.**

▶ **Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.**

**2018**  
Attachment  
Sequence No. **05**

Name(s) shown on Form 1040

**John E. & Susan R. Michaels**

Your social security number

**011-00-1111**

<b>Other Payments and Refundable Credits</b>	<b>65</b>	Reserved . . . . .	<b>65</b>		
	<b>66</b>	2018 estimated tax payments and amount applied from 2017 return . . . . .	<b>66</b>	<b>12,000</b>	
	<b>67a</b>	Reserved . . . . .	<b>67a</b>		
	<b>b</b>	Reserved . . . . .	<b>67b</b>		
	<b>68-69</b>	Reserved . . . . .	<b>68-69</b>		
	<b>70</b>	Net premium tax credit. Attach Form 8962 . . . . .	<b>70</b>		
	<b>71</b>	Amount paid with request for extension to file (see instructions) . . . . .	<b>71</b>		
	<b>72</b>	Excess social security and tier 1 RRTA tax withheld . . . . .	<b>72</b>		
	<b>73</b>	Credit for federal tax on fuels. Attach Form 4136 . . . . .	<b>73</b>		
	<b>74</b>	Credits from Form: <b>a</b> <input type="checkbox"/> 2439 <b>b</b> <input type="checkbox"/> Reserved <b>c</b> <input type="checkbox"/> 8885 <b>d</b> <input type="checkbox"/> . . . . .	<b>74</b>		
<b>75</b>	Add the amounts in the far right column. These are your total <b>other payments and refundable credits</b> . Enter here and include on Form 1040, line 17. . . . .	<b>75</b>	<b>12,000</b>		

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71482C

Schedule 5 (Form 1040) 2018

DRAFT AS OF JANUARY 2018  
DO NOT FILE

SAMPLE

**SCHEDULE C-EZ  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service (99)

Name of proprietor

John E. Michaels

**Net Profit From Business**

(Sole Proprietorship)

▶ **Partnerships, joint ventures, etc., generally must file Form 1065.**  
▶ **Attach to Form 1040, 1040NR, or 1041. ▶ See instructions on page 2.**

OMB No. 1545-0074

**2018**  
Attachment  
Sequence No. **09A**

Social security number (SSN)

011-00-1111

**Part I General Information**

**You may use  
Schedule C-EZ  
instead of  
Schedule C  
only if you:**

- Had business expenses of \$5,000 or less,
- Use the cash method of accounting,
- Did not have an inventory at any time during the year,
- Did not have a net loss from your business,
- Had only one business as either a sole proprietor, qualified joint venture, or statutory employee,

**And you:**

- Had no employees during the year,
- Do not deduct expenses for business use of your home,
- Do not have prior year unallowed passive activity losses from this business, and
- Are not required to file **Form 4562**, Depreciation and Amortization, for this business. See the instructions for Schedule C, line 13, to find out if you must file.

<b>A</b> Principal business or profession, including product or service <u>Minister</u>	<b>B</b> Enter business code (see page 2) ▶ <u>5 4 1 9 9 0</u>
<b>C</b> Business name. If no separate business name, leave blank.	<b>D</b> Enter your EIN (see page 2) 
<b>E</b> Business address (including suite or room no.). Address not required if same as on page 1 of your tax return. <u>1042 Main Street</u> City, town or post office, state, and ZIP code <u>Hometown, Texas 77099</u>	
<b>F</b> Did you make any payments in 2018 that would require you to file Form(s) 1099? (see the Instructions for Schedule C) . . . . . <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
<b>G</b> If "Yes," did you or will you file required Forms 1099? . . . . . <input type="checkbox"/> Yes <input type="checkbox"/> No	

**Part II Figure Your Net Profit**

<b>1</b> <b>Gross receipts. Caution:</b> If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see <i>Statutory employees</i> in the instructions for Schedule C, line 1, and check here . . . . . ▶ <input type="checkbox"/>	<b>1</b>	<u>4,000</u>	
<b>2</b> <b>Total expenses</b> (see page 2). If more than \$5,000, you <b>must</b> use Schedule C . . . . .	<b>2</b>	<u>253</u>	*
<b>3</b> <b>Net profit.</b> Subtract line 2 from line 1. If less than zero, you <b>must</b> use Schedule C. Enter on both <b>Schedule 1 (Form 1040), line 12</b> , and <b>Schedule SE, line 2</b> , or on <b>Form 1040NR, line 13</b> , and <b>Schedule SE, line 2</b> (see page 2). (Statutory employees <b>do not</b> report this amount on Schedule SE, line 2.) Estates and trusts, enter on <b>Form 1041, line 3</b> . . . . .	<b>3</b>	<u>3,747</u>	

**Part III Information on Your Vehicle.** Complete this part **only** if you are claiming car or truck expenses on line 2.

**4** When did you place your vehicle in service for business purposes? (month, day, year) ▶ 7/15/11

**5** Of the total number of miles you drove your vehicle during 2018, enter the number of miles you used your vehicle for:

**a** Business 461      **b** Commuting (see page 2) 0      **c** Other 7,478

**6** Was your vehicle available for personal use during off-duty hours? . . . . .  **Yes**  **No**

**7** Do you (or your spouse) have another vehicle available for personal use? . . . . .  **Yes**  **No**

**8a** Do you have evidence to support your deduction? . . . . .  **Yes**  **No**

**b** If "Yes," is the evidence written? . . . . .  **Yes**  **No**

## Instructions

**Future developments.** For the latest information about developments related to Schedule C-EZ (Form 1040) and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/ScheduleCEZ](http://www.irs.gov/ScheduleCEZ).



*Before you begin, see General Instructions in the 2018 Instructions for Schedule C.*

You can use Schedule C-EZ instead of Schedule C if:

- You operated a business or practiced a profession as a sole proprietorship or qualified joint venture, or you were a statutory employee, and
- You have met all the requirements listed in Schedule C-EZ, Part I.

For more information on electing to be taxed as a qualified joint venture (including the possible social security benefits of this election), see *Qualified Joint Venture* in the Instructions for Schedule C. You can also go to [www.irs.gov/QJV](http://www.irs.gov/QJV).

### Line A

Describe the business or professional activity that provided your principal source of income reported on line 1. Give the general field or activity and the type of product or service.

### Line B

Enter the six-digit code that identifies your principal business or professional activity. See the Instructions for Schedule C for the list of codes.

### Line D

Enter on line D the employer identification number (EIN) that was issued to you and in your name as a sole proprietor. If you are filing Form 1041, enter the EIN issued to the estate or trust. Do not enter your SSN. Do not enter another taxpayer's EIN (for example, from any Forms 1099-MISC that you received). **If you do not have an EIN, leave line D blank.**

You need an EIN only if you have a qualified retirement plan or are required to file an employment, excise, alcohol, tobacco, or firearms tax return, are a payer of gambling winnings, or are filing Form 1041 for an estate or trust. If you need an EIN, see the Instructions for Form SS-4.

**Single-member LLCs.** If you are the sole owner of an LLC that is not treated as a separate entity for federal income tax purposes, enter on line D the EIN that was issued to the LLC (in the LLC's legal name) for a qualified retirement plan, to file employment, excise, alcohol, tobacco, or firearms returns, or as a payer of gambling winnings. **If you do not have such an EIN, leave line D blank.**

### Line E

Enter your business address. Show a street address instead of a box number. Include the suite or room number, if any.

