

# TechSF

## Taxes & Contracts For Gig Workers & Skilled Freelancers

Part 7

# Taxes & Contracts

## Lesson Goals

- Taxes for Gig Workers & Skilled Freelancer Who are Self-Employed
- Guide to First-Time Freelance Taxes
- San Francisco Smart Money Coaching
- Skilled Freelancers and Gig Workers Rights & Contracts

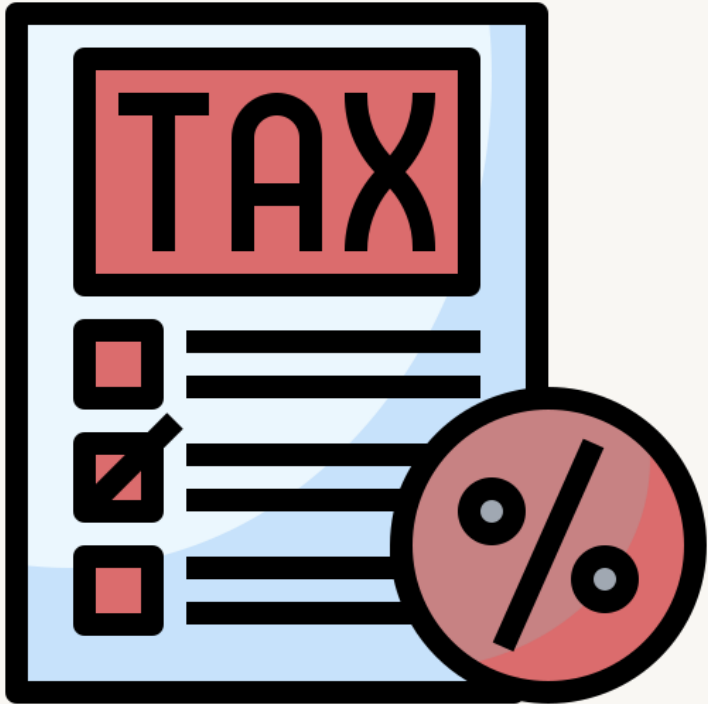


## Am I Self-Employed?

**Some employers misclassify employees as independent contractors to avoid providing benefits, labor protections including the minimum wage, and employers' share of taxes.**

**If you have questions about employment rights, you can contact the California Department of Industrial Relations, Division of Labor Standards Enforcement at [DLSE2@dir.ca.gov](mailto:DLSE2@dir.ca.gov) or (415) 703-5300, or the San Francisco Office of Labor Standards Enforcement at [mwo@sfgov.org](mailto:mwo@sfgov.org) or (415) 554-6292.**

# Taxes



If you earn more than \$400 in a year as a self-employed worker (or independent contractor) you will need to pay taxes.

You will file your taxes under the self-employment tax category.

The self-employment tax rate in 2022 is **15.3%** (2.9% for Medicare, plus 12.4% for Social Security).

# What Taxes Do Self-Employed Workers Pay?



Self-Employed Works who earn more than \$400 in a year must pay the following taxes:

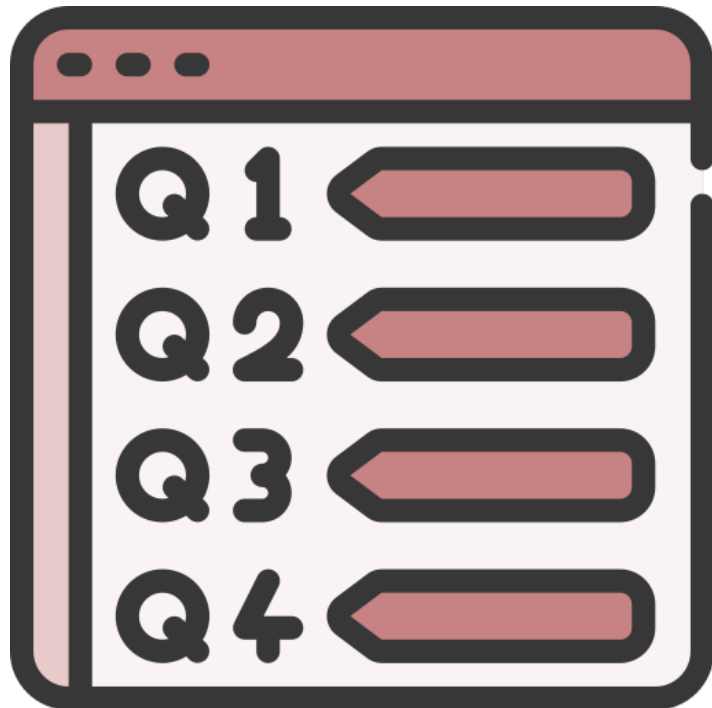
## 1. Federal income tax

10% for \$0 to \$9,325 of taxable income  
15% for \$9,325 to \$37,950 of taxable income  
25% for \$37,950 to \$91,900 of taxable income  
28% for \$91,900 to \$191,650 of taxable income

## 2. Federal Self-Employment Tax: 15.3%

## 3. State income tax: Check your state for the rate ([CA tax table](#))

# How To File Taxes?



Self-Employed Workers generally file an annual return and pay estimated quarterly taxes 4-times per year.

