

The New Definition of Small Business in the 21st Century Digital Age.

How to Pay Estimated Tax Payments?

The American work force is diverse. The definition of self employed has changed. So, who are the self employed? They are your traditional:

- **real estate agents**
- **insurance agents**
- **attorneys**
- **accountants**
- **shop owners**



Gig Economy Workers

Gig Work is Defined as Work on Demand

Who are your Gig Workers? They are your:

- **Uber drivers**
- **Door dash drivers**
- **Virtual assistants, artist**
- **Job controlled by an App**



These jobs seduce workers with the promise of freedom of time and money with a great work life balance. However, what they don't tell the worker is that being self-employed is being responsible for paying your own taxes.

Estimated Tax Payments

All of these people may have different occupations but they have in common is they are required by law to pay estimated tax payments.

Estimated tax payments are paid quarterly. Here is the schedule for 2022:

- **First-quarter payments: April 15, 2022**
- **Second-quarter payments: June 15, 2022**
- **Third-quarter payments: Sept. 15, 2022**
- **Fourth-quarter payments: Jan. 15, 2023.**

Tax payments are filed on Form 1040 ES (Estimated Tax Payments) The Fourth quarter tax payment for tax year 2021 is due January 18, 2022.

•

How Do I Estimated My Tax Payment

The Key Word is Estimated (Please see our presentation on the New W4)

Unlike an employee as a self employed person you are responsible for figuring out the portion of your taxes for social security and medicare taxes. These taxes are referred to as payroll taxes.

The current tax rate for social security is 6.2% for the employer and 6.2% for the employee or 12.4% total. The current rate for Medicare is 1.45% for the employer and 1.45% or 2.9% for the contract worker the total tax is 15.3% on all net income above 400.00. In the case of a self employed person you are responsible for both the employer and employer tax liability.

What is Net Income?

Net Income is the Amount of Income Left After Expenses or Commonly Referred as Profit or Draw

Example One: Monica is a Designer her income is approximately \$30,000 for the year. She received a 1099 NEC (Non Employee Compensation) in January of 2022. She is single. Her total expenses for the year was \$7,500. Leaving a net profit of \$22,500

Her payroll tax liability will be 15.3% of 22,500 total taxes \$3,442.50.

Social Security and medicare payments are paid into the retirement system unless you opt out.

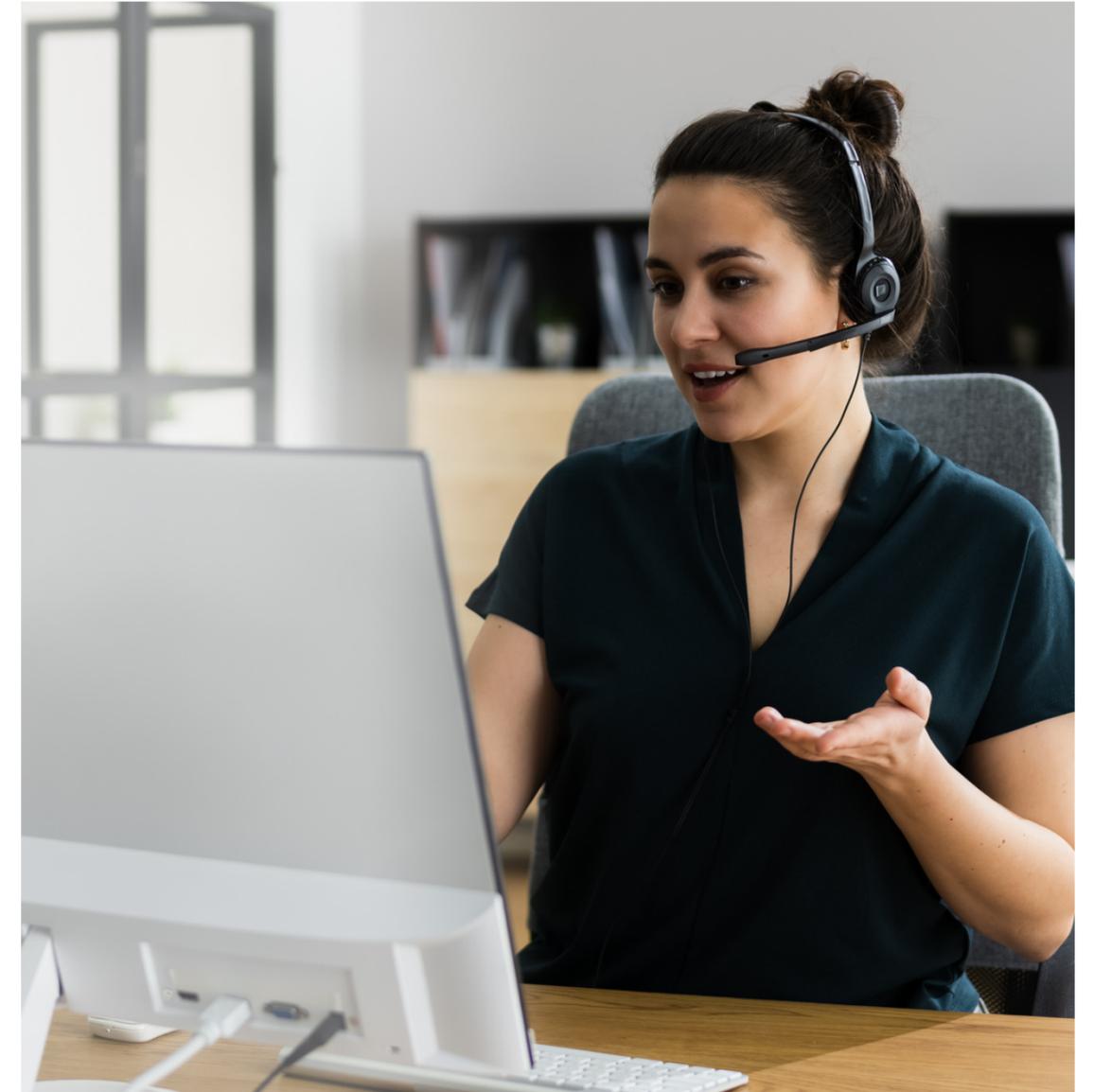


Figuring Monica's Income Tax Liability

Income Tax Liability is what Monica pays on her income.

