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Associate Doctor Playbook

The First-Year Guide as an Independent Contractor for Dental, Medical, or Veterinarian Professionals

David Oesterle, CPA

2090 Jolly Rd
Ste 125
Okemos, MI 48864

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Graduating from Dental, Medical, or Veterinarian School represents a pivotal moment in your professional journey, yet it often leaves new practitioners facing complex decisions without adequate preparation. While education excels at clinical training, it frequently falls short in preparing graduates for the business, financial, and strategic decisions that determine long-term career success.

The transition from school to professional practice creates unique challenges that require careful consideration. Your education did not focus on the financial decisions that will need to be made after graduation or residency. This educational gap can leave new doctors feeling unprepared for critical career decisions.

New graduates typically face several pressing questions: Which geographic market offers the best opportunities? Should I pursue additional specialty training or begin practicing immediately? What type of practice environment aligns with my professional goals? These decisions carry significant long-term implications, particularly when combined with substantial student loan obligations and limited professional experience.

This playbook focuses on guiding you on the financial decisions you will need to make.

As you go through this guide, write down any topics to discuss in further detail. Enjoy!

Contact ProfitWise CPA

Reach out to us now for a consultation and learn how our expertise can pave the way for your success. Together, we can build a prosperous future.

https://profitwisecpa.com/contact

W2 Employee **vs** Independent Contractor

Classifications for New Associate Doctors and Residents Seeking Employment

When searching for their first job, new associate doctors or residents fall into two distinct classifications:

- **Employee**: This classification entails receiving a Form W-2 from the employer.
- **Independent Contractor**: This classification involves receiving a Form 1099.

The IRS determines whether you are classified as an Employee or Independent Contractor based on three criteria:

- **Behavioral Control**
- **Nature of Relationship**
- **Financial Control**

W2 Employee vs Independent Contractor Status

Comparison Chart

Status	W2 Employee	Independent Contractor
Criteria	Behavioral Control	
	• The office sets the associate's schedule (e.g., Monday–Thursday, 8 am–5 pm). • The practice assigns patients, oversees procedures, and provides clinical supervision or protocol guidance. • The associate is required to use office policies and treatment planning standards. • There may be mandatory staff meetings, clinical reviews, or production targets.	• The associate must control how the work is performed. • They should set their own schedule, decide which procedures to perform, and choose treatment plans without oversight. • The practice cannot require the associate to attend staff meetings, follow office-specific protocols, or mandate specific hours. • The associate cannot be directly supervised like a W-2 employee.

W2 Employee vs Independent Contractor Status

Comparison Chart

Status	W2 Employee	Independent Contractor
Criteria	**Nature of Relationship**	
	• The associate receives employee benefits, such as: ◦ Health, dental, or vision insurance ◦ Retirement plan participation (401k, SIMPLE IRA) ◦ Paid vacation, holidays, or sick time ◦ Continuing education reimbursement • The relationship is ongoing and exclusive, with a clear expectation of continuity. • There is a written employment agreement, but the actual working arrangement also shows integration into the core business of the practice.	• Clearly states the independent contractor relationship. • Has a finite term (e.g., 6 months to 1 year) with no implication of permanence. • States the associate is not eligible for benefits such as health insurance, paid time off, retirement contributions, or worker's compensation. • Affirms the associate is responsible for their own tax payments and recordkeeping.

W2 Employee vs Independent Contractor Status

Comparison Chart

Status	W2 Employee	Independent Contractor
Criteria	**Financial Control**	
	• The associate is paid a guaranteed salary, daily rate, or production bonus based on collections. • The practice handles all billing, collections, and fee setting. • The practice provides all equipment, supplies, assistants, and front-desk staff. • The associate does not incur business expenses and does not have financial risk.	• Set their own fees or be compensated based on collections rather than a guaranteed salary. • Provide their own tools or instruments (e.g., loupes, personal equipment, possibly materials). • Be responsible for their own liability insurance, continuing education, and licensure fees. • Incur business expenses and have the opportunity for profit or loss (e.g., based on patient volume or no-show rates). • Possibly pay rent for the use of the office or chair time.

Reporting

Based on the information provided, you now have clarity on whether you should be categorized as a W2 Employee or an Independent Contractor.

When it's time to file your taxes, here are the forms you can expect to receive in January for the previous year's work.

