

Tax Tips for Gig Workers

Whether you drive for a rideshare app, deliver food, sell handmade goods online, rent out your home or provide freelance services, you are part of the expanding gig economy. This type of flexible, self-directed work appeals to many, but it also comes with specific tax rules and responsibilities.

This guide outlines what you need to know to stay compliant with IRS rules and potentially lower your tax liability.

All gig income is taxable

The IRS requires all income from gig work to be reported, even if you don't receive a tax form. This includes payments made via:

- Cash
- Checks
- Virtual currency
- Barter/trade transactions
- Digital apps (Venmo, PayPal, Cash App, etc.)

Whether you earn a few hundred dollars as a side hustle or work full time in the gig economy, it's all considered taxable income.

Starting with your 2025 return, you may be able to deduct up to \$25,000 in reported tips. This applies to cash or card tips you receive directly from customers or through tip-sharing. Your income must be under \$150,000 (or \$300,000 if married filing jointly).

Changes to Form 1099-K in 2025

If you use third-party payment processors (PayPal, Square, Etsy, Airbnb, etc.), you might be used to receiving informational reports called a Form 1099-K. For 2025, the law has been changed so that a Form 1099-K will only be issued when total payments exceed \$20,000 and the number of transactions surpasses 200 within a calendar year.

Even if you do not receive a Form 1099-K, you must still report your income. The IRS uses other tools and algorithms to track earnings, so it's important to be accurate.

Other forms you may receive

Form 1099-NEC and Form 1099-MISC are informational tax documents used by businesses and platforms to report various types of income to the IRS. Even if you don't receive one of these forms, you are still required to report all income earned during the year on your tax return.

For the 2026 tax year, the reporting threshold will increase from \$600 to \$2,000 for most types of payments.

Quarterly estimated taxes

Since income taxes aren't typically withheld from gig income, you may be required to make quarterly estimated tax payments. These cover both:

- Federal income tax
- Self-employment tax (Social Security + Medicare)

Estimated tax deadlines: April 15, June 15, Sept. 15 and Jan. 15 (of the following year).

Use IRS Form 1040-ES to calculate what you owe or reach out to me to schedule an appointment to discuss. A general rule of thumb: set aside 20% to 30% of your earnings for taxes. This can vary based on your income level and deductions.

Pro tip: If you have a Form W-2 job in addition to gig work, ask your employer to withhold extra taxes to offset your self-employment liability.

Deductions can lower your tax bill

As a gig worker, you are considered a self-employed business owner. That means you can deduct expenses that are ordinary and necessary for your line of work. Common deductions include:

- Mileage or vehicle expenses
- Supplies and tools
- Internet and phone bills (business use portion)
- Advertising and website hosting
- Software subscriptions

Keep detailed records of all business-related expenses. This documentation is essential if you are audited and helps maximize your deductions. We can discuss this further at your tax appointment.

Selling personal items

If you're cleaning out your closet and using Facebook Marketplace or other online stores to sell used personal items (e.g., clothing, electronics, furniture), you may or may not owe tax, depending on whether you make a profit.

- If you sell at a loss (less than what you paid), you don't owe tax. If you receive a Form 1099-K, report it and offset the amount to show no taxable gain.
- If you sell at a profit (more than what you paid), you must report the capital gain as income.

When you bring in your tax documents, I will be able to complete this tax reporting; however, I will need to know if you sold at a profit or a loss.

Stay organized year-round

To avoid surprises and reduce your tax liability:

- Use apps or spreadsheets to track income and expenses
- Keep receipts, bank statements and digital logs
- Review IRS guidelines at the "Gig Economy Tax Center" <https://www.irs.gov/businesses/gig-economy-tax-center>

Being organized will save you time, money and stress come tax season.

I'm here to help

Don't wait until the last minute. If you are unsure how to handle your taxes or need help estimating payments and organizing deductions, **contact our office** for a consultation.

Frequently asked questions (FAQs) for gig workers

Q: Do you have to report gig income if you didn't receive Form 1099?

A: Yes. All income from gig work is taxable and must be reported, even if you do not receive Form 1099-K, Form 1099-NEC or Form 1099-MISC.

Q: I received a Form 1099-K for selling personal items on Facebook marketplace. Do I owe taxes?

A: It depends. If you sold personal items at a loss (for less than you paid), you generally do not owe tax; but if you sold for a profit, you must report the gain as income. Give us a call to guide you through it.

Q: Do I need to pay estimated taxes?

A: Most gig workers need to make quarterly estimated tax payments because taxes are not withheld from gig income. These payments cover both federal income tax and self-employment tax.

Q: How should I keep track of my income and expenses?

A: Use a spreadsheet, accounting software, or mobile apps to track all income and expenses related to your gig work. Save all receipts, bank statements and digital records to support any deductions and income reporting.

If you have additional questions or need help with your specific situation, please reach out to our office. We are here to help you stay compliant and minimize your tax liability.