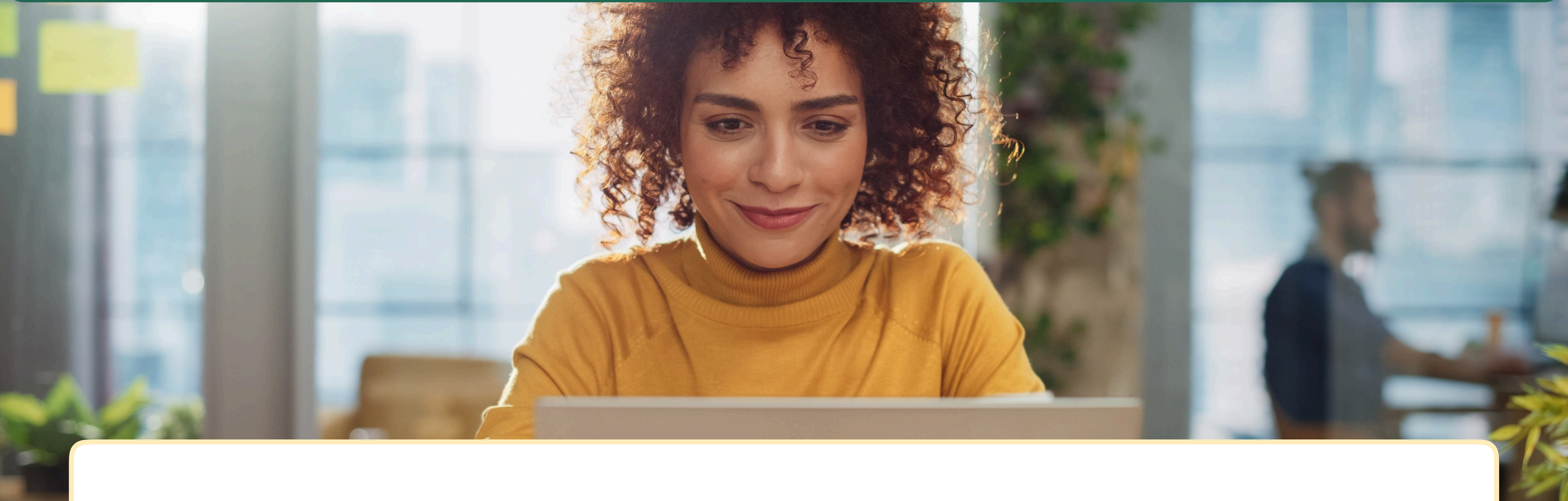


Heard

How to Prepare Your Therapy Practice for Tax Season

Preparing for tax season doesn't have to be stressful. By getting organized before the end of the year and brushing up on essentials, you can guarantee tax season runs smoothly.



By the end of this training course, you will understand:

1. When your taxes are due
2. How to file taxes for your practice for the first time
3. How your business structure affects your filing deadline
4. Which forms you need for filing
5. Tax filing deadlines
6. How to close your books and prepare year-end financial statements
7. The paperwork you need to keep on file
8. The different options for paying your taxes
9. How to benefit from tax deductions
10. How to keep up to date with changes in tax law
11. Where and how to file your taxes
12. How to file for an extension
13. What to take into account when deciding whether to hire an accountant

Whether you file your practice's taxes yourself or you hire a professional to do it for you, a straightforward tax season leaves you time and energy to focus on what matters most: your clients.

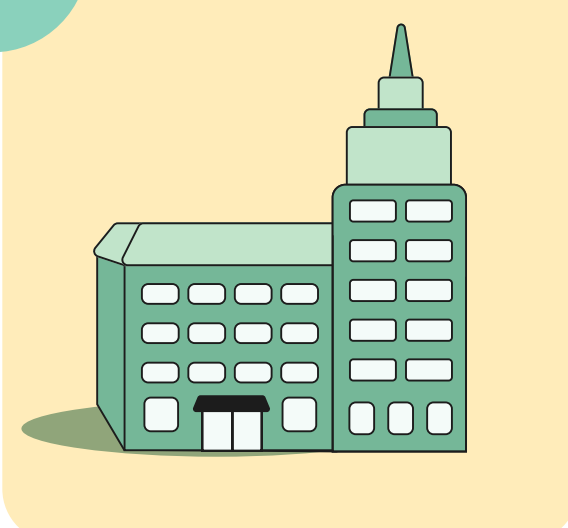
About Heard

Heard is the financial platform built for therapists. Trusted by thousands of mental health professionals, we help you stay organized, understand what you owe, and feel confident through tax season and beyond.

1 When your taxes are due

The tax filing deadlines for your therapy practice are based on two factors:

