

Tax Tips for Freelancers

BUSINESS TYPES & TAXES

Freelancer, Self-Employed, Sole Proprietor, Independent Contractor,

Disregarded Entity - you have at least some cash or 1099 income, but you have not created a formal business entity; you file your business's taxes on a Schedule C which is attached to your personal tax return

LLC (Single-member) - you have created a formalized business entity but you still file your business's taxes on a Schedule C which is attached to your personal tax return; you also must pay a few annual fees with different deadlines, and if you're organized in NYC then you must fulfill the one-time publishing requirement

LLC (Multi-member) - you and one or more partners have created a formalized business entity which you jointly own; this business must file its own tax return, separate from your personal taxes, and that must be completed before you file your personal taxes because the business return will affect the personal return

S Corp, C Corp, Partnership, Not-for-Profit Corp - these are the specific formalized business entities, each works a little different and all of them file their own tax return, separate from the personal tax returns filed by their owners

Employee - you do not have a business, you work for someone else's business and taxes are withheld from your paycheck

SELF-EMPLOYMENT TAX DEFINITION

Definition

- The self-employment tax is how self-employed people pay into the social security and medicare funds. This is an additional tax, on top of income taxes.
- Only business income is subject to the self-employment tax. Other types of income, including wages from employment, are subject to income taxes but are not subject to the self-employment tax.

How & when do I pay?

- The tax is charged annually at tax time and added to the amount you owe for income taxes. The self-employment tax is in addition to income taxes but is wrapped up in the bottom line of what you owe when you file your taxes.
- The amount is about 15% of your net profits from business.

Why are only self-employed people charged for this tax??

- Employees are also required to pay into the social security and medicare funds, but the cost is split 50/50 with their employer.
- So employees only pay 7.5% (of their gross wages), and they pay it little by little with each paycheck in the form of withholdings.
- Their employer pays the other half as part of their payroll taxes.

1099-NECs vs. W2s

1099-NEC

- 1099-NECs report Non-Employee Compensation, aka business income, freelance income, self-employment income, etc
- 1099-NEC income IS subject to the self-employment tax and you CAN write off business expenses to reduce the total.
- You should always double check the amount on your 1099-NEC against your records to ensure you actually received the amount that's being reported on your behalf. (Let's not pay taxes on dollars we didn't receive!)

W2

- W2s report Wages and Withholdings.
- W2 income is NOT subject to the self-employment tax and you CANNOT write off any expenses to reduce the total.
- Wages is the term used for income earned as an employee.
- Withholdings are amounts your employee income was reduced by before you received the net check.
- Social Security and Medicare are two of the categories of withholdings, the annual totals for which you'll see reported on your W2 at the end of the year.

BUSINESS INCOME

Do I have to report my business income?

- If you received a 1099-NEC then yes, because the IRS also received a copy of it and is expecting you to report the income. If you don't, they'll know and they'll ultimately charge you the taxes on it, plus interest and penalties, and it could trigger an audit.
- If you did not receive a 1099-NEC, technically you are still supposed to report that income. The law says that you're required to report all business income, regardless of paper trail. This is done by writing in something like, "income not reported on 1099s" on your Schedule C. That will increase the gross income reported on Schedule C line 1. If you don't do this, you are breaking the law, but there's no real way for the IRS to find out since the 1099-NEC was not filed.
- If you did not receive a 1099-NEC from a client who paid you at least \$600 in total throughout the year, then you should reach out to them to find out if one was filed. If it was, you need to get your hands on a copy of it.

Is there a way to lower the taxes on my business income?

- Yes! You're only taxed on your net income from business, so income minus expenses.
- Writing off business expenses is optional and there's some strategy involved which is detailed in the rest of these slides.
- Best practice is to track ALL your business expenses throughout the year which will allow you to be strategic about which/how many of them to write off at tax time.

BUSINESS EXPENSES

Definition

- A business expense is literally anything you spend money on that's related to your business. The legal definition is extremely vague:
 - Any and all amounts spent in connection with your trade, business, or profession which are "ordinary and necessary" and which are not "lavish or extravagant under the circumstances". *Ordinary* is defined as "common and accepted in your field of business", *necessary* is defined as "helpful and appropriate for your business".

- Claiming business expenses on your taxes lowers your tax liability because you're only taxed on your net profit, meaning income *minus* expenses.

Which expenses can I write off?