### Line F

See the instructions for Schedule C, line I, to help determine if you are required to file any Forms 1099.

### Line 1

Enter gross receipts from your trade or business. Include amounts you received in your trade or business that were properly shown on Form 1099-MISC. If the total amounts that were reported in box 7 of Forms 1099-MISC are more than the total you are reporting on line 1, attach a statement explaining the difference. You must show all items of taxable income actually or constructively received during the year (in cash, property, or services). Income is constructively received when it is credited to your account or set aside for you to use. Don't offset this amount by any losses.

### Line 2

Enter the total amount of all deductible business expenses you actually paid during the year. Examples of these expenses include advertising, car and truck expenses, commissions and fees, insurance, interest, legal and professional services, office expenses, rent or lease expenses, repairs and maintenance, supplies, taxes, travel, the allowable percentage of business meals and entertainment, and utilities (including telephone). For details, see the instructions for Schedule C, Parts II and V. You can use the optional worksheet below to record your expenses. Enter on lines **b** through **f** the type and amount of expenses not included on line **a**.

If you claim car or truck expenses, be sure to complete Schedule C-EZ, Part III.

### Line 3

Nonresident aliens using Form 1040NR should also enter the total on Schedule SE, line 2, if you are covered under the U.S. social security system due to an international social security agreement currently in effect. See the Instructions for Schedule SE for information on international social security agreements.

### Line 5b

Generally, commuting is travel between your home and a work location. If you converted your vehicle during the year from personal to business use (or vice versa), enter your commuting miles only for the period you drove your vehicle for business. For information on certain travel that is considered a business expense rather than commuting, see the instructions for Schedule C, line 44b.

## Optional Worksheet for Line 2 (keep a copy for your records)

<b>a</b>	Deductible meals (see the instructions for Schedule C, line 24b) . . . . .	<b>a</b>		
<b>b</b>	-----	<b>b</b>		
<b>c</b>	-----	<b>c</b>		
<b>d</b>	-----	<b>d</b>		
<b>e</b>	-----	<b>e</b>		
<b>f</b>	-----	<b>f</b>		
<b>g</b>	<b>Total.</b> Add lines <b>a</b> through <b>f</b> . Enter here and on line 2 . . . . .	<b>g</b>		

**SCHEDULE SE  
(Form 1040)**

**Self-Employment Tax**

OMB No. 1545-0074

**2018**  
Attachment  
Sequence No. **17**

Department of the Treasury  
Internal Revenue Service (99)

► Go to [www.irs.gov/ScheduleSE](http://www.irs.gov/ScheduleSE) for instructions and the latest information.  
► Attach to Form 1040 or Form 1040NR.

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

Social security number of person with self-employment income ►

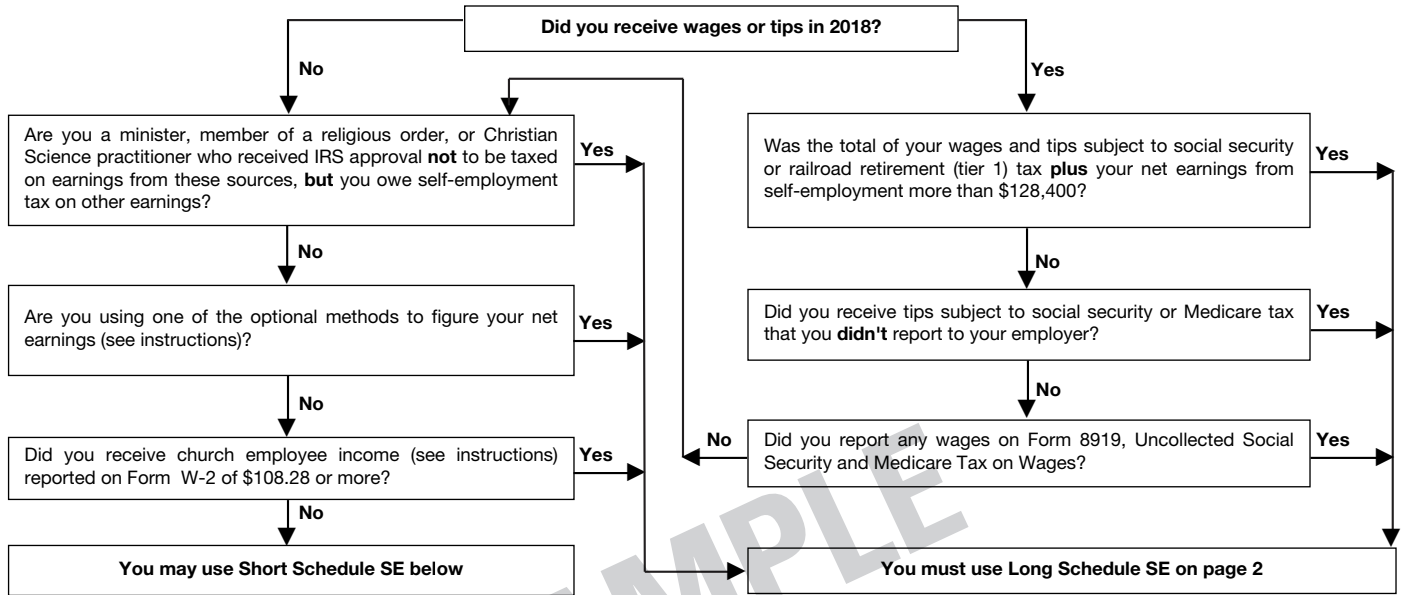
011-00-1111

John E. Michaels

**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.

<b>1a</b>	Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A . . . . .		
<b>1b</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 . . . . .	(	)
<b>2</b>	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 . . . . .		63,826 *
<b>3</b>	Combine lines 1a, 1b, and 2 . . . . .		63,826
<b>4</b>	Multiply line 3 by 92.35% (0.9235). If less than \$400, you don't owe self-employment tax; <b>don't</b> file this schedule unless you have an amount on line 1b. . . . . ►		58,943
<b>5</b>	<b>Self-employment tax.</b> 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 <b>Schedule 4 (Form 1040), line 57, or Form 1040NR, line 55</b> • 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 <b>Schedule 4 (Form 1040), line 57, or Form 1040NR, line 55</b> . . . . .		9,018
<b>6</b>	<b>Deduction for one-half of self-employment tax.</b> Multiply line 5 by 50% (0.50). Enter the result here and on <b>Schedule 1 (Form 1040), line 27, or Form 1040NR, line 27</b> . . . . .	6	4,509

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 . . . . .

