

Webinar Title: Unlock Hidden Tax Savings: Top Tax Deductions for Psychologists

Webinar Date and Time: Friday, November 14, 2025 at 1:00PM EST

Morgan: Hello, and welcome to today's webinar, Unlock Hidden Tax Savings: Top Tax Deductions for Psychologists. This topical webinar is paid for by Heard, an accounting platform designed specifically for psychologist entrepreneurs, offering easy-to-use software and expert support to simplify financial management. Some important points before we get started. Forrest Perry and Andrew Riesen, the presenters for today's webinar, have working relationships with Heard. As such, they have both a financial and an intellectual interest in the webinar content.

The purpose of this presentation is to provide a balanced view on key tax deductions and strategies to help psychologists save money, stay organized, and avoid financial mistakes. APA does not endorse any products or services. The content was created by Heard and does not reflect the views of APA or its editorial staff. Email advertising at apa.org to learn more. Next, this program does not offer CE. However, we will email everyone watching live today a certificate of attendance. Certificates will only be issued to those who watch for a minimum of 45 minutes.

A recording of this presentation will be emailed to everyone in two weeks' time. The recording will include the presentation slides. During our time together, you will be on mute. You can communicate with us using the Q&A box located on your webinar screen. The Q&A is enabled for attendee interaction with submitted questions. Attendees can view all submitted questions and upvote those they find important. This helps the presenters identify questions that many attendees want answered. A link to the presentation slides will be posted in the chat box of your webinar screen. If you miss them, don't worry. We will email them to you with the recording.

Now, let me introduce our presenters. First, Forrest Perry. Forrest, a former CPA, is the current partnership's lead at Heard. He has consulted with thousands of therapists and helped build key teams and processes to support mental health professionals. Andrew Riesen. Andrew is the CEO of Heard. He is also a mission-driven entrepreneur and former PricewaterhouseCoopers accountant. Passionate about helping mental health professionals streamline their business operations so that they can focus on patient care. Welcome, Forrest and Andrew.

Andrew Riesen: Thank you so much for having us. We are incredibly excited to be here. I see 76 participants on the call. That is 76 folks who have taken time out of their day on a Friday, whether it's in the morning or early afternoon, to come and better yourself as not just a clinician but also an entrepreneur and a small business owner, which is what you are when you're running a private practice. Very grateful for the time to be here. A little bit about Heard. Heard is the financial back office for therapists that are operating in independent practice or holding 1099s.

We started Heard once upon a time. Forrest was my first teammate at Heard to really support clinicians as they move into independent practice and figure out how to become business owners and operate and grow in their practice. I have personally been impacted not just by my wife, who's a clinical psychologist, but by my own clinical psychologist, and in my own growth as a person. Very grateful for the work that you do, and know how hard it can be to be a clinician and a business owner.

We're really excited to nerd out on everything accounting and run through some opportunities to hopefully save you a little bit of money and help you get prepared for tax season. I will hand it over to Forrest to kick things off.

Forrest Perry: Awesome. Thanks, Andrew. Like you said, excited to be here. We're going to kick things off with a little poll once I can get to the next slide. There we go. Perfect. This will help gauge the audience and help get a little idea of where everyone's at with their tax deduction journey. It's anonymous, so you can be honest. Hopefully, everyone here will at least get one takeaway today. All right. We've crossed the 50% participation mark. Starting at the bottom, 13%, not familiar at all, in the right place. We're going to set the foundation for what a tax deduction truly means and some best practices.

Not very familiar, also in the right place. Somewhat familiar. It can be a little bit more challenging of an audience, but I'm sure there's some tips or tricks at the end when we go over all of the great deductions that psychologists can take. Then, very familiar, the most challenging audience out there. Feel free, maybe to tune out for the first 5, 10 minutes while we set that 101 context knowledge for everyone else. The great thing is, as I mentioned earlier, we have our wonderful friend Morgan here to help answer questions. We ask that you try to stay on topic to what the slide is to keep her focused on that current slide.

At the end, we'll have that dedicated Q&A as well. No matter what your knowledge level is, Morgan's absolutely amazing at translating, sometimes these funky tax accounting technical topics into hopefully a clear way that y'all can understand. Please keep interactive. We'll also throughout the presentation, if we see themes of questions, I'm likely going to make a mistake or two, and they'll come on in and help share some more guidance and context.

All right. What is a tax deduction? You'll read this definition and probably be, "This isn't very helpful. This is vague." I figure that's the reality. The first piece is the synonymous terms used around tax deductions. You might've heard also the word tax write-off. However, here at Heard and during this webinar, we're going to try our best to refer to them as business expenses because that truly defines how they're likely used within your private practice or self-employed work. Those next few terms, ordinary and necessary. You will hear us continually say that because that is the crux of the definition, for if you can utilize XYZ expense for your business, and therefore be a tax deduction or write-off.

Again, ordinary and necessary. Keep those two words in your back pocket when thinking about any sort of tax deduction. Sorry, the moving slide is moving a little slow here. Try again. Continuing on that ambiguity, why there is the ambiguity, and no matter where you're at within your level of knowledge around tax deductions, this always will be there. I use both the blessing and the curse of being an accountant. There's the art and science of it, of there is the IRS codification. Then the fun part is how do you interpret that as a CPA or tax preparer for your individual client?

