

make a good business better

Meals and Entertainment Deductions - Changes in IRC § 274			
Amounts Incurred or Paid Before January 1, 2018		Amounts Incurred or Paid After December 31, 2017	
<p>Expenses Treated As Compensation. Meals and entertainment expenses treated by the taxpayer as compensation paid to an employee are <u>fully deductible</u>.</p> <p><i>Illustration: If an employer rewards an employee and spouse with an expense-paid vacation, the employer can deduct the expense to the extent the employer treats the expense as compensation and wages.</i></p>	§ 274(e)(2);	Unchanged. Still <u>fully deductible</u> .	§ 274(e)(2);
<p>Reimbursed Expenses. Meals and entertainment expenses paid or incurred by the taxpayer in connection with the performance of services for another person under a reimbursement or other expense allowance arrangement with that other person are <u>fully deductible</u>.</p> <p><i>Illustration: A consulting firm agrees to charge a client fees plus expenses. The consulting firm is then fully reimbursed for expenses at the end of the engagement. The reimbursed expenses are fully deductible to the consulting firm.</i></p>	§ 274(e)(3)	Unchanged. Still <u>fully deductible</u> .	§ 274(e)(3)
<p>Recreational, Etc., Expenses for Employees. The cost to an employer of recreational activities or facilities primarily for the benefit of his employees is exempt from the entertainment disallowance rules. Therefore, these expenses are <u>fully deductible</u>.</p> <p><i>Illustration: Holiday parties, annual picnics, and company swimming pools, baseball diamonds, bowling alleys, and golf courses.</i></p>	§ 274(e)(4); § 274(n)(2)(A)	Unchanged. Still <u>fully deductible</u> .	§ 274(e)(4); § 274(n)(2)(A)
<p>Items Available to the Public. The cost to the taxpayer of goods, services, and facilities made available to the general public are <u>fully deductible</u>.</p> <p><i>Illustration: A company offers complementary coffee and mints in its lobby</i></p>	§ 274(e)(7)	Unchanged. Still <u>fully deductible</u> .	§ 274(e)(7)
<p>Entertainment Sold to Customers. Expenses by a taxpayer for entertainment aren't subject to the 274(a) bar on entertainment expense deductions to the extent the entertainment is sold to customers in a bona fide transaction.</p> <p><i>Illustration: The cost of producing night club entertainment (such as salaries paid to employees of night clubs and amounts paid to performers) for sale to customers or the cost of operating a pleasure cruise ship as a business will come within this exception</i></p>	§ 274(e)(8)	Unchanged. Still <u>fully deductible</u> .	§ 274(e)(8)