<b>1a</b> Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A. <b>Note:</b> Skip lines 1a and 1b if you use the farm optional method (see instructions)	<b>1a</b>	
<b>b</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	<b>1b</b> (	)
<b>2</b> 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. <b>Note:</b> Skip this line if you use the nonfarm optional method (see instructions)	<b>2</b>	
<b>3</b> Combine lines 1a, 1b, and 2	<b>3</b>	
<b>4a</b> If line 3 is more than zero, multiply line 3 by 92.35% (0.9235). Otherwise, enter amount from line 3 <b>Note:</b> If line 4a is less than \$400 due to Conservation Reserve Program payments on line 1b, see instructions.	<b>4a</b>	
<b>b</b> If you elect one or both of the optional methods, enter the total of lines 15 and 17 here	<b>4b</b>	
<b>c</b> Combine lines 4a and 4b. If less than \$400, <b>stop</b> ; you don't owe self-employment tax. <b>Exception:</b> If less than \$400 and you had <b>church employee income</b> , enter -0- and continue ▶	<b>4c</b>	
<b>5a</b> Enter your <b>church employee income</b> from Form W-2. See instructions for definition of church employee income	<b>5a</b>	
<b>b</b> Multiply line 5a by 92.35% (0.9235). If less than \$100, enter -0-	<b>5b</b>	
<b>6</b> Add lines 4c and 5b	<b>6</b>	
<b>7</b> 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	<b>7</b>	128,400
<b>8a</b> 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>8a</b>	
<b>b</b> Unreported tips subject to social security tax (from Form 4137, line 10)	<b>8b</b>	
<b>c</b> Wages subject to social security tax (from Form 8919, line 10)	<b>8c</b>	
<b>d</b> Add lines 8a, 8b, and 8c	<b>8d</b>	
<b>9</b> Subtract line 8d from line 7. If zero or less, enter -0- here and on line 10 and go to line 11 ▶	<b>9</b>	
<b>10</b> Multiply the <b>smaller</b> of line 6 or line 9 by 12.4% (0.124)	<b>10</b>	
<b>11</b> Multiply line 6 by 2.9% (0.029)	<b>11</b>	
<b>12 Self-employment tax.</b> Add lines 10 and 11. Enter here and on <b>Schedule 4 (Form 1040), line 57, or Form 1040NR, line 55</b>	<b>12</b>	
<b>13 Deduction for one-half of self-employment tax.</b> Multiply line 12 by 50% (0.50). Enter the result here and on <b>Schedule 1 (Form 1040), line 27, or Form 1040NR, line 27</b>	<b>13</b>	

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

<b>Farm Optional Method.</b> You may use this method <b>only</b> if (a) your gross farm income <sup>1</sup> wasn't more than \$7,920, or (b) your net farm profits <sup>2</sup> were less than \$5,717.		
<b>14</b> Maximum income for optional methods	<b>14</b>	5,280
<b>15</b> Enter the <b>smaller</b> of: two-thirds (2/3) of gross farm income <sup>1</sup> (not less than zero) or \$5,280. Also include this amount on line 4b above	<b>15</b>	
<b>Nonfarm Optional Method.</b> You may use this method <b>only</b> if (a) your net nonfarm profits <sup>3</sup> were less than \$5,717 and also less than 72.189% of your gross nonfarm income, <sup>4</sup> and (b) you had net earnings from self-employment of at least \$400 in 2 of the prior 3 years. <b>Caution:</b> You may use this method no more than five times.		
<b>16</b> Subtract line 15 from line 14	<b>16</b>	
<b>17</b> Enter the <b>smaller</b> of: two-thirds (2/3) of gross nonfarm income <sup>4</sup> (not less than zero) or the amount on line 16. Also include this amount on line 4b above	<b>17</b>	

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

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

**Attachment 1. Computation of expenses, allocable to tax-free ministerial income, that are non-deductible**

		Taxable	Tax-Free	Total
Salary as a minister		\$ 45,000		\$ 45,000
Parsonage allowance:				
Amount designated and paid by church (\$1,400 x 12)	\$ 16,800			
Actual expenses				
(Mortgage \$1,125 x 12, Utilities/other \$1,450, Real estate taxes \$1,750)	16,700			
Fair rental value of home (furnished, plus utilities) (\$1,380 x 12)	16,560			
Taxable portion of allowance				
(excess of amount designated & paid over lesser of actual expenses or fair rental value)	<u>\$ 240</u>	240		240
Tax-free portion of allowance (lesser of amount designated, actual expenses or fair rental value)			16,560	16,560
Gross income from weddings, baptisms, and honoraria		<u>4,000</u>		<u>4,000</u>
Ministerial income		<u>\$ 49,240</u>	<u>\$ 16,560</u>	<u>\$ 65,800</u>
% of non-deductible expenses: \$16,560/\$65,800 = 25%				

**Schedule C-EZ Deduction Computation**

Marriage and family booklets		\$ 87
Business use of car:		
461 miles x 54.5¢		<u>251</u>
Unadjusted <i>Schedule C-EZ</i> expenses Minus:		338
Non-deductible part of <i>Schedule C-EZ</i> expenses (25% x \$338)		<u>(85)</u>
<i>Schedule C-EZ</i> deductions (line 2)		<u>\$ 253</u>

**Attachment 2. Attachment to Schedule SE (Form 1040)**

Church wages		\$ 45,000
Parsonage allowance		16,800
Net profit from <i>Schedule C-EZ</i>		<u>3,747</u>
		65,547
Less:		
<i>Schedule C-EZ</i> expenses allocable to tax-free income		\$ 85
Ministerial employee unreimbursed business expenses		
Car expenses for church business:		
2,600 miles x 54.5¢		1,417
Publications and booklets		219
Net self-employment income		(1,721)
<i>Schedule SE</i> , Section A, line 2		<u>\$ 63,826</u>

SAMPLE

## Example Two: Retired Minister

Rev. William K. Green is a retired minister. He is 69 years old. He is married to Sarah J. Green. She is 65 years old and is also retired. For 2018, Rev. Green received \$15,000 in annuity income, all of which was designated in advance by GuideStone as a housing allowance. Rev. Green had housing expenses of \$13,000. The home's fair rental value is \$1,200 per month (furnished, plus utilities). Housing allowances for retired ministers are not taxable in computing federal income tax to the extent that they do not exceed the lesser of actual housing expenses or the annual fair rental value of the home (furnished, plus utilities). Retirement benefits, whether or not designated in advance as a housing allowance, are not subject to self-employment taxes.

Rev. Green received \$12,000 of Social Security benefits in 2018, and his wife received \$6,000. None of this income is taxable, however, because the Greens' income is not enough to expose their Social Security benefits to tax.

In 2018, Rev. Green received \$2,000 from occasional guest preaching engagements. He incurred \$590 in expenses as a result of these activities (\$436 of travel expenses and \$150 of meal expenses). Note that Rev. Green will pay self-employment tax on this income (see *Schedule SE*), since it represents compensation from active ministry.

The parts of Rev. and Mrs. Green's income tax return are explained in the order they are completed. They are illustrated in the order that Rev. Green will assemble the return to send it to the IRS.

### Form 1099-R from GuideStone

GuideStone completed *Form 1099-R* for Rev. Green as follows:

**Box 1.** The \$15,000 pension income Rev. Green receives from GuideStone.

**Box 2a.** Taxable amount not determined. GuideStone designated in advance 100 percent of pension income as a housing allowance. It is not taxable to the extent that it does not exceed the lesser of actual housing expenses or the annual fair rental value of the home (furnished, plus utilities).

**Box 7.** Rev. Green's pension income is a normal distribution.

### Schedule C-EZ (Form 1040)

Some of Rev. Green's entries on *Schedule C-EZ* are explained here.

