

Self-Employed Fishermen: Income & Tax Basics

You are considered a commercial fisherman if at least 2/3 of your gross income is from catching, taking, harvesting, cultivating, or farming fish and shellfish. Many fishermen, especially crewman and small vessel operators, are considered self-employed (sole proprietorship) rather than an employee.

Your income (including money received from grant programs and fuel tax credits and refunds) and expenses are generally reported on Schedule C (Form 1040), Profit or Loss from Business (Sole Proprietorship). Note that on a joint return, you must add your spouse's gross income to your gross income to determine if at least two-thirds of your total gross income is from fishing.

Although you may have gains/losses from the sale of fishing assets, those proceeds should be reported on a Schedule D, and not as gross income from fishing.

Estimated & Self-Employment Taxes

Because you don't receive employee wages, your income taxes, Medicare and Social Security payments are not withheld automatically—it is your responsibility to file and pay the taxes you owe. Depending on total yearly income and your deductions and exemptions, the amount you have to pay in taxes could be from one-quarter to one-third of your gross income.

To minimize financial stresses at tax time, each time you are paid, set aside some money to pay your taxes.

Most small business owners must pay estimated taxes quarterly, but a fisher who has at least two-thirds of gross income from fishing only has one estimated due date for the tax year. You may choose either of the following options:

1. Pay all of your estimated tax by January 15, and file your Form 1040 by April 15, or
2. File your Form 1040 by March 1 and pay all the tax due.

When you file your return, it may be helpful to attach Form 2210-F, Under-payment of Estimated Tax by Farmers and Fishermen (not required, but helpful).

Get tax advice from a professional who understands the industry, especially if you are unfamiliar with filing as a self-employed individual or you have had major changes in your income or expenses this year.



WHICH FISHERMEN ARE CONSIDERED SELF-EMPLOYED?

1. Your 'pay' is a share of the catch or a share of the proceeds from the sale of the catch.
2. Your share depends on the amount of the catch.
3. You work on a boat that normally has a crew of fewer than 10 people.
4. You do not get any money for your work (other than share of the catch), unless the pay meets all of the following conditions:
 - It is not more than \$100 per trip.
 - It is based on a minimum catch requirement.
 - It is solely for additional duties (such as for work performed as engineer or cook) for which additional cash payments are traditional in the industry.

FORM 1099

This form must be sent to payees by January 31 and to the IRS by February 28. As a boat/facility owner, this form is filed for each person you paid during the year:

- A share of your catch (or a share of the proceeds from the sale of your catch)
- At least \$600 in rents, services, and other income payments, or cash payment of fish for resale (note special requirements for resale buyers)
- Cash payments of up to \$100 per trip that are: dependent on a minimum catch, paid solely for additional crew duties, and not otherwise reportable as wages.

As a crewman receiving a 1099, make sure that your Social Security number and the dollar amounts received are listed correctly; match income with your own records, and report errors to the boat owner quickly.



The IRS has an online Fishing Tax Center for more detailed information; visit www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Fishing-Tax-Center.