- Again, anything you spend money on, as long as it's arguably related to running your business.
- Expenses must be categorized! At tax time, you'll need a list of annual totals by category. More on this later.

How much can I write off, what's the calculation?

- You're only taxed on your net profit, after expenses: $\text{Net Profit} = \text{Income} - \text{Expenses}$. For example, if you made \$10,000 selling paintings throughout the year (income) and you spent \$500 on paint throughout the year (expenses), then you'll only be taxed on \$9,500 (net profit).
- Most business expenses can be written off dollar for dollar. There are some expense categories that have special caveats or calculations which will be explained later.

What else do I need to know? - When you file your taxes, you'll write off your categorized expenses. You can't just write off "business expenses", you'll need the numbers broken down and categorized. This is part of bookkeeping which, ideally, you're doing throughout the year - tracking all the income and expenses and categorizing every transaction. That way everything is easy to tally up at tax time.

BUSINESS EXPENSE CATEGORIES

Definition - Again, you can't just write off "business expenses", you'll need the numbers broken down and categorized. These are the categories you'll need to use when you do your bookkeeping throughout the year. Expense categories should be somewhat broad, such as "art supplies" rather than "paint".

Common business expense categories:

NOTE: You can use whatever categories make sense for you and your business, the tax forms have plenty of write-in space. Here's a *non-exhaustive* list of common expense categories to give you an idea of what we're talking about:

- Advertising & Promotion, (website costs, for example)
- Accounting & Bookkeeping Services, (tax prep fees, for example)

- Art Supplies
- Bank Fees, (only if you have a separate bank account for your business)
- Books, Magazines, & Publications, (related to your type of work)
- Building Materials
- Business Meals, (discussed in more detail later)
- Computers, (depreciable - discussed in more detail later)
- Computer Accessories & Hardware
- Contract Labor, (anyone you hire to work for you, discussed in more detail later)
- Costumes / Uniforms, (costumes, uniforms, special clothes for working in extreme weather, safety gear, etc.; note that 'nice clothes' because you have to look 'professional' are not deductible)
- Dues & Subscriptions
- Equipment/Tool Rental
- Home Office, (discussed in more detail later)
- Insurance, (for your business, i.e. liability, umbrella, cyber, workers comp, etc; not health insurance, that's discussed later)
- Interest Paid, (interest on your business credit card or business loan, interest on personal accounts are not deductible)
- Internet Bill, (if you work from home)
- Legal Fees
- Licenses & Permits
- Office Supplies
- Office Furniture (depreciable - discussed in more detail later)
- Office Rent, (office space, co-working space, etc.; this is different from your home office which is discussed later)
- Phone Bill, (if you use your phone for your business)
- Postage & Shipping
- Printing & Copying
- Professional Development, (classes, museum admission if you're an artist, concert ticket if you're a musician, etc)
- Processing Fees, (Stripe, Square, PayPal, etc.)
- Repairs & Maintenance, (on tools, instruments, computers, etc)
- Software
- Storage, (for business-related items)
- Tools
- Travel, (discussed in more detail later)
- Trade Show Booths

CONTRACT LABOR

Definition - When you pay a human being for their labor, (as opposed to buying a physical product from them), you're paying for contract labor

Which expenses can I write off? - Every dollar you pay them!

How much can I write off, what's the calculation? - No special calculations, just all the money you pay to your contractors can be written off dollar for dollar.

What else is weird about this write-off?

- You need to keep track of how much you pay each of your contractors. You must file a 1099-NEC for anyone who you pay \$600 or more in total throughout the year.
- In order to file a 1099-NEC, you need specific information from your contractors including their legal name, mailing address, SSN (for individuals) or EIN (for formalized businesses), and how they're taxed (individual, partnership, or corporation). The formal way to collect that info is by having them fill out a Form W9. The W9 is not filed anywhere, you just hang on to it for your records.
- Best practice is to collect the W9 before you pay anyone a single dollar. That way you're set up for the 1099 at the end of the year. If you don't end up hitting the \$600 threshold for someone, you just don't file the 1099, no big deal that you collected the W9. But the deadline for filing 1099s is January 1st and *it will sneak up on you!*
- EXCEPTION: you do not need to file a 1099 for anyone who was paid less than \$600.
- EXCEPTION: you do not need to file a 1099 for anyone who is taxed as a corporation. You find out how they're taxed by collecting the W9. Note that LLC is not a tax classification, LLCs can be taxed a number of different ways. So even if they're an LLC, they need to clarify how they're taxed, (as an individual, partnership, or corporation).
- If you work with an accountant for your taxes, they can likely file your 1099-NECs for you in January. If not, I recommend using an online services rather than doing them by hand. There are many affordable services that will file the forms with all the correct tax agencies and provide copies to your contractors securely, you just have to input the details.