**Line 1.** Rev. Green reports the \$2,000 from occasional guest preaching engagements.

**Line 2.** Rev. Green reports his expenses related to the line 1 amount. He drove 800 miles of business use of his car in connection with guest preaching. Rev. Green used the standard business mileage rate to figure his car expense. He multiplied the standard mileage rate of 54.5 cents by 800 miles for a total of \$436. He also incurred \$75 (\$150 x 50 percent non-deductible) in business meal expenses (i.e., non-entertainment-related, see bold note below) in connection with the guest preaching for total expenses of \$511. However, he cannot deduct the part of his expenses allocable to his tax-free parsonage allowance. He attaches the required statement, *Attachment 1* (shown later), to his return showing that 76 percent (or \$388) of his business expenses are not deductible because they are allocable to that tax-free allowance. He subtracts the \$388 from the \$511 and enters the \$123 difference on line 2. **Note: Due to changes in the tax law as a result of recent tax reform, there are certain scenarios where food and beverage expenses incurred in connection with entertainment may not be deductible. Business-related meal expenses remain 50 percent deductible. In this example, the author has assumed the meal expenses incurred in connection with the guest preaching were 50 percent deductible business meal expenses. As of the date of this writing, the IRS is in the process of drafting formal guidance to clarify when food and beverage expenses would be considered entertainment expenses and therefore not deductible by taxpayers. Interim guidance has been provided in IRS Notice 2018-76. Taxpayers should consult with their personal tax advisors regarding the deductibility of food and beverage expenses on Schedule C-EZ in light of recent tax reform.**

**Line 3.** He enters his net profit of \$1,877 both on line 3 and on *Schedule 1 (Form 1040)* line 12.

**Lines 4 through 8b.** Rev. Green fills out these lines to report information about his car.

**TurboTax Tip:** Listed below are tips for ministers who use TurboTax to complete their returns. These tips should not be construed as an endorsement or recommendation of the TurboTax software.

TurboTax does not appear to calculate the non-deductible portion of the expenses that should be allocated to the tax-free portion of the housing allowance. The taxpayer will need to adjust the expenses (as shown in *Attachment 1*) and input the reduced figure into the software.



## **Schedule SE (Form 1040)**

After Rev. Green prepares *Schedule C-EZ*, he fills out *Schedule SE (Form 1040)*. He reads the chart on page 1 of the schedule, which tells him he can use Section A—Short Schedule SE to figure his self-employment tax. Ministers are not church employees under this definition. He fills out the following lines in Section A:

**Line 2.** Rev. Green attaches a statement (see *Attachment 2*, later) that calculates his net profit of \$1,489, and he enters that amount here.

**Line 4.** He multiplies the \$1,489 by .9235 to get his net earnings from self-employment (\$1,375).

**Line 5.** The amount on line 4 is less than \$128,400, so Rev. Green multiplies the amount on line 4 (\$1,375) by .153 to get his self-employment tax of \$210. He enters that amount here and on *Schedule 4 (Form 1040)* line 57.

**Line 6.** Rev. Green multiplies the amount on line 5 by .50 to get his deduction for the employer-equivalent portion of self-employment tax of \$105. He enters that amount here and on *Schedule 1 (Form 1040)* line 27.

**TurboTax Tip:** The software does not appear to reduce self-employment wages by the business expenses allocated to tax-free income. The taxpayer will need to adjust net self-employment income (as shown in *Attachment 2*) and input the reduced figure into the software.

## **Form 1040, Schedule 1 (Form 1040), and Schedule 4 (Form 1040)**

After Rev. Green prepares *Schedule C-EZ* and *Schedule SE*, he fills out *Form 1040*, along with *Schedules 1* through *5* to the extent required. Rev. Green files a joint return with his wife. First he fills out *Form 1040*, Page 1 and completes the appropriate lines for his filing status, including checking the appropriate boxes indicating that he and his wife were born before January 2, 1954. Then, he fills out the rest of the form as follows:

**Form 1040, Page 2, lines 4a and 4b.** Rev. Green reports his total annuity income of \$15,000 on line 4a. He reports the taxable amount (\$2,000) as computed on *Attachment 1* (shown later) on line 4b.

**Form 1040, Page 2, lines 5a and 5b.** Rev. Green reports \$18,000 of Social Security benefits on line 5a (the sum of his \$12,000 of Social Security benefits and his wife's \$6,000 of Social Security benefits). He reports \$0.00 on line 5b.

**Schedule 1 (Form 1040) line 12.** He reports his net profit of \$1,877 from *Schedule C-EZ* line 3. Since no other amounts

are reported on *Schedule 1 (Form 1040)* lines 1–21, he also reports this amount on line 22 and carries the figure to the blank space on *Form 1040*, Page 2, line 6.

**Form 1040, Page 2, line 6.** Rev. Green adds *Form 1040*, Page 2, line 4b and the amount reported on the blank space on *Form 1040*, Page 2, line 6 and enters the total (\$3,877) on line 6.

**Form 1040, Page 2, line 7.** Because Rev. Green has reported deductible self-employment tax of \$105 on *Schedule 1 (Form 1040)* line 27, Rev. Green goes to *Schedule 1 (Form 1040)* and completes the bottom section of the form. Since there are no other amounts listed on lines 23–33, Rev. Green reports \$105 on line 36 and subtracts this amount from the amount reported on *Form 1040*, Page 2, line 6. The result (\$3,772) is entered on *Form 1040*, Page 2, line 7. This is his AGI.

**Form 1040, Page 2, line 8.** Rev. Green enters his standard deduction of \$26,600, which takes into consideration that he and his wife were born before January 2, 1954.

**Form 1040, Page 2, line 9.** He enters \$375 on line 9. (Note: Because the Greens' line 7 AGI is less than \$315,000, Rev. Green is eligible for the qualified business income deduction equal to 20 percent of his *Schedule C-EZ* net profit of \$1,877.)

**Form 1040, Page 2, line 10.** Rev. Green has no taxable income.

**Form 1040, Page 2, line 14 and Schedule 4 (Form 1040).** Rev. Green completes *Schedule 4 (Form 1040)*. Since the only amount reported on *Schedule 4 (Form 1040)* is his self-employment tax from *Schedule SE*, he reports the amount (\$210) on *Schedule 4 (Form 1040)* line 64 and on *Form 1040*, Page 2, line 14.

**Form 1040, Page 2, line 16.** Rev. Green did not have any income tax withheld from his pension.

**Form 1040, Page 2, line 22.** Amount Rev. Green owes to the IRS.

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and phone no.  GuideStone Financial Resources 5005 LBJ Freeway Ste 2200 Dallas, Texas 75244-6152 888-984-8433			1 Gross distribution \$ 15000.00		OMB No. 1545-0119  <b>2018</b>  Form 1099-R	<b>Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.</b>
			2a Taxable amount \$ 0.00			
PAYER'S TIN 75-0939949			RECIPIENT'S TIN 202-20-2002		2b Taxable amount not determined <input checked="" type="checkbox"/> Total distribution <input type="checkbox"/>	
RECIPIENT'S name  William K. Green			3 Capital gain (included in box 2a) \$		4 Federal income tax withheld \$	
Street address (including apt. no.) 787 Adams Street			5 Employee contributions/ Designated Roth contributions or insurance premiums \$		6 Net unrealized appreciation in employer's securities \$	
City or town, state or province, country, and ZIP or foreign postal code Anytown, NY 10002			7 Distribution code(s) 7		8 Other \$ %	
10 Amount allocable to IRR within 5 years \$			11 1st year of desig. Roth contrib.		FATCA filing requirement <input type="checkbox"/>	
12 State tax withheld \$			13 State/Payer's state no.		14 State distribution \$	
Account number (see instructions)			Date of payment		15 Local tax withheld \$	
			16 Name of locality		17 Local distribution \$	

**Copy B**  
Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return.

This information is being furnished to the IRS.

