Heard

Build the financial foundation for a thriving practice

You trained to care for clients. The business side came with the job. Here are the five steps from the session, all in one place. Keep it somewhere visible and take one step at a time.

1 Choose the business structure that fits your practice

A **sole proprietorship** is where every practice starts by default. You and your business are one and the same in the eyes of the law. An **LLC or PLLC** makes your business its own legal entity, so your personal assets stay protected if the business is sued. A **corporation** gives the most separation and works best for larger group practices. In California, solo therapists who want that protection form a professional corporation.

Your entity and your tax status are two separate choices. The entity is registered with your state. The tax status decides how the IRS taxes you. For most therapists, practice profit lands on their personal tax return.

43.6%

of providers said the financial setup was the hardest part of starting a practice

2 Keep business and personal finances separate

An **EIN** works like a Social Security number for your business. Sole proprietors can use their SSN. LLCs, PLLCs, and corporations need an EIN. From there, open a **business bank account** and run every practice dollar through it. That one habit keeps your legal protection intact and your bookkeeping clean.

34%

of providers say bookkeeping and financial admin take the most time

3 Stay organized with clear, consistent bookkeeping

Bookkeeping is a record of every dollar that comes into your practice and every dollar that goes out. Once a month, check that record against your bank statement and make sure the two match. Organized books show you what you earn and spend, make decisions easier, and mean fewer surprises at tax time.

The best system is the one you'll keep up with. A spreadsheet or Wave works when you're starting out. QuickBooks or Xero fit a growing practice. Heard or a local bookkeeper add expert help with your books and taxes.

Quarterly tax deadlines

Q1	April 15
Q2	June 15
Q3	September 15
Q4	January 15

At a W2 job, your employer takes taxes out of every paycheck for you. In private practice, that job is yours.

4 Know which expenses you can deduct

A **deduction** is a business expense you subtract from your income before your taxes are calculated. You're taxed on your profit, meaning what's left after expenses. Every business expense you track lowers your tax bill. Page 2 is your cheat sheet.

5 Plan ahead for taxes so there are no surprises

When you're self-employed, the IRS expects you to pay taxes four times a year, ahead of your annual return. These payments are called **quarterly estimated taxes**. Missed payments collect penalties, starting at 0.5% per month and growing up to 25%, plus interest. Paying something is always better than paying nothing.

Move about 30% of your profit into savings each month, and the money is ready when each deadline arrives.

Choose one step this week

- [ ] Open a dedicated business bank account
- [ ] Start a simple bookkeeping routine
- [ ] Review your business entity structure
- [ ] Create a tax savings plan

Small financial steps today lead to financial freedom.

This guide is for informational purposes only and does not constitute legal, business, or tax advice. Please consult your own attorney, business advisor, or tax advisor with respect to matters referenced here.

 ·

Common tax deductions for clinicians

A tax deduction, also called a write-off, is a business expense you subtract from your income before your taxes are calculated. The IRS has two tests: the expense should be **ordinary** (common for therapists) and **necessary** (helpful for running your practice). Spend $1,000 on CEUs and you're taxed on $1,000 less. Steady bookkeeping is how you catch every deduction you've earned. Keep receipts for three years for any business expense over $75.

Generally deductible

- Advertising and marketing
- Business meals (typically 50%)
- Business registration fees
- Business travel
- Continuing education (CEUs)
- Credit card processing fees
- Membership fees

Generally non-deductible

- A new car
- Quarterly personal income tax estimates
- Groceries and personal meals
- Hair and nails
- Clothing
- Self-care, like massage
- Gym memberships

Business meals

When a meal is for business, like meeting a referral partner or eating on a work trip, you can typically deduct **half the cost**. Keep it reasonable.

Business travel

A trip counts as business travel when you **leave your home work area**, the trip is mostly for business, and you planned it ahead of time. Flights, hotels, and similar costs are then **100% deductible**.

Vehicle use

Driving from your **office to a client site** counts as business use, and so does the drive home afterward. Your everyday commute between home and office counts as personal.

Home office

Your space qualifies when you use it **only for work, on a regular basis**. The easy method: deduct **$5 per sq. ft.**, up to 300 sq. ft. The detailed method: figure out what share of your home the office takes up, then deduct that share of your home costs.

One deduction still works after the year ends

A traditional IRA is a retirement account that lowers your tax bill now. You can put in up to **$7,500** for 2026, or $8,600 if you're 50 or older. And you have until **April 15, 2027** to make a contribution that counts for 2026. You pay tax on the money later, when you withdraw it in retirement.

$10,396

what the average self-employed clinician spent on rent in 2025, their biggest deductible expense after wages. Software ($3,636), office expenses ($2,813), and marketing ($2,165) came next.