Practical Tax and Legal Considerations for Medical School Students and Residents

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1. **Income Taxes**
    a. Deductions vs. Credits.
        i. Both income tax deductions and income tax credits can reduce an individual's income tax liability, but they do it in different ways.
        ii. Income tax deductions reduce a person's *taxable income*. The value of an income tax deduction depends on the taxpayer's *marginal* income tax rate, which rises with income. The higher the income tax rate, the more valuable the deduction.
        iii. Income tax credits reduce a person's income *tax liability*.
        iv. Most of the time an income tax credit is more valuable than an income tax deduction because the credit reduces the income tax liability dollar-for-dollar while the deduction only reduces the taxable income.
        v. **Example:** There is a federal income tax credit for certain expenses related to adopting a child. Say you decide to adopt a child and you spend $10,000 in legal and other fees to complete the adoption. If you had the choice between claiming the expenses as a $10,000 deduction or $10,000 credit, you would want to claim the credit. If you are in the 25% income tax bracket then a $10,000 income tax deduction saves you $2,500 in federal income taxes. If you claim a credit instead of a deduction, the $10,000 of expenses saves you $10,000 in federal income taxes. **Note:** Not all tax credits work like this, but this illustrates the differences between deductions and credits and why credits are often superior to deductions.
        vi. Some income tax credits are refundable or create a negative income tax liability. That means that if your income tax liability is less than the income tax credit, the federal government will "refund" the difference. An income tax deduction, on the other hand, is not refundable and can never result in a negative income tax liability, and is only valuable to the extent you have taxable income.

    b. Decisions at the Margin. Economic analysis, like most analysis, is incremental. When people make decisions, they compare the costs and benefits of a little bit more or a little bit less of a thing. You will compare, for example, the cost of an additional evening spent studying the nervous system to the benefit of an additional evening studying pathology. Generally, people will do everything for which the marginal benefit exceeds the marginal cost and nothing for which the marginal cost exceeds the marginal benefit.
        i. Taxes are no different. For example, consider a married couple C and D. C is a doctor making $175,000 a year, and D is a nurse that currently stays at home to take care of their children. D is considering whether to go back to work as a nurse. Due to C's income, C and D are currently in the 28% federal income tax bracket and the Arizona 4% income tax bracket (combined marginal income tax rate of 32%).
        ii. C and D have a combined effective income tax rate of 20% (total tax paid divided by total income).
        iii. Assume that if D goes back to work, D will make $50,000 a year and will also pay a Social Security/Medicare payroll tax of 7.65%.
        iv. What is D's net take-home pay after taxes and what is D's marginal tax rate on D's income?

1. Federal Income Taxes = $14,000 ($50,000 * 28%)
2. State Income Taxes = $2,000 ($50,000 * 4%)
3. Payroll Taxes = $3,825 ($50,000 * 7.65%)
4. Net Pay after Taxes = $30,175
5. Marginal Tax Rate = 39.65%

v. Use the marginal tax rate not the effective tax rate to determine net benefit of work.

c. Student Loan Interest Deduction (see IRS Publication 970).

i. If your modified adjusted gross income (MAGI) is less than $80,000 ($160,000 if married and filing a joint return), you may deduct up to $2,500 of student loan interest paid on a qualified student loan.

ii. Phase-out from $65,000 to $80,000 ($130,000 to $160,000).

iii. This deduction is only valuable if your income exceeds your standard deduction and personal exemption(s).

iv. For 2016, the standard deductions are $6,300 for a single person, $9,300 for head of household, and $12,600 for married filing jointly, and the personal exemption for an individual is $4,050.

v. **Example:** You are single and made $20,000 for 2016. You also paid $1,000 in student loan interest. Your taxable income before a deduction for student loan interest is $9,650 ($20,000 - $6,300 - $4,050). This puts you in the 10% income tax bracket. Therefore, you owe $965 in federal income taxes. Your taxable income after a deduction for student loan interest is $8,650. You are still in the 10% income tax bracket, and, therefore, owe $865 in federal income taxes. You saved $100 in federal income taxes.

vi. Student loan interest in excess of $2,500 is not deductible, and once your income exceeds $80,000 ($160,000), none of your student loan interest is deductible.

vii. The most that this deduction can save you is $625 ($2,500 * 25%) since the deduction is not allowed once your income is high enough to push you into a tax bracket higher than the 25% bracket.

d. Value of a Deduction.

