



## Meals & Entertainment Rules Effective January 1, 2018

To Our Clients and Friends:

Before the Tax Cuts and Jobs Act (TCJA), taxpayers could generally deduct 50% of business-related meal and entertainment expenses and exceptions allowed bigger deductions in certain circumstances. The TCJA shifts the playing field for expenses paid or incurred after 12/31/17.

### Entertainment

Effective for amounts paid or incurred in 2018, the TCJA disallows deductions for the most common business-related entertainment expenses, including the cost of facilities used for most business-related entertainment activities. Specifically, nondeductible treatment now applies to the cost of tickets to sporting events; license fees for stadium or arena seating rights; private boxes at sporting events; theater tickets; golf club dues; company golf outings for customers; hunting, fishing, and sailing outings; and so forth. However, employers still can fully deduct entertainment expenses included in employee W-2 wages or paid under certain reimbursement arrangements. In addition, they can still fully deduct expenses, including meals, incurred for recreational, social, or similar activities primarily for the benefit of employees, such as expenses incurred for an annual holiday party or summer outing.

### Meal Expenses

After the TCJA, the most common business-related meals are still 50% deductible, and the rules for proving that meals are business-related still apply. For example, meals provided to employees traveling are still 50 percent deductible.

In addition, beginning on Jan. 1, 2018, the cost of meals provided for the convenience of the employer, such as meals provided on-site to employees who need to be available throughout the mealtime, are 50% deductible. Previously, they were 100% deductible.

Below is a table reflecting the deductibility of meal expenses under the TCJA:

<b>Nondeductible:</b>	<b>50% Deductible:</b>	<b>100% Deductible:</b>
Meals with clients or prospects at entertainment activity (i.e. meals at sporting event)	Meals with clients or prospects with substantial business discussions	Holiday party or similar social event for employees
Meals with clients or prospects without substantial business discussions	On-premise meals provided to employees while working	
	Meal reimbursements for employees while traveling on business	

<b>50% Deductible (until January 1, 2026):</b>	Free meals to employees from an on-site dining facility
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## **Conclusion**

Consider assessing your current expense allowance policies to determine if the unfavorable TCJA provisions warrant changes—especially for entertainment expenses incurred by employees, which are now nondeductible (unless reported as taxable compensation). Based on the above changes we recommend you maintain the following expense accounts in your chart of accounts:

- Entertainment - (sporting event tickets, golf, etc.) - 0%
- Business Meals - (meals with clients or prospects with substantial business discussions, employee meals while traveling on business, on premise employee meals, other business meals) - 50%
- Employee Group Events - (holiday, retirement, birthday parties, etc.) - 100%

Please contact us if you have questions or want more information. The current tax rules for business-related meal and entertainment expenses are complicated, but we can help you plan ahead to get the best treatment for your business's expenses.