



## Taxes III: Freelancing & 1099s | Lesson Plan

How does understanding the differences between W2 and 1099 employment forms help individuals make informed decisions about their work and tax responsibilities?

---

Students will understand the differences between W2 and 1099 employment, including their respective tax implications, and how these forms of employment affect personal financial decisions and responsibilities.

### Learning Objectives:

- Define what W2 and 1099 forms are and distinguish between the two.
- Identify the differences in tax responsibilities for employees (W2) and independent contractors (1099).
- Explain the concept of self-employment tax and how it affects independent contractors.
- Illustrate how business expenses can be deducted for independent contractors.

### Key Vocabulary:

- **W2 Form:** Reports employee wages and taxes withheld by an employer.
- **1099 Form:** Reports income from freelance or contract work, no taxes withheld.
- **Freelancer:** Self-employed worker on short-term projects for various clients.
- **Independent Contractor:** Worker providing services, not considered a company employee.
- **Self-Employment Tax:** Taxes freelancers pay for Social Security and Medicare.

**Educational Standards:** CCRA.L.1, CCRA.L.2, CCRA.L.4, CCRA.SL.1, CCRA.SL.2

**Academic Subject Areas:** Financial Literacy, Money, Finances

### What You'll Need

- Video: *Cash Course: Taxes III: Freelancing & 1099s* (Watch [Here](#))
- Worksheet: *Cash Course: Taxes III: Freelancing & 1099s* (Click [Here](#))

### Lesson Plan (45 minutes)

Warm Up: (15 minutes)

1. Present a scenario to the class: Imagine you have two job offers. One is a full-time position at a company where you get a regular paycheck, health benefits, and taxes are taken out for you. The other is a freelance job where you can set your own hours, work for multiple clients, and earn money based on each job you complete. Which one would you choose and why?



2. Encourage students to discuss their choices in small groups and then share their thoughts with the class. Highlight different perspectives, such as stability versus flexibility.
3. Lead a discussion on the differences between being an employee (W2) and a freelancer/independent contractor (1099).
4. Ask students if they know anyone who works as a freelancer or independent contractor and, if so, what kinds of jobs they do.
5. Use real-world examples (like graphic designers, delivery drivers, or musicians) to help students relate to these roles.
6. Explain that today's lesson will explore what it means to be a W2 employee versus a 1099 independent contractor. Emphasize that understanding these concepts is important for making informed decisions about work and finances.
7. Briefly introduce the key vocabulary words: W2 Form, 1099 Form, Freelancer, Independent Contractor, and Self-Employment Tax. Discuss definitions and examples, if needed, with the class.
8. On the whiteboard, write down several job titles (e.g., teacher, delivery driver, graphic designer, software developer, musician). Ask students to decide whether each job is more likely to be a W2 employee or a 1099 freelancer and to explain why.
9. Tell students that they will watch a video explaining the differences between W2 employees and 1099 independent contractors. The video will focus on how understanding these roles and their tax responsibilities can help them make informed decisions about their work and finances in the future.

Watch and Complete: (20 minutes)

1. Briefly introduce the *Cash Course: Taxes III: Freelancing & 1099s* worksheet, letting students know that they will fill it out after watching the video.
2. Watch the *Cash Course: Taxes III: Freelancing & 1099s* video in its entirety. Encourage students to focus on the key concepts as they watch.
3. If desired, you can pause the video at key points to discuss:
  - The explanation of W2 forms and employee tax responsibilities.
  - The explanation of 1099 forms and independent contractor tax responsibilities.
  - The concept of self-employment tax and the importance of saving money for taxes.
  - Deductions and business expenses for independent contractors.
4. After watching the video, have students complete the worksheet based on what they've learned.

Wrap-Up: (10 minutes)

1. Review the worksheet answers as a class or collect them for assessment.
2. Allow students to ask questions about anything they do not understand.

3. Conclude by reinforcing that understanding these forms is essential for making informed decisions about work and taxes, which will help them manage their finances better as they grow older.

**Don't have time for the full lesson? Quick Activity (15 minutes)**

Distribute the worksheet and allow students to complete it while they follow along with the video.