

# **The Tax Write-Off Checklist** **for Mental Health Private Practitioners**



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**Selling the Couch**  
**Podcast and Blog**

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This ebook is dedicated to my wife. The idea for the podcast and blog would have stayed a dream were it not for you. Thank you for believing in me.

The information contained in this guide is for informational purposes only. I am not a lawyer or an accountant. Any legal or financial advice that I give is my opinion based on my own experience. You should always seek the advice of a professional before acting on something that I have published or recommended. Please understand that there are some affiliate links contained in this guide that I may benefit from financially.

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Hi. Thanks for taking the time to read this guide. I'm glad you're here whether you found this guide through my blog or a colleague passed it along to you.

The word "taxes" often sends chills up private practitioners' backbones (yikes...I just felt something!).

As an intern and a post doc, I was used to having a monthly salary, which meant that taxes were already set aside. But the game changed when I became licensed and started working as an independent contractor in a group private practice. I had to figure out how much to set aside for taxes and what exactly I could write off.

You'll likely find yourself in the same boat when you have your own mental health private practice.

Here's where this guide can help. It contains valuable lessons I learned about taxes while being in private practice and a list of common tax write-offs for mental health private practitioners.

My hope is that this book becomes an invaluable resource for you on your private practice journey.

I created this book and the [Selling the Couch Podcast and Blog](#) to help my colleagues in private practice and for those who dream of being in private practice one day. I'm so thankful for the time and attention you've given to me. My hope is that this guide will make your private practice journey a bit easier.

To all of my family and friends: I'm grateful for your endless support.

Here's to success on your private practice journey! ~Melvin

Please reach out if you have questions while reading this guide.

Even if you don't have questions, I'd love for you to stop by and say hello!

You can find me on the following social media channels:

**Facebook:** [Selling the Couch Facebook Page](#)

**Twitter:** [@mvarghese5](#)

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## Confused? Common Tax Questions Answered

I created this section to answer common tax questions that private practitioners have. This section is meant to be a guide. As you know, taxes for a small business owner can get complicated. So please reach out to a qualified tax professional if you have questions related to your specific situation. Enjoy!

### What can I write off for taxes?

Most expenses that you incur in the normal course of doing business can be deducted for taxes. The key is that they have to be an *ordinary* and *necessary* part of your business.

### What percentage do I set aside for taxes?

How much you set aside depends on several factors like the number of people in your household, your household income, whether you file taxes jointly or independently, donate to charities, and make retirement contributions, among other things. *I suggest setting aside 25-30% of your total monthly income for taxes. You may have to adjust this percentage once you get an idea of what your annual income will be.*

**Melvin's Tip:**  
Check out  
Yelp.com for a list  
of ratings/reviews  
of tax professionals  
in your area.

### Can everything related to my business be 100% written off?

Unfortunately, no. While many expenses can be fully written off, some expenses, like the use of a home office or a cellphone that's for both personal and business use, are deducted as percentages. Also, business-related meals and entertainment can be deducted, but only at 50%.

### How should I keep records of my business expenses?

I suggest keeping track of expenses in either a notebook, a spreadsheet, or using software or an app on your phone. For the first few years, I tracked business expenses in a small notebook. For each month, I had columns for “Type of Item”, “Cost,” and “Category” (e.g., gas, CEU’s, etc.). It took me a few minutes each day, but tracking my expenses daily made it easier to calculate write-offs when it came time for taxes. I suggest tracking expenses daily. Otherwise, you’ll spend hours trying to dig up expenses from the beginning of the year (and may end up missing a few!).

### What tax software do you recommend?

I recently switched to [FreshBooks](#) after hearing several positive reviews about it from small business owners and in large publications.

It’s a cloud-based software that allows me to keep track of expenses and invoices through my smartphone, computer, and/or tablet.

I like [FreshBooks](#) for a few reasons. First, it means that I don’t have to carry my notebook around anymore to write down expenses. Second, I can scan my receipts right into the software using the camera on my smartphone (translation: no more lost receipts). Finally, I can print a summary of expenses for the year when it comes time to do taxes. All of my expenses are categorized and calculated for me, which I know will save a few hours.

I don’t think you need something like [FreshBooks](#) when you’re first starting out but definitely check it out once your practice gets rolling. Also, just a reminder that tax software is tax-deductible.

## How long should I keep my tax records?

This is from the IRS website: “Keep all employment tax records for at least 4 years after the date that the tax becomes due or is paid, whichever is later.”

## Are there any other taxes besides federal taxes I have to pay?

Possibly. Many states have a state income tax and some cities have a “business privilege tax.” In other words, you may have to pay your local city or county an additional tax depending on where your private practice is located.

