



FOR PT, OT & SPEECH THERAPY OWNERS

The Therapy Practice Owner's Tax Guide

KEEP MORE OF WHAT YOUR PRACTICE EARNS

Running a therapy practice means wearing the clinician's hat and the business owner's hat at once. This guide covers the tax decisions that matter most — and the rules unique to healthcare owners.

15.3%

self-employment tax
an S-corp can trim

SSTB

why the 20% QBI rule
works differently for you

W-2

reasonable salary that
holds up to scrutiny

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FOR

PT / OT / SLP practice owners

01 STRUCTURING YOUR PRACTICE

Most therapy practices start as a sole proprietorship or single-member LLC — simple, but every dollar of profit is hit with the 15.3% self-employment tax. As your practice grows, an **S-corporation election** usually becomes the biggest lever for keeping more of what you earn.

The S-corp splits your income into a reasonable W-2 salary (payroll-taxed) and distributions (not), which can save thousands a year once your practice is steadily profitable. The trade-off is payroll, a separate return, and clean books — all manageable with the right support.

S-CORP LIKELY HELPS WHEN...

- ✓ Your practice nets roughly \$80,000+ after expenses
- ✓ Profit is fairly steady year to year
- ✓ You're the primary treating owner
- ✓ You're ready to run payroll for yourself
- ✓ You want to lower self-employment tax

MAYBE WAIT WHEN...

- ✗ Profit is still modest or ramping up
- ✗ Income swings a lot season to season
- ✗ You're reinvesting most profit to grow
- ✗ You're not ready for payroll & filings
- ✗ The practice is brand new

A CALIFORNIA NOTE FOR THERAPY OWNERS

California restricts who can own certain healthcare practices and how they're structured. Depending on your discipline and setup, that shapes whether you use an LLC, a professional corporation, or an S-corp election on top. We make sure the structure is both tax-smart and compliant for your profession.

02 THE QBI RULE YOU NEED TO KNOW

The 20% Qualified Business Income (QBI) deduction is one of the best breaks for business owners — but healthcare is treated as a **Specified Service Trade or Business (SSTB)**. For therapy owners, that means the deduction depends entirely on your **taxable income**.

UNDER THE THRESHOLD

Full 20% deduction

If your taxable income is at or below the threshold, your therapy practice is treated like any qualified business and you generally get the full 20% deduction. Most single-owner practices start here.

2026: at or below \$201,775 single / \$403,500 married

IN THE PHASE-OUT RANGE

Partial deduction

As income rises through the range, the SSTB rules phase the deduction down. Planning moves that manage taxable income can recover real dollars here.

2026 range: \$201,775–\$276,775 single / \$403,500–\$553,500 MFJ

ABOVE THE THRESHOLD

No QBI deduction

Once income exceeds the top of the range, an SSTB loses the QBI deduction entirely — unlike a non-service business, which could still qualify on wages and property.

2026: above \$276,775 single / \$553,500 MFJ

WHY THIS CHANGES THE SALARY MATH

Because the QBI deduction can vanish at higher income, the S-corp salary decision and your retirement contributions don't just affect payroll tax — they can move you across a QBI threshold. For therapy owners, these pieces have to be planned together, not in isolation.

03 DEDUCTIONS THERAPY OWNERS MISS

Beyond the big structural decisions, day-to-day deductions add up — if you capture them. These are the ones therapy practice owners most often leave on the table.

