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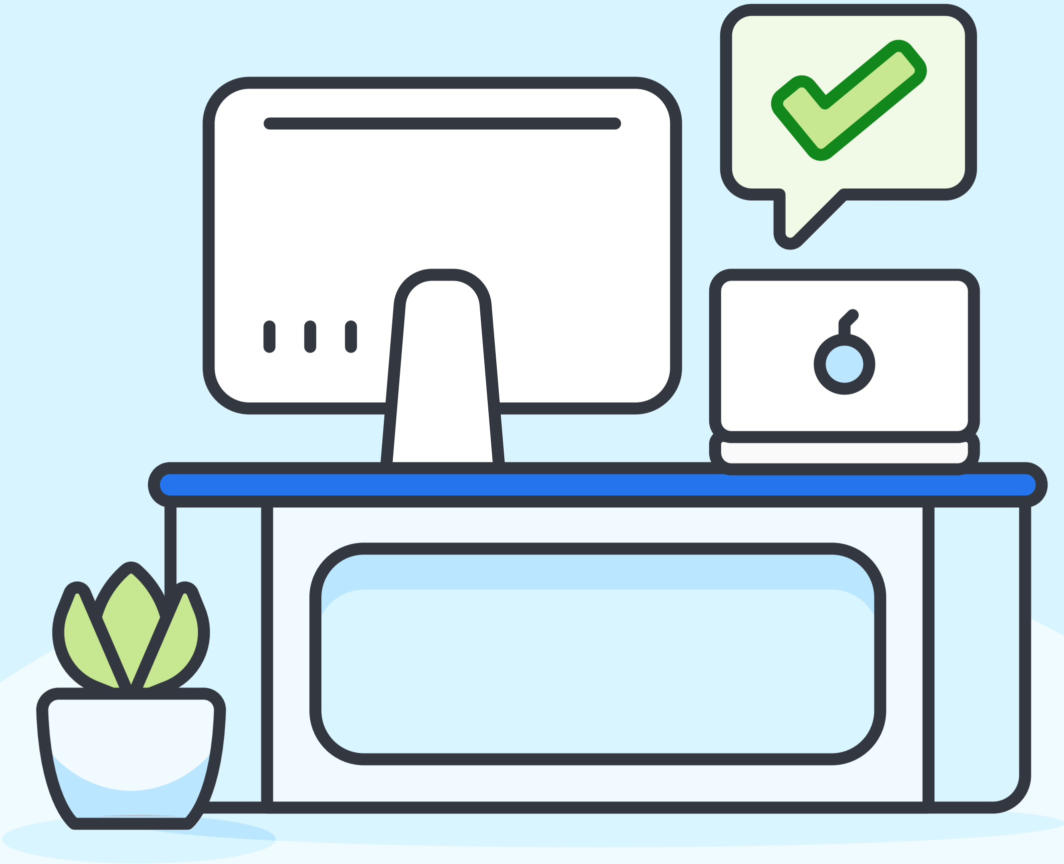

Self-Employed Guide

Tax Year 2025

Welcome to the TaxSlayer Self-Employed Guide for tax year 2025 (the return you'll file in 2026). Whether you're a small business owner, a full-time contractor, or a part-time side hustler, this guide is for you.

The information inside will help you get your maximum refund when you file with TaxSlayer Self-Employed.

Get ready to slay your taxes!

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6 Signs You're Self Employed

1. Your job title includes words like freelance, independent contractor, or small business owner.
2. You are not reimbursed by anyone for work-related expenses.
3. You are not controlled or supervised by your clients.
4. You get a 1099 from your clients at tax time.
5. You don't receive work perks or benefits from your client.
6. You pay 100% of your Social Security, Medicare, and income tax liabilities.

QuizSlayer: What's your employment status?

Does your client decide how and when the work gets done?

☐ Yes ☐ No

Does your client decide what tools or equipment are used to do the work?

☐ Yes ☐ No

Are you reimbursed by your client for work-related expenses?

☐ Yes ☐ No

Does your client provide benefits like insurance or a retirement plan?

