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Locum Tenens Taxes: What 1099 Physicians Need to Get Right in 2026

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Updated October 31, 2026 · Written for physicians, CRNAs, nurse practitioners and other clinicians paid on a 1099 for locum tenens or moonlighting work

The short answer

As a 1099 locum, you're self-employed: you owe self-employment tax and quarterly estimates, and you can deduct your business costs and fund your own retirement plan. Every state you work in can tax the income from the days you worked there, and your home state taxes all of it with a credit for the other states, unless you live in a state like Washington, Texas or Florida with no wage tax. Travel and lodging are deductible only if you have a tax home and the assignment is temporary. If you also have a W-2 job, your 401(k) deferral limit of $24,500 for 2026 is shared across both, but your locums business can add employer contributions of up to 20% of its net earnings on top.

Self-employment tax, and the W-2 overlap

Your net locums income is subject to self-employment tax: 12.4% Social Security up to the $184,500 wage base for 2026, and 2.9% Medicare on all of it, plus the 0.9% additional Medicare tax above $250,000 married ($200,000 single).

If you also earn W-2 wages, those wages count toward the Social Security wage base first. A hospitalist earning $300,000 on a W-2 has already maxed out Social Security, so locums income carries only the Medicare portion. Make sure your return applies this; it's a common error in self-prepared returns.

Which states can tax you

States tax nonresidents on income from work performed in the state. For a locum, that's the days you work there, regardless of where the agency or the client is based. Your resident state taxes all your income and gives a credit for tax paid to the work states, generally capped at what your home state would charge on that income.

- Living in Washington, Texas, Florida, Nevada, Tennessee, South Dakota, Wyoming, Alaska or New Hampshire means only the work states tax your wages.
- Expect a nonresident return in each work state. Some states have filing thresholds; many effectively don't for this level of income.
- Keep a day log by state. Allocation is by days worked, and the agency's 1099 won't do it for you.
- Moving your residency to a no-tax state works only if you really move: home, licenses, voter registration, where your family lives.

Travel, lodging and the tax home rule

Travel, lodging and meals while away are deductible only if you're away from your tax home on a temporary assignment, one realistically expected to last a year or less. Your tax home is your regular place of business, or, if you have none, the home where you live and keep paying costs while you're away.

- Locums who keep a home and return to it between assignments usually have a tax home there, and their travel to assignments is deductible.
- Locums who move from assignment to assignment with no home they maintain are itinerant, with no tax home, and no travel deduction.
- If the agency pays your housing and travel directly, you can't deduct those costs too.
- An assignment that's extended past a year, or expected to, stops being temporary from the point that expectation arises.

Other common deductions: state licenses and DEA registration, board certification and maintenance of certification, CME, malpractice coverage you pay for, credentialing fees, professional dues, a phone and the business share of a home office if it's your principal place for administrative work. Health insurance premiums are deductible above the line if you're not eligible for an employer plan.

Retirement contributions across two jobs

A solo 401(k) for your locums business is usually the best fit. The rules that trip people up:

The $24,500 employee deferral for 2026 (plus $8,000 catch-up at 50, or $11,250 at 60 to 63) is a personal limit across every 401(k) and 403(b) you contribute to, including your hospital's plan.

Employer contributions are separate. Your solo 401(k) can add up to 20% of your locums net earnings after half of self-employment tax, and the plan has its own $72,000 total limit for 2026 because your locums business is unrelated to your W-2 employer.

A 457(b) through a hospital employer has its own separate deferral limit.

If your locums income is large and steady, a cash balance plan can add much more.

Quarterly estimates

No one withholds from 1099 pay. To avoid an underpayment penalty, pay through estimates or extra W-2 withholding at least 110% of last year's total tax if your AGI was over $150,000, or 90% of this year's. Payments are due April 15, June 15, September 15 and January 15. Increasing withholding at your W-2 job counts as paid evenly through the year, which makes it the easiest catch-up late in the year.

Should you form an S corp?

Usually not at first. A reasonable salary for physician work is high, the QBI deduction phases out for medicine at higher incomes, and if you already max Social Security through a W-2 job, the S corp only saves Medicare tax. Many states also require a professional entity and a license to form one. Our physician S corp guide runs the numbers at $350,000, $600,000 and $900,000 of profit.

Frequently asked questions

How are locum tenens physicians taxed?

As self-employed individuals when paid on a 1099: income tax plus self-employment tax on net income, paid through quarterly estimates. Each state where you work can tax the income from those days, and your home state taxes it too with a credit, unless you live in a state with no wage tax.

Can locum tenens physicians deduct travel and housing?

Yes, if they have a tax home they maintain and the assignment is temporary, meaning expected to last a year or less. Costs the agency pays directly aren't deductible, and itinerant locums with no tax home can't deduct travel.

Can I have a solo 401(k) if I already have a 401(k) at my hospital job?

Yes. The $24,500 employee deferral is shared across both plans, but your solo 401(k) can add employer contributions of up to 20% of your locums net earnings, within its own $72,000 limit for 2026.

Do I pay Social Security tax twice with a W-2 job and locums income?

No. Your W-2 wages count toward the $184,500 Social Security wage base first. If they reach it, your locums income is subject only to Medicare tax, though you need to report it correctly on Schedule SE.

General information based on federal law for tax year 2026, not tax advice for your situation. State rules vary.

Want this applied to your situation? Book a free 30-minute call with Akanchya Acharya, CPA at acharyacpa.com/contact or email akansha@acharyacpa.com.

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