



## Are you working in the gig economy?

Over the past few years, states and the federal government have clarified and strengthened rules which govern the treatment of workers. Companies that used to treat workers as independent contractors are now treating those same workers as employees. Employees enjoy many advantages over contractors. Employers pay a portion of employees' payroll taxes. Employees also get to participate in employer sponsored benefits, such as medical and retirement benefits. Contractors are responsible for their own employment taxes and benefits. But just as these changes to benefit employees have, a whole new class of workers have emerged. Workers operating in the gig economy don't meet the qualifications to require employers to treat them as employees, and as a result, they do not qualify for benefits.

Who are the gig economy workers? They are uber drivers, independent film and television editors, and educational tutors. They include professionals participating in the hundreds of apps that connect consumers with sellers of products and services. They are freelancers that use their talent and skills to use digital platforms to plug into larger systems, providing services as an independent contractor for a company you may or may not ever interact with personally.

Taxpayers who work in the gig economy need to understand how their work affects their taxes. A little pre-planning can help make sure gig economy workers are prepared when it's time to file their tax return.

Here are some things taxpayers should know about the gig economy and taxes:

People working in the gig economy are generally required to pay:

- Income taxes.
- Federal Insurance Contribution Act or Self-employment Contribution Act tax.
- Additional Medicare taxes.

Gig economy workers incur costs in providing services. Drivers are using their own car. Editors are using their own computers and offices. These are deductible expenses that can help you save in tax at year-end. However, in order to benefit from these deductions, workers need a plan to track and report these expenses properly. And it might be necessary in many cases to create a company owned by the worker to take full advantage of your possible tax savings.

Workers who do not have taxes withheld from their pay have two ways to pay their taxes in advance. Here are these two options:

1. Gig economy workers who have another job where their employer withholds taxes from their paycheck can fill out and submit a new Form W-4. The employee does this to request that the other employer withholds additional taxes from their paycheck. This additional withholding can help cover the taxes owed from their gig economy work.
2. The gig economy worker can make quarterly estimated tax payments. They do this to pay their taxes and any self-employment taxes owed throughout the year.

The experts at Element CPA will help you along the path of success in the gig economy.