

MEALS & ENTERTAINMENT CHANGES: WHAT YOU NEED TO KNOW

As you prepare for year-end, make sure to consider the impact of the Tax Cuts and Jobs Act. The most significant change in tax legislation in over 30 years, the act has drastically affected several key items in year-end planning.

One key item to pay attention to is the change in the deductibility of entertainment, meals and transportation fringe benefits in 2018 and beyond.

Here's an overview of what you need to know:

STAYED THE SAME

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| Cost of occasional holiday party/picnic for employees | 100% deductible—not affected by tax reform |
| 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 |
| Employee meals during a service club or business league meeting | 50% deductible |
| Food offered to the public/customers for free during a seminar or other event | 100% deductible |
| Items made available to the general public | 100% deductible |

CHANGES MADE

| What | 2017 (old rules) | 2018 (new rules) | What Else to Know |
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| Event tickets (Sporting, Theater, etc.) | Deductible in various capacities, depending on the type of ticket/situation | Not deductible | This includes charitable sporting events. As a note, a charitable donation portion may still be deductible |
| Meal with a customer | 50% if taxpayer is present and the meal cost is not lavish or extravagant | 50% if business is conducted, the taxpayer is present and the meal cost is not lavish or extravagant | Documentation of the business purpose is essential |
| Meals with a customer during entertainment events | 50% deductible | 50% deductible if meal cost is stated separate from entertainment amount | 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 | 100% deductible if they are excludible from employees' gross income as fringe benefits | 50% deductible | After 2025, these costs will be non-deductible |
| Employee transit passes or parking provided by employer | Partial deduction | Not deductible unless included in employees' compensation | |
| Operation of an eating facility on or near business for employees | 100% deductible | 50% deductible | After 2025, these costs will be non-deductible |
| Meals provided for the convenience of the employer | 100% deductible | 50% deductible | After 2025, these costs will be non-deductible |
| Snacks and beverages provided at the office | 100% deductible | 50% deductible | After 2025, these costs will be non-deductible |
| Membership dues for clubs organized for business, pleasure, recreation or other social purposes | 50% deductible | Not deductible unless included in employees' compensation | Costs related to business leagues and chambers of commerce remain deductible; however, the deductibility of dues for civic organizations (such as Rotary, Kiwanis, etc.) is uncertain. Watch for future guidance from the IRS |

What Really Changed

The new tax reform law eliminated the deduction for entertainment, amusement or recreation expenses, membership dues for clubs and related facility expenses.

This could wreak serious havoc on your bookkeeping. Make sure, as you start planning for year-end that you review your procedures to capture expenses treated differently in 2018 and beyond. Consider whether some expenditures for events may more appropriately be classified as promotions or advertising. You may also want to review your reimbursement policies to ensure they align with the new rules.