

Self Employed? Check Out These IRS Tax Tips

If you are self-employed, you normally carry on a trade or business. Sole proprietors and independent contractors are two types 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 from the IRS:

- **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.** 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 certain 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, attach the schedule to your federal tax return.
- **Estimated Tax.** You may need to make estimated tax payments. Try IRS Direct Pay. People typically make these payments on income that is not subject to withholding. You usually pay estimated taxes in four annual installments. 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, 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](https://www.irs.gov) for all your federal tax needs. You can also get IRS tax forms on [IRS.gov/forms](https://www.irs.gov/forms) anytime.

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