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Tips for Self-Employed Taxpayers

If you are an independent contractor or run your own business, there are a few basic things to know when it comes to your federal tax return. Here are six tips you should know about income from self-employment:

- Self-employment income can include income you received for part-time work. This is in addition to income from your regular job.
- You must file a [Schedule C](#), Profit or Loss from Business, or [Schedule C-EZ](#), Net Profit from Business, with your Form 1040.
- You may have to pay self-employment tax as well as income tax if you made a profit. Self-employment tax includes Social Security and Medicare taxes. Use [Schedule SE](#), Self-Employment Tax, to figure the tax. Make sure to file the schedule with your tax return.
- You may need to make [estimated tax](#) payments. People typically make these payments on income that is not subject to withholding. You may be charged a penalty if you do not pay enough taxes throughout the year.
- You can [deduct some expenses](#) you paid to run your trade or business. You can deduct most business expenses in full, but some must be 'capitalized.' This means you can deduct a portion of the expense each year over a period of years.
- You can deduct business costs only if they are both ordinary and necessary. An ordinary expense is one that is common and accepted in your industry. A necessary expense is one that is helpful and proper for your trade or business.