☐ Yes ☐ No

Is your work essential to the company?

☐ Yes ☐ No

If you answered mostly "Yes"
It sounds like you could be an employee. Your client has a lot of rules about how, when, and where work is done.

Learn more

If you answered mostly "No"
It sounds like you're an independent contractor. You are performing a service and calling most of the shots.

What is income tax?

In-come Tax \ in kem ‘taks \ [noun] – A tax on the net earnings of an individual or business

Federal Income Tax: Federal income taxes pays for things like education, health programs, and other services that benefit the American public. Your tax rate depends on your filing status and how much you earn. It can be as little as 10% or as much as 37% of your taxable income.

State Income Tax: Depending on the tax laws in your state, you could be required to fill out a state return and pay tax on your income. If you earn income in more than one state, you might have to pay taxes to each state.

FICA: FICA stands for the Federal Insurance Contributions Act. It is a federal payroll tax that pays for Social Security and Medicare benefits. A percentage of an employee’s income is deducted from each paycheck to pay for FICA.

Self-Employment Tax: Self-employment tax is only for individuals who don’t have Social Security or Medicare contributions (FICA) withheld from their income during the year. It is a single tax that covers both obligations.

What type of income tax should you pay?

When you receive a W-2:

You pay 6.2% of your earnings to Social Security, and your employer pays another 6.2%, for a total of 12.4%. The current rate for Medicare is 1.45% for the employer and 1.45% for the employee, or 2.9% total.

You pay:

When you receive a 1099:

No income is withheld for Social Security, Medicare, state or federal income taxes. You are responsible for knowing and paying your tax liabilities.

You pay:

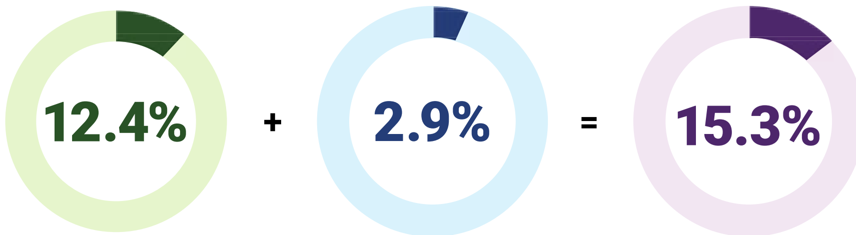
When you self-report your income:

This is relevant to small business owners in particular. You are responsible for tracking all your income and expenses and paying taxes throughout the year.

You pay:

Understanding the Self-Employment Tax

Self-employment tax is paid by people who work for themselves and don't have an employer withholding taxes from their paychecks year-round. The current rate is 15.3%.



Social Security · Medicare · Self-employment

You must pay the self-employment tax if:

- You make more than $400 net earnings from being self-employed.
- You are employed by a church and make more than $108.28.

Should you make estimated payments?

If your tax bill is $1,000 or more when you file, the IRS may charge you a penalty. Estimated payments are a way to pay your tax bill throughout the year so you aren't penalized. It's easy to do with TaxSlayer.

Learn more

Social Security tax

For 2025, the first $176,100 of your combined wages, tips, and net earnings is subject to any combination of the Social Security part of self-employment tax, Social Security tax, or railroad retirement (tier 1) tax. (For SE tax rates for a prior year, refer to the Schedule SE for that year).

1. Estimate how much you will owe in taxes with Form 1040-ES.
2. Fill out the worksheet portion.
3. Pay the estimated amounts by the due dates listed on the form.

Can I Really Deduct That?

When you're self-employed, the IRS says you can deduct expenses that are ordinary and necessary to your business. Here are some common examples:

Meals & Beverages

Food and drinks can be deducted at 50%. If you're entertaining a customer, you may be able to deduct meal expenses if they're billed separately from the entertainment.

Electronics

Deduct work-related electronic expenses, like a business cell phone or a new laptop. You can depreciate the value of your device over several years or deduct the full value one time.

