The Medical Transcriptionist's Guide To

Easy Bookkeeping



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Brief Introduction

Self-employed people are the luckiest people in the world. They get to set



their own hours and pace their business according to their own schedule. They have no boss looking over their shoulders and can operate the business according to their own goals and purposes. The only thing that can stop the business from thriving is not

setting up a proper administrative system along with the production system. If you take the time to set this up properly there is nothing left to stop you from taking your business as far as you want to take it.

As a work at home medical transcriptionist it can be challenging to figure out how much money you're actually earning. Part of your gross income is going to have to go towards federal and state income taxes, selfemployment tax, health and disability insurance and many other business expenses. Luckily the overhead is very low for a transcriptionist, so the percentage of income going towards your paycheck will be much higher than other individuals that have a high overhead.

As a general guideline you can divide your income into three amounts. The first would be for taxes, the second for your overhead and a third for your pay.

Most businesses need a steady cash flow for at least six months before the business can be considered viable. At this point you are buying business equipment and still stabilizing your client base. After this period you will usually be able to start cutting yourself a monthly paycheck.

Since taxes play such a large part in determining your income, it is necessary for every medical transcriptionist to learn as much as she possibly can about them. Once you know the basics, you'll be better prepared to have your business functioning at the highest income producing level possible.

There are also some things that you need to know about record keeping that can shave hours off of your production time, and add to your income level as well. Keeping proper records is mandatory in this business, and having a proper system set up will save you a lot of unnecessary confusion.

This book will explain about all of the tax basics you should know as a medical transcriptionist, and introduce you to proper bookkeeping so that you can make a fast start and get rolling on your new career.

Taxes - An Overview

As a work-at-home medical transcriptionist, you will be considered selfemployed and will have to take responsibility for paying all of your taxes. Luckily, this is a great advantage for you because as the owner of a home based business you are entitled to a lot of tax breaks. Many aspects of your business can be used as a write-off, such as a home office, but you will need to be aware of these deductions when you first start working so that you can use them to your best advantage.

Any medical transcriptionist who is working at home should learn everything possible about business taxes in order to save money. One of your many goals as a business owner should be to operate your business in a way that encourages paying the least amount of tax possible. While this knowledge is invaluable, it does not take the place of a good accountant. An expert can help you deal with any specific tax problems and show you ways to minimize your business taxes.

With the economy the way it is, many business owners consider doing their own taxes on their own instead of hiring an accountant. This will save some money but in the long run it can cost you thousands of dollars. It is much better to hire an expert to get your taxes done, especially if you are not confident with ledgers and numbers. Taxes can be quite complicated and you should seriously consider hiring a professional, or at least have one on standby that you can use if you need any help.

Why An Accountant?

Hiring an accountant is much different than hiring a bookkeeper. A qualified CPA accountant can do your taxes, whereas a bookkeeper will keep track of your records and your billing systems. It may be necessary to hire a bookkeeper when you begin hiring new staff and start building up your company, but if you are working on your own it really is not necessary, especially if you know how to set up your record keeping properly.

An accountant is an expert when it comes to preparing taxes, and setting up record books. It is a good idea to see your accountant at least once or twice per year in order to go over your record books, financial statements and to help prepare your tax returns. He can also help with forecasting your income potential and help you with any financial planning. If you are running a medical transcriptionist business at home you probably don't have the time to learn everything about tax laws. The small amount you need to pay to get them done professionally is definitely worth the cost. In many cases you will end up saving more money using an accountant than what it costs to pay the fee.

It is best to avoid a tax preparer versus an accountant. He may not have the expertise to advise you on certain strategic home-based deductions on your tax return. An accountant on the other hand, will be able to give you advice as to what can be deducted, what receipts will be necessary, as well as what documentation needs to be sent to the IRS.

Another thing to consider is that tax laws change from year to year. If you did do your taxes last year on your own, you will have to look up what new laws have been implemented in order to get your taxes prepared correctly. There are a lot of things that can be used as a tax-deduction, and you may have never even considered many of them. For example, home repairs and charitable donations can be deducted.

You will not have to keep the accountant working for you on a steady basis. An accountant can be your best friend, and you may be surprised at how minimal the costs can be to hire one. Many people that own a home based business try to do their own taxes, and one small mistake can lead to an investigation from the IRS, which is something nobody wants.

