



Physician Travel Tax Issues

As an independent physician working healthcare assignments arranged by the Company, you are considered and will be treated as an independent contractor in all respect, and will not be treated as an employee. As a non-employee, the Company does not and should not monitor the tax requirements relating to the taxation of your travel-related benefits such as airfare, car rental, mileage reimbursement, and lodging reimbursed to you or paid on your behalf. As an independent contractor you are entitled to deduct unreimbursed travel expenses incurred while on away from home assignments with the Company; however, to do so, you must monitor the tax rules and should consider the following more pertinent requirements:

To be considered qualified travel expenses, you must be considered a “qualified traveler” that meets the following three requirements:

1. You must maintain a permanent tax home where you generally return after each assignment and where you incur duplicate housing costs,
2. The temporary assignment must require overnight sleep and lodging away from your tax home. That is, the assignment must not be within commuting distance of your tax home, and
3. Your temporary assignment(s), including extensions, must not be expected to last longer than one year within the same geographical area without a substantial break in service. This includes all assignments within the same geographical area, whether with the Company, another agency, or work you find for yourself. The IRS has ruled that a 3 week absence is not long enough, but a consecutive 7 month absence is long enough to restart the one-year counting. There is no clear guidance for absences between 3 weeks and seven months.

If you meet these requirements, then you can deduct certain unreimbursed travel-related expenses against your income. These deductions are generally claimed on IRS Form 1040 Schedule C (not subject to the limitation of itemized deductions) or on your professional corporation income tax return.

If you are not a “qualified traveler”, you should notify the Company immediately and we will report all travel expenses as taxable compensation along with your cash compensation on year-end Form 1099-MISC.

To the extent the Company reimburses you or pays travel expenses on your behalf, you may not deduct these costs on your personal income tax return. However, if your actual expenses are greater than the amount funded by the Company, you may be able to claim a tax deduction for the additional cost you incur.



Typical Travel Expenses –

- Temporary Lodging – If temporary lodging is not provided by CompHealth, you may deduct your actual housing costs. As a self-employed traveler, you may not deduct the housing portion of the IRS per diem amount. IRS rules preclude the housing per diem. Only actual costs may be claimed.
- Meals & Incidentals – You may deduct one-half of your meal costs. You may deduct either one-half the actual cost of the meals or one-half of the Meals and Incidental (M&I) portion of the IRS per diem amount allowed for the area of travel by the U.S. General Services Administration (GSA). The standard M&I per diem amount for 2010 is \$46 per day. Higher amounts are allowed for designated high cost locations.
- Mileage – If you are using your personal vehicle, you may deduct a cents-per-mile amount for your travel to the assignment, your business mileage while on assignment, and your trip home. This cents-per-mile rate is not available for rental cars. The standard rate for 2010 is 50 cents per mile.

You must keep adequate documentation for all deductions you claim.

You may find the following IRS publications helpful:

- Publication 463 – Travel, Entertainment, Gift, and Car Expenses
- Publication 535 – Business Expenses
- Publication 334 – Tax Guide for Small Businesses
- Publication 1542 – Per Diem Rates (For Travel Within the Continental United States)

As always, we recommend you consult with your tax advisor.

The information contained herein is general in nature and based on authorities that are subject to change.

Tax information contained in this document is not intended to be used, and cannot be used, by any person as a basis for avoiding tax penalties that may be imposed by the IRS or any state. We recommend each taxpayer seek advice based on their circumstances from an independent tax advisor.