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# Self-Employment Tax (Social Security and Medicare Taxes)

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It should be noted that anytime self-employment tax is mentioned, it only refers to Social Security and Medicare taxes and does not include any other taxes that self-employed individuals may be required to file. The list of items below should not be construed as all-inclusive. Other information may be appropriate for your specific type of business.

- [What is Self-Employment Tax?](#)
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## What is Self-Employment Tax?

Self-employment tax is a tax consisting of Social Security and Medicare taxes primarily for individuals who work for themselves. It is similar to the Social Security and Medicare taxes withheld from the pay of most wage earners.

You figure self-employment tax (SE tax) yourself using Schedule SE (Form 1040 or 1040-SR). Social Security and Medicare taxes of most wage earners are figured by their employers. Also you can deduct the employer-equivalent portion of your SE tax in figuring your adjusted gross income. Wage earners cannot deduct Social Security and Medicare taxes.

## Self-Employment Tax Rate

The self-employment tax rate is 15.3%. The rate consists of two parts: 12.4% for social security (old-age, survivors, and disability insurance) and 2.9% for Medicare (hospital insurance).

For 2019, the first \$132,900 of your combined wages, tips, and net earnings is subject to any combination of the Social Security part of self-employment tax, Social Security tax, or railroad retirement (tier 1) tax. The amount increased to \$137,700 for 2020. (For SE tax rates for a prior year, refer to the Schedule SE for that year).

All your combined wages, tips, and net earnings in the current year are subject to any combination of the 2.9% Medicare part of Self-Employment tax, Social Security tax, or railroad retirement (tier 1) tax.

If your wages and tips are subject to either social security tax or the Tier 1 part of railroad retirement tax, or both, and total at least \$132,900, do not pay the 12.4% social security part of the SE tax on any of your net earnings. However, you must pay the 2.9% Medicare part of the SE tax on all of your net earnings.

An additional Medicare tax rate of 0.9 % applies to wages, compensation, and self-employment income above a threshold amount received in taxable years beginning after Dec. 31, 2012. See the [Questions and Answers for the Additional Medicare Tax](#) page for more information.

If you use a tax year other than the calendar year, you must use the tax rate and maximum earnings limit in effect at the beginning of your tax year. Even if the tax rate or maximum earnings limit changes during your tax year, continue to use the same rate and limit throughout your tax year.

## Self-Employment Tax Deduction

You can deduct the employer-equivalent portion of your self-employment tax in figuring your adjusted gross income. This deduction only affects your income tax. It does not affect either your net earnings from self-employment or your self-employment tax.

If you file a Form 1040 or 1040-SR Schedule C, you may be eligible to claim the Earned Income Tax Credit (EITC). Learn more about [EITC](#), or use the [EITC Assistant](#) to find out if you are eligible.

## Self-Employment Health Insurance Tax Deduction

Under Section 2042 of the Small Business Jobs Act, a deduction, for income tax purposes, is allowed to self-employed individuals for the cost of health insurance. This deduction is taken into account in calculating net earnings from self-employment. See the Form 1040 or 1040-SR and Schedule SE instructions for calculating and claiming the deduction.

## Who Must Pay Self-Employment Tax?

You must pay self-employment tax and file Schedule SE (Form 1040 or 1040-SR) if either of the following applies.

- Your net earnings from self-employment (excluding church employee income) were \$400 or more.
- You had church employee income of \$108.28 or more.

Generally, your net earnings from self-employment are subject to self-employment tax. If you are self-employed as a sole proprietor or independent contractor, you generally use Schedule C to figure net earnings from self-employment.

If you have earnings subject to self-employment tax, use Schedule SE to figure your net earnings from self-employment. Before you figure your net earnings, you generally need to figure your total earnings subject to self-employment tax.

**Note:** The self-employment tax rules apply no matter how old you are and even if you are already receiving Social Security or Medicare.

## Family Caregivers and Self-Employment Tax

Special rules apply to workers who perform in-home services for elderly or disabled individuals (caregivers). Caregivers are typically employees of the individuals for whom they provide services because they work in the homes of the elderly or disabled individuals and these individuals have the right to tell the caregivers what needs to be done. See the [Family Caregivers and Self-Employment Tax page](#) and [Publication 926](#) for more details.

## How to Pay Self-Employment Tax

To pay self-employment tax, you must have a Social Security number (SSN) or an individual taxpayer identification number (ITIN).

## Obtaining a Social Security Number

If you never had an SSN, apply for one using Form SS-5, Application for a Social Security Card. You can get this form at any Social Security office or by calling (800) 772-1213. Download the form from the [Social Security Number and Card](#) website.

## Obtaining an Individual Taxpayer Identification Number

The IRS will issue you an ITIN if you are a nonresident or resident alien and you do not have and are not eligible to get an SSN. To apply for an ITIN, file [Form W-7, Application for IRS Individual Taxpayer Identification Number](#).

## Paying Self-Employment Tax with Estimated Taxes

As a self-employed individual, you may have to file Estimated Taxes quarterly. You can use these estimated tax payments to pay your self-employment tax. Refer to the [Estimated Taxes](#) page and [Publication 505, Tax Withholding and Estimated Tax](#) for more details on paying your self-employment tax with Estimated taxes.

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