Self-employed business owners must pay their taxes quarterly based on estimated or predicted income earnings. State income tax, Social Security self-employment tax and federal income tax must be sent in.

It is important that you carefully calculate your deposits or you can be subject to a fine.

As a payment guide, the IRS will not usually penalize anybody for underpaying an estimated tax if you pay as much as you paid in the previous year. You can pay these taxes through the electronic federal tax payment system or you can use your accountant to get it sent in.

If you fail to send in your quarterly taxes you will be hit hard at the end of the year. It is important to keep up with your regular payments to the IRS to avoid a huge bill, and any unnecessary fines. You or your accountant should set up a schedule for your quarterly payments, which are due on the fifteenth day of April, June, September and January. At least 90% of the tax that you owe for the year must be prepaid to avoid penalties.

Also, if you had any kind of tax liability during the previous year, then 100% of that must be paid. If your adjusted gross income is more than \$150,000 then 110% must be paid based on your last year's tax liability. You can get forms for the estimated tax payment from your accountant or directly from the IRS.

Why a CPA?

A CPA is more than an accountant. He is a highly trained expert in certified public accounting and has completed many years of school to receive his certification. The American Institute of Certified Public Accountants requires that any CPA must meet certain stringent requirements. He has had to put in about 150 hours of college, pass a CPA exam and in some states he has been required to have a certain amount of work experience before receiving his certification. He may either be working on his own or be part of a recognized accounting firm.

Hiring a CPA to do your taxes guarantees that this individual has the knowledge and capability of preparing your taxes flawlessly, and gives you a safety net. You will be able to breathe easy knowing that the IRS requirements for your taxes have been fulfilled.

Certain CPAs make themselves available for people that only need them at tax time. They can get very busy during the season so it is best to book an appointment a few months ahead. You don't want to miss out on having your CPA do your taxes because he is too booked up, especially if you feel you have picked a good one.

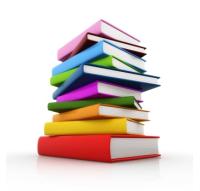
When choosing a CPA it is a good idea to look for a local one instead of one that is working from the Internet. You will be able to schedule an appointment at his office and be able to bring in all of your documentation without having to scan and fax important documents over the Internet. This is especially true for medical transcriptionists. You may have sensitive records that need to be shown to your CPA, even if they are not sent directly to the IRS.

You should also look for an accountant that has built up some experience working with small businesses. You should be able to ask any questions, and understand the answers in layman's terms. Also, discuss any fees up front to make sure that you are able to remain within your budget.

The CPA has been trained to complete both federal and state tax returns. He is qualified to give you advice on record keeping, and can find many hidden deductions that you can use to save money at tax time. He will tell you which receipts to keep for these deductions and how to keep them all organized.

Taxes and Your Responsibility

Now that the CPA has been hired, it is not yet time to sit back and forget



about taxes. If you plan ahead for tax time you can walk away with many more deductions than if you leave it until the last minute. Having an accountant does not mean that you do not have responsibility for certain record keeping on your own. You need to know the basic deductions you are allowed so that you can implement a proper record keeping strategy during the year. You will

need to keep all of the receipts for your deductions. If you don't know what can be written off at tax time, you will miss out on a lot of benefits during the entire year, and will also lose money.

Form 1099

This is a form that is similar to the W-2 form that is sent out to company employees. As a medical transcriptionist working as an independent contractor for a physician, clinic or hospital you will receive one of these forms in February or March each year, as long as you are paid more than \$600 in compensation for your services. This includes any payments made to outsourcers you have hired. One copy is sent to you, one copy to the IRS and one to the state taxing agency. This needs to be taken to your accountant. If you have any subcontractors of your own, you will need to send them a form 1099 as well.

As a sole proprietor of the business you report your income and business expenses using the form Profit or Loss From Business or Profession, form 1040 schedule C. You must also attach the form 1040, Schedule SE that is called Computation of Social Security Self-Employment Tax.

Types of Taxes

There are three different types of taxes that you need to know about: federal, state and local taxes. Depending on your location and various zoning laws, you may be required to have a business license in order to work legally as a business or independent contractor. If you use a local CPA in your area, you can ask him whether you require one or not.