Form 1099-R

www.irs.gov/Form1099R

Department of the Treasury - Internal Revenue Service

SAMPLE

Filing status:  Single  Married filing jointly  Married filing separately  Head of household  Qualifying widow(er)

Your first name and initial: **William K.** Last name: **Green** Your social security number: **2 0 2 2 0 2 0 0 2**

Your standard deduction:  Someone can claim you as a dependent  You were born before January 2, 1954  You are blind

If joint return, spouse's first name and initial: **Sarah J.** Last name: **Green** Spouse's social security number: **3 0 3 3 0 3 0 0 3**

Spouse standard deduction:  Someone can claim your spouse as a dependent  Spouse was born before January 2, 1954  Full-year health care coverage or exempt (see inst.)

Spouse is blind  Spouse itemizes on a separate return or you were dual-status alien

Home address (number and street). If you have a P.O. box, see instructions. **787 Adams Street** Apt. no. **Presidential Election Campaign (see inst.)**  You  Spouse

City, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule 6. **Anytown, New York 10002** If more than four dependents, see inst. and  here ▶

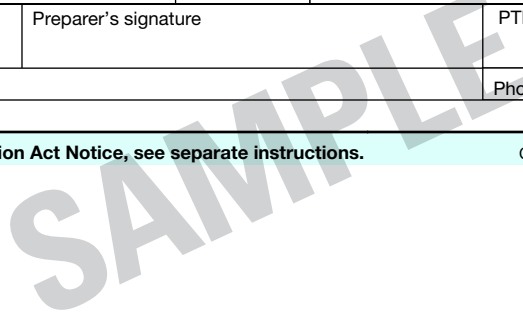
Dependents (see instructions):		(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see inst.):	
(1) First name	Last name			Child tax credit	Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

**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 complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See instructions. Keep a copy for your records.	Your signature <i>William K. Green</i>	Date <b>3/15/19</b>	Your occupation <b>Retired Minister</b>	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
	Spouse's signature. If a joint return, <b>both</b> must sign. <i>Sarah J. Green</i>	Date <b>3/15/19</b>	Spouse's occupation <b>Retired</b>	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

**Paid Preparer Use Only**

Preparer's name	Preparer's signature	PTIN	Firm's EIN	Check if: <input type="checkbox"/> 3rd Party Designee <input type="checkbox"/> Self-employed
Firm's name ▶		Phone no.		
Firm's address ▶				



Attach Form(s) W-2. Also attach Form(s) W-2G and 1099-R if tax was withheld.

**Standard Deduction for —**

- Single or married filing separately, \$12,000
- Married filing jointly or Qualifying widow(er), \$24,000
- Head of household, \$18,000
- If you checked any box under Standard deduction, see instructions.

<b>1</b>	Wages, salaries, tips, etc. Attach Form(s) W-2	<b>1</b>	
<b>2a</b>	Tax-exempt interest	<b>2a</b>	
<b>3a</b>	Qualified dividends	<b>3a</b>	
<b>4a</b>	IRAs, pensions, and annuities	<b>4a</b>	15,000
<b>5a</b>	Social security benefits	<b>5a</b>	18,000
<b>6</b>	Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22	<b>6</b>	1,877
<b>7</b>	Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6	<b>7</b>	3,772
<b>8</b>	<b>Standard deduction or itemized deductions</b> (from Schedule A)	<b>8</b>	26,600
<b>9</b>	Qualified business income deduction (see instructions)	<b>9</b>	375
<b>10</b>	Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0-	<b>10</b>	0
<b>11</b>	<b>a</b> Tax (see inst) 0 (check if any from: <b>1</b> <input type="checkbox"/> Form(s) 8814 <b>2</b> <input type="checkbox"/> Form 4972 <b>3</b> <input type="checkbox"/> )	<b>11</b>	0
<b>12</b>	<b>b</b> Add any amount from Schedule 2 and check here <input type="checkbox"/>	<b>12</b>	0
<b>13</b>	<b>a</b> Child tax credit/credit for other dependents <b>b</b> Add any amount from Schedule 3 and check here <input type="checkbox"/>	<b>13</b>	0
<b>14</b>	Subtract line 12 from line 11. If zero or less, enter -0-	<b>14</b>	210
<b>15</b>	Other taxes. Attach Schedule 4	<b>15</b>	210
<b>16</b>	Total tax. Add lines 13 and 14	<b>16</b>	
<b>17</b>	Federal income tax withheld from Forms W-2 and 1099	<b>17</b>	
<b>18</b>	Refundable credits: <b>a</b> EIC (see inst.) <b>b</b> Sch 8812 <b>c</b> Form 8863	<b>18</b>	0
<b>19</b>	Add any amount from Schedule 5	<b>19</b>	
<b>20a</b>	Add lines 16 and 17. These are your total payments	<b>20a</b>	
<b>21</b>	If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you overpaid	<b>21</b>	
<b>22</b>	Amount of line 19 you want refunded to you. If Form 8888 is attached, check here <input type="checkbox"/>	<b>22</b>	210
<b>23</b>	Amount of line 19 you want applied to your 2019 estimated tax	<b>23</b>	
<b>24</b>	Amount you owe. Subtract line 18 from line 15. For details on how to pay, see instructions	<b>24</b>	
<b>25</b>	Estimated tax penalty (see instructions)	<b>25</b>	

**Refund**

Direct deposit? See instructions.

**b** Routing number **c** Type:  Checking  Savings

**d** Account number

Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.

