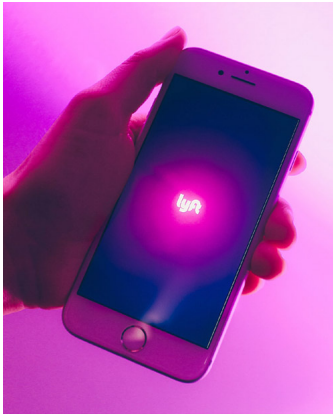


## Taxes for gig workers

Written by By Finance New Mexico  
Friday, 15 March 2019 08:06

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The gig economy makes it possible for thousands of Americans to join the ranks of self-employed people, whether they're driving for hire or doing short-term assignments as accountants or writers or using a 3-D printer to manufacture products for others.

Such jobs offer flexibility and independence, but they come with the same obligations as any other sole proprietorship, including the responsibility to file a Schedule C form and pay self-employment taxes in addition to income taxes they might owe if the business is profitable.

People who use their own equipment and set their own hours - such as Uber and Lyft drivers or plumbers and electricians who own their own businesses - are considered independent contractors. According to the Internal Revenue Service, approximately 25.5 million people in the U.S. were self-employed in 2016, and that number is steadily increasing.

### Retirement contributions

Self-employment tax contributes to the Social Security and Medicare systems that provide benefits for retired workers. Because independent contractors are self-employed, they pay both the employer and employee portions of Social Security and Medicare contributions, rather than splitting the cost with an employer.

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Self-employment tax is reported on Schedule SE, and the 2018 rate for tax returns filed in 2019 is 15.3 percent of taxable net earnings from self-employment. Even those who are already retired and receiving Social Security benefits can be liable for self-employment tax if their freelance income exceeds a certain amount.

Because self-employment tax is separate from income tax, a self-employed worker who didn't make enough money to owe income tax, might still owe money to the IRS, which is why it's good for the freshly self-employed to get advice from a certified tax professional or accountant. If a taxpayer is audited, accountants and enrolled agents - professionals authorized to prepare tax returns - can represent a taxpayer in discussions with the IRS.

## **Lowering expenses with deductions**

Business expenses and other deductions can lower the amount owed, so independent contractors need to be meticulous about tracking their expenses.

Many independent contractors receive Form 1099 or 1099-MISC, which indicates the amount they received for performing the contracted work. Uber and Lyft drivers get Form 1099-K. Uber doesn't deduct the commissions and fees paid by the driver, so he or she must account for them elsewhere on Schedule C, along with mileage, tolls and other eligible expenses to lower the income and self-employment tax owed.

Independent contractors might deduct the subscription cost or purchase price of bookkeeping software or other equipment used to conduct business. Personal drivers have deduction options related to the use of their equipment, but they won't be able to claim them unless they have tracked their actual expenses and miles driven on the job.

The calculations made on Schedule C, will determine if the self-employed worker has made or lost money from his efforts. If the net profit is more than \$400, a Schedule SE is required to submit self-employment taxes.

## **Don't go it alone**

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Do-it-yourself Uber and Lyft drivers can find detailed tax filing instructions online at <https://www.eitcoutreach.org/rideshare/how-do-rideshare-uber-and-lyft-drivers-pay-taxes/>

Tax Help New Mexico offers filing assistance through AARP, United Way offices and community colleges.

Visit <http://www.tax.newmexico.gov/Individuals/free-filing-assistance.aspx> for a list of locations.

To learn more, go to [www.FinanceNewMexico.org](http://www.FinanceNewMexico.org) .

By Finance New Mexico