To pay estimated quarterly To file your annual tax return, you will need to use [Schedule C](#) (PDF) or [Schedule C-EZ](#) (PDF) to report your income taxes, use [form 1040-ES](#)

# What is Form 1099?

9595		<input type="checkbox"/> VOID	<input type="checkbox"/> CORRECTED
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents	OMB No. 1545-0115
		\$	2021
		2 Royalties	
		\$	Form 1099-MISC
		3 Other income	4 Federal income tax withheld
		\$	\$
PAYER'S TIN	RECIPIENT'S TIN	5 Fishing boat proceeds	6 Medical and health care payments

Miscellaneous Information

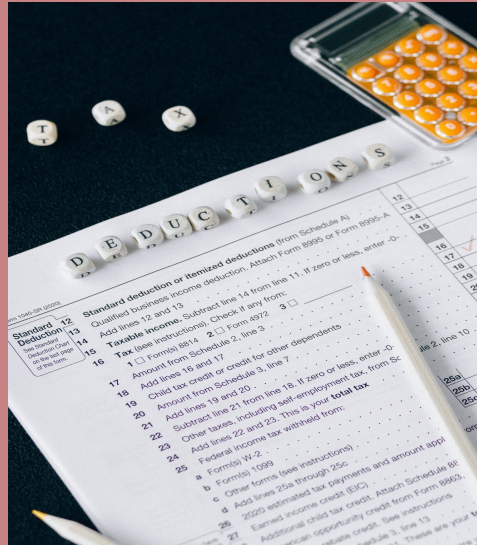
Copy A  
For  
Internal Revenue  
Service Center

Clients must provide a [Form 1099](#) to all self-employed workers who they pay more than \$600 annually in the course of their trade or business.

Self-employed workers should provide clients who pay them more than \$600 annually with a form W9 (which provides their taxpayer information) so that clients can complete a [Form 1099](#).



# Business Deductions



Self-employed workers can deduct business expenses for their taxable income.

These items include:

- Self-Employment Tax
- Home Office Expense
- Internet, Cell Phone Bill
- Laptops & Gadgets
- Rent
- Business Insurance
- Start-Up Costs
- Professional and Legal Fees
- Advertising
- Retirements Contributions
- Training and Education
- Casualty and Theft Losses
- Charitable Contributions
- Home Mortgage Interests
- Other Loan Interests
- Medical and Dental Expenses
- Paying the Babysitter
- Misc. Business Expenses
- Senior Tax Deduction
- Earned Income Tax Credit
- Unresolved Debt
- Meals
- Travel
- Vehicle Use
- Memberships and Subscriptions
- Sales Tax



# Three Key Things to Do to Prepare for Self-Employment Taxes



- 1** Put 25-30% of what you earn into a savings account to cover taxes
- 2** Save all work-related receipts
- 3** Use tax software, or talk to a tax professional

# #1 Put 25-30% of What You Earn Into a Savings Account



Self-employed workers are responsible for paying both income tax, as well as "self-employment tax", which covers Social Security and Medicare.

Your exact tax rate will vary depending on how much you earn, but its a good idea to save at least 25% of everything that you earn.

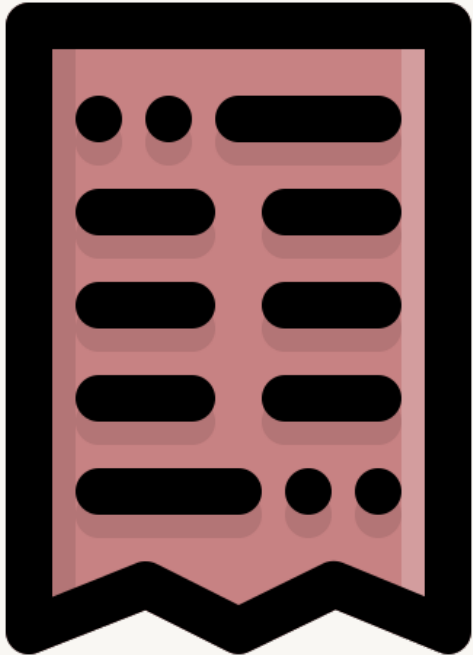


Pro tip: Open a separate savings account just for your self-employment taxes.

You don't want to get stuck with an unexpected tax bill at the end of the year, and not have enough saved to cover it.

