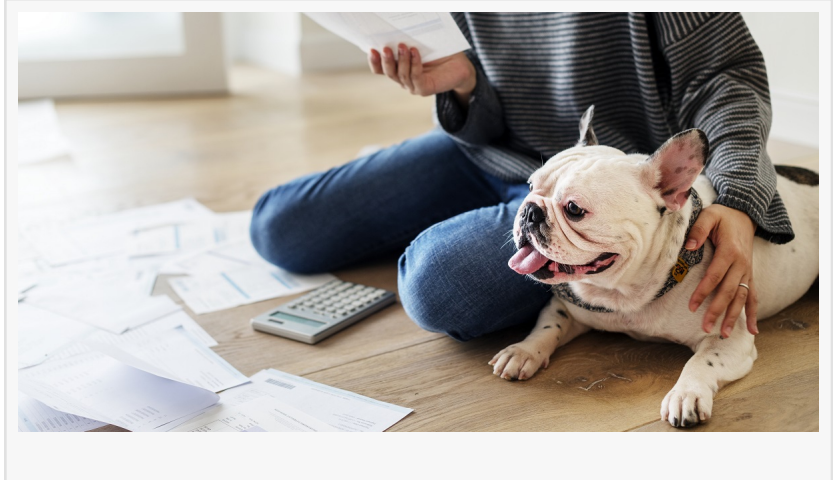


SOCIAL MEDIA INFLUENCERS AND TAXES – WHAT COULD GO WRONG?

Do Social Media Influencers Pay Taxes? Yes, but This Could Be a Lot More Complicated. Resolve Your Doubts With This Article From the Editors of Brybe.com.

LOS ANGELES, CALIFORNIA, USA,
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-- Instagrammers, TikTokers, and many

different kinds of social media influencers can make a lot of money – but it does not mean that this money is absolutely for them to keep. The law is the law, so it was about time for us to talk about the tax ramifications of making money through social media channels. You are worried that you have thought about it all a little bit too late? Do not. Even if you have made one of the typical tax mistakes, most likely there are some things that you can do to start fixing them as we speak – and we will help you with that today. Before even getting to taxes, let us look at income and how influencers on social media platforms like Twitter, LinkedIn, Instagram, Facebook, TikTok, Pinterest, and others, actually get paid. There is plenty of different ways, but a few of them include:



Sources of Income for Social Media Influencers (source: blog.scrunch.com)

Sponsored posts and blogs – By far, the most common way influencers make money. A brand engages an influencer to create content featuring the brand and to share it with their followers.

Digital products – eBooks, promotional flyers, or co-creating content with brands. Influencers can sell the eBooks to their influencers or get paid by the brand for each click or download.

Selling ad and/or editorial space – A brand may rent space on the influencer's page to promote an item via a click-through ad or an advertorial article.

Webinars and podcasts – Influencers can charge consumers to access the content, collaborate with a brand to produce the content, or use the format for lead generation.

And now, when we already have these covered, let us get to the taxation process.

Which Influencers Have to Pay Taxes?

As an influencer, you most likely work as an independent contractor for the companies you promote. Independent contractors are considered self-employed, so you must pay self-employment tax (SE tax) as well as income tax. SE tax is a Social Security and Medicare tax required for self-employed individuals since you do not have taxes withheld from your paychecks (for more on this, read [All About the Self-Employment Tax](#) from TaxSlayer.com). It is important to note that even if you have another job that withholds taxes on your behalf, you still must pay SE tax on any income you perform as an independent contractor. Your state tax obligations may be complex as an influencer. If you work for companies outside of your home state, you may have to file multiple state tax returns.

What Tax Forms Do Influencers Get and What Does Have to Be Taxed – and What Does Not (source: taxslayer.com)

You should receive a Form 1099-MISC from each brand you partner with that paid you \$600 or more. Projects under \$600 should still be reported as income on your tax return, even if you do not receive a 1099-MISC.

As an influencer, your job can require a wide variety of expenses. These may include (but are not limited to):

- Computers, tablets, and smartphones
- Cameras and other filming equipment
- Editing software
- Trademark and copyright fees
- Stock photography subscriptions
- Advertising and marketing costs
- Website
- Emailing service
- Home office space and supplies
- Travel
- Mileage

As long as the expenses are “ordinary and necessary” for your job as an influencer, they are tax-deductible. If you are not quite at influencer status, the IRS could consider you a hobbyist, and then your expenses would not be deductible. It is important to know if your side gig is considered a hobby or job.

And one last thing – about the gifts you receive: In general, if you receive a gift (free products,

trips, etc.) as compensation, it is considered income and you will need to pay tax on the value of the gift. One exception is if you are sent products to review that have a total value of less than \$100. You are not required to include the value of those items on your tax return.

Taxation Mistakes and How to Fix Them (source: <https://simpleblogtaxes.com>)

1. Thinking You Do Not Have To Pay Taxes On Social Media Earnings

If you are making money from your social media activities, you need to be reporting that income on your taxes. If you make just the occasional income you could be operating as a hobby. That does not mean you get to pass on the taxes though, and if your goal is to be making money on social media platforms and you are pursuing it as a business, you need to treat it as a business come tax time as well.

Solution: Start reporting your social media income. Talk to your tax professional about it, but it needs to be included either as other Income or as a part of some sort of business entity.

2. Not Reporting Free Products as Income

By accepting the product, and then sharing about it you have entered into a barter transaction, which means that this "free product" is in fact income – and not only is it income, but it is taxable income. You need to add in the fair market value of any free product to your income reporting.

Solution: Just add up the value of all the free items you have gotten in exchange for a picture or story and add that to your reported income.

3. Missing Out on Valuable Deductions

A lot of social media influencers miss out on tax deductions – and if you are not tracking your business expenses, you are probably missing out on something. Some of the most missed deductions? Courses and Ebooks you go through to learn more are continuing education. Did you buy some presets? Do you boost posts? Did you upgrade your camera for better pictures? These are just some of the things you should be tracking and looking into with your tax professional.

Solution: Go through every penny you have spent on Instagram related activities – and no, they might not all be deductible, but there is a good chance you missed something.

4. Ignoring Self-Employment Taxes

Being self-employed has some real perks, but it does mean you have to pay self-employment taxes. This can be a little confusing, especially if you have only ever had traditional work in the past. The short explanation is that when you have an employer, that employer pays half your

FICA taxes. You pay the other half. When you are self-employed you are both the employer and the employee, so you pay both halves.

Solution: A good practice is to take 30% of everything you earn from your Instagramming and set it aside for self-employment taxes. This way when you file your tax return you have the money ready to go and are not stuck with a bill you cannot pay.

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