

Knowing the rules about self-employment and “1099” income is a **smart choice** that can help you reach your goals. Here are some ideas to help you make...

SMART CHOICES ABOUT SELF-EMPLOYMENT

Are you really self-employed?



Make sure the person you work for is paying you the right way.

By law, you are **not self-employed, you are an employee** when someone else (the employer or supervisor) *controls what you do and how you do it*.

EXAMPLE: Donna Li works 3 days a week selling cars at Bob’s Auto. She works in Bob’s showroom on days and times set by Bob. Bob must approve all her sales, and pays her on commission. **Donna is an employee of Bob’s Auto.**

As an **employee**, you can have taxes taken out and *your employer must pay Social Security, Unemployment, and sometimes other taxes and benefits*. You must be given a pay stub when you are paid, and a **W-2** at the end of the year.

When are you self-employed (an “independent contractor”)?

You are an **“INDEPENDENT CONTRACTOR”** (self-employed) when *you control* what you do and how you do it.

EXAMPLE: Vera Elm, an electrician, has a contract with a housing complex to fix wiring in 20 units. She will be paid \$6,400 even if she works more or less than the 400 hours in her estimate. She gets her jobs by running ads.

Vera is an **independent contractor** (self-employed).

SELF-EMPLOYED workers have no taxes taken out of their pay, and do not get a W-2 at the end of the year. Instead, they get a “1099-Misc” showing the total of what they were paid during the year.

When you are self-employed you must pay Social Security and Income Tax on your business profit (what you earn minus all allowable expenses.)

You can avoid paying too much tax when you’re self-employed.

You can save \$ 1,000’s in taxes and penalties by taking the time to get your business taxes done right. **Start early!** **TIP: Keep receipts for all business-related expenses.**

Ask at this **free tax site** about resources to help you make **smart choices** about taxes and self-employment, or contact:

www.irs.gov

www.sba.gov

www.macdc.org

All **Smart Choices** tips can be found at www.Mass211.org

All figures are based on 2010 tables, and are subject to change.

GIVE. ADVOCATE. VOLUNTEER. LIVE UNITED.