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W2 Employee vs Independent Contractor Status

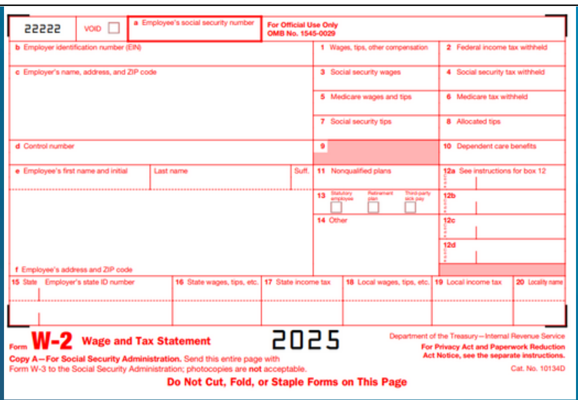
Comparison Chart

Status	W2 Employee	Independent Contractor

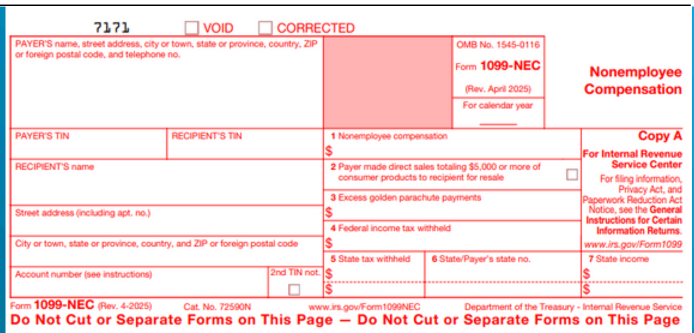
Tax Forms Received

W2 Employee	Independent Contractor
• Form W2	• Form 1099

Examples



22222 VOID
a Employee's social security number
For Official Use Only
OMB No. 1545-0029
b Employer identification number (EIN)
1 Wages, tips, other compensation
2 Federal income tax withheld
c Employer's name, address, and ZIP code
3 Social security wages
4 Social security tax withheld
5 Medicare wages and tips
6 Medicare tax withheld
7 Social security tips
8 Allocated tips
d Control number
9
10 Dependent care benefits
e Employee's first name and initial
Last name
Suff.
11 Nonqualified plans
12a See instructions for box 12
13 Statutory employee
Retirement plan
Third-party sick pay
12b
14 Other
12c
12d
f Employee's address and ZIP code
15 State Employer's state ID number
16 State wages, tips, etc.
17 State income tax
18 Local wages, tips, etc.
19 Local income tax
20 Locality name
Form **W-2** Wage and Tax Statement 2025
Department of the Treasury—Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.
Cat. No. 10134D
Copy A—For Social Security Administration. Send this entire page with Form W-3 to the Social Security Administration; photocopies are **not** acceptable.
Do Not Cut, Fold, or Staple Forms on This Page



7171 VOID CORRECTED
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.
OMB No. 1545-0116
Form **1099-NEC**
(Rev. April 2025)
For calendar year
Nonemployee Compensation
PAYER'S TIN
RECIPIENT'S TIN
1 Nonemployee compensation
$
Copy A
For Internal Revenue Service Center
For filing information, Privacy Act, and Paperwork Reduction Act Notice, see the **General Instructions for Certain Information Returns.**
www.irs.gov/Form1099
RECIPIENT'S name
2 Payer made direct sales totaling $5,000 or more of consumer products to recipient for resale
3 Excess golden parachute payments
$
Street address (including apt. no.)
4 Federal income tax withheld
$
City or town, state or province, country, and ZIP or foreign postal code
5 State tax withheld
$
$
6 State/Payer's state no.
7 State income
$
$
Account number (see instructions)
2nd TIN not.
Form **1099-NEC** (Rev. 4-2025) Cat. No. 72590N www.irs.gov/Form1099NEC Department of the Treasury - Internal Revenue Service
Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

Payroll Taxes

Now that we understand how your income will be reported, it's crucial to recognize the key distinction in the tax treatment of this income from various sources. This essential difference is known as Self-Employment Tax. Keep in mind that 'Income Tax and Self-Employment Tax' are distinct tax responsibilities for Independent Contractors.

