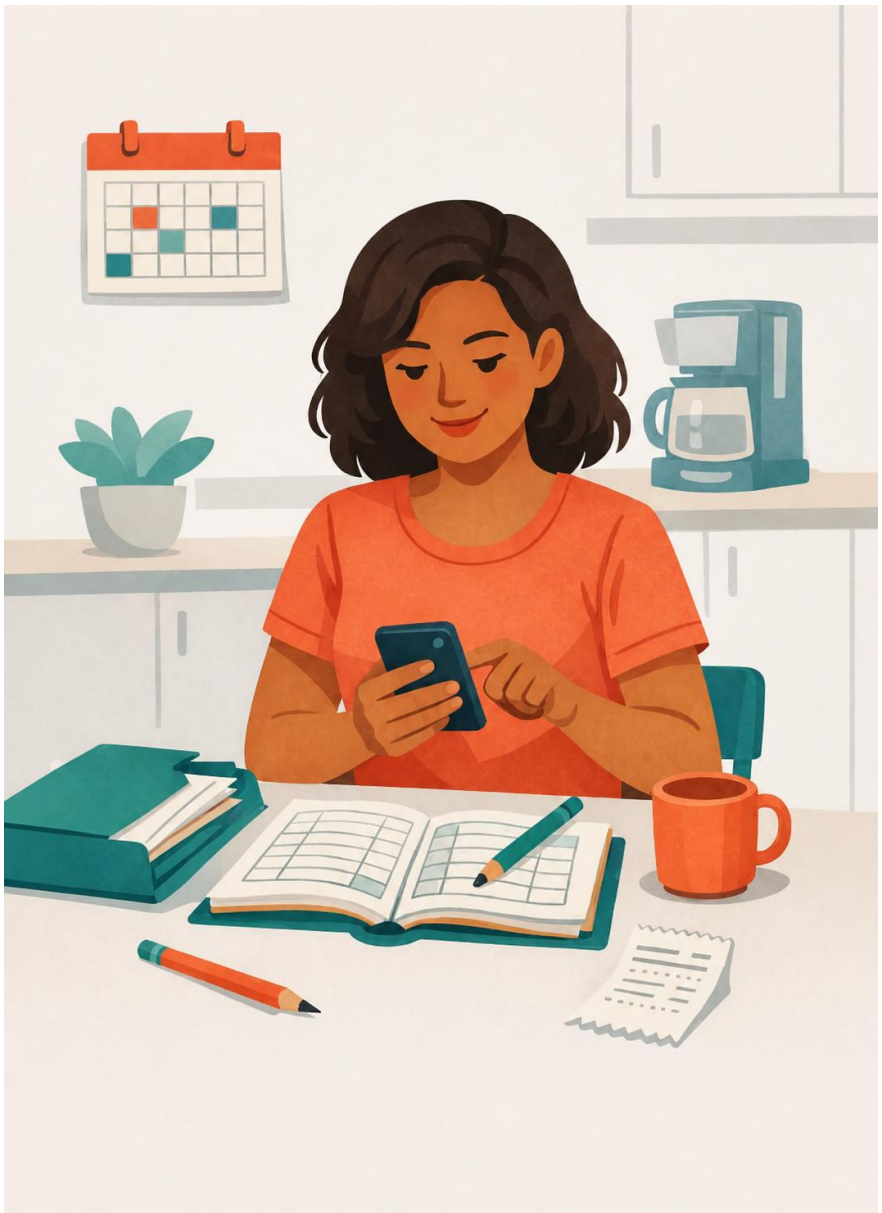
Self-Employment & Gig Income

A Practical Guide

Understand your income. Track your expenses. Keep records that help at tax time and when reporting benefits.



Prepared by Emily Strasser, SEVCA Tax Program | August 2026

What counts as self-employment?

You may be self-employed when you make money working for yourself instead of as someone else's employee.

> **KEY POINT:** You do not need an LLC, a business name, employees, or a storefront to be self-employed.

COMMON EXAMPLES

- Delivering food or groceries
- Cleaning houses
- Providing childcare or pet care
- Doing yard work, construction, or repair jobs
- Selling handmade items or other products
- Doing freelance or project-based work

You can be self-employed even if the work is occasional, part-time, or something you do for extra money.

EMPLOYEE OR SELF-EMPLOYED?

Employee	Self-employed
Works for an employer	Works for yourself
Employer generally controls how the work is done	You generally control how the work is done
Usually receives a W-2	May receive a 1099 - or no tax form
Taxes are generally withheld	You track your own income, expenses, and taxes

A job title or tax form does not decide your status. How the work is actually arranged matters. If you are unsure, ask for help.

BUSINESS OR HOBBY?

An activity may be a business if you are trying to make a profit and operating it like a business. Signs may include:

- Regularly offering goods or services
- Keeping business records
- Making changes to improve your chances of earning a profit

Usually not self-employment: selling your own used belongings or making an occasional hobby-related sale.

What counts as business income?

Track all money you receive for goods or services - not only the amounts shown on tax forms.

COUNT EVERY WAY YOU ARE PAID

- Cash
- Checks
- Credit or debit card payments
- Venmo, PayPal, Cash App, or other payment apps
- Payments from gig-work platforms
- Tips

> **REMEMBER:** How you are paid does not change whether the income counts.

DO NOT RELY ONLY ON TAX FORMS

Report business income even if you do not receive a Form 1099. Use your own records to track all payments. When you receive a 1099, compare it with your records - do not add it to income you already recorded.

> **EXAMPLE:** Your income log shows $5,000 from a delivery app. The app sends a 1099 showing the same $5,000. Your total income is $5,000 - not $10,000.