There are many local and state laws that allow certain deductions that are not allowed at the federal level. It is important to know these so that you can plan ahead and make use of all of them, and also know which receipts to keep.

Federal Taxes

- Partnerships, S corporations and sole proprietors are all responsible for the following federal taxes.
- ➤ Estimated Tax for Individuals, (form 1040 ES), for reporting your quarterly payments and to calculate the amount that needs to be paid.
- Individual Income Tax Return, (form 1040C), for reporting the net income of your business based on your revenue and detailed deductible expenses.
- Computation of Social Security Self-Employment Tax, (form 1040SE), to report payments into your Social Security fund.
- Depreciation and Amortization, (form 4562).

More information can be found at www.irs.gov or you can call them toll-free at 1-800-TAX-FORM

State Taxes

These taxes are usually filed at the same time you file your federal tax returns. Most states do have an income tax. It is calculated based on your net income in many states, and on gross income minus specific qualified deductions in other states. Your accountant will be able to help you with this.

You will also need to get in contact with your state administrators to find out if your state requires you to have Workers' Compensation insurance if you have transcription employees working for you. This insurance is very similar to a tax and should be researched as the business begins.

Social Security Tax, (FICA), Self-Employment Tax

If you're a medical transcriptionist that is just starting out you may be shocked to learn that there is a Social Security tax that must be paid. If you have ever worked for an employer, then this tax was automatically deducted from your earnings along with your taxes. Also, the employer would have contributed 50% of the payment for this tax.

As a self-employed medical transcriptionist you're going to have to pay all of it. At tax time however, you can deduct half of the Social Security tax from your gross income, which gives a bit of tax relief. You will have to start paying this tax once your income level reaches \$400 as claimed on schedule C. of the FICA form. To give you an idea of how much the tax will be, in 2008 the rate on the first \$102,000 was 15.3%, and anything over \$102,000 was 2.9%.

In order to qualify for future retirement benefits and Medicare you will need to contribute to this self-employment tax. Self-employed medical transcriptionists can access Social Security benefits, just as a wage earner can. You can contact Social Security Benefits in Baltimore if you ever want to find out how much money you have built up in your account. You should check your account every year because there is a statute of limitations of three years to correct any mistakes in the account.

In order to keep track of this tax it is a good idea to take 15.3% off of your paychecks and deposit this amount into a separate banking account that is kept strictly for this tax payment.

Keeping Receipts

Once you learn what you can deduct from your home business at tax time



you're going to need to start keeping receipts. The best idea is to take an afternoon and get a filing system organized. You should keep a separate folder for different types of tax receipts, and you should keep these folders accessible so that the receipts are easy to file. If the IRS ever comes knocking at your door you should

have the file folders organized and easy to access.

Remember that the IRS can investigate any returns as far back as three years, so it is critical that you save all of your receipts for at least this amount of time. It wouldn't hurt to keep them for the life of your business, as they really do not take up a lot of space.

Here is a list of some recommended publications for home business owners that you can pick up on the IRS website. You can also ask for them to be mailed to you by using their toll-free number.

- 935 Business Expenses
- Circular E Employer's Tax Guide
- > 917 Business Use of Your Car
- > 937 Business Reporting
- > 587 Business Use of Your Home
- > 533 Self-Employment Tax
- > 534 Tax Information on Depreciation
- > 583 Starting a Business and Keeping Records

- > 560 Retirement Plans For The Self-Employed
- > 510 Information on Excise Taxes
- > 510 Tax Withholding and Estimated Tax
- > 048-004-01596-B Index to Tax Publications
- > 17 Your Federal Income Tax
- > 334 Tax Guide for Small Business
- > 510 Information on Excise Taxes

There are many various tax-deductions available to an independent contractor, and you may have never even considered many of them. The next section will outline these expenses and let you know how you can make the best use of them.

Allowable Business Deductions

As an independent contractor you will have to pay taxes on your net



income, which is your gross income minus your business expenses. Deductions can be different for every type of business and are subject to continual change. It is important to note that the IRS has categorized business expenses into "ordinary" and "necessary". A necessary expense is one that is appropriate and helpful for your business, and an ordinary one is something that is accepted and

common in your field. Some business necessities can fall into a gray area between the two, but the rule of thumb is to always keep as many receipts as you can for business items so that they can be claimed as a legitimate deduction.

