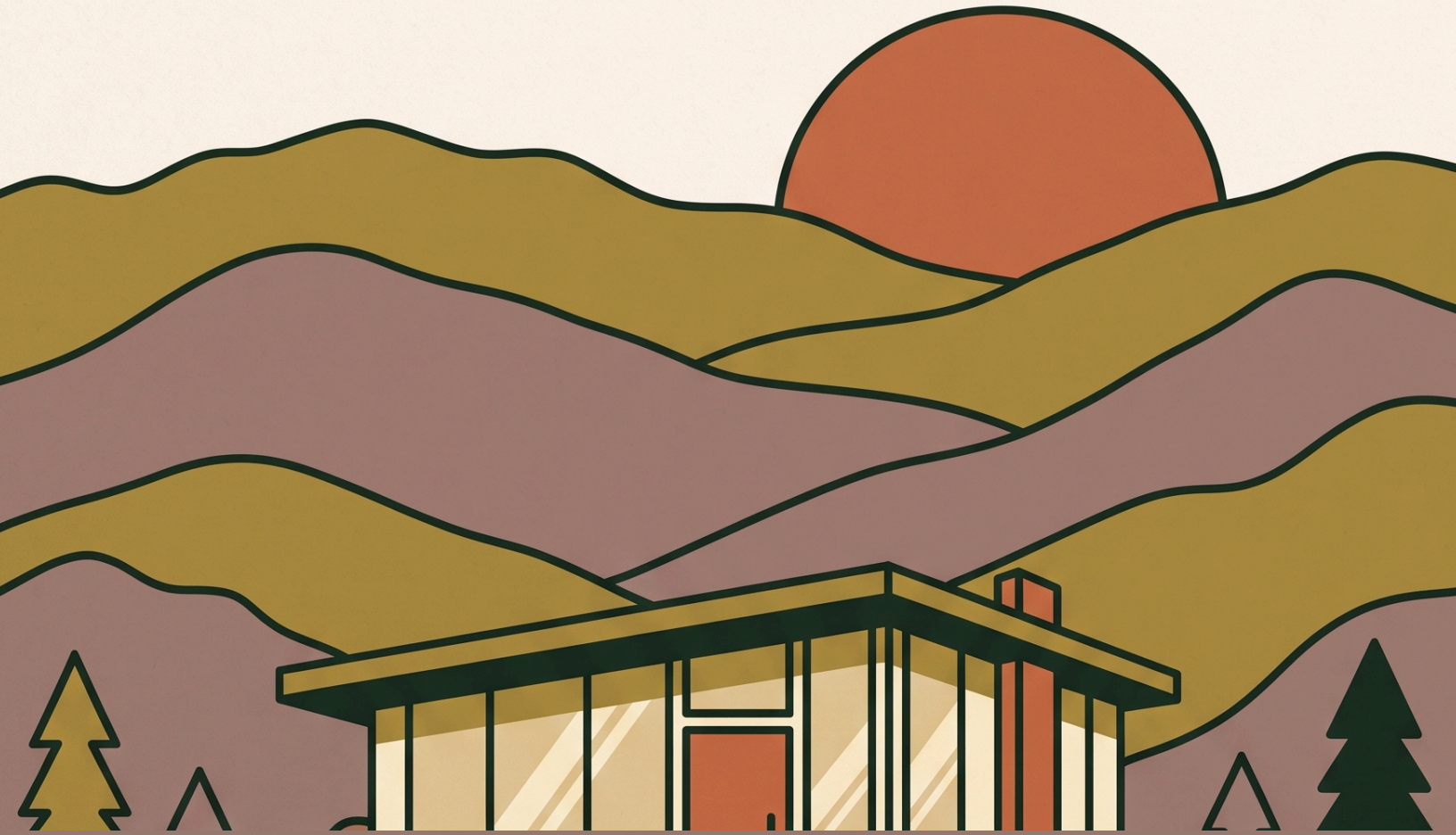


Goodman CPA

 Elevating Your Financial & Tax Position



DIRECT CARE EDITION

# Tax Strategies for Direct Care Practice Owners

Keep more of what your membership model earns



# You built your practice on your terms. Your tax strategy should work the same way.



Thank you for downloading *7 Tax Strategies for Direct Care Practice Owners*.