# #2

## Save All Work-Related Receipts



You don't have to pay taxes on income spent on business expenses, which could include your cell phone, transportation, supplies, and work uniforms.

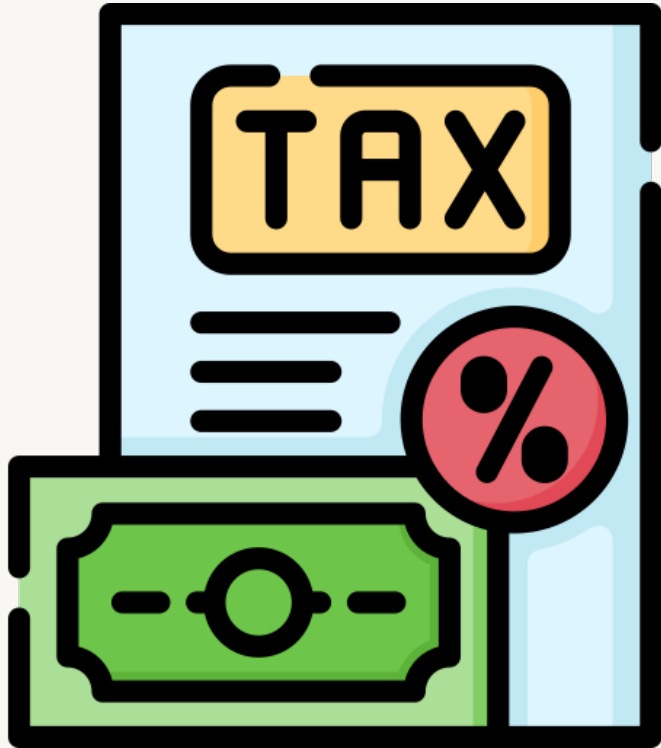
Save all your receipts so that its easier to deduct these expenses when you do your taxes.



**Pro tip:** Take a photo of all your receipts and use a receipt-tracking app

# #3

## Speak With A Tax Professional Or Use a Paid Tax Software



Completing your taxes as self-employed can be complicated, so it's best to use **specific tax software** or seek **assistance from a tax professional**.

Note, there are free tax services available through many local community-based organizations.



### Pro tips:

- Find free tax preparation help; [SFHSA Free Tax Help](#) / [IRS Treasury Free Tax Prep](#)
- Take a look at the IRS's Gig Economy Tax Center; [IRS Gig Economy Tax Center](#)
- For paid tax tools; [TurboTax Self-Employed](#) / [H&R BLOCK Self-Employed](#)

# Guide to First-Time Freelance Taxes

freelancers union  
**TAX RESOURCES**

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## **FIRST-TIME FREELANCER'S GUIDE TO TAXES**

# Additional Financial Literacy Resources

Understanding and setting up a strong financial system for yourself is the foundation for your success.

Click on the PDF to learn more about **San Francisco Smart Money Coaching** and get your finances set up!

A PROGRAM OF THE SAN FRANCISCO OFFICE OF FINANCIAL EMPOWERMENT

**SAN FRANCISCO  
SMART MONEY  
COACHING**

Smart Money Coaching provides FREE, confidential, one-on-one, personalized financial guidance with a certified financial coach that can help you address financial challenges and goals, including:

			
Improving your credit score	Opening a low-fee checking account	Navigating changes in your income	Managing and reducing your debt
			
Increasing your savings	Assessing your public benefit options	Communicating with loan servicers & debt collectors	Learning about your consumer rights

This program is open to ANYONE living, working, or receiving services in San Francisco (including noncitizens)

**MAKE YOUR APPOINTMENT TODAY!**

All appointments are remote and are available via phone or video depending on your preference.

- To learn more call: 877-256-0073 | Mon-Fri 9am - 5pm |
- To schedule your appointment online at: <https://cccsofsanfrancisco.fullstate.com/>





**Smart Money Coaching** is San Francisco's free and confidential one-on-one financial coaching program.

<https://sfgov.org/ofe/meet-financial-coach>

You can meet with a certified financial coach who will help address your financial challenges and goals, including reducing debt, establishing and improving your credit score, opening a bank account with low fees, and increasing your savings.

The first appointment provides clients with a free credit report and personalized financial action plan.

**Smart Money Coaching** can also help you navigate the emerging financial impacts of COVID-19. The program is available to anyone living, working, or receiving services in San Francisco (including noncitizens). Call 877-256-0073 to schedule a phone or video appointment or go online.

# Skilled Freelancer & Gig Workers Contracts

## When do you need a contract?



On-Platform  
for Gig Workers:  
**No Contract**

If you use an online work platform, you most likely don't need to execute a contract. When you sign up for a platform and perform work through that platform, you are agreeing to the terms of service of the platform



Off-Platform  
for Skilled Freelancers:  
**Create a Contract**

If you are hired outside of an online work platform, you should draw up a contract between you and the client. The contract specifies the responsibilities of the freelance and the client.

