

## Accountable Plans and Why They Benefit You

Throughout the course of conducting business, employers often cover the cost of employee outlays for certain business-related expenditures incurred while on the job. The way in which employers handle the treatment of these costs can produce significant tax savings for both the company and employees if the employer establishes an accountable plan.

### What's the benefit?

Accountable plans allow qualifying business expense reimbursements and allowances to be excluded from reportable income, reducing payroll taxes and W-2 wages for both the employee and employer.

For your plan to withstand IRS scrutiny, it's advisable, to put it in writing and establish a standard expense report form to be used by your employees. Click [here](#) for a sample accountable plan.

### Without a written plan

Without an accountable plan in place, reimbursed amounts and expense allowances must be reported by the company, as a part of the employee's gross income. This means the reimbursements and expense allowances are both subject to payroll taxes and have to be reported on W-2s. If your practice doesn't properly report this income, pay its share of employment taxes, and withhold the employee's share of employment taxes, as well as the appropriate amount of income taxes, it could become subject to back taxes and penalties.

Due to the recent TCJA, employees can no longer deduct their unreimbursed business expenses as miscellaneous itemized deductions to the extent they exceed 2% of adjusted gross income for Federal purposes; however, there still may be an allowable benefit on a state return, if the state jurisdiction allows for those types of deductions. One thing to keep in mind at the state level though is if employees are "high-income taxpayers," they may lose some or all of the benefit due to phase-out of limitations or AMT.

Using an accountable plan is a benefit to both employers and employees. However, it is necessary the plan is set up right. Find more information about accountable plans here. For a sample Accountable Plan, click [here](#).