Software

Deduct any one-time or monthly software fees that are directly related to your work. Some examples are Microsoft Office for a contractor or Adobe Creative Suite for an independent web designer.

Travel

If you travel out of town for business, you can deduct expenses, including transportation, lodging, and meals. You must sleep away from home to take this deduction.

Professional Development

Deduct expenses when you enroll in a program for professional development. For example: IT training for a web designer or an SEO marketing course for a small business owner.

Advertising

Deduct ordinary and reasonable advertising expenses. This can include paid social ads, business cards, and web hosting expenses for your website.

Health Insurance

If you pay for your own health insurance, you can deduct the cost of premiums paid for you as well as your spouse and your dependents. You can also deduct a portion of unreimbursed medical expenses.

Supplies

Deduct work-related office and creative supplies, such as printer paper, ink, envelopes, postage, and even writing utensils.

Spotlight on the Home Office Deduction

There are two ways to calculate the home office deduction:
Using a percentage of your home or using the square footage.

You can deduct your home office if:

- You work in it regularly.
- It's where you do most of your work.
- You only use it for work purposes.

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Using the Simplified Method

Use this method and deduct $5 per square foot of the area you use for business, up to 300 ft.

300 ft² x $5 = $1,500 Maximum possible deduction

Using the Regular Method

Deduct the full amount of each direct expense and a percentage of each indirect expense. The percent is calculated based on how many square feet of your home you use for work.

$$\frac{\textbf{Home office square feet}}{\textbf{Total square feet}} = \textbf{Percent of indirect expenses you can deduct}$$

What doesn't count as a home office?

Examples of spaces that would not qualify include a couch where you also spend time with family, a kitchen table where you also have meals, or your whole bedroom where you spend free time and sleep. [Learn more]

How to Calculate the Home Office Deduction

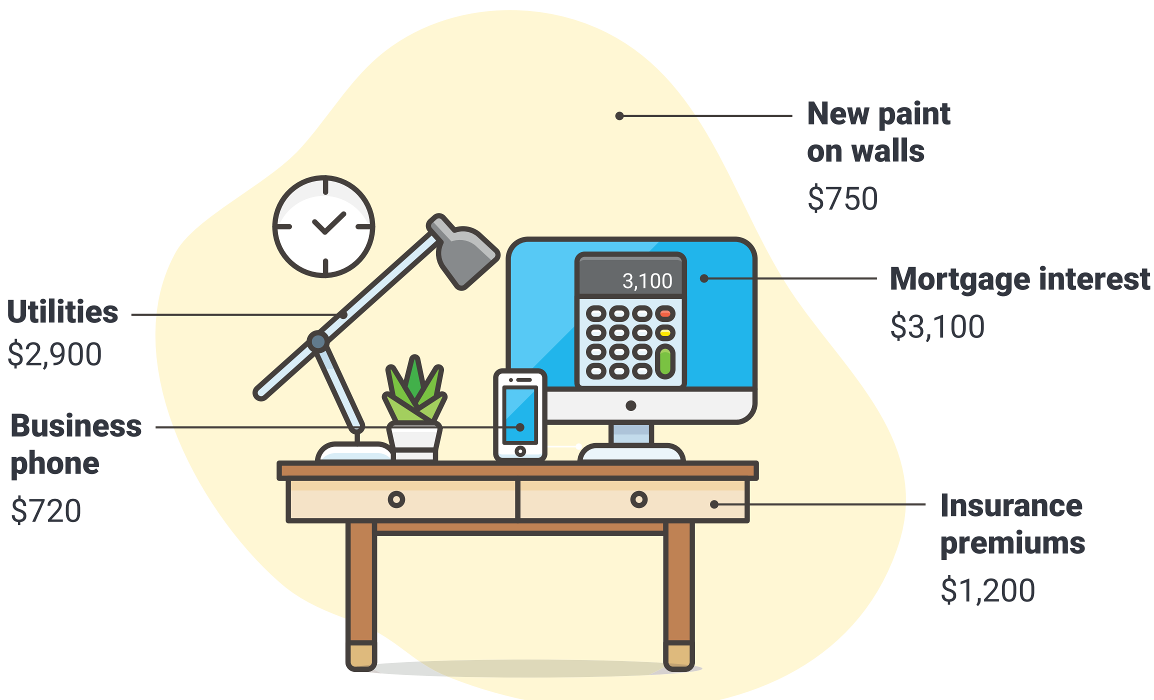
Let's look at an example using the regular method.

