

The Self-Employed Worker's 2026 Tax Basics

A plain-English guide for drivers, notaries, delivery workers, creators, and every independent professional with a 1099 and questions.

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In this guide: 1) Do you have to file? 2) Choosing your filing status 3) A W-2 job plus a side hustle 4) Your first-year checklist 5) A complete driver return, line by line

General information for tax year 2026, not legal or tax advice for your situation. Figures change; verify current amounts on irs.gov before acting. (c) 2026 GTQ LLC.

Chapter 1. Do I Have to File a Tax Return?

Filing requirements for 1099, gig, and self-employed workers - including the \$400 rule that trips up first-year drivers, delivery workers, and freelancers.

The W-2 Rule Does Not Apply to You

If you look up "do I have to file a tax return," most charts show income thresholds - for 2026, roughly \$16,100 for a single filer under 65. Those thresholds apply to wages and other income. They are not the whole story for self-employed people, and treating them as the answer is the most common first-year mistake we see.

The \$400 Rule

If your net earnings from self-employment are \$400 or more for the year, you must file a federal return - even if your total income is below the standard deduction, and even if you never received a single tax form.

Net earnings means gross receipts minus ordinary and necessary business expenses. So the test is on your profit, not your gross:

- A driver with \$5,000 of app income and \$4,800 of mileage and costs has \$200 of net earnings - under the line, no SE-filing trigger (but read the next section).
- A notary with \$900 of fees and minimal expenses is over \$400 and must file.

Even Below \$400, You May Still Need to File

The \$400 rule is a floor, not a ceiling on reasons to file:

- Your total income (self-employment plus wages, interest, investments) exceeds the standard filing threshold for your age and filing status
- You took advance payments of the Premium Tax Credit for Marketplace insurance
- You owe special taxes such as the Additional Medicare Tax or NIIT
- You had wages and need a refund of withheld income tax - the only way to get withholding back is to file

"I Never Got a 1099" Is Not an Exemption

Platforms and clients send forms based on reporting thresholds, not on whether income is taxable. For payments in 2026, a 1099-NEC is generally required above \$2,000 and a 1099-K at \$20,000 and 200 transactions. If you earned under those amounts you may receive nothing in the mail - and still owe tax on every dollar. Your own payout reports and bank deposits are the source of truth, not the forms.

Filing Can Pay You

Many lower-income self-employed workers are due a refund they would forfeit by not filing - refundable credits like the Earned Income Tax Credit are only available on a filed return, and EITC can apply even to gig and Schedule C income. If in doubt, run the numbers or ask us; deciding not to file "because I

barely made anything" sometimes leaves real money with the IRS.

What Happens If You Skip Filing

The failure-to-file penalty is 5% of unpaid tax per month (up to 25%), and the IRS generally has no deadline to assess a return that was never filed. Balances also accrue failure-to-pay penalties and interest. If you are behind, there is a proper way to catch up, and the sooner it is done the cheaper it is.

Chapter 2. Filing Status for Self-Employed Workers

The five filing statuses explained for freelancers, drivers, and notaries - including head of household rules for single parents with side income and how status changes your standard deduction.

Why Status Matters More When You Are Self-Employed

Filing status determines your standard deduction, your tax brackets, your eligibility for credits like the Earned Income Tax Credit and the Child Tax Credit, and how the qualified business income deduction thresholds apply. For a W-2 employee, picking wrong is usually corrected by software. For a self-employed worker with credits and QBI in the mix, the wrong status can quietly cost thousands.

The Five Statuses in Practical Terms

Single. Unmarried (or legally separated) as of December 31. The 2026 standard deduction is \$16,100.

Married Filing Jointly. Most married couples come out ahead here - the standard deduction is \$32,200, brackets are twice as wide, and credits like the EITC have friendlier limits. If both spouses have self-employment income, both incomes go on the same return but each spouse's Schedule C is prepared separately.

Married Filing Separately. Sometimes necessary (separating couples, specific liability situations), but it is the expensive lane: narrower brackets, reduced credits, and if you lived together at any time in the last six months of the year, you must both itemize or both take the standard deduction. Some deductions, including the new qualified tips and overtime deductions, are generally unavailable to MFS filers.

