



# TAX TIPS

## FOR ON DEMAND DRIVERS

- New - You can deduct 20% of your business income.
- Drivers are contract labor and are self-employed. You receive a 1099 Misc. or a 1099K rather than a W-2.
- Social Security and Medicare payments are not deducted from the driver's compensation.
- Tips are required to be included in gross income.
- Income tax rate is determined by the filing status and by the total amount of taxable income after deductions. The lowest income tax bracket is 10%. Self-employed income is taxed at 15.3%. (SE tax is calculated on 92.35% of net SE income.)

### Rule of Thumb

Save at least **25%** of net self-employed income to cover your tax obligations.

(10% at lowest tax bracket + 15% Self Employed Income) If your income level/tax bracket is higher than 10%, you will want to hold out more to cover tax obligations.



## Record Your Expenses

**Commission and fees** - amount driver pays Uber/Lyft for the service

**Taxes and license** - amount driver pays BNA airport to pick up fares

**Supplies** - office and record keeping supplies used solely for business (ex: free bottled water for clients), etc.

**Advertising** - cost to advertise your business (ex: business cards)

**Utilities** - portion of cell phone bill used for business

**Business Miles** - uncompensated mileage when there was a passenger in the vehicle plus mileage between dropping off passenger A and picking up passenger B.

**Commuting Miles** - mileage from home to pick up first passenger plus mileage from dropping off last passenger to home. Cannot claim this mileage.

**Personal Miles** - cannot claim this mileage

## BEST PRACTICES

### KEEP A DAILY LOG OR JOURNAL

Include:

- time and odometer reading at start and end of shift
- business miles, commuting miles and personal miles
- tips & expenses
- Log actual car expenses in the event it is more advantageous to claim actual expenses rather than using the standard mileage rate



### MAKE QUARTERLY PAYMENTS

At IRS.GOV, print off a 1040ES for information, due dates and how to make quarterly payments. Payments can be made weekly, bi-weekly or monthly as well as quarterly. Payments can be made by phone, credit card, or automatically withdrawn from a checking or savings account.

Use the **Tax Withholding Calculator** at IRS.GOV to estimate your household's tax obligation. Check on a regular basis to keep on track and avoid surprises. Remember, income from self-employment is taxed at 15.3%.



### It's One or the Other

#### Standard Mileage Rate = \$0.545

If you use the standard mileage rate for a year, you cannot deduct your actual car expenses for that year. Actual car expenses are: depreciation; lease payments; maintenance and repairs; gasoline (including gasoline taxes); oil; car insurance premiums; and vehicle registration fees.

For more information

[irs.gov](https://www.irs.gov)

To file online for **FREE**  
or for a list of  
**FREE TAX PREP**  
site locations, visit

[unitedwayfilefree.com](https://unitedwayfilefree.com)



United Way of Metropolitan Nashville



# TAX WORKSHEET

## FOR ON DEMAND DRIVERS

In the event of an audit, taxpayer will furnish written records and receipts to IRS.  
Use Business Code 485300.

### INCOME

1099 Misc or 1099K along with the end of year statement from company.

Tip Income – Not reported by Company \$ \_\_\_\_\_

### EXPENSES

Commission and fees \$ \_\_\_\_\_

Taxes and license \$ \_\_\_\_\_

Utilities \$ \_\_\_\_\_

*Monthly Cell Phone Bill (do not include cost of actual phone) multiplied by percentage of use (how many hours in a 7 day week you are driving) multiplied by months driving = expense.*

Advertising \$ \_\_\_\_\_

*For example: business cards*

Supplies \$ \_\_\_\_\_

*For example: office supplies*

### MILEAGE

Vehicle Make: \_\_\_\_\_ Model: \_\_\_\_\_

Date the vehicle was put into service: \_\_\_\_\_

Uncompensated Business Miles: \_\_\_\_\_

*Mileage there was a passenger in the vehicle plus mileage between dropping off passenger A and picking up passenger B.*

Commuting Miles: \_\_\_\_\_

*Mileage from home to first passenger/pick-up plus mileage dropping off last passenger/pick-up to home. (Cannot claim this mileage.)*

Personal Miles: \_\_\_\_\_

*(Cannot claim this mileage.)*

### OUT OF SCOPE FOR VITA

Business income with loss, expenses greater than \$25,000, depreciation, actual auto expenses, underpayment of estimated tax.

