

# Doron F. Eghbali Tax Law

## [How To Report Income Taxes for Summer Jobs](#)

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In this volatile and rather frightening economy securing a summer job is very challenging. However, for those who have summer jobs the prospect of paying Uncle Sam a relatively large portion of their income looms large. Let us understand how to ensure we report our income taxes properly for summer jobs.

### **1. KNOW WHETHER YOUR EMPLOYER CONSIDERS YOU AN EMPLOYEE OR AN INDEPENDENT CONTRACTOR**

This is very important to ascertain whether your employer considers you an employee or an independent contractor. The difference is that if your employer classifies you as an independent contractor then the employer would not pay Social Security or Medicare taxes on your behalf. In addition, if you are an independent contractor, then you receive Form 1099 instead of a W-2 Form.

Since most employers favor independent contractor status to avoid paying Social Security and Medicare taxes, the independent contractor will be on the hook for such taxes. In fact, if you are having a summer job, you might have to pay around 15.3% of your income for such taxes.

In addition, there is no way you can lie to the government about your income. This is because what your employer gives you on Form 1099 is what your employer gives to the government. Therefore, the IRS already knows how much you have earned.

Accordingly, ask your employer whether you are an employee or an independent contractor. If you are an independent contractor, you might want to set aside some money for self-employment tax.

This is noteworthy, independent contractors can deduct business expenses such as mileage from their taxes. As such, this is vital to save such receipts.

## 2. KNOW WHERE YOU SHOULD FILE YOUR TAXES

- **FILE WITH THE STATE YOU WORKED AT:** You should file with the state in which you worked for summer. This means you might go to school in CA but your permanent home is in NY. You should file in CA. Likewise, if you go to school in Boston, but you work for your father in your hometown in West Orange, NJ, then you should file your taxes in NJ.
- **REMEMBER YOUR UNEARNED INCOME:** Your unearned income could be what your parents have opened up under your social security as trusts, brokerage accounts with securities firms. These are income you have accumulated and **MUST** be reported. Accordingly, ask your parents about specifications of such accounts and ensure you include them if they have accrued interest income.

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