

Self-employment taxes (SE Taxes)



- Self-employment taxes (SE Taxes) are the Social Security and Medicare taxes applied to self-employed individuals. Similar to payroll taxes applied to wage earners on their W-2.
- However, as a self-employed person you are responsible for paying both the employee AND employers share of the tax.
 - Social Security tax rate = $6.2\% \times 2 = 12.4\%$
 - Medicare tax rate = $1.45\% \times 2 = 2.9\%$
 - Total SE Tax rate of 15.3%
- SE Tax is a separate tax which is in addition to normal income taxes calculated on the Form 1040 return.

Tax calculation - example



Example Details

- \$100,000 expected Net Profit from Schedule C business.
- No other income
- Single
- Standard Deduction of \$12,400
- QBI Deduction
- Illinois Resident

Example Tax Liability

• Sch C Net Profit	\$100,000
• 1/2 SE Tax	(7,065)
• Medical Insurance	<u>(6,000)</u>
• AGI	\$ 86,935
• Standard Deduction	(12,400)
• QBI Deduction	<u>(14,907)</u>
• Taxable Income	\$ 59,628
• Income Tax	8,908
• SE Tax on \$100,000	<u>14,129</u>
• Total Federal Tax	23,037
• Illinois Tax	<u>4,188</u>
• Total Taxes	<u>\$ 27,225</u>