i. Deductions have a cost. You usually have to spend money to obtain a deduction (see example above).

ii. Not all deductions are equal.

iii. Just because an expense may be *deductible* does not mean that *you* can deduct it or derive value from the deduction.

iv. Many deductions have phase-outs.

v. Example. Standard Deduction vs. Itemized Deductions

1. State and Local Income Taxes
2. Real Estate Taxes
3. Personal Property Taxes
4. Mortgage Interest
5. Charitable Contributions

e. American Opportunity Credit (see IRS Publication 970).
   i. Only available during the first four (4) years of postsecondary education.
   ii. Not available to medical students.

f. Lifetime Learning Credit (see IRS Publication 970).
   i. If your modified adjusted gross income (MAGI) is less than $65,000 ($130,000 if married and filing a joint return), you may claim a federal income tax credit of up to $2,000 for qualified education expenses.
   ii. Phase-out from $55,000 to $65,000 ($110,000 to $130,000).
   iii. The amount of the credit is 20% of the first $10,000 of qualified education expenses.
   iv. Qualified education expenses include tuition and fees and expenses for course-related books, supplies, and equipment that must be paid to the educational institution for enrollment or attendance.
   v. This credit is available for all years of postsecondary education, including medical school.
   vi. This credit is not refundable.
   vii. Just like the student loan interest deduction, this tax credit is only valuable if your income exceeds your standard deduction and personal exemption.
   viii. **Example:** You are single and made $20,000 for 2016. You also paid $25,000 in qualified education expenses. Your taxable income for the year is $9,650 ($20,000 - $6,300 - $4,050). Accordingly, your federal income tax liability before the Lifetime Learning Credit is $965. Despite the fact that your qualified education expenses are $25,000, your Lifetime Learning Credit is limited to just $2,000 (20% of the first $10,000). Since your income tax liability is only $965 and the tax credit is not refundable, you may use only $965 of the tax credit to reduce your total federal income tax liability to $0. The remaining $1,035 may never be used.

g. Earned Income Tax Credit (see IRS Publication 596).
   i. The earned income tax credit is a tax credit for those with lower amounts of earned income (e.g., wages from a job). You must have earned income to qualify for this tax credit.
   ii. The tax credit is refundable.
   iii. Your investment income (e.g., interest, dividends, etc.) must be less than $3,400.
   iv. Just know that you may qualify for the following refundable income tax credits:
      1. Zero Children: $506
      2. One Child: $3,373
      3. Two Children: $5,572
      4. Three or More: $6,269

h. Child Tax Credit (see IRS Publication 972).
   i. You can get up to a $1,000 federal income tax credit for each qualifying child.
   ii. A portion of the credit may be refundable.

i. Items Excluded from Income.

   i. Scholarships (see IRS Publication 970 and IRC § 117(c)).

      1. As a general rule, scholarships are not income for federal income tax purposes.
      2. If, however, you are receiving a scholarship or stipend for teaching, doing research, or providing a service to the donor, the amount received will be taxable.
      3. As an exception to the exception, amounts received by an individual under the **National Health Service Corps Scholarship Program** (requiring recipients to work in lower income areas for a specified number of years) and the **F. Edward Hebert Armed Forces Health Professions Scholarship and Financial Assistance Program** (requiring recipients to serve in the military at an armed forces medical facility) are eligible for tax-free treatment as qualified scholarships regardless of whether or not the recipient has any service obligation for receiving the scholarship.
      4. There is another exception to the exception for pre and postdoctoral research fellows who receive a scholarship or stipend for work done as part of a tax-exempt medical research organization's training program. See PLR 200226005, 200607017 and 200010033. This is a very facts and circumstances based exception so be cautious.
      5. **Note:** You are ultimately responsible for determining whether an item of income is subject to federal income taxes, so please consult a tax adviser.

   ii. Qualified Tuition Reduction Plans (see IRS Publication 970 and IRC § 117(d)).

      1. The amount of any qualified tuition reduction is not subject to federal income taxes.
      2. This is generally a fringe benefit for employees and their families that work at the educational organization.

   iii. Employer's Qualified Educational Assistance Program (see IRS Publication 970 and IRC § 127). A student may exclude up to $5,250 from income for amounts received from an employer under the employer's qualified educational assistance program. Amounts received in excess of $5,250 are subject to taxation.

j. Forgiveness of Student Debt & Student Loan Repayment Assistance (see IRC § 108(f)).

   i. Loan Forgiveness.

