

Insurance Agent Taxes and Business Basics (1099)

The Independence Shift



W-2 Employee

- Taxes withheld by employer
- Employer pays half of Social Security & Medicare



1099 Contractor

- Gross amount paid directly to you
- 100% your responsibility to manage and pay

The Tax Reality

15.3%

Self-Employment Tax Rate (2026)



12.4%
Social
Security

2.9%
Medicare

+
Federal
Income Tax

+
State
Income Tax

Earned Does Not Equal Kept

\$10,000 Earned

A diagram illustrating the difference between earned income and kept income. At the top, a bracket labeled '\$10,000 Earned' spans across two rectangular boxes. The left box is light green and contains the text '\$7,000 Kept'. The right box is dark green and contains the text '\$3,000 Tax Reserve'.

\$7,000 Kept

\$3,000
Tax Reserve

Prepare for your specific tax bracket and state rules

The Safety Net

Save 25% - 30%

Of every single commission check



Estimated Quarterly Taxes

April 15

June 15

Sept 15

Jan 15 (2027)

Pay as you earn via IRS Form 1040-ES

Shrinking the Taxable Pie



Money spent running your business directly reduces what you owe

Common Deductions



E&O Insurance



Mileage



Marketing



Phone & Internet



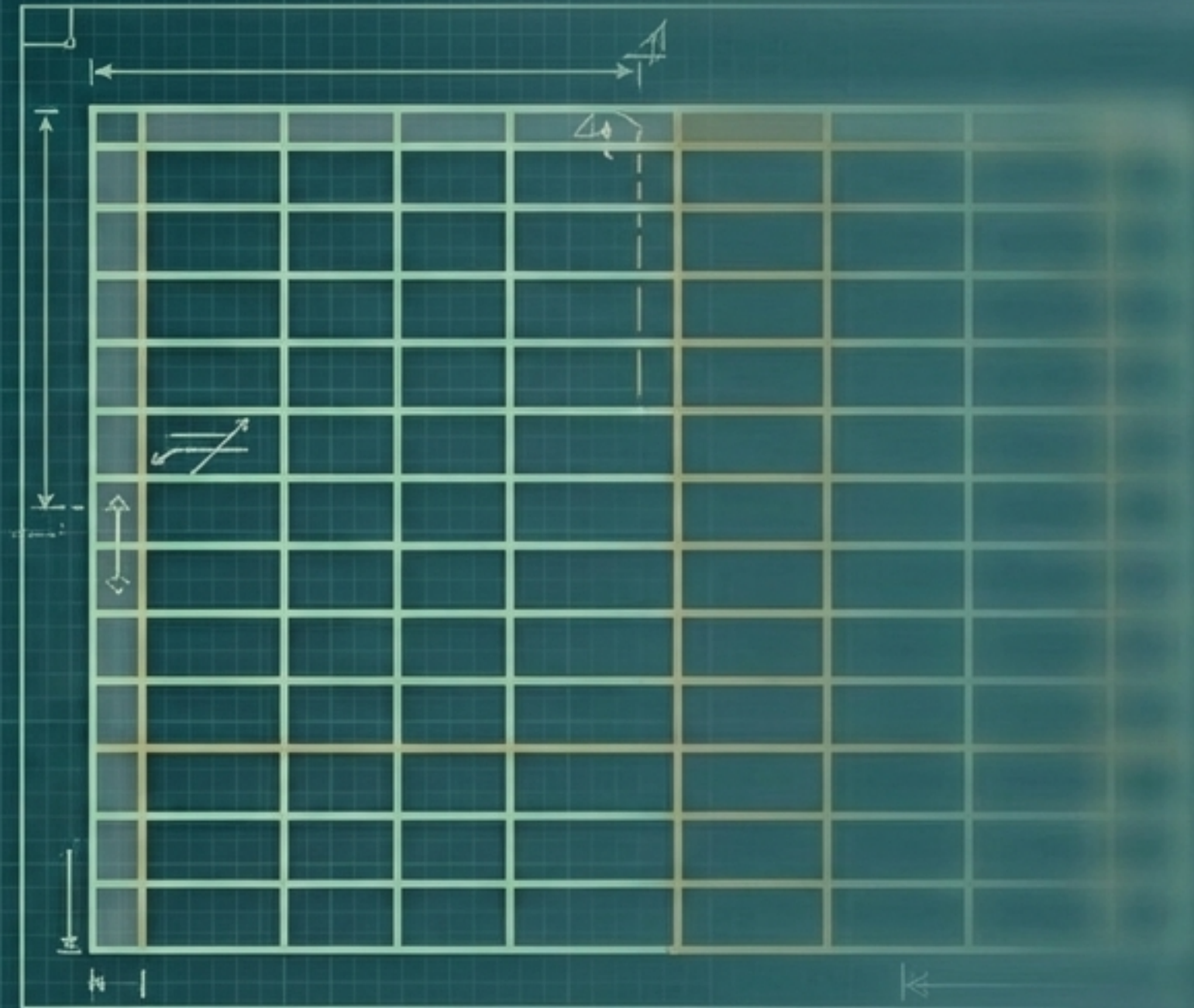
CRM Software



Licensing Fees

No Proof, No Deduction

- Track every business expense from day one
- Use a simple spreadsheet or accounting app
- Maintain clear, undeniable documentation



Your Annual Paperwork



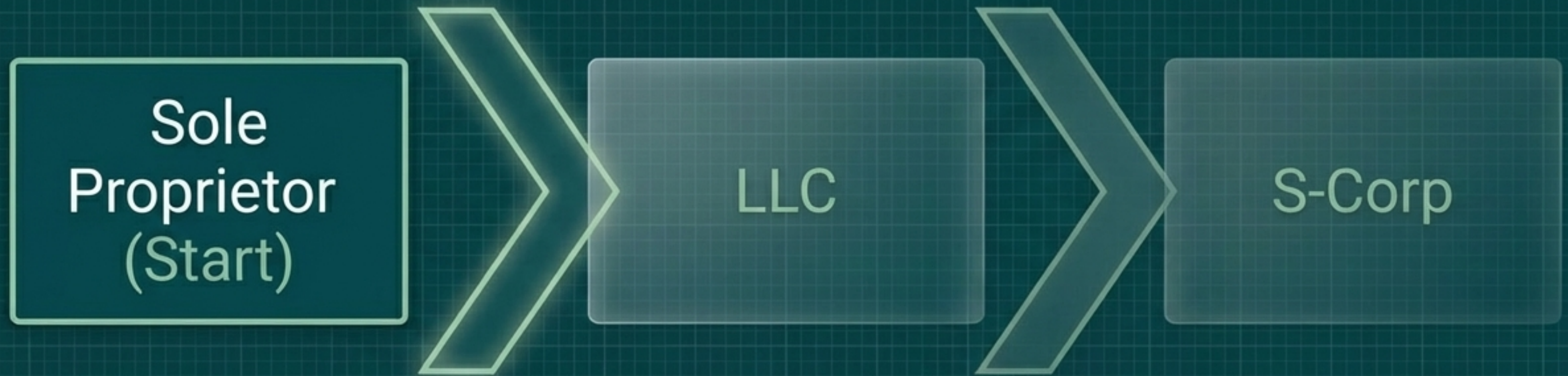
Form 1099-NEC

Sent in January for prior year earnings. Used to file Schedule C.

The Trigger

Issued by any carrier or FMO paying you over \$600

Looking Ahead



Consult a tax pro once producing consistently

The Dedicated Account

- ✓ Open a separate bank or savings account immediately
- ✓ Move 25% - 30% of every check on payday
- ✓ Do not touch until quarterly taxes are due



Secure Your Foundation

This one habit prevents more financial stress than anything else you can do as a new agent.