Considering a Second Job? Read This.

As costs continue to rise, more and more individuals are considering part-time jobs to suppliment their income. The extra money maybe needed to payoff charge cards or just to help the family get through the tight times. Whatever the reason, second jobs can have an unpleasant affect come tax time.

Because second job usually pay less in total income, the tax bracket for determining tax liability is also less. However, come tax time these two amounts are added together, resulting in a higher tax bracket.

This many time causes families to owe taxes when they prepare their returns. This unanticipated costs can be overbearing.

What to Do

Depending on the type of second job that you hold, you may want to first declare Zero deductions. This is automatically take more taxes out of you paycheck.

Once you get your first paycheck, look at how much taxes were withheld.

Review your last pay check from your full-time job. Is the percentage of taxes the same?

Example
Full-time Job gross wages is $2,000 & taxes is $400 or 20%
Part-time Job gross wages is $400 & taxes is $40 or 10%

If this is what you see then you are paying too little in taxes and come the end of the year you will owe money.

You will need to tell your part-time employer to deduct more for taxes to avoid an unpleasant situation at tax time.

There maybe other factors to consider too. Are there untaxable deductions occuring at your full-time job? Health insurance, daycare, etc, all lower your tax situation, placing you in a lower tax bracket. If that is occuring, you may want to increase the percentage being deducted at your part-time job even more.

To full determine how your taxes will be affect, we recommend that you visit with an accountant to discuss your particular situation. Regretfully, taxes have become extremely complex and are beyond the scope of this article.

We merely want to point out a potential situation that will occur.