      1. As a general rule, whenever a debt is forgiven, the amount forgiven is considered income to the debtor and subject to taxation.
      2. There are exceptions for student loans that are forgiven as part of the **Public Service Loan Forgiveness** program.
      3. Debts which are forgiven as part of such program are not required to be recognized as taxable income of the debtor.
      4. General requires of debt forgiveness:
         a. Must make regular payments for 10 years (120 payments); and
         b. Must work in a public service job for 10 years.
      5. Income-based repayment plans with forgiveness after 20 years do not currently qualify for this exception. The amount of debt forgiven at the end of the period will be taxable income, which will likely create a large tax liability.

ii. Repayment Assistance Programs.
   1. Some repayment assistance payments are not subject to income taxes.
   2. For example, amounts received under the **National Health Service Corps (NHSC) Loan Repayment Program** and certain state programs eligible for funds under the Public Health Service Act or under any other state loan repayment or loan forgiveness program intended to provide for the increased availability of health care services in underserved or health professional shortage areas are not subject to federal income taxes.
   3. Arizona has a qualifying program which can be found at: http://www.azdhs.gov/hsd/workforce/alrp/index.htm

iii. **Note:** The Association of American Medical Colleges (AAMC) has put together a database of potentially eligible programs. Search the internet for "AAMC Loan Repayment/Forgiveness and Scholarship Programs" and you should find it.

k. Tax Planning. During medical school and residency, you will most likely have little need of comprehensive tax planning. However, once you start practicing, tax planning will be even more important. You should meet with your tax professional at least once a year (in addition to meetings regarding the filing your income tax returns) to discuss your tax planning. Because income taxes are based on the calendar year, people often put off planning until the end of the year. Don't do this. Some planning may take significant time to implement (3-6 months) and so it is in your best interest to start planning earlier in the year rather than later in the year.

l. Record Keeping. Record keeping is important for many reasons, including taxes. Keep good records and develop a way to get and stay organized. You will be surprised how much time and money you can save by keeping your records organized.

m. Respecting Formalities. For both tax and legal reasons, it's important to respect the formalities that may exist or you may have created. For example, if you create a business entity (e.g., corporation or limited liability company), the business is a separate entity (i.e., a person). If you don't treat the business as a separate person and only treat the business as an extension of you, then this could have dire tax and legal consequences because that means the IRS and others may be able to ignore the existence of the business entity.

n. Taxes are important and can be significant, but they aren't everything.

2. Agreements & Contracts vs. Default Rules

a. Employment Contracts.

i. New Version of Annotated Employment Contact can be found at: http://www.ama-assn.org/ama/pub/about-ama/our-people/member-groups-sections/organized-medical-staff-section/helpful-resources/physician-employment-agreements.page
   1. Hospital
   2. Practice Group

ii. You can find an older version for free by doing an internet search for “AMA Sample Physician Employment Agreement”

iii. Compensation.

1. Salary. Generally a fixed amount per year and paid twice a month.
2. Bonuses. Generally based on productivity. The more money you make your employer, the more your employer is willing to pay you.
3. **Note:** Be sure that the formula for determining any bonus is accurate and that all terms are properly defined. Do a hypothetical based on the terms as they actually appear in the employment agreement.
4. Benefits. Paid time off, insurance, retirement, dues and licensing fees, continuing education, etc.

iv. Patents and Copyrights.

1. If you write an article or create some type of intellectual property, who owns the intellectual property? Do you or does your employer?
2. If you believe that you will be creating intellectual property, you need to address this issue in your employment contract or in a separate agreement.

v. Malpractice Coverage.

1. This is something to negotiate with your employer.
2. Occurrence-Based Policy: Provides coverage against incidents that occurred during the term of the policy regardless of when the claim is made.
3. Claims-Made Policy: Provides coverage against incidents that occurred during the policy period so long as the claim for the incident is also filed during the policy term.
4. Tail Insurance Policy: Purchased when a physician discontinues a claims-made policy to cover claims that occurred during the claims-made policy.
5. Even if your employer pays for your malpractice insurance, you are the insured and you should know how and to what extent the insurance policy is covering you. Be sure you have sufficient coverage, and remember that you are personally liable for your own malpractice torts.

vi. Covenants Not To Compete.