A



Your business structure

B



Whether the annual filing deadline falls on a weekend or holiday

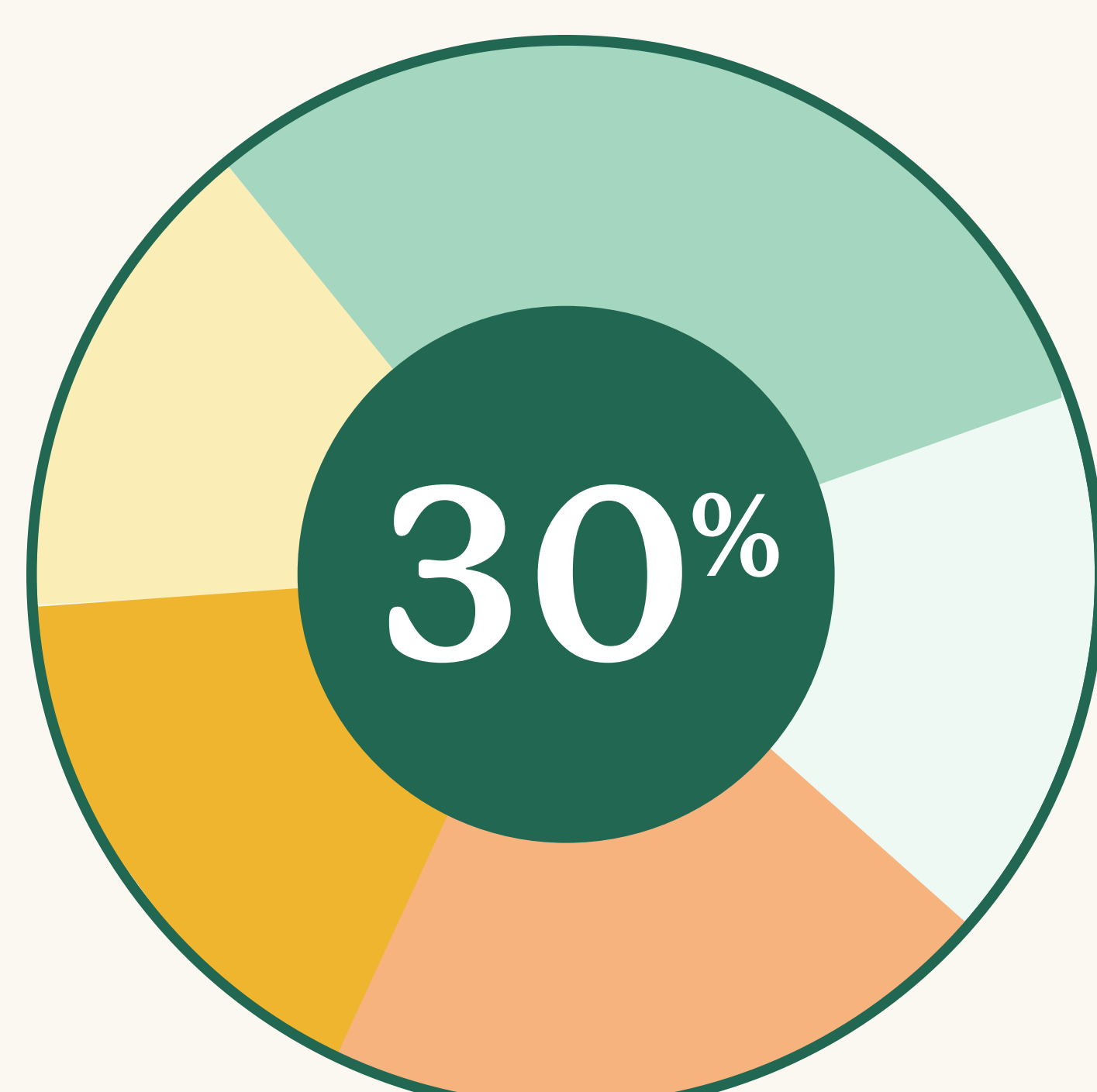
Different business entities have different filing deadlines.

The tax deadlines stay the same from one year to the next. But if the day of the deadline falls on a weekend or a holiday, it moves forward to the next business day.

2 How to file taxes for your practice for the first time

If it's your first year filing taxes as a self-employed therapists, take note:

- When you work as a W-2 employee, your employer withholds taxes from your pay and remits them to the federal and state governments
- When you're self-employed, it's your responsibility to pay these taxes yourself
- Employers withhold one half of the total amount of FICA tax, which includes Social Security and Medicare contributions, from your pay. They pay the other half themselves
- FICA tax is 15.3% of your total taxable income (your employer withholds 7.65% from your pay, and contributes the other 7.65% themselves)
- As a self-employed individual, you must pay self-employment tax. It's equivalent to FICA: 15.3% of your taxable income
- You pay the full amount of self-employment tax



Set aside approximately **30% of your net income** (gross earnings minus expenses). You'll use this money to pay your income and self-employment taxes

3 How your business structure impacts your filing deadline

Your business structure determines your filing deadline:

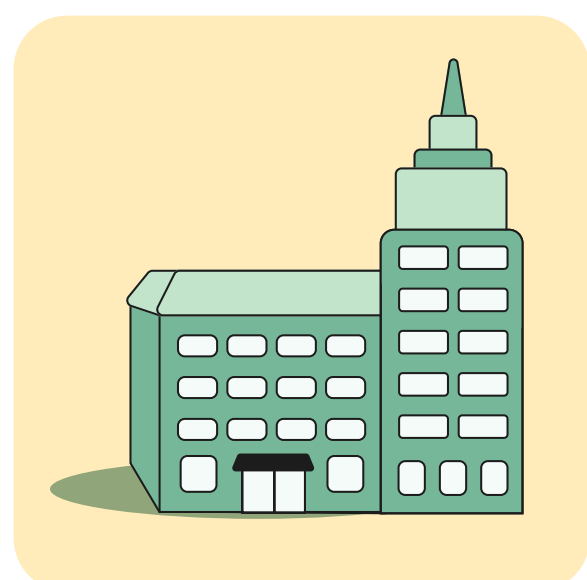


Sole Proprietors

File on April 15th

- For tax purposes, you and your business are one and the same
 - If you register your business as a limited liability company (LLC) or professional LLC (PLLC) with your Secretary of State, you can choose to be taxed as a single-member LLC. This operates similarly to a sole proprietorship.
 - You report business income and deductions on Schedule C of Form 1040
- ★ **Pro Tip:** When you start earning self-employment income, the IRS considers you a sole proprietor by default.

“70% of therapists were taxed as sole proprietors in 2024.”



S Corporations

File on March 15th

- Once you register your business as an LLC or PLLC with your Secretary of State, it can elect to be taxed as an S corporation
 - If you elect S corp status, the IRS will send you [CP261](#). Keep it for your files.
 - Your S corporation is considered an entity from your person
 - Your S corporation is owned by shareholders. You may be the only shareholder
 - Nonetheless, all your S corp’s revenue and expenses pass through to shareholders’ personal tax returns
- ★ **Pro Tip:** If you are unsure whether your practice has S corporation status, check your prior year’s tax return or check your files for CP261

