



# 2020 Tax Guide for Travel Nurses







2020 is a year like we've never seen before. Under the effects of the COVID-19 outbreak, the healthcare world is facing unprecedented challenges and the financial landscape is changing quickly.

And though doing your taxes may seem less urgent in this landscape, COVID-19 will impact your taxes, too.

We put together this guide, to keep you informed of the recent changes and to give you actionable tips on making your taxes easier to file.



# Recent Changes that Impact Your 2020 Filing

## New federal and state tax deadlines

One of the changes related to taxes that we see in 2020 is that, this year, April 15 is no longer Tax Day. On March 21, the federal government announced that it would extend the tax filing deadline to July 15, 2020. Due to the COVID-19 Outbreak:

The IRS urges taxpayers who are owed a refund to file as quickly as possible. For those who can't file by the July 15, 2020 deadline, the IRS reminds individual taxpayers that everyone is eligible to request an extension to file their return.

An important note on this extension: it only applies to your federal return. State returns, which are often the more complex aspect of filing taxes for travel nurses, are subject to different due dates. Many states are still expecting residents to file by April 15th and still assessing penalties for those who file late.

As of April 2, 34 states, Washington DC, and Puerto Rico are following the federal government and have extended the filing date to July 15, 2020:

- » Alabama
- » Arkansas
- » Arizona
- » California
- » Connecticut
- » Delaware
- » Georgia
- » Illinois
- » Indiana
- » Kansas
- » Kentucky
- » Louisiana
- » Maryland
- » Massachusetts
- » Maine
- » Michigan
- » Minnesota
- » Missouri
- » Montana
- » North Carolina
- » North Dakota
- » Nebraska
- » New Mexico
- » New York
- » Ohio
- » Oklahoma
- » Oregon
- » Pennsylvania
- » Puerto Rico
- » Rhode Island
- » South Carolina
- » Utah
- » Vermont
- » Washington DC
- » Wisconsin
- » West Virginia





The following 6 states are not following the federal change and have determined different filing deadlines:

## Colorado

**Payments Deadline: July 15, 2020**

**Filing Deadline: October 15, 2020**



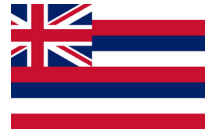
From the [Colorado Department of Revenue](#):

- » The income tax payment deadline has been extended for all Colorado taxpayers by 90 days until July 15, 2020. Interest from the due date of the payment until July 15, 2020 is waived.
- » All income tax returns that were required to be filed by April 15, 2020 are granted an automatic six-month extension, and are due on or before October 15, 2020.
- » In addition, the deadline for estimated payments has also been extended for the 2020 tax year. The penalties for estimated payments are also waived until July 15, 2020.
- » This extension and these waivers do not apply to payments due pursuant to a notice of deficiency, notice of final determination, demand for payment, installment agreement, closing agreement, or other agreement or requirement to pay.



## Hawaii

**Filing deadline: July 20, 2020**



From the [Hawaii Department of Taxation](#):

- » Individual and Corporate Income tax returns for Tax Year 2019 due from April 20, 2020 to June 20, 2020 are extended to July 20, 2020.
- » Individual Income tax payments for Tax Year 2019 due from April 20, 2020 to June 20, 2020 are extended to July 20, 2020.
- » Taxpayers who are entitled to a refund or pay the Tax Year 2019 Income tax due by July 20, 2020 receive an automatic extension to file the associated return by October 20, 2020.

## Idaho

**Filing deadline: June 15, 2020**



From the [Idaho State Tax Commission](#):

- » Income tax filing and payment deadline now June 15.

## Iowa

**Filing deadline: July 31, 2020**



From the [Iowa Department of Revenue](#):

- » The Iowa Department of Revenue today extended the filing and payment deadline for several state tax types, including income tax.
- » The order extends filing and payment deadlines for income, franchise, and moneys and credits taxes with a due date on or after March 19, 2020, and before July 31, 2020, to a new deadline of July 31, 2020.





## Mississippi

**Filing deadline: May 15, 2020**



From the [Mississippi Department of Revenue:](#)

- » The Mississippi Department of Revenue is providing relief to individual and business taxpayers due to the COVID-19 pandemic.
- » The deadline to file and pay the 2019 individual income tax and corporate income tax is extended until May 15, 2020. The first quarter 2020 estimated tax payment is also extended until May 15, 2020. Penalty and interest will not accrue on the extension period through May 15, 2020.
- » Withholding tax payments for the month of April are extended until May 15, 2020.