Head of Household. The one worth understanding if you are unmarried with a qualifying person in the house. Requirements: you paid more than half the cost of keeping up a home for the year, and a qualifying person (usually your child) lived with you more than half the year. The payoff: a \$24,150 standard deduction in 2026 and wider brackets than Single. A single parent who drives or freelances on the side is very often eligible and misses it.

Qualifying Surviving Spouse. For the two years following a spouse's death, if you have a dependent child and haven't remarried, you can use joint-return brackets and the \$32,200 standard deduction even though you file as one person.

Common Traps for 1099 Workers

- Assuming "Single" because you are not married when head of household fits - this is the most common missed status among the gig workers we see
- Claiming head of household without a qualifying person - a roommate or a parent you support in some other way does not automatically qualify

- Filing jointly while both spouses have side income and forgetting that each spouse's SE tax is calculated on their own net profit - you cannot combine profits and losses between spouses on separate Schedule Cs without a qualified joint venture election
- Changing status mid-strategy: your status on December 31 is your status for the whole year

A Quick Decision Path

- Married on December 31? Joint is usually best - compare against MFS only in unusual cases.
- Unmarried with a child who lived with you over half the year, and you paid over half the household costs? Head of household.
- Unmarried otherwise? Single.
- Widowed within the last two years with a dependent child? Qualifying surviving spouse.

If your situation involves a nontraditional household - supporting a parent, shared custody, a spouse who recently moved out - the rules get fact-specific fast. That is a good thing to review with a preparer before the return is prepared, not after.

Chapter 3. W-2 Job Plus a Side Hustle

You have a paycheck and app income? How W-2 wages and self-employment income interact - the withholding trap, SE tax on top of your job's taxes, and the new tip and overtime deductions.

Two Tax Systems, One Return

A W-2 job and a side hustle are taxed under two different mechanics that meet on one Form 1040:

- Your wages have Social Security and Medicare tax withheld by your employer, and income tax is prepaid through withholding each paycheck.
- Your side hustle has nothing withheld. It carries income tax plus self-employment tax - the 15.3% Social Security and Medicare package you now owe on your own behalf.

The combination surprises people in both directions: some discover they owe SE tax they never budgeted for, others overpay all year and get a giant refund. Understanding three interactions gets you to a sane outcome.

Interaction 1: The Withholding Trap

Every employer withholds as if its paycheck were your only income. Two income sources, each taxed gently, stack into a higher bracket on the joint return - and nobody withheld enough at the top. This is the classic "two-job trap" (theme park workers with two W-2s know it well), and adding gig income makes it worse because the gig piece had zero withholding.

The fix lives on your W-4: use the Multiple Jobs worksheet, add an extra withholding amount on Step 4(c), or make estimated payments to cover the side income. Waiting for April to find out is the expensive version of this lesson.

Interaction 2: Social Security Tax Coordinates - for You

Here is the friendly one. Social Security tax (12.4%) applies to wages only up to the annual wage base - \$184,500 in 2026 - and your employer already paid it on your W-2 wages. On the self-employment side, your SE tax calculation gets credit for wages already taxed: you owe the 12.4% portion only on the remaining wage-base room. If your job already put you over \$184,500, your side income owes only the 2.9% Medicare portion (plus the 0.9% Additional Medicare Tax at higher incomes). At typical wage levels, though, expect the full 15.3% on your side profit.

Interaction 3: One AGI, Shared Deductions

Your side hustle's net profit lands on Schedule C, and half your SE tax is deducted along the way to one shared AGI. From there, one standard deduction (or one set of itemized deductions) covers both incomes, and credits - Child Tax Credit, education credits, the Earned Income Tax Credit - are computed on the combined picture. Note the flip side: a profitable side hustle can push you over the income ranges where credits phase out, and the additional income can raise (or first trigger) things like IRA deduction limits and Marketplace insurance reconciliations.

