

Fact Sheet

Module 14: Self-Employment Income and the Self-Employment Tax

Self-employed individuals are independent contractors, not employees. Self-employed individuals control the methods and means of performing services for others. For businesses owned by just one person, self-employment income, expenses, and profits are reported on Schedule C, Profit or Loss From Business. Self-employment profit increases the income that is subject to tax. The self-employment tax is calculated on Schedule SE, Self-Employment Tax. The self-employment tax is reported on Form 1040, U.S. Individual Income Tax Return. The self-employment tax increases the total tax. An adjustment to the one-half portion of your self-employment tax decreases the income that is subject to income tax.



Employees

- perform services for the employer
- work for employers who direct or control when, where, and how the work is performed.
- receive Form W-2, *Wage and Tax Statement*, from the employer for their earnings.

Independent contractors

- perform services for others.
- are self-employed.
- are their own bosses.
- generally receive Form 1099-MISC, *Miscellaneous Income*, for income received for services of at least \$600.
- report self-employment income, expenses, and profit or loss on Schedule C, *Profit or Loss From Business*.
- calculate the self-employment tax on Schedule SE, *Self-Employment Tax*.
- report the self-employment tax on Form 1040, U.S. Individual Income Tax Return.