Deductions come in many forms such as the home office itself and any equipment and supplies that are necessary to keep the business running. There are tax breaks for using your vehicle, utility expenses, and even vacations in some cases. The IRS has listed the various deductions allowed and defines them in full detail. Your CPA will be able to let you know which ones you qualify to deduct.

It is important to have a meeting with your CPA at the beginning of your business so that you have a rough idea of which deductions apply to your business. There are certain qualifications that must be met for certain things to be written off, and if you know these in advance then you may use them to your advantage.

Here's a list of some of the deductions that the IRS will consider for a transcriptionist that is running a business from home. . . .

Deductions for a Home Office

As an independent contractor you can use your home office as a deduction. It can be declared either as a depreciation if you are the homeowner, or as a portion of your rent if you are renting the housing unit. How much you are allowed to deduct will depend upon what percentage of the home is used as an office workspace.

In order for the home office to be written off as an expense it must be set up as the primary place for business in the home. It is very important to consider some things before setting up your office so that you will not have to worry about it meeting all of the necessary requirements.

The office must be used for business purposes exclusively, so it is important not to have anything in this office that is not related to your medical transcription business. It is also a good idea to have something in place that easily proves that it is used for medical transcribing only, such as a private business line, photos or diagrams of the office, or business cards with your home address listed on them. Make this your dedicated business room, treat it as such, and it will be a considerable tax write-off. When you have a qualified home office you can then deduct part of your utility bills, rent and mortgage payments for your home. You can also write off maintenance, repairs and cleaning costs.

These deductions can greatly reduce the amount of tax you need to pay, but there is one instance where you may consider not claiming your home office as a business deduction. If you think you may be selling your home in the near future, it may be best not to claim it. The IRS considers that a home office deduction puts that part of the property into a commercial tax status. When the property is sold, that business part might not qualify to rollover the gain from the sale of the residential part of the home. If you're planning on selling soon it would be best to talk to your account about home-office deductions and how they can affect the future sale of your home.

Automobile Expenses

You are going to have to set up a separate book to keep track of all of the

mileage used on your vehicle. If you use your car for business outings, you are allowed to claim a certain amount of gas and maintenance and repairs for the vehicle. Some medical transcriptionists keep this book in the vehicle itself and make a habit of recording their trips and mileage



every time they use their car for a business-related errand. Just something as simple as going out to pick up some printer paper can be written off. Make sure that you have a separate file set up for any receipts relating to gas, repairs and maintenance of the vehicle.

There are two different methods that you can use to calculate the amount of allowable expenses.

Actual Car Expenses Method

Using the actual car expenses method is very simple. It is just a matter of getting a final total of all your automobile expenses including gas, lease payment, maintenance, repairs etc., for the year. Next you need to calculate the percentage your car was used for business-related purposes only. Once you have that calculated, then it is just a matter of figuring out the final amount used exclusively for the business. If for example you spent \$20,000 in the last year on actual car expenses, and used your car 10% of the time for business, then you are allowed to claim \$2000 as an automobile expense using this method.

Standard Mileage Rate

The standard mileage rate gives an umbrella deduction by allowing a multiplication of 55 cents per mile driven for business during the year, (as

of 2009). This standard rate includes the cost of maintenance and repairs, gas, insurance, vehicle registration fees, oil and depreciation. Once you have calculated the standard rate you are not allowed to make any other automobile expense deductions other than parking fees and any tolls paid during a business errand.

The IRS allows you to calculate both totals and present the one that gives you the best deduction. In most cases the actual car expenses calculation will give you the best one.

One thing to keep in mind is that using the actual expense method allows you to switch back and forth between the two methods in future years. Using the standard mileage rate method does not allow you to use accelerated depreciation method on that specific car in future years.