W2 Employee vs Independent Contractor Status

Comparison Chart

Status	W2 Employee	Independent Contractor
Payroll Taxes	• Associate pays for ½ of Payroll Taxes and Employer pays for ½ of Payroll Taxes • Payroll Tax Burden to Associate = 7.65% • Employer withholds both portions are remits to the applicable tax agencies.	• Associate pays for both 'Employee share' and 'Employer share' of Payroll Taxes • Payroll Tax Burdent to Associate = 15.3% • The Associate is respnsible for remitting taxes to the applicable tax agencies.

*Additional Medicare Tax of .9% applies when income hits a certain threshold based on income backets

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Income Taxes

I've Been Designated as an Independent Contractor, What Should I Do Next?

As an Independent Contractor, your income reporting will differ from that of a W-2 employee. Typically, you will report your earnings on Schedule C of your Form 1040.

Form 1040 is the document mandated by the U.S. Government for reporting income taxes, while Schedule C is a specific section within this form where you will detail your income and expenses. Refer to Schedule C below:

SCHEDULE C (Form 1040)
Department of the Treasury
Internal Revenue Service

Profit or Loss From Business
(Sole Proprietorship)
Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.
Go to *www.irs.gov/ScheduleC* for instructions and the latest information.

OMB No. 1545-0074
2024
Attachment Sequence No. **09**

Name of proprietor | **Social security number (SSN)**

A Principal business or profession, including product or service (see instructions) | **B Enter code from instructions**

C Business name. If no separate business name, leave blank. | **D Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)
City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you "materially participate" in the operation of this business during 2024? If "No," see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2024, check here . . . ☐

I Did you make any payments in 2024 that would require you to file Form(s) 1099? See instructions . . . ☐ **Yes** ☐ **No**

J If "Yes," did you or will you file required Form(s) 1099? . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . ☐	1	
2	Returns and allowances . . .	2	
3	Subtract line 2 from line 1 . . .	3	
4	Cost of goods sold (from line 42) . . .	4	
5	**Gross profit.** Subtract line 4 from line 3 . . .	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) . . .	6	
7	**Gross income.** Add lines 5 and 6 . . .	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising . . .	8		18	Office expense (see instructions) .	18	
9	Car and truck expenses (see instructions) . . .	9		19	Pension and profit-sharing plans .	19	
10	Commissions and fees .	10		20	Rent or lease (see instructions):		
11	Contract labor (see instructions)	11		a	Vehicles, machinery, and equipment	20a	
12	Depletion . . .	12		b	Other business property . . .	20b	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions) . . .	13		21	Repairs and maintenance . . .	21	
				22	Supplies (not included in Part III) .	22	
				23	Taxes and licenses . . .	23	
				24	Travel and meals:		
14	Employee benefit programs (other than on line 19) .	14		a	Travel . . .	24a	
				b	Deductible meals (see instructions)	24b	
15	Insurance (other than health)	15		25	Utilities . . .	25	
16	Interest (see instructions):			26	Wages (less employment credits)	26	
a	Mortgage (paid to banks, etc.)	16a		27a	Other expenses (from line 48) . .	27a	
b	Other . . .	16b		b	Energy efficient commercial bldgs deduction (attach Form 7205) . .	27b	
17	Legal and professional services	17					

28	**Total expenses** before expenses for business use of home. Add lines 8 through 27b . . .	28	
29	Tentative profit or (loss). Subtract line 28 from line 7 . . .	29	
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. **Simplified method filers only:** Enter the total square footage of (a) your home: ________ and (b) the part of your home used for business: ________ . Use the Simplified		

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Legal Structure vs Tax Structure

Understanding the Distinction between Legal and Tax Structures for Independent Contractors

As an Independent Contractor, it's crucial to recognize the difference between Legal Structures and Tax Structures. The Legal Structure is determined by the regulations of the state in which you operate, while Tax Structures fall under Federal Tax Law. The IRS permits you to select a Tax Structure that aligns with your chosen Legal Structure. Typically, a business will choose a legal framework based on the state where it primarily conducts operations. However, it's essential to discuss both legal and tax structures with your CPA before establishing your setup.

Current Trends in Legal and Tax Structures

In today's landscape, many Associates opt to form a Professional Limited Liability Company (PLLC) and choose to be taxed as either a disregarded entity or an S Corporation.