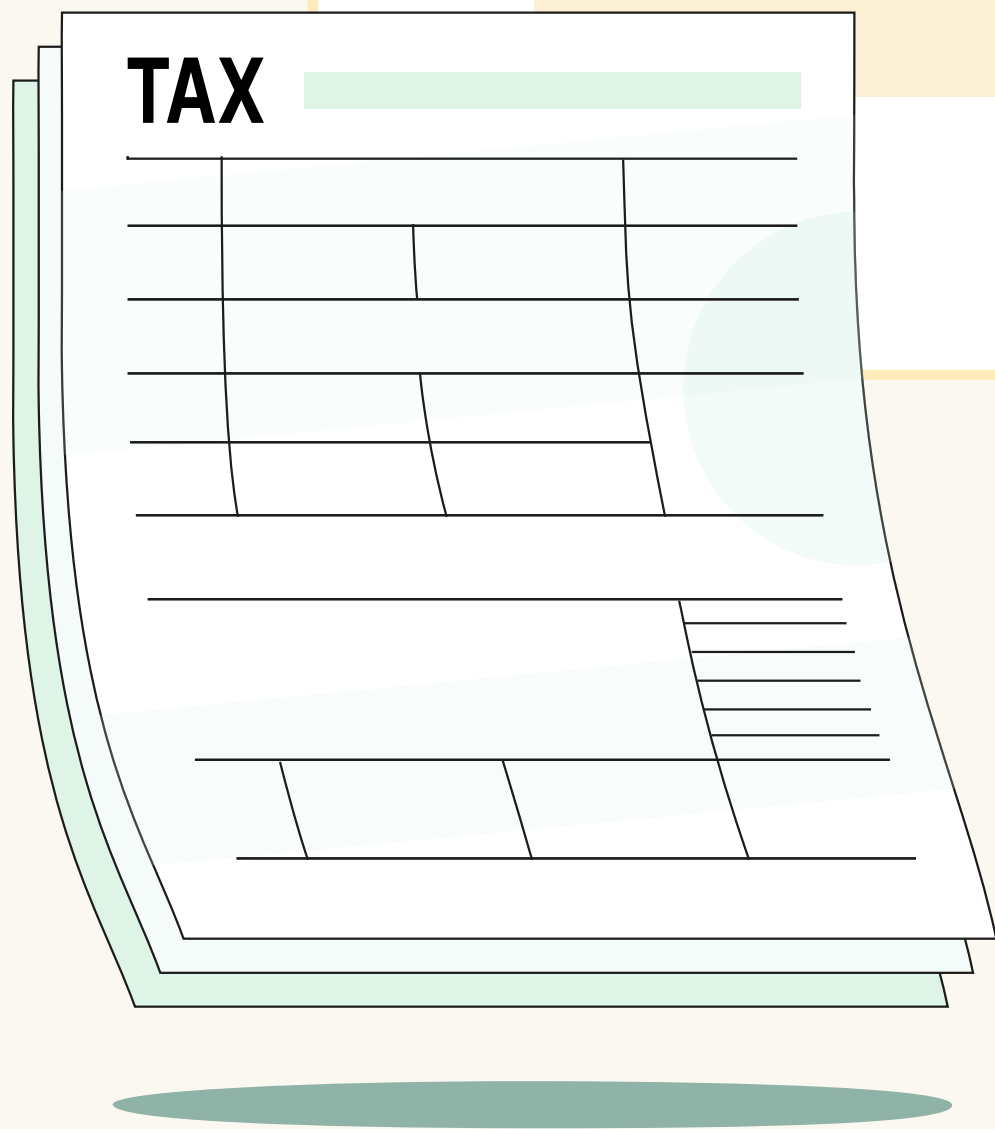
“28% of therapy practices planned to elect S corp status in 2025.”

4

Tax filing forms

You will need to complete some or all of these forms to file your return:

Form type	Description
Form 1040	Your personal tax return, which includes either the standard deduction or itemized deductions.
Form 1040, Schedule C	For reporting business revenue and deductions as a sole proprietor or single-member LLC.
Form 1120-S	S corporation tax return. It reports your S corp’s revenue and deductions.
Form 1120-S, Schedule K-1	This reports the ownership share of each shareholder in your S corporation. It includes all revenue and deductions that pass through to their personal tax returns. One copy of each goes to the IRS, and one copy to the shareholder.
Form W-2	This reports the total amount paid to an employee over the course of the year, as well as any income tax or payroll tax you withheld. One copy goes to the IRS, one to the employee.
Form 1099-NEC	This reports the total amount paid to a contractor over the course of the year. One copy goes to the IRS, one to the employee.
Form 1099-K	If you use a payment provider like Stripe or Square, they may issue you a Form 1099-K reporting the total payments they send you over the course of the year. They will also submit a copy to the IRS. You do not need to file Form 1099-K, but keep it for your files.



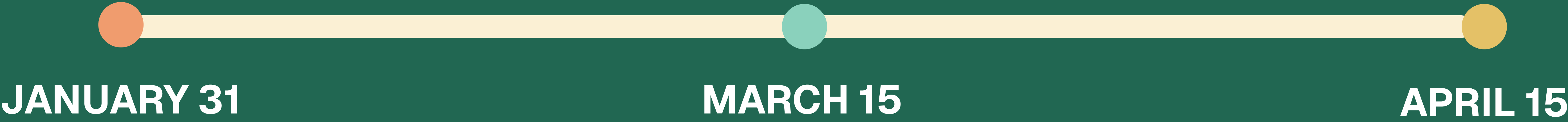
5 Annual tax filing deadlines

Date	Tax Forms
January 31	Form W-2: If you have employees, you must file two copies of IRS Form W-2 for each. One copy goes to the IRS. The other goes to the employee. Form 1099-NEC (Copy A and Copy B): If you have independent contractors working for you, this is the last day to file IRS Form 1099-NEC for them. Copy A goes to the IRS, and Copy B goes to the contractor. Form 1099-K If a payment provider is required to issue you a Form 1099-K, they must send it by this deadline.
March 15	Form 1120-S (S Corporation tax return): You must report your S corporation’s income to the IRS using Form 1120-S. This is also the deadline to send Schedule K-1 to shareholders and the IRS.
April 15	Form 1040 (sole proprietor tax return): This is the last day to file your taxes as a sole proprietor. Include Schedule C to report revenue and deductions.



Tax Deadlines

● Sole Proprietors ● S Corporations ● W-2 & 1099



6 How to close your books

To close the books for a business is to wrap up all your bookkeeping for the year. Books are closed on December 31st. You open a new set of books on January 1st. Once your books are closed, you have all the information you need to file your taxes.

Here's how to do it:



Make sure all income for the year has been received, and reported on the books.

This could mean getting in touch with clients to make sure their bills are paid.



Ensure expenses for the year have been paid and reported on the books.