You left fee-for-service to practice medicine the way you believe it should be practiced: smaller panels, longer visits, real relationships with your members. The business side of your practice deserves that same intention. Taxes are not something that happens once a year in April. They show up at nearly every practice decision you make, including when you:

- Launch the practice and choose your entity
- Hire your first medical assistant
- Set your own pay as the owner
- Sign your first employer DPC contract
- Buy in-house lab or ultrasound equipment
- Plan for retirement after years of training

The IRS does not flag those moments for you. That is where we come in. My name is Nate Goodman, and I am the founder of Goodman CPA. Our firm works with Direct Care practices every day. We already understand how your model works: predictable recurring revenue, low overhead, and a practice whose capacity depends on you.

In the pages ahead are seven strategies we put to work with Direct Care owners, each with the angle that matters for a membership practice. One of them, the new DPC and HSA rule, is brand new for 2026.

If you want help applying any of these to your practice, schedule a free consultation with our team. Call 828 669 4747 or visit [goodmancpa.com/book-a-call](https://goodmancpa.com/book-a-call).

Sincerely,

**Nate Goodman**

NATHANIEL C. GOODMAN, MBA, CPA · FOUNDER

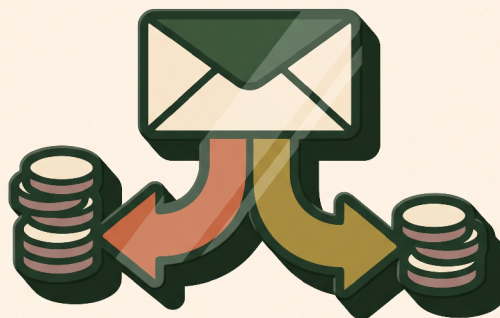
P.S. If this e-book was useful to you, email me at [ngoodman@goodmancpa.com](mailto:ngoodman@goodmancpa.com). I would love to hear about your practice.





TAX STRATEGY 1 OF 7

# 1



## S Corp Election and Reasonable Compensation

Pay yourself on purpose, through payroll, at a number you can defend.



# S Corp Election and Reasonable Compensation



## Overview

When your practice elects S corporation status (a tax classification an LLC can choose without changing its legal structure), profit is split two ways: a W-2 salary you pay yourself through payroll, and distributions of the remaining profit. Only the salary carries payroll tax (Social Security and Medicare, often called FICA). Distributions do not.

### — THE DIRECT CARE ANGLE

Membership revenue is predictable. A panel paying a set monthly fee makes profit far easier to project than fee-for-service collections, so the salary and distribution split can be modeled before the year starts, not guessed at in April.

- Many launch-stage owners take zero salary and draw distributions instead. That pattern is one of the most common S corp audit risks.
- The goal is a defensible salary, not the lowest one. Tie it to the clinical and administrative work you actually do.
- Your salary also sets how much you can put into a 401(k) and cash balance plan (Strategy 3), so the right number does double duty.

## Requirements

- File Form 2553 on time, generally within 2 months and 15 days of the start of the tax year the election takes effect.
- Run real payroll with withholding and quarterly payroll filings.
- Set a reasonable salary for a physician or NP owner in your market, and document how you reached it.
- Keep the election eligible: one class of stock and eligible shareholders only.

## Next Steps

- Work with our team at Goodman CPA to design, document, and implement this strategy for your current tax year.
- Bring your membership pricing and panel projections so we can model the election on real numbers.

**SOURCES** · Internal Revenue Code sections and related guidance include IRC §1362 (election); IRC §1366 (pass-through of income); IRC §3121 (definition of wages); Rev. Rul. 74-44.





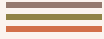
# 2



## Accountable Plan

Reimburse the practice expenses you have been paying out of your own pocket.

# Accountable Plan



## Overview

An accountable plan lets your practice reimburse employees, including you as an owner-employee, for business expenses paid out of pocket. The practice deducts the expense, and the reimbursement is not taxable wages to you. Without a plan, the IRS can treat those payments as extra salary.

The plan does not have to be in writing, but a written policy is the best proof that it meets IRS rules. It should set the deadline for submitting requests, the documentation required, how excess amounts are returned, which expenses qualify, and any reimbursement maximum. For an S corp owner, it is also how the practice reimburses you for business use of your home.

### — THE DIRECT CARE ANGLE

Direct Care work does not stay inside the clinic. These owner-paid costs commonly belong on the practice's books:

- Charting and member messages from a home office at night
- Mileage for home visits and employer site visits
- Medical license, DEA registration, and board certification renewals
- A personal cell phone used for member texting and after-hours calls
- CME courses and conference travel

## Requirements

- Each expense must have a business connection.
- Expenses must be substantiated (amount, date, and business purpose) and reported to the practice within a reasonable time.
- Any excess reimbursement must be returned to the practice within a reasonable time.