If you need to get a new car you should consult with your accountant to figure out whether you should purchase the car or lease it. Tax advantages differ greatly for both of them, and sometimes it is better to lease and sometimes it is better to own. Lease payments can be deducted based on the percentage of miles that are driven for business purposes, but there is an amount that is keyed to the value of the car as an add back that must be declared as a taxable income. If you purchase a vehicle you can claim depreciation deductions, and these will vary depending on what year you started using the vehicle for business, and on the actual year of the depreciation. You can also deduct the interest you pay on any car loan based on the percentage of business use for that particular vehicle.

Business Expenses

These are very simple to keep track of and just require a folder. These are the things that you would expect to be able to write-off such as any equipment purchased for transcription needs, books, stationery items, computer and computer accessories, different kinds of software, etc. Anything you need to have in order to keep your business up and running

qualifies as a deduction. Just keep your receipts, file them away, and present them to your CPA at tax time.

Communication Expenses

You will need to reach most of your business clients by phone. Your first phone is considered a personal item, but any business line or cell phone, in addition to your first telephone, can be used as a deduction. You may also be able to write off some of your Internet expenses. Keep track of the payments made for the phones and your Internet costs as well.

Insurance Expenses

If you are a homeowner and have homeowner's insurance you can usually deduct a percentage of the insurance at tax time.

Meals and Entertainment

Meals and entertainment expenses can be written off if you have used a dinner or lunch as a business meeting. You can offer to meet a client for lunch, pay for the meal and be able to claim part or all of it as a business expense. This also applies to serving your own meals and drinks in your home for business purposes.

Education Expenses

You can deduct an education expense as long as the education maintains or improves a skill that is required in your business. If the education qualifies you for a new business or a new trade, or if you need this education in order to meet the minimum rate education requirements of your current business, then this expense cannot be used. As a medical transcriptionist you can take courses on how to run your business better, such as a computer course, and then use that as a deduction. If you join

one of the professional medical transcriptionist associations, go to any meetings or purchase any books offered there, they can be used as a tax deduction also.

Travel Expenses

Any travel that is 100% business related is deductible. You can, however, also combine a personal vacation with a business one, and as long as 51% of your days are spent doing business you can write off the trip. This is a great way to combine fun and business and profit from it. Be sure to save your receipts and ticket stubs as proof of expenses.

Medical Expenses

Medical deductions can also be made for medical insurance premiums. If you have a personal medical plan that covers eyeglasses, dental work, chiropractic treatments, massage and any other services that are usually covered with a medical insurance plan, then these can be used as a tax deduction.

Mortgage Interest

This can qualify for a tax deduction as long as you have your home office set up properly. As well, repairs and improvements on your home, and property taxes may be considered as partial write-offs.

Here are a few other deductions that are often overlooked at tax time.

- Books and magazines
- Laundry expenses
- Cleaning expenses

- Educational expenses
- Airfares
- Office furniture
- Licenses
- Advertising costs
- Regulatory fees
- Safety deposit box fee

When you look at these various items you can see that most of them are expenses that you would incur even if you did not have a home based business. You are saving money on things that you would normally use on a day-to-day basis. That is the reason why many business owners set up shop in their own homes, or at least have a dedicated office for business purposes only.

Depreciation and Expensing

Depreciation - This basically involves spreading out tax deductibility of something for more than a one-year period. Typically it is spread out for at least 5 years. There are certain tax advantages to using depreciation, and that you should discuss with your CPA.

Expensing

This means deducting the entire cost of a business expense the same year it is purchased. In 2008 you could claim up to \$128,000.

In most cases you will save more money with expensing than depreciation, but there are certain cases where the opposite is true.

Employing Your Children

Another tax deduction that you should ask your CPA about is employing your own children. If you have simple tasks that they can do, then why not use them in order to save money? If they are younger than eighteen they do not have to pay any Social Security taxes and are placed in a lower tax bracket. Keep track of the hours they put in and you can deduct any payments you make to them. You'll have more hours freed up, save money and be able to pay your children for quality work.

Retirement Plans

Retirement plans offer tax sheltering, by allowing you to invest part of your pretax income in order to defer tax payments. The taxes will be paid when you withdraw money from this tax fund once you have retired. The average retired person will be in a lower tax bracket at this point, so there will be less tax to pay. There are three different retirement plans available. These are: Qualified Profit Sharing Plans, the IRA (Individual Retirement Account) and the SEP (Simplified Employee Pension).

