

## MEAL & ENTERTAINMENT EXPENSES

### Under the Tax Cuts & Jobs Act

The "Tax Cuts and Jobs Act" (TCJA) made significant changes to the business provisions that impact a company's ability to deduct meal and entertainment (M&E) expenses. The TCJA completely eliminated an employer's ability to deduct entertainment expenses paid or incurred after December 31, 2017. The TCJA also significantly limited an employer's ability to deduct expenses associated with de minimis meals, including meals provided for the convenience of the employer.

A chart is provided below, to summarize proper treatment for many types of meal and entertainment expenditures, under the law applicable both before and after the TCJA.

EVENT	2017 EXPENSES	2018 EXPENSES
Entertainment expenses	50% deductible	No deduction (e.g., golf outings, fishing, sailing, sporting events, hunting, theater tickets)
Entertainment-related Meals	50% deductible	50% deductible if food and beverages are purchased separately or the cost is stated separately on the bill. Business must be conducted, taxpayer present and not lavish or extravagant.
Club Memberships	No deduction for club dues (e.g., country club, yacht club and athletic club dues)	No deduction
College Athletic Event Tickets	Contributions for the right to purchase tickets to an educational institution's athletic events 80% deductible	No deduction
Client Business Meals	50% deductible if taxpayer is present, and not lavish or extravagant	50% deductible if business is conducted, taxpayer is present, and not lavish or extravagant
Meals During Business Travel	50% deductible	50% deductible
Meals Provided for the Convenience of Employer	100% deductible provided they are excludible from employee's gross income as de minimis fringe benefits	50% deductible (nondeductible after 2025)
Meals Provided to Employees Occasionally and Overtime Employee Meals	100% deductible provided they are excludible from employee's gross income as de minimis fringe benefits	50% deductible (nondeductible after 2025)
Water, Coffee, and Snacks at the Office	100% deductible provided they are excludible from employee's gross income as de minimis fringe benefits	50% deductible (nondeductible after 2025)
Meals in Office During Meetings of Employees, Stockholders, Agents or Directors	50% deductible	50% deductible
Meals at a Seminar or Conference, or at a Business League Event	50% deductible	50% deductible
Office Holiday Party or Picnic	100% deductible	100% deductible
Meals included as Taxable Compensation to Employee or Independent Contractor	100% deductible	100% deductible
Meals Expenses Sold to a Client or Customer (or Reimbursed)	100% deductible	100% deductible
Food Offered to the Public for Free (e.g., at a Seminar)	100% deductible	100% deductible

Our recommendation is to be more diligent in the classification of meal and entertainment expenses for 2018 and beyond. Since some of these expenses will no longer be deductible, these expenses should be segregated into different accounts for tracking (e.g., 50% meals, 100% meals, and non-deductible entertainment).