## Next Steps

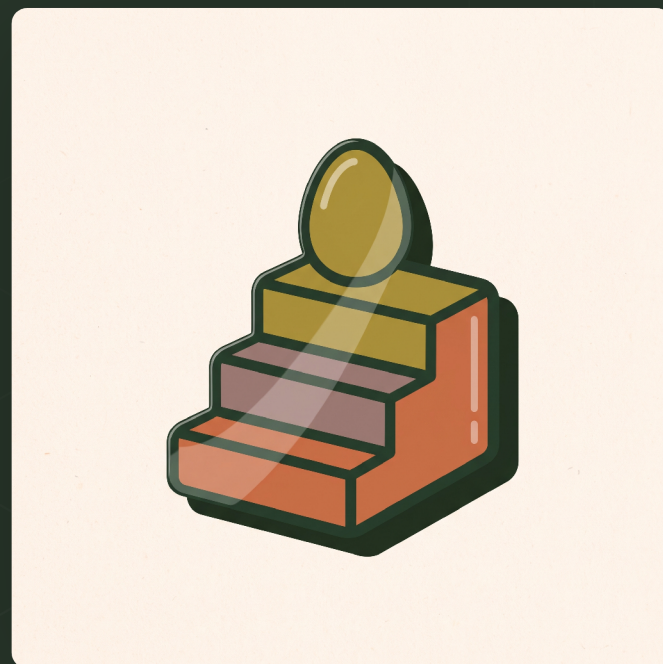
- Work with our team at Goodman CPA to design, document, and implement this strategy for your current tax year.
- We can draft a written reimbursement policy and a simple monthly submission routine for you and your staff.

**SOURCES** · Internal Revenue Code sections and related guidance include IRC §62(a)(2)(A); IRC §62(c); Treas. Reg. §1.62-2; IRS Publication 463, Travel, Gift, and Car Expenses.



TAX STRATEGY 3 OF 7

# 3

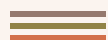


## Retirement Stacking: 401(k) plus Cash Balance Plan

Make up for the years you spent in training.



# Retirement Stacking: 401(k) plus Cash Balance Plan



## Overview

A SEP-IRA is simple, but it caps out quickly. Pairing a 401(k) with a cash balance plan, a type of defined benefit plan that credits each participant a set amount every year, allows an owner to set aside far more in the same year. The cash balance plan layers a separate contribution on top of the 401(k), based on age and pay.

2026 EMPLOYEE  
DEFERRAL

**\$24,500**

CATCH-UP, AGE 50+

**\$8,000**

CATCH-UP, AGES 60 TO  
63

**\$11,250**

TOTAL DEFINED  
CONTRIBUTION LIMIT

**\$72,000**

### — THE DIRECT CARE ANGLE

- Residency, fellowship, and loan payoff push serious retirement saving into your 40s.
- If you left employed medicine, you may also have left behind an employer plan and its match.
- A lean DPC staff works in your favor: fewer employees keeps plan costs and nondiscrimination testing manageable.
- In an S corp, contributions are based on W-2 salary, so this strategy works hand in hand with Strategy 1.
- New for 2026: if your prior-year wages from the practice topped \$150,000, catch-up contributions must go in as Roth.

## Requirements

- Plan documents must be adopted by the applicable deadline for the tax year.
- A cash balance plan is a multi-year commitment with required annual funding, actuarial certification, and Form 5500 filings, so steady cash flow matters.
- Eligible employees must be covered under the plan's testing rules.

## Next Steps

- Work with our team at Goodman CPA to design, document, and implement this strategy for your current tax year.
- We coordinate with your plan administrator and actuary so contributions line up with your salary and cash flow.

**SOURCES** · Internal Revenue Code sections and related guidance include IRC §401(a); IRC §401(k); IRC §404; IRC §412; IRC §415; SECURE 2.0 Act §603; IRS Notice 2025-67.



TAX STRATEGY 4 OF 7

# 4



## The Augusta Rule

Rent your home to your practice for up to 14 days a year.

# The Augusta Rule



## Overview

You can rent your primary residence or vacation home to your business for up to 14 days each year. The practice deducts the rent, and the rental income is excluded from your taxable income. The rule takes its name from Augusta, Georgia, where residents rent their homes to visitors during the Masters Golf Tournament.

