

Knowing the rules about self-employment and “1099” income is a *smart choice* that can help you reach your goals. Here are some ideas to help you learn...

# THE TOP 6 WAYS TO CUT TAXES IF YOU'RE SELF-EMPLOYED

## 1 Learn the rules of the game.

**TIP:** Go to [irs.gov](http://irs.gov), “Small Business Tax Workshop.”

Self-employed workers pay taxes on *profit*: the *difference* between business income and allowable expenses.

## 2 Set up a separate bank account.

**TIP:** Ask your bank for a “dba” account with low or no fees.

Keep *business* income and expenses separate from *personal*. It's much easier to track and prove your profit.

## 3 Keep receipts.

**TIP:** Set up a file folder for each category of income and expense.

The IRS can make you prove your deductions, so get proof! Don't forget “*office-in-home*” receipts, too!

## 4 Keep a business mileage log.

**TIP:** Keep a diary in your car; write down your miles after each trip.

Business miles can be worth *55 cents* per mile in deductions. But you need a *written log* to get the deduction!

## 5 “Do your books” often.

**TIP:** Figure income minus expenses every 3 months to see where you stand.

You can keep a “journal” of income and expenses on paper, or use a computer program.

## 6 Set aside “estimated taxes.”

**TIP:** Go to [irs.gov](http://irs.gov) and get Form 1040-ES and instructions.

*Don't get caught* next April with a big tax bill! “Pay as you go” by setting aside or paying in taxes each quarter.

Ask at this **free tax site** about other resources to help you make *smart choices* about small business taxes, or contact:

1-800-TAX-1040

[www.irs.gov](http://www.irs.gov)

[www.sba.gov](http://www.sba.gov)

All *Smart Choices* tips can be found at [www.Mass211.org](http://www.Mass211.org)

All figures are based on 2010 tables, and are subject to change.

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