PRIME

ACCOUNTABLE PLAN



If you're paying for business expenses out of your own pocket, an accountable plan may allow your business to reimburse you tax-free. This strategy is commonly used to reimburse expenses like mileage, travel, meals, home office expenses, cell phone usage, internet, supplies, and other ordinary business costs incurred personally on behalf of the business.

When structured properly, reimbursements made through an accountable plan are generally not treated as taxable income to you personally, while still remaining fully deductible to the business. This can create meaningful tax savings by reducing payroll taxes and avoiding the need to treat reimbursements as wages.

For many business owners—especially S-Corporation owners—an accountable plan is one of the cleanest ways to shift legitimate business expenses back onto the company in a tax-efficient manner.

QUALIFICATIONS

This strategy is generally most useful if you operate your business through an entity structure where you are treated as an employee of the company, such as an S-Corp or C-Corp. On the other hand, if you operate as a sole proprietor or single-member LLC without corporate tax treatment, many of these expenses are typically deducted directly on your business return already, so the additional benefit of an accountable plan may be more limited.

It's an especially strong fit if you regularly pay for business-related expenses personally. This often includes things like using your personal vehicle for business travel, working from a home office, paying for business meals, or covering software, phone, and internet costs out of pocket.

IMPLEMENTATION

For a detailed implementation checklist and other helpful resources, scan the QR code below or click **here**.



WHY DOES THIS MATTER?

Without an accountable plan, reimbursing yourself for business expenses can accidentally create taxable income.

For example, if your business simply adds an extra amount to your paycheck to "cover expenses," the IRS may treat that payment as wages subject to payroll taxes. An accountable plan helps separate legitimate business reimbursements from compensation, which can create cleaner bookkeeping and better tax treatment overall.

GOT QUESTIONS?

Email **decoder@primecorporateservices.com**
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