

# HEALTH CARE PROFESSIONALS

## Allowable Deductions For Self-Employed

In addition to the typical deductions allowed for non-reimbursable expenses incurred by employees and business expenses of self-employed, health care professionals who are not employees may deduct the following expenses to the extent they are directly related to the practice of their profession such as:

- Auto expenses incurred in making calls and performing services
- Dues to professional organizations
- Lease or rent payments made for office/clinic space
- Lease payments for equipment and furniture
- Books, if useful life is less than one year

**Tip:** If useful life of books, manuals and equipment is more than one year the expense is considered a capital asset and must be depreciated over the useful life of the item.

- Equipment purchased, with useful life of less than one year
- Membership dues for professional organizations, associations and public service clubs (e.g. Rotary)
- Cost for professional journals
- Costs for professional information services and subscriptions
- Convention attendance expenses
- Business entertainment expense directly related to expansion of a medical practice
- Uniforms

## Deductible Expenses as an Employee

If you are a health care professional who is an employee you may deduct non-reimbursed business expenses in excess of 2% of your adjusted gross income (AGI). Typical expenses include:

- Uniforms of nurses, orderlies and technicians, including cleaning and maintenance provided they are:
  - a requirement of the job
  - not adaptable for common wear
- Protective wear, such as gloves, masks and safety glasses
- Work shoes
- Union dues
- Trade association dues
- Education within your profession
- Work related travel expenses
- Convention/Trade Show attendance expenses
- Practice insurance

## Reduced Deductions for High Incomes

Health care professionals with individual incomes over a certain adjusted gross income (AGI) threshold must reduce their allowable itemized deductions by 3% of the excess amount over the threshold. No reduction is required for:

- Medical expenses
- Investment interest
- Casualty, theft and wagering losses

**Note:** The reduction can never be more than 80% of your itemized deductions. The reduction is applied after the disallowance of miscellaneous expenses below 2% of your income.

## Non-deductible Expenses

- Club dues, other than professional organizations or associations, whether for pleasure or business
- Cost for professional libraries with useful lives of more than one year must be capitalized and depreciated over their lives

- Foreign convention attendance expenses
- A physician's staff privilege fee paid to a hospital must be capitalized and depreciated
- Commuting expense to and from place of work

## **Office in Your Home**

Many health care professionals can now enjoy the tax benefits of deducting the cost of an in-home office. If you are a health care professional with an office in your home, you may deduct certain expenses if:

- You are operating an on-going trade or business
- The space is exclusively used for your profession
- The space is on your premises but in a separate structure
- You use the space to meet patients, clients or customers
- The space is the principal place of your business
- You use the space to store samples and/or inventory for your business
- You conduct the general administrative duties of your business in the space and there is no other fixed location to do so

The tax laws regarding home office use have recently been relaxed. With the new home office definition, many professionals who perform administrative duties in their home can now take home office deductions.