Where the New Deductions Fit

The 2025-2028 deductions work differently depending on which income they attach to:

- Qualified tips (up to \$25,000) and qualified overtime (up to \$12,500, or \$25,000 joint) come from your W-2 world - they are reported by your employer (Box 12 codes TP and TT on 2026 W-2s), not generated by gig app income. A restaurant server who also delivers on weekends claims the tip deduction on the wages side.
- Self-employed side benefits instead from expense deductions, mileage, and the qualified business income deduction on Schedule C.

If you have both kinds of income, you may use both sets of provisions - on the same return, on their respective schedules.

A Simple Framework for the Year

- Set your W-4 to cover the combined picture, or pay quarterlies on the side income (rough rule for many: 25-30% of side profit set aside until you run real numbers)
- Keep the side hustle's income and expenses separate from personal accounts from day one
- Track miles contemporaneously if you drive
- At year-end, compare withholding + payments against a real projection before filing season - our Driver Tax Estimator handles the math for driving income, W-2 box 2 included

Bring both W-2s and your platform summaries to your appointment and we will reconcile the two worlds into one correct return.

Chapter 4. First Year Self-Employed: A Checklist

New to 1099 work? The records, accounts, and quarterly rhythm to set up before your first filing season - from mileage logs to a separate bank account to your first estimated payment.

The First Year Is Different

Your first year of self-employment taxes is less about the return itself and more about the habits you set up before it. Every client who arrives in February with a shoebox (or, these days, a phone full of screenshots) pays for the year of skipped setup. This checklist is what we wish every first-year driver, notary, creator, and freelancer did in their first month.

1. Open a Separate Bank Account

The single highest-leverage move. Run all business income through its own account, pay business costs from it, and transfer your profit to personal on a schedule. At tax time, your bank statement becomes your income ledger - no forensics, no missed income, no accidentally-deducted groceries. It also makes the "this was business" position defensible if the IRS ever asks.

2. Start the Mileage Log on Day One

If your work involves driving, the log is your largest deduction and your largest audit exposure. The rules require a contemporaneous record - date, miles, business purpose, written at or near the time of the trip. A notes app works; a dedicated app that logs GPS miles works; a reconstruction from memory in March does not. Note that 2026 has two mileage rates (72.5 cents January-June, 76 cents July-December), so your log's dates matter twice as much this year. Our free mileage and toll log gives you the columns the IRS wants to see.

3. Learn Your Forms Calendar

You will receive (or not receive - see #4) 1099 forms in January, and you may need to make estimated payments roughly April 15, June 15, September 15, and January 15. Put all four dates in your phone now, with a reminder two weeks ahead of each. First-year penalty bills are usually small, but they are entirely avoidable, and the habit matters more than the dollars in year one.

4. Understand That Forms Follow Thresholds, Not Taxability

Clients and platforms issue 1099s only above reporting thresholds. You may earn real money and receive zero forms - the income is taxable anyway. Your records are the return's source of truth; the forms are just third-party copies of part of it.

5. Decide Your Set-Aside Percentage

A workable default for many side businesses: move 25-30% of every deposit to a separate tax bucket until you know your real effective rate. Drivers can skip the guesswork with the Driver Tax Estimator; others can bring a couple of months of numbers to a consultation and we will project it properly.

6. Keep Receipts by Category, Not by Shoebox

Categories that matter for most of our clients: platform and service fees, phone and internet (business share), supplies and equipment, professional costs (commissions, insurance, training), and vehicle costs. A photo of each receipt into one folder per month is plenty - the goal is that any number on your return can be traced to a document in under a minute.

7. Know What You Do Not Need Yet

You do not need an LLC to file a Schedule C, you do not need an EIN as a sole proprietor (your SSN works), and you do not need accounting software - a spreadsheet plus the bank account from #1 covers year one for most people. Entity questions become worth answering once profit is consistent; ask before acting, not after.

8. Book One Check-In Before January

Bring your first quarter of records to a preparer before your first filing season rather than after it. A thirty-minute review in the fall - is the log adequate, is the set-aside close, is anything missing - is the cheapest tax advice you will ever get, and it turns your first return from an event into a formality.

