

November 15, 2019

Meal and Entertainment Expense Update

The Tax Cuts and Jobs Act was signed into law in December 2017. (Note that most of the provisions within the Act were effective January 1, 2018 and are generally set to expire as of December 31, 2025.) As part of the law, significant changes were made to the deductibility of certain meals and entertainment expenses. Below is a general summary of some of the pertinent items regarding meals and entertainment deductions:

<i>Meals & Entertainment Type Expense</i>	<i>2017 and earlier</i>	<i>2018-2025</i>
<i>Entertainment for clients (event tickets, golfing, etc.)</i>	50% deductible	0% deductible
<i>Business meals with clients</i>	50% deductible	50% deductible
<i>Meals with clients without business being discussed</i>	No deduction	No deduction
<i>Company-wide party or meal</i>	100% deductible	100% deductible
<i>Business meals with clients while attending a sporting event</i>	50% deductible	50% deductible*

- * In the case of food or beverages provided during an entertainment activity, a 50% deduction is only available if the food and beverages are purchased separately from the entertainment or the cost of the food and beverages are stated separately from the entertainment on the invoice(s).

Bringing clients or potential clients to dinner or bringing meals to their business would fall under the “business meals with clients” category and would be eligible for a 50% deduction on your tax return. Note that the meals should not be excessive in cost as this could jeopardize the availability of the deduction.

Business-related meals in which at least half of all employees are present, would be eligible for a 100% deduction. Documentation of the attendees and business matters discussed should be maintained, as evidence would need to be produced in the event of an audit.

For taxpayers who are not already doing so, we recommend the establishment of an entertainment expense account, a 50% meals expense account, and a 100% meals expense account in their business’ general ledger chart of accounts. This will ensure that the meals and entertainment expense information needed to prepare your tax returns will be readily available.

Please do not hesitate to contact us should you have any questions regarding the deductibility of meals and entertainment expenses.

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