Items that qualify for the regular method:

Direct expenses
- Painting the office
- Repairs to the office
- A business telephone line
- Long distance business calls

Indirect expenses
- Utilities
- Homeowners insurance
- HOA fees
- Security fees
- General repairs and maintenance

Home size: 3,000 ft² | **Office space:** 300 ft²



$$\frac{\textbf{300 ft}^2\textbf{ Office}}{\textbf{3000 ft}^2\textbf{ Total}} = \textbf{10\% deduction for indirect expenses}$$

$720 indirect expenses ($3,100 +$1,200+$2,900) x .10 + **$1,470 direct expenses** $720 + $750 = **$2,190 total deduction**

Home Office: Special Situations

Let's look at how these circumstances can affect your home office deduction.

If you and your spouse both worked from home

It's possible for both of you to claim your home office spaces, **but each of you must have a separate, qualified work area**. And if you're using the simplified method, then the total area you claim cannot be larger than 300 square feet.

If you only used your home office for part of the year

Calculate the average monthly allowable square footage. To do this, add up the amount of square feet you used **each month**, and then divide that number by 12 (for 12 months in a year). If there was a month that you worked less than 15 days in your office, use 0 for that month.

If you run multiple businesses from home

If you have more than one workspace (for example: maybe you hold inventory, or you operate out of two different offices) you can **add up the total square footage of all these areas** to calculate your deduction.

Note: Each space must qualify. And if you are using the simplified method, the maximum area you can deduct is still 300 square feet, total.

If you moved partway through the year

This could impact how you calculate your deduction. That's because the simplified method can only be used for **one home per tax return**.

You can use the simplified method for the home office in one home, but you'll need to use actual expenses and the regular method to calculate the deduction for your other home.

If your home office got smaller (or bigger)

Add up the area of the home office space you used month by month and **divide the total by 12**. This will give you your average monthly allowable square footage for the entire tax year.

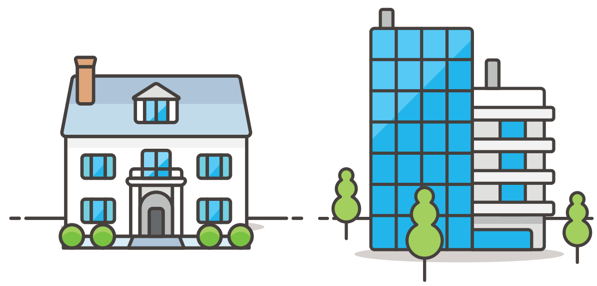
The Places You'll Drive

When you're adding up the miles you traveled for your deduction, make sure every mile counts.

Deduct miles traveled from home or office to:

- Client appointments
- Open houses
- Business conferences
- Business travel out of town
- Temporary work location

The miles you travel from home to your office are ***not deductible***



Rideshare app and delivery drivers:

Deduct these common operating expenses in addition to your mileage.

- Business use of your smartphone
- Tolls and parking
- Car washes and cleaning supplies
- Car insurance, roadside assistance, and registration

What other miles can I deduct?

Rideshare drivers can include the miles traveled to pick up a passenger. These aren't typically tracked by rideshare employer apps, so be sure to keep your own record of these additional miles traveled.

Vehicle and Mileage Deductions

If you use your car to get around for business, you can deduct a certain dollar amount for expenses related to your vehicle. There are two ways to calculate your deduction:

Actual Expense Method

Add up all your vehicle-related expenses like repairs, oil, and insurance and deduct a percentage based on the number of miles you traveled for business.

