

## Taxes III: Freelancing & 1099s | Worksheet



### Matching

Match the definition in Column A with the term in Column B.

#### Column A

- \_\_\_\_\_ Self-employed worker on short-term projects for various clients.
- \_\_\_\_\_ Worker providing services, not considered a company employee.
- \_\_\_\_\_ Reports employee wages and taxes withheld by an employer.
- \_\_\_\_\_ Taxes freelancers pay for Social Security and Medicare.
- \_\_\_\_\_ Reports income from freelance/contract work, no taxes withheld.

#### Column B

- a. W2 Form
- b. 1099 Form
- c. Freelancer
- d. Independent Contractor
- e. Self-Employment Tax

### Multiple Choice

1. **What is one major benefit of being a freelancer or independent contractor?**
  - a. Receiving a regular paycheck from one employer.
  - b. Having taxes automatically deducted from earnings.
  - c. Flexibility to choose when and where to work.
  - d. Receiving company-sponsored health insurance.
2. **Why is it important for freelancers to keep track of their earnings and expenses?**
  - a. To calculate their annual salary for future employment.
  - b. To ensure accurate tax filing and maximize possible deductions.
  - c. To show clients how much they've been paid.
  - d. To qualify for health insurance benefits.
3. **Which of the following is true about 1099 workers?**
  - a. They receive health benefits from their employer.
  - b. Their employer withholds taxes for them.
  - c. They are required to work a regular 9-to-5 schedule.
  - d. They are responsible for paying their own taxes.
4. **Which expense can a freelancer deduct from their taxable income?**
  - a. Vacation costs
  - b. Personal groceries
  - c. Business-related travel expenses
  - d. Rent for their apartment

### Application

Imagine you are like Jack, a musician who works as a freelancer. This year, you earned \$15,000 from performing at various gigs and another \$5,000 from selling your music online. You're thinking about buying a new instrument for \$2,000 to help with your performances. Discuss how you will handle your taxes as a freelancer, including how much you should set aside for self-employment tax and how purchasing the new instrument might affect your taxable income.



## Taxes III: Freelancing & 1099s | Answer Key

### Matching

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#### Column A

- c. Self-employed worker on short-term projects for various clients.
- d. Worker providing services, not considered a company employee.
- a. Reports employee wages and taxes withheld by an employer.
- e. Taxes freelancers pay for Social Security and Medicare.
- b. Reports income from freelance/contract work, no taxes withheld.

#### Column B

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### Multiple Choice

1. **What is one major benefit of being a freelancer or independent contractor?**
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### Application

A sample answer could include: As a freelancer, I am responsible for paying self-employment tax on my earnings, which includes both Social Security and Medicare contributions. To prepare for this, I should set aside approximately 25-30% of my total income, which in this case is \$20,000, from performing at gigs and selling my music online. However, since I plan to buy a new instrument for \$2,000, this expense can be deducted from my taxable income. This means that instead of paying taxes on the full \$20,000, I would only be taxed on \$18,000. This deduction helps reduce the amount of tax I owe, making it easier to manage my finances as a freelancer. Therefore, purchasing the instrument not only supports my work but also lowers my tax burden.