

## Question

I used to travel and contract nurse in New York. My primary agency preferred contract nurses to incorporate as soon as possible. I want to start up again but live in Florida. What tax benefits or deductions are worthwhile to incorporate both with a travel company and your own business/employee expenses than putting in a w4 as independent contractor and filing employee business expenses at the end of the tax year??? Thanks.

I had to refer this question to a travel tax expert ([www.traveltax.com](http://www.traveltax.com)). 866-272-7871. Below is his response:

The reason that your company wants you to incorporate has less to do with tax benefits as it does IRS regulations concerning independent contractor status. Working as an IC has gained popularity recently, but legally, a non physician healthcare practitioners rarely qualifies for IC status. When you work at a hospital through an agency, the hospital or agency controls your hours, work environment, provides the tools and lays out the conditions of employment. Contrast that with a painter who brings his/her own tools and works on his own schedule. This distinction is simplified but illustrates the difference. The way around this legality is to have the nurse incorporate and work as his/her own employee, satisfying the legal aspects IC regulations.

There are advantages and disadvantages to working through your own incorporation.

### Disadvantages:

- 1) There is far more paperwork involved in running your own company as opposed to working as an employee or sole proprietor. In addition to quarterly estimated payments, you may have to file quarterly payroll tax forms with the IRS and the state tax agencies
- 2) Added expenses of hiring someone to manage this paperwork
- 3) Expense of incorporating
- 4) For each state that you work in, you will have to get a tax ID to make the required payments and investigate minimum standards like workers compensation and unemployment

### Advantages

- 1) Greater access to benefit management tools
- 2) More retirement savings options
- 3) The ability to procure your own contract vs. working through a middleman
- 4) Surer legal grounds to hire other professionals

### Myths about incorporating

- 1) You cannot pay yourself a lodging per diem - you can only use actual lodging expenses as your expense
- 2) You cannot pay yourself an unreasonably low salary and the rest in dividends

Finally, with proper management, working as an employee of your own corporation can be more lucrative. At the minimum, you should look for opportunities to make 25% more than you would as an employee before giving any consideration to an opening. This 25% benchmark will allow you to cover the additional taxes and compensate for the time you put into the additional paperwork.