

SOCIAL SECURITY FOR SELF-EMPLOYED PERSONS IN FISHERY INDUSTRIES

By Walter H. Stolting*

Self-employed persons in the fishery industry are now subject to the provisions of the Social Security Act Amendments of 1950 (Public Law 734, 81st Congress), approved by the President on August 28, 1950. This law brings self-employed persons in the fishery industries under the coverage of the Federal Old-Age and Survivors Insurance System. A self-employment tax will be collected by the Bureau of Internal Revenue from such persons and they may become eligible for monthly retirement payments or their survivors may become eligible for either monthly survivors' payments or lump-sum payments.



In the case of any taxable year beginning after December 31, 1950, and before January 1, 1954, a tax of $2\frac{1}{4}$ percent will be imposed by the Federal Government on self-employment income which is defined as "the net earnings from self-employment derived by an individual (other than a non-resident alien individual)" during any taxable year beginning after December 31, 1950, except that such term shall not include: "(1) that part of the net earnings from self-employment which is in excess of: (A) \$3,600, minus (B) the amount of the wages paid to such individual during the taxable year;" or "(2) the net earnings from self-employment, if such net earnings for the taxable year are less than \$400."

This means that under the new Social Security law, if you are self-employed and earn \$400 or more per year, up to as much as \$3,600 of your net income from self-employment after December 31, 1950, will be taxed by the Bureau of Internal Revenue and will count toward Social Security benefits for you or your family. If you work for someone else in employment covered by the Federal Old-Age and Survivors Insurance program, and also own your own business, you will be taxed on and receive credit for both your self-employment income and the wages paid to you by your employer up to a total of \$3,600. Your employer will continue to report and pay the tax on your wages and you will be required to pay the tax on your self-employment income. However, earnings in self-employment in excess of the difference between \$3,600 and your wages will not be taxable. If your wages are \$3,200 or more, the amount on which you pay a self-employment tax will of course be \$400 or less. If your wages from covered employment were \$3,600 or more a year, you would not be subject to the self-employment tax.

Principal earnings which do not come under self-employment tax and do not count toward Social Security payments include:

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1. EARNINGS LESS THAN \$400 A YEAR IN SELF-EMPLOYMENT.

2. EARNINGS OVER THE FIRST \$3,600 IN ANY YEAR.

3. EARNINGS FROM REAL ESTATE DO NOT COUNT UNLESS YOU ARE A REAL ESTATE DEALER. HOWEVER, RENTALS FROM ROOMS IN PRIVATE HOUSES SHOULD BE INCLUDED IN CALCULATING THE SELF-EMPLOYMENT TAX AND BENEFITS.

4. INCOME FROM PERSONALLY-OWNED STOCKS OR BONDS.

At the present time if you are self-employed, the following actions should be taken by you.

1. IF YOU HAVE NEVER HAD A SOCIAL SECURITY NUMBER, YOU SHOULD GET ONE AT YOUR SOCIAL SECURITY OFFICE PRIOR TO FILING YOUR INCOME TAX RETURN FOR 1951.

2. IF YOU HAVE LOST YOUR CARD YOU SHOULD ASK FOR A COPY. IF THERE IS NO SOCIAL SECURITY OFFICE NEAR WHERE YOU LIVE, ASK AT YOUR LOCAL POST OFFICE FOR AN APPLICATION BLANK. YOU SHOULD HAVE ONLY ONE SOCIAL SECURITY NUMBER.

3. IF YOU HAVE SELF-EMPLOYMENT INCOME THAT WILL COUNT TOWARD SOCIAL SECURITY BENEFITS, YOU SHOULD MAKE A REPORT OF YOUR EARNINGS AND PAY YOUR SOCIAL SECURITY TAX WHEN YOU FILE YOUR FEDERAL INCOME TAX RETURN FOR 1951 (DUE IN 1952). FOR THIS PURPOSE A SELF-EMPLOYMENT TAX REPORT FORM (FIGURE 1) WILL BE PART OF YOUR INCOME TAX BLANK. THIS FORM IS KNOWN AS SCHEDULE C, TO BE FILED WITH FORM 1040. THE SOCIAL SECURITY TAX ON SELF-EMPLOYMENT INCOME WILL BE 2 1/4 PERCENT THROUGH THE YEAR 1953.

