Don’t let tax time trip you up

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April 15 is right around the corner, and traveling healthcare professionals have unique issues to consider when it comes to paying taxes. As a traveler, you do enjoy some nice tax benefits (most notably tax-free per diem payments, travel, and housing), but there are rules aplenty associated with these benefits, and it’s smart to pay attention to them.

Here are five points to keep in mind—not only at tax time, but throughout the year—that will help you avoid raising red flags with the Internal Revenue Service (IRS) when you prepare your return, and effectively defend your return if you’re ever audited.

1. PLAY FAIR. Don’t be tempted by a recruiter who tries to lure you into an engagement with the promise of “tax-free” income in the form of big per diems coupled with a low hourly rate. Your hourly rate should accurately reflect your job duties, licensing, and years of experience. Registered nurses, respiratory therapists, and ultrasound technologists simply do not earn $9 an hour—anywhere—and the IRS knows this.

Likewise, extreme per diem payments will get the agency’s attention and ultimately get you into hot water. Resist the urge to try to scoop around paying your fair share in income tax.

2. KNOW PER DIEM RATES. Make sure you’re not being paid more than the government allows for per diems, and accept per diems when you are working on assignments far enough away from your primary residence to require that you spend the night (i.e., you could not reasonably drive home and get enough rest before having to drive back the next day for a shift).

There is a myth that any assignment more than 50 miles away from home entitles a worker to per diem expenses. This is not accurate. A commute from your home on one side of a large city to the other or across a couple of rural counties does not necessarily warrant a per diem. Go to IRS.gov and download Publication 1542 for more information, including an extensive per diem rate table by location.

3. MAINTAIN A PERMANENT RESIDENCE. Taking deductions associated with being a traveling healthcare professional and accepting per diems requires that you actually travel—which means that somewhere, you actually have a home. Pay rent or a mortgage, keep utilities in your name, and be sure to return to your home base several times a year so that you can prove residency if needed.

In addition, it helps to bank in the town where you reside permanently, have a driver’s license and auto registration in that state, and be registered to vote in your home county.

4. BE AN EMPLOYEE. Unlike traveling locum tenens physicians, traveling healthcare professionals are almost always considered employees, rather than independent contractors. To be an independent contractor, you would need to have “substantial direction and control” over your work—unlikely in a highly managed healthcare environment.

Being classified as an employee is actually to your benefit, because income and Social Security taxes are withheld throughout the year and you don’t have to worry about making quarterly tax payments or risk being surprised with a big tax bill at the end of the year. If an agency wants to place you on assignment as an independent contractor, that’s a red flag.

5. FILE ACCURATELY. Rumor has it that the IRS is stepping up the number of audits it conducts each year and IRS employees are being empowered to look for oddities on returns. Keep meticulous records, report all of your income, take all of the deductions you’re entitled to (but not more), and submit an accurate return.

Whether you do your own taxes with pen and paper, use software such as TurboTax, or hire an accountant or enrolled agent to help you, be sure to review your documents carefully before sending them in. Simple math errors, incorrect Social Security numbers, unsigned returns, and similar oversights can create headaches.

Finally, work with NATHO member agencies to avoid putting yourself at risk when tax time rolls around. Visit natho.org to download “NATHO Travel Tax FAQs,” an informative document that expands on some of the points made in this article.

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