**What it means to be an Independent Contractor/1099 Employee**

Working for yourself, or as an independent contractor, offers many benefits including independence, a mix of projects and your own ability to manage your time and work environment. In the age of “side hustles,” more people are taking on flexible contract work every year. If you work this way, it’s important to *fully understand what this means for you*.

* The term “1099” comes from the **1099 MISC form** that is used to report payments made to independent contractors who cover their own employment taxes. You may informally hear someone referred to as a “1099 employee” for this reason.
* An independent contractor is hired to fill **a specific role or complete a specific task**. Based on your agreement with the employer, you may set your own hours and use your own tools. You may even work for more than one business at one time. Once that task is completed or the project is over, it *could* mean **your employment is terminated**. Do not assume you will be asked back for additional work! Be sure to present yourself and your work in the best light, should the opportunity to return be available.
* Since independent contractors are self-employed, you are ***not eligible*** for traditional employee benefits or compensation like: medical coverage, paid vacations, 401(k) matches, long or short term disability, life insurance, workers compensation, lost wage compensation, etc. **You will need to pay for your own health insurance and savings**. We recommend building a budget using Mint.com or YouNeedABudget.com.
* Independent contractors also **must reserve some of your earnings** (25-30% is a good practice, or 1/3 of your check) **to pay taxes** as your employer will not withhold this. **You are expected to pay income taxes directly to the IRS**.
* Instead of a traditional W-2, a contractor fills out a **W-9**. That allows the company that hires you to prove to the IRS that it doesn’t owe payroll tax for your employment.
* During tax season, **you will receive an IRS form 1099 from the company**, outlining exactly how much 1099 income you earned from that company over the course of the year.

If you have more questions about what it means to be an independent contractor/1099 employee, please:

* Speak to the HR department of the organization who is interested in hiring you
* Reach out to whomever completes your taxes; and don’t forget Career Services staff are here to help!
* Visit the IRS website