Whether the state you're in, the type of practice you're running, how you're using that expense, one expense for one psychologist may not be deductible for another psychologist. Again, it's confusing, and oftentimes, why folks for those tricky ones will consult with an accountant or CPA just because it's really hard to find that exact,

explicit answer. All right. Sort of at the top here, though, personal tax deductions versus business expenses. Today's focus is going to be focused strictly on business expenses. There are thousands of other personal tax deductions you can take, something like a child tax credit or student loan interest.

We're going to be focused on the business expenses, which are also deductible. They are deductible either through your Schedule C if you are a sole proprietor, LLC, or PLLC. Then, if you're an S corporation, these will all be on your 1120-S, which is the tax form for an S corporation. We'll tie this into how it goes into annual taxes here shortly. Who's eligible? Anyone who is working in some sort of self-employed capacity. We work with many folks at Heard who are potentially a W-2 employee, say, work at a hospital, 9:00 to 5:00, and then in the evening or on the weekends, operate a part-time private practice.

Even if you're working more hours at that W-2 job and only a little bit on this part-time practice, that doesn't eliminate you from being able to take deductions. The only little snippet around this is you can't, what I like to call, double dip. Say you work at a group practice and the group practice owner reimburses everyone \$1,000 a month for CEU credits. You can't also deduct that CEU credit expense on your return. I think the beauty of the psychologist field, when it comes to deductions, is if you're buying, let's say, a book to better yourself as a psychologist, it will help both your W-2 position and self-employed practice.

Hey, if you spent that out of pocket, absolutely deduct it. Again, you need to be working in some sort of self-employed capacity. Morgan, Andrew, myself, even though we work from home, we can't take the home office deductions because we are W-2 poised. Next is how do business expenses translate into tax savings? Hopefully, you leave today with a bunch of great new tips and ways on utilizing these deductions, but we don't want you to overspend. What I mean by that is it's not a one-for-one. As you'll see here, if you buy that \$1,000 laptop, it does not mean you're saving \$1,000 in taxes. It's important to know as a self-employed professional, you are taxed on your profit.

How do you get to your profit? It's the income, money coming in, subtracted by the expenses, the money going out of your business. Whatever your effective tax rate is, normally, a good benchmark is about 30%. You would take that 30% or your individual tax rate and multiply that by the expense you're purchasing. That gives you a back-of-the-napkin rough estimate of how much you're saving on taxes. In this example with the laptop, you'd be saving about \$300. Now, it might be like, "Wow, that doesn't really sound like that much." I will continue to mention throughout today, deductions are the best way to save on taxes as a self-employed professional.

When you read into the *New York Times*, some big R&D credit or billion-dollar savings that some big corporation had, those types of deductions really aren't intended for small businesses. What you'll see is these business expenses or tax deductions be that best way to save money. Receipts. We have a lot of questions about are receipts needed, when are they needed, how to track them, where to keep them. My personal recommendation is any expense that's over \$75 where you do not have an electronic copy, put that in a little folder or file.

Why I say that is you can always find electronics receipt, whether you're looking at your Amazon orders or through your email, if you need to pull this specific receipt. When would you need receipts? Two common situations. The first one, which is more common, is your accountant or CPA says, "Hey, Andrew. I saw you charge the \$2,000 United Airlines ticket. I'm just looking for validation that this was a business trip. Do you have a receipt?" Andrew says, "Hey, here you go." CPA is like, "Awesome. We're going to include this in your books."

Then the second situation, the more unfortunate, is in event of an audit. Knock on wood, here at Heard, we haven't had any members go through an audit, but it is a reality and oftentimes totally random. Even if you're doing everything exactly right, you may get randomly selected for an audit. In that audit, they may request, say, "Hey, Andrew. I need all receipts for expenses over \$75 last year." Obviously, it's going to be a pain, but in my opinion, it's worthwhile not to spend all the time organizing every single receipt every year because those chances are slim. You get selected, you can go navigate and find them all.

Andrew always does a good job mentioning this. I'm stealing a little bit of his thunder, but at the end of the day, it's you get to choose what you're expensing on your books, or you get that final determination. However, if you want to understand the potential consequences, technically from the IRS's end, CPAs and EA, Enrolled Agents, based on our guidance, is you are not supposed to advise clients to break the codification. However, at the end of the day, your choice.

Leading down at the bottom, those differing opinions, building off that ordinary and necessary and vague tax deduction difference, I know I alluded to these already, but this is why you could Google search or ChatGPT a question and get five different answers, or talk to five different CPAs and get five different answers. I know I already talked about the type of practice you're in. There's also that interpretation of that tax law, that art and science piece I was talking about earlier, and then the one I just alluded to about your stance on do you want to take the risk, do you want to be conservative, do you want to be aggressive?

These are great questions to ask, also when you're evaluating CPAs or accountants. It's like, "Hey, how do you approach tax deductions?" If you are someone who's more risk-averse, maybe you're mentioning that in your consultation with the CPA. Side note on evaluating, interviewing CPAs. Now is the absolute best time. Do not wait until after the holiday season, as most of the great CPAs or enrolled agents, which can also file your taxes, are taken. They're busy, they're in their busy season, and you don't want to be left with what no one else was wanting to work with.

Recommend interviewing at least two to three, and really knowing what you're getting from a servicing perspective. If you go online and start looking at CPAs or accountants, you're going to see various different price points. What usually that means is they're providing, hopefully, more services or more money. Take the time and understand, "What do I need? Do I want bookkeeping? Do I want quarterly taxes? Do I want annual taxes? Do I want support?" Then have that list, share with the CPA accountant, so you can help make that best decision. Andrew, anything else to add here before we move on to how to track deductions?

