
DOLLARS & SENSE

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A Better Way to Pay Part-timers

Before you hire more full-time workers, consider hiring part-time employees at “peak time” wages. It’s an alternative that can save you money and actually increase productivity. The key to this strategy is to determine exactly when you need more employees. Then pay part-timers a premium to work just during those hours. For peak time pay to work, it’s essential to make a detailed analysis of when peak workload periods actually occur.

For example, your shipping department may appear understaffed, but when you look into the situation, you discover that there’s a flood of outgoing orders on Friday. Instead of hiring more full-time shippers at \$12.00 an hour, hire part-timers at higher wages (perhaps \$14.00 an hour) but just to work on Friday. The premium peak time wage will attract better workers than you could get for \$12.00/hour and you won’t have to pay for many of the benefits that full-time employees get.

There are other advantages to peak time pay. Some companies that use it have been able to reduce the number of full-time employees because many workers decide to switch to part-time at peak time wages. In addition, you’ll be able to develop a pool of part-time workers you can call when you need them. And part-timers who usually job-hop won’t do so because peak time wages are attractively high. You might lower certain overhead costs, too.

Maximizing your Meals Deduction

Most business owners are aware of the tax rule that disallows 50% of their otherwise allowable deductions for business meals. This provision normally applies regardless of the reason for the meal—from taking clients out to dinner to paying for meals while traveling away from home. What is not nearly as widely known is that there are several exceptions to this 50% disallowance rule. When one of these exceptions applies, you generally get a 100% deduction for the business meal expenses—which might just make even a good meal taste that much better. Here’s a quick rundown of major exceptions to the rule:

Office Coffee Bar. Employers can deduct 100% of the cost of providing employees with free coffee, soft drinks, donuts, or similar snacks or beverages to be consumed on the business premises.

Employee Parties. Employers can deduct the full cost of providing food and beverages at recreational, social or

entertainment gatherings primarily for the benefit of rank and file employees (as opposed to highly compensated

employees). Examples include company outings, banquets, or other gatherings (such as an annual holiday party) for employees and their guests.

Meals Served on the Employer’s Premises. In the right circumstances (which can be fairly difficult to meet), an employer may provide employees with meals at work and claim a full deduction (without the employees having to report the value of the meals in their income). The key is the meals have to be provided (a) for a valid business reason, (b) on or near your business’ premises, and (c) primarily for the convenience of the employer (rather than merely as an added fringe benefit for employees).

Items Available to the Public. Expenses incurred for meals available to the general public are 100% deductible. Examples: free food at concerts hosted by a shopping mall, free dinners for potential restaurant customers, free hot dogs at a car dealership promotion, free wine and food at an exhibition sponsored by a liquor dealer, and free cookies furnished by a realtor at an open house.

Amounts Billed to Clients. When services are provided as an independent contractor, the service provider can deduct 100% of job-related meal expenses by billing the client separately for these costs. (Obviously this isn’t always practical.) The client is then stuck with the 50% disallowance rule. If separate billing doesn’t occur, the 50% disallowance rule applies to the service provider.

Hours of Service Limitations. In lieu of the regular 50% disallowance, individuals whose work is subject to the Department of Transportation’s hours of service limitations (e.g., certain air transportation and railroad employees, interstate truck drivers,) can deduct 80% of their business food and beverage expenses in 2008.

As you can see, there are enough exceptions to the 50% disallowance rule that most businesses can meet at least one, if not more, of them. To the extent your business qualifies for any of them, it’s important that the qualifying expenses be tracked separately (typically by charging them to a separate account in your accounting records) so that a full deduction can be claimed.

TUNINK MURRAY TAX HOURS

Monday through Thursday	8:30 a.m. - 6:00p.m.
Friday	8:30a.m. - 5:00p.m.
Saturday	9:00a.m. - 3:00p.m.

