

ARE YOU AN INDEPENDENT CONTRACTOR

AS AN INDEPENDENT CONTRACTOR

WHAT IS AN INDEPENDENT CONTRACTOR

- An independent contractor is a self-employed individual doing temporary, and flexible jobs providing services or goods.
- An independent contractor has control over their business, the method for which the work is accomplished, and the choosing of clients.

INDEPENDENT CONTRACTOR OR EMPLOYEE

Independent Contractor

- Does the same work for multiple people
- Has own tools and equipment
- Can hire, supervise, and pay assistants
- Can make a profit or suffer a loss
- Set own schedule and hours
- Has a business license

Employee

- Works for single employer
- Is furnished with tools or materials necessary
- Can quit at any time
- Must comply with instructions on when, where, and how to work
- Is trained by employer

EXAMPLES OF INDEPENDENT CONTRACTOR JOBS*

Freelancing Work

- Writer
- Graphic Designer
- Web Designer
- Social Media Manager
- Marketer

Driver/Delivery

- Lyft
- Uber
- DoorDash
- TaskRabbit
- GrubHub

- Provide creative or professional services
- Sell goods online
- Rent out property or part of it

*Note: This list does not include all types of gig work

TAX CONSEQUENCES

- You must file a tax return if you have net earning from self-employment of \$599 or more, even if it's a side job, part-time or temporary.
- A gig worker pays 15.3% of their wages in social security and Medicare tax, instead of the 7.6% regular employees are suppose to pay.
- If you think you have been misclassified/should be classified as an employee, call our number below.

WHAT TO DO

Here is how to manage taxes for independent contractors (self-employed):

1. Keep Records
2. Pay Estimated Taxes
3. Get Ready To File
4. File Your Tax Return



FLIP FOR MORE INFORMATION

Greater Boston Legal Services LITC
197 Friend St,
Boston, MA 02114
(617) 603-1718

This flyer does not constitute legal advice nor a client relationship.
This flyer is for informational purposes only.
Please call if you have questions or would like to apply for services.

STEPS TO FILE YOUR TAXES

ARE YOU AN INDEPENDENT CONTRACTOR

AS AN INDEPENDENT CONTRACTOR

KEEP RECORDS

Collect and keep records and receipts during the year. Record keeping can help you track your income, deduct expenses, and complete your tax return

Expenses – save receipts of your expenses. You can lower the amount of tax you owe by deducting certain expenses. (Publication 535, Publication 583, Publication 527). Some examples include:

- Car Expense: standard mileage rate or actual car expense
 - standard mileage rate is 57.5 cents per mile
 - actual car expense includes gas, oil, repairs, lease payments, insurance, garage rent, parking fees etc.
- Meals for Travel: You can deduct the cost of meals if it is necessary for you to stop for substantial sleep or rest to properly perform your duties while traveling away from business
- Travel: you can deduct when you travel away from home for business purposes. You can deduct ordinary and necessary expenses you have when you travel away from home and business.
- Tools: tools used in your business are deductible expenses if the tools have a life expectancy of less than 1 year or they cost \$200 or less per item or invoice.

PAY ESTIMATED TAXES

If you earn money as an independent contractor, you may have to pay quarterly estimated taxes. You can avoid a penalty by paying enough tax on time.

When to pay — Estimated tax payments are due four times a year:

- April 15 for payment period January 1–March 31
- June 15 for payment period April 1–May 31
- September 15 for payment period June 1–August 31
- January 15 for payment period September 1–December 31

GET READY TO FILE

- The businesses you work with may send forms to the IRS to report payments made to you. If they do, you should receive copies of the forms by January 31.
- Include all income — Use your sales receipts to report any payments not reported to you on a 1099 or W-2.
- Subtract your expenses — You can lower the amount of tax you owe by deducting certain expenses.

FILE YOUR TAX RETURN

To file your tax return as an independent contractor (self-employed), use the records you gathered and fill out these forms:

- Form 1040, U.S. Individual Income Tax Return or Form 1040-SR, U.S. Tax Return for Seniors
- Schedule SE (Form 1040), Self-Employment Tax
- Schedule C (Form 1040), Profit or Loss from Business (Sole Proprietorship)

ADDITIONAL HELP

<https://www.irs.gov/businesses/gig-economy-tax-center>

Form 1040-ES, Estimated Taxes for Individuals

Form 1040-ES (NR), U.S. Estimated Tax for Nonresident Alien Individuals

Publication 463, Travel, Entertainment, Gift, and Car Expenses

Publication 535, Business Expenses

Publication 587, Business Use of Your Home

Qualified Business Income Deduction

Volunteer Income Tax Assistance

This flyer does not constitute legal advice nor a client relationship.

This flyer is for informational purposes only.

Please call if you have questions or would like to apply for services.