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Lady Gaga's 'Free' Super Bowl Show Actually Isn't

Lady Gaga is at the top of her game and reaps huge rewards, earning about [\\$59 million annually](#). Yet her Super Bowl halftime show was a steal. That's right, her [Super Bowl show is no charge](#), although the exposure will clearly mean more money in the long run. Not paying is NFL policy, although they cover all costs including travel, lodging, setup, fees for backup dancers and musicians. The cost of past halftime shows totaled [\\$600,000 to \\$10 million](#). That's a lot of expenses.

Moreover, how money for expenses changes hands can impact taxes and tax reporting materially. The issue comes up in many ways and can impact regular employees. To begin with, Lady Gaga could hand over the bills and ask the NFL to pay them directly. That way Lady Gaga (or her company) will not have income and should not need to account for and deduct all the expenses.



Lady Gaga performs on the runway during the 2016 Victoria's Secret Fashion Show on November 30, 2016 in Paris, France. (Photo by Dimitrios Kambouris/Getty Images for Victoria's Secret)

Alternatively, Lady Gaga (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 Lady Gaga, 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 employees have found that getting 'reimbursed' by their company for employee business expenses 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.

Lady Gaga 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.

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.