

Information for Self-Employed Debtors

You are receiving this information packet because your bankruptcy schedules show self-employment income. This document provides only general information and should not be treated as legal advice or tax advice. If you have any questions, contact your attorney or a tax professional.

PART I

Independent Contractors & Gig Workers

For debtors who have income from freelance, contract, or gig-platform work

I. Taxes and Recordkeeping

- a. Self-employment taxes.** Make sure you understand your tax reporting, recordkeeping, and payment obligations. You may need to pay self-employment taxes if you work as an independent contractor or work in the gig economy (such as ridesharing apps or freelance work).
- b. Estimated tax payments.** Taxes are due as they are incurred. If you do not have an employer withholding taxes, you may need to make quarterly tax payments during the year.
- c. Free Business Tax Workshop.** If you need additional information, consider attending the free Business Tax Workshop offered by the Trustee. Sign up at: www.ch13nsh.com/financial1.htm. (Note that the Business Tax Workshop is different than the Financial Management Class.)
- d. Separate bank account.** For clean recordkeeping, you should not use your personal bank account for your business transactions.
- e. Planning.** Have you made a plan for managing periods when you are not able to work or taking time off?

II. Insurance

Make sure you are aware of any insurance requirements for your work and verify that you have any insurance coverage that you want.

- a. Personal vehicle insurance may not provide coverage.** Verify that you have vehicle insurance coverage while working. Your personal policy may not apply during work-related trips. For gig work like ridesharing apps, the platform may maintain a commercial vehicle policy on your behalf, but make sure you understand the details of the coverage and verify that it meets any minimum requirements that apply.
- b. Health insurance.**
 - 1. Getting coverage.** Review the options for health insurance. See the Additional Resources for information about where to get free help applying.
 - 2. Coverage for work-related injuries.** Make sure you understand whether your health insurance policy would provide coverage for an injury sustained while working.

ADDITIONAL RESOURCES FOR INDEPENDENT CONTRACTORS & GIG WORKERS

The websites below provide general information that may be helpful. Contact your attorney or a tax professional if you have any questions.

You can find a copy of this document with active links by visiting ch13nsh.com/selfemployed.htm or by pointing your phone camera at the QR Code to the right.



Topic	Web Address
Taxes	
Gig economy tax center	irs.gov/businesses/gig-economy-tax-center
Manage taxes for your gig work	irs.gov/businesses/small-businesses-self-employed/manage-taxes-for-your-gig-work
Self-Employed Tax Center	irs.gov/businesses/small-businesses-self-employed/self-employed-individuals-tax-center
Estimated tax payments	irs.gov/businesses/small-businesses-self-employed/estimated-taxes
Health Insurance	
Health insurance for gig workers	healthinsurance.org/faqs/how-can-gig-workers-such-as-uber-lyft-and-doordash-drivers-get-health-insurance-coverage/
Guide to Self-Employed Health Insurance	healthinsurance.org/self-employed-health-insurance/
Self-Employed health insurance	healthcare.gov/self-employed/
Help applying through Marketplace	healthcare.gov/apply-and-enroll/get-help-applying/

PART II

Debtors Operating a Business

For debtors who have a small business

I. Licenses and Permits

Review whether you have obtained all required licenses and permits for any business you conduct. Required licenses and permits may include:

- Business license
- Occupational or professional license (such as a contractor's license or child care license)
- Product or activity permit (such as a food service permit)
- Alcohol or beer permit
- Residential landlord registration or short-term rental permit

II. Recordkeeping, Taxes, and Planning

a. Separate Bank Account. For clean recordkeeping, you should not use your personal bank account for your business transactions.

b. Recordkeeping. A debtor engaged in business has a statutory duty to keep certain records and provide periodic reports and summaries of the operation of the business. Accurate records are also critical for evaluating the health of your business. You may want to review the different kinds of financial statements (income statement, balance sheet, cash flow) and the purpose each one serves.

c. EIN. Review whether you need or would benefit from an Employer Identification Number (EIN). An EIN may be required for reporting purposes and may be helpful for banking and other purposes.

d. Taxes. Make sure you understand your tax reporting and payment obligations. If you need additional information, consider attending the free Business Tax Workshop offered by the Trustee. Sign up at: www.ch13nsh.com/financial1.htm. (Note that the Business Tax Workshop is different than the Financial Management Class.)

1. Federal self-employment taxes. If you are self-employed or work as an independent contractor (if you receive Form 1099s), make sure you understand federal self-employment taxes and the requirements for making estimated tax payments during the year.

2. State and local taxes. Make sure you understand your state and local tax obligations. Tax requirements to review may include:

- Tennessee business taxes
- Tennessee personal property taxes
- Tennessee sales and use taxes
- Tennessee franchise and excise taxes

e. Planning and business assessment.

1. Forecasting. If your business income is seasonal or cyclical, have you made a plan for the slow season? If your business income is unpredictable, have you made a plan for managing the periods when income is down?

2. Business assessment. Is your business profitable, taking into account all expenses? If you do not know or think you need help, have you considered free counseling or mentoring options? See the resource guide for links.

