

Taxation and Locum Tenens

As a locum tenens worker, you'll find you have new responsibilities when it comes to taxation. Your status as an independent contractor, coupled with the fact that you may work in several different states over the course of a year, adds to the complexities you will face come tax time. You may be required to file in several states, and you will almost certainly face expenses that other medical employees never have to deal with.

Of course, these annual headaches are greatly outweighed by the many benefits to locum tenens work. You are likely to earn more money and gain more control over your schedule. Additionally, you can also enjoy a variety of write-offs designed to reduce your tax burden since you're virtually acting as your own employer, to an extent.

When you fully understand the potential benefits and obligations associated with the financial aspects of locum tenens work, you can easily arrange the situation to your advantage. Here are a few things every locum tenens worker should know about taxation.

Employer Responsibilities

The first thing you need to understand is that you are your own employer. Yes, you contract out to hospitals, clinics, private practices, and other facilities, but you are the one responsible for all aspects of taxation. What does this mean?

The groups or individuals you contract with are not your employers, but rather your clients, and they will not pay any taxes on your behalf. Whereas an employer normally withholds federal and state income tax, social security, and other required fees, you will be responsible for paying these expenses out of your annual earnings when you file your income tax return each year.

You will also forego some benefits that many full-time employees generally receive, such as health insurance and access to a 401K. This is why independent contractors are able to demand a higher salary than the average employee - they take on the burden of these extra costs that employers would normally pay.

Deductions

Tax time is not all doom and gloom for locum tenens. Because locum tenens workers have so many job-related out-of-pocket costs, there are also a wide variety of deductions that can help reduce their tax burden. Here are a few you should take advantage of:

- Health Insurance

As your own employer you'll have to foot the bill for health insurance. You can purchase a policy through a state exchange or you go with a private provider. Either way, you can write off every penny you spend on premiums. This can go a long way toward reducing the amount of money you owe in taxes at the end of the year.

- Retirement Plans

The money you save for your retirement will depend somewhat on the type of savings plan you choose. Some are tax deductible while others are tax deferred. It's important to understand the difference, especially if you expect to see savings when you file your income tax return.

- Travel Expenses

In some cases, the companies you contract with will pay for travel expenses, lodgings, and other living expenses. These costs are not tax deductible if someone else is footing the bill or reimbursing your out-of-pocket expenses.

If, on the other hand, you have to pay for these costs on your own, then you can and should deduct them come tax time. You can deduct 100% of travel and lodging costs and 50% of meals incurred during locum tenens jobs, provided the duration of the contract is less than one year. There are still plenty of deductions available for longer contracts, but you'll want to speak with your tax specialist to make sure your deductions are correct and legal based on your jobs.

You can also deduct automotive expenses, either through the mileage method or actual expenses. It is imperative that you keep accurate records and receipts for all expenses you plan to deduct just in case of an audit.

- Ongoing Education Requirements

As a healthcare provider you are expected to continue your education and remain up-to-date with certifications and licenses. These are business expenses. While many employers will routinely cover at least a portion of such costs for full-time employees, locum tenens workers are generally on their own, which means you can deduct education expenses.

- Other

There is no shortage of potential deductions, but you need to be careful about what and how much you write off each year if you want to avoid raising red flags with the IRS. A qualified and experienced tax specialist should be able to advise you in this regard.