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Tax Tips for Freelance Writers and Self-Published Authors

Written by a TurboTax Expert • Reviewed by a TurboTax CPA
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OVERVIEW

If you earn money selling your words to websites and other publishers, the Internal Revenue Service will likely say you're a small business owner. Freelance income is self-employment income, and so are any royalties you receive for that book you published or self-published. That can be a good thing, because the self-employed are privy to some tax perks that employees don't usually receive.

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Your Income

When you sell your work to a company for a total of $600 or more, the publisher should provide you with a 1099-NEC form at year's end. When you file your taxes, you're required to report all your income to the IRS, so if one company paid you only $400—less than the 1099-NEC requirement—this doesn't mean you don't have to claim it; it just means the publisher doesn't have to provide a 1099 form.

If you receive payments through online payment services such as PayPal, you might receive a 1099-K. Payers will also send these forms to the IRS to report your income.

The IRS planned to implement changes to the 1099-K reporting requirement for the 2023 tax year. However, the IRS recently delayed the implementation of the new $600 reporting threshold for transactions from third party processors like Venmo and Paypal, reverting tax year 2023 back to the previously higher 1099-K reporting threshold (over $20,000 in payments and more than 200 transactions).

However, some individual states have already begun to use the lower reporting threshold. Maryland, Massachusetts, Vermont, Virginia and the District of Columbia have a $600 threshold for requiring 1099-K in effect for 2023. North Carolina and Montana also have a $600 threshold, although state tax officials have said these states may offer relief. If you don't receive a 1099-K, the IRS still expects you will report all your income, regardless of the amount.

Completing Schedule C

You probably won't have to pay taxes on all of the income you earn from writing. As a self-employed freelance writer, you'll complete Schedule C to arrive at your taxable income. Use Schedule C to list your income and business expenses. Some costs might include:

- Internet
- Supplies such as printer paper, ink, and other office necessities
- Computer
- Software for the computer
- Fax machine and copier
- Mileage and meals
- Other "ordinary and necessary" expenses for your writing business

These costs are deducted from your total business income, and the resulting number is what you report as self-employed income on your tax return. Be sure to keep good records of all of your business expenses so you can provide them to the IRS if necessary.

The Home Office Deduction

As a freelancer, you probably plant yourself at your desk each morning right there in your home. For this reason, you may be able to claim a home office tax deduction based on the percentage of your home that you use for work. For example, if your dedicated work space takes up 15% of the total square footage of your home, you can deduct 15% of your mortgage principal or rent payment, utilities, and insurance.

But if you work at the kitchen table, you're out of luck because you likely use that room for other things as well as your writing business. Your home office space *must be dedicated exclusively to your writing*, so clean out that spare bedroom, move in your office equipment and supplies, and get to work.

The Self-Employed Health Insurance Deduction

It's likely that you pay for your own health insurance if you're a freelancer. If you're not covered by an employer-sponsored policy, you can likely claim a deduction for the full cost of your premiums, even if your policy also covers your spouse and dependents. The policy needs to be in your name or in the name of your business. This deduction isn't entered on your Schedule C—it's an adjustment to your income that you report on Schedule 1, Part II of your tax return.

The Self-Employment Tax

When you work for someone else, your employer pays half of your Social Security and Medicare taxes and you pay the other half. But when you're self-employed, you must pay all of these taxes yourself. This is called the self-employment tax.

The amount you owe—15.3%—is based on the net amount of income you arrived at when you completed your Schedule C.

The IRS gives a little back, however. You can deduct half of your self-employment tax on Schedule 1, Part II of your tax return, reducing your overall taxable income.

If You Also Earned Royalties

If all your income derives from publishing books with a single publisher, you might not have numerous 1099-NEC forms to keep track of, but you could receive a 1099-MISC from the company you published with. This income goes on Schedule C as well as long as you are still working as a writer. If you receive royalties at a time when you are not a writer, perhaps in retirement, then these payments are reported on Schedule E.

If you also held down a regular job during the year, you'll only have to pay self-employment tax on the portion of the income you included on Schedule C. If you had more expenses than income from your self-employed writing, this is a business loss. It can reduce the amount of income you have to pay taxes on, even if you earned income from an employer.

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