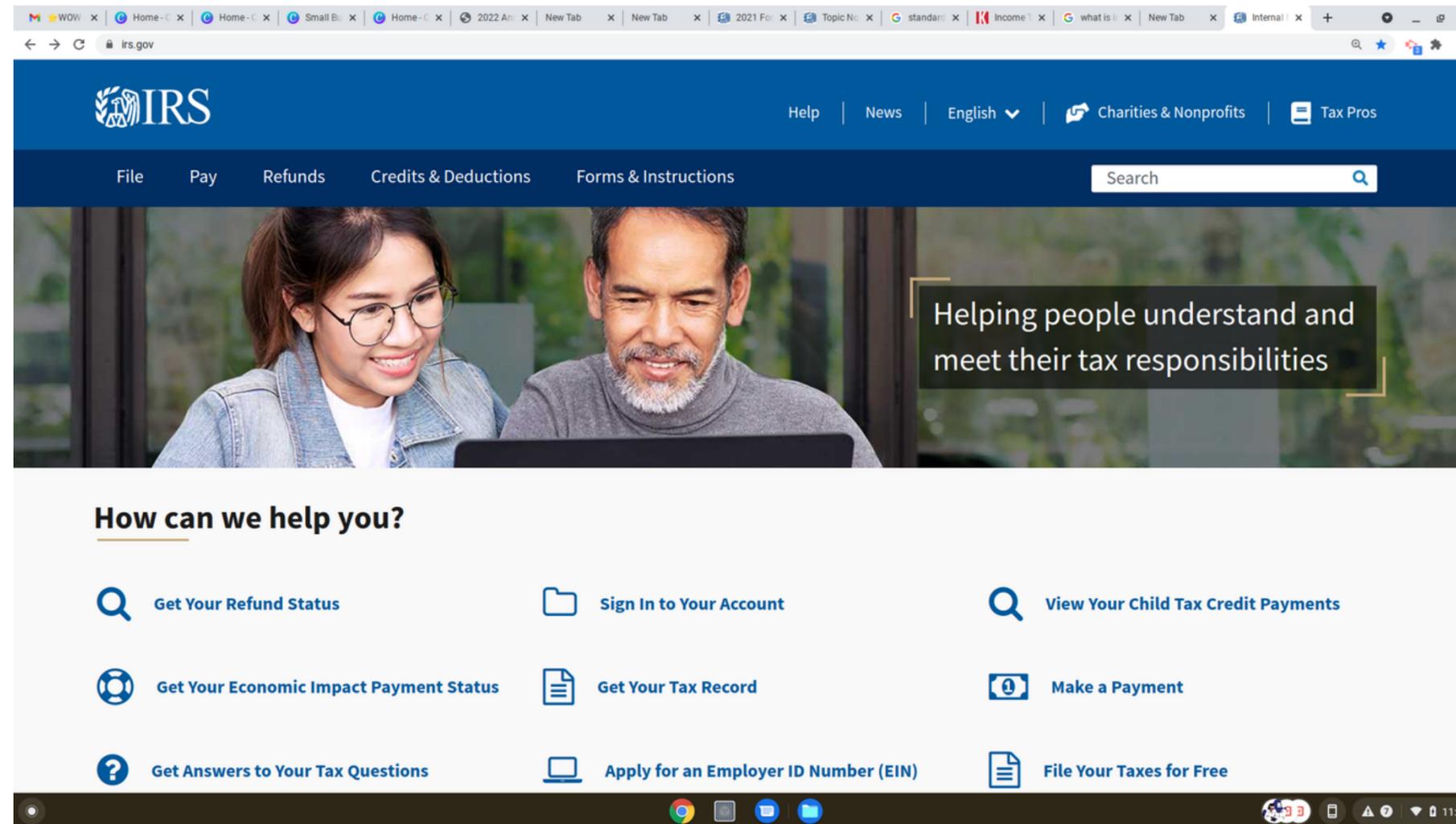
Taxes on her Income \$22,500 are taxed at a 12% tax rate. However, her standard deduction is \$12,950 which is subtracted from her income. So she will pay taxes on \$9,550 this places her in a 10% tax bracket. Her estimated tax payment is 955.00. Her total amount of estimated taxes for the year would be \$4,397.50.

Since she pays estimated taxes quarterly simply divide \$4,397.50 by 4 total amount \$1,099.38. She would pay this amount every three months or per quarter.



How to Pay the Estimated Payments

Go to IRS.gov



On the front page you will see make a payment. Click on the button set up an account to make your payments electronically.



This concludes our presentation on estimated tax payments. Please stay turned for our presentation on filing 941 payroll taxes for small business owners. If you would like copy of this presentation you may download it from <https://thetaxladyplus.online/client-resources-1>. That's all folks!