

Are You Self Employed? Check Out These IRS Tax Tips

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Many people who carry on a trade or business are self-employed. [Sole proprietors](#) and [independent contractors](#) are two examples of self-employment. If this applies to you, there are a few basic things you should know about how your income affects your federal tax return. Here are six important tips about income from self-employment:

- **SE Income.** Self-employment can include income you received for [part-time work](#). This is in addition to income from your regular job.
- **Schedule C or C-EZ.** There are two forms to report self-employment income. You must file a [Schedule C](#), Profit or Loss from Business, or [Schedule C-EZ](#), Net Profit from Business, with your Form 1040. You may use Schedule C-EZ if you had expenses less than \$5,000 and meet other conditions. See the form instructions to find out if you can use the form.
- **SE Tax.** You may have to pay self-employment tax as well as income tax if you made a profit. Self-employment tax includes Social Security and Medicare taxes. Use [Schedule SE](#), Self-Employment Tax, to figure the tax. If you owe this tax, make sure you file the schedule with your federal tax return.
- **Estimated Tax.** You may need to make [estimated tax](#) payments. People typically make these payments on income that is not subject to withholding. You usually pay this tax in four installments for each year. If you do not pay enough tax throughout the year, you may owe a [penalty](#).
- **Allowable Deductions.** You can [deduct expenses](#) you paid to run your business that are both ordinary and necessary. An ordinary expense is one that is common and accepted in your industry. A necessary expense is one that is helpful and proper for your trade or business.
- **When to Deduct.** In most cases, you can deduct expenses in the same year you paid for them, or incurred them. However, you must 'capitalize' some costs. This means you can deduct part of the cost over a number of years.

Visit the [Small Business and Self-Employed Tax Center](#) on IRS.gov for all your federal tax needs. You can also get IRS tax forms on [IRS.gov/forms](#) anytime.