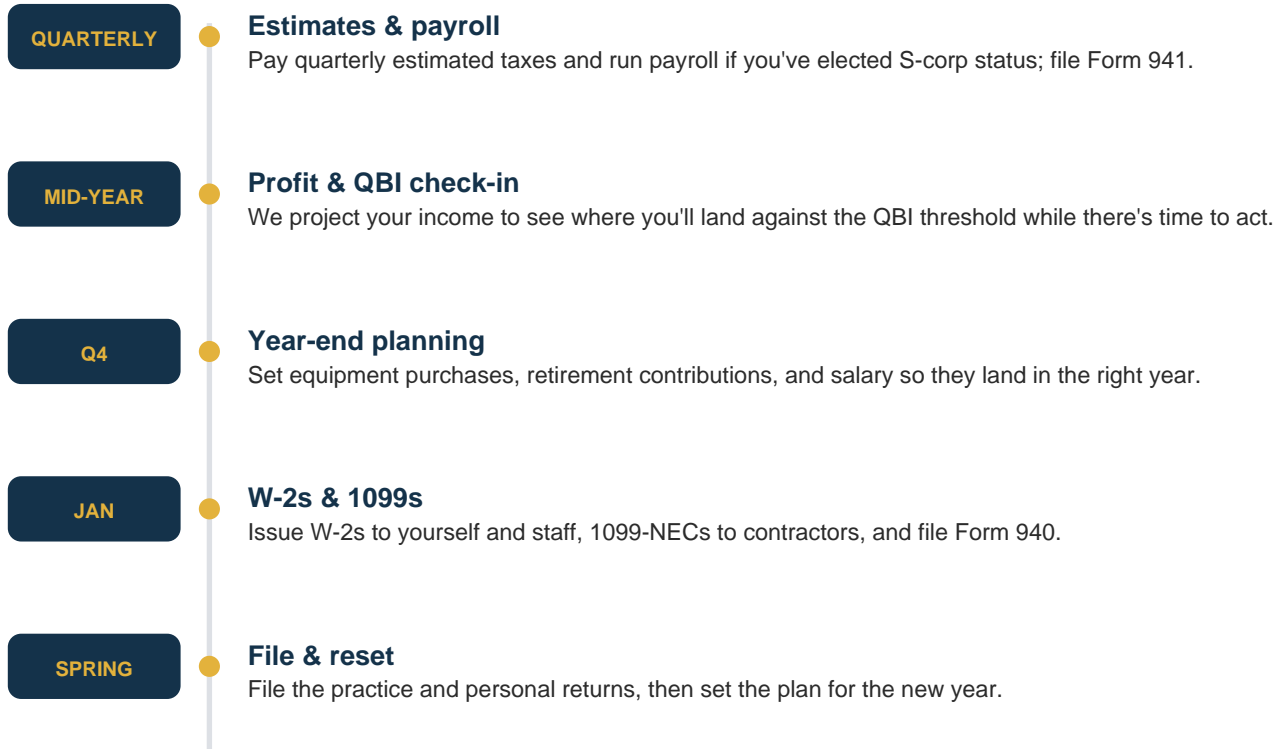
- Continuing education & licensing**
CEUs, license renewals, and professional dues to keep your credentials current are deductible.
- Treatment equipment & supplies**
Tables, modalities, therapy tools, toys for pediatric work, and clinic supplies.
- Clinic space or home office**
Rent for your space — or a properly documented home office if you do admin or telehealth from home.
- Practice software & EHR**
Scheduling, documentation, billing, and telehealth platforms are ordinary business expenses.
- Professional & malpractice insurance**
Liability, malpractice, and business insurance premiums are deductible.
- Vehicle & mileage**
Driving between clinic sites, home visits, or to facilities — with a contemporaneous mileage log.
- Owner retirement plan**
A Solo 401(k) or SEP shelters profit and can also help manage your QBI threshold.
- Family employment**
Paying a spouse or child for real work in the practice can shift income tax-efficiently.

THE RULE BEHIND EVERY DEDUCTION

An expense has to be **ordinary and necessary** for running your practice, and you need a record to support it. When something is part-personal (a phone, a car, a room at home), only the business-use portion counts — so track it. When in doubt, keep the receipt and ask us.

04 STAYING ON TOP OF IT

A growing practice runs on a tax rhythm. Here's the cadence we keep for therapy-owner clients so nothing slips and the planning happens before deadlines, not after.



Built for practice owners like you.

We work with PT, OT, and speech therapy owners on exactly these decisions.

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This guide is general education, not tax or legal advice, and reflects rules for the 2026 tax year, including QBI thresholds of \$201,775 (single) and \$403,500 (married filing jointly), which adjust annually. Healthcare practices are specified service businesses for QBI; California regulates ownership of certain practices. Your situation will differ — please consult Milestone before acting.