



SELF-EMPLOYMENT · CLIENT GUIDE

The Self-Employed Tax Guide

Self-employment tax, quarterly payments, deductions, and the decisions that shape what you keep.



Self-employment tax is separate from income tax.

It funds Social Security and Medicare, and because there is no employer splitting the cost with you, you pay both halves yourself, on top of, not instead of, ordinary income tax.

◆ Understanding self-employment tax

When you work for someone else, your employer pays half of your Social Security and Medicare taxes and withholds the other half from your paycheck. When you work for yourself, you are both employer and employee, so you owe both halves, reported and paid as self-employment tax on Schedule SE, in addition to regular income tax on your net profit. Half of what you pay in self-employment tax is itself deductible when figuring your income tax, which softens the blow somewhat, but it rarely feels that way the first year you see the total.

◆ Quarterly estimated payments

Because no one is withholding tax from self-employment income as it's earned, the IRS expects you to pay it yourself, four times a year, using Form 1040-ES. These aren't optional if you expect to owe a meaningful amount at filing; falling short can trigger an underpayment penalty even if you pay the full balance by the April deadline. The safest approach is to base each quarter's payment on a running estimate of the year's actual profit, adjusted as the year develops, rather than guessing once in January and hoping.

◆ What you can deduct

Ordinary and necessary business expenses reduce the profit that both income tax and self-employment tax are calculated on, which makes accurate expense tracking worth real money, not just paperwork. Common categories include a home office used regularly and exclusively for business, business mileage or vehicle costs, health insurance premiums for the self-employed, software and subscriptions, contract labor, and retirement plan contributions through a SEP-IRA or Solo 401(k), both of which can meaningfully lower your tax bill while building your own retirement, since no employer is doing it for you.

◆ Recordkeeping that actually holds up

A separate business bank account is the single highest-leverage habit a self-employed person can build: it turns 'reconstruct a year of mixed spending' into 'download a statement.' Pair it with a simple habit of logging mileage and saving receipts as they happen rather than at tax time, and the return that used to take a weekend of guessing takes an afternoon of confirming.

◆ Key Takeaways

- Self-employment tax funds Social Security and Medicare; you owe both halves, on top of income tax.
- Quarterly estimated payments aren't optional once you expect to owe a meaningful amount at filing.
- A separate business bank account is the single highest-leverage recordkeeping habit you can build.

How Emrys Can Help

We help self-employed clients set realistic quarterly payments, choose the entity structure that actually fits their income (see our [Business Entity Guide](#)), and build a deduction record that holds up if it's ever questioned.



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