HOME OFFICE

Definition

- The Home Office Deduction is how you write off a portion of the rent and utilities you pay for your home.
- A home office is space in your home which is used exclusively and on a regular basis for business – the space where you do your work and store your gear.
- A home office does not need to be separated by a wall or other partition.
- A home office is supposed to be used *exclusively* for business, so your kitchen is not your home office, for example, even if you sit at the kitchen table with your laptop all day and do work.

Which expenses can I write off? - A portions of your rent, utilities, home office repairs & maintenance, renter's or homeowner's insurance, mortgage interest, and real estate taxes

How much can I write off, what's the calculation? - Expenses are pro-rated based on the size of your home office as compared to the size of your home, (i.e. if your office takes up a quarter of your home then 25% of your rent is deductible as a business expense). The tax form actually asks for square footage.

What else is weird about this write-off? - The home office deduction is taken last, after all other deductions have been calculated, and it is non-refundable. That means the home office deduction can reduce your profit down to zero but it cannot create a net *loss* (defined later). Any remaining deduction can be carried over to next year.

BUSINESS MEALS

Definition

- Any kind of food or drink that you/your business pays for, no matter who's eating it
- No difference if it comes from a restaurant vs a grocery store vs a deli, these are all "meals"

Which expenses can I write off?

- When you're home, food/drink is only deductible when eaten with co-workers or clients for the purpose of recruiting or conducting business, usually in person. (You can't just write off your lunch everyday, even if you were working that day.)
- When you're traveling overnight for business, all meals are deductible.

How much can I write off, what's the calculation? - Food and drink is only deductible at 50%, i.e. if you buy a \$10 sandwich at a lunch meeting, you can only write off \$5 of it. (Still track full costs, the pro-rate happens on the tax form.)

TRANSPORTATION/LOCAL TRAVEL

Definition

- Only jobsite to jobsite travel is deductible.
- The cost of commuting is NOT deductible. Commuting is defined as travel between home and your main job site.
- If you're traveling to different job sites all the time, then you have no main job site and all your business travel is deductible.
- Pro tip: if you work from home (and take the home office deduction) then home is a job site!

Which expenses can I write off?

- Mostly taxis and subway fare
- CitiBike memberships and bicycle maintenance can be included but should be pro-rated for business use
- Do not include costs related to a vehicle you own, see the section later on 'business use of a vehicle'

How much can I write off, what's the calculation? - Nothing special about this one - to the extent that it's jobsite to jobsite travel, you can write it all off!

OUT OF TOWN TRAVEL

Definition

- Overnight travel that is primarily for business and away from your “tax home”.
- If you make money during the trip or directly because of the trip, then it was at least partially a business trip.
- If you DID NOT make money during or directly because of the trip, it can be hard to tell if it was a business trip, but a helpful deciding factor is whether you had control over the timing of the trip, i.e. did you go to Paris for a photography conference that was happening with or without you, or did you go there because it's a beautiful city and you're a photographer and you'll take pictures that you may one day sell, (but also may not)?

Which expenses can I write off?

- Travel costs to get there - airfare, trains, buses, vehicle rental, tolls, etc
- Transit for getting around while you're there - taxis, subway fare, parking, etc
- Lodging
- Do not include costs related to a vehicle you own, see the section later on 'business use of a vehicle'

How much can I write off, what's the calculation?

- If the trip is 100% for business, you can write everything off in full.
- If your trip is only partially for business and partially personal, you can only deduct expenses that were business-related, and you should pro-rate the shared costs, like flights and lodging

PER DIEMS FOR OUT-OF-TOWN TRAVEL

Definition

- Instead of writing off *actual* expenses for lodging, meals, and/or incidental expenses, (M&IE), while traveling overnight for work, the IRS allows businesses to write off daily per diems.
- “Incidental expenses” are limited to: fees and tips given to porters, baggage carriers, bellhops, and hotel staff.

Which expenses can I write off? - You can write off per diems OR actual costs, but not both.

