

Case Study: #8 The Gig Economy and Taxes: Miles, Money, and the IRS

Meet Emily

Emily, a bright and ambitious high school junior, is always looking for ways to earn extra cash. She's heard about the gig economy and how apps like Uber and Lyft allow people to set their own hours and be their own boss. With her parents' permission, she decides to give it a try, driving passengers around town on weekends and after school.

The Road to Rideshare Riches... and Tax Season

Emily quickly discovers the perks of being a rideshare driver. She enjoys the flexibility, meeting new people, and the extra money in her pocket. But as tax season approaches, she starts to worry. She's never filed taxes before, and she's unsure about her obligations as an independent contractor.

Questions Emily Faces

- **Am I an employee or an independent contractor?** Emily knows this distinction is important for taxes, but she's not sure what it means for her.
- **What taxes do I need to pay?** She's heard about income tax, but what's this "self-employment tax" she keeps hearing about?
- **Can I deduct any expenses?** Emily uses her own car for rideshare driving. Can she deduct gas, mileage, or other car-related costs?
- **How do I keep track of everything?** Emily is a bit disorganized. What's the best way to keep track of her income and expenses for tax purposes?
- **Do I need to pay taxes throughout the year?** Emily's parents always file their taxes once a year. Is that the same for her?

Emily's Quest for Answers

Determined to understand her tax situation, Emily starts researching online and talking to other rideshare drivers. She learns about the importance of keeping good records, the different tax forms she'll need to file, and the possibility of making estimated tax payments throughout the year.

Your Turn to Help Emily

1. **Independent Contractor vs. Employee:** Explain the key differences between these two classifications and how they impact tax responsibilities.
2. **Self-Employment Taxes:** Calculate Emily's potential self-employment tax liability based on her estimated rideshare income.
3. **Deductible Expenses:** Research and list common deductible expenses for rideshare drivers. Estimate how much Emily might be able to deduct.
4. **Record-Keeping:** Suggest tools or methods Emily can use to track her income and expenses effectively.
5. **Estimated Taxes:** Explain why Emily might need to make estimated tax payments and how she can calculate them.

Templates for Student Responses

Summary Statement

- In this case study, I learned that being a rideshare driver comes with specific tax responsibilities. Emily needs to understand that she's an independent contractor, which means she'll have to pay self-employment taxes in addition to income tax. She can also deduct certain expenses related to her driving, but it's crucial to keep good records. Finally, she might need to make estimated tax payments throughout the year to avoid penalties.

Forward-Looking Statement

- To stay on top of her taxes, Emily should:
 - Set up a system for tracking her income and expenses.
 - Research and understand the specific tax rules for rideshare drivers in her state.
 - Consider consulting a tax professional if she has complex questions.
 - Make estimated tax payments if necessary.
 - File her taxes accurately and on time each year.