

# IT'S TAX TIME



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## RIDESHARE DRIVERS FAQs

1. **If I am a rideshare driver do I have to pay taxes?** Yes, as an independent contractor, you are usually responsible for paying your own taxes. You typically do not have an employer to withhold them for you. And just as an employer withholds a portion of each paycheck, the IRS expects you to pay taxes as you earn money throughout the year.
  - a. If you expect to owe taxes of \$1,000 or more, you're usually required to make quarterly **estimated tax payments**.
  - b. Those payments are generally due on April 15, June 15, September 15 and January 15 of the following tax year.
  - c. If you skip making a payment or pay late, you may have to pay a penalty when you file your tax return.
  
2. **What documents and forms do I need to file my tax returns if I am a rideshare driver?**
  - a. 1099-K or 1099-NEC: You can find these on your rideshare application "tax summary". Sometimes, Uber & Lyft mail them to you, depending on how much you earned.
  - b. Access to or print out of your Uber or Lyft Tax Summary (It provides a detailed breakdown of your mileage for all online transactions, commissions paid & tips, tolls, etc.)
  - c. Receipts, invoices, and credit card statements for supplies such as snacks and refreshments for your passengers, electronic toll transponder, floor mats, car tool kit, first aid kit, business taxes and licenses, additional (non-auto) insurance for your business, roadside assistance plans, office supplies, etc.
  
3. **I didn't receive a 1099-K or 1099-NEC for my rideshare business, do I still have to do my taxes?** Ridesharing companies are required to issue 1099-Ks to drivers who earned more than \$20,000 for the year and received more than 200



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payments. And they are required to send 1099-NECs to drivers who made \$600 or more in referrals and other income. Whether you receive 1099s or not, you're required to report and pay taxes on all the income you receive from your ridesharing service.

## 4. Which expenses are deductible?

- a. Vehicle expenses - use either annual expense of operating your vehicle in service for your business OR your business mileage. Mileage is generally the recommended option as it is almost always more beneficial.
  - i. Mileage - based on the IRS 2020 standard mileage deduction rate of 57.5 cents/mile of business use (gas, insurance, & car maintenance are already included).
    1. The miles you drove to pick up passengers
    2. The miles you drove returning from drop-off points to a place to wait for another ride request (Your Annual Summary in your dashboard **will not include** the mileage when driving to your first passenger and between rides, you must keep a mileage log of these)
    3. Any other mileage related to the business - Any miles driven to help you in your business, for example, to drive to the store to pick up car supplies.
    4. Your miles to drive home are generally not deductible as these are considered commuting miles
  - ii. Annual Operating Expense - These expenses include gas, oil, maintenance, repairs, auto insurance, and depreciation or lease payments.
  - iii. Other:
    1. Parking
    2. Tolls (not deductible if reimbursed)
- b. Operating Expenses:
  - i. Uber & Lyft commission & fees
  - ii. Cost of phone (deduct portion used for business)
  - iii. Snacks & refreshments for passengers (i.e. water, hand sanitizer, etc.)



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## 5. I'm a rideshare driver (Uber or Lyft), how do I report my earnings on my tax return?

Report the income you earn as a ride-share driver on Schedule C, Profit or Loss from Business, which you will file along with Form 1040. If you earn self-employment income from a different type of business as well, you will need to file another schedule C for each. If you drove for multiple rideshare companies you can fill out one Schedule C for the 'rideshare' business'.



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