



FREE CHEAT SHEET · HOLIDAY SEASON SPENDING

Client Gifts, Parties & Holiday Write-Offs

What's deductible, what's limited, and what's taxable — before you spend a dollar on holiday goodwill.

Holiday spending sits in the strangest corner of the tax code: some of it is 100% deductible, some capped at \$25, and some of it is secretly taxable income to the person you gave it to. Here's the whole map on one page.

The quick reference

What you're spending on	Deductible?	The catch
Client gifts	Yes — up to \$25 per person, per year	The limit has been \$25 since 1962. Wrapping and shipping don't count against it.
Branded merch (hats, koozies, pens under \$4 each)	100% — no \$25 limit	Must carry your business name permanently and be one of many identical items.
Company holiday party	100% — one of the last full meal deductions	Must be primarily for employees and their families — not just the owners and a few favorites.
Taking a client to dinner	50%	Business must be discussed; keep who + why on the receipt.
Employee gifts — small stuff (ham, gift basket, company swag)	100% deductible, tax-free to the employee	Must be property, not cash, and modest in value ("de minimis").
Employee gifts — cash or gift cards	Deductible — as wages	Any amount of cash or gift card is taxable payroll to the employee. A \$100 gift card belongs on the W-2.
Client entertainment (game tickets, golf)	Not deductible	Entertainment died in 2018. Meals at the event may still qualify at 50% if separately invoiced.

Three moves before December

- ☐ **Gift smart:** under \$25 per client, or switch to branded items with no cap
A \$23 bottle with your logo shipped in December beats a \$60 basket you can only deduct \$25 of.
- ☐ **Party on the books:** invite the whole team, note the date and attendees, and file the receipts — the 100% deduction is audit-favorite territory
- ☐ **Run gift cards through payroll now,** not as a January cleanup
Grossing up a December bonus is a 5-minute payroll task; fixing it after W-2s go out is not.

MAKE IT EASY

Want December handled — bonuses grossed up, party documented, gifts categorized right? That's a normal month for our bookkeeping clients. westfinancialservicesllc.com