

Tax Tips for Students Starting a Summer Job

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School's out and many students will be starting summer jobs. The Internal Revenue Service reminds students that not all the money you earn may make it to your pocket. That's because your employer must withhold taxes.

Here are six things the IRS wants students to be aware of when they start a summer job.

1. When you first start a new job you must fill out a Form W-4, Employee's Withholding Allowance Certificate. This form is used by employers to determine the amount of tax that will be withheld from your paycheck. If you have multiple summer jobs, make sure all your employers are withholding an adequate amount of taxes to cover your total income tax liability. To make sure your withholding is correct, use the Withholding Calculator on www.irs.gov.
2. Whether you are working as a waiter or a camp counselor, you may receive tips as part of your summer income. All tips you receive are taxable income and are therefore subject to federal income tax.
3. Many students do odd jobs over the summer to make extra cash. Earnings you receive from self-employment – including jobs like baby-sitting and lawn mowing – are subject to income tax.
4. If you have net earnings of \$400 or more from self-employment, you will also have to pay self-employment tax. This tax pays for your benefits under the Social Security system. Social Security and Medicare benefits are available to individuals who are self-employed the same as they are to wage earners who have Social Security tax and Medicare tax withheld from their wages. The self-employment tax is figured on Form 1040, Schedule SE.
5. Food and lodging allowances paid to ROTC students participating in advanced training are not taxable. However, active duty pay – such as pay received during summer advanced camp – is taxable.
6. Special rules apply to services you perform as a newspaper carrier or distributor. You are a direct seller and treated as self-employed for federal tax purposes if you meet the following conditions:
 - You are in the business of delivering newspapers.
 - All your pay for these services directly relates to sales rather than to the number of hours worked.
 - You perform the delivery services under a written contract which states that you will not be treated as an employee for federal tax purposes.