

# UBER PARTNER REPORTING GUIDE

## Required to File a Return?

In most cases, you will be required to file a Form 1040 and attach Schedule C and Schedule SE to report your earnings from being an Uber partner. If you have net earnings (not gross) from Uber in excess of \$400, you must file a federal tax return with Schedule C and Schedule SE attached.

If you have less than \$400 in income from Uber, but are otherwise required to file a tax return you must still file Schedule C regardless of the amount of your income.

If you are not otherwise required to file a tax return, but have net earnings (not gross) from Uber in excess of \$400, you must file a full tax return including Schedule C and Schedule SE. On the other hand, if you are not otherwise required to file an income tax return and your net earnings from Uber is less than \$400, you are not required to file Schedule C or an income tax return for that matter.

## Where Your Income is Reported – Schedule C

As an Uber Partner you are considered to be self-employed, this is also referred to as being a “sole-proprietor.” For tax purposes this is treated differently than being considered a common-law employee.

Rather than reported as wages, your income along with your allowable expenses are reported on Schedule C of Form 1040. Being self-employed, rather than an employee means your allowable expenses directly offset your income from Uber and are not subject to an income limitation or requirement to itemize deductions.

## The Self-Employment Tax – Schedule SE

Being self-employed means that your net income from your business (your business gross income after reduction for any allowable business deductions) is subject to the 15.3% self-employment tax consisting of Social Security and Medicare taxes imposed primarily for individuals who work for themselves. It is similar to the Social Security and Medicare taxes withheld from the pay of most wage earners. This tax is calculated on Schedule SE of your tax return.

It is important to note that the 12.4% Social Security portion is limited by income thresholds, meaning you will not pay it on net earnings in excess of \$118,500 for 2016. However, an additional amount of Medicare taxes will apply if your income for the year exceeds a much higher threshold.

## State Income Tax

If you are required to file a federal income tax return in most cases you will be required to file a state income tax return as well.

However, nine states do not impose an income tax on individuals, they are: (1) Alaska; (2) Florida; (3) Nevada; (4) New Hampshire; (5) South Dakota; (6) Tennessee; (7) Texas; (8) Washington; and (9) Wyoming.

Furthermore, if you provide services in more than one state the income earned in that state will generally be taxable in each state, as well as your resident state. In most states, you will then receive a state tax credit on your resident return for the amount of income taxes paid to those other states.

## Form 1099-K Income

Form 1099-K is used to report payments you received from riders. This includes gross fares in addition to the expenses that Uber paid for on your behalf, which is broken down on the Tax Summary that Uber provides.

The amount shown on this form will exceed the actual amount of payments you received as Uber is required to include in the gross amount expenses that were paid on your behalf. The difference is then accounted for by taking deductions for those expenses on various lines of your Schedule C.

## Form 1099-MISC Income

Form 1099-MISC is used to report items income you received directly from Uber, rather than from individual rider fares. Examples include incentive payments, driver referral payments, and “join and support” payments. Though these types of income are not received from riders as a fare, it is still considered a trade or business income from the activity. These items are taxable in the same manner as the income reported on Form 1099-K and can be reported on the same Schedule C.

## Options for Reporting Vehicle Expenses

When you use a personal car as an Uber driver you may be able to deduct related expenses using one of two methods: the standard mileage rate method or the actual expense method.

To use the 2016 standard mileage rate of 54 cents per mile for a car, the you must choose to use that method in the first year the car is used in a business. Use of the business standard mileage rate is in lieu of claiming actual fixed and operating costs of using the auto for business. This means items such as depreciation, maintenance (including car washes), repairs, tires, fuel, oil, insurance, and registration fees are included in the mileage rate. However, using the standard mileage method generally can still separately deduct: tolls and parking fees, auto loan interest, and personal property taxes.

If you do not, or cannot, use the standard mileage method you will deduct the actual expenses of operating the car. These expenses include: depreciation; lease payments; registration fees and licenses; insurance; gas, oil, and repairs; garage rent; tires; and tolls and parking fees. The expenses for a car used for both personal and business purposes must be divided between the two uses. The expenses are prorated based on the miles driven for each purpose.

If you do not either own or lease the vehicle you must use the actual expense method to report vehicle expenses.

Also, if you operate 5 or more of cars in this activity you must use the actual expense method to report vehicle expenses.

## Deductible Mileage

Generally, an Uber driver's deductible mileage is subject to the business stop rule. Meaning, their mileage incurred driving from their residence to their first passenger pickup of the day is considered non-deductible personal commuting miles, even though you may not have a regular office location in the typical commuting sense. Any miles driven between that first business stop and subsequent business stops (referred to as “on-trip mileage” by Uber) is deductible. However, the trip from your last drop-off point back to your residence is also considered nondeductible personal commuting mileage.