Check your bank statements to confirm.



Categorize all of your expenses for the year.

If you have kept up with bookkeeping, they will already be categorized. This is your chance to categorize any expenses you may have missed.



Reconcile your bank account.

Confirm that the information recorded in your books matches up with the transactions reported on your bank statements.



Double check employee and contractor info.

If you have employees or contractors, you'll need to issue them Form W-2s and Form 1099s, respectively. Make sure you have the information you'll need to file those forms.



Generate year-end financial statements.

You may use accounting software to generate financial statements for your business, or your accountant may do it for you.

Year-end financial statements

Using the information recorded in your general ledger (the list of all your transactions), you generate two financial statements summarizing your practice's financial activities for the year:

1. **The profit and loss (P&L) statement** lists your revenue and expenses. Subtracting your expenses from your revenue gives you your net income.
2. **The balance sheet** lists all of your practice's assets and liabilities.

If you use the accrual accounting method, you may also generate a year-end cash flow statement. It adjusts your P&L to account for:

- Revenue you have earned but not yet received
- Expenses you have incurred but not yet paid

7 Paperwork to keep on file

You should keep on file paperwork that supports the information in your tax return. Receipts prove to the IRS that you actually paid the expenses you deducted on your return. Client bills track how you earned your income, and they are useful to have for your own records



Keeping receipts

- Keep receipts or other proof of purchase for any expenses totaling \$75 or more for the year
- In the event of an audit, the IRS will demand proof of any deductions you claimed on past returns
- File your bills by date and expense type

Best practice: Keep receipts on file for **at least six years**—the statute of limitations on tax returns.



Keeping client bills

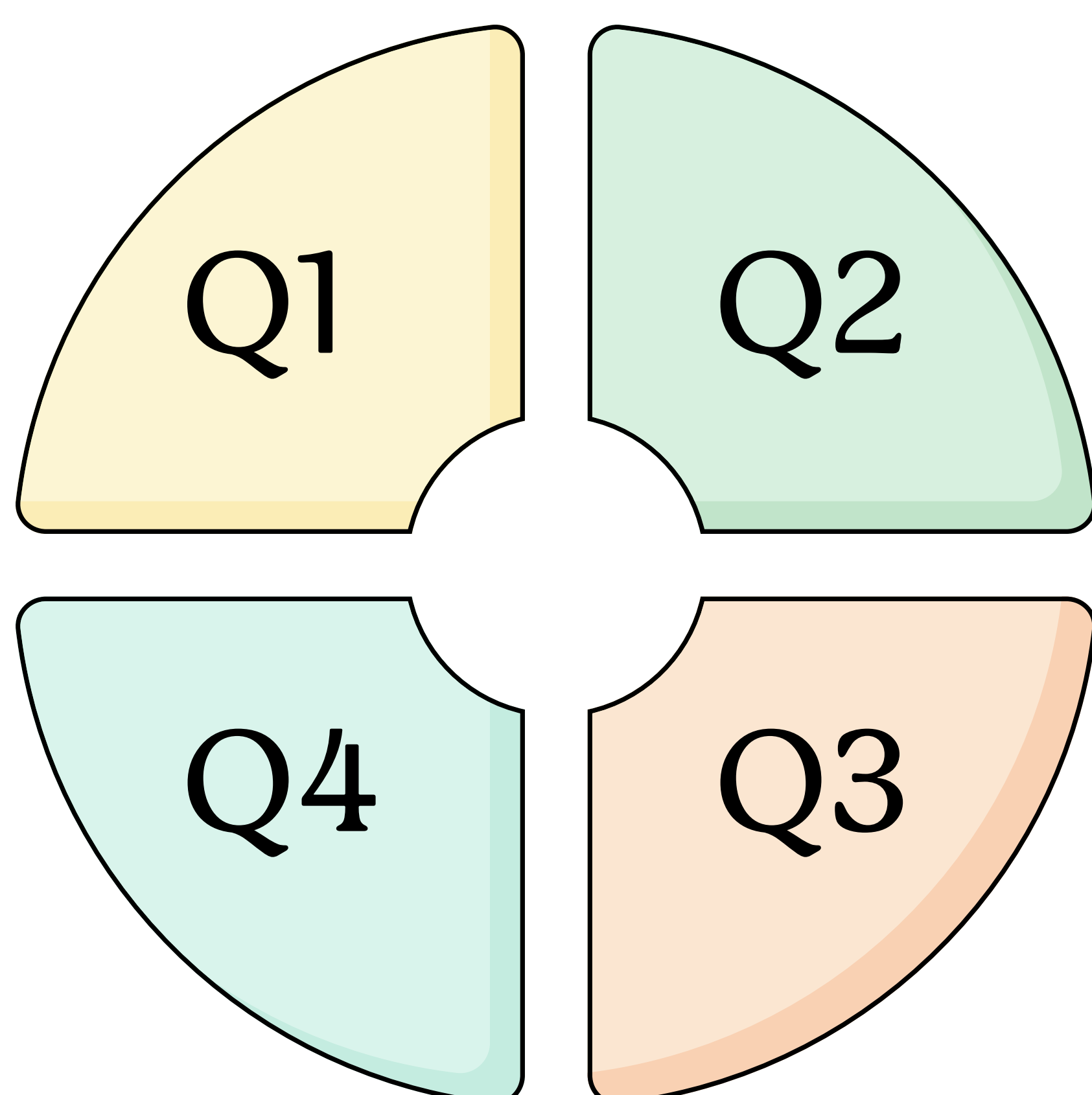
- Client bills help to prove your income in case you need to go back and revise your books
- If bills include clients' personal information, make sure they are stored using a HIPAA-compliant storage solution

