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4-H and FFA PROJECT INCOME

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Net income resulting from 4-H or FFA projects **may not** be subject to self-employment tax. If the project is entered into primarily for educational purposes and not for profit, and is completed by the child under the rules and economic restrictions of the sponsoring 4-H or FFA organization, any net income will be subject to income tax, but not self-employment tax. Since this type of project is generally not considered a trade or business, the income is not considered self-employment income.

If the 4-H or FFA project is entered into for the purpose of developing a trade or business, then the income from the activity would be subject to self-employment tax. Each case will need to be evaluated on its facts and circumstances.

If the activity is not a trade or business, the "2000 Farmers Tax Guide", IRS Publication 225, (page 79) suggests reporting the income on line 21, "Other income", of Form 1040.



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