

Reporting Self-Employment Income

This playbook describes the step-by-step process for self-employed individuals to accurately report their income and expenses on the necessary tax forms.

Step 1: **Collect Records**

Gather all financial records related to your self-employment, including income receipts, expense receipts, invoices, bank statements, and any other relevant financial documentation.

Step 2: **Summarize Income**

Calculate the total amount of income earned from self-employment by adding up all receipts and any other proof of income to ensure all revenue is accounted for.

Step 3: **Categorize Expenses**

Organize and categorize all business-related expenses, such as office supplies, travel, marketing, and any other costs incurred while operating your business.

Step 4: **Calculate Deductions**

Identify and calculate all applicable business expense deductions to reduce your taxable income. These may include home office deductions, vehicle expenses, and others specific to your business.

Step 5: **Complete Tax Forms**

Fill out the necessary tax forms such as Schedule C (Form 1040) for Profit or Loss from Business, and ensure that all income and deductions are accurately reported.

Step 6: **Review & File**

Carefully review all tax forms for accuracy. Check that all income is reported and that deductions are properly calculated and substantiated. File your taxes with the IRS by the deadline.

General Notes

Keep Receipts

Make sure to keep all receipts and financial documents for at least three years as proof of income and expenses in case of an IRS audit.

Quarterly Taxes

Remember that as a self-employed individual, you may need to make estimated tax payments quarterly to avoid penalties. Check the IRS guidelines for more information on estimated tax payments.

Professional Help

Consider consulting a tax professional for guidance and to ensure compliance with all tax laws and regulations, particularly if you have a complex tax situation.