8 Determine how to pay your taxes

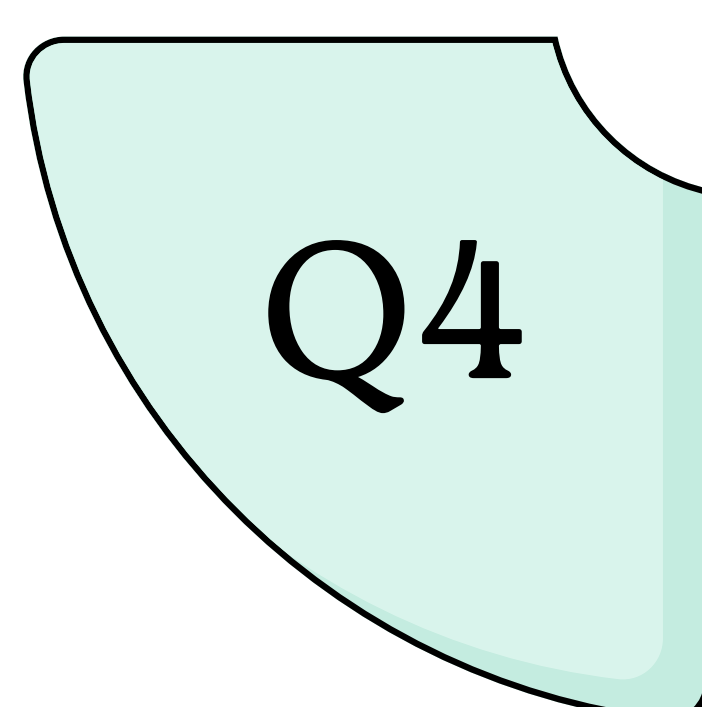
The deadline to pay your taxes is the same as the deadline for filing. You should pay your taxes based on the amount owing calculated when you prepare your return. If you overpay your taxes, the IRS will issue a refund. If you underpay your taxes, you will be charged interest on the amount owing until the full amount is paid. Depending on how much you owe the IRS, you may need to pay quarterly estimated taxes.

Quarterly estimated taxes

If you **owe over \$1,000 in taxes**, the IRS requires you to pay in quarterly installments. That means you must estimate the amount you will owe in taxes for the year, and then pay one quarter of that amount four times:



- **April 15:** Deadline for **Q1** estimated tax payments
- **June 15:** Deadline for **Q2** estimated tax payments
- **September 15:** Deadline for **Q3** estimated tax payments
- **January 15:** Deadline for **Q4** estimated tax payments



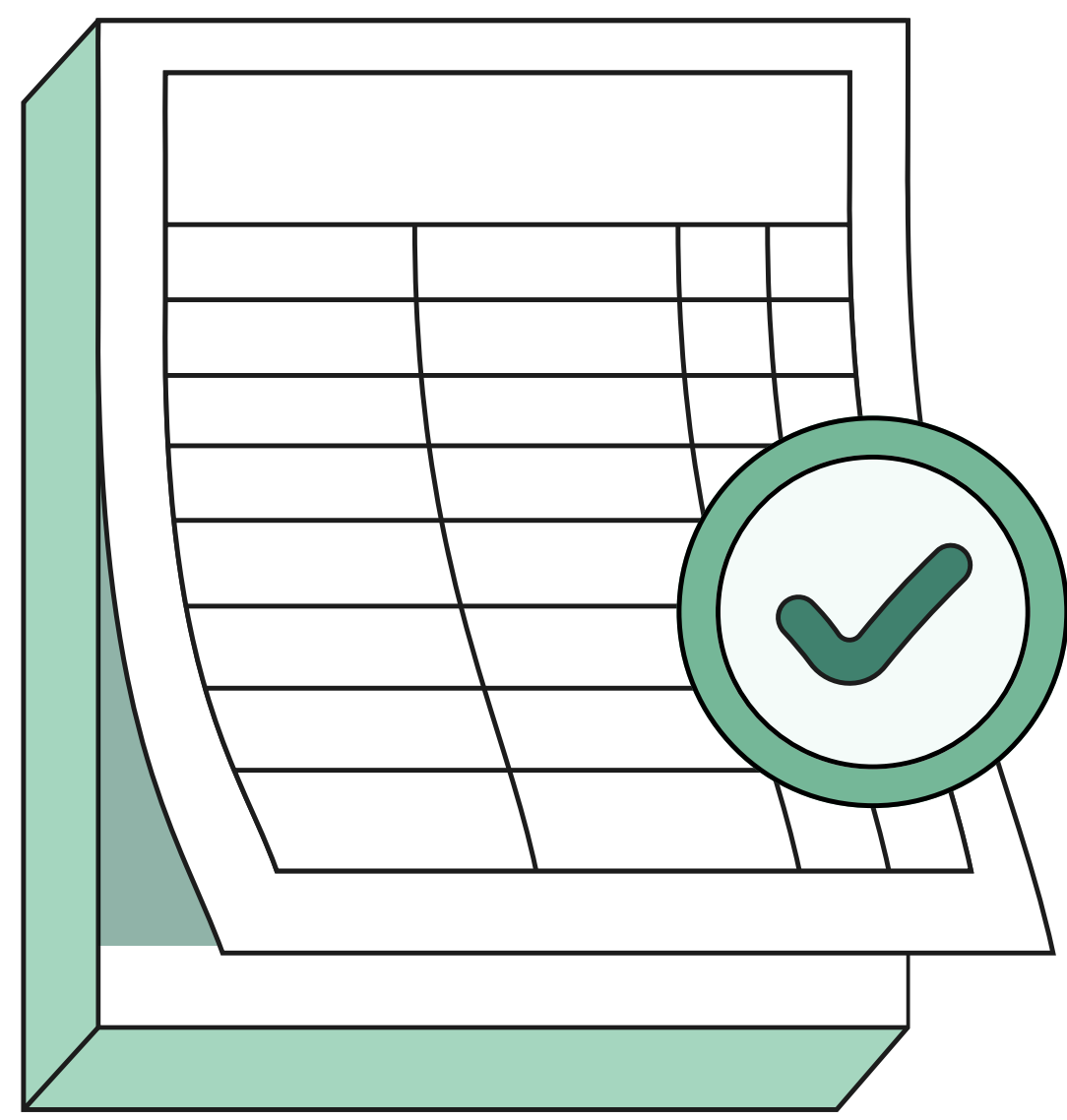
The fourth quarterly tax installment (Q4) is sometimes called the true up installment. By using the Q4 true up method, you can avoid underpaying or overpaying your total taxes owing.

To true up your quarterly installments, you:

- **Add up** your payments for Q1, Q2, and Q3
- **Subtract** the total from the amount you expect to owe for the year based on your year-end P&L
- The **difference is the amount you pay** with your Q4 installment

The safe harbor rule

The [safe harbor rule](#) prevents you from being penalized by the IRS if you underpay your taxes. That's helpful because it can be difficult to estimate exactly how much you will owe after the end of the year.



