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# The Top Tax Breaks That Physicians Use

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Plenty of perks come along with earning a physician's salary, but a low tax rate isn't among them. Medscape's [Physicians and Taxes Report 2023](#) shows that last year, doctors paid an average of nearly \$100,000 in state and federal taxes, and three quarters of them thought that they were paying too much to Uncle Sam. In most cases, it's impossible to eliminate that tax bill, but physicians told us they have found ways to minimize it.



"The percentage you have to pay in taxes escalates as you earn more money, and most doctors are at the maximum rate," says Paul Joseph, a certified public accountant and founder of Joseph & Joseph Tax & Payroll in Williamston, Michigan. "So every dollar you can deduct from your income is worth more."

Here's a look at the seven top tax breaks physician respondents claimed in our tax report, so you can ensure you're making the most of the tax strategies available to you. To claim most of these options, you'll need to itemize your deductions when filing your taxes.

### Contribute to Charity

Claimed by 70% of physicians in 2022

**Who's eligible:** Anyone.

**How it works:** If you itemize your taxes, you can deduct the value of cash, securities, or property donations to 501(c)(3) organizations. You'll need a receipt from the charity and a third-party appraisal for any property donations worth more than \$5000.

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**Pro tip:** Donating stocks that have appreciated in value can deliver additional tax benefits: You get to write off both the value of the contribution and avoid capital gains taxes that you'd face for selling the security.

### Contribute to a Pre-Tax 401(k) Account

Claimed by 60% of physicians in 2022

**Who's eligible:** Those who work for a company that sponsors a 401(k) plan.

**How it works:** Contributions to a 401(k) or 403(b) account come directly out of your paycheck, pre-tax, and grow tax-free until you withdraw them in retirement. Many companies offer a match on contributions. In 2023, you can contribute up to \$22,500 (\$30,000 if you're age 50 or older) to a 401(k) account.

**Pro tip:** If you're maxing out your 401(k) account, you can stash money in other tax-advantaged accounts such as a health savings account (if you have a high-deductible health plan) or an individual retirement account (IRA). Although employees with access to a 401(k) may not get the pre-tax advantage of the IRA contributions, the money will grow tax-free through retirement, and you may have access to additional investment options unavailable in your workplace plan.

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