



# TAXES FOR FREELANCERS

**Ready to file your freelancer taxes?**

So are we—let's get started!

## Step 1: Hobby or business?

Are you running a business or self-sustaining hobby? Check the statements that apply:

- ☐ **I treat the activity like a business.**
- ☐ **I depend on the income for my livelihood.**
- ☐ **I've made a profit in similar activities in the past.**
- ☐ **The time and effort I spend implies I'm aiming for a profit.**
- ☐ **I (or my advisors) have the knowledge needed to run a successful business?**
- ☐ **My financial losses are normal in the startup phase of a business.**
- ☐ **I've adjusted my operation methods to improve profitability.**
- ☐ **I've made a profit on the activity in more than one year.**
- ☐ **I expect to make a future profit from the appreciation of any assets I use.**

If you checked more than half of these, you've probably got a business on your hands.

## Step 2: Do I have to pay self-employment taxes?

If you had more than \$400 left after subtracting expenses from your income, then you'll likely owe self-employment taxes on that profit (profit = income - expenses).

<b>Your total self-employment income:</b>		\$
<b>How much you spent to run your business:</b>	–	\$
<b>Profit (or loss):</b>	=	\$

## Step 3: Quarterly Estimated Taxes

You're generally required to make estimated tax payments (federal, and possibly state) each quarter to cover your tax obligation if you expect to owe \$1,000 or more in taxes on your freelance income.

**I expect to owe \$1,000 or more in taxes on my freelance income.** ☐ YES ☐ NO

Due dates are April 15, June 15, September 15 of the current year, and January 15 of the following year (unless the 15 is on a weekend or holiday; if so, the due date will be the next business day).

If you haven't made quarterly estimated tax payments throughout the year, do your best to pay as much as possible as soon as you can to reduce penalties. You can see how estimated taxes are calculated on our Tax Guide at [1040.com/tax-guide/taxes-for-the-self-employed](https://1040.com/tax-guide/taxes-for-the-self-employed).

## Step 4: W-9's and 1099's

When you are paid more than \$600 by a single client, your client is required to send you a 1099-NEC detailing your pay information for the tax year. Sometimes clients drop the ball here, though—and when that happens, you'll need to pick up the slack.

**I was paid more than \$600 during the year by one or more clients each.**

☐ YES ☐ NO

**The client(s) also requested a W-9.**

☐ YES ☐ NO

If you answered yes to both, you should be getting a Form 1099-NEC at the end of the year that details your exact payment and tax liability from that client.

If you answered no to both or either, you're still responsible to report the payment and tax liability information on your taxes, so make sure to take good records of your transactions.

**Remember: Any income received from a client, even if less than \$600, is subject to income tax and must be reported on your tax return.**

## Step 5: Allowable Deductions

Remember those expenses we talked about? You can reduce your tax liability with expenses like these, so long as you have documentation to prove that they were for business purposes only. To be deductible, a business expense must be ordinary, necessary, and directly related to your business.

**Here are some expenses you could deduct:**

- ☐ **Advertising and marketing**
- ☐ **Auto expenses or mileage**
- ☐ **Bad debts**
- ☐ **Business association membership dues**
- ☐ **Cell phones and Internet (only the percentage used for business)**
- ☐ **Depreciation**
- ☐ **Education expenses**
- ☐ **Employee fringe benefits**
- ☐ **Home office expenses**
- ☐ **Insurance**
- ☐ **Interest**
- ☐ **Inventory creation costs**
- ☐ **Legal, tax preparation and professional fees**
- ☐ **Office supplies and equipment**
- ☐ **Pension plans**
- ☐ **Rent expenses**
- ☐ **Repairs for basic maintenance**
- ☐ **Taxes**
- ☐ **Website development and hosting**

Any self-employment income and related expenses will be reported on a Schedule C, Profit or Loss from Business when you file your taxes.

## What about the Qualified Business Income (QBI) deduction?

Partnerships, S corporations, LLCs, or sole proprietorships can take a deduction up to 20% of their net profit without having to itemize deductions.

**However:** Pass-through entities such as partnerships and S corporations have some extra limitations.

When you file your taxes, we'll automatically apply the QBI deduction if you qualify. No math needed!

### List your business expenses below

[illegible]

## Step 6: File with the Feel-Good Tax Company

When you file with 1040.com, you can get your taxes done in one sitting for \$25—and do some good for the world while you're at it.

Want more info on our give back? Check out our relationship with Healing Waters International at [www.1040.com/impact](http://www.1040.com/impact).