It's important to note that certain states require professionals to establish a PLLC instead of a standard Limited Liability Company (LLC).

State-Specific Regulations

Each state has its own set of rules, so understanding the specific requirements in your state is vital.

For more information, here is a link to the regulations for all states. I highly recommend researching your state's guidelines or consulting with a CPA or Attorney when setting up your business structure.

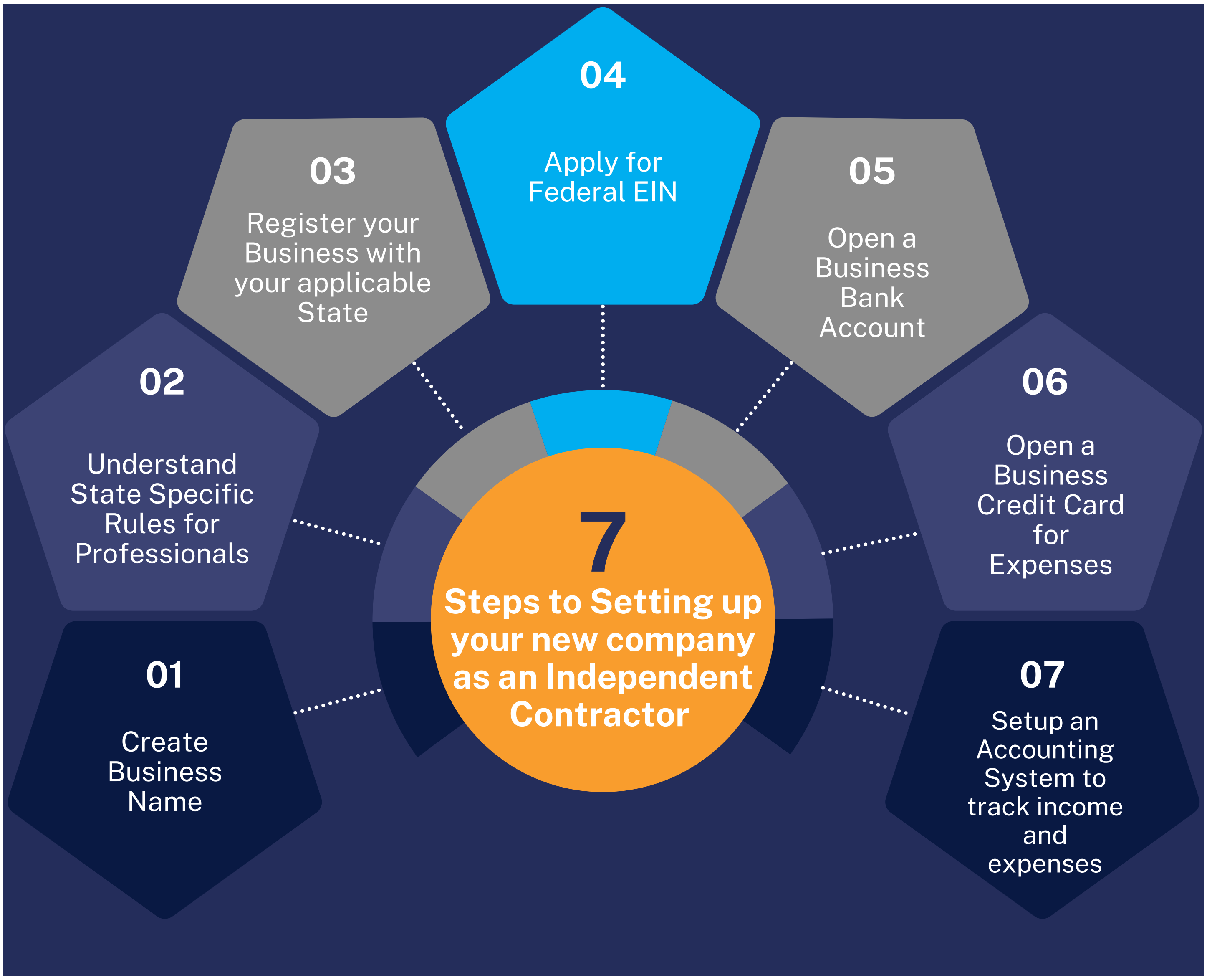
https://www.northwestregisteredagent.com/start-a-business/professional-entity-requirements

Ordering

Order in how to set up your new company

Now that you have identified your worker classification and have a basic understanding of income and legal implications. It's time to set up your new company.