How much can I write off, what's the calculation? - Per diem amounts change based on location and month/year of travel. The maximum per diem amounts, set by the US Department of State, are published here:

- Domestic per diems: <https://www.gsa.gov/travel-resources>
- Foreign per diems: https://aoprals.state.gov/web920/per_diem.asp

What else is weird about this write-off? - In order to write off per diem amounts instead of actual expenses, you must document the time, place, and business purpose, but you do not need receipts.

BUSINESS USE OF A VEHICLE

Definition - Expenses related to a vehicle you own which you use for business travel.

Which expenses can I write off?

- You have the choice of writing off expenses calculated by *mileage*, (a per mile deduction which is set by the IRS each year), OR *actual costs*, (a prorated amount of your actual vehicle expenses)
- Actual vehicle expenses include gas, oil, licenses, lease payments, insurance, registration fees, repairs, tires, washing, etc.

How much can I write off, what's the calculation?

- *Mileage*: multiply your total business miles by the per mile deduction amount set by the IRS for that tax year.
- *Actual Costs*: your pro-rate % is calculated by dividing total business miles driven that year by total miles driven (for any purpose). Once you have your pro-rate %, multiply that by your TOTAL vehicle expenses.
 - For example: If you drove 10,000 miles total that year, of which 5,000 miles were driven for business purposes, then your pro-rate % is 50%, meaning you can write off 50% of your actual vehicle expenses.

What else is weird about this write-off?

- In order to take this deduction, you must track your mileage all year and categorize each trip as either business or personal. You will need this tally no matter which deduction method you choose.
- In order to use the actual costs method, you'll also need to tally up and categorize ALL your vehicle-related expenses for the year.
- You'll also need to know the original cost of the vehicle and the date you began using it for your business.

DEPRECIABLE ASSETS

Definition - Something you buy for your business that's pretty expensive and expected to last for at least 3 years.

Which expenses can I write off? - Common examples include computers, vehicles, office furniture, machines/tools, and real estate.

How much can I write off, what's the calculation? - You can choose to write off the entire cost in the year you purchased it by taking a "179 deduction", OR you can choose to depreciate which means writing off the cost little by little over the course of several years. The rules for depreciation as far as how many years and how much you can take each year are set by the IRS and they're complex, but any tax prep software will have it built in.

What else is weird about this write-off? - Even if you choose to write off the entire cost in the year you purchased it, (by taking a "179 deduction"), you'll need to list a name, (can be simple, i.e. computer), purchase date, and the cost on your tax return.

NONDEDUCTIBLE EXPENSES

These expenses are NOT deductible, even if they're expenses related to your business:

- Parking tickets
- Fines and penalties, (such as parking tickets!)
- Illegal bribes and kickbacks
- Political contributions and lobbying expenses
- Personal expenses (but some are deductible as personal itemized deductions, discussed later)

TAKING A LOSS, AND THE HOBBY LAW

Taking a loss

- If your total business income is less than your total business expenses, then your net profit from business is a negative number. If you choose to claim all the expenses then you'll be reporting a loss for the year for your business.
- If you take a loss for your business, you will owe \$0 self-employment taxes, and you get to subtract that amount from any other income you received that year, (i.e. W2 income, investment income, rental income, unemployment pay, etc.), which also reduces your income taxes.

The Hobby Law

- Taking a business loss can be a real tax benefit, therefore the IRS doesn't like it when people do it too often.
- The Hobby Law is how the IRS reclassifies what you're doing as a hobby, rather than a business.
- Hobbies are still required to report their income, but they are not allowed to write off expenses against that income, (therefore hobbies cannot take a loss).

How do I avoid getting reclassified as a hobby?

- The reclassification is the result of an audit.
- There are no promises when it comes to audits, but an unofficial guideline that most accountants use is that it's safe for a freelance business to claim a loss in 2 out of any 5 tax years, but if you do it a third time, that can be a red flag for an audit.
- Since writing off business expenses is optional, you can avoid taking a loss, as needed, simply by reducing how much you write off in business expenses.

BUSINESS OR HOBBY?

