

# Self-employment taxes

Moderate · 15 min to read; 10 min a week to keep records · Free; penalties if you underpay

Gig, freelance or side-hustle money with net earnings of \$400 or more means you must file a return and pay self-employment tax: 15.3% (12.4% Social Security plus 2.9% Medicare), on top of regular income tax. Nobody withholds it, so set money aside from every payment, keep receipts to deduct expenses, and if you'll owe \$1,000 or more, pay estimated tax by April 15, June 15, September 15 and January 15.

## YOU'LL NEED

- ☐ A list of what you earned from each app or client
- ☐ A separate savings account for taxes
- ☐ Receipts for work expenses

## WHAT TO KNOW

- 1 **Know if this is you.** If you're an independent contractor (driving rides or deliveries, running errands, selling online, freelancing), you're self-employed. If you do gig work as an employee, your employer withholds tax instead. Not sure which? Ask, or use the IRS worker-status tool.
- 2 **Know the trigger.** You must file a return and Schedule SE if your net earnings from self-employment were \$400 or more, even for a side, part-time or temporary job. The rules apply at any age.
- 3 **Know the rate: 15.3%, which is 12.4% for Social Security and 2.9% for Medicare.** It's similar to what's withheld from an employee's pay, except employees split it with their employer: 6.2% plus 1.45% each. Self-employed, you pay both halves.
- 4 **Remember it's on top of income tax.** Estimated tax payments cover both your income tax and self-employment tax.
- 5 **Keep records all year.** Save receipts for expenses, since deducting certain expenses lowers what you owe, and track every payment you receive.
- 6 **Report all of it.** You must report all income, even if no business sends you a 1099. Payment apps and online marketplaces send a Form 1099-K when your payments for goods or services top \$20,000 in more than 200 transactions, but you may get one below that, and the income is taxable either way.
- 7 **Pay during the year.** If you expect to owe \$1,000 or more when you file, you generally need to make estimated payments. Use Form 1040-ES to figure them, and pay online, by mail or by phone.
- 8 **At tax time, file Form 1040 with Schedule C (profit or loss) and Schedule SE (self-employment tax).** Free options include IRS Free File and Volunteer Income Tax Assistance sites.

**Watch out** Paying late costs you even if you end up with a refund: you may owe a penalty for not paying enough tax during the year, or for late estimated payments.

**DAD NOTE** Every time you get paid, move a slice to a tax account like it was never yours.

Full lesson: [aptkeys.com/work/side-income-and-self-employment/self-employment-taxes/](https://aptkeys.com/work/side-income-and-self-employment/self-employment-taxes/)

Checked October 2, 2026. Sources: Internal Revenue Service; Social Security Administration.