

# **The Pitfalls of a Low Taxable Wage:**

## **5 Things Most Often Overlooked**

## The Pitfalls of a Low Taxable Wage – 5 Things Most Often Overlooked

So, you've made the decision to travel and you've been talking with [travel nursing agencies](#) to see what locations, pay packages, and [nursing jobs](#) are available. Some Agencies offer tax free compensation, some don't and others offer a hybrid. As you compare your compensation offerings, it is often very easy to look at the tax free portion and think "WOW... look at all this tax free money I am going to bring home".

Before your enthusiasm peaks and you sign the deal, let's drill down a little bit to address some of the concerns that you might not be made aware of by the company making you this seemingly gracious offer:

Example: You are researching three companies about [travel nursing](#). One of the three presents an assignment with a compensation plan that looks like this:

Taxable wage: \$12 per hour

Meals & Lodging - provided tax free: \$28 per hour.

### ***The 5 Things Most Often Overlooked***

Concern #1: This compensation package could trigger an audit. Aggressive programs can cause valid tax deductions to appear abnormally high (amount of income compared to the amount of deductions) and therefore carry a high risk of being audited by the IRS. In this example, the annualized taxable salary is approximately \$24,000 per year. Your valid tax deductions could, in the eyes of the IRS, imply significantly more income than shown on your tax return, thus triggering an audit. For example, you claim to have made \$24,000 but the mortgage interest on your home and property taxes total \$8,000 that you are deducting on your tax return. These types of situations are often "flagged" by IRS computers for audit.

Concern #2: Know that if you get hurt on the job, your disability & worker's compensation are based only on your taxable wages. In this example, could you live off of the hourly taxable wage of \$12/ hr alone?

Concern #3: Your social security retirement is based only upon your taxable wages. A lower hourly taxable wage will lower your social security payments in the future.

Concern #4: If you work overtime, your overtime may be based strictly on your taxable hourly wage. In this example, your hourly wage of \$12 would be paid at \$18/hr as overtime.

Concern #5: Will you be applying for any loans in the foreseeable future? Loan officers base their decision on your ability to pay them back. In this example, they will base their decision on the nurse getting paid \$12/hr.

Hopefully this information will help you make a more informed decision as you decide which assignment and company is right for you. Happy Travels!