

INSTRUCTIONS

(References are to the Internal Revenue Code)

A. Who Must File.—Self-employed individuals (including partners) and partnerships claiming a deduction for contributions to a qualified pension, profit-sharing, annuity, or bond purchase plan where such plan includes self-employed individuals must file this form to substantiate the deduction. For plans which do not include self-employed individuals, file Form 2950.

A self-employed individual is an individual or partner who has earned income as described in instruction D from an unincorporated trade, business or profession.

B. Filing of Return.—File this form with your tax return for the taxable year in which a deduction is claimed.

A separate Form 2950 SE must be filed for each plan. However, where more than one form is required, the overall limitation in item 12 need be completed on only one form.

If a favorable determination letter has not been received with respect to your plan and your plan is not part of a master or prototype plan, in addition to filing Form 2950 SE, you must submit the information required by Section 1.404(a)-2, Income Tax Regulations, to the extent applicable for the first year a deduction is claimed.

If your plan has been amended since the last favorable determination letter was received, and your plan is not part of a master or prototype plan, in addition to filing Form 2950 SE, you must submit the information required by paragraph (b)(1) of Section 1.404(a)-2, Income Tax Regulations.

Partnerships.—Partnerships need complete only items 1 through 11, and Schedule A.

Partners.—A partner who is covered only by a partnership plan need complete only items 1, 11 and 12.

A partner who is covered by more than one plan must file a form for each plan. Complete lines 1 and 11 for each partnership plan and lines 1 through 11 and Schedule A for each individual plan. The overall limitation as computed on line 12 need only be summarized on one form for all the plans.

C. Amount of Deduction.—You may deduct contributions for employees, only to the extent that they are ordinary and necessary trade or business expenses and to the extent they are within the limitations of section 404.

Contributions allocable to insurance protection.—For purposes of determining the amount deductible with

respect to contributions on behalf of a self-employed individual, amounts allocable to the purchase of life, accident, health, or other insurance protection shall not be taken into account. Enter such amounts on line 11(b). The amount of a contribution allocable to insurance shall be an amount equal to a reasonable net premium cost for such amount of insurance for the appropriate period.

D. Earned Income.—In general, earned income means net earnings from self-employment if personal services are actually rendered.

However, for this purpose doctors of medicine, and Christian Science practitioners; duly ordained, commissioned or licensed ministers of churches in the exercise of their ministry and members of religious orders; and certain individuals, excluded for self-employment tax purposes under section 1402, shall compute their earned income in the same manner as if they were included under such section.

(1) *Personal services only.*—If personal services are the only material factor in the production of income from a trade or business, then, in general—

Earned income is 100 percent of net earnings from self-employment.

(2) *Personal services and capital.*—If both personal services and capital are material factors in the production of income from a trade or business, then,

if total net profits are:	earned income is:
0 to \$2500	actual net profits
\$2500 to \$8333.33	\$2500
over \$8333.33	not in excess of 30% of your share of net profits

(3) *Personal services plus personal services and capital.*—If you are engaged in one or more trades or businesses in which only personal services are a material income-producing factor, and you are also engaged in one or more trades or businesses in which both personal services and capital are material income-producing factors, then earned income is determined under the provisions of section 401(c)(2)(B) and the regulations thereunder.

For a more detailed explanation of earned income, see section 401(c) and the regulations thereunder.