IRA (Individual Retirement Account)

You can use your pretax dollars to establish an Individual Retirement Account. This contribution can be fully or partially tax-deductible based on your income level and your participation in other retirement plans. In 2008 the maximum you were allowed to contribute was \$5000. If you were fifty years old by the end of the year, you could also contribute an extra thousand dollars. These contributions are not taxed until you reach the age of fifty-nine, but you can also withdraw funds earlier, if needed, subject to a 10% withdrawal penalty tax. There are some exceptions about withdrawing money earlier, such as needing it for medical expenses, for a first home, for a better education, or if you become disabled. These IRA plans are available through different financial institutions, and once again you should meet with your accountant to find out more information.

SEP (Simplified Employee Pension)

This is a retirement program that allows you to you pay into your IRA. This plan allows you to make a higher contribution than you could to an individual IRA. This contribution can be made to employees or owners that are over 70 1/2 years of age. In 2008 the maximum payment allowed was \$46,000. There are no administrative costs if you decide to make use of this program; you can make a contribution if you have extra money, or not make a contribution when times are tight. The SEP is simple to set up and is tax deductible. It is a good idea to talk with your accountant about this plan and how it can benefit you as a business owner.

There are a lot of business expenses that a medical transcriptionist can deduct at tax time. These are just many of the business expenses and tax shelters you can use to minimize your tax. You will also have to factor in your personal taxable income, income from other sources and your personal exemptions to make sure you pay the least amount of taxes legally possible.

Taxes are very complicated. Many people that try to figure out the new tax laws spend countless hours figuring out their allowable deductions. Find a qualified tax accountant, preferably a CPA to help you. It is priceless having someone that will answer your questions.

Most CPAs will guarantee their work and take the burden of tax time off of your shoulders. There are certain tax advantages that you may not have heard of, such as special tax breaks for home based business owners, and these kinds of savings can add up quickly to hundreds or thousands of dollars at tax time.

Bookkeeping

As a work-at-home medical transcriptionist you are going to have to set up



your home office properly in order to have an organized workspace. This office needs to be set up for business purposes only, and once you have everything organized properly you will save time and will be able to follow a system.

Whether you are a new transcriptionist, or an experienced one that works on her own without any subcontractors, there is

really no need to hire a bookkeeper to help you with any record keeping. It is very easy to set up a system and to keep it in place. The only time you may want to consider getting some outside help is if you are outsourcing your work to other transcriptionists and feel overwhelmed with the paperwork. Also, you do not need to hire a full-time bookkeeper; you can advertise for somebody that can come in for a couple of hours per week to help you out.

Being a bookkeeper for your medical transcription business is a responsibility and part of your job. You need to take it seriously so that you do not get backlogged with administrative work. Some people have a hard time dealing with the administrative side of a production career, and feel like it is a useless part of the business because they are not getting directly paid for it. You need to put this mindset aside because it is a part of your pay, and if you don't do it you will have no income. It is important to set aside a weekly time to handle billing, filing and advertising if necessary. If you can keep this in place it will keep your production rolling and keep your income stabilized.

There are two kinds of outside help you will need. One is a CPA accountant, and the other is some software that will greatly reduce the time you need to put in for administrative work.

As the owner of a medical transcription business it is your job to set up your own system for keeping track of daily bookkeeping. This is what sets this business aside from working for a boss. You have your own choices to make and are free to set up the system the way you want it to be.

This section will outline the basic bookkeeping tasks you will need to handle and how to get them set into place.

Business License

In order to be legally set up in business you have to find out whether you need a business license to operate your transcription business at home. Local laws have different requirements. You can phone your City Hall and asked them if you need a license and what documents need to be filled out. You can request that the documents be sent to you in the mail or you can go pick them up on your own. You can also contact a local accountant and asked them to file your business license for you, and also ask him to provide you with the necessary paperwork so that you can open a business checking account. You will have to pay a fee for this service, and if you are tight on funds it is quite easy to get the paperwork filled out and open a checking account on your own.

You can open an account at your current financial institution by just calling, making an appointment and asking them what documentation you need to bring in. If you need business checks immediately, you can ask for temporary checks while you're at your appointment.