# What To Include In A Contract



Your name & address  
+ the client's name  
& address



Your  
rate and payment terms  
(when you should be paid)



Total number of hours  
you will work  
(for hourly jobs)



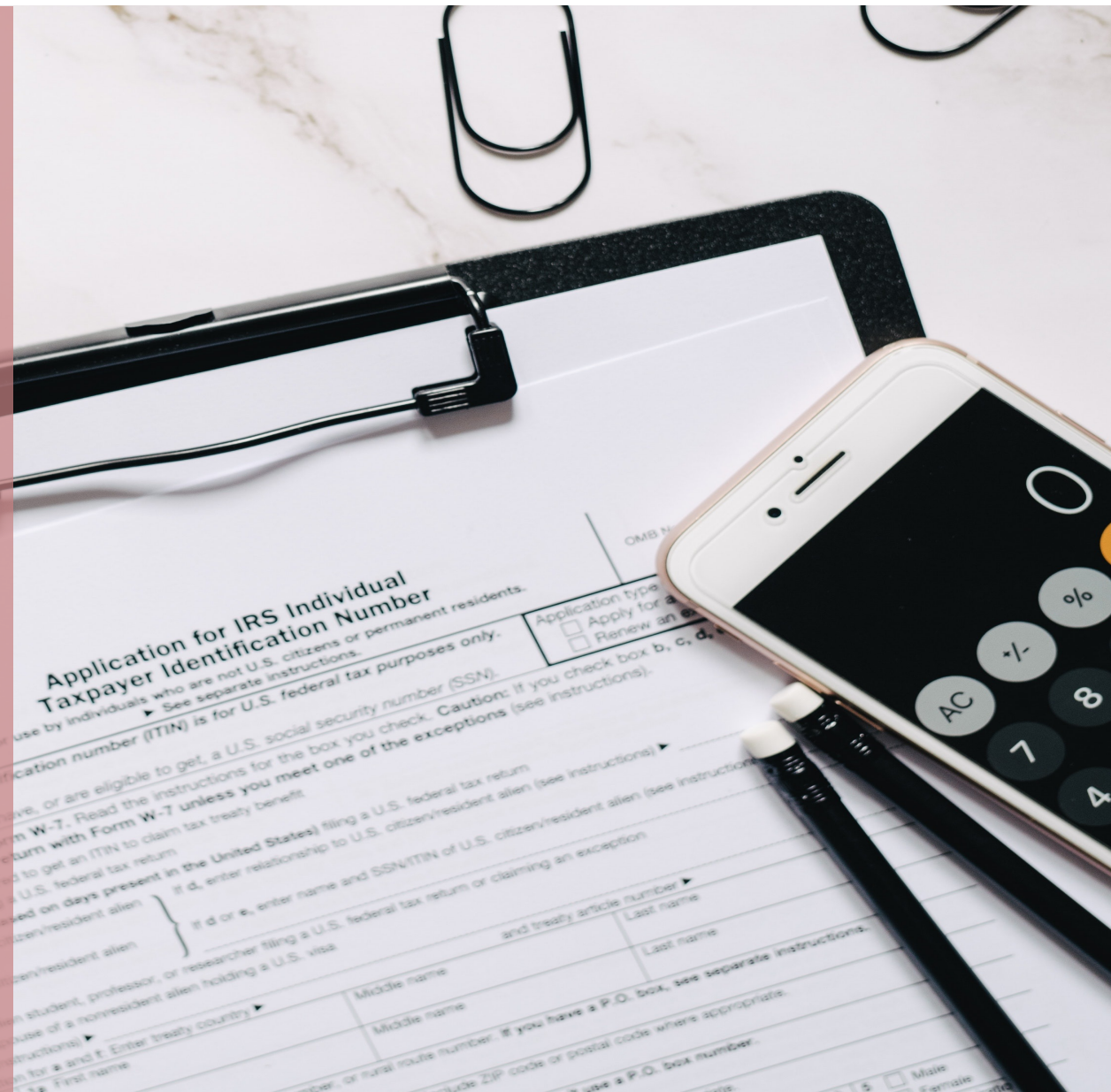
**The scope of your work**  
For example, if you are a nanny, your  
contract should include whether  
you will drive, cook, clean, and  
whether there is an extra charge

# Common Contracting Mistakes



- **Not** having an **executed contract**
- **Not** including the **billing** and **payment terms**
- **Not** including enough detail in the **scope of work**
- **Not** specifying **ownership rights**

# Tax Filing Season Starts in January and Ends in the Middle of April





**For More Information Contact:  
TechSF@sfgov.org**

