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3 THINGS YOU CAN DO NOW TO REDUCE YOUR SIDE HUSTLE TAX BILL

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More and more people, especially millennials, are supplementing their 9-5 incomes with freelance work or so called “side hustles.” A side hustle is a way to make extra cash to pay the bills or reach your financial goals faster. That extra income also means you’ll pay extra income tax. Without proper planning you may get a nasty surprise in the form of a large tax bill due on April 15th. Here are three things you can do today to reduce your tax bill.

1. Pay your tax up front

If you don’t pay enough tax during the year through withholding and estimated tax payments, you may be charged a penalty by the IRS. Plus, it is painful to pay a large chunk of your hard-earned side hustle income to the government at year-end.

If you are working a 9-5, increase the income tax withholding on your paycheck. Fill out a new form W-4 and decrease the total number of allowances you are claiming on line 5, or request an additional dollar amount to be withheld from each paycheck on line 6. Your paychecks will be lower, but you won’t have to worry about paying such a large tax bill on April 15th.

Make quarterly estimated tax payments if you expect to owe tax of \$1,000 or more and your paycheck withholding is not enough to cover your side hustle income.

Don’t forget to make payments to your state through estimated payments or extra withholdings, unless you are lucky enough to live in a state that doesn’t charge income tax.

2. Keep solid records of income and expenses

Make a commitment to good recordkeeping. This will save you time and stress when tax time rolls around and you will be sure to have a record of every expense and tax deduction that you are entitled to.

Bookkeeping software such as QuickBooks Online will track your profit and loss throughout the year to help you make business decisions, estimate those quarterly tax payments, and make life easier when it’s time to file your taxes.



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3. Get help from a pro

Consult a tax professional to make sure you are taking advantage of every tax deduction that you are entitled to, and none that you are NOT entitled to. A good CPA will save you more than they charge by making sure that you are getting all the deductions and tax credits that you deserve and by advising you on how to structure your business and other finances to lower your tax bill. Have a tax planning meeting with your CPA before December 31st for more concrete steps that you can take now to manage your side hustle tax bill and meet your financial goals.



If you have questions about this or any other business or tax issue, please contact your Account Manager or Leilah Shabazaz, CPA, at (314) 205-2510 or via email at lshabazaz@connerash.com.