TRACK TIPS SEPARATELY

Tips are business income. Track them separately, but include them in your total income. Qualified tips may receive special federal tax treatment, but they must still be reported and may still be subject to other taxes. Benefit programs may treat tips differently.

SIMPLE INCOME LOG

Date	Customer or source	Work payment	Tips	Total	Payment method
7/8/26	Local client	$85	$15	$100	Cash
7/10/26	Delivery app	$60	$0	$60	Direct deposit
7/12/26	Yardwork customer	$40	$10	$50	Payment app

> **BOTTOM LINE:** Keep your own income records. A tax form may show only part of what you earned - or may repeat income you already recorded.

What counts as a business expense?

A business expense is a cost connected to earning your business income.

THE BASIC TEST

To be deductible, an expense generally must be:

- **Ordinary -** common for your type of work
- **Necessary -** helpful and appropriate for your business

> **IMPORTANT:** An expense can be necessary even if it is not required.

COMMON BUSINESS EXPENSES

- Supplies and materials
- Advertising
- Business licenses and fees
- Payment-processing or platform fees
- Vehicle expenses for business travel
- Business insurance
- Professional services
- Tools and small equipment
- Business portion of phone or internet

Different businesses have different expenses. The cost must be connected to your work. If a platform keeps a fee, record the full customer payment as income and the fee separately as an expense.

PERSONAL OR BUSINESS?

Personal expenses are not business deductions. If something is used for both business and personal purposes, only the business portion may be deductible.

> **EXAMPLE:** You use your phone 30% for business. You may be able to deduct 30% of the eligible cost - not the entire bill.

INCOME AND PROFIT ARE DIFFERENT

Term	What it means	Example
Business income	All the money the business receives	$8,000
Business expenses	Allowable costs of doing the work	- $2,000
Profit	What remains after expenses	$6,000

> **KEY POINT:** Taxes are generally based on business profit - not simply on all the money received.

Keep records as you go

A simple system used regularly is better than a complicated system you stop using.

WHY RECORDS MATTER

- Know how much your business earned
- Claim allowable expenses
- Prepare an accurate tax return
- Provide information requested by benefit programs
- Answer questions about the amounts you reported

WHAT SHOULD YOU KEEP?

- Income and tip records
- Expense receipts and invoices
- Bank and payment-app records
- Mileage and vehicle records
- Forms W-2 and 1099
- Estimated-tax payment records
- Copies of benefit reports
- Tax returns and government letters

Records can be kept on paper, electronically, or with a combination of both.

SIMPLE EXPENSE LOG

Date	Business purpose	Category	Amount	Payment method
7/9/26	Cleaning supplies	Supplies	$24.50	Debit card
7/11/26	Online advertisement	Advertising	$15.00	Credit card
7/14/26	Platform fee	Fees	$8.00	Withheld by platform

Keep each receipt with enough information to connect it to the expense in your log.

TRACK BUSINESS MILEAGE

Business driving may include:

- Traveling between customers or job locations
- Buying business supplies
- Making deliveries
- Completing other business tasks

NOT BUSINESS MILEAGE: Driving from home to a regular work location is generally commuting.

Record the date, destination, business purpose, and miles for each trip. Update your mileage log regularly instead of recreating it at tax time.

Self-employment can affect your taxes

Self-employed people may owe income tax and self-employment tax for Social Security and Medicare.

> **DO NOT ASSUME:** You may owe self-employment tax even if you do not owe regular income tax.

PLAN FOR TAXES DURING THE YEAR

Taxes usually are not withheld from self-employment income. Depending on your complete tax situation, you may need to make estimated tax payments during the year.

Payment	Usually due
First	April 15
Second	June 15
Third	September 15
Fourth	January 15 of the following year

A due date may shift if it falls on a weekend or holiday. Ask for help deciding whether estimated payments are needed and how much to pay.

WHAT TO BRING FOR TAX PREPARATION

- Income and expense records
- Forms W-2 and 1099
- Cash and payment-app records
- Tips tracked separately
- Mileage and vehicle records
- Records of major purchases
- Estimated-tax payment records
- Your prior-year tax return
- IRS or Vermont tax letters
- Photo identification and Social Security cards

GET HELP WHEN YOU NEED IT

Free tax preparation may be available through IRS VITA or TCE programs. Some self-employment returns may be too complicated for a free tax-preparation site, but the program can help explain your options.

For help with	Start here
Federal tax information	IRS.gov
Vermont tax information	tax.vermont.gov
Free tax preparation	IRS.gov/VITA

> **USE CURRENT INFORMATION:** Tax rules change. Start with an official source or ask a qualified tax preparer.

Tax rules and benefit rules are different

Tax returns generally report annual income. Benefit programs may calculate self-employment income differently or require more frequent reports.

IMPORTANT: Filing a tax return may not meet a benefit program's reporting requirements.

ASK EACH PROGRAM

- What changes must I report?
- How soon must I report them?
- Should I report total income, profit, or both?
- Which business expenses are allowed?
- What documents should I submit?
- How are irregular or seasonal earnings handled?
- Are tips treated differently?

KEEP PROOF OF WHAT YOU REPORT

Keep copies of records, forms, letters, and confirmations. Record when and how you reported the information and any instructions you received. If you report by telephone, note the person's name and what was discussed.

USE ACTUAL RECORDS: Self-employment income may change from month to month. Report changes promptly and follow the program's instructions.

WHERE TO ASK QUESTIONS

Benefit	Contact
3SquaresVT, Reach Up, or Fuel Assistance	Vermont Department for Children and Families
Medicaid or health coverage	Vermont Health Connect
SSI or SSDI	Social Security Administration
Housing assistance	The agency or housing authority managing the benefit

ASK THE PROGRAM DIRECTLY: Tax preparers may not know a benefit program's reporting rules.