PLEASE NOTE: The following information is meant to raise your awareness of self-employment tax issues. It is **NOT** to be taken as expert advice on taxes or tax matters. Please be sure to consult a tax expert if you have questions or concerns about your taxes.

A notary who works for himself as a mobile notary and/or witness-only loan closer pays self-employment tax on his earnings in somewhat the same way that an employer pays social security and Medicare tax for an employee, with one major exception. A self-employed notary does not have to pay self-employment tax on income derived from fees charged for actual notarial acts.

This elective exemption applies **ONLY** to the portion of a notary's income that comes from the fees charged for actual notarial acts. Additional fees (travel, photocopying costs, etc.) must be accounted-for separately, and are taxable without exception.

For example, a notary working as a witness-only loan closer might charge a total of $125 for a particular closing. There were seven notarial acts required for this closing. This notary resides in a state that permits its notaries to charge up to $10 per notarial act. So, for purposes of his own bookkeeping, the notary notes that for this particular closing, he earned $70 in notarial fees ($10 per act, seven acts) and the remaining $55 was for the other witness-only loan closer services rendered. The notary **MUST** pay self-employment tax on the $55; he may elect not to pay self-employment tax on the $70.

While notaries who do not pay self-employment tax on notarial fee income will have more cash to spend in the short run, they are paying less overall into the Social Security fund. Upon retirement, those notaries will receive a smaller monthly social security payment than if they had paid taxes on everything they earned. How much they receive from Social Security each month depends on how much they contributed in the past.

It has also come to our attention that qualifying for social security disability payments could be affected by electing not to pay self-employment tax on notary fees. No one wants to become disabled, but if that happens, a person would like to qualify for disability payments from Social Security.

There are two kinds of disability payments. Supplemental Security Income is based on the financial need of the applicant and is financed through federal general revenues. Social Security Disability Insurance (SSDI), on the other hand, is financed from social security taxes. To receive SSDI payments, an applicant must have earned credits based on his prior employment and the amount of tax paid into social security regardless of whether he was self-employed or was an employee.

SSDI looks at the last ten years of the applicant's work history to decide if he has accumulated enough credits to qualify for disability payments. In general, the applicant has to have accumulated 20 credits during the past ten years. In 2007, for example, one credit is earned for each $1,000 of taxable income.

Obviously, notaries who elect not to pay self-employment tax on their notary fee income will therefore earn fewer SSDI credits than they would if they paid taxes on everything they earn. So it will come down to what is most comfortable for you: paying lower self-employment taxes with fewer SSDI credits earned; or paying higher self-employment taxes with more SSDI credits earned.

While we hope this information will help you make more informed choices about self-employment taxes, there's more to qualifying for SSDI than what we discuss here. For more details, go to [http://www.ssa.gov/](http://www.ssa.gov/). Click "Qualify and Apply" under "Disability & SSI," right in the center of the home page (see the URL below). For the IRS's information on self-employment taxes, go to [http://www.IRS.gov](http://www.IRS.gov), select "Businesses," then "Employment Taxes" under the "Businesses Topics" category. You'll see a link for "Self-Employment Tax" on the resulting page (see the URL below).
American Society of Notaries

About ASN
The American Society of Notaries is the first national nonprofit association for notaries public in the United States. Established in 1965, the American Society of Notaries is foremost in education, support and supplies for the notary in America.

The Society offers members TOLL-FREE TECHNICAL SUPPORT; email information, updates, best practice advice and tips; online notary training courses; state law updates; and a wide range of notary supply products deeply discounted for ASN members.

Our Mission
The American Society of Notaries is dedicated to providing its members with education, professional service and technical support; promoting high ethical standards; and increasing public awareness of notaries' valuable contributions.

Our Promise
The notary ALWAYS comes first! We are a true nonprofit, with no for-profit subsidiary or shareholders. We exist purely for the benefit of notaries!

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www.onlinenotarytraining.org
www.onlinenotarytraining.net
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Who Must Pay SE Tax?

Generally, you must pay SE tax and file Schedule SE (Form 1040) if your net earnings from self-employment were $400 or more. Use Schedule SE to figure net earnings from self-employment.

Sole proprietor or independent contractor. If you are self-employed as a sole proprietor or independent contractor, you generally use Schedule C or C-EZ (Form 1040) to figure your earnings subject to SE tax.

SE tax rate. For 2013, the SE tax rate on net earnings is 15.3% (12.4% social security tax plus 2.9% Medicare tax).

Maximum earnings subject to self-employment tax. Only the first $113,700 of your combined wages, tips, and net earnings in 2013 is subject to any combination of the 12.4% social security part of SE tax, social security tax, or railroad retirement (tier 1) tax.

All of your combined wages, tips, and net earnings in 2013 are subject to any combination of the 2.9% Medicare part of SE tax, social security tax, or railroad retirement (tier 1) tax.

If your wages and tips are subject to either social security or railroad retirement (tier 1) tax, or both, and total at least $113,700, do not pay the 12.4% social security part of the SE tax on any of your net earnings. However, you must pay the 2.9% Medicare part of the SE tax on all your net earnings.

Notary public. Fees you receive for services you perform as a notary public are reported on Schedule C or C-EZ but are not subject to self-employment tax (see the Instructions for Schedule SE (Form 1040)).