LEWIS, HOOPER & DICK LLC
certified public accountants

Summer Jobs, Side Hustles, And Summer Tax Problems

Summer jobs and side hustles are great. They bring in extra income, and that always feels good. But that extra income can also come with tax surprises, and most families never see them coming. Today, we'll cover the most common tax traps on this kind of income.

Wages

Let's start with regular W-2 wages. When a student takes a job, the employer hands them a Form W-4, which sets how much federal tax gets withheld. Most young workers check the "exempt" box, assuming taxes don't apply. But "exempt" only works if two things are true: zero federal tax liability last year, and zero expected this year. For some students, that's true. But many of them just check "exempt" because they don't know any better. This can backfire if incorrect. Claim it when you shouldn't, and you might owe money at tax time. Skip it when you qualify, and you'll need to file a return to get a refund.

Gig and self-employment

Gig and self-employment income is where the surprises can get expensive. Maybe you're delivering food, freelancing, walking dogs, or consulting. If you're getting paid for services and you're not an employee, you're probably self-employed. That means more than just owing regular income tax. It means you also owe self-employment tax of 15.3%, which covers Social Security and Medicare.

Let me give two examples. Say a student earns only gig income. They may owe no income tax at all. But the self-employment tax still applies. On $5,000 of income, that's about $700 in self-employment tax. It's not catastrophic, but it's a surprise.

Now, say a professional picks up $5,000 in consulting on the side. They'll most likely owe both income tax and self-employment tax on their consulting income. One thing to note in this situation is that you can deduct half of your self-employment tax from your income when calculating your federal income tax. This helps reduce the overall tax liability, but even with that benefit, their tax bill could easily exceed $1,000 on the $5,000 of extra income.

The fix is simple. Set money aside as you get paid. For a student, about 15% is a good rule. For a professional, closer to 25%. Also, be sure to check whether or not you need to make quarterly estimated payments.

1099s

If you have received $2,000 or more by check or cash for providing services to a company and you're not their employee, you'll likely receive a 1099-NEC, which is also provided to the IRS.

Now, if the company paid you via a payment processor such as Venmo, PayPal, or Cash App, the processor may issue you a 1099-K. You get a 1099-K if you receive more than $20,000 across more than 200 transactions. So most students won't get one.

Here's a key point to remember: regardless of whether you received a 1099-NEC or a 1099-K, you still need to report taxable income. So if you earn $800 from a side consulting gig and never see a 1099, that $800 still has to be reported.

Does your student need to file?

A question we get asked quite often is when does a student need to file a tax return? It depends on how much they earned and what type of income it was.

For 2026, a dependent's standard deduction equals their earned income plus $450. The minimum standard deduction is $1,350, and the maximum is $16,100. So most dependents earning only W-2 wages owe no federal tax below that ceiling. Still, they should file if tax was withheld and they're owed a refund. The same goes if they qualify for refundable credits.

If some or all of the income is self-employment income, then it's different. Just $400 in net earnings triggers a filing requirement, and self-employment tax applies even if no income tax is owed. A kid earning $1,800 walking dogs likely has to file.

Another reason a student may need to file is tax credits. Students supporting themselves may qualify for tax credits, such as the American Opportunity Tax Credit. If that's the case, they'll want to file.

Finally, states differ on their requirements. Some have no income tax. Others, like Pennsylvania and Massachusetts, give little or no standard deduction. So a student could owe state tax even if they owe nothing federally. Be sure to check your state.

Next Step

The bottom line is that income carries real tax obligations that don't wait until spring. It doesn't matter whether it's a W-2 job, gig work, or freelance projects, or when in the year it shows up. So confirm whether "exempt" applies, track every dollar of self-employment income, set money aside, and don't assume you're off the hook just because the amount was small. A little attention now beats a notice or a missed refund later.

If you have questions about your student's situation or are juggling a salary alongside freelance income, be sure to reach out to our office. A quick consultation now saves a real headache later.

About Lewis Hooper Dick, LLC

Lewis, Hooper & Dick, LLC was established in 1955 by Edward Lewis, CPA. Our professionals provide value-added and affordable accounting and advisory services to clients throughout the region. Our dedicated leadership strives to continually grow our practice by instilling our founding principles throughout our organization. The firm's professionals challenge themselves to introduce new and exciting ways to exceed our clients' personal and professional goals. Our experienced and knowledgeable staff continues to be the driving force behind our innovative techniques and ongoing success.

The firm's team of four member/owners and over 20 professionals offers comprehensive accounting, consulting, human resources, financial planning, and tax and computer services. Lewis, Hooper & Dick, LLC specializes in serving feed yards, municipalities, school districts, government entities and construction organizations. We maintain offices in Garden City and Hugoton.

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