Under the safe harbor rule, you are saved from owing penalties if you:

- Pay the equivalent of 100% of the tax you owed the previous year (110% if your adjusted gross income (AGI) is greater than \$150,000);
or
- Pay at least 90% of the total you owe for the current year.



Heads up: If you underpay, you will still be required to pay the difference. The safe harbor rule protects you from penalties, not from paying the total amount you owe.

Where to pay your taxes

To pay your taxes online enroll in the **Electronic Federal Tax Payment System (EFTPS)**. If necessary, schedule quarterly estimated payments in advance so that they are automatically withdrawn from your bank account.

To enroll in EFTPS, you'll need:

- An Employer Identification Number (EIN)
- A business checking account

You can learn more from the [EFTPS website](#).



9 Follow changes to tax law

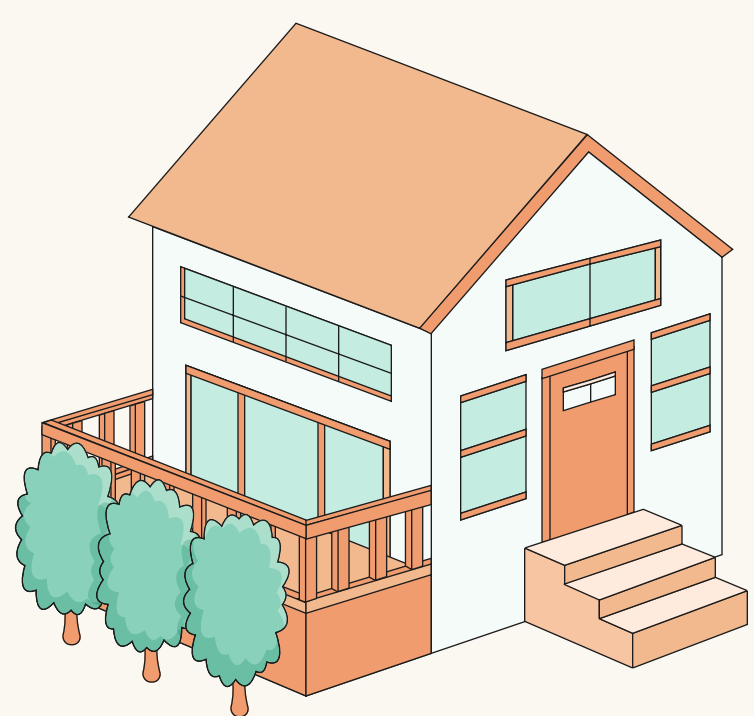
Tax laws change from one year to the next. Those changes are usually minor, but it's important to stay on top of them. Even minor changes could affect your return.



Best practice: Keep track of tax law changes by following the [IRS tax updates and news page](#).

10 Stay educated on tax deductions for therapists

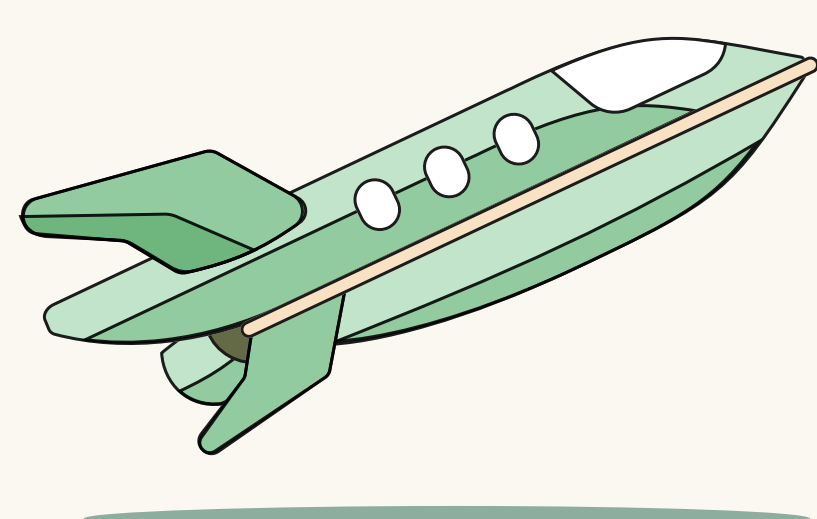
Deductible expenses reduce your taxable income. By correctly calculating and reporting them—while keeping records on hand in case of an audit—you reduce the amount you pay in taxes.



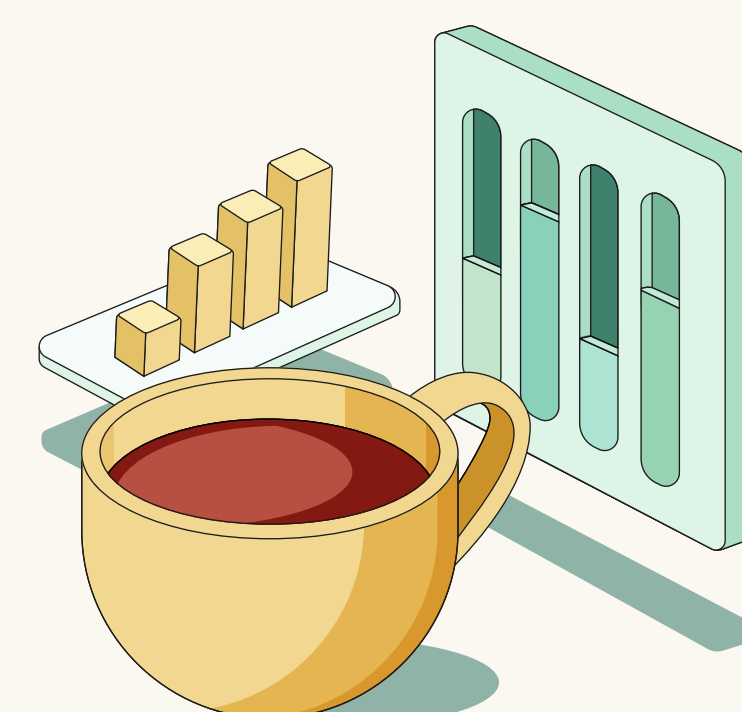
Rent, utilities, continuing education, and business insurance are some of the most significant deductible expenses for therapists



