



Travel Nursing and Taxes: How It All Works

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Introduction

You're in travel nursing for the adventure, for the friends you meet along the way, for the skills that you pick up at every hospital you visit. And you're in travel nursing because, if you do it right, your pay can be pretty handsome. But "doing it right," means understanding how to reap the benefits of untaxed income.

From tax homes to tax audits, here's how travel nursing taxes work and how you can make sure you reap the greatest rewards.

Become a Master of Organization

Before you get started on your tax returns or start reaching out to accountants, you need to have all your ducks in a row. This means establishing a flexible, comprehensive system for keeping track of your tax-related documents ASAP.

Keep your contracts

We recently interviewed travel nursing tax expert Joseph Smith of [TravelTax.com](https://www.TravelTax.com). His #1 actionable tip to travel nurses to make tax time easier? “Keep all your travel nursing contracts. This is non-negotiable. They provide you much of the necessary information you and your accountant need to properly complete your tax return.”

Keep your receipts

As a travel nurse, you have a ton of relevant receipts. So much of what you do may generate receipts and documentation that may be necessary come tax season. While you don't need to justify your travel expenses the majority of the time, it's great to hold onto receipts for a number of reasons.

1. You may have additional travel expenses that go above and beyond what's covered by your agency-provided travel stipend.
2. If your agency provides a lower travel stipend, you may be able to write off your additional travel expenses.

What to save

Be sure to save receipts for anything you can [claim as a deduction](#), both to make filing easier and to corroborate your claim in the event of an audit.

Looking for an easy reference for what you can deduct? Check out our deductions checklist.

How to save them

Each travel nurse has their own way of keeping paperwork. Here are our suggested receipt-saving organization systems.

- TravelTax provides a [free receipt envelope](#) just for travel nurses that doubles as a gas log.
- [Franklin Covey](#) offers a handy way to store your receipt envelopes and keep track of your expenses, all in one place.
- These [durable plastic envelopes](#) are also a travel nursing favorite, as they hold up well to the normal wear and tear of travel.
- Receipt tracking apps are a great way to go paperless.
 - [Smart Receipts](#)
 - [Scanner from Evernote](#)
 - [ReceiptMate](#)

How long to save them

In general, given that the IRS can audit you up for up to 6 years after you've filed a return, it's good to hang onto your receipts and other tax documentation for 6 years.

Keep track of your miles

You'll want to track the miles you rack up when you're on a travel assignment for your mileage deduction. You can use a simple spreadsheet or a piece of paper. Or you can use a mile-tracking app, like [MileIQ](#), [TripLog](#), or [taxmileage](#), to help you automate the process.

Keep track of your finances

We all know it doesn't feel great to be caught unawares when it comes to money. You want to have a firm idea of how your money flowed in and out of your bank account.

Budgeting and expense-tracking apps, like [Mint](#), [YNAB](#) (You Need a Budget), and [Goodbudget](#) are great places to start. They automate spending tracking, help you set goals, and provide a clear snapshot of your finances.

Want more tips? Check out our blog on [personal finance hacks for travel nurses](#).

Understand Your Contract

Joseph Smith says one of the main tax challenges for travel nurses is understanding their contract. “How the taxable and nontaxable income are presented in agency contracts often leads to a lot of confusion,” Smith notes.

He recommends a simple way to understand your contract. You want to have a firm picture of how much you are earning, in terms of both taxed and untaxed income.

1. Express your wages (your taxed income) in value per contract. So, if you’re making \$40/hour and working 36 hours per week for a 13-week contract (or 468 hours for the entire contract), the amount of your taxed income for the entire contract is

$$\begin{aligned} & \$40 \times 36 \times 13 \\ & = \$18,720 \end{aligned}$$

2. Express your stipends and all other untaxed income in value per contract, too. So, if you are given a \$4,500 housing stipend and a \$500 incidental expenses stipend for a contract, first you will add all untaxed income. Then you will multiply the untaxed income by 1.4. This is because the untaxed income is more valuable than the taxed income:

$$\begin{aligned} & \$4,500 + \$500 = \$5,000 \\ & \$5,000 \times 1.4 = \$7,000 \end{aligned}$$

3. Then, add taxed and untaxed. This illustrates that the total value of the contract, with taxed and untaxed income. In this case, it is **\$25,720** before taxes, or **\$54.95/hour**.

This makes it very easy to compare two contracts' total value and to judge whether one is worth more than the other.

Get the 411 on Tax Homes

The second biggest challenge for travel nurses when it comes to taxes is establishing and maintaining a tax home. A tax home is different than a home home. A tax home is NOT your place of residence. It refers to the general geographic location where you primarily work.

So, say, when you start travel nursing, you live in Arlington, VA, which is in the Washington, DC, tax district. And you take a travel nursing gig in Montpelier, VT. To reap the benefits of untaxed income (to prevent that untaxed income from being taxed), you would need to prove, as you travel to Vermont and beyond, that the Washington, DC, metro area remains your tax home.

You must satisfy two of the three main requirements to do this.

Meet the 2/3 requirement

Here are the three requirements. You have to really nail two of them to get the deductions and keep the untaxed income in your contract untaxed.