Reasons to use this method

1. Your vehicle needs repairs
2. You spend a lot on gas
3. You used this method the first year you claimed the deduction

Standard Mileage Method

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The standard mileage rate for 2025 is:

70 cents per business mile traveled

Reasons to use this method

1. Easy to track
2. Easy to calculate
3. Frequently means a bigger deduction

How the Actual Expense Method works

Let's say that in one year, you drove 25,000 miles. You kept excellent records and receipts, so you know how much you spent on your vehicle:

$5,000 gas + $600 repairs + $1,000 insurance + $200 oil changes + $4,000 lease payments + $150 car washes = $10,950

You also use your vehicle to get around when you're not driving for your business. In fact, only 80% of the miles on the odometer were for business. Using the Actual Expense Method, your deduction would be:

$10,950 x .80 = $8,760 total

Essential Self-Employment Forms

Here's a lineup of common forms and schedules you'll see around tax time.

Forms you receive

These are the most common forms you'll receive as a self-employed taxpayer. You may receive additional forms not covered here.

Form 1099-NEC

You can expect to receive this form if you earn more than $600 during the calendar year from a client or the company you contract with. If you contract with multiple companies or clients, you could receive multiple 1099-NECs.

Instead of putting this info directly on Form 1040, you'll report it on Schedule C.

Form 1099-K

If you conducted more than 200 transactions and received $20,000 or more in debit/credit card payments or through apps like Venmo or PayPal, you can expect this from the company processing those payments.

These payments get reported on Schedule C.

I didn't get a 1099. What should I do?

In a perfect world, you should get a Form 1099 from anyone who paid you $600 or more to perform a service. In reality, you might not. This makes things tricky, because you're still responsible for reporting all your income.

Rest assured, the IRS doesn't expect you to attach a copy of your 1099 when you file your return. As long as the income you report matches what your clients (or payers) reported, you should be all set.

Should I create my own 1099?

No, you don't need to create a 1099 for yourself. That's your client's responsibility.

Fun Fact

If you're filing with a W-2 and a 1099, you'll report both types of income on the same tax return. Simply follow the step-by-step instructions in TaxSlayer Self-Employed. Your info will be automatically entered into the correct forms and schedules, and the calculations will be done for you.

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Forms you file

Form 1040, Individual Income Tax Return

The standard individual return most U.S. taxpayers use to file taxes with the IRS. You'll use this form to report all income, credits, deductions, and payments to calculate how much tax you owe.

The 1040 includes schedules that provide the IRS with more details, like expenses or payments, that impact your tax liability.

Schedule C, Profit or Loss from Business

Reports how much money you made or lost as a gig worker, freelancer, independent contractor, or business owner.

Schedule SE (Form 1040), Self-Employment Tax

Used to calculate how much self-employment tax you owe based on the net earnings you report on Schedule C.

Form 1040-ES, Estimated Tax for Individuals

Use Form 1040-ES each quarter to calculate your quarterly estimated tax payment. This form lists the payment due dates, as well as a list of documents needed to calculate the estimated tax.

Report all your estimated tax payments on Form 1040, line 26.

Fun Fact

TaxSlayer Self-Employed automatically generates a Schedule SE when you file a Schedule C, unless one of these is true:

- You have Statutory Income listed on the W-2
- You indicate you are a member of the clergy (questions about your business on the Schedule C)
- You have $0 net income after making your entries

Tax Tips for Today's Top Gigs

Let's shine a spotlight on some of today's popular hustles.

Grocery shoppers

If you earned at least $600 as a full-service shopper for a company like Shipt or Instacart, your parent company should provide you with a 1099-NEC that summarizes your earnings, including order pay, tips, and incentives.

Top deductions for shoppers:

- Mileage
- Mile tracking app
- USB chargers and cables
- Dashboard mounting systems
- Smartphone and phone plan

Pro tip: *Since you may not get a tax form from all your income sources, it's wise to keep your own record of any direct deposits or physical payments you receive.*

Food delivery drivers

If you deliver food for companies like GrubHub, Postmates, DoorDash, or UberEATS, you'll likely receive Form 1099-NEC if you earn more than $600 during the calendar year.