Chapter 5. Walkthrough: A Driver's Complete Return

Follow a complete 2026 tax return for an Orlando delivery driver from gross app income to the final balance due, with every calculation shown using current-year figures.

Meet Our Example Driver

Maria drives for DoorDash and Uber Eats in Orlando. She is single, 34, has no W-2 job, and no other income. This walkthrough uses her real-world numbers with 2026 tax figures - every step shown so you can plug in your own amounts.

Her year in summary:

- Gross platform income (including tips): \$28,000
- Other business expenses (phone share, supplies, bags): \$900
- Business miles: 8,000 (4,000 in the first half of the year, 4,000 in the second half)
- Tolls paid while dashing and driving: \$310
- Federal tax withheld: \$0 - platforms don't withhold

Step 1: Does She Even Have to File?

Yes. A common beginner mistake is applying the W-2 filing threshold to gig work. For self-employment income, the rule is much lower: net earnings of \$400 or more from self-employment require a tax return - regardless of your total income or filing status. Maria's net profit (calculated below) is well over \$400, so she must file.

Step 2: Calculate the Mileage Deduction

2026 is unusual: the IRS set two business mileage rates - 72.5 cents per mile for January through June, and 76 cents for July through December. Maria's log splits her miles across both periods:

- First half: 4,000 miles x \$0.725 = \$2,900
- Second half: 4,000 miles x \$0.76 = \$3,040
- Total mileage deduction: \$5,940

If you don't split your log, you can still compute a blended rate, but the IRS-standard method is to apply each period's rate to that period's miles. This is why a log with dates matters.

Step 3: Calculate Net Profit on Schedule C

Net profit is gross income minus business costs:

- Gross income: \$28,000
- Minus other expenses: \$900
- Minus mileage: \$5,940

- Minus tolls: \$310
- Net profit: \$20,850

Everything flows from this number, which is why records decide your tax bill.

Step 4: Self-Employment Tax

Self-employment tax is 15.3% (12.4% Social Security + 2.9% Medicare), applied to 92.35% of net profit:

- $\$20,850 \times 0.9235 = \$19,255$
- $\$19,255 \times 15.3\% = \$2,946$ SE tax

She also gets to deduct half of it (\$1,473) later, which softens the income-tax side.

Step 5: Adjusted Gross Income

- Net profit: \$20,850
- Minus half of SE tax: \$1,473
- AGI: \$19,377

Step 6: Standard Deduction

Her 2026 standard deduction as a single filer is \$16,100, leaving \$3,277 of income above it.

Step 7: The QBI Deduction

The qualified business income deduction is the lesser of 20% of qualified income (\$3,875) or 20% of taxable income before QBI (\$655). The limit applies: \$655 deduction, leaving taxable income of \$2,622.

Step 8: Income Tax

All of \$2,622 falls in the 10% bracket (which reaches \$12,400 in 2026): \$262 federal income tax.

Step 9: The Bottom Line

- Income tax: \$262
- Self-employment tax: \$2,946
- Total tax: \$3,208
- Withheld: \$0
- Balance due: \$3,208 - about \$802 per quarter if she pays evenly

As a share of gross income: 11.5 cents of every app dollar should be set aside for federal tax (more if you owe state tax or want margin).

Why the SE Tax Dominates

Notice Maria's SE tax (\$2,946) is eleven times her income tax (\$262). For lower-profit gig workers, self-employment tax is almost always the main bill - which is why deductions like mileage (and for

notaries, the notarial fee allocation) matter far more than bracket planning.

Run Your Own Numbers

Want to see this math with your numbers? Our free Driver Tax Estimator runs the same calculation in your browser - nothing you type is sent anywhere. Then bring your payout reports and mileage log to your appointment and we will prepare the real thing.

Ready for the real thing?

This guide gives you the foundation. When you are ready to file, we prepare your return against your records, sign it, and deliver it through our secure portal. We speak English and Spanish.

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This guide is general information for tax year 2026 and is not legal or tax advice for your situation. Tax law changes; verify current figures on [irs.gov](https://www.irs.gov). Results vary.