What happens in this audit?? - If the IRS wants to try to reclassify your business as a hobby, they will audit you. The audit will not only require you to prove that your numbers are real, by showing all your receipts to back them up, but you'll also have to prove that you're in business *with the intention* of making a profit. This is extremely subjective, but these are the criteria that the IRS will consider when making their decision:

- Business manner - Is the activity carried on in a businesslike manner? Are the books and records complete and accurate?
- Time and effort - How much time and effort is spent to make the activity profitable?
- Dependence on the business - Do you depend on the income from the activity for your livelihood?
- The nature of the losses - Losses are expected in the start-up phase. However, losses that appear to be within your control can raise some eyebrows.
- Methods of operation - Did you make any attempt to improve profitability?
- The taxpayer's expertise - Do you have the knowledge, experience, and education needed to carry on the activity as a successful business?
- Track record - Were you successful in making a profit in similar activities in the past?
- Financial picture - Does the activity make a profit in some years? How much?
- Future profit - Do you expect to make a future profit from the appreciation of assets used in the activity?

OTHER RELEVANT WRITE-OFFS

Definition

- These are called *adjustments*.
- These are different from business expenses because they reduce your income taxes, but not your self-employment taxes.

Monthly health insurance premiums

- You can only take this adjustment if you're at least partially self-employed, (i.e. will file a Sch C or other business tax return).
- The adjustment is the total you paid out-of-pocket, (after any subsidies), for monthly health insurance premiums.
- You can only take this adjustment if you pay for health insurance premiums out of pocket and you do not have access to health insurance any other way, such as through another job or a family member; technically if you could access health insurance another way, even if you don't accept that option, you cannot take this adjustment

Student loan interest,

- Up to \$2,500 per spouse in 2025
- Reported to you by the lender on Form 1099-E

Contributions to tax-advantaged Retirement Accounts

- Contributions to Traditional IRAs can be taken dollar for dollar as an adjustment.
- Contributions to Roth IRAs cannot be taken as an adjustment but sometimes they result in a tax credit.
- Contributions to all Roth and Traditional IRAs combined are limited to \$7,000 per spouse in 2025.
- Contributions to SEP IRAs can be taken dollar for dollar as an adjustment, up to approx 25% of profit from business, in addition to any Traditional or Roth IRA contributions.
- There's also something called a Solo 401k which is a bit complex but some of it can be taken as an adjustment.

BUSINESS EXPENSES vs PERSONAL ITEMIZED DEDUCTIONS **vs THE STANDARD DEDUCTION**

How do I reduce my taxes?? - After adding up all your income, including your net profit (or loss) from business, you get to subtract either the Standard Deduction or your Personal Itemized Deductions, whichever is higher. Your income tax is calculated on this remainder.

Business Expenses

- Freelancers and businesses can deduct business expenses from business income and are only taxed on the net profit.
- Net profits from business are subject to the self-employment tax in addition to income taxes.
- Other types of income, (such as wages from employment), are not subject to the self-employment tax, but they are still subject to income taxes.
- Business expenses reduce income taxes and self-employment taxes.
- Freelancers and businesses get to write off business expenses in addition to taking either the standard deduction or personal itemized deductions.

Personal itemized deductions

- You can write off personal itemized deductions OR take the standard deduction, but not both.
- Personal itemized deductions are figured on Form 1040 Schedule A.
- Examples of deductible personal expenses include out-of-pocket medical expenses, donations to 501(c)3 non-profits, real estate taxes, and mortgage interest.
- Each category is subject to various limits and are used only if they add up to more than the Standard Deductions.
- Some states, (including NY), have additional categories of itemized deductions.

Standard deduction

- You can write off either personal itemized deductions OR take the standard deduction, but not both.
- The standard deduction is set annually by the IRS and is based on your filing status.
- Each state also sets their own standard deductions each year and the amounts are different from the federal amounts.

ESTIMATED TAXES / QUARTERLY PAYMENTS

Definition

- No one actually fills out income tax forms on a quarterly basis. Freelancers and businesses who 'do quarterly taxes' are actually just making payments four times a year.
- The payments are estimated amounts. You look at what you owed last year and/or project what you'll probably owe this year, divide by four and pay that amount four times a year.
- When you fill out all the tax forms at the end of the year, it's like balancing the checkbook: you calculate what you actually owe for the year, subtract out what you've already paid, (in the form of estimated payments and/or withholdings from wages). If it turns out you've underpaid, then you owe the remainder at tax time. If it turns out you've overpaid, you get the remainder back as a refund. That's what a tax refund is.

Why make quarterly payments? - There are two main reasons to make quarterly payments: to avoid a large tax bill at the end of the year, and to avoid the underpayment penalty.

