

New Tax Reform Law Will Benefit Freelance Workers And Lead To Further Growth Of Gig Economy

Insights

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We recently ran an article about some major developments that will impact all employers as a result of the recently passed tax reform bill. But now you might be asking what specific changes might be in store for gig economy businesses. You've come to the right place, because we have the answer.

As reported by the Boston Globe, the tax bill also contains provisions that will benefit small-business owners and those doing business for themselves. First, it will sharply lower taxes for small-business owners, which could very include some of those performing work for gig companies. Second, and more importantly, it will also reduce taxes for those individual freelancers and independent contractors who are drawn to the gig economy because of the freedom it provides them. As explained by Tim Logan, "the new law changes the way 'pass-through' companies — which pass profits directly to their owners as personal income — are treated in the tax code. Now many will be able to cut 20 percent off their taxable earnings. Someone earning \$50,000, for example, could only have to pay taxes on \$40,000." Previously, these workers were taxed at the personal income rate, which was not lowered at the same scale as the corporate rate in the new law. That led lawmakers to devise this additional provision to ensure small businesses received similar benefits as bigger corporations. While originally intended to aid companies that are capital intensive, it will also aid any gig worker that incorporates their business to take advantage of the law.

This is great news for gig companies, as your workers will have an additional incentive to provide services for your digital platform. It should also lead additional workers to jump into the pool and join the burgeoning gig economy.

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