- The home cannot be a full-time rental property.
- Rent it for more than 14 days and all of the income becomes reportable, with no tax benefit.

The meeting must have a real business purpose, an agenda, and minutes. The Tax Court has denied this deduction when the rent and the business use were not documented.

### — THE DIRECT CARE ANGLE

Plenty of practice business happens away from the exam room. Host it at home and rent the space to the practice for up to 14 days, at a documented fair market rate for a comparable local venue:

- Your annual strategic planning day: pricing, panel goals, and hiring
- Quarterly staff meetings
- A founding-member appreciation event
- A staff retreat

## Requirements

- The daily rental rate covers the space only, not the cost of business meals.
- There must be a written lease agreement and supporting documentation for the rental price.
- The practice must be an S corporation, C corporation, or partnership. A sole proprietorship or single-member LLC reporting on Schedule C gets no benefit, because the practice would be paying rent to you.

## Next Steps

- Work with our team at Goodman CPA to design, document, and implement this strategy for your current tax year.
- We can help you document fair market rent, draft the lease, and build a meeting calendar that supports it.

**SOURCES** · Internal Revenue Code sections and related guidance include PLR 8104117; IRC §280A(g); IRC §162; IRC §274(a)(1)(B); IRC §267(a)(2); IRC §262; Gregory v. Helvering, 293 U.S. 465 (1935); Frank Lyon Co. v. United States, 435 U.S. 561, 573 (1978); Rev. Rul. 76-287; Leslie A. Roy v. Commr., TC Memo 1998-125.



TAX STRATEGY 5 OF 7

# 5



## Hiring Your Kids

Real work, fair wages, and an early start on building family wealth.



# Hiring Your Kids



## Overview

If you own your practice, you can hire your children, pay them a fair wage for real work, and deduct those wages as a business expense. Each child can earn up to the standard deduction free of federal income tax: \$16,100 in 2026, if wages are the child's only income.

If the practice is a sole proprietorship or a partnership owned only by the two parents, wages to children under 18 are not subject to Social Security and Medicare tax, and wages to children under 21 are not subject to FUTA (federal unemployment) tax. Income tax withholding rules still apply, and state rules vary. The work must fit the child's age and ability.

**Note:** If your practice is an S corp or C corp, wages to your children are subject to FICA and FUTA like any other employee. A common workaround is a family management company: a sole proprietorship or parents-only partnership that provides services to the practice and employs the children.

### — THE DIRECT CARE ANGLE

A small practice has plenty of honest, age-appropriate work:

- Filing, scanning, and supply restocking
- Cleaning the office after hours
- Social media content for the practice
- Front desk support for teens: greeting members, phones, and scheduling

## Requirements

- Wages must reflect a market rate of pay for legitimate services rendered to the business.
- Keep timesheets and a simple job description for each child.
- Pay wages through payroll, ideally into an account in the child's name.

## Next Steps

- Work with our team at Goodman CPA to design, document, and implement this strategy for your current tax year.
- We can confirm how your entity type affects payroll tax and set up the family management company if it fits.

**SOURCES** · Internal Revenue Code sections and related guidance include IRC §73; IRC §3121(b)(3)(A); IRC §3306(c)(5); Treas. Reg. §31.3121(b)(3)-1.



TAX STRATEGY 6 OF 7

# 6



NEW FOR 2026

## Direct Primary Care Meets the HSA

Your membership model and the health savings account finally work together.

# Direct Primary Care Meets the HSA



## Overview

Starting January 1, 2026, a qualifying direct primary care arrangement no longer disqualifies someone from contributing to a health savings account (HSA). DPC membership fees up to \$150 per month for an individual or \$300 per month for a family (indexed for inflation after 2026) now count as qualified medical expenses, so members can pay them with HSA dollars.

2026 HSA contribution limits are \$4,400 self-only and \$8,750 family.

### — THE DIRECT CARE ANGLE

This works on two fronts.

#### For you and your staff

Pair an HSA-eligible health plan with a DPC membership, and fund the HSA.

#### For your practice

A new selling point for members and employers.  
Build an employer package around HDHP + HSA + DPC.