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## Expenses Subject to Allocation

When you use your personal auto to drive for Uber certain expenses must be allocated between business use and personal use. The amount deductible is based on a percentage generally calculated by dividing the total deductible miles for the activity by the total miles the vehicle was driven for all purposes during the year. Only the business portion of the following items of expense paid by a driver, or collected by Uber on the driver's behalf, can be deducted.

- Uber Fuel Card Fees
- Property Taxes
- Interest on Auto Loans
- Lease Payments\*
- Fuel, Oil, and Tires\*
- Repairs and Maintenance (including car washes)\*
- Insurance\*
- Registration and Tags\*
- Parking

\*Expenses that are covered by the standard mileage rate, and therefore not deductible in addition to the amount deducted based on that rate.

## Fully-Deductible Expenses

The following items of expense paid by a driver, or collected by Uber on the driver's behalf, are fully deductible as a business expense.

- The Uber Fee
- Uber Provided Device Subscriptions
- Tolls Incurred During On-Trip Mileage
- Sales Tax Collected
- Black Car Fund Fees
- City Fees
- Airport Fees
- Split Fare Fees
- Refreshments provided solely to riders. Items you consume are in most cases nondeductible.

## Estimated Tax Payments

Individuals driving for Uber may be required to make estimated quarterly tax payments equal to 25% of your "required annual payment" to avoid penalties for underpayment. For most, the required annual payment individuals is the lower of 90% of the tax shown on your return or 100% of the tax shown on last year's return.

Most people who receive the bulk of their income in the form of wages satisfy these payment requirements through the tax withheld by their employer from their paycheck. Otherwise they can make additional payments via IRS Form 1040-ES or the IRS' online tax payment system.

As Uber issues Form 1099-K it is important that you make sure that you are meeting these quarterly tax payment obligations throughout the year as the form provides the IRS with a breakdown of the payments you receive on a month-to-month basis.

## Options for Filing Your Return

H&R Block has three options for filing a tax return reporting business income received as an Uber partner.

**File In an Office.** H&R Block has a network of over 80,000 highly-trained tax professionals in over 10,000 locations ready to handle your income tax needs.

**File Using H&R Block Software or Online.** Both H&R Block's software and online products are specifically tailored to get you the maximum refund that you deserve.

All three methods are backed by a Maximum Refund Guarantee. For returns prepared in an office a Peace of Mind® extended service plan can be purchased. For \$40 you receive Audit Assistance PLUS Audit Representation (a \$250 value) and your return will be protected for 3 years. H&R Block will pay up to \$6,000 in additional taxes owed due to our error.

## The H&R Block Refund Bonus

If you file your return using H&R Block software or through H&R Block Online you can put some – or all – of your refund to the purchase of e-gift cards with select retailers, and as bonus H&R Block will add up to 10% to the amount on the gift card.

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## Frequently Asked Questions

### Am I required to file a tax return?

In most cases, you will be required to file a Form 1040 and attach Schedule C and Schedule SE to report your earnings from being an Uber partner.

If you have net earnings (not gross) from Uber in excess of \$400, you must file a federal tax return with Schedule C and Schedule SE attached. If you have less than \$400 in income from Uber, but are otherwise required to file a tax return you must still file Schedule C regardless of the amount of your income.

If you are not otherwise required to file a tax return, but you have net earnings (not gross) from Uber in excess of \$400, you must file a full tax return including Schedule C and Schedule SE. On the other hand, if you are not otherwise required to file an income tax return and their income from self-employment is less than \$400 they are not required to file Schedule C or an income tax return for that matter.

By being “otherwise required to file a return” we mean that the taxpayer would be required to file an income tax return if they did not actually have any income from self-employment reportable on Schedule C. For example, a taxpayer with other forms of income in excess of the annual filing thresholds for their filing status would be considered to be otherwise required to file a tax return.

The following chart outlines the rules discussed above.

Uber Earnings	Otherwise Req. to File	Form 1040	Sch. C	Sch. SE
\$0 to \$399	No	No	N/A	N/A
\$400+	No	Yes	Yes	Yes
\$0 to \$399	Yes	Yes	Yes	No
\$400+	Yes	Yes	Yes	Yes

### How will I be taxed?

In most situations, taxpayers driving for Uber (or other similar ride-sharing services) will be doing so with a profit motive. As such, the income received will be considered trade or business income reportable on Schedule C subject to self-employment tax. This schedule is filed, and any associated taxes paid, with your personal income tax return (Form 1040).