Below are seven Steps to set up your new company.



Business Responsibilities

Staying Organized

Once you've established your new company as an independent contractor, it's crucial to begin monitoring specific business-related elements.

- Implement a system to track business expenses. Steps 5-7 in the previous slide focus on this vital task.
- Setting up a business bank account and credit card is essential, as it helps maintain a clear distinction between business and personal expenses.

Keeping your business and personal finances separate is important for legal reasons. Some attorneys specialize in targeting professionals and their LLCs to access personal assets.

Planning

At this stage, it's also important to start strategizing for the next 2-5 years of your career. The business you've created can support future aspirations, such as starting your own practice or collaborating with another doctor.

In the upcoming slides, we will explore the essentials to kickstart your business and achieve both short- and long-term goals.

Expenses

As you embark on your business journey, it's essential to monitor your expenses to balance out your income. This is one of the advantages of being classified as an independent contractor. Below is a list of potential expenses you may encounter and should be tracked when preparing your taxes. Additionally, it is beneficial to charge these expenses to a business credit card.

Associate Expenses

Allowable Business Deductions

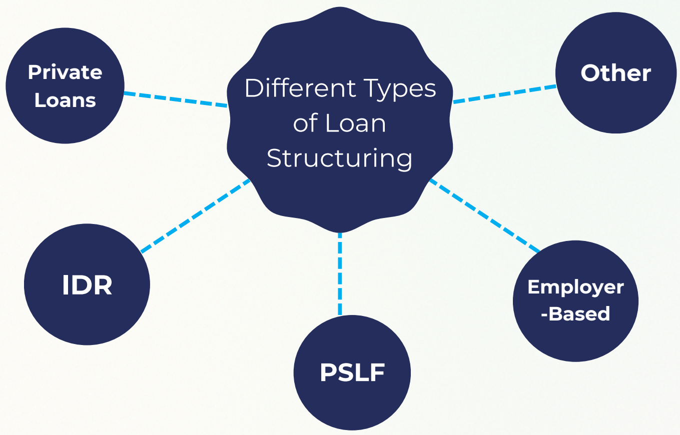
- Home Office Space / Rent
- Computer Equipment
- Office Furniture/Fixtures
- Office Software
- Office Supplies
- Phone/Internet
- Clinical/Medical Supplies
- Malpractice / Liability Insurance
- Health Insurance
- Uniform / Scrubs
- Small Tools
- Clinical Equipment
- Bank / Merchant Fees
- Subscriptions
- Business Mileage
- Actual Vehicle Expenses (Have to choose between Mileage and Actual Expenses but still have to track mileage regardless)
- Parking/Tolls
- Travel
- Continuing Education
- Advertising
- Legal / Accounting
- Licenses and Fees
- Association Dues
- Books, Manuals, Journals
- Equipment Repairs
- Donations (Reported on Sch A)
- Meals (50% deductible)

Loans

Undoubtedly, loans play a significant role in the journey to becoming a doctor for many individuals. Understanding how to manage student loans is essential for reaching your financial objectives. Since everyone has unique goals, student loans require a more personalized approach.

Here are the various loan options available after graduation, categorized by whether they are Private or Federal Loans.

STUDENT LOANS



Refinance

Look to refinance private loans if interest rates are lower.

Income-Driven Repayment (IDR) Program

This program is for Doctors who need to manage their monthly payments and the program typically bases payments on discretionary income with the balance of loan forgiven after so many years in the plan

Public Service Loan Forgiveness

For Doctors working for a non-profit organization or gov't agency. Typically you need to work for 10 years and make 120 payments, any remaining direct loan balance is forgiven.

Consolidation

Typically you might consolidate loans to qualify non-IDR/PSLF loans to become part of an IDR or PSLF loan program.

https://studentaid.gov/loan-consolidation/

Employer-Based Loan Repayment Program

Many organizations now offer student loan repayment programs to attract doctors. Ask if this available when applying for jobs.

Insurance

Essential Insurance Protection for Associate Doctor Professionals

Insurance protection forms a cornerstone of sound financial planning for new associates. These protective measures safeguard both your earning capacity and professional practice, creating the security necessary for long-term career success.

