

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](http://www.irs.gov)

[www.sba.gov](http://www.sba.gov)

[www.macdc.org](http://www.macdc.org)

**All Smart Choices tips can be found at [www.Mass211.org](http://www.Mass211.org)**

All figures are based on 2009 tables, and are subject to change.

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