You should also get a Form 1099-K if you earn more than $20,000 in gross delivery earnings (delivery fees + tips) and provide more than 200 deliveries in a year.

Top deductions for delivery drivers:

- Mileage
- Mile tracking app
- Smartphone and accessories
- Bike, repairs, and accessories
- Food courier bags, backpacks

Pro tip: *Any tips you receive that aren't included on your 1099 have to be reported separately on Form 4137, Social Security and Medicare Tax on Unreported Tip Income.*

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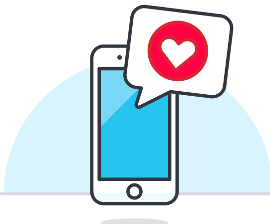

Content creators

In most cases, the IRS considers content creators and influencers self-employed. This means you must report your earnings as self-employed income using Schedule C.

You should receive a Form 1099-NEC from each brand you partner with that paid you $600 or more. Projects under $600 should still be reported as income on your tax return, even if you don't receive a 1099-NEC.

Top creator deductions:

- Computers, tablets, and smartphones
- Filming and editing tools
- Advertising and marketing costs
- Website and email hosting
- Home office space and supplies

Pro tip: *If you're in the early stages of building a following, the IRS might consider content creation your hobby instead of a business. Make sure you know your status before you file.*

Online resellers

If you're running a business as an online reseller, your sales must be reported on your business tax return or on Schedule C of your personal tax return. Be sure to keep good, detailed records of your profits and losses.

For the items you sell, make note of these details:

- Description of each item
- Date you acquired the item
- Date you sold it
- How you got the item (purchased, gifted, inherited)
- Price you paid (or its original value) vs. the price you sold it for

Pro tip: *If you're selling items through a third-party platform like Poshmark, you aren't responsible for calculating or collecting sales tax. But if you run an online retail business (including Etsy shops), you may have to charge sales tax.*

7 Important Tax Law Changes in 2025

New deduction for tip income

A new deduction introduced under the One Big Beautiful Bill allows eligible taxpayers to deduct up to $25,000 per tax return in tip income. This means that whether you file as single or jointly, the deduction is worth $25,000.

Bonus depreciation increased to 100%

Businesses can now deduct the full cost of eligible equipment, machinery, and other qualified property in the year it's placed into service, instead of spreading the deduction over time. Bonus depreciation is now permanently set at 100%, instead of 40%.

New car loan interest deduction

For 2025 through 2028, up to $10,000 in interest paid on qualifying car loans can be taken as an above-the-line deduction. The vehicle must have been assembled in the U.S., purchased after December 31, 2024, and be for your personal use (not a business vehicle). The deduction doesn't apply to used or leased vehicles, and it phases out if your modified AGI is over $100,000 ($200,000 if you file jointly).

New deduction for overtime income

If you receive overtime pay, you can deduct the amount you earn above your regular rate (like the "half" in "time-and-a-half") up to $12,500 if you file as single, or $25,000 if you file jointly.

Changes to the Child Tax Credit

The Child Tax Credit is worth $2,200 per qualifying child in 2025 and will be adjusted by $100 increments going forward. The refundable portion, known as the Additional Child Tax Credit (ACTC), is now $1,700 for the 2025 tax year. The adoption credit will hold steady at $17,280 and is refundable up to $5,000.

Residential Clean Energy and EV Tax Credits rolled back

The Clean Vehicle Tax Credit expires on September 30, 2025, and the Energy Efficient Home Improvement Tax Credit expires on December 31, 2025. Under the Inflation Reduction Act, these tax incentives weren't set to expire until 2032.

New standard deduction amounts

The standard deduction is adjusted for inflation every year. Here are the new amounts for 2025.

Filing Status	Standard Deduction Amount
Single	**$15,750**
Married Filing Jointly and Qualifying Surviving Spouse	**$31,500**
Married Filing Separately	**$15,750**
Head of Household	**$23,625**

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The information and tax laws discussed in this guide are up to date for tax year 2025 (returns filed in 2026).