## How often should I pay my federal taxes each year?

I found out the hard way that the IRS likes to have taxes paid throughout the year (as opposed to paying one lump sum at the end of the year). To be fair, I didn't know. So be sure to pay your taxes quarterly. Otherwise, the IRS will penalize you and will add interest on top of what is owed. This is also true for state, city, and/or county taxes, if those taxes are applicable to you.

**Melvin's Tip:**  
Check out [FreshBooks](#) if you're looking for easy-to-use tax software.

## What retirement options are available for private practitioners?

The two most common self-employed retirement plans are a Simplified Employee Pension (SEP) and a Keogh. Adding to retirement plans can reduce the amount of tax you owe each year. Again, please research and check with a licensed professional to see which option is best for you.

## Can I deduct mileage from my car in my taxes?

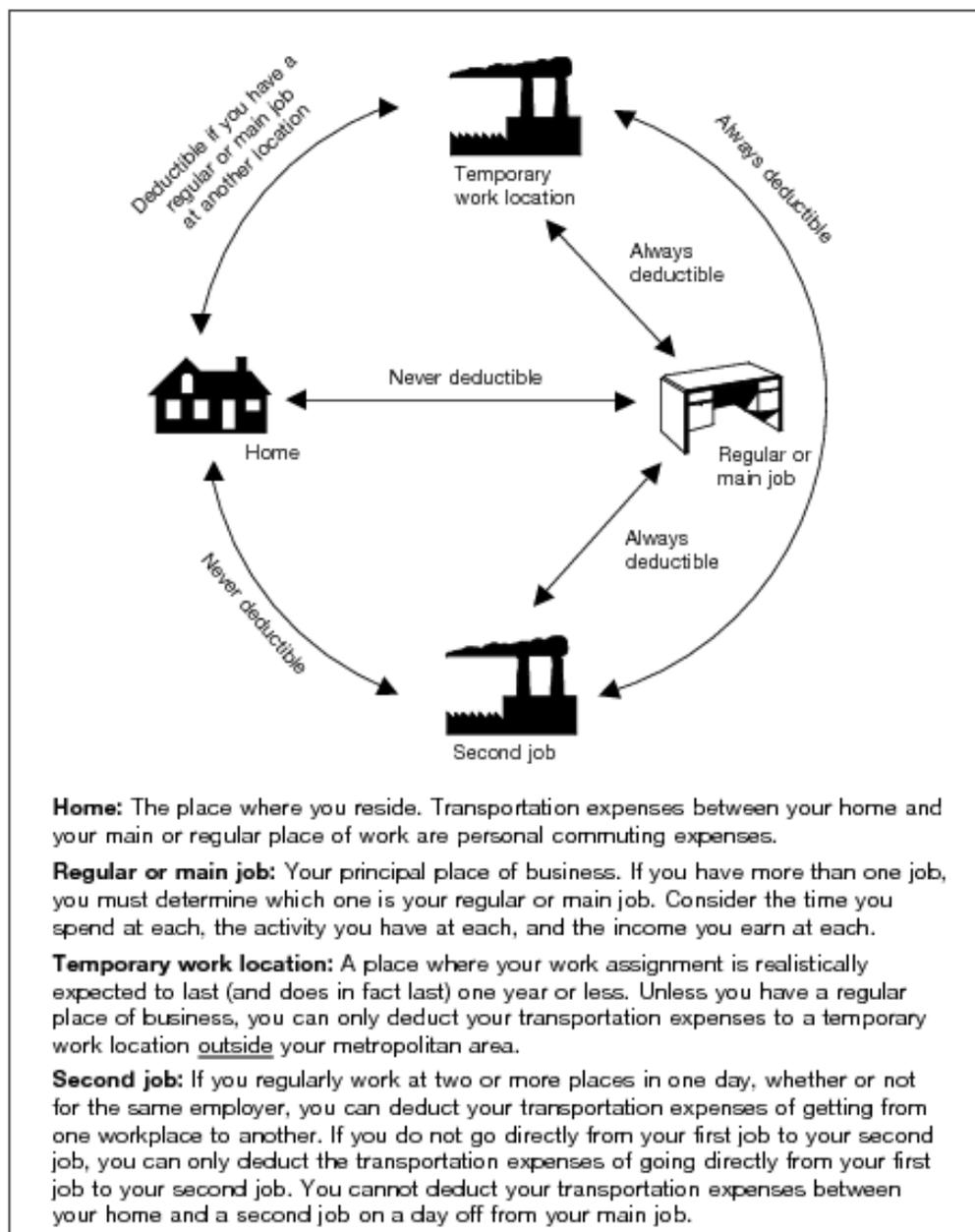
Yes, you can deduct mileage from your car depending on where you're traveling to or from.