Avoiding the underpayment penalty

- When you do your taxes, if you owe more than \$1,000 to the IRS, (or \$300 to NY), you will be assessed an underpayment penalty.
- The penalty is about \$30 for every \$1,000 you owe in taxes.
- To avoid the penalty, you must have paid at least 100% of last year's tax liability or 90% of the current year's tax liability in the form of quarterly payments and/or withholdings throughout the year
- The penalty is typically included in your final "taxes owed" amount, not billed separately, so you may be paying it each year and not even realize it.
- If you file a Schedule C, the deadlines for estimated payments are April 15, June 15, Sept. 15, and Jan. 15 of the following year.

Avoiding a large tax bill at the end of the year

- If you pre-pay your taxes in any amount on any day throughout the year, those payments will be subtracted from the total you ultimately owe at tax time.
- The deadlines are related to calculations of the underpayment penalty, but you can make payments to reduce your end-of-year tax bill anytime; the tax agencies will always take your money, in any amount on any date.

Tax Vocabulary / Calculation of Taxes Owed

*** How to calculate your profit (or loss) from business ***

(+) **gross business income** – total amount of money you were paid for freelance work (aka self-employment) throughout the year, (form 1099-NEC, 1099-K, and/or 1099-MISC)

DO NOT include here any employee income, reported to you on a W-2

(-) **business expenses** – any and all amounts you spent in connection with your freelance work

(=) **profit (or loss) from business, (aka *net business income*)** – income *minus* expenses

*** How to calculate your taxable income ***

(+) **total income** – sum of all types of income, such as:

- profit or loss from business, (see above)
- employee income (form W-2)
- unemployment pay (form 1099-G)
- interest, dividends, and capital gains (forms 1099-INT, 1099-DIV, and/or 1099-B)
- profit or loss from businesses in which you're a *part* owner (form K1)
- profit or loss from rental income (if you run an AirBnB or are a landlord)
- pensions and distributions from retirement accounts (form 1099-R)
- taxable social security pay (form SSA-1099)
- jury duty pay

(-) **adjustments** – costs you subtract from your income to calculate your AGI, including:

- contributions to traditional IRAs (up to \$7,000 in 2025)
- contributions to SEP IRAs (up to approx 25% of profit from business)
- monthly health insurance premiums paid by a self-employed person
- 50% of self-employment tax liability
- student loan interest paid (up to \$2,500 per spouse in 2025)
- educator expenses (up to \$300, must be a full-time school teacher in 2025)

(=) **adjusted gross income (AGI)** – total income minus adjustments; this is the figure you are often asked for when applying for loans, unemployment compensation, health insurance, etc.

(-) standard deduction / itemized deduction – you subtract *either* the standard deduction *or* your itemized personal deductions (not to be confused with business expenses) from your AGI, whichever is higher. Itemized personal deductions include: a portion of medical bills, donations to charity, real estate taxes, and mortgage interest. In 2025, the standard deduction is \$15,750 for single people.

(-) qualified business income deduction (QBI deduction) – freelancers can deduct the smaller of:

- 20% of their **profit from business** (see above), or
- 20% of (**AGI minus standard/itemized deductions**)

(=) taxable income – AGI *minus* standard deduction or itemized personal deductions *minus* QBI. This is the amount used to calculate your income tax liability, (see above).

***** How to calculate your taxes owed/tax refund *****

tax liability – the total amount of all the taxes you owe, including:

- Income tax (based on **taxable income**, see below)
- Self-Employment tax (based on **profit from business**, see below)
- Amounts you have to repay for health insurance premiums
- NIIT (Net Investment Income Tax)

(-) credits – Credits reduce your *tax liability* dollar for dollar (unlike expenses, adjustments, and deductions, which reduce your *taxable income*). Some credits are **nonrefundable**, which means they can take your tax liability down to \$0 but no further; other **refundable credits** can take your liability into the negative, resulting in a **tax refund**. You get credits for:

- Supporting children or other dependents
- Paying for childcare
- Contributing to retirement accounts
- Paying tuition for higher education
- Having an AGI that is *below* certain thresholds
- Paying taxes to other states or countries

(-) withholdings; estimated payments – amounts you've already paid throughout the year, either by making quarterly estimated payments and/or by having taxes withheld from your paychecks.

(=) tax refund / amount owed – If you paid in less than you owe, you must pay the remainder at tax time; if you paid in more than you owe, you will be refunded the remainder.

