Your September Tax Checkpoint

Deductions that cut two taxes, two provisions that can still fix an underpaid quarter, and the safe harbor stated the way the statute actually reads.

For 1099 contractors, freelancers, real estate professionals, trucking and delivery operators, and small business owners.

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PART ONE

Why a missed deduction costs you twice

If you work for yourself, you pay two federal taxes on the same profit. Regular income tax, and self-employment tax at 15.3 percent. Anything you deduct on Schedule C reduces the income both of them are calculated on.

That is the whole reason a missed Schedule C deduction is expensive out of proportion to its size. It is not one tax you overpay. It is two.

Vehicle

2026 changed mid-year. **72.5 cents per mile** for January through June, rising to **76 cents** for July through December. If you are still using 70 cents, that is the 2025 rate, and it is repeated in a lot of places that have not caught up. Notice 2026-10 / IR-2025-128; IR-2026-29.

This one carries the most weight for real estate professionals and for anyone in trucking, delivery or field service.

Home office

A proportional share of rent or mortgage interest, utilities and internet, where the space is used **regularly and exclusively** for business. You may take it as a simplified per-square-foot rate or as actual expenses. IRC § 280A.

Exclusively is the word that disqualifies most claims. A desk in the corner of a room the family also uses is not an exclusive space.

Ordinary business costs

Subscriptions, software, professional licenses, continuing education, and the business-use portion of your phone and internet.

> ### The order these get lost in
> Deductions are rarely lost because the rule was unclear. They are lost because the year gets rebuilt from memory in April. Substantiation is a bookkeeping problem before it is a tax problem, and it is the cheapest one on this list to fix.

PART TWO

Two deductions that cut only one of the two taxes

These are worth real money. They are also widely described as saving you 15.3 percent, and they do not. Both come off income tax and leave self-employment tax alone.

Self-employed health insurance

Deductible above the line if you pay for your own coverage and are not eligible for an employer-subsidized plan through a spouse. The statute says plainly that the deduction "shall not be taken into account in determining an individual's net earnings from self-employment." IRC § 162(l), and § 162(l)(4).

Your own retirement contribution

Taken on Schedule 1, after net earnings from self-employment have already been determined. It does not reduce self-employment tax either.

Which plan fits is decided by compensation thresholds, not by contribution percentages.

PLAN	WHAT DECIDES IT
Solo 401(k)	If you work alone, start here. Deferral stops at $24,500 for 2026, total contributions at $72,000, and only your first $360,000 of compensation counts. IRC § 401(k); Notice 2025-67.
SEP	Simplest to run, but it pulls people in. Anyone age 21 who has worked for you in three of the last five years and is paid at least **$800** this year is an eligible employee. That $800 floor is the one owners overlook — a part-timer crosses it without anyone noticing. IRC § 408(k).
SIMPLE IRA	Different numbers: $5,000 in any two prior years, and $5,000 reasonably expected this year. You may lower either threshold to bring people in sooner. You may never raise it to keep them out. IRC § 408(p).

All 2026 retirement figures are from IRS Notice 2025-67.

PART THREE

If you are already behind on Q1 or Q2

Writing a bigger check on September 15 does not fix an underpaid April or June. The penalty in IRC § 6654 is calculated per installment period, on that period's shortfall. Paying late settles the balance. It does not undo the penalty already running on the earlier quarters.

Two provisions in the statute can. Both are underused, and both are still available this month.

1. Wage withholding is treated as paid evenly across the whole year

Federal income tax withheld from wages is deemed paid in four equal parts on the four installment dates, no matter when it was actually withheld. Withholding in December counts as though a quarter of it arrived on April 15. IRC § 6654(g).

So if there is a W-2 in the household — yours or a spouse's — raising that withholding now reaches backward and can cure an April and June shortfall. An estimated payment cannot do that. It is credited on the day you send it and not one day earlier.

For a 1099 contractor with a W-2 spouse, this is the most useful move still available in September.

§ 6654(g)(2) lets you elect to treat withholding as paid on the dates it was actually withheld, if that produces a better result.

2. If your income arrived unevenly, annualize it

The default rule assumes you earned in a straight line and owed 25 percent each quarter. That is not how a commission or a seasonal contract works. IRC § 6654(d)(2), computed on Form 2210, Schedule AI.

Annualizing recalculates each installment from what you had actually earned by that date, at 22.5, 45, 67.5 and 90 percent for the periods ending March 31, May 31, August 31 and December 31. A closing that funded in August is not income you were required to pay tax on in April.

It is more work at filing. On genuinely lumpy income it often erases the earlier quarters' penalty outright.

PART FOUR

The safe harbor, stated precisely

This one is easy to carry the wrong version of, because the shortened version is repeated far more often than the full one.

You are inside the safe harbor if you pay at least:

- **90 percent** of this year's tax, *or*
- **100 percent** of last year's tax, *but*
- **110 percent** of last year's tax if your prior-year AGI was over $150,000, or $75,000 if married filing separately.

If you are above that line and you pay 100 percent, you are not in the harbor. IRC § 6654(d)(1).

> ### The penalty is not small money
> The underpayment rate is **7 percent a year, compounded daily**, for the quarter beginning October 1, 2026. It is not deductible.

The four installment dates

PERIOD	DUE
Jan 1 – Mar 31	**April 15**
Apr 1 – May 31	**June 15**
Jun 1 – Aug 31	**September 15**
Sep 1 – Dec 31	**January 15**

Calendar-year filers. Every date in this cycle falls on a weekday, so nothing shifts — but when one lands on a weekend or a legal holiday it moves to the next business day (IRC § 7503). Fiscal-year filers substitute the corresponding months (IRC § 6654(k)).

PART FIVE

What to do this month

- Find out whether there is any wage withholding in your household. That answer decides which of the two provisions above is available to you.
- If there is, look at whether raising it for the rest of the year is enough to close the Q1 and Q2 gap — not just the Q3 one.
- Pull last year's return and find the AGI. It tells you whether your safe harbor is 100 percent or 110 percent.
- If your income this year has been lumpy, keep the records that make annualizing possible: what you earned, and when. Schedule AI is built on dates, not totals.
- Get the books current now rather than in April. Every deduction in Part One depends on records that already exist.

If you want a second set of eyes on it

I work with 1099 contractors, small business owners, real estate professionals and trucking companies across Houston, Humble and Atascocita. Tax planning, tax preparation, and federal and state notices for balances due.

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