THE GIG WORKER
Financial Wellness Series

BOOK 2

Taxes Simplified for Gig Workers

What you owe, what you can deduct, and how to stop dreading tax season

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This booklet is part of *The Gig Worker Financial Wellness Series*.
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What's Inside

Chapter 1: Why Gig Workers Handle Taxes Differently

If you have ever worked a traditional job, you know that taxes just kind of happened. Your employer took money out of each paycheck and sent it to the government on your behalf. You never had to think about it much.

As a gig worker, that automatic system does not exist. No one takes taxes out for you. No one sends payments on your behalf. It is entirely your responsibility — and if you do not know the rules, it can lead to a very unpleasant surprise when tax season arrives.

This chapter explains exactly how gig worker taxes work, why they are different, and what you need to know to stay out of trouble.

Employee vs. Independent Contractor: What Is the Difference?

When you work gig jobs — whether driving for a rideshare company, delivering food, freelancing online, or doing odd jobs through an app — you are typically classified as an independent contractor, not an employee.

That one difference changes almost everything about how you handle taxes.

Traditional Employee	Independent Contractor (You)
Employer withholds income tax each paycheck	You set aside tax money yourself
Employer pays half of Social Security & Medicare	You pay both the employer AND employee share
Receives a W-2 form at year end	Receives a 1099 form (or no form if under $600)
Usually no need for quarterly payments	Must make quarterly estimated tax payments
Simple one-time annual tax filing	More complex filing with self-employment forms

What Is Self-Employment Tax?

Here is a tax that surprises many new gig workers: self-employment tax. This is separate from regular income tax.

When you work for an employer, you both split the cost of Social Security and Medicare taxes. Each side pays 7.65%. But as a self-employed person, you pay both sides — the full 15.3%.

Example: If you earn $30,000 from gig work in a year, you owe roughly $4,239 in self-employment tax alone — before income tax is even calculated. This is why setting money aside from every payment is so important.

The good news: you can deduct half of self-employment tax from your taxable income, which reduces what you owe. A tax professional or tax software will handle this calculation for you.

The 1099 Form: What It Means for You

When you earn money from a gig platform, they may send you a 1099 form in January or February of the following year. This form shows how much you earned from that platform.

- You typically receive a 1099-NEC (nonemployee compensation) for gig income.
- Platforms are only required to send a 1099 if you earned $600 or more from them.
- Even if you do NOT receive a 1099, you are still legally required to report that income.
- The IRS receives a copy of your 1099 too — they already know about the income.

Important: Keep track of all your gig income yourself — do not rely only on 1099 forms. Some platforms may not send one, but the income is still taxable.

How Much Should You Set Aside for Taxes?

A simple and safe rule for most gig workers is to set aside 25 to 30 percent of every payment you receive. Here is why that range works:

Your Situation	Suggested Set-Aside	Why
Low income, few deductions	25%	Lower tax bracket, less complexity
Moderate income	28%	Covers self-employment + income tax safely
Higher income or multiple gigs	30%+	Higher bracket, more exposure

It is always better to set aside slightly more than you need. If you overpay, you will get a refund. If you underpay, you could owe a penalty.

Chapter 1 Key Takeaways

- Gig workers are independent contractors — taxes are never withheld automatically.
- Self-employment tax (15.3%) comes on top of regular income tax.
- A 1099 form reports your gig earnings — but you must report income even without one.
- Set aside 25–30% of every payment to stay ahead of taxes.