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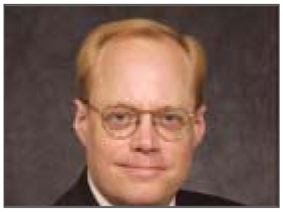

Robert W. Wood
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Beyoncé Super Bowl Show Far From 'Free'

Beyoncé performs during the Pepsi Super Bowl XLVII Halftime Show on Feb. 3, 2013 in New Orleans, Louisiana. (Image credit: AFP/Getty Images via @daylife)

By all accounts, Beyoncé's Super Bowl halftime show literally put the lights out. And for the price, it was a steal. She is at the top of her game and reaps huge rewards, earning about $70 million annually. Although her income dropped from that level last year when she and husband Jay-Z had a child, she'll reportedly soon be back to grossing over $2 million a night.

Yet her Super Bowl show was done at no charge, though the exposure is clearly money in the long run. See Why Beyoncé Isn't Getting Paid For Her Super Bowl Halftime Gig. Not paying is NFL policy, although they cover all costs including travel, lodging, setup, fees for backup dancers and musicians. That could total $600,000 or even more. And how the money changes hands can impact taxes and tax reporting.

Beyoncé could hand over the bills and ask the NFL to pay them directly. That way Beyoncé (or her company) will not have income and should not need to account for and deduct all the expenses. Alternatively, Beyoncé (or her company) could pay all the costs herself and then submit a bill for reimbursement to the NFL.

This surely sounds like a wash, and for Beyoncé, it should come out the same. But in the tax world it can come out differently. If you imagine that she were an employee of the NFL rather than an independent contractor, the direct pay or reimbursement choice might matter in ways that seem surprising if not downright unfair.

In fact, many an employee has found that getting 'reimbursed' by their company for an employee business expense can leave them short. The employee has to report the income when it is included on their [Form W-2](). But when they deduct the expenses, their deductions are often limited. If you can't deduct it dollar-for-dollar, you'll certainly care how the reimbursements are handled on your taxes.

The best deal is if your employer has an "accountable plan." If the company reimburses you or gives you an advance or allowance for your employee business expenses under that kind of plan, you should be able to avoid the issue. The payment won't appear on [Form W-2](), you do not include it in your income, and you cannot deduct any of the reimbursed amounts.

To be an accountable plan, your employer's reimbursement or allowance arrangement must include all three of the following rules:

1. You must have paid or incurred expenses that are deductible while performing services as an employee;
2. You must adequately account to your employer for these expenses within a reasonable time period; and
3. You must return any excess reimbursement or allowance within a reasonable time period.

Beyoncé surely doesn't need to worry about this sort of thing. But if you think details like direct pay vs. reimbursement don't matter to employees, think again.

Robert W. Wood practices law with [Wood LLP](), in San Francisco. The author of more than 30 books, including Taxation of Damage Awards &

Settlement Payments (4th Ed. 2009 with 2012 Supplement, [Tax Institute]), he can be reached at [Wood@WoodLLP.com]. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.