You can either calculate the actual costs of using your vehicle or you can take a standard mileage rate.

The rates are 56 cents per mile driven for the 2014 tax year and 57.5 cents per mile driven for the 2015 tax year. Please check the IRS website for the standard mileage rate as it tends to vary year by year.

Unfortunately, your commute from home to your private practice cannot be deducted. However, your mileage can be deductible if you have a home office and have a separate private practice location.

I've included a chart from the IRS website at the end of this section that explains it way better than I could.



## The Tax Write-off Check List For Mental Health Private Practitioners

The next few pages contain a list of tax write-offs created for mental health private practitioners. I've broken down items into sections and each section is in alphabetical order for your convenience.

NOTE: I've marked some expenses with an asterisk ("\*"). This means that this item may or may not be deductible. It depends on whether you have a home office and a private practice office (fully deductible) or just a private practice office (not deductible). I've also marked other expenses with two asterisks ("\*\*"). This means that this item is deducted in percentages (e.g., a home office). Please consult a tax professional with questions.

### Education/Training

- Audio Recordings
- Books/e-books
- CD's/DVD's
- Conferences
- Continuing Education
- Learning Software
- Professional Magazines or Journals
- Online-courses
- Seminars/Workshops/Webinars

### In Session

- Games
- Play Therapy Tools
- Toys
- Therapy equipment (e.g., biofeedback)
- Whiteboard

## License Related

- Liability Insurance
- Licensure Fees
- Professional Memberships

## Marketing/Advertising

- Advertising Stationery
- Billboards
- Booths at Conferences
- Business Cards
- Business Stationary
- Flyers
- Networking Events
- Newsletter/Email List Service
- Online/Find a Therapist Directories
- TV/Radio/Print/Internet Ads
- Video/Audio equipment
- Website Hosting Fees

## Office

- Business Meals\*\*
- Computer/Tablet/Printer/Copier/Fax/Internet
- Credit Card Processing Fees
- Food and Beverages in Office
- Magazines in Waiting Room
- Home Office\*\*
- Office Furniture
- Office Rent
- Office Supplies
- Phone
- Postage
- P.O. Box or Suite Mailbox Rental
- Software
- Music/Video Subscription
- Upkeep/Maintenance Costs
- Utilities
- Voicemail/Paging Services

## Personal

- Health/Dental Insurance
- Personal Psychotherapy

## Services

- Accounting Fees
- Business Coaching
- Legal Fees
- Logo Creation
- Search Engine Optimization Costs
- Collection Agency Fees
- Web Design

## Travel

- Business-related Travel
- Car Maintenance\*
- Plane Tickets for Conferences
- Parking\*
- Tolls\*
- Gas\*
- Train/Bus Fare\*

### Final Words from Melvin

Congratulations on getting through this guide!

I know that I've provided a lot of information, but I hope you found it helpful.

Here are just a few thoughts I'd like to share with you before we wrap up:

#### 1) Keep A Daily or Weekly Record Of Your Tax Write-offs

I cannot stress this enough. Each week, you'll likely have some business-related expenses that you can write off for taxes. It's much easier to track it on a daily or weekly basis rather than trying to calculate it at the end of the year.

#### 2) Keep and Ask for All Receipts

This way you have a record of all your business-related expenses. It's also necessary to produce receipts if you ever get audited.

#### 3) Please Ask If You Have Questions

If there's one thing I want you to take away from this guide, it's that you should always ask if you are confused whether something is a tax write-off. I would never want you to be in situation where you are audited by trying to write off something that raises red flags. This brings me to my final point.

#### 4) Considering Hiring A Tax Professional

I know that finances can be tight especially when first starting in private practice. But tax rules are constantly changing, and it's nice to have someone that's keeping up to speed on them. The few hundred dollars that you spend on an accountant may help you save thousands of dollars in taxes. Plus accounting expenses are tax deductible.

Thank You!

I hope you enjoyed reading this guide as much as I enjoyed creating it for you. I'm very grateful for you and your support of the [Selling the Couch podcast and blog](#).

I started the [Selling the Couch podcast and blog](#) to help mental health professionals achieve their private practice dreams. Each week, I have conversations with some of the most successful therapists in private practice as well as the world's top marketing, social media, and business experts. I record each conversation so you can learn valuable tips for your private practice journey. The blog contains these recordings, articles, videos, and a constantly updated [Resource Page](#) full of tools to help you on your private practice journey. It's my way of giving back to a professional community that's already given so much to me. *Thanks again, and I wish you nothing but the best! ~Melvin*



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