### What is the “self-employment tax”?

Self-employment tax is a tax consisting of Social Security and Medicare taxes primarily for individuals who work for themselves. It is similar to the Social Security and Medicare taxes withheld from the pay of most wage earners. You must pay self-employment tax and file Schedule SE (Form 1040) your net earnings from self-employment (excluding church employee income) were \$400 or more.

### Am I subject to state income tax?

If you are required to file a federal income tax return in most cases you will be required to file a state tax return as well. However, nine states do not impose an income tax on individuals, they are: (1) Alaska; (2) Florida; (3) Nevada; (4) New Hampshire\*; (5) South Dakota; (6) Tennessee; (7) Texas; (8) Washington\*\*; and (9) Wyoming.

- \* New Hampshire does impose a business profits tax, which is based off the net profit from the activity.
- \*\* Washington does impose business and occupation tax based off the gross receipts from the activity, rather than net profit.

### What if a partner drives in multiple states?

If you provide Uber services in more than one state your income earned in that state will generally be taxable in each state, with the total amount earned in all states taxable in-whole in your resident state.

Depending on the state, you will then likely receive a nonrefundable state tax credit on your resident state income tax return for the amount of income taxes paid to those other states.

### Am I subject to local/city income taxes?

In addition to federal and state income taxes you may be subject to local income taxes. Approximately 5,000 cities, counties or other similar jurisdiction impose local income taxes on income earned in their area or on their residents who earn income outside of the area. It is important that you check with your local government’s website to determine if you are in an area that imposes such a tax.

### Are there special city taxes that are imposed specifically on for-hire drivers?

Certain cities and airports will impose an additional tax on drivers granting them the right to operate in the city. These taxes are generally deductible on Schedule C.

### Am I subject to sales tax?

Only 8 states will require you to collect sales tax from riders, which then must be remitted to the state. They are: (1) Georgia; (2) Hawaii; (3) New Jersey\*; (4) New Mexico; (5) Ohio; (6) South Dakota; (7) Washington\*\*; and (8) Wyoming. Under federal law, these taxes can only be imposed on rides taking place solely within the particular state. For example, if you pick up a rider in Georgia and drop them off in Florida, or vice versa, you will not be required to collect sales tax from that rider.

- \* New Jersey only imposes their sales tax on “black car” limos.
- \*\* Washington does impose business and occupation tax based off the gross receipts from the activity, rather than net profit.

### Do I need an Employer Identification Number (EIN)?

Most Uber partners will not need to obtain an EIN, but may elect to do so.

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### How will I be taxed if I form an LLC?

An LLC is a business entity formed under the state law provisions of an LLC statute. By default, an LLC formed with only one member is disregarded for tax purposes. This means that the activities of the LLC are reported on the member's individual tax return (Schedule C) in the same manner as they would have had the LLC not existed.

An LLC formed by two-or-more members is by default taxed as a partnership. Both single-member and multi-member LLCs can elect to be taxed as corporations.

### What does a partner's Form 1099-K report?

Form 1099-K is used to report payments received from riders. This includes gross fares in addition to the expenses that Uber paid for on your behalf, which is broken down on the Uber provided Tax Summary. Generally, the total amount shown on the Form 1099-K should be reported as gross receipts on Schedule C of your tax return.

### Why does the amount on my Form 1099-K not match the amount I actually received?

This total amount will exceed the actual amount of payments from Uber the taxpayer received as Uber is required to include in the taxpayer's gross amount on their Form 1099-K expenses that were paid on the taxpayer's behalf. The difference is then accounted for by taking deductions for those amounts paid for on the taxpayer's behalf on various lines of Schedule C.

### What does a partner's Form 1099-MISC report?

Form 1099-MISC is used to report items of non-employee compensation received directly from Uber, rather than from individual rider fares. Examples include incentive payments, driver referral payments, and "join and support" payments.

Though these types of income are not received from riders as a fare, it is still considered a trade or business income from the activity. These items are taxable in the same manner as the income reported on Form 1099-K as gross receipts on line 1 of Schedule C.

### What mileage is deductible?

Generally, an Uber driver's deductible mileage is subject to the business stop rule. Meaning, their mileage incurred driving from their residence to their first passenger pickup of the day is considered non-deductible personal commuting miles, even though they may not have a regular office location in the typical commuting sense. Any miles driven between that first business stop and subsequent business stops (referred to as "on-trip mileage" by Uber) is deductible. However, the trip from the taxpayer's last drop-off point back to his residence is also considered nondeductible personal commuting mileage.

### What are my options for deducting vehicle expenses?

A taxpayer who uses a personal car as an Uber driver may be able to deduct related expenses using one of two methods: the standard mileage rate or the actual expense method.

