

Heard the Word? What Does It Mean For Your Taxes?

Words matter. Especially when it comes to your taxes. How your work is classified impacts how you pay taxes. Whipsmart created this 'cheat sheet' to demystify what it all means.

WH!PSMART

ARE YOU A:

THAT MEANS:

FOR THE:

AND THE:

**Freelancer
or
Gig Worker**

No Single Employer

Freelancers and gig workers are available for work on assignments or projects, rather than on a permanent basis with a single employer.

News Flash: freelancer and gig worker are not in the government's dictionary, the only thing they care about is how you were paid which they call classification.

IRS INTERNAL REVENUE SERVICE

Which tax forms you need to file depend how you were classified. Regardless of how you were paid or how long you worked, if you earned it, the IRS wants to know. Check out:

**THE IRS GIG ECONOMY
TAX CENTER**

DOR WASHINGTON STATE
DEPARTMENT OF REVENUE

Like the IRS, the DOR doesn't officially recognize the terms freelancer or gig worker. **The DOR only cares if you were classified as a business.**

How is your work classified?

Employee

and / or

**Independent
Contractor**

W-4 Versus W-9

Classification is generally decided by the hirer using a series of '**common law tests**' to reveal who is directing your work.

In short: If you filled out a **W-4**, you are an employee and will get a **W-2**. If you filled out a **W-9**, you are an independent contractor and will receive a **Form 1099**.

Receive a W-2? The IRS wants you to report your employment income on a **Form 1040**.

More than one W-2? Check your withholdings.

Receive a Form 1099 in addition to or instead of a W-2? You were classified as an independent contractor.

If you only received W-2s, you do not need to register with the DOR.

**Only receive W-2s?
STOP. Do Not proceed.**

If you received a Form 1099 read on.

Receive a Form 1099?

Self-Employed

Both Boss & Worker

If you received a **Form 1099** or were paid for services in a way other than wages from an employer, technically, you are your own boss (and the worker).

That means you are self-employed.

If you're an independent contractor, **the IRS says you're self-employed.** You may owe:

1. '**self-employment**' tax to cover Social Security and Medicare taxes.
2. **Federal income tax** that was not withheld from your earnings.
3. The IRS may want you to pay **quarterly estimated payments**.

Are you an **independent contractor, self-employed, a sole proprietor (or own any other type of business) in Washington State** and meet any of the follow criteria?

- Your gross income is \$12,000 per year or more
- You are doing business using a name other than your full legal name
- You plan to hire employees within the next 90 days
- Your business requires city and state endorsements
- Your business is required to collect retail sales tax
- You are a buyer or processor of specialty wood products

Then, you must register to do business with the State of Washington and file Business & Occupation Taxes. For more visit:

THE DEPARTMENT OF REVENUE

You have a business.

Sole Proprietor

You're the Business

Sole proprietorship is a type of business structure (like a corporation or a partnership.)

As a sole proprietor, there is no distinction between what the business owns and what you own personally. They are the same.

This is often the default business structure for individuals.

The IRS requires **sole proprietors** to file **Form 1040**, along with **Schedule-C**, and potentially owe **self-employment tax**.

Fun fact: Sole proprietors can have employees. If you do, you will also need to file employer tax returns.

3 Takeaways

If you have more than one employer, you may need to revisit how much the IRS is withholding from your paycheck.

As an independent contractor, you will likely need to make quarterly payments to the IRS.

If you were paid as an independent contractor, investigate if you need to register with the DOR.