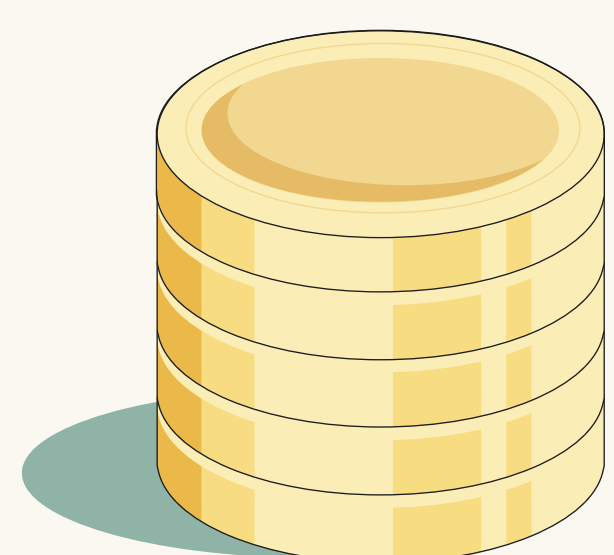
Subscription services and software you use for your practice are also 100% tax deductible



You may be able to deduct the cost of business travel and meals



Marketing expenses—for advertising, directory listings, web design, and more—are tax deductible



The cost of hiring a CPA or using a [financial platform for therapists](#) to handle bookkeeping, tax filing, and accounting are tax-deductible expenses



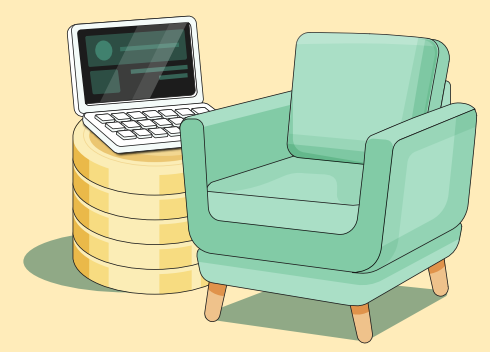
Heads up: For a full overview, check out [The Complete List of Tax Deductions for Therapists](#).

36%
of therapists

said that rent was their biggest deductible expense in 2024.

11 How to file an extension

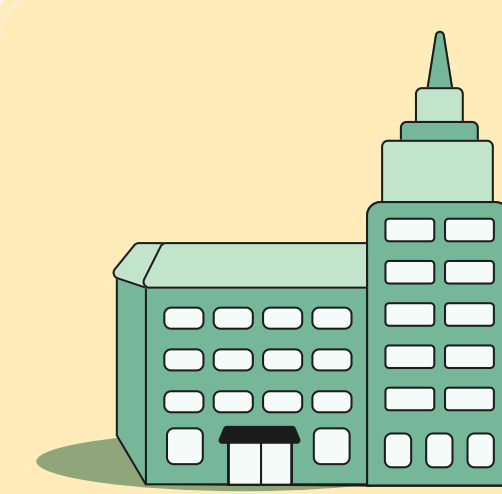
If you're running behind and you won't be able to file your taxes on time, you should [file for a tax extension](#) ASAP. A tax extension gives you an **extra six months to file** your taxes.



Sole Proprietors

File Form 4868

- File **Form 4868** no later than April 15th (or the next business day).
- Your new tax deadline will be October 15th.



S Corporations

File Form 7004

- File **Form 7004** no later than March 15th (or the next business day).
- Your new tax deadline will be September 15th.



Heads up: An extension to file is not an extension to pay. Your tax payment (or final quarterly installment) is still due on the original filing deadline even if you file for an extension.

20 Million

businesses filed for tax extensions in 2024.

12 When to hire an accountant for your therapy practice

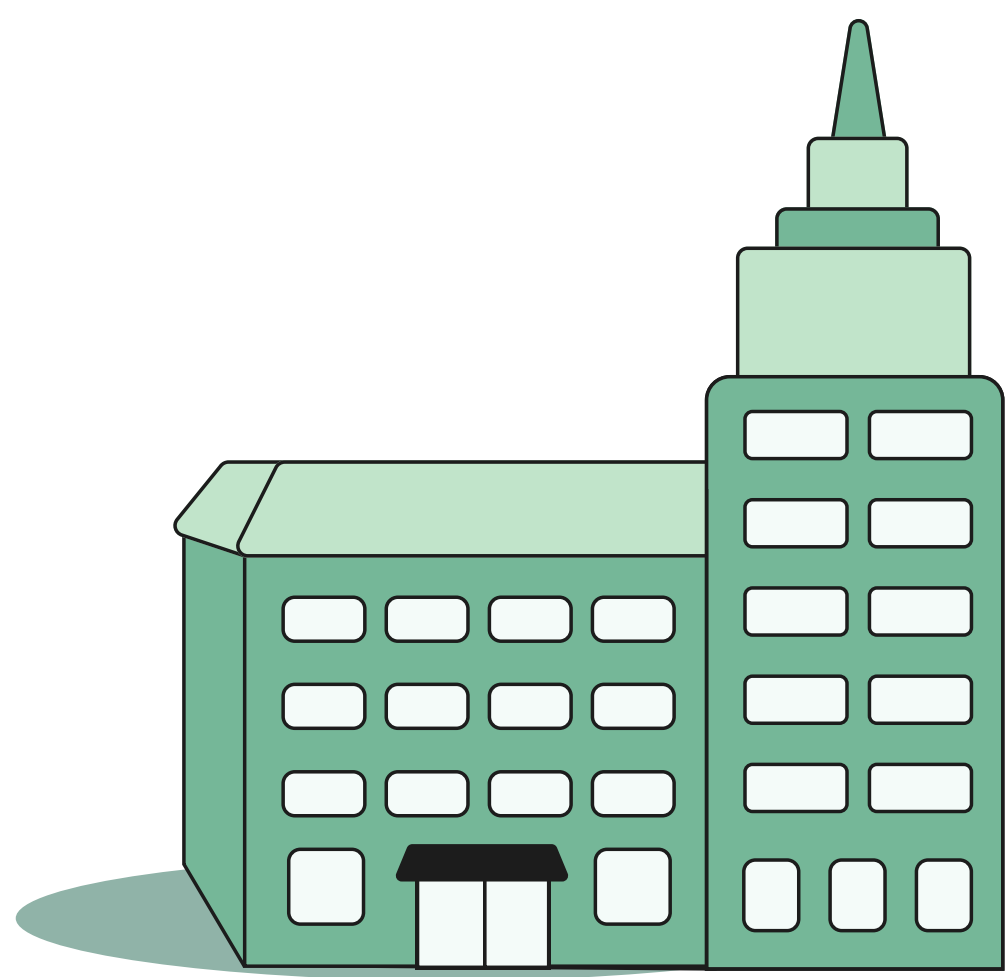
An accountant can prepare and file your taxes for you.

