



Self-Employment Tax Survival Kit

*EVERYTHING YOU NEED TO KNOW TO
STAY COMPLIANT AND SAVE MONEY*



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INTRODUCTION

✂️ Being self-employed comes with tax responsibilities, but this guide will help you navigate them with confidence!

Navigating self-employment taxes can be overwhelming, but with the right knowledge, you can stay compliant and maximize your savings. Whether you're a freelancer, contractor, or small business owner, this guide will break down what you need to know about self-employment taxes, estimated payments, deductions, and strategies to keep more of your hard-earned money.


UNDERSTANDING SELF-EMPLOYMENT TAXES

What is Self-Employment Tax?

- ◆ Self-employment tax covers Social Security and Medicare contributions.

Self-employment tax is the equivalent of payroll taxes that traditional employees and employers pay. However, since self-employed individuals work for themselves, they are responsible for paying the full tax amount. It covers contributions to **Social Security (12.4%)** and **Medicare (2.9%)**, for a total of **15.3%** of net earnings.

Who Has to Pay Self-Employment Tax?

 If you earn **\$400 or more** in net self-employment income in a tax year, you are required to file and pay self-employment tax.

This applies to:

- Freelancers, gig workers, and independent contractors
- Small business owners and sole proprietors
- Side hustlers and part-time entrepreneurs
- Members of partnerships that operate a trade or business

UNDERSTANDING SELF-EMPLOYMENT TAXES

How is Self-Employment Tax Calculated?

1. **Determine Net Earnings:** Start with your total self-employment income and subtract allowable business expenses to determine your net earnings.
- 2 **Apply the Self-Employment Tax Rate:** Multiply net earnings by **92.35%** to arrive at the total taxable amount. (The first 7.65% of net earnings is not subject to tax.)
3. **Multiply by 15.3%:** The final result is the self-employment tax you owe,

Example: If you earn \$50,000 in net self-employment income:

$$\$50,000 \times 92.35\% = \$46,175$$

$$\$46,175 \times 15.3\% = \mathbf{\$7,061}$$
 in self-employment tax owed.

Can You Deduct Any of This Tax?

Yes! You can deduct **half of your self-employment tax** when filing your income tax return. This deduction reduces your taxable income and helps lower your overall tax bill.

ESTIMATED TAX PAYMENTS

What Are Estimated Taxes?

💰 Self-employed individuals must make quarterly tax payments.

Since self-employed individuals don't have taxes withheld from their income like traditional employees, they must **pay taxes in advance** through estimated payments. These payments cover **income tax and self-employment tax** and help avoid penalties at the end of the year.

Who Needs to Pay Estimated Taxes?

You must make estimated tax payments if you expect to owe at least **\$1,000** in taxes when you file your return.

Quarterly Due Dates

📅 Mark your calendar!

- **April 15** (for Q1 income)
- **June 15** (for Q2 income)
- **September 15** (for Q3 income)
- **January 15** of the following year (for Q4 income)

📌 **How to Pay:** IRS Direct Pay, EFTPS, debit/credit, or Form 1040-ES by mail.

Failing to make estimated tax payments can result in **IRS penalties and interest**.

MAXIMIZING DEDUCTIONS & WRITE-OFFS

Common Deductible Expenses

- ✓ **Home Office Deduction** – A portion of rent, utilities, and internet.
- ✓ **Vehicle & Mileage** – Use IRS standard mileage rate or actual expenses.
- ✓ **Business Meals & Travel** – 50% for meals, 100% for travel.
- ✓ **Marketing & Advertising** – Website costs, business cards, ads.
- ✓ **Software & Subscriptions** – QuickBooks, Adobe, Zoom, memberships
- ✓ **Development and Education**
- ✓ **Retirement Contributions**
- ✓ **Employed Health Savings Account (HSA)**
- ✓ **Office Supplies and Equipment**







Maximizing Your Deductions

- Keep **detailed records** and save receipts for all business expenses.
- Use **expense tracking software** and personal finances by maintaining a dedicated business bank account and credit card.
- Stay updated on **tax law changes** to ensure you claim all eligible deductions.

By leveraging these deductions, you can significantly reduce your taxable income and keep more money in your pocket.

RECORDKEEPING & BOOKKEEPING PRACTICES

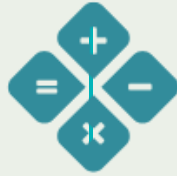
Why Good Recordkeeping Matters

-  Maximizes deductions 
-  Prevents IRS penalties 
-  Helps with budgeting & growth 

Essential Recordkeeping Tips

- **Separate Business and Personal Finances:** Open a business bank account and credit card to avoid commingling funds.
- **Use Accounting Software:** Tools like QuickBooks, Xero, or Wave can automate tracking income and expenses.
- **Keep Digital Copies of Receipts:** Store receipts using apps like Expensify or Shoeboxed to ensure you don't lose important records.
- **Track Mileage for Business Use:** Use a mileage tracking app if you deduct vehicle expenses.
- **Maintain Organized Invoices & Payments:** Keep a system for tracking client payments and unpaid invoices.
- **Reconcile Bank Statements Monthly:** Ensure accuracy in financial records by comparing transactions against bank statements.
- **Back-Up Financial Records:** Use cloud storage or external hard drives to prevent data loss.

By implementing strong bookkeeping habits, you can ensure financial accuracy, save time during tax season, and keep your business running smoothly.



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🚀 *Stay compliant, maximize deductions, and take control of your taxes today!*