1. If a covenant not to compete is in your agreement, negotiate it out if you can.
2. In standard employment situations, these clauses are often unenforceable on public policy grounds or because they are too broad (time, geographic area, etc.).
3. The AMA opposes them on ethical grounds.
4. These are most common when a professional sells his or her practice. In these situations, if the covenant not to compete is appropriately tailored, it will likely be upheld. They are upheld in these situations to prevent someone from selling his or her practice and then opening up a new practice just down the road a few months later.

b. Prenuptial Agreements. In a nutshell, this is an agreement regarding the property rights of each spouse during marriage, at divorce and at death.

c. Estate Planning Documents. Estate planning is the planning for disability and death.
   i. Wills
   ii. Powers of Attorney (Financial & Healthcare)
   iii. Living Wills
   iv. Trusts

3. Economic & Financial Concepts

a. Benefits.
   i. Benefits come in all shapes and sizes (economic, social, political, health, pleasure, happiness, etc.). The phrase "one person's trash is another's treasure" is true because of the subjective value each individual places on an item or activity. What is a benefit to one person may not be a benefit to another person.
   ii. While you should always be aware of and take into consideration how others value a particular item or activity, you should always ask yourself, "What is it worth to me?" Ultimately, what it is worth to you is the most important.

b. Costs & Risk. Similar to benefits, costs come in many shapes and sizes and are subjective just like benefits. However, there are certain cost concepts of which you should be aware.
   i. Sunk Costs. A sunk cost is an amount of money, time, etc. that has already been spent and cannot be recovered. Cars purchased, years spent in careers and portions of meals already consumed are all sunk costs. Because human beings are naturally risk-averse, we are often slow to acknowledge sunk costs and change course. **Movie Theater Example:** Say you spend $15 to see a three hour movie (e.g., Titanic). You start watching the movie but 15-30 minutes into the movie you realize you don't like it. You've already spent the $15 and cannot get it back. What do you do? The $15 is gone, so focus on future value. What would provide you with more value, finishing the movie or doing something else? Time and money already spent (and which you cannot get back) should not affect what you decide to do next. Rather, the future costs and benefits of various opportunities should be considered in deciding what to do next.
   ii. Opportunity Costs. Opportunity cost refers to the value of your foregone options (Is it a foregone option if you didn't know about it?). The opportunity cost of attending college, for instance, might be the income you could earn at a job if you weren't in school. The opportunity cost of going to a party might be a lower grade on the test because you didn't study. Every choice in life, big and small, entails opportunity costs (which is why there is no such thing as a "free lunch").
   iii. Risk. Most people have little or no appreciation of true risk management. Mention the risks of any activity and you are likely to hear dismissive responses like "there's risk in everything" or "you could get killed crossing the street." Frankly, this is a lazy and ignorant view of what risk truly is. It is not enough to simply assume that risk is equally present in everything. Each activity entails *different types of risks* and *different probabilities* that the particular risk will materialize. You need to quantify any serious risks that you encounter.
   iv. **Example of Opportunity Cost and Risk:** Some "do it yourself" projects are actually an ineffective and inefficient use of time and/or money when opportunity costs and

risks are considered. Consider the following examples: mowing your lawn and completing your own income tax returns. What opportunities are you foregoing by mowing your law or completing your income tax return? What's the cost of hiring someone else to do it? How much "free" time to you have? How much expertise do you need to do the task correctly? What are the potential consequences if you do not do the task correctly? How likely is it that you will do the task incorrectly?

4. **Selecting the "Best" Advisers**

a. Two Questions You Should Ask Yourself.

i. Is the adviser competent?

ii. Is the adviser trustworthy?

b. Recommendations.

i. Ask for recommendations from family, friends and business associates. Ask them about the quality of the adviser's work, responsiveness to questions, and ability to complete work in a timely manner and anything else that is important to you.

ii. Recommendations are extremely valuable because the person making the recommendation has most likely experienced the adviser's services and can attest to such services.

iii. **Beware of Herd Mentality:** Just because everyone is using a particular adviser does not mean that you should use such adviser. Perhaps the adviser is not right for you because of personality clashes or other similar reasons, or perhaps the adviser has never handled a particular type of project or situation with which you need assistance, or perhaps adviser is not as good as the recommender thinks.

c. Qualifications.

i. **Education:** What formal education has the adviser completed? Is the education relevant to the area in which they work?

ii. **Experience:** How long have they been doing what they are doing? Who is the adviser's typical client? Don't be afraid to ask the adviser for references.