1. Have regular business/employment in your tax home.
2. Maintain a permanent residence in your tax home (remember: the tax area, not the physical home) by paying for rent or mortgage, utilities, etc.
3. Have not abandoned your tax home.

How to meet the first requirement

To meet the first requirement, you need to work within your tax home and earn approximately $\frac{1}{4}$ of your income here. This will satisfy #1 and #3.

Example: Rita is a travel OR nurse who lives in Glendale, CA. She returns every summer to work at the same local hospital there. For the rest of the year, she's a travel nurse at different locations. She never works more in a single tax home than she does in Glendale.

It's often more difficult to meet the first requirement. You may want to be able to be more flexible about the location and duration of your assignments. In that case, it's best to focus on meeting the second requirement.

How to meet the second requirement

To do meet the second requirement, you need to maintain significant expenses in your tax home. These expenses must be duplicated by your housing expenses while you're traveling.

Example: Trisha is a travel NICU nurse. Her partner and their children live in San Antonio year-round. The mortgage and utilities are in Trisha's name, and she maintains her bank account in San Antonio. She duplicates housing expenses when she takes an apartment on her assignments. She also visits San Antonio in between assignments, during the summer, and on holidays. By doing all of this, she satisfies #2 and #3.

How you establish duplicate expenses will vary based on how you keep your residence in your tax home. If you have your name on a rental lease or mortgage, that is generally sufficient proof of home expenses.

If, on the other hand, you would like to establish that you are a roommate in a dwelling in your tax home, make sure that you are paying market rate for your rent and that you have proof that you're contributing to ALL shared living expenses.

How to meet the third requirement

By meeting the first or second requirement, you establish that you have not abandoned your tax home and you will automatically fulfill the third requirement.

Balancing travel with maintaining a tax home

One of the tricky parts in maintaining a tax home is making sure that your assignments in another area do not negate your claim of a different tax home. Let's revisit Rita from Glendale.

In one year, Rita took assignments in Portland, Denver, Austin, and Miami. She turned down an assignment in Beaverton, a suburb of Portland, because it would've meant she worked more in Portland than Glendale. If she did that, Glendale would no longer have served as her tax home.

The exact amount of time you may spend in a location that's not your tax home and still claim a tax home is not written out explicitly by the IRS. The IRS looks at the past 24 months of your work history and wants to see that you worked a significant amount of time in your tax home or that you did not completely abandon your tax home. They want to see breaks in service between your stints in any non-tax home area.

Most travel nurses avoid working in a single metropolitan area more than 12 months out of any 24 months. These 24 months are not two calendar years but instead can be any consecutive 24 months.

Remember, failure to adequately prove that you have a tax home can result in thousands of dollars in fines and back taxes.

Stay Savvy with Your Deductions

In addition to untaxed salary, you also have tons of deductions as a travel nurse. Staying on top of these deductions can save you a lot at tax time!

Master the per diem

Your untaxed salary may come in a variety of forms, from a travel stipend to a housing stipend. If your stipend doesn't cover the minimum stated per diem for travelers, though, you may be eligible for further deductions.

Think of a doctor heading to a conference in another state. She will be reimbursed for her travel expenses, her meals and incidentals, and her housing at the conference. The amount of her per diem may be determined by a government standard based on your primary place of employment. To track the current per diem values for your next assignment, visit the [General Services Agency Per Diem Rates Look-Up](#).

Keep track of deductible expenses

Along with a significant boon in untaxed income, travel nurses also can be savvy about their deductions and safe come tax time. Here is a taste of deductions you want to keep an eye out for:

- Licensing and education fees
- Malpractice insurance
- Driving expenses
 - Car maintenance
 - Tolls
 - Parking
- Transportation costs
 - Car rental and gas in a rental car
 - Taxi
 - Train, airplane, bus, and other travel fare
- Housing and meals
 - Hotels on the road
 - Food
 - Beverages
 - Related taxes

Want more? Check out our complete travel nursing deductions list.

Ace an Audit

It's true, you do have a higher chance of getting audited as a traveler. Here are some common reasons that you might get audited:

- Your travel agency is audited and you get included in the fun.
- Your taxable wages are uniquely low, which may raise a red-flag with the IRS.
- You have a high number of deductions.
- Your expenses and your income don't "make sense" from a legal standpoint.

But don't fret! There are things you can do to survive an audit.

- [Know your rights](#). You don't have to volunteer extra information, for example, or host the IRS in your home.
- [Keep good records](#). You don't want to be caught unprepared.
- Respond promptly to the audit notice. You will also often be well-served by postponing the date of the audit, as feasible.
- Stay above board. Don't try to cut corners, especially when it comes to your tax home.
- Don't go it alone. [Consult a professional](#) and let them help you through the headache.

If you keep good records, maintain a strong tax home, and follow the rules, you should come out just fine. But if something goes awry, remember you can always appeal your results.

There you have it -- how travel nursing taxes work. Looking for more info on travel nursing wages? Check out our blog, [Travel Nursing Compensation: Everything You Need to Know](#).



TotalMed Travel Nursing

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