## Virginia

**Filing deadline: May 1, 2020**

**Payment deadline: June 1, 2020**



From the [Virginia Department of Taxation:](#)

- » Any income tax payments due during the time period of April 1, 2020, to June 1, 2020, will now be due on June 1, 2020. This includes individual and corporate income taxes paid to Virginia Tax.
- » Late payment penalties will not be charged if payments are made by June 1, 2020. However, interest will still accrue, so if you can pay by the original filing due date, you should.
- » All income tax filing deadlines remain the same, including the May 1, 2020 individual income tax filing due date. However, Virginia does already have an automatic, 6-month extension to file (7 months for certain corporations). If you file during the extension period, make sure you still pay any taxes owed by June 1, 2020 to avoid penalties.

Alaska, Florida, New Hampshire, Nevada, South Dakota, Tennessee, Texas, Washington, and Wyoming do not have income tax.



# The Stimulus Package and Your Taxes

The federal government has announced economic impact payments to offset the financial effects of the COVID-19 outbreak. Here's the amount of those payments:

Up to  
**\$75,000**



\$1200 to single individuals with an adjusted gross income of up to \$75,000 annually

Up to  
**\$112,500**



\$1200 to heads of household with an adjusted gross income of up to \$112,500 annually

Up to  
**\$150,000**



\$2400 to married couples with an adjusted gross income of up to \$150,000 annually

**\$500**



\$500 for each qualifying child

Eligibility for those payments is based on income reported in your 2019 tax returns.





If you have not filed your 2019 tax returns, the IRS will look to your 2018 tax returns to determine eligibility.

If you have not filed taxes for either year, it's recommended that you [file as soon as possible](#):

***The IRS urges anyone with a tax filing obligation who has not yet filed a tax return for 2018 or 2019 to file as soon as they can to receive an economic impact payment. Taxpayers should include direct deposit banking information on the return.***

Outside of the economic impact payments, the stimulus package also includes other changes that may benefit you in 2020:

- » Interest on federal student loans will be **suspended for 60 days**
- » On next year's taxes, everyone will **receive a \$300 charitable deduction credit**
- » You may take out a loan or withdrawal of **up to \$100,000 from your retirement account without penalty**
- » Individuals in collections will see installment agreements with the IRS **suspended for 60 days**
- » All new liens are placed **on hold until July 15**
- » No new audits are taking place **before July 15**

# Change in W-4s



Another big change this year is that the federal government has created a new W-4 process. You're likely used to filling out a quick W-4 that uses your marital status and the number of exemptions you have to determine your filing status. This year, you're ["basically doing a mini tax return on one page"](#) to determine your withholding status, says Smith.

There's [an hour-long tutorial on how to fill out the new form from the IRS](#), but if that's not your cup of tea, Smith has [a VERY quick tip](#) for you:

***"The EASIEST advice. Want a really BIG refund (but a smaller paycheck)? Fill out your name, address, the marital status you use on your tax return, check box 2c and sign at the bottom. DONE! Disregard the wording of the questions as a traveler will never fit the descriptions. The label may be wrong but the math behind the declaration on the form fits."***

If your situation is a little more complicated or you want to explore options other than the quick fix, check out [Smith's entire post on your W-4 options](#) (BONUS: it's much more engaging than the IRS tutorial!).





# Travel Nursing Tax Tips

Now that you know when you're filing and a little about how 2020 is different (outside of the pandemic), we have some tips to guide you on how to file.



## Stay Organized

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



## Keep your Contracts

Smith's #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 track of your Finances

We all know it doesn't feel great to be caught unaware 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

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

$$\mathbf{\$40 \times 36 \times 13 = \$18,720}$$

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:

$$\mathbf{\$4,500 + \$500 = \$5,000}$$

$$\mathbf{\$5,000 \times 1.4 = \$7,000}$$

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

$$\mathbf{\$25,720 \text{ before taxes, or } \$54.95/\text{hour.}}$$

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





# Understand the Concept of Tax Home

The second biggest challenge for travel nurses when it comes to taxes is establishing and maintaining a tax home. A tax home is different from 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 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 for 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.



# 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.
- » 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, if 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,  
[The Complete Guide to Maximizing Your Travel  
Nursing Salary.](#)

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