Andrew: There was a good question on receipts, and we'll talk through how to track them in more detail in the next upcoming slides around bookkeeping. One of the things that I just wanted to say around receipts is just taking a very pragmatic, practical stance. It's impossible to keep track of 100% of your receipts. The reality is, most of your receipts are going to be your SimplePractice subscription, your APA membership, all these things that you're paying for online. Just know that you can go find that receipt. You don't necessarily need to save that down in the case that an audit does take place.

While audits are random, one thing that I did just want to call out explicitly here is there are some specific areas that they will dive into. Again, we'll talk more about it, but those specific areas are business travel, meals and entertainment, and vehicle use for business. Forrest talked about this concept of conservative versus aggressive. These are the areas where people can get pretty excited and creative, will be the way that I'll frame it. There's certain thresholds that the IRS are looking at as a percentage of overall income or overall expenses.

You are all practical, highly educated, intelligent human beings. Just use your barometer and intuition of, is this overly aggressive, and get comfortable with whatever your approach is, whether it's conservative or aggressive. Just know, like Forrest said, that even if an accountant is pushing you, you are the business owner, at the end of the day. You are the one filing the return, and so be responsible, even if you aren't totally comfortable making that decision that's best for yourself. Just one thing I wanted to push on there.

Forrest: Just one thing.

Andrew: Yes. Couple of things, maybe. [laughs]

Forrest: Very well put. We're going to highlight those three higher-risk areas in depth later on in the presentation, so don't worry. We're going to share best practices, share best tips. I really like what Andrew said about that barometer. That ambiguous- - It sucks sharing that definition because it's not providing maybe a lot of value. If the IRS was to audit you, did you feel good? Do you have a case about why you thought XYZ was for your business? That really is what matters most, having the rationale for why you, as that specific business owner, thinks it's ordinary and necessary.

Tracking. We talked a little bit about receipts, best practices there, but think about how many expenses you have each month. Obviously, it depends if you're part-time or full-time, if you have a group practice. Here at Heard, we see anywhere from low end of 30, maybe average of 50, and then group practice upwards of 100 transactions a month. Times that by 12. That's 1,200 expenses for the year. I think you said impossible to keep track of all the receipts, but what's most important is you get that deduction. The best way to track those deductions, we believe, is bookkeeping.

For those unfamiliar with bookkeeping, I'm going to set just a little bit of a foundation around what it is. It's purely categorizing, which you'll see in this column, all of the expenses and then income-- I don't know why United Airlines-- That should have a minus, or all the income that's coming into your practice. Income is fairly straightforward, whether it's group therapy income, individual therapy income, maybe

course income if you're selling any courses. Trying to think of any other ones. Consulting or supervision income. That helps you understand of, let's say, the \$100,000 I made in income last year, what was the breakdown?

Maybe you find out, "Wow, these group sessions are going really well. They take less time from my end, and they're more lucrative financially. I want to raise those up." Really, where the bookkeeping comes in is the expense side. If you remember what is a tax deduction, it's a business expense. That's where this category comes into play. I think there's 17 or 18 different categories from the IRS. That is where folks often get a little challenged. Some of them are very straightforward. Office expenses. I know if I'm buying pens or paper or going to Staples and getting a new printer, likely going to be those office expenses.

Where it gets a little bit more tricky, we'll talk about all the deductions later, but with those other categories, some of them you're sitting there, "Do I do this or do I do that?" A lot of it's purely presentational. What's more important is that would the IRS let you deduct this or not? The category, yes, it matters, but I'll say a little bit less. What do you need to do bookkeeping? Really simple, actually. Just the date, description, and dollar amount of all those expenses and income transactions. That's why we always recommend folks to have a designated bank account for your business.

This is a little snippet of Heard. Connects right to your bank account. Just like QuickBooks also looks very similar. Connect your bank account. Pulls in those transactions automatically. You're not having to copy and paste or manually import. Having that one singular account makes your books much cleaner and easier to categorize. Avoids also potentially missing out on deductions. If you go back to January and you see an Amazon expense for \$15, was I buying a gift for a friend, or was I buying office supplies for my office? It's just going to show as Amazon here.

It also gives you that confidence that everything charged there is a business expense. That is really what bookkeeping is. Categorizing, again, the transactions, whether you want to use a software. A lot of folks will use spreadsheets, which works great for them. We often see the level of income driving the tool you use. Say if you're making upwards of \$50,000 in annual self-employed income, it may be smart to invest in a bookkeeping software or invest in a bookkeeper itself. What else does bookkeeping mean? Closing out your books and checking for completeness and accuracy through what's called an account reconciliation.

If you have a formal bookkeeper, they're going to do that. If you're using sheets, probably don't need to do that extra step because you have a pretty good pulse check if you're in there and categorizing everything, and knowing if anything is missing. One other piece on bank accounts, if you are an LLC, PLLC, or professional corporation, you are required to have what's called a business bank account. If you're a sole proprietor without an EIN number, you can't open up a business bank account. Which is totally fine. It's all about having that separate account.

Common question we get around here is that a lot of folks probably don't have separated accounts yet. Super normal, but would say a great take-home project to do next week if you don't have one yet, is it doesn't mean you can't deduct your expenses. What I would recommend if you haven't done any bookkeeping or are

using one commingled account, is over the next few weeks, try to tackle each month. Next week, go after January. Pull up that bank statement. Highlight what was business, what was personal. Make it into a bite-sized approach so you can do what's called your catch-up bookkeeping.

