

# MEALS & ENTERTAINMENT: WHAT YOU NEED TO KNOW

As you prepare for year-end, one key item to pay attention to is the change in the deductibility of entertainment and meals benefits.

Cost of occasional holiday party/picnic for employees	100% deductible.
Department gatherings and outings that include refreshments	100% deductible as long as the activities primarily benefit employees other than those who are highly compensated.
Meals during business travel	50% deductible as long as the meal cost is not lavish or extravagant.
Food offered to the public for free during a seminar or other event	100% deductible.
Items sold to customers	100% deductible.
Event tickets (Sporting, Theater, etc.)	Not deductible for entertainment portion. Promotion, advertising, charitable and meal portions may be fully or partially deductible.
Meal with a customer	50% deductible if business is conducted, the taxpayer is present and the meal cost is not lavish or extravagant.
Meals with a customer during entertainment events	50% deductible if the meal cost is included in an entertainment event package cost, the meal cost is not deductible.
Refreshments or meals brought to the office for employees working overtime	50% deductible.
Employee transit passes or parking provided by employer	Not deductible.
Operation of an eating facility on or near business for employees	50% deductible. After 2025, these costs will be non-deductible.
Meals provided for the convenience of the employer	50% deductible. After 2025, these costs will be non-deductible.
Snacks and beverages provided at the office	50% deductible.
Membership dues for clubs organized for business, pleasure, recreation or other social purposes	Not deductible. Costs related to business leagues, trade associations and chambers of commerce are deductible.

The 2017 tax reform law eliminated the deduction for entertainment, amusement or recreation expenses, membership dues for clubs and related facility expenses. Make sure as you start planning for year-end that you review your procedures to capture and properly classify expenses. You may also want to review your reimbursement policies to ensure they align with the new rules.