

Reg. Section 1.1402(a)-1(b)

Definition of net earnings from self-employment

(a) Subject to the special rules set forth in §§ 1.1402(a)-3 to 1.1402(a)-17, inclusive, and to the exclusions set forth in §§ 1.1402(c)-2 to 1.1402(c)-7, inclusive, the term "net earnings from self-employment" means:

- (1) The gross income derived by an individual from any trade or business carried on by such individual, less the deductions allowed by Chapter 1 of the Code which are attributable to such trade or business, plus
- (2) His distributive share (whether or not distributed), as determined under section 704, of the income (or minus the loss), described in section 702(a)(9) and as computed under section 703, from any trade or business carried on by any partnership of which he is a member.



- (b) Gross income derived by an individual from a trade or business includes payments received by him from a partnership of which he is a member for services rendered to the partnership or for the use of capital by the partnership, to the extent the payments are determined without regard to the income of the partnership. However, such payments received from a partnership not engaged in a trade or business within the meaning of section 1402(c) and § 1.1402(c)-1 do not constitute gross income derived by an individual from a trade or business. See section 707(c) and the regulations thereunder, relating to guaranteed payments to a member of a partnership for services or the use of capital. See also section 706(a) and the regulations thereunder, relating to the taxable year of the partner in which such guaranteed payments are to be included in computing taxable income.
- (c) Gross income derived by an individual from a trade or business includes gross income received (in the case of an individual reporting income on the cash receipts and disbursements method) or accrued (in the case of an individual reporting income on the accrual method) in the taxable year from a trade or business even though such income may be attributable in whole or in part to services rendered or other acts performed in a prior taxable year as to which the individual was not subject to the tax on self-employment income.