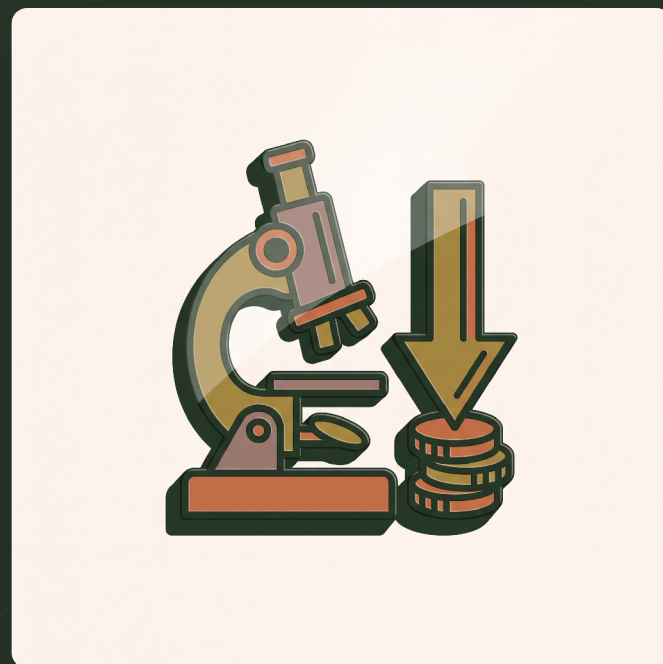
## Requirements

- The membership fee must stay within the monthly caps.
- The membership fee must be your only compensation for that care. A practice that also bills members or insurance separately for covered services does not qualify, so review how you charge for labs, dispensing, and add-ons.
- The arrangement must be primary care only, paid by a fixed periodic fee.
- Excluded services: procedures that require general anesthesia, prescription drugs other than vaccines, and lab services not typically provided in an ambulatory primary care setting.

## Next Steps

- Work with our team at Goodman CPA to design, document, and implement this strategy for your current tax year.
- We can review your membership tiers against the caps and help you frame the employer package.

**SOURCES** · Internal Revenue Code sections and related guidance include IRC §223 as amended by the One Big Beautiful Bill Act (P.L. 119-21); IRS Notice 2026-5.



# Equipment and Build-Out: Section 179 and Bonus Depreciation

Deduct the lab, the ultrasound, and the build-out in the year they go to work.

# Equipment and Build-Out: Section 179 and Bonus Depreciation



## Overview

Equipment and improvements are normally deducted a little at a time over many years. Section 179 expensing and bonus depreciation let you deduct qualifying costs in the year the asset is placed in service instead.

The One Big Beautiful Bill Act permanently restored 100% bonus depreciation for qualifying property acquired after January 19, 2025. For 2026, the Section 179 limit is \$2,560,000, phasing out once purchases exceed \$4,090,000. Section 179 cannot exceed business income. Bonus depreciation has no income limit.

### — THE DIRECT CARE ANGLE

- In-house lab analyzers
- Your dispensary setup
- EHR hardware: computers, tablets, printers
- Point-of-care ultrasound
- Exam room furniture and tables
- Interior build-out of a leased clinic (qualified improvement property)

Model it first. In a low-income launch year, a large deduction can be wasted against income that would have been taxed lightly anyway. Spreading depreciation into higher-income years may serve you better. We run it both ways before you file.

## Requirements

- The asset must be placed in service (ready and available for use) during the tax year.
- Business use must be above 50%.
- Qualified improvement property is interior work on a nonresidential building. It excludes enlargements, elevators, escalators, and internal structural framework.

## Next Steps

- Work with our team at Goodman CPA to design, document, and implement this strategy for your current tax year.
- Send us equipment quotes and your build-out budget before you buy, so timing can be part of the plan.

**SOURCES** · Internal Revenue Code sections and related guidance include IRC §168(k); IRC §179; IRC §168(e)(6); One Big Beautiful Bill Act (P.L. 119-21) restoration of 100% bonus depreciation; Rev. Proc. 2025-32.





# Ready to build a practice that pays you back?

Schedule a free consultation with a team that already  
knows the membership model.

828 669 4747

[goodmancpa.com/book-a-call](https://goodmancpa.com/book-a-call)



## — ALSO WORTH A CONVERSATION



### QSEHRA and ICHRA

Tax-favored ways to reimburse staff for  
their own health coverage. (IRC §9831(d),  
§105)



### Section 199A

Medicine is a specified service business,  
so the QBI deduction phases out at  
higher incomes. (IRC §199A)



### State PTE elections

Paying state tax at the entity level, such  
as North Carolina's election. (NC G.S. §105-  
131.1A for S corporations; §105-154.1 for  
partnerships)



### Paying your spouse

A spouse who works in the practice can  
be paid a fair wage for real work.

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