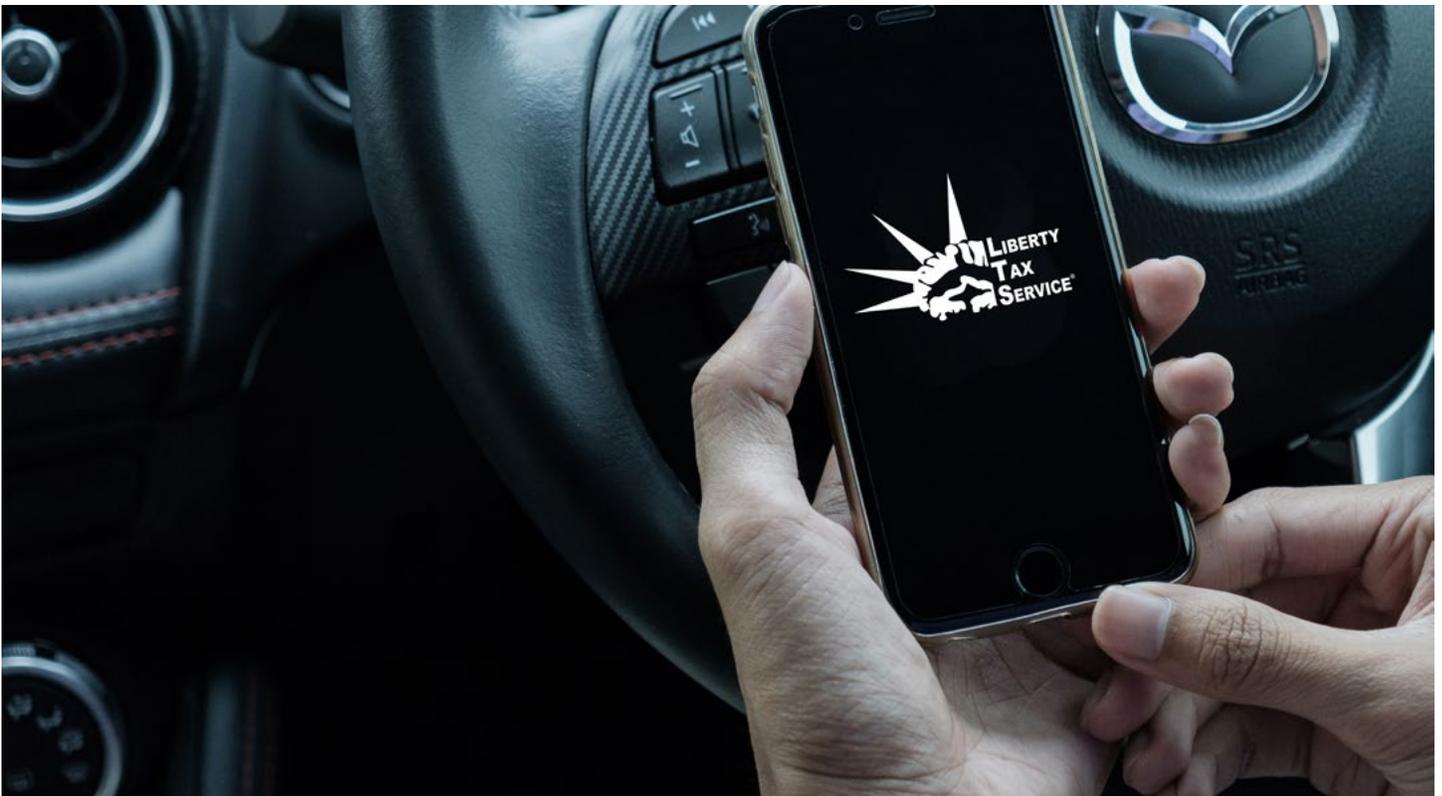




11 TAX QUESTIONS Every Gig Worker Should Ask



 866-871-1040

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Q. Do I have to pay taxes?

A. Probably. If your net earnings from self-employment were \$400 or more, you must file a tax return, even if you do not meet other filing requirements. Check [here](#) to see about IRS filing requirements.

Q. I didn't get any paperwork showing how much I made, so I don't owe taxes, right?

A. We can see why you might think that, but if you are required to file a tax return, then pretty much any income you earn is taxable. The online platforms are not required to give you paperwork unless your earnings hit \$600. If they pay you by debit or credit transactions, they aren't required to send paperwork unless you have 200 transactions or earn \$20,000. So, keep track of your earnings, and make sure you share them with your tax preparer.