If a taxpayer wants to use the standard mileage rate for a car they own, the taxpayer must choose to use that method in the first year the car is used in a business. Then in later years, the driver can choose to use either the standard mileage rate or actual expenses. If the taxpayer wants to use the standard mileage rate for a car they lease, it must be used for the entire lease period.

Use of the business standard mileage rate is in lieu of claiming actual fixed and operating costs of using the auto for business. This means items such as depreciation, maintenance, repairs, tires, fuel, oil, insurance, and registration fees are included in the mileage rate. However, a taxpayer using the standard mileage method generally can still separately deduct: tolls and parking fees, auto loan interest, and personal property taxes.

If the taxpayer does not use the standard mileage rate, the driver deducts the actual expenses of operating the car. These expenses include: depreciation; lease payments; registration fees and licenses; insurance; gas, oil, and repairs; garage rent; tires; and tolls and parking fees. The expenses for a car used for both personal and business purposes must be divided between the two uses. The expenses are prorated based on the miles driven for each purpose.

### What special rules apply to fleet operators?

If you operate a fleet of cars driving for Uber you will be limited to using the actual expense method if you use five or more vehicles during the same year in your business. In other words, a taxpayer can use the standard mileage rate in computing the deductible costs of operating up to four automobiles that are used simultaneously for business purposes.

### How do I treat my toll expenses?

Tolls you pay while driving passengers for Uber are deductible. This includes tolls that you paid out-of-pocket, and tolls that Uber paid on your behalf and included in the amount shown on your Form 1099-K. Furthermore, tolls are deductible whether you use the standard mileage method or the actual expense method to calculate your deduction.

### Can I deduct my toll payment device convenience fees?

Fees associated with electronic toll devices are deductible. However, you must allocate the total expense between business and personal use. Only the portion attributable to business use is deductible. The portion attributable to personal use is a nondeductible personal expense.

Such expenses are deductible whether you use the actual expense method or standard mileage method.

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**Can I deduct car washes?**

If you use the actual expense method to report your vehicle expenses the amount of car washes multiplied by the business use percentage of the vehicle is deductible.

If you use the standard mileage method to deduct your vehicle expenses, the cost of a car wash is not deductible. This is because car washes are considered to be maintenance of the vehicle, which is a component of the standard mileage rate.

**How do I treat my device subscription?**

Amounts paid by you to use an Uber provided mobile device is deductible on your Schedule C.

**How is my fuel card treated?**

Fuel paid for in advance by Uber on the driver's behalf via the fuel card, and subsequently deducted from the partner earnings by Uber for reimbursement is deductible. If the card or the fuel is also used for personal purposes an allocation between the business and personal use must be made, with only the business portion being deductible.

**Can I deduct drinks provided to riders?**

Refreshments provided solely to your customers are fully deductible. Any amounts that you consume are not deductible.

**Can I deduct drinks that I consume while driving?**

No. Meals that you consume while driving for Uber are not deductible as a business expense. This is true even you are unable to leave your car to eat your meals, or are performing services for Uber for a period of time longer than a normal workday.

One exception may apply if you are consuming meals while traveling for business at a location away from the city or region that you normally perform services for Uber.

**How is income from uberRush or uberEATS treated?**

Income solely earned from uberRush or uberEats, or earned in addition to regular Uber income is taxable in the same manner as other Uber income, and generally subject to the same rules.

**Is my cell phone deductible?**

Generally, you can deduct the business use portion of your cell phone. To do so you must be able to establish the business use portion by accounting between business and personal use. Only when you have adequate documentation of phone usage (for example, a log noting whether each call was personal or business and noting the business purpose of each business call) is this deductible. Thus, if you can substantiate that the monthly flat fee is in fact a separable expense may prorate the monthly fee between business and personal expense.

If you cannot make this level of substantiation, your cell phone expenses will likely not be deductible.

Note: if you pay the Uber Device Fee and use an Uber provided mobile device, you will not be able to deduct any portion of your personal cell phone expenses.

**Do I have to claim depreciation on my vehicle?**

Yes. Depreciation is a deduction that is taken to account for the general wear-and-tear incurred on a business asset over the course of its useful life. A taxpayer is required to claim all deductions allowed under the tax code, including depreciation.

If you use the actual expense method to report your vehicle's use, you must claim a deduction for depreciation on your Schedule C. Only the business use portion of vehicle is depreciable.

If you use the standard mileage method to report your vehicle's use, a portion of that rate includes a component for depreciation. This means that you do not take an additional deduction for depreciation on top of the amount deducted using the rate.