SAMPLE

**SCHEDULE 1**  
**(Form 1040)**

**Additional Income and Adjustments to Income**

OMB No. 1545-0074

**2018**  
Attachment  
Sequence No. **01**

Department of the Treasury  
Internal Revenue Service

▶ **Attach to Form 1040.**

▶ **Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.**

Name(s) shown on Form 1040

**William K. & Sarah J. Green**

Your social security number

**202-20-2002**

<b>Additional Income</b>	<b>1-9b</b>	Reserved		<b>1-9b</b>		
	<b>10</b>	Taxable refunds, credits, or offsets of state and local income taxes		<b>10</b>		
	<b>11</b>	Alimony received		<b>11</b>		
	<b>12</b>	Business income or (loss). Attach Schedule C or C-EZ		<b>12</b>	<b>1,877</b>	
	<b>13</b>	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>		<b>13</b>		
	<b>14</b>	Other gains or (losses). Attach Form 4797		<b>14</b>		
	<b>15a</b>	Reserved		<b>15b</b>		
	<b>16a</b>	Reserved		<b>16b</b>		
	<b>17</b>	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		<b>17</b>		
	<b>18</b>	Farm income or (loss). Attach Schedule F		<b>18</b>		
	<b>19</b>	Unemployment compensation		<b>19</b>		
	<b>20a</b>	Reserved		<b>20b</b>		
	<b>21</b>	Other income. List type and amount ▶		<b>21</b>		
	<b>22</b>	Combine the amounts in the far right column. If you don't have any adjustments to income, enter here and include on Form 1040, line 6. Otherwise, go to line 23		<b>22</b>	<b>1,877</b>	
	<b>Adjustments to Income</b>	<b>23</b>	Educator expenses	<b>23</b>		
		<b>24</b>	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	<b>24</b>		
		<b>25</b>	Health savings account deduction. Attach Form 8889	<b>25</b>		
		<b>26</b>	Moving expenses for members of the Armed Forces. Attach Form 3903	<b>26</b>		
		<b>27</b>	Deductible part of self-employment tax. Attach Schedule SE	<b>27</b>	<b>105</b>	
		<b>28</b>	Self-employed SEP, SIMPLE, and qualified plans	<b>28</b>		
		<b>29</b>	Self-employed health insurance deduction	<b>29</b>		
		<b>30</b>	Penalty on early withdrawal of savings	<b>30</b>		
<b>31a</b>		Alimony paid <b>b</b> Recipient's SSN ▶	<b>31a</b>			
<b>32</b>		IRA deduction	<b>32</b>			
<b>33</b>	Student loan interest deduction	<b>33</b>				
<b>34</b>	Reserved	<b>34</b>				
<b>35</b>	Reserved	<b>35</b>				
<b>36</b>	Add lines 23 through 35	<b>36</b>		<b>105</b>		

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71479F

Schedule 1 (Form 1040) 2018

**SCHEDULE 4**  
**(Form 1040)**

**Other Taxes**

OMB No. 1545-0074

**2018**  
Attachment  
Sequence No. **04**

Department of the Treasury  
Internal Revenue Service

▶ **Attach to Form 1040.**

▶ **Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.**

Name(s) shown on Form 1040

**William K. & Sarah J. Green**

Your social security number

**202-20-2002**

**Other Taxes**

<b>57</b>	Self-employment tax. Attach Schedule SE . . . . .	<b>57</b>	<b>210</b>
<b>58</b>	Unreported social security and Medicare tax from: Form <b>a</b> <input type="checkbox"/> 4137 <b>b</b> <input type="checkbox"/> 8919	<b>58</b>	
<b>59</b>	Additional tax on IRAs, other qualified retirement plans, and other tax-favored accounts. Attach Form 5329 if required . . . . .	<b>59</b>	
<b>60a</b>	Household employment taxes. Attach Schedule H . . . . .	<b>60a</b>	
<b>b</b>	Repayment of first-time homebuyer credit from Form 5405. Attach Form 5405 if required . . . . .	<b>60b</b>	
<b>61</b>	Health care: individual responsibility (see instructions) . . . . .	<b>61</b>	
<b>62</b>	Taxes from: <b>a</b> <input type="checkbox"/> Form 8959 <b>b</b> <input type="checkbox"/> Form 8960 <b>c</b> <input type="checkbox"/> Instructions; enter code(s) . . . . .	<b>62</b>	
<b>63</b>	Section 965 net tax liability installment from Form 965-A . . . . .	<b>63</b>	
<b>64</b>	Add the amounts in the far right column. These are your <b>total other taxes</b> . Enter here and on Form 1040, line 14 . . . . .	<b>64</b>	<b>210</b>

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71481R

Schedule 4 (Form 1040) 2018

SAMPLE

**SCHEDULE C-EZ  
(Form 1040)**

**Net Profit From Business  
(Sole Proprietorship)**

OMB No. 1545-0074

**2018**  
Attachment  
Sequence No. **09A**

Department of the Treasury  
Internal Revenue Service (99)

▶ **Partnerships, joint ventures, etc., generally must file Form 1065.**  
▶ **Attach to Form 1040, 1040NR, or 1041. ▶ See instructions on page 2.**

Name of proprietor

William K. Green

Social security number (SSN)

202-20-2002

**Part I General Information**

**You may use Schedule C-EZ instead of Schedule C only if you:**

- Had business expenses of \$5,000 or less,
- Use the cash method of accounting,
- Did not have an inventory at any time during the year,
- Did not have a net loss from your business,
- Had only one business as either a sole proprietor, qualified joint venture, or statutory employee,

**And you:**

- Had no employees during the year,
- Do not deduct expenses for business use of your home,
- Do not have prior year unallowed passive activity losses from this business, and
- Are not required to file **Form 4562**, Depreciation and Amortization, for this business. See the instructions for Schedule C, line 13, to find out if you must file.

<b>A</b> Principal business or profession, including product or service Minister	<b>B</b> Enter business code (see page 2) 5 4 1 9 9 0
<b>C</b> Business name. If no separate business name, leave blank.	<b>D</b> Enter your EIN (see page 2)
<b>E</b> Business address (including suite or room no.). Address not required if same as on page 1 of your tax return. 787 Adams Street City, town or post office, state, and ZIP code Anytown, New York 10002	
<b>F</b> Did you make any payments in 2018 that would require you to file Form(s) 1099? (see the Instructions for Schedule C)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>G</b> If "Yes," did you or will you file required Forms 1099?	<input type="checkbox"/> Yes <input type="checkbox"/> No

**Part II Figure Your Net Profit**

<b>1</b> <b>Gross receipts. Caution:</b> If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see <i>Statutory employees</i> in the instructions for Schedule C, line 1, and check here <input type="checkbox"/>	<b>1</b>	2,000	
<b>2</b> <b>Total expenses</b> (see page 2). If more than \$5,000, you <b>must</b> use Schedule C	<b>2</b>	123	*
<b>3</b> <b>Net profit.</b> Subtract line 2 from line 1. If less than zero, you <b>must</b> use Schedule C. Enter on both <b>Schedule 1 (Form 1040), line 12</b> , and <b>Schedule SE, line 2</b> , or on <b>Form 1040NR, line 13</b> , and <b>Schedule SE, line 2</b> (see page 2). (Statutory employees <b>do not</b> report this amount on Schedule SE, line 2.) Estates and trusts, enter on <b>Form 1041, line 3.</b>	<b>3</b>	1,877	

**Part III Information on Your Vehicle.** Complete this part **only** if you are claiming car or truck expenses on line 2.

**4** When did you place your vehicle in service for business purposes? (month, day, year) ▶ 7/15/2011

**5** Of the total number of miles you drove your vehicle during 2018, enter the number of miles you used your vehicle for:

**a** Business 800      **b** Commuting (see page 2) 0      **c** Other 12,682

**6** Was your vehicle available for personal use during off-duty hours?  Yes  No

**7** Do you (or your spouse) have another vehicle available for personal use?  Yes  No

**8a** Do you have evidence to support your deduction?  Yes  No

**b** If "Yes," is the evidence written?  Yes  No

## Instructions

**Future developments.** For the latest information about developments related to Schedule C-EZ (Form 1040) and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/ScheduleCEZ](http://www.irs.gov/ScheduleCEZ).



Before you begin, see General Instructions in the 2018 Instructions for Schedule C.