Setting Up Your Home Office

Once you have obtained your license you are legally in business. Now it is time to work on your office, and get it set up for all your medical transcription needs and administrative duties. Keep the room as businessoriented as possible using only furniture and accessories you need for the business.

Basic Furnishings and Equipment

- Computer desk
- Comfortable chair
- Computer
- Bookshelf
- > File cabinet
- Books
- Phone
- Phonebook
- Printer/scanner/fax machine
- Stationery
- > A chair for a client

If there's anything else necessary for your office, add it, but consider first whether or not it is a necessary business addition or something distracting. It is it okay to put a nice potted plant in your office, for example, but maybe a bouquet of different flowers would act as a distraction. Just use basic common sense when setting up your office so that it stays business-oriented in the midst of a family run home.

Filing System

A file cabinet is going to be one of your best friends and no office should ever be without one. This is where you can store your contracts and invoices so that you can get them at a moment's notice if needed. You want to have a separate file for each client. It is here that you will keep copies of invoices, billing records, any letters from the client, the original contract and a copy of any payment receipts. You can also include a blank

piece of paper to record any personal notes you may want to keep about that client. You do not have to keep any of your medical transcription records in here; this cabinet is used for administrative correspondence between you and your clients.

You should also have a filing system set up for any receipts you need to keep for tax purposes, for any promotional material you are sending out and any other kind of paperwork you use during the course of your business.

Your filing should be done on a weekly basis to keep it organized. The last thing you need is a build up of papers on the corner of your work desk!

Billing and Invoicing

Most doctors that have been working with medical transcriptionists are accustomed to being billed on the sixteenth and the first of every month. You should talk to the doctor first to make sure that this is agreeable, and you if you can set this up with all of your clients then this will keep your billing time to a minimum. Of course, if your client prefers another billing system, you should remain flexible and accommodate the customer.

In the past, billing and invoicing for medical transcription services was a nightmare. Most word processing programs count all of the blank lines when you are trying to do a line count, and unless you have a software program you are going to have to count them manually. This administrative task can take hours away from your production, which results in lost revenue. If you have to do it manually it will cost you hundreds of hours over the course of the year, not to mention that every time you lose count you will have to go back to the beginning and start over again. That's why I use www.count-lines.com for my line counting and invoicing software.

Tip ~ Remember you don't charge sales tax on services, so you don't have to worry about adding that on.

Most transcriptionists use the common line charge of sixty-five characters or they charge by the gross line, meaning any line with typing on it, whether it is one word or twelve etc. One of the best investments you can make is a software program that will handle all of your line counts.

You will need to get one that is versatile enough to count by words, paragraphs, by gross lines or characters per line, and with or without spaces. It should also be able to include or exclude any headers and footers.

Once you have your line count totalled for the client, it is time to do the invoicing. Once again having specialized software to do the job will increase your production time by reducing your admin time. You can get an invoice software program that counts all of your lines as described above, and also prints out an invoice based on the line count information you have entered.

This kind of software will create an invoice that includes your company details and the name and address of your client. It is an all-in-one solution for both counting lines and invoicing. It has all of the features that a medical transcriptionist would need for doing a proper line count and invoice.

Other features a software program should include:

- Automatically calculates the invoice totals based on the count
- > Edits client details
- Applies different rates for separate clients
- Keeps a running log of every client's line counts
- Includes currency options
- > Adds miscellaneous content
- Chooses the invoice's starting number
- > Applies paid, void or delete to an invoice
- > And offers much more

If you choose to do your own line counting and invoicing, make sure that you always double check your counting before submitting a bill, and make sure that your invoices are numbered and state "Invoice" on the paper.

Most physicians prefer a simple invoice that includes a quick line count summary, the fee and a total. You can easily print off a professional looking invoice using your computer. There is no need to buy any specialized paper for it. Getting the software is definitely the easiest way to handle all of your billing and invoicing needs. I recommend www.count-lines.com, which is software I have had made specifically for medical transcriptionists.

Getting Paid on Time

As a medical transcriptionist you are working for busy clients and as a result may end up having to chase down a few bills. As with any work at home profession this cannot be entirely eliminated, however there are a few things you can do to help prevent it from happening. Quite often, prevention is the cure for late billing problems. Here are some of the most often seen causes and cures for late payments.

