

Self-Employed Tax Guide

EMRYS TAX ADVISORS

Being self-employed opens the door to significant tax advantages—but also to costly mistakes if you're not prepared. This guide covers the essentials every self-employed professional needs to know.

Self-Employment Tax

As a self-employed individual, you pay both the employee and employer share of Social Security and Medicare taxes—15.3% on net earnings up to the Social Security wage base, and 2.9% above it. The good news: you can deduct half of this tax on your return.

Quarterly Estimated Payments

Self-employed individuals generally must pay estimated taxes four times per year. Missing payments results in underpayment penalties. The due dates are typically April 15, June 15, September 15, and January 15.

Rule of thumb: Set aside 25–30% of every payment you receive for taxes. Open a separate savings account strictly for taxes.

Key Deductions to Know

Home office: If you use part of your home exclusively and regularly for business, you may deduct a portion of rent/mortgage, utilities, and internet.

Vehicle: Track business miles. You can deduct actual costs or use the IRS standard mileage rate.

Health insurance: Self-employed individuals can deduct 100% of health insurance premiums for themselves and their family.

Retirement contributions: SEP-IRA contributions can be up to 25% of net self-employment income, significantly reducing taxable income.

Entity Structure

Operating as a sole proprietor is the simplest option, but it's not always the most tax-efficient. Once your net profit consistently exceeds \$40,000–\$50,000, an S-Corp election may save you thousands in self-employment taxes each year.

Action step: If you're earning consistently above \$50K net, schedule a consultation to discuss S-Corp election. The savings can be substantial.