You can use Schedule C-EZ instead of Schedule C if:

- You operated a business or practiced a profession as a sole proprietorship or qualified joint venture, or you were a statutory employee, and
- You have met all the requirements listed in Schedule C-EZ, Part I.

For more information on electing to be taxed as a qualified joint venture (including the possible social security benefits of this election), see *Qualified Joint Venture* in the Instructions for Schedule C. You can also go to [www.irs.gov/QJV](http://www.irs.gov/QJV).

### Line A

Describe the business or professional activity that provided your principal source of income reported on line 1. Give the general field or activity and the type of product or service.

### Line B

Enter the six-digit code that identifies your principal business or professional activity. See the Instructions for Schedule C for the list of codes.

### Line D

Enter on line D the employer identification number (EIN) that was issued to you and in your name as a sole proprietor. If you are filing Form 1041, enter the EIN issued to the estate or trust. Do not enter your SSN. Do not enter another taxpayer's EIN (for example, from any Forms 1099-MISC that you received). **If you do not have an EIN, leave line D blank.**

You need an EIN only if you have a qualified retirement plan or are required to file an employment, excise, alcohol, tobacco, or firearms tax return, are a payer of gambling winnings, or are filing Form 1041 for an estate or trust. If you need an EIN, see the Instructions for Form SS-4.

**Single-member LLCs.** If you are the sole owner of an LLC that is not treated as a separate entity for federal income tax purposes, enter on line D the EIN that was issued to the LLC (in the LLC's legal name) for a qualified retirement plan, to file employment, excise, alcohol, tobacco, or firearms returns, or as a payer of gambling winnings. **If you do not have such an EIN, leave line D blank.**

### Line E

Enter your business address. Show a street address instead of a box number. Include the suite or room number, if any.

### Line F

See the instructions for Schedule C, line I, to help determine if you are required to file any Forms 1099.

### Line 1

Enter gross receipts from your trade or business. Include amounts you received in your trade or business that were properly shown on Form 1099-MISC. If the total amounts that were reported in box 7 of Forms 1099-MISC are more than the total you are reporting on line 1, attach a statement explaining the difference. You must show all items of taxable income actually or constructively received during the year (in cash, property, or services). Income is constructively received when it is credited to your account or set aside for you to use. Don't offset this amount by any losses.

### Line 2

Enter the total amount of all deductible business expenses you actually paid during the year. Examples of these expenses include advertising, car and truck expenses, commissions and fees, insurance, interest, legal and professional services, office expenses, rent or lease expenses, repairs and maintenance, supplies, taxes, travel, the allowable percentage of business meals and entertainment, and utilities (including telephone). For details, see the instructions for Schedule C, Parts II and V. You can use the optional worksheet below to record your expenses. Enter on lines **b** through **f** the type and amount of expenses not included on line **a**.

If you claim car or truck expenses, be sure to complete Schedule C-EZ, Part III.

### Line 3

Nonresident aliens using Form 1040NR should also enter the total on Schedule SE, line 2, if you are covered under the U.S. social security system due to an international social security agreement currently in effect. See the Instructions for Schedule SE for information on international social security agreements.

### Line 5b

Generally, commuting is travel between your home and a work location. If you converted your vehicle during the year from personal to business use (or vice versa), enter your commuting miles only for the period you drove your vehicle for business. For information on certain travel that is considered a business expense rather than commuting, see the instructions for Schedule C, line 44b.

## Optional Worksheet for Line 2 (keep a copy for your records)

<b>a</b>	Deductible meals (see the instructions for Schedule C, line 24b) . . . . .	<b>a</b>		
<b>b</b>	-----	<b>b</b>		
<b>c</b>	-----	<b>c</b>		
<b>d</b>	-----	<b>d</b>		
<b>e</b>	-----	<b>e</b>		
<b>f</b>	-----	<b>f</b>		
<b>g</b>	<b>Total.</b> Add lines <b>a</b> through <b>f</b> . Enter here and on line 2 . . . . .	<b>g</b>		



**SCHEDULE SE  
(Form 1040)**

**Self-Employment Tax**

OMB No. 1545-0074

**2018**  
Attachment  
Sequence No. **17**

Department of the Treasury  
Internal Revenue Service (99)

► Go to [www.irs.gov/ScheduleSE](http://www.irs.gov/ScheduleSE) for instructions and the latest information.  
► Attach to Form 1040 or Form 1040NR.