By the end of the year, you get to December, and your books are up to date. You can just identify those ones that weren't charged that business account, upload them, or share them with your accountant as part of your bookkeeping records. Tie this all into running a practice. Bookkeeping is the foundation to your business. Without doing bookkeeping, you obviously aren't able to really successfully track your deductions. More importantly, you don't know what your profit is. Your profit each month is going to drive how much to pay yourself, how much to save for taxes, and just as importantly, how your business is performing financially.

If money's going in and out of your account, it's like, "How much am I spending? Where am I spending it? Where are the opportunities to grow?" If you're not doing bookkeeping, highly recommend figuring out what solution would work best with you and trying to keep up with it on a monthly basis. Andrew, Morgan, anything else to add? I don't know what's coming through Q&A, or pro tips on bookkeeping, or feel good.

Andrew: Pro tip on bookkeeping, I would just say is if it looks like a business expense, if it smells like one, if it feels like one, include it in bookkeeping. That's forced push on having a separate bank account. Let's imagine that you're like my wife at one point in time, working at the VA and opening a small practice on the side. She doesn't need a complex accounting infrastructure, but she also has a lot of business expenses that are coming up. Think about what those business expenses are, but don't try to perfect it. If it looks like one, if it feels like one, if it smells like one, have that separate account.

Run the expenses through there, or run those expenses through that separate credit card that you have for your practice. Let an accountant at the end of the year be the one to help you understand whether it's deductible or not. There's nothing worse, like Forrest said, than getting to the end of the year having not done any catch-up bookkeeping and scrambling through the file cabinets and looking through your phone at all of the receipts, trying to figure out what a business expense is.

Again, totally agree with what Forrest encouraged. Start this week and next week, and start really small and just taking incremental steps if you haven't started doing that to think about what a business expense might be and what a good way for you to track them might be.

Forrest: Very well said. One of the other common questions we get is bookkeeping required by the IRS. The answer is actually no. They don't require you to do bookkeeping. Your CPA or accountant is going to request those bookkeeping records, and most are unable to work with you unless you have that. Why that is, is so that they know what information to translate into your annual tax forms. If you're a sole proprietor or LLC, or PLLC, as I mentioned earlier, you file what's called a Schedule C. The Schedule C is actually included in your personal tax return, your Form 1040, whichever US citizen files.

Think about it. You fill out the same information that you did last year if you're brand new to self-employed, and then there's this new component, the Schedule C. If you remember, I said earlier, there was about 17 different categories for the expenses. This is where this ties into. The total for your advertising expenses for 2025 would go here. Same thing, say, for office expenses, go here. If Andrew's my CPA and I'm saying, "Hey, Andrew, ready to file my taxes," and he says, "Forrest, how much did you spend on advertising for your practice last year?" "I don't know." "All right. Do you want to take advantage of this deduction? Are you going to give me some of that information?"

Then what we often see is if there is nothing there, folks get in a rush or in a panic and just haphazardly select a few advertising expenses and throw it in. Remember, tracking all of them, and so you know what that full and total number is, is going to be the best way to deduct those. If you find out next year that you missed, say, a \$2,000 website development expense, it's going to require you to amend your tax return, which costs more money. The more time, effort, and focus you can put into this now, will make tax season a lot easier. For the S-Corps on the call, very similar form or section within the Tax Form 1120-S, similar concept.

I want to make it very clear, you are likely not the one filling this out unless you're going super old school tax prep way and actually filing it by paper and typing in these numbers. If you do it yourself, like something on TurboTax, you're answering those questions, and they're inputting it within this specific form. I'd just like to show this so that you could see the connection of how does those deductions and bookkeeping tie in annual taxes, which hopefully helps also show that importance of the bookkeeping itself. We've got another little fun poll here.

Wow, right on top of it. Thanks, team. Can you write off unpaid sessions? People are chiming in. We'll wait till we get about 50%. We've almost got 100 people now here, too, which is wonderful. 10%, "Yes, they can be written off." 37%, "No, they cannot be written off." 53% said, "Not sure. I need clarification." Exactly why we're doing this poll, because we're going to provide that clarification. I think this is another great example of you get mixed suggestions from different folks on deductions, and there's a lot of ambiguity with it. Totally understand why everyone chose their different answers.

The answer is no, you cannot write off unpaid sessions. With the caveat is you are on the cash basis of accounting. I'm going to try not to go technical here, but I need to be accurate in speaking to this. Most small businesses or therapeutic practices that we work with are all on the cash basis of accounting. Unless, for some reason, you think you're on the "accrual basis," it might be slightly different. Assuming that case is true, you can't write it off because income and expenses are recognized for your practice when it's incurred. You never got actually any money paid physically into your account, so there would be nothing to write off.

I personally think it's a crappy situation. If I was the IRS, I'd say, "You should be able to write these off because you likely wasted your time and lost the opportunity to see a patient or client during that time." Now, let's say you charge a cancellation fee, and that gets paid. Remember, money is coming in, so that would be recognized actually as income. Money is coming into your account. If you are on the accrual basis of accounting, there is a chance it can be called bad debt expense. Again, due to the

complexities of accrual accounting, most small business private practice owners use the cash basis.

Andrew, I know there's always a little line that you say here around how SimplePractice, when you're looking at your records, it could make this a little confusing, but you always do a better job explaining it.