iii. **Continuing Education:** What kind and how much continuing education does the adviser do?

iv. **Licenses:** Does the adviser have the appropriate licenses? Does the adviser have licenses or professional designations that indicate the person has gone above and beyond what is required for the adviser's profession?

v. **Specialist:** Does the adviser focus on one or more areas? Is the adviser certified as a specialist by any governing board?

d. Fees.

i. Be sure to ask about the fee structure and the cost of services.

ii. Advisers often charge a flat fee, hourly, a commission, or some combination thereof.

iii. Verify that the fee structure and amount is common and reasonable.

iv. The cost of the adviser is certainly a factor to consider in selecting an adviser, but don't let fees alone affect your selection of an adviser. An individual who charges

more, but has a reputation for quality work, may help you to avoid costly mistakes and save you more money in the long run. On the other hand, don't assume that someone is really good just because they charge more.

v. **Always get an Engagement Letter or Agreement when hiring an adviser.**

e. Other Factors.

i. **Conflicts of Interest:** Verify that there are no conflicts of interest. Will the adviser put his or her interests ahead of yours?

ii. **Resources:** What kind of resources does the adviser have at his or her disposal? Does the adviser work at a small firm or large firm? Is the adviser well connected with other advisers of equal quality?

iii. **Ethics and Discipline:** Is the adviser ethical? Ask the adviser if he or she has ever been discipline by any governing board, and verify the adviser's answer.

iv. **Personality:** Is the adviser proactive or reactive? Do you, or do you think you will, get along with the adviser? Will the adviser be honest and tell you what you do not want to hear? Does the adviser communicate well? Is the adviser responsive or does he or she procrastinate?

v. **Community and Professional Involvement:** Is the adviser involved in the community and/or professional organizations? This often indicates that the adviser is committed to his or her profession and community and is competent and trustworthy.

vi. **Professional Designations:** An adviser may have one or more professional designations after his or her name. Be sure to research and verify the professional designations of the adviser since some designations are meaningless or of little value. Does the adviser really have the designations? Which organization is sponsoring the designation? Is it a government agency or a private organization? How difficult is it to obtain the designation? How long has the designation been in existence? How well respected is the designation?

f. Be Patient.

i. Don't rush to hire the first adviser with whom you speak. Contact several candidates by phone and ask them to discuss their qualifications.

ii. If a prospective adviser does not have time to give you an interview, they may be equally unresponsive to questions, concerns, and in providing services to you.

iii. On the other hand, be considerate of the adviser's time. Most professionals are happy to take the time to tell you why you should hire them, but they may get irritated or short with you if the conversation switches to seeking free advice.

g. Long-Term Outlook. Keep in mind that you are going to likely have a long-term relationship with your advisor.

5. **Employee, Solo Practitioner, Member of Practice Group and Business Owner**
   a. Employee.
      i. An employee earns money by holding a job and working for an employer. An employee is often a well-trained technician whose job is limited to just a handful of tasks or only one task, and the employee takes pride in his or her work.
      ii. Be aware that most professional employees have quotas to meet (e.g., billable hours, procedures to perform, patients to see, etc.) since the professional employee is often the driver of revenue (i.e., as the professional employee, you are the product being sold by your employer).
      iii. As an employee, you are a cost to your employer in providing the goods and services of the business. Accordingly, you need to provide more value to your employer than you cost (salary, benefits, taxes, etc.). If you do not, you could be let go or your compensation could be reduced.
      iv. Advantages.
         1. Steady source of income.
         2. Fringe benefits.
         3. Fewer duties and responsibilities.
         4. Do not need to hassle with or worry about a number of administrative or back office tasks.
         5. Most often, you only have to work a set number of hours a day.
         6. Often, your job does not go home with you (e.g., shift work).
         7. Protections under employment laws.
      v. Disadvantages.
         1. Your pay is often fixed and there is less potential for increasing your income.
         2. Lack of control over a number of items (company policies, how you do your job, when you work, how much you work, etc.).

