

The Working Artist's Tax Guide

A field guide for the newly professional: income, records, and taxes in your first years · Current as of July 2026

How to use this guide. This is general educational information, current for the 2026 tax year. Dollar figures adjust every year, and your own situation can change the answer. Use it to ask sharper questions, not as a substitute for advice on your specific return.

The first working year out of school is where most tax mistakes happen, and nearly all of them are avoidable. The problem is rarely the math. It is that no one explained how the system treats an artist's income, which looks nothing like a single salaried job. In one year you may juggle W-2 paychecks, 1099 gig income, tips from a day job, and pay earned in more than one state. This guide walks through what that means, what to keep, what you will owe, and when it is worth calling a professional.

§ 01 · Employee or contractor: the distinction that changes everything

There are two ways you get paid, and they are taxed very differently. Knowing which one you are, on each job, is the single most useful thing in this guide.

- **As an employee (W-2).** Tax is withheld from every check, and your employer pays half of your Social Security and Medicare. A staff role, a theatre that puts you on payroll, or a film job run through a payroll company all work this way.
- **As a contractor (1099 / self-employed).** Nothing is withheld. In the eyes of the IRS you are running a one-person business: you report income and expenses on Schedule C and pay your own Social Security and Medicare. A directing fee, a commissioned design, a taught workshop, and most freelance work fall here.

Keep this. A 1099 is not a bonus. It is income the government has not taxed yet. Set aside roughly a quarter to a third of every 1099 payment as money you are holding for later.

§ 02 · The paperwork you actually need

Forms arrive in January and February. Keep every one; they are also reported to the IRS.

- W-2 from each employer that put you on payroll.
- 1099-NEC for freelance and contractor pay; 1099-MISC for royalties, prizes, and rents.
- 1099-K from payment apps and platforms (PayPal, Venmo business, Stripe) once you cross the \$20,000 reporting threshold.
- Schedule K-1 if you are a member of an LLC or partnership, such as a loan-out.

You owe tax on income whether or not a form shows up, so a missing 1099 does not make the money tax-free. What to keep all year: a running record of every gig, receipts for anything you spend on your work, a mileage log for driving between jobs and auditions, contracts and deal memos, and bank statements from an account used only for work.

Rule of thumb. Keep tax records for at least three years after you file, and seven is safer once you have self-employment income. Clear digital scans are fine.

§ 03 · Self-employment tax: the number that surprises everyone

On W-2 wages, you and your employer split Social Security and Medicare. On self-employed income you pay both halves yourself. That combined rate is 15.3% (12.4% for Social Security up to an annual cap, plus 2.9% for Medicare with no cap), and it sits on top of regular income tax.

- It starts once your net self-employment earnings reach \$400 for the year.
- For 2026 the Social Security portion applies to the first \$184,500 of earnings. Above that, only the 2.9% Medicare portion continues.
- The good news: you deduct half of this tax when figuring income tax, and ordinary business expenses reduce the income it is calculated on.

A quick example. Earn \$10,000 of freelance income with few expenses and you can owe about \$1,413 in self-employment tax alone (the tax applies to 92.35% of net earnings), before any income tax is added. That is exactly why the set-aside habit matters.

§ 04 · Quarterly estimated taxes

Because no one withholds tax from your freelance income, the IRS expects you to pay it in four installments across the year rather than all at once in April. Estimates are generally required once you expect to owe \$1,000 or more after withholding.

- **Due dates.** April 15, 2026, June 15, 2026, September 15, 2026, January 15, 2027.
- **How much (the safe harbor).** Pay in at least 90% of what you will owe this year, or 100% of last year's total tax (110% if your prior AGI was over \$150,000). Do that and you avoid the underpayment penalty even if a balance is still due at filing.
- **The habit that makes it painless.** Open a separate savings account and move 25% to 30% of every freelance payment into it as you are paid. Send estimates from there via IRS Direct Pay (irs.gov/payments).

