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CPAs & WEALTH ADVISORS



## Tax Aspects of Self Employment plus NYS Checks

In addition to our regular monthly tax update, we wanted to alert our clients residing in New York State of checks that will be issued by the state government to all eligible residents.

### Attention New York State Residents!

As a result of increased sales tax revenue due to inflation, New York State will be issuing to eligible residents a one-time “Inflation Refund Check”, beginning at the end of September 2025 which will be mailed as a physical check.

Qualifying individuals include those who have filed a 2023 New York State Resident Income Tax Return, reported income that meets qualifying thresholds, and were not claimed as a dependent on another taxpayer’s tax return.

Qualifying New York Adjusted Gross Income thresholds are based on filing status – the range starts at less than \$75,000 to no more than \$300,000. Applicable Inflation Refund Check amounts range from \$150 - \$400.

### Tax Aspects of Self-Employment

We are often asked to explain the tax implications of going into business for oneself as a self-employed sole proprietor. Anyone thinking about working as a self-employed person should be aware of the following:

- For income tax purposes, you will report your income and expenses on a Schedule C of your Form 1040. Your business expenses will be deductible against gross income and not as

itemized deductions. If you have any losses, the losses will generally be deductible against your other income, subject to special rules.

- You may be eligible for the pass-through deduction. To the extent your business generates qualified business income, you will be eligible to take the 20% pass-through deduction, subject to various limitations.
- You may be able to deduct office-at-home expenses. If you are working from an office in your home, you may be entitled to deduct an allocable portion of certain costs of maintaining your home.
- You will have to pay self-employment taxes. Self-employment tax is imposed in addition to income tax, but you can deduct half of your self-employment tax as an adjustment to income.
- You will be allowed to deduct 100% of your health insurance costs as a trade or business expense.
- You'll have to make quarterly estimated tax payments. There are ways to minimize the amount of your estimated tax payments while avoiding any underpayment penalty.
- You will have to keep complete records of your income and expenses. You should carefully record your expenses to claim the full amount of the deductions to which you are entitled.
- If you hire any employees, you will have to get a taxpayer identification number and will have to withhold and pay over various payroll taxes.
- You should consider establishing a qualified retirement plan. The advantage of a qualified retirement plan is that amounts contributed to the plan are deductible at the time of the contribution and aren't taken into income until the amounts are withdrawn.

**This alert covers only the surface level of some of the tax rules related to self-employment that could potentially benefit you or your family. The tax rules in this area are complex and there are many issues to consider in taking advantage of the tax rules related to self-employment. Please contact us if you have questions, want more information, or would like us to help you with a new business venture, so that by working together we can deliver the best tax results for you.**

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201-262-1040  
[www.tfgllc.com](http://www.tfgllc.com)



Traphagen CPAs & Wealth Advisors | 234 Kinderkamack Road | Oradell, NJ 07649 US

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