   b. Solo Practitioner / Self-Employed.
      i. A self-employed person is often a well-trained technician who does most everything necessary to make his or her small business profitable and successful. A self-employed person may have employees that assist in the business and help make it profitable and successful, but without the self-employed individual, the business will fail.
      ii. The self-employed individual is the business.
      iii. Their lifestyle is characterized by lots of hard work and specialization in their chosen field.
      iv. Being self-employed carries greater risk and greater reward. Self-employed entrepreneurs often leverage most or all of their personal savings to launch their business. If it fails, they risk bankruptcy. For their effort, however, the financial benefits can be greater than that of an employee, and financial comfort is a more realistic goal.
      v. In many ways, being self-employed is like being an employee. Instead of answering to an employer, the self-employed answers to patients and clients. Similarly, if the self-employed person doesn't show up to work, the self-employed person does not get paid.

c. Small or Large Practice Group / Self-Employed.

   i. **Note:** When talking about a practice group in this section, we are talking about a practice group that provides contract services to hospitals, surgery centers, clinics, etc. (e.g., ER Medicine Group, Radiology Group, Anesthesiology Group, etc.).

   ii. As a part owner (*member*) of a small or large practice group, you are somewhat of an employee and somewhat self-employed.

   iii. One way to think about practice groups is that they are made up of many solo practitioners who have decided to band together in order to reduce overhead and administrative costs and to take advantage of economies of scale.

   iv. Management of the Group.

      1. If the practice group is large enough, the members of the group typically select one or more individuals to manage the group like a CEO manages a company. These individuals often still practice medicine, but not as much as the remaining members of the group.
      2. In a larger group with one or more managing members, you may not have any involvement in the management of the group other than attending a few meetings each year and voting on who is to be the managing member(s).
      3. On the other hand, if the group is still relatively small, each member of the group will likely be involved in the management of the group in addition to the regular practice of medicine.

   v. Pay.

      1. Each group is going to have its own system for determining the compensation of its members. However, most members of the group are compensated to some degree on an eat-what-you-kill system after taking into consideration each member's share of the overhead and administrative expenses of the group.
      2. Most groups will set the annual compensation of each member at some point during the year. This amount will most likely be less than what each member reasonably expects to bring to the group for the year in order to provide a financial cushion for operating the group during the year. Then throughout the year or at the end of the year, as the case may be (most likely the end of the year), if the group has excess profits, the group typically pays bonuses to the members who met certain criteria.

   vi. Value of Interest in Group.

      1. Most practice groups "zero out" their net income each year, especially smaller groups. That means that the net income of the business is paid out to the owners each year so that there is little left. Because little is left in the group each year, the business itself has a relatively small residual value.
      2. The main value of a practice group is to provide a platform from which a professional may practice medicine and earn a living. This is especially the case for smaller practice groups where all or nearly all of the physicians employed by the group are also owners of the group.
      3. In a practice group that zeros out net income each year, you should not expect to sell your interest in the group when you retire or leave the group. Or, if you are able to sell your interest, it will typically not be for much.

4. Alternatively, if the practice group has many physicians that work for it but only a handful of owners, then the ownership interests in the group may be worth quite a bit. This is because the excess profits of the group are made by the efforts of employees rather than owner-employees.

vii. Becoming a Member of a Practice Group.

1. Most of the time you are initially hired by the practice group as an employee and have no ownership interest in the group. Then after a probationary period (e.g., 6-24 months), you become a part owner of the group.
2. Upon becoming a member of the group, you will most likely be required to sign two agreements:
    a. Bylaws (Corporation) / Operating Agreement (LLC) / Partnership Agreement (Partnership)
    b. Buy-Sell Agreement

d. Business Owner.

i. Being a business owner is more than being a member of a practice group and practicing medicine. This is having an ownership interest in a business that operates independent of your direct involvement and from which you derive economic benefits.

ii. Being in a Surgery Group vs. Owning a Surgery Center.

1. Most of the value derived from being a member of a surgery group is from your efforts as a surgeon (e.g., completing surgeries).
2. Most of the value derived from owning a surgery center is from surgeons and patients paying to use the surgery center.
3. While a member of a surgery group may perform some or all of his or her surgeries at the surgery center, he or she will not likely operate or manage the surgery center on a day-to-day basis; that will most likely be done by other individuals.

e. Self-Employed vs. Business Owner.

i. The self-employed work hard and expect to get paid well for their work. Self-employed individuals own a job and are often paid for the amount of time they spend on a job or the number of tasks they perform. In most cases, when a self-employed individual stops working, the income also stops or decreases significantly.

ii. Business owners, on the other hand, own a system and hire competent people to operate the system. They collect money even if they are not around or working day-to-day in or on the business (e.g., surgery center).