III. Workers

If you hire workers for your business, make sure you understand all your obligations.

a. Employees and independent contractors. Understand whether your workers are employees or independent contractors.

b. Employees.

1. Payroll taxes. Verify that you are collecting and paying all required payroll taxes, such as income taxes and Social Security and Medicare (FICA) taxes. Verify that you are filing the required returns (see Form 941).

2. Federal Unemployment (FUTA) tax. Verify that you are paying any required federal unemployment tax. Verify that you are filing the required returns (see Form 940).

3. State unemployment tax. Verify that you have completed any required registration to determine the status of your liability for state unemployment tax, and verify that you are paying all required state unemployment taxes.

4. Workers' compensation. Determine whether you are required to carry workers' compensation coverage for your employees and verify that you have any required coverage.

c. Independent contractors. If you pay any independent contractors, make sure you understand the requirements for collecting W-9s and issuing Forms 1099-NEC.

IV. Insurance

Make sure you are aware of any insurance requirements for your business and verify that you have any insurance coverage that you want.

a. General liability insurance.

b. Workers' compensation insurance. If you have employees, you may be required to provide workers' compensation coverage. Even if you do not have employees, you may want to consider whether to obtain coverage for yourself (Form I-4 election).

c. Health insurance.

1. Getting coverage. Review the options for health insurance. See the Additional Resources for information about where to get free help applying.

2. Coverage for work-related injuries. Make sure you understand whether your health insurance policy covers work-related injuries. Consider whether to obtain workers' compensation coverage for yourself (Form I-4 election).

d. Commercial vehicle insurance. If you use a vehicle for your business, make sure you understand whether you have insurance coverage for work trips. If your personal vehicle insurance policy does not cover you, you may need to purchase commercial vehicle insurance.

e. Landlord Insurance. If you rent out a home or other real property, make sure you understand your insurance coverage. A standard homeowners policy may not provide the coverage needed once the property is occupied by tenants.

ADDITIONAL RESOURCES FOR DEBTORS OPERATING A BUSINESS

The websites below provide general information that may be helpful. Contact your attorney or a tax professional if you have any questions.

You can find a copy of this document with active links by visiting ch13nsh.com/selfemployed.htm or by pointing your phone camera at the QR Code to the right.



Topic	Web Address
Federal Requirements	
Starting a Business/Recordkeeping	https://www.irs.gov/forms-pubs/about-publication-583
Employer Identification Number (EIN)	irs.gov/businesses/employer-identification-number
Employee vs. independent contractor	irs.gov/businesses/small-businesses-self-employed/independent-contractor-self-employed-or-employee
Estimated tax payments	irs.gov/businesses/small-businesses-self-employed/estimated-taxes
Payroll taxes (Forms 940 and 941)	irs.gov/businesses/small-businesses-self-employed/understanding-employment-taxes
Federal Unemployment Tax (FUTA)	irs.gov/taxtopics/tc759
Forms 1099-NEC (independent contractors)	irs.gov/businesses/small-businesses-self-employed/reporting-payments-to-independent-contractors
State and Local Requirements	
Tennessee SmartStart	tnsmartstart.com/guide/tennessee-business-registration-a-beginners-guide
New Business Guide	tn.gov/revenue/for-businesses/for-new-businesses/
Business Registration with Tennessee Secretary of State	sos.tn.gov/businesses/faqs/how-do-i-register-a-business
Tennessee business tax	tn.gov/content/tn/revenue/taxes/business-tax.html
Tennessee personal property tax	comptroller.tn.gov/office-functions/pa/property-taxes/tangible-personal-property.html
Tennessee sales and use tax	tn.gov/revenue/taxes/sales-and-use-tax.html
Tennessee unemployment insurance	tn.gov/workforce/employers/tax-and-insurance-redirect/unemployment-insurance-tax.html
Workers' compensation	tn.gov/workforce/injuries-at-work/employers/employers/who-must-carry-insurance.html
Workers' compensation coverage for employers (Form I-4)	tn.gov/workforce/injuries-at-work/employers/employers/who-must-carry-insurance/other-wc-coverage-options.html
Workers' compensation FAQ	lwdsupport.tn.gov/hc/en-us/sections/200583010-What-Employers-Need-to-Know
Bookkeeping and Accounting	

Topic	Web Address
Simple Guide to Financial Statements	tsbdc.org/wp-content/uploads/2023/02/FINANCIAL_STATEMENTS.pdf
Bookkeeping basics	careerhub.sunyempire.edu/blog/2024/07/19/bookkeeping-101-a-beginners-guide-for-small-business-owners/
Counseling, Training, and Mentoring	
Tennessee Small Business Development Centers	tsbdc.org/
SBA Resource Partners	sba.gov/local-assistance/resource-partners
Health Insurance	
Self-employed health insurance	healthcare.gov/self-employed/
Guide to Self-Employed Health Insurance	healthinsurance.org/self-employed-health-insurance/
Help applying through Marketplace	healthcare.gov/apply-and-enroll/get-help-applying/