SCHEDULE C (File with Form 1040) U. S. TREASURY DEPARTMENT INTERNAL REVENUE SERVICE 1951

SCHEDULE OF PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION AND COMPUTATION OF SELF-EMPLOYMENT TAX (for old-age and survivors insurance)

For calendar year 1951 or fiscal year beginning 1951, and ending 1951

Name and address under which Form 1040 is filed

If a joint return, name of husband or wife having net earnings from self-employment

State (1) nature of business (2) business name (3) business address

Do NOT include in this schedule cost of goods withdrawn for personal use or deductions not connected with your business or profession

Table with 2 columns: Description (1-9) and Amount (\$). Includes 'COST OF GOODS SOLD' and 'Gross profit'.

Table with 2 columns: Description (11-24) and Amount (\$). Includes 'OTHER BUSINESS DEDUCTIONS' and 'Net profit (or loss) before losses of business property'.

COMPUTATION OF SELF-EMPLOYMENT TAX (See Instructions on other side)

Table with 2 columns: Description (25-31) and Amount (\$). Includes 'Net earnings (or loss) from self-employment' and 'Self-employment tax'.

FILL IN ITEMS BELOW BUT DO NOT DETACH

Schedule C-a (Form 1040) U. S. TREASURY DEPARTMENT INTERNAL REVENUE SERVICE U. S. REPORT OF SELF-EMPLOYMENT INCOME (For Federal Old-Age and Survivors Insurance) 1951

For calendar year 1951 or fiscal year beginning 1951, and ending 1951

State nature of business

ENTER HERE YOUR SOCIAL SECURITY ACCOUNT NUMBER

Form for Social Security Account Number with boxes for 000, 00, 0000.

Enter total net earnings from self-employment shown on line 27 above \$

ENTER BELOW, NAME AND BUSINESS ADDRESS OF SELF-EMPLOYED PERSON

Form for Name and Business Address with fields for Name, Address, and City/State.

Enter wages shown on line 28 above \$

Enter self-employment income subject to tax shown on line 30 above \$

FIGURE 1

Schedule C shown in figure 1 requires that you keep some records. For this purpose use may be made of the records which you are already keeping to help you in preparing your income tax return, since most of the items covered are the same. A record of the total receipts from your business is required as well as a record of certain expenses and other business deductions. A careful study of this schedule will furnish you with some idea as to the type of records you should keep for your particular business. It will also be noted that employer identification numbers are not used in connection with this report and, therefore, no employer identification number need be obtained. Only a Social Security card and number are required.

Because of the fact that some tax liability may be created in the year 1951, for example, if the death of a taxpayer requires that the executors of his estate file Income Tax and Self-employment tax reports currently, Schedule C of form 1040 will in these instances be filled out sometime during 1951. For such a purpose, forms are now available at the offices of the Collectors of Internal Revenue. However, they will be made available currently only for this purpose. General distribution of Schedule C will be made sometime after the fall of 1951. At that time regular distribution will be under way for 1951 tax forms. These tax forms have to be filed together with the required Schedule C reporting the self-employment tax by March 15, 1952.

The information in this article with respect to the self-employment tax and the benefits due because of payment of the tax is of a general nature and intended to cover the more important points applicable to self-employed individuals in the fishery industries. For more specific information with respect to problems or questions in connection with payment of the tax, it is suggested that the nearest office of the Collector of Internal Revenue be contacted. It is suggested that the nearest Social Security Field Office be contacted for specific information with respect to benefits.

The following self-employed persons are some of those required to file the self-employment tax form:

1. A FISHERMAN OPERATING HIS OWN BOAT BY HIMSELF OR WITH A CREW OF ONE OR MORE.
2. A PROCESSOR OWNING AND OPERATING A FISH-CANNING FACTORY.
3. AN OWNER AND OPERATOR OF A WHOLESALE FISH BUSINESS, A RETAIL FISH STORE, OR A FISHING-GEAR SUPPLY HOUSE.
4. A MANUFACTURER OF FISHING GEAR OR NETTING.