Andrew: SimplePractice just has included in the software write-offs and where your revenue is at, but oftentimes the revenue isn't actually the revenue that's been earned because there's outstanding sessions that haven't been paid. Just take the earned revenue with SimplePractice as a directional read as to where your practice is versus set in stone, cash basis. This is the income that you would report at the end of the year. Of course, SimplePractice will provide you a 1099 at the end of the year to provide you an understanding of how much you've actually billed through SimplePractice and the credit card processing fees and all of that stuff.

To Forrest's point, for 99% of small businesses and certainly therapy practices that are fairly non-complex, that are really high margin, meaning that there's not a lot of expenses in the practice that you're accruing for or paying for over time or big equipment or machinery that you're depreciating, the cash basis just makes so much more sense. It's so much easier for you. If you are running a practice that's 2 million or 5 million and beyond that has a lot of complexity, and it's, let's say, multi-faceted and focused of the types of services that you provide, it may be a consideration that you account for, especially if you're predominantly insurance paid. Cash basis is the take-home, and it's a simple way to do it.

Forrest: Awesome. Thanks for adding that in, Andrew. Helpful. All right. Now getting up to the meat of the presentation. All right. Let's see if this will **[unintelligible 00:31:28]** again. Patience. Most common tax deductions. You'll see that word generally up there. Just like Andrew and I were trying to be as explicit as possible with the unpaid sessions, there are certain situations where, in your individual circumstance that we might review in these deduction slides where something is not generally tax deductible for yourself.

Some of these we're going to have deep dives on, and so I'll skip over those, but we'll visit each one and share some best practices or tips. Advertising and marketing. This is one of those that are a little bit more straightforward. If you're a brand new provider, it might be, "Hey, I'm working with a brand and content designer to design my logo or determine my name, what the color palette's going to be. I need a website, so I'm hiring a website designer. Then I'm going on Facebook and putting ads out there, or I'm advertising on *Psychology Today*." Whatever you're doing to grow your practice to help acquire new patients or clients, absolutely can be a fairly deductible expense.

Business meals. We're going to talk about this shortly, but the big thing to know is they're 50% deductible. You'll notice that's the only one on here that has that partial deductibility. Registration fees. If you formed an LLC or PLLC this year, absolutely deductible. If you renewed your LLC or PLLC this year, which most states have annually at an expense associated, deductible. If you had to register with your city, your county, deductible. License registration fees. Anything you are leveraging from

a registration for your practice to operate your practice would therefore be deductible.

Travel. Going to skip over because we have a dedicated slide on that. Continue education. This is one that right away, next week, I'll go through and say, "All right. What CEUs did I take, how much did I cost, and when did they pay? It's often one of the biggest expenses on the profit and loss sheets for our members and one that you do not want to overlook. Make sure you got all of those in your bookkeeping records. Credit card processing fees. This one's unique because normally it is already deducted. In that example of SimplePractice, you get paid via Stripe.

That deposit into your account, they've already taken the credit card processing fees out. You've already got essentially the deduction, but at the end of the year, in January, you'll get what's called a 1099-K. Keep an eye out for that document. What that tax document shows is more of an informational document, and it shows your account or CPA, here is how much Andrew paid in credit card processing fees. They'll do a little accounting adjustment to rectify that. If you are a brand new provider, probably going to be a little disappointed when you see that 1099-K, because credit card expenses are pretty dang expensive but hard to get away from them. The nice thing is they are deductible.

Membership fees, APA, any other collectives, communities, professional networking groups you're in, absolutely deductible. Office supplies, again, one of those a little bit more straightforward. I always like to bring up an example here that ties into a deduction concept of, if I go into Staples and buy a pack of 20 pens for my office, and then on Monday, my son comes home and needs pens and steals the pens from my office, and all of a sudden, now I'm missing 3 of those pens. Does that mean I cannot write off that \$10 purchase at Staples or deduct, or use it as a business expense? In my opinion, no.

The goal, the purpose, the intention of buying those pens was for your practice. The majority use of those pens were for your practice. Another great example here is cell phone bill. Many folks use the same cell phone for both business and personal. If my cell phone bill is \$100 a month, about 50% of the time I'm using the cell phone for work, business, private practice, then I could deduct \$50 a month. Now, if you have a dedicated business cell phone or maybe even business landline, absolutely you could deduct the whole thing. That percentage of use can be a good model to use for some of these, where they're a little gray.

Startup costs. If you fall in this bucket, I recommend speaking with your accountant or CPA because there are a little bit of extra details or rules around it. When it would be applied is if you are a brand-new provider. If you started your practice last year around this time, say November, there's a good chance at the end of the year, your business or practice was not profitable. Nothing wrong with that. There's fees and costs and expenses to get going, and it takes time often to build that caseload. What about those expenses, though? Can you still deduct them if you're not profitable, or can you still deduct them if you didn't see any patients or clients at all? Absolutely.

That's where it comes into the start-- I should say absolutely with an asterisk just because you want to triple check with your CPA or accountant. That's where the startup costs come into play. Let's say I was either negative in a profit \$3,000 or I

didn't have any income at all. I spent \$3,000 last year. Two ways to treat the \$3,000. You may have deducted it last year if you're working with a CPA or accountant and counted it as a loss, which helps lower your taxable income, or potentially roll it into this year's tax return startup cost. Keep that in mind, especially folks who are maybe opening their practice next year or are in the process of doing it now.