Disability Insurance

Disability insurance protects your most valuable professional asset—your ability to practice. The profession demands precise manual dexterity and cognitive function, making even minor injuries potentially career-threatening. Own-occupation disability insurance provides benefits specifically when you cannot perform duties, regardless of your ability to work in other capacities.

Essential features to secure disability policies include:

- Non-cancelable, guaranteed renewable terms
- Residual or partial disability benefits
- Future increase options without medical underwriting
- Specialty-specific definition of disability

New associates should obtain disability coverage immediately, ideally securing policies that replace at least 60% of expected income. Purchasing coverage while young and healthy locks in lower premiums and guarantees insurability before health issues develop.

Life Insurance Coverage

Life insurance is a crucial safeguard, especially considering the specific occupational hazards that professionals encounter, such as exposure to infectious diseases and radiation. The coverage options available largely depend on your employment classification and lifestyle choices. Ultimately, the goal is to ensure that your loved ones are well taken care of.

Key Benefits of Life Insurance:

- Acts as income replacement for your loved ones
- Protects against debts and loans
- Safeguards your business or future practice ownership

There are two primary types of life insurance: whole life and term policies. Whole life insurance offers coverage for your entire lifetime and includes a cash value component that accumulates over time. In contrast, term life insurance is typically more affordable and provides a death benefit if you pass away during the specified term.

Professional Liability Protection

Professional liability insurance, commonly called malpractice insurance, provides coverage when patients claim injury from treatment. Two primary policy types offer different protection approaches:

Claims-made policies cover incidents that both occur and are reported while the policy remains active, requiring "tail coverage" when changing insurers. Occurrence-based policies cover any incident that occurred during the policy period, regardless of when claims are reported.

New associates should secure appropriate coverage limits, typically $1-3 million per occurrence, and understand whether defense costs reduce policy limits. Policies should cover both legal defense expenses and potential settlements.

It's important to note that comprehensive insurance protection creates the foundation for financial stability, providing peace of mind that allows focus on clinical skill development and practice building. This protection works together with the tax planning, retirement strategies, and business structures discussed earlier to create a complete financial framework for professional success.

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Retirement

As a self-employed doctor associate—whether in medicine, dentistry, or veterinary care—planning for retirement is both a personal and professional imperative. Unlike traditional employees, you don't have access to an employer-sponsored 401(k) or pension, which means it's up to you to create a retirement strategy that matches your income potential and long-term goals.

Fortunately, there are two main tax-advantaged retirement plan options specifically designed for independent professionals like you. Choosing the right one can not only secure your future but also reduce your current tax liability, enhance savings flexibility, and support the lifestyle you envision after clinical practice.

SEP IRA (Simplified Employee Pension)

A SEP IRA (Simplified Employee Pension) is a type of retirement account that allows you to contribute up to 25% of your net self-employment income, with a maximum of $70,000 in 2025. It's easy to set up, has minimal paperwork, and offers tax-deferred growth, meaning you won't pay taxes on the money until you withdraw it in retirement. However, only the "employer" (you, in this case) can contribute—there's no option to contribute as an "employee."

Solo 401k / i401k

On the other hand, a Solo 401(k) is designed for self-employed individuals with no employees (except possibly a spouse), and it allows you to contribute in two ways: first, as an employee up to $23,500 (or $31,000 if you're over 50) for 2025, and second, as the employer, contributing up to 25% of your business income. This can result in even higher total contributions than a SEP IRA. The Solo 401(k) also offers the option for Roth contributions, which are made with after-tax dollars but grow tax-free, as well as the ability to take loans from the account—features that SEP IRAs do not provide.

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Planning

Qualified Business Income Deduction

As a newly self-employed or 1099 associate doctor, understanding how the Qualified Business Income (QBI) deduction works can be a major advantage come tax time. The QBI deduction allows eligible sole proprietors and pass-through entities (like S Corporations and partnerships) to potentially deduct up to 20% of their qualified business income from their taxable income. This means if you earn $150,000 from your independent clinical work, you might only be taxed on $120,000 of that income. However, there are income thresholds and restrictions, especially for doctors, since they fall into the category of "Specified Service Trades or Businesses." Once your income exceeds around $197,300 (single) or $394,000 (married filing jointly) in 2025, the deduction starts phasing out. Still, with the right planning and structure, new associates can leverage the QBI deduction to reduce their tax burden in their early earning years.

