



**Attorneys Beware! IRS Tax Consequences For Law Firms Accepting “Gifts” From Court Reporting Firms**

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As a marketing ploy, some court reporting firms give staff of law firms \$25, \$50 and even \$200 if you set a deposition with that firm. There are “gifts” of trips, Dom Perignon, and one firm I know of gives \$50 to any paralegal, legal secretary, assistant who takes a deposition off of one court reporting firm’s calendar to put it on their own. Obviously, the dollars can add up quickly. The question becomes: Who is going to pay the taxes for this practice? The law firm? The individual accepting the money?

California’s two court reporting state associations, DRA and CCRA, have asked the prestigious law firm of Hanson Bridgett to provide a legal opinion. The law firm opines in their Memorandum:

**“Given that the incentives provided by Reporting Firms in exchange for business are payments for services rather than gifts, the [Internal Revenue Code] requires the recipients of those payments to treat the value of the incentives as gross income. This means that recipients must report the value of the incentives they receive as income on their tax returns. Failure to do so could result in the assessment of additional taxes, interest and penalties by the Internal Revenue Service.”**

A law firm having a general policy in place may not be enough to avoid tax questions, according to the memo:

**“Where law firms have policies in place prohibiting employees from accepting incentives, serious tax issues may still arise to the extent these policies are not enforced. ”**

Moreover, the Memorandum details there are serious tax and IRS issues for the court reporting firms who are giving the “gifts” as part of their marketing strategy.

DRA and CCRA plan on disseminating the Memorandum to protect law firms. Most law firm administrators and principals are unaware that accepting cash and gift cards for a deposition from court reporting firms is even occurring.

I am proud of my State Associations for spearheading this education of attorneys. Court reporters are an integral part of the legal system and have a strong desire to support the legal profession.



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