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TAX TIPS FOR STUDENTS WORKING AT A SUMMER JOB

By Victor Sy, CPA

Here are 10 tips for students with summer jobs:

1. Fill out [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 withhold adequate amount of taxes to cover your tax liability.
2. Tips that you receive working as a waiter or camp counselor are taxable income and are 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](#). You will receive credits toward your benefits under the Social Security system.
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 are in the business of delivering newspapers under a written contract which states that you will not be treated as an employee for federal tax purposes.
7. You can earn about [\\$9,750](#) in wages in [2012](#) and pay no income taxes, courtesy of standard deduction of [\\$5,950](#) and personal exemption of [\\$3,800](#).
8. You can even earn as much as [\\$14,750](#) in wages, interest, and dividends but pay no income tax by contributing [\\$5,000 to an IRA](#)
9. There are [education credits](#) that can bring your total earnings to about [\\$20,000](#) without paying any income tax. ☺
10. If you are [employed by your parents](#) who do business as sole proprietors, they don't have to withhold FICA (Social Security tax) if you are under age 18. This saves more than 15% of their gross wages. They also don't have to pay FUTA (unemployment tax) if you are under 21. ☺

Lesson: While it feels good to put cash in your pocket while going to school, don't go full time and neglect your studies. I have seen young promising children who do well at work, get promoted with better pay at their part-time jobs, but leave school to work full time. What you earn now is tiny compared to what you can earn later when you have a college degree.