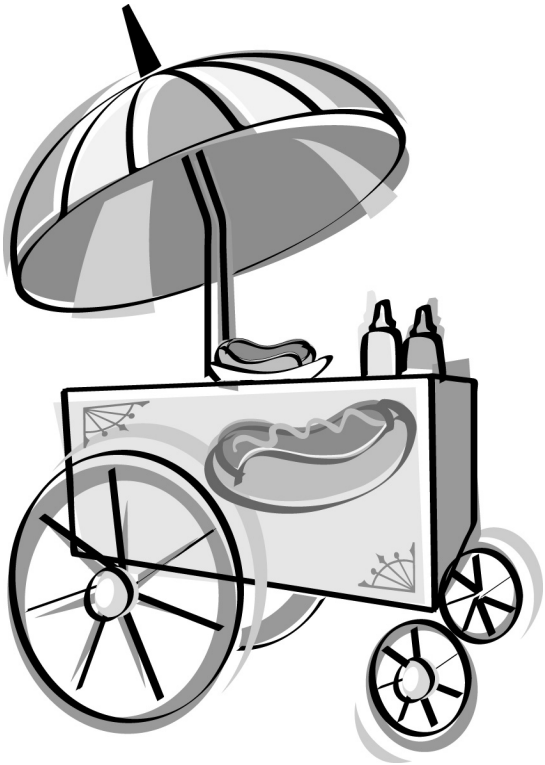
Fact Sheet

Module 12—Self-Employment Income and the Self-Employment Tax

Self-employed individuals are independent contractors, not employees. Self-employed individuals control the methods and means of performing services for others. For businesses owned by just one person, self-employment income, expenses, and profits are reported on Schedule C (or C-EZ), *Profit or Loss From Business*. Self-employment profit increases the income that is subject to tax. The self-employment tax is calculated on Schedule SE, *Self-Employment Tax*. The self-employment tax is reported on Form 1040, *U.S. Individual Income Tax Return*. The self-employment tax increases the total tax. One-half of the self-employment tax reduces the income that is subject to tax.



Employees

- work for employers who direct or control when, where, and how the work is performed.
- report their earnings on Form W-2, *Wage and Tax Statement*.

Independent contractors

- perform services for others.
- are self-employed.
- are their own bosses.
- Report their earnings on Form 1099-MISC, *Miscellaneous Income*.
- report self-employment income, expenses, and profit or loss on Schedule C (or C-EZ), *Profit or Loss From Business*.
- calculate the self-employment tax on Schedule SE, *Self-Employment Tax*.
- report the self-employment tax on Form 1040, *U.S. Individual Income Tax Return*.