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

Social security number of person with self-employment income ►

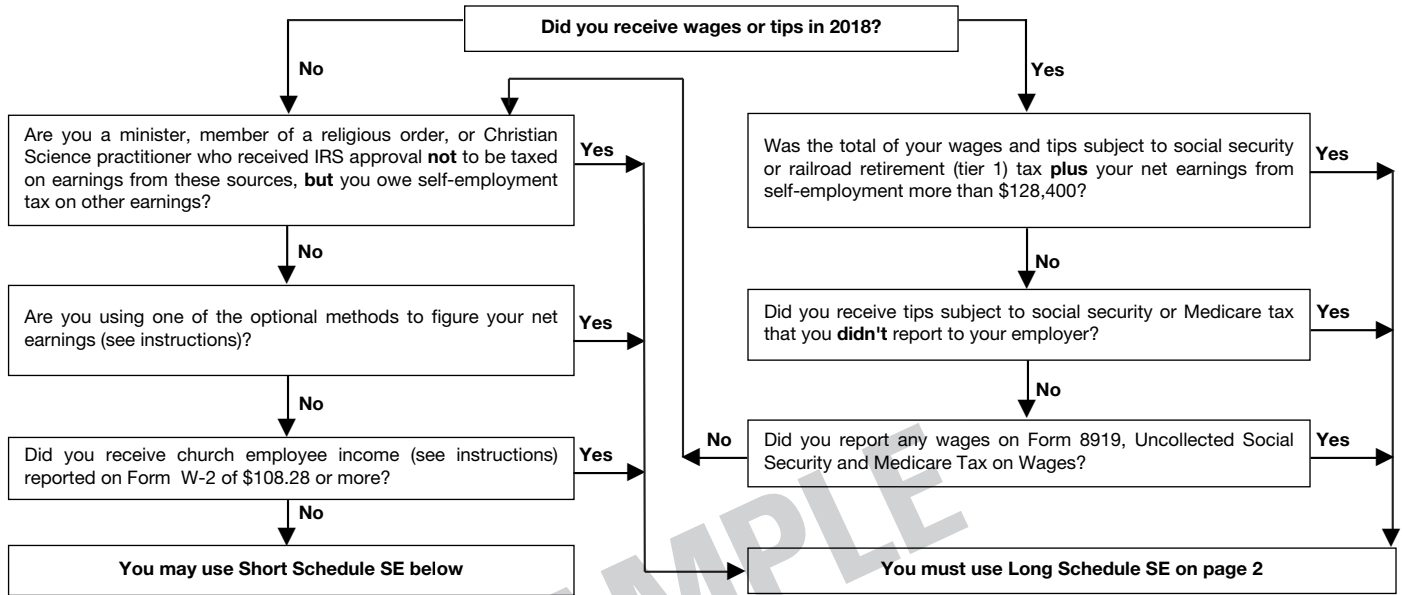
202-20-2002

William K. Green

**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.

<b>1a</b> Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A . . . . .	<b>1a</b>		
<b>b</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	<b>1b</b>	(	)
<b>2</b> 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 . . . . .	<b>2</b>	1,489	*
<b>3</b> Combine lines 1a, 1b, and 2 . . . . .	<b>3</b>	1,489	
<b>4</b> Multiply line 3 by 92.35% (0.9235). If less than \$400, you don't owe self-employment tax; <b>don't</b> file this schedule unless you have an amount on line 1b. . . . . ► <b>Note:</b> If line 4 is less than \$400 due to Conservation Reserve Program payments on line 1b, see instructions.	<b>4</b>	1,375	
<b>5 Self-employment tax.</b> 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 <b>Schedule 4 (Form 1040), line 57, or Form 1040NR, line 55</b> • 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 <b>Schedule 4 (Form 1040), line 57, or Form 1040NR, line 55</b> . . . . .	<b>5</b>	210	
<b>6 Deduction for one-half of self-employment tax.</b> Multiply line 5 by 50% (0.50). Enter the result here and on <b>Schedule 1 (Form 1040), line 27, or Form 1040NR, line 27</b> . . . . .	<b>6</b>	105	

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 11358Z

Schedule SE (Form 1040) 2018

\*See Attachment on page 64.

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 . . . . .

<b>1a</b> Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A. <b>Note:</b> Skip lines 1a and 1b if you use the farm optional method (see instructions)	<b>1a</b>	
<b>b</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	<b>1b</b> (	)
<b>2</b> 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. <b>Note:</b> Skip this line if you use the nonfarm optional method (see instructions)	<b>2</b>	
<b>3</b> Combine lines 1a, 1b, and 2 . . . . .	<b>3</b>	
<b>4a</b> If line 3 is more than zero, multiply line 3 by 92.35% (0.9235). Otherwise, enter amount from line 3 <b>Note:</b> If line 4a is less than \$400 due to Conservation Reserve Program payments on line 1b, see instructions.	<b>4a</b>	
<b>b</b> If you elect one or both of the optional methods, enter the total of lines 15 and 17 here . . . . .	<b>4b</b>	
<b>c</b> Combine lines 4a and 4b. If less than \$400, <b>stop</b> ; you don't owe self-employment tax. <b>Exception:</b> If less than \$400 and you had <b>church employee income</b> , enter -0- and continue ▶	<b>4c</b>	
<b>5a</b> Enter your <b>church employee income</b> from Form W-2. See instructions for definition of church employee income . . . . .	<b>5a</b>	
<b>b</b> Multiply line 5a by 92.35% (0.9235). If less than \$100, enter -0- . . . . .	<b>5b</b>	
<b>6</b> Add lines 4c and 5b . . . . .	<b>6</b>	
<b>7</b> 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 . . . . .	<b>7</b>	128,400
<b>8a</b> 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>8a</b>	
<b>b</b> Unreported tips subject to social security tax (from Form 4137, line 10)	<b>8b</b>	
<b>c</b> Wages subject to social security tax (from Form 8919, line 10)	<b>8c</b>	
<b>d</b> Add lines 8a, 8b, and 8c . . . . .	<b>8d</b>	
<b>9</b> Subtract line 8d from line 7. If zero or less, enter -0- here and on line 10 and go to line 11 . . . . . ▶	<b>9</b>	
<b>10</b> Multiply the <b>smaller</b> of line 6 or line 9 by 12.4% (0.124) . . . . .	<b>10</b>	
<b>11</b> Multiply line 6 by 2.9% (0.029) . . . . .	<b>11</b>	
<b>12 Self-employment tax.</b> Add lines 10 and 11. Enter here and on <b>Schedule 4 (Form 1040), line 57, or Form 1040NR, line 55</b> . . . . .	<b>12</b>	
<b>13 Deduction for one-half of self-employment tax.</b> Multiply line 12 by 50% (0.50). Enter the result here and on <b>Schedule 1 (Form 1040), line 27, or Form 1040NR, line 27</b> . . . . .	<b>13</b>	

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

<b>Farm Optional Method.</b> You may use this method <b>only</b> if (a) your gross farm income <sup>1</sup> wasn't more than \$7,920, or (b) your net farm profits <sup>2</sup> were less than \$5,717.		
<b>14</b> Maximum income for optional methods . . . . .	<b>14</b>	5,280
<b>15</b> Enter the <b>smaller</b> of: two-thirds ( <sup>2</sup> / <sub>3</sub> ) of gross farm income <sup>1</sup> (not less than zero) or \$5,280. Also include this amount on line 4b above . . . . .	<b>15</b>	
<b>Nonfarm Optional Method.</b> You may use this method <b>only</b> if (a) your net nonfarm profits <sup>3</sup> were less than \$5,717 and also less than 72.189% of your gross nonfarm income, <sup>4</sup> and (b) you had net earnings from self-employment of at least \$400 in 2 of the prior 3 years. <b>Caution:</b> You may use this method no more than five times.		
<b>16</b> Subtract line 15 from line 14 . . . . .	<b>16</b>	
<b>17</b> Enter the <b>smaller</b> of: two-thirds ( <sup>2</sup> / <sub>3</sub> ) of gross nonfarm income <sup>4</sup> (not less than zero) or the amount on line 16. Also include this amount on line 4b above . . . . .	<b>17</b>	

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

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

**Attachment 1. Computation of expenses, allocable to tax-free ministerial income, that are non-deductible**

<b>% of Non-deductible Expenses</b>				
		Taxable	Tax-Free	Total
Parsonage allowance:				
Ministerial retirement benefits designated as housing allowance	\$ 15,000			
Actual expenses	\$ 13,000			
Fair rental value of home (furnished, plus utilities) (\$1,200 x 12)	<u>\$ 14,400</u>			
Taxable portion of allowance (excess of amount designated & paid over lesser of actual expenses or fair rental value)	\$ 2,000	\$ 2,000		\$ 2,000
Tax-free portion of allowance (lesser of amount designated, actual expenses or fair rental value)			13,000	13,000
Gross income from occasional guest preaching engagements		2,000		2,000
Ministerial income		<u>\$ 4,000</u>	<u>\$ 13,000</u>	<u>\$ 17,000</u>
<b>% of non-deductible expenses: \$13,000/\$17,000 =</b>				

<b>Schedule C-EZ Deduction Computation</b>	
Business use of car: 800 miles x 54.5¢	\$ 436
Meal expenses (\$150 less 50% reduction)	<u>75</u>
Unadjusted <i>Schedule C-EZ</i> expenses	\$ 511
Non-deductible part of expenses \$511 X 76%	<u>(388)</u>
<i>Schedule C-EZ</i> deductions, line 2	<u>\$ 123</u>
None of the other deductions claimed in the return are allocable to tax-free income.	

**Attachment 2. Computation of net earnings from self-employment**

<b>Computation for Schedule SE (Form 1040)</b>	
Gross income from <i>Schedule C-EZ</i>	\$ 2,000
Less: Unadjusted <i>Schedule C-EZ</i> expenses	<u>(511)</u>
Net self-employment income, <i>Schedule SE</i> , line 2	<u>\$ 1,489</u>

This page intentionally left blank.

This page intentionally left blank.