The process usually looks like this:

- You bring your accountant your closed books
- They either generate financial statements based on the books, or use financial statements you have generated yourself
- The accountant uses that information to fill out tax forms and file your taxes for you



Hiring an accountant may be a good move if:



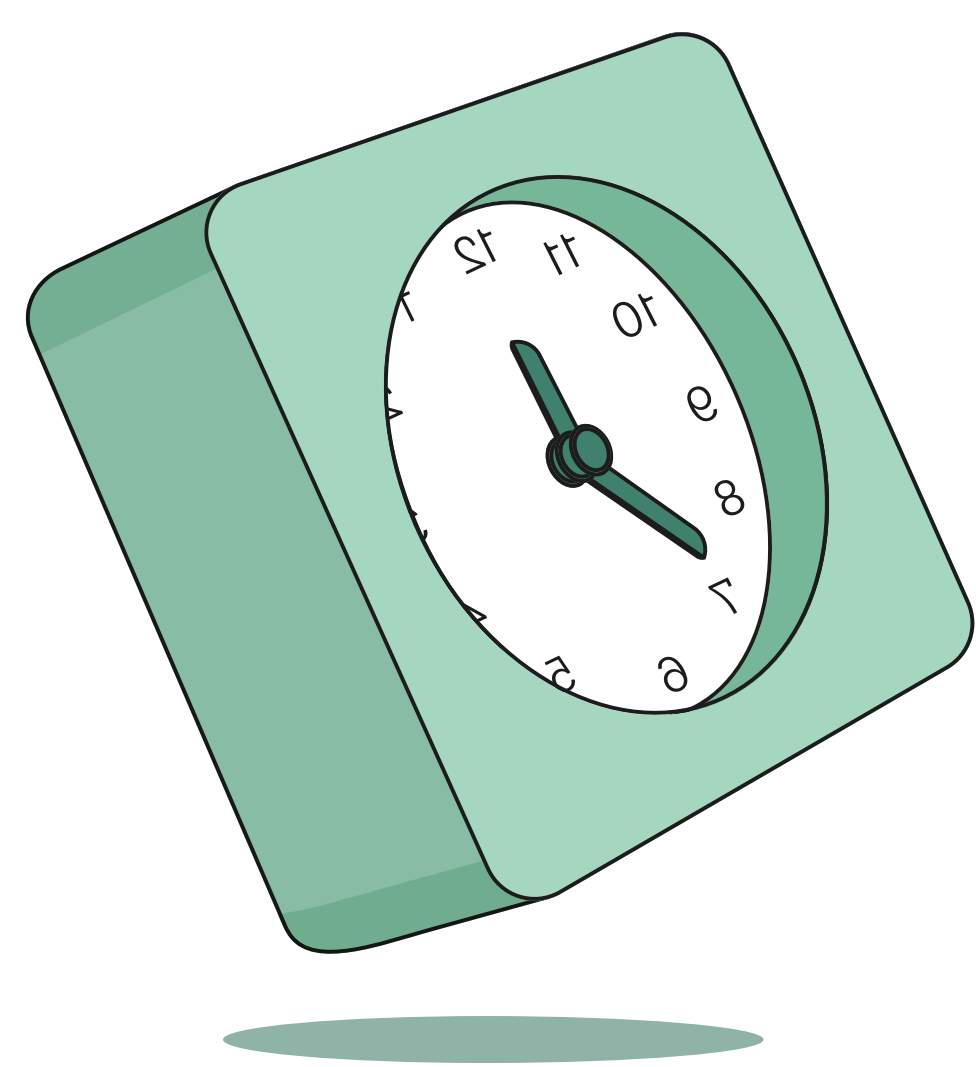
Your practice is an S corporation

Your practice is an S corporation. S corp tax returns are significantly more complex than sole prop tax returns.



You can justify the expense

Price out the time it takes to do your own taxes based on your hourly rate as a therapist. If it costs more than hiring an accountant, you may benefit from professional help.



You're behind on taxes

If you've missed filing past returns, an accountant can help you catch up.



You need additional services

An accountant can help with S corp elections, payroll, and long-term financial planning.

The cost of hiring an accountant to file taxes for your sole proprietorship typically starts at around \$400 – \$500. Filing additional forms, like 1099-NEC, may increase the price. Paying an accountant to file your S corp return usually costs at least \$1,000, with the price increasing depending on the complexity of your filing.



Heads up: Instead of hiring an accountant, many therapists choose to use [Heard](#). It's a complete financial platform for therapists that combines bookkeeping and tax filing in one service, and also features add-ons for payroll. Heard starts at \$169 per month.

13 Where to file your taxes for free

You have two free options for filing your taxes online:



IRS Free File

Available if your income is **less than \$73,000**

- Third-party providers allow you to use their apps to complete your tax filing
- The IRS offers a list of [eight Free File providers](#) on their website, with comparisons of features
- This option is simpler and more straightforward than filling out forms by hand



Free Fillable Forms

available if your income is **greater than \$73,000**

- Complete electronic versions of tax forms and submit them online
- The tax forms have some built-in calculations, but they don't file your taxes for you
- Create a [Free Fillable Forms account](#) to get started

Key takeaways

By preparing now, you can ensure that your practice is ready when tax season arrives. That means easier filing, less stress, and a tax return that makes the most of business deductions for therapists.

Need support with bookkeeping, accounting or taxes?
[Learn more about Heard here.](#)

