

SEP Plan Contribution for the Self-Employed		
Step 1: What is your contribution percentage?	Up to 25% for SEP plan	EXAMPLE: 25%
Step 2: Calculate your adjusted net profit (ANP).	Net profit x .9235 = ANP	\$300,000 x .9235 = \$277,050
Step 3: Calculate your self-employment (SE) tax. (Two parts)	<u>Hospital insurance (HI) Tax Formula</u> Adjusted net profit x .029 = HI tax <u>Old Age Survivor and Disability Insurance (OASDI) Tax Formula</u> ANP up to Taxable Wage Base x .124 = OASDI tax 2009 Taxable Wage Base = \$106,800 <u>Self-Employment (SE) Tax Formula</u> HI Tax + OASDI Tax = SE Tax	HI Tax = \$277,050 x .029 = \$8,034.45 OASDI Tax = \$106,800 x .124 = \$13,243.20 SE Tax = \$8,034.45 + \$13,243.20 = \$21,277.65
Step 4: Calculate your earned income (EI).	$\frac{\text{Net profit} - \frac{1}{2} \text{ SE Tax}}{1 + \text{contribution \%}} = \text{EI}$ 2009 maximum amount of EI = \$245,000	$\text{EI} = \frac{\$300,000 - \$10,683.83}{1.25} = \$231,452.93$ EI = lesser of \$245,000 or \$231,452.93
Step 5: Calculate your contribution.	EI x contribution % = Contribution 2009 maximum contribution = \$49,000	\$231,452.93 x .25 = \$57,863.23 2009 maximum contribution = lesser of \$49,000 or \$57,863.23 Maximum contribution = \$49,000