Health Savings Accounts

A Health Savings Account (HSA) is one of the most underutilized yet powerful planning tools for associate doctors, especially those enrolled in a high-deductible health plan (HDHP). Think of it as a "triple-tax-advantaged" account: your contributions are tax-deductible, the money grows tax-free, and withdrawals for qualified medical expenses are also tax-free. In 2025, individuals can contribute up to $4,300 (or $8,550 for families), with an extra $1,000 catch-up if they're over 55. For doctors just beginning to earn higher income, the HSA becomes a strategic way to save for both short-term medical costs and long-term retirement, since funds can be used like a traditional IRA after age 65 (taxed only if used for non-medical purposes). It's essentially a stealth retirement account with the added benefit of covering inevitable healthcare expenses along the way.

S Corporations

Establishing an S Corporation can also be a highly effective strategy for associate doctors who are earning significant income as independent contractors. An S Corp is a tax election (not a business type) that allows your income to be split between reasonable salary and distributions. You pay payroll taxes only on the salary portion, while distributions are not subject to self-employment tax. This structure can reduce overall tax liability and make you eligible for additional planning tools like retirement contributions and fringe benefits. That said, it requires a bit more setup: payroll processing, corporate filings, and help from a CPA. For associate doctors expecting to earn well into six figures, the tax savings often outweigh the administrative costs, making an S Corporation a powerful structure to explore as early as possible.

BackDoor Roth IRAs

The Backdoor Roth IRA is a smart workaround for high-earning doctors who exceed the income limits to contribute directly to a Roth IRA. Normally, once your income surpasses $165,000 (single) or $246,000 (married) in 2025, you're ineligible for direct Roth contributions. However, the backdoor method allows you to contribute to a Traditional IRA (non-deductible) and then immediately convert those funds to a Roth IRA, where they grow tax-free and can be withdrawn tax-free in retirement. It's a simple two-step process but must be done carefully to avoid unexpected taxes, especially if you have other pre-tax IRA balances (this is where the "pro-rata rule" can trip people up). For associate doctors aiming to build long-term, tax-free retirement wealth—especially when employer plans are unavailable or maxed out—the Backdoor Roth is an essential tool in the financial playbook.

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Conclusion

As you navigate your transition into independent practice, setting up the right legal and tax structure is one of the most important steps you can take to protect yourself legally, optimize your taxes, and establish a professional foundation for long-term success. Every associate's situation is unique, and your choice of entity can impact not only your current income but also your future retirement planning, liability exposure, and tax efficiency. If you're ready to take the next step or simply want clarity on whether a PLLC is the right fit for your goals, I'd love to connect for a one-on-one conversation. Let's build a plan tailored to your career path, income level, and vision for the future. Reach out anytime—I'm here to help.

About

FOUNDER

David Oesterle

★ **Certified Public Accountant** (517) 996-8699

TITLE	EXPERIENCE	EDUCATION
Founder	**15 Years**	**Bachelor's:** Michigan State University **Master's:** Cleveland State University

About David

Since the early 2010s, David has been a trusted advisor for his clients. He considers himself a tax generalist and likes learning about many areas of the tax code. Along with tax compliance and tax planning for individuals and businesses, David has gained extensive knowledge and experience, specializing in a number of specific industries.

Growing up in an entrepreneurial family, David has been fascinated with all aspects of business and, more specifically, understanding how tax strategies help a business grow.

Finally, David has combined his experience and education to dramatically impact his clients' ability to achieve their goals successfully. When David is not helping his clients, you can find him spending time with his wife and three kids. He feels very fortunate to be able to raise his kids in Michigan.

Industries

+ Health Care
+ Real Estate
+ Professional Services
+ Private Companies

Specialties

+ Accounting / Bookkeeping Services
+ Business Tax Planning
+ Business and Individual Tax Return Compliance
+ Financial Statements
+ Personal Financial Statements
+ Budgets
+ Entity Structure
+ QuickBooks
+ Individual Business Owner Tax Services
+ Professional High Earner Tax Services
+ Retiree Tax Services