Meals and Entertainment Deductions - Changes in IRC § 274

Amounts Incurred or Paid Before January 1, 2018		Amounts Incurred or Paid After December 31, 2017	
<p>Expenses Includible in Income of Persons Who Are Not Employees. The rule barring the deduction of expenses for entertainment, amusement, or recreation doesn't apply if the recipient of the entertainment, amusement, or recreation isn't the taxpayer's employee, to the extent that those expenses are includible in the recipient's gross income.</p> <p><i>Illustration: Entertaining a nonemployee or an individual working for the taxpayer as an independent contractor. To gain the benefit of § 274(e)(9), the taxpayer must report the item on an information return</i></p>	§ 274(e)(9)	Unchanged. Still fully deductible to the extent that the expenses are reported as income.	§ 274(e)(9)
<p>Food and Beverage for Employees Classified as De Minimis Fringe: Food or beverage expenses that are excludable from the gross income of the recipient under § 132(e) are fully deductible.</p> <p><i>Illustration: Coffee, water, and snacks provided by the employer on the premises</i></p>	§ 274(n)(2)(B)	De minimis fringe meals are now 50% deductible and will be nondeductible after 2025 .	§ 274(n)(2)(B); § 274(o)(1)
<p>Food and Beverage for Employees for the Convenience of the Employer: The value of any meals furnished to an employee on behalf of the employer on the business premises are fully deductible.</p> <p><i>Illustration: Meals provided by an employer for employees working overtime. Meals provided at a company cafeteria or dining room.</i></p>	§ 119; § 132(e)(2); § 274(e)(1); § 274(n)(2)(B)	Employee meals provided on behalf of the employer are now 50% deductible and will be nondeductible after 2025 .	§ 274(n)(2)(B); § 274(o)(2)
<p>Business meals with clients and prospects: Meals (no entertainment included) furnished for a client or prospective client are 50% deductible as long as the expenditures are directly related to or associated with the active conduct of the taxpayer's trade or business.</p> <p><i>Illustration: A partner at a law firm treats a potential client to lunch and discusses matters directly related to business between the two.</i></p>	§ 274(a); § 274(k); § 274(n)(1)	The deductibility of these meals is currently inconclusive without more IRS guidance. Removal of the entertainment deduction may be read to have eliminated business meal deductions as well.	§ 274(a)
<p>Employee Meals During Travel: Employee meals while away from home are 50% deductible.</p> <p><i>Illustration: An employee's meals that are ordinary and necessary expenses of traveling away from home.</i></p>	§ 162(a); § 274(n)(1)	Unchanged. Still 50% deductible .	§ 162(a); § 274(n)(1)
<p>Entertainment expenses. Entertainment expenses that are related to the active conduct of the taxpayer's trade or business, unless otherwise stated, are 50% deductible.</p> <p><i>Illustration: Sporting event tickets; expenses at night clubs, theaters, country clubs, and other purely entertainment related charges that are directly related to the taxpayer's business and can be properly substantiated.</i></p>	§ 274(a)(1)	All entertainment expenses are no longer deductible .	§ 274(a)(1)
<p>Employees, stockholder, etc. business meetings. Expenses incurred by a taxpayer which are directly related to business meetings of his employees, stockholders, agents, or directors are 50% deductible.</p> <p>Note: Meals are only deductible to the extent they are not lavish or extravagant under the circumstances. Also, the taxpayer must be present.</p> <p><i>Illustration: An employer provides lunch to employees during a sales meeting.</i></p>	§ 274(e)(5); § 274(k)(1)	Unchanged. Still 50% deductible .	§ 274(e)(5); § 274(k)(1)

Meals and Entertainment Deductions - Changes in IRC § 274

Amounts Incurred or Paid Before January 1, 2018		Amounts Incurred or Paid After December 31, 2017	
<p>Meetings of Business Leagues, Etc. Expenses directly related and necessary to attendance at a business meeting or convention of any organization described in section 501(c)(6) and exempt from taxation under section 501(a) are 50% deductible.</p> <p>Note: Meals are only deductible to the extent they are not lavish or extravagant under the circumstances. Also, the taxpayer must be present.</p> <p style="margin-left: 40px;"><i>Illustration: An employer provides lunch for a meeting with a real estate board which is exempt under 501(a).</i></p>	§ 274(e)(6)	<p>Unchanged. Still 50% deductible.</p>	§ 274(e)(6)
<p>Membership dues. Amounts incurred for membership in any club organized for business, pleasure, recreation, or other social purpose are not deductible.</p> <p>However, expenses incurred at a club, if related to an active trade or business, may be 50% deductible.</p> <p style="margin-left: 40px;"><i>Illustration: An employer pays fees for membership at an area country club. These are not deductible. However, expenses spent inside the pro shop may be deductible if directly related to the taxpayer's business.</i></p>	274(a)(3)	<p>Unchanged. Still not deductible.</p>	274(a)(3)
<p>Substantiation. No deduction or credit is allowed under section 162 or 212 for any traveling expense (including meals and lodging) or for any expense for gifts without proper substantiation of such expenses. Substantiation requires adequate records of (1) the amount of such expenses, (2) the time and place of the travel or the date and description of the gift, (3) the business purpose of the expense or other item, and (4) the business relationship to the taxpayer of the person receiving the gift.</p>			