State Your Conditions Clearly at The Beginning

Your initial contract with your client you should have stated up front what the billing conditions would be. This needs to be reinforced in your invoices as well. There should be no ambiguity in your invoice as to when payment is expected.

Clearly state the date the payment is due on all of your invoices. One of the conditions you can apply is a charge for late payments. One of the most common reasons why a client does not pay on time is simply that the transcriptionist has not defined clearly enough when payments are expected to be made.

Find Out What the Problem Is!

Do not be afraid to pick up the phone and get in communication with the person in charge of handling the payments for your client. In some cases the client may feel that you have made a mistake on the invoice and was meaning to get back to you on it. It could also be a misconception that as long as you get your money in the same month it won't cause any problem.

There are a number of different situations that can be causing a late payment, and as soon as you open up the communication lines you are able to get the problem rectified. Most clients have an understandable reason for not paying on time, and if you jump on them the first time they miss a payment date you may be forfeiting a great customer. Communication is the key to getting your bills paid on time. If you're afraid to pick up the phone and contact your customer, you can ask a friend to do it for you on your behalf.

Invoice Regularly

Sometimes the problem can be as simple as the business owner sending out his invoices late. If you get in the habit of sending your invoices on the second or third day of the month instead of the first then how can you honestly expect your clients to pay on the day required? They see that you are sending out your bills late so they may follow your example and send theirs out late as well. Send your invoices and statement reminders on time if you expect to be paid on time.

Make Up a Reminder Statement

If you have been keeping up with your billing and invoicing, you will have a clear record of any unpaid bills. You should have some kind of reminder statement you can send out if payment was not received on time. This reminder statement should be friendly and not threatening. Usually it is a case of the bill being overlooked, the client going away on vacation or some other unavoidable situation. You will find that most clients do pay on time, and it is rare to have to send out a reminder statement. As you take on more clients, you can replace any customers that pay late on a regular basis with new ones. You do have the right to be paid on time.

Sometimes it will happen that you get an unpaid bill that will never get paid. This is all part of having a home based business, and luckily it occurs infrequently. When it comes to tax time, you can take this bill to your accountant, let him know that it remains unpaid, and see if it can be used as a deduction on your taxes. Keep the bill in your file cabinet for future reference, along with all of your other vital paperwork.

Record keeping is a necessity for anyone involved in a home based business. Fortunately, there is also a lot of good software that you can purchase so that you do not have to hire a bookkeeper or accountant. You can easily keep track of your cash flow with a good software program. Another thing you may consider is to get an appointment with a good accountant or bookkeeper for a one or two hour lesson on setting up your administrative tasks.

As you can see from this book it is quite easy to do the bookkeeping on your own, but if you are a person that is challenged with organizing paperwork and accounts, it may be worth your while to set up an appointment. Some of the best medical transcriptionists have a hard time with organization, and getting it set up properly right at the beginning will keep the gears of the business running smoothly.

Outsourcing

As your business begins to expand, you may want to consider hiring other MTs as subcontractors. This is where your income can really rise, because you can take a percentage of their pay. If you have reliable transcriptionists with a good work history, you may find yourself being paid for doing practically nothing, except for providing them with work.

If you do decide to outsource, you will have to make a few minor changes to your record keeping, but your MTs will be doing all of the work in their home offices. You will not have to rent any office space, you will not have to worry about providing employee benefits, and they will be responsible for filing their own taxes. The only thing you are going to have to provide them is a 1099 form by January 31st if they have had earnings over \$600. You also need to provide a copy of this to the IRS.

Remember the reasons why you chose to work as a transcriptionist at home in the first place. Perhaps you wanted to be at home for your children, or maybe you just wanted the freedom to make your own choices without having to answer to a boss. If you find that you have worked yourself into a corner and no longer have extra time to enjoy working at home, then it may be time to look at outsourcing. You can free up your time by hiring people to do your extra work.

Once you have reached this level in your business, you can hire a bookkeeper or office manager to help you with your outsourcing. It may even be one of your older children.

There is no limit as to how far you can take your medical transcription business when you work at home. When you know the tax laws and allowable deductions, you can use them to help your business grow to a level where you are making the income you want to make as a professional. Use this book as a guideline to help you become the most successful medical transcriptionist you can possibly be.