Q. How will the IRS know what I earned, if I didn't get paperwork?

A. It's the IRS, they know everything. But seriously, the online platform is required to submit your earnings of \$600 or more to the IRS.

Q. How much do I have to pay in taxes?

A. If you made \$400 or more, you have to pay self-employment tax. That's 15.3 percent of your net earnings. So, if you earned \$5,000 for the 2018 tax year, you'd have a self-employment tax bill of \$765.

Q. I don't own a business, why do I have to pay self-employment taxes?

A. You may not own a business, but you are considered an [independent contractor](#). Therefore, you must pay self-employment tax, which includes Social Security and Medicare taxes. When you work for an employer, those taxes typically are withheld from your paycheck.

Q. So, if I have to pay self-employment taxes, do I also get to take deductions?

A. Yes, and thanks to tax reform, you may get a bigger tax deduction this year than you did last year. Ask your tax preparer if you're eligible for the pass-through deduction that is part of the Tax Cuts and Jobs Act. The deduction allows for non-corporate taxpayers to deduct up to 20 percent of qualified business income. That is a deduction that wasn't available before 2018.

There are other deductions you should inquire about, too.

Let's say you drive for OrderUp, you may be able to take [deductions](#) for things like gas, cell phone usage, car detailing, and more, as long as the expenses are directly related to your work. When it comes to vehicle usage, you have two options for your deductions. You can take the standard mileage deduction, which is 54.5 cents per mile for the 2018 tax year, or you can calculate actual costs of using your vehicle. Actual costs would include oil changes, tire rotations and other types of work you may do in connection with your gig work. That's why it's a good idea to keep meticulous records on your work-related expenses and to share those records with your tax preparer. Our [mileage calculator](#), tax organizer and withholding calculator can help. You don't want to pay more than you owe in taxes.

Q. I have a full-time job and do the other stuff on the side, isn't that more like a hobby?

A. If you want to call it that, you can. But the IRS calls you an independent contractor and expects you to pay self-employment taxes on earnings of \$400 or more.

Q. What about the tips I get from customers? Are they taxable, too?

A. Tips count as income, so yes, they are taxable. However, if you make less than \$20 in tips in a calendar month, you don't have to report the income. Tip income is taxed at the 15.3 percent tax rate because it is subject to Social Security and Medicare taxes. If you do get tips, it's a good idea to keep a tip record.



Q. What if I get my company to withhold more money from my paycheck, do I still need to pay self-employment taxes?

A. That answer is a yes, but. Yes, you pay self-employment taxes. But you may have enough withheld from your paycheck to cover your self-employment taxes, too. So, let's say you typically get a \$400 tax refund. Depending on how much you earned as independent contractor, that \$400 might actually go to self-employment taxes this year when you're having your taxes done.

Q. I work for a few different online platforms, do I need to know anything special about my taxes?

A. Along with the things we've mentioned above, you likely will need to file a different Schedule C (your business tax return) for each of the online platforms for which you do contracting work. Your tax preparer can really help you here.

Q. Last year I owed almost \$1,000 in taxes. My preparer suggested I do estimated tax payments. What's that and why would I give money to the IRS before they ask for it?

A. No one wants to give money to the IRS before they have to, but our tax system is a pay-as-you-go system. That means you're supposed to pay taxes as you earn money. The IRS believes that if you owe \$1,000 or more in taxes, you should have been paying self-employment taxes throughout the year. You can [pay these taxes](#) online, via phone or via snail mail. You could be charged a tax penalty for not making [quarterly estimated](#) tax payments. Even if you do make the payments and you still owe, you could be charged an underpayment penalty. Listen to your tax preparer. There's no point in paying the IRS extra, if you don't have to.

ADDITIONAL RESOURCES

Find out more about gig economy work and taxes from our blogs.

- [How to Pay Taxes When Self-Employed](#)
- [What Every Uber Driver Must Know Before Taking the Wheel](#)
- [Am I Self-Employed or an Independent Contractor](#)
- [Marketing Costs: Small Business Tax Deductions](#)
- [Business Questions Freelancers Should Ask Themselves](#)
- [If You're Making Money on Etsy, You Should Read This](#)
- [How 15 Days Could Ruin Your Airbnb Experience](#)
- [Before You Sell on Ebay or Craigslist, Know the Tax Rules](#)
- [Are You Self-Employed and Looking for Health Insurance Options?](#)
- [The Ultimate Filing and Form Guide for Independent Contractors](#)

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