Persons in these categories together with many other persons involved in other types of self-employment prevalent in the fishery industries, either on an individual or partnership basis, are required to file the forms and pay the tax, provided their net earnings from self-employment are \$400 a year or more. Those who file the form, pay the tax, and have sufficient quarters of coverage¹ may become eligible for Old-age or Survivors benefits. Information about the test which must be met in order to gain eligibility and about the manner in which benefits are determined can best be obtained from the nearest Social Security office. No Social Security payments can be made until an application for benefits has been made out. There are two occasions for action to be taken in filing an application for benefits:

¹ THE SOCIAL SECURITY ACT PROVIDES THAT IN ORDER TO BE ELIGIBLE FOR OLD AGE AND SURVIVORS BENEFITS CERTAIN REQUIREMENTS MUST BE MET WITH RESPECT TO REPORTING AND PAYMENT OF THE SOCIAL SECURITY TAX (SYNONOMOUS WITH COVERAGE) IN A SPECIFIED NUMBER OF QUARTERS. QUARTERS ARE THREE-MONTH PERIODS BEGINNING JANUARY 1, APRIL 1, JULY 1, OR OCTOBER 1 IN ANY YEAR. NO BENEFIT OF ANY KIND IS PAID UNLESS AT LEAST SIX QUARTERS OF COVERAGE (NOT NECESSARILY CONSECUTIVE) ARE RECORDED FOR DIFFERENT TYPES OF BENEFITS. THE REQUIREMENTS AS TO QUARTERS OF COVERAGE VARY. SPECIFIC INFORMATION ON THIS SUBJECT MAY BE OBTAINED FROM THE NEAREST SOCIAL SECURITY OFFICE.

1. WHEN YOU ARE 65 AND WISH TO RETIRE, YOU SHOULD CALL AT THE SOCIAL SECURITY OFFICE AND ASK ABOUT AND REQUEST AN APPLICATION FOR BENEFITS.
2. IN CASE OF YOUR DEATH, YOUR FAMILY SHOULD NOTIFY THE SOCIAL SECURITY OFFICE AND ASK ABOUT AND REQUEST AN APPLICATION FOR BENEFITS.

It is estimated by the Service's Branch of Commercial Fisheries that from 60,000-70,000 self-employed fishermen will be covered by this law, which will result in first-year payments by self-employed fishermen into the Federal Security System of about \$3,500,000. However, these payments are contributions to the considerably liberalized Old-Age and Survivors Insurance System and will accrue into benefits for the insured self-employed individuals or his survivors. In addition, proprietors of fish processing, wholesaling, and other types of fishery establishments operated as individual businesses or partnerships will now be subject to this tax.

It should be noted that fishermen employed on vessels of 10 net tons or less, excepting vessels in the halibut or salmon fishery, are excluded from the present Federal Old-Age and Survivors Insurance System and the tax under the law. However, fishermen owning these boats and who are self-employed are covered and are required to pay the tax on self-employment income. This somewhat peculiar situation was not given recognition when the Social Security Act Amendments of 1950 were in the process of being made law. Legislation has been introduced in the present session of Congress which would bring practically all of these employed fishermen on vessels of 10 net tons or less under coverage and make their earnings subject to the tax in the same manner as other employed fishermen.



PACKAGING FROZEN FISHERY PRODUCTS

The problems of freezing and frozen storage of fish and shellfish are, on the whole, very much like those for other frozen foods. The packaging requirements are similar and the requirements for storage, with some exceptions, are much alike. Changes in flavor will occur in seafoods during periods of frozen storage much the same as in other frozen foods. Some varieties of fishery products have a tendency to toughen after being held for varying periods of storage.



There is, however, an additional important problem with certain varieties of fish which is encountered with only a few other frozen products. The fat or oil that is present in the body tissues of these fish will undergo oxidation, with subsequent undesirable changes in flavor and, in extreme cases, changes in the appearance of the fish.