Still do your bookkeeping. Still track your expenses and work with your CPA or accountant to one, make sure you're eligible, and then two, which route of those is going to be most advantageous. Supervision. If you're providing supervision as part of your practice or maybe have some of those other sources of non-traditional therapy income, maybe selling a course or notebook, journal, group sessions, and there's different expenses that correspond to it. As long as it ties back to the overall purpose, which, when most folks file their LLC or PLLC do is provide therapy services.

That could be very widespread and can include all the expenses that are going in here. Again, if it's not just related to the one-on-one side, there might be a chance that you could still deduct it. Resources, books, educational materials to further your knowledge. Even if it might be accounting and tax 101, anything you're purchasing to further your knowledge to be a better psychologist or a better business owner, absolutely would be a deductible expense. Then vehicle use. We will touch on that one shortly because we've got a nice little graphic to explain it.

Andrew: Hey, Forrest. Really quickly, Regina asked a great question. Also, keep the questions coming. They're fantastic, and I guarantee you if you have a question, somebody else also has that question, and it's going to be really helpful if you step in, even if it's an anonymous question. This is a really good question from Regina. I hope that I'm saying your name right, but thank you for asking the question. Thinking about the context of can psychologists write off their own personal psychotherapy as a tax deduction in California? Let's set aside California and just look at it at the federal level.

This one is an interesting one. The answer to it is, yes, they can write off psychotherapy as a tax deduction, but how is the important question to ask? Let's imagine that it is more supervision-leaning. Last week, my wife did a case consult with a psychologist that she worked with before and works with this person on a very regular basis. That's probably toeing the line more of supervision or support for her practice and development as a psychologist. If we're talking about me seeing a psychologist for panic disorder and GAD that I deal with, that's probably not something that we're going to write off in the business, but it could be a personal deduction if you itemize your deductions at the personal level versus just taking the standard deduction.

There's a certain amount of medical expenses that if it exceeds a certain portion of your overall income, you can write off those medical expenses. Oftentimes, you won't achieve that threshold of expenses from a medical standpoint, but there could be circumstances where you do. Just again, when you think about writing off psychotherapy, think about the real purpose for it, because the risk is that, let's say that the IRS provides an audit, and the thing that they need to get back to is this really for your practice? They'll subpoena the actual notes and records.

You want to think, do I want these very private session notes showing up in the court of law or in front of the IRS? Everything, again, is on a scale of conservative to aggressive. Take the stance that you feel is appropriate. Is it for you developing your practice? That is a decision for you and yourself.

Forrest: Great answer, Andrew, and a super common question. Thanks to whoever brought that up. Now, let's see if I'm going to get this slide working again. Perfect. I'm not going to go through these one by one, but just like there's ones that are generally deductible, there are also those that are generally not deductible. Some of the two that I'll highlight is things around self-care, especially after what Andrew just mentioned. Things like massages or gym memberships, very unlikely that they are going to be deductible.

Now, if you asked me and I was the IRS, is it ordinary and necessary for a business owner to need it to take care of themselves through working out or whatever it may be to operate a more successful business, I'd say yes. If I don't go to the gym in the morning or work out, that may affect how I show up at work. However, IRS feels differently. The second piece is clothes. This comes up a lot. The way the IRS defines this is it needs to be a business uniform. What does that mean is are you only wearing what you're wearing only in sessions? Think about this and more, intended for someone who works in construction.

I got the hard hat. I got the orange vest. Likely not going to be wearing that outside of work or to dinner. Most of the time, or more often than not, folks we work with are unable to deduct those clothes that they're using in session. Now we're going to do some of those deep dives. Vehicle use for business. I'm going to walk through this graphic and explain how the IRS defines vehicle use first because that's really important. The most common trip that we see our clients take is going from home to their external office, to and from their normal place of work. That is not deductible. That is not considered vehicle use by the IRS.

Now, if you're someone who maybe does inpatient home visits or is traveling to a lot of events, whether it's across state lines or within your city, that is, whether it's from your office or from your home, would be considered vehicle use. I hate to break it, but most folks do not have a huge deduction here because of how the deduction math works. The first option, which is the simplified method, is taking the total number of miles you drove for your business and multiplying it by \$0.67. Morgan, correct me if I'm wrong in the chat if it's a different cent number, but it's right around there.

Morgan: You're right. [laughs]

Forrest: If it's up, you've driven 100 miles, that's \$6.70. It really takes a lot of miles to add up, but there is definitely a subset of folks who are driving heavily, and this deduction makes sense. The second option is percentage of use. If I'm using my vehicle, 50% for business and 50% for personal or leisure, very similar to the cellphone example we were talking about earlier. I can add in that insurance, tolls, maintenance, et cetera, et cetera. Say I spent \$5,000 on my car last year, 50% use for business, \$2,500 deduction.

Now, unless you're well over that 50% mark, I would not include that in your bookkeeping records because if you're using that method and only use your car for 20% of the time and you charge all your car expenses to your bank account for your business, you're overstating your expenses by 80%. Last one around here is buying your car through your practice. I think I've seen maybe two or three folks in my four and a half years here able to actually meet the IRS's criteria for deducting the entire purchase of your business. Similar startup costs. If you feel you might have the case here, recommend consulting with a CPA or accountant because the IRS has a stringent list of rules.

Think about anything that's more expensive or costs more money. There's usually more rules or oversight from the IRS because they don't want to lose out on their money. Business meals. Your lovely favorite words, ordinary, unnecessary, but two new ones here. It can't be lavish or extravagant. If I'm a brand new psychologist and Andrew's been in the industry for 10 plus years and I consider him a mentor, I want to take him out to lunch or dinner once a month to just learn more about how to run a more effective practice. Now, we might catch up as friends for the first 5 to 10 minutes. Does that mean right away I can't consider this a business meal? In my opinion, no.

