TAX REFORM: MEALS AND ENTERTAINMENT EXPENSE DEDUCTION

Deducting business-related meals and entertainment expenses is common for most self-employed individuals, but the Tax Cuts and Jobs Act is making sweeping changes. Business owners will need to be aware of the changes and how they will plan for the impact this year.

NEW LAW

Starting January 1, 2018, most entertainment expenses are no longer deductible. These expenses include sporting event tickets, golf outings and other activities and tickets used to entertain clients. An exception is for recreational and social activities provided for employees, excluding highly compