From Resident to Attending: The Tax Shift No One Warns You About

The income jump is the moment you have waited a decade for. It is also the single largest tax transition of your career — and the one most likely to produce an unwelcome April surprise if no one prepared you for it.

For years your tax life was simple. One W-2 from the hospital, a standard deduction, a refund most springs, and little reason to think about any of it. Then you sign your first attending contract and your income triples or quadruples in a single step — and nearly every assumption that made your taxes simple stops being true at once.

The transition from resident to attending is the most abrupt income change most physicians will ever experience. The tax code is progressive and largely unforgiving of surprises, so a jump of this size does not just raise your bill proportionally — it pushes you into territory with new rules, new phase-outs, and new obligations that residency never exposed you to. Below is what actually changes, and what to do about it before the changes do something to you.

Bracket shock: the marginal-rate cliff

A resident earning in the high five figures typically tops out in the 12% or 22% federal bracket. A first-year attending can land in the 32% or 35% bracket almost immediately. For 2026, the 32% bracket begins at $256,225 of taxable income for a single filer ($512,450 married filing jointly), and the 35% bracket runs above that. The practical effect is that the next dollar you earn — a bonus, moonlighting income, a signing incentive — is now taxed at a rate two to three times what you were used to.

> **WHY THE REFUND DISAPPEARS**
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> Residents are used to refunds because withholding tables tend to over-collect at modest incomes. As an attending, the same tables frequently under-collect — especially in a partial first year, or when you have two employers, moonlighting, or a working spouse. The refund habit is exactly what sets up the balance-due shock.

Nothing about a higher bracket reduces your take-home pay — each rate applies only to the income within its band. But it does mean your mental math from residency is now wrong in a direction that costs you, and that deductions and pre-tax contributions are suddenly worth far more than they used to be.

The withholding gap in your first partial year

Most physicians start as an attending mid-year — July after graduation is the classic pattern. That partial year is deceptively dangerous. Your employer withholds as though your high salary were spread across all twelve months, which understates the tax on the annualized income you will actually report. Layer in a signing bonus (often withheld at a flat supplemental rate that is too low for your bracket) and residency income from the first half of the year, and the result is frequently a four- or five-figure balance due the following April.

The fix is not complicated, but it has to be done early: revisit your Form W-4 the moment you start, account for spousal income and any moonlighting, and — if the numbers warrant — make a supplemental estimated payment rather than discovering the gap at filing.

Estimated taxes enter your life

The moment you earn income that is not fully covered by employer withholding — moonlighting on a 1099, locums shifts, consulting, investment income, or a working spouse's under-withheld wages — you become responsible for quarterly estimated tax payments to both the IRS and the California Franchise Tax Board. Miss them, or underpay, and you owe an underpayment penalty that functions as non-deductible interest on the shortfall.

> **CALIFORNIA'S FRONT-LOADED SCHEDULE**
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> California does not spread estimated payments evenly. The state requires 30% in Q1, 40% in Q2, 0% in Q3, and 30% in Q4 — a schedule that catches new attendings off guard because it front-loads the year. Federal estimates, by contrast, are roughly even across four quarters. Coordinating both is where a planning relationship earns its keep.

Deductions and credits you quietly lose

Higher income does not just raise your rate — it phases you out of benefits residency let you take for granted.

The QBI deduction (for private-practice income)

Medicine is a specified service trade or business under §199A. For 2026, the deduction fully phases out above $553,500 of taxable income (married filing jointly) or $276,750 (single). If you have 1099 or practice income, an attending salary can push you past the line where this deduction disappears entirely.

Roth IRA direct contributions

Attending income almost always exceeds the Roth contribution phase-out. The direct door closes — but the "backdoor" Roth remains open, and using it correctly (with attention to the pro-rata rule if you hold pre-tax IRA balances) becomes a standard annual move.

Student loan interest deduction

The above-the-line deduction for student loan interest phases out well below an attending's income. It was likely helping you as a resident; it stops the year your income rises, which also reshapes the math on whether to pursue forgiveness or accelerate payoff.

Child- and education-related credits

Several family credits and education benefits phase out at higher incomes. Losing them isn't a reason to earn less — but it changes year-to-year planning, particularly the value of pre-tax retirement contributions that lower your AGI.

The moves that matter in year one

> **WHERE THE PLANNING PAYS FOR ITSELF**
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> The good news: an attending's income also unlocks tools a resident could barely use. The first year is the moment to put them in place, not the year after.

Maximize pre-tax retirement space

For 2026, you can defer up to $24,500 into a workplace 401(k) or 403(b) ($32,500 if you are 50 or older), with total additions from all sources capped at $72,000. At a 32–35% marginal rate, every pre-tax dollar you contribute is worth far more in tax saved than the same dollar was during residency. If your employer offers a 403(b) and a 457(b), you may be able to use both — a combination that can dramatically expand your tax-advantaged space in a single year.

Beyond the 401(k)/403(b): a backdoor Roth for you and a spouse, an HSA if you are on a high-deductible plan (triple tax-advantaged, and underused by physicians), and — if you have 1099 income — a solo 401(k) that stacks on top of your employer

plan. Each of these is more valuable at attending rates than it ever was before, and several have deadlines that make year one the right time to start.

This is also the year to make the structural decisions that compound: whether 1099 or locums income justifies an entity, how to coordinate withholding across two working spouses, and how to build a multi-year projection so the second and third years don't repeat the first year's surprises.

How I work with physicians through this transition

The residency-to-attending jump rewards planning done before the income arrives, not after the return is filed. I work with new attendings to reset withholding immediately, build the first-year and multi-year projection, schedule federal and California estimated payments to their actual (uneven) requirements, and put the retirement and Roth structure in place while there is still time in the year to use it.

The goal is simple: turn the biggest income jump of your career into a planned event rather than an April surprise — and make sure the tools your new income unlocks are working for you from the first paycheck, not the second year.

> **THE BOTTOM LINE**
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> The move from resident to attending changes almost everything about your taxes at once — your bracket, your withholding, your estimated-payment obligations, and the deductions you're allowed to keep — and it does so in a single mid-year step. The physicians who come through it without an April surprise are the ones who reset withholding on day one, plan for estimates on both the federal and California schedules, and put the newly available retirement and Roth tools to work in the same year the income arrives. Done early, the first year becomes a planned event; done late, it becomes a bill.

Discuss your situation with Natalie C. Papagni, CPA

If you're starting as an attending — or about to — and want your withholding, estimated payments, and retirement structure set correctly before the first paycheck rather than after the return, a complimentary initial consultation is the natural first step.

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