Remember, the goal, the intention, the purpose was to discuss business matters. Now, if I take him to the nicest steak and seafood house in town every single month, that's when the IRS might say, "You know what, Forrest, that was a little lavish and extravagant. I don't think you needed to every single month for this circumstance, take them out to this really nice, expensive restaurant. On the flip side, I'm a group practice owner. I take my 10 providers out to a nice dinner during the holidays because I want to celebrate them and all the great work they did, and throw a little holiday party. Bill is \$2,000, \$3,000.

I would not consider that lavish and extravagant because it happened once during the year, and there was a nice purpose and story behind it. Tying it back to receipts, this is maybe on that back of the receipt, I would write, "Hey, this was a holiday party here with the 10 people in attendance." Now, if you are meal prepping or door dashing at home, not going to be unfortunately deductible. If you buy snacks for your office or water for your office, that would actually be 100% deductible under office expenses. Then, as I mentioned earlier, remember, 50% deductible. That \$100 dinner bill that I paid for Andrew, I would only deduct 50%.

A little confusing because there was time-- It was either during COVID or-- Yes, it was during COVID to encourage folks to go out and support restaurants. It was 100% deductible. There was a recent period where it was 100% deductible. Business travel. Remember, these are some of those areas that Andrew had recommended earlier that you want to have a little bit more fine-tuned approach to. Before we go through this, like in all these slides, just know we're not here to scare you away from using any of these expenses. It's purely to guide you to help know, "Hey, how do I determine if this is business travel?" Because business travel is expensive.

We want you to take that deduction assuming it meets the IRS's requirements. You'll notice the IRS loves tests, or little one, two, threes, root cause trees. You look at this one down below. That's how they define if it is a "business trip." Also, what's

interesting, meals while you're traveling are also only 50% deductible. It doesn't change if you're traveling, but everything else during travel is 100%. I'm going to walk through an end-to-end example here. I live in Seattle. I drive my car to the parking garage. It's mileage. Count that towards my mileage fee. I pay for parking, 100% deductible.

I get a lunch after getting through security, 50% deductible. I buy WiFi on the plane, 100% deductible. Oh, yes, and I checked my bag, I forgot to mention that, 100% deductible. I get to the Phoenix airport, and I take a Waymo to my hotel, 100% deductible. Hotel bill, 100% deductible. Dinner that night, 50% deductible. So on and so forth. Now, during travel, you have all these \$5 to \$20, \$30 expenses. Remember, using that business credit card, using that business debit card, it's going to make the tracking a lot easier. Now, after this five-day convention or conference I go to, I decide to extend my trip by two days, and I make a trip up to the Grand Canyon, and so I rent a car.

Can I deduct that rental car? No. Business has ended. You are now on leisure or pleasure. Meals that night, the hotel that night, no, but the flight back, the corresponding baggage cost if you're working on the plane home, that would be deductible. Think about it. What was the purpose? What was the intention? Is the primary reason you're doing this trip for business? Hopefully that's helpful. Again, there are plenty of opportunities to take business travel. Just be mindful because it is one of those areas that folks take advantage of.

All right. Before we go to the home office deduction, Andrew, Morgan, anything, hot topics? I know we're actually doing pretty good on time. We'll have a dedicated Q&A coming up. I just want to make sure if it was related to travel or expenses. No. Look good. Cool. All right. I'm sure Morgan and Andrew have already answered some fun questions about the home office deduction, as this is a hot topic. Just waiting for this slide. Two ways to deduct, but before we even go into that, you want to actually make sure you qualify for the home office deduction. A lot of folks automatically assume, "Great, I'm working from home a little bit, I'm going to deduct all these expenses for my home."

Another test from the IRS. The first one being is where you're working, is it primarily in home or in an external office? When I say primarily working, that doesn't mean just in session, admin, billing, maybe bookkeeping. When you look at the entirety of a week or a month, are the majority of the hours spent in your external office or at your home? Assuming they are at your home, great, pass test one. The next piece is exclusive use. The way the IRS defines it is if you have, say, a studio apartment, you don't have an exclusive room for your office. Why? Because there's no walls in the studio.

Think about it from that way, or a second way is guest rooms. Technically, if you have guests constantly staying in that room and it's also an office, it wouldn't be exclusive. Again, that's how the IRS defines it. You'll find CPAs and accountants have varying definitions. The other one I just mentioned earlier, as part of a first generalized overview of tax deductions, is you've got to be self-employed. Reminder, you have to be self-employed to take this. Two different ways to actually deduct it. Very similar to vehicle use, the simplified method which is that set dollar amount, and then the standard method.

We normally recommend the standard method because you're going to have, ideally, more tax savings. I'm going to walk through that now. A little bit smaller print, so bear with me here on the right. We also do have a home office deduction calculator if you're curious about how that looks on our website, which this is what that screenshot is of. We're going to walk through step by step. First piece. How big is your home or apartment? It doesn't matter if you're renting or owning. You can still take advantage of this deduction. My example, I'm going to say my apartment is 1,000 square feet. Then the square footage of my office, 100 square feet.

That means high level, 10% of the expenses related to my home, I can deduct or use as a home office expense. Recommend not tracking the various different expenses you're seeing here in your bookkeeping records. Why? You'd be overstating it in this example by 90%. I've never met anyone who the majority of their home is their office. Hopefully, they're making a lot of money because that's a big investment. Think about this as a column A of a table or spreadsheet. You have the different expenses, mortgage, property, tax, electricity, internet, and then on the top, Jan, Feb, March, April, May.