Compute it automatically: arcandledger.com/calculators/quarterly-tax/

§ 05 · What you can deduct, and what you cannot

The test is simple to state: an expense is deductible if it is ordinary and necessary for your work. Keep the receipt and a short note of the business reason. Common, legitimate deductions for performers and crew working as self-employed:

- Commissions paid to agents and managers; union dues (SAG-AFTRA, Actors' Equity, IATSE) and professional memberships.
- Classes, coaching, and workshops that maintain or sharpen skills you already use professionally.
- Headshots, reels, demos, and website costs; industry subscriptions and submission services (Backstage, Actors Access, casting sites).
- Character wardrobe not suitable for everyday street wear, plus performance makeup and supplies.
- Equipment and gear: cameras, instruments, tools, laptops, software (large purchases can often be written off in full the year you buy them).
- A home office or studio used regularly and only for work; business driving and travel between jobs, and out-of-town work travel and lodging.

§ 06 · The 20% deduction you may not know you have

If you have self-employed (Schedule C) net income, you may qualify for the Qualified Business Income deduction, which can take 20% off that business profit before tax is figured. It applies to most freelance and gig income and is now a permanent part of the law. In most cases your preparer or tax software applies it for you, which is one more reason clean books through the year pay off directly.

§ 07 · Tips and overtime: two deductions for day-job income

Two deductions under the One Big Beautiful Bill Act are worth knowing, because so many early-career artists work tipped and hourly day jobs. Both are claimed on Schedule 1-A, and both phase out at higher incomes (over \$150,000).

- **No tax on tips.** Work a customarily tipped job and you can deduct up to \$25,000 of reported tips from federal income tax. The tips still count for Social Security and Medicare.
- **No tax on overtime.** Earn federal (FLSA) overtime, common for stagehands and crew, and you can deduct the extra time-and-a-half premium, up to \$12,500.

§ 08 · Working across state lines and on tour

You generally owe income tax where you earn the money, not only where you live. A tour, an out-of-state film, or a summer stock contract can create a filing obligation in each of those states. You file a nonresident return in each state you worked, and your home state gives you a credit for tax paid to the others, so the same dollar is not fully taxed twice. Keep a simple day log of where you were working and for how long; that single record is what makes multi-state returns painless. California residents: the state has its own high rates and does not follow every federal rule, so your state return can look different from your federal one.

§ 09 · When to bring in a professional

You can handle a simple year yourself. It is worth getting help the first time any of these is true: your first year with real 1099 income; you worked in more than one state; you have income or accounts outside the US; you are weighing whether to incorporate or set up a loan-out; or you received a letter from the IRS or a state. A good preparer saves more than they cost in these situations, and an Enrolled Agent can represent you directly before the IRS if anything ever comes up.

Reference: numbers to remember, 2026

ITEM	2026 FIGURE
Standard deduction	\$16,100 single · \$32,200 married filing jointly
Self-employment tax	15.3% on net earnings; Social Security portion applies to the first \$184,500; starts at \$400; half is deductible
Estimated tax due dates	April 15, 2026, June 15, 2026, September 15, 2026, January 15, 2027
Safe harbor	90% of this year's tax, or 100% of last year's (110% if prior AGI over \$150,000)
Tips and overtime	Deduct up to \$25,000 of tips and \$12,500 of overtime premium; phases out over \$150,000

Figures are for the 2026 tax year and adjust annually. When in doubt, confirm the current amount with your preparer.

Your first-year checklist

- Open a separate bank account for work income and expenses.
- Start a running list of every gig: who paid you, how much, and when.
- Save every receipt tied to your work; a photo is fine. Track your mileage for work driving.
- Move 25% to 30% of each freelance payment into a tax savings account.
- Put the four estimated-tax dates in your calendar; keep a day log if you work in more than one state.
- Collect your W-2s and 1099s each January and February before filing.

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