Why I say that is because some of these are going to be variable expenses like electricity, for example, water, different dollar amounts per bill. Maybe you moved throughout the year. You have this little spreadsheet that shows all these different expenses. Then you get to the total. It was \$10,000. Therefore, I can take 10% of that \$10,000, which is \$1,000 deduction. I know homes are way more expensive. I just want to use round, even numbers there. Don't worry. At the end of the year, your CPA or accountant will fill out what's called the home office deduction worksheet.

Think about this the same way as bookkeeping. You have these fairly clean and prepared records that you give to them. They're doing all the fun filing stuff on the backend when it comes around accounting and taxes. Andrew, give a little spiel about the special we have going on right now, as well as how to go to annual taxes, and then a few extra minutes for questions.

Andrew: Yes, we'll keep it very brief because I'm sure there's probably some more questions. Great questions again so far. Just a reminder, what is Heard? Heard is financial management software that is built for therapists, built for psychologists. We provide software, and we provide services. Think QuickBooks plus access to a bookkeeper and a tax preparer at the end of the year. We do have a tax season-ready package. We'll get you caught up for the year with all of your bookkeeping. We will provide you a one-on-one tax consultation at the time of tax filing.

If you are an S-Corp or running a small group practice, we will provide you payroll for free for the year and include state income tax filing. For folks that are on PSYPACT and operating in multiple states and filing in multiple states, we know that can be scary and fun, but we will help you take that on for free. If you do sign up for an annual plan, there is a 15% discount. Morgan dropped a code in here. The consults are a great opportunity to learn more about if our services are the right fit for you, what are the different types of services that are out there. Our team of advisors will be there to help you with that.

I do want to caveat that this consultation is not an independent tax consultation. There's a lot of facts and circumstances associated with being able to support

somebody with answering those types of questions. Before we do that, we like to have those folks become customers. We are here to support. There's a QR code here. Morgan dropped the link into the chat. Forrest, I will hand it back over to you to cover anything I missed or jump over to Q&A.

Forrest: Yes. No, I think you said it really well put. I just also want to emphasize we rolled out new, which, if you've seen our ads or at our last webinar, it used to be just the 15% off annual, but now we're putting in a first month free. Really trying to encourage folks, the theme of this webinar, preparing, thinking ahead, avoiding stress. Advocating folks to start thinking about their accountant and tax.

Prepare now. A great exclusive offer to take advantage of. Yes. Schedule that consult. Great way to learn more. Team's really nice. With that being said, we can roll into Q&A. I know Morgan's probably and Andrew have already answered a bunch on the backend, but any ones you were saving, guys, or ones that you think is worth highlighting for the common themes throughout?

Morgan: We're now moving into the live Q&A. Thank you to everyone who submitted questions during registration and to those adding them into the Q&A box today. Heard may be unable to answer personalized tax questions so as not to provide inaccurate information. Let's dive in.

Forrest: All right. Now Q&A is officially started.

Andrew: Yes, we have officially started Q&A now. I think Morgan did a fantastic job, and I jumped in and answered some question as well. Unless there's other Q&A that people want to throw in here. There's an open one in the chat. Forrest, is mileage write-off allowed for driving to a supervision session?

Forrest: Yes.

Andrew: This is from Lindsey.

Forrest: I would say so because you're bettering your practice. Great tip, too, for those who are going to be tracking mileage, use an app called Mileage IQ. You start the GPS when you're starting that trip. Then, at the end of the year, it tells you exactly how many miles you have and has that audit trail for the IRS.

Andrew: On the same thread there, Morgan answered this in the chat as well. Since we're talking business mileage, what if we typically work from home and have to travel to the office a couple times a month, and say that this person is working out of a shared office space? How would they think about that?

Forrest: I could see it going either way. I think that's one of those of it depends. I will say, though, that shared office space that you're renting, absolutely deductible. A little bit of a gray area because it could be considered that's your external office or place of business. You could also mention, though, because it's temporary. Pick your poison in a way.

Andrew: Then maybe last question, because this is a fun one. You kind of answered it, kind of not, but this is more advertising and marketing oriented. Can clothes be deducted for a photo shoot for a business website? Also, maybe just think more

holistically. Somebody's starting their practice. What are all the things associated with that early advertising and marketing that you might think about deducting?

Forrest: The fees for the photography, absolutely. Clothes, my CPA hat wants to say, or former CPA hat wants to say, are you going to wear those clothes for other events? If yes, technically, it may not be business uniform. I've seen folks who make an argument they're getting their hair done or their nails, or things like that, and buying this outfit. Again, it's one of those fun ones where it depends. Technicality, probably not.

I know we only left one minute for the APA team to close it out, so I apologize. Try to squeeze a few last questions in there. Thank you for everyone for asking them. These are great things that we can always answer as Heard members as well. We have plenty of free resources online for all sorts of topics, so definitely check that out.

Morgan: Thank you so much for joining us, Forrest and Andrew. Thank you to all our listeners for your participation. We'd also like to thank Heard for making this webinar possible. A recording of this presentation will be emailed to everyone in two weeks' time. The recording will include the presentation slides. As soon as the webinar has ended, a short survey will appear on your screen. Please take the survey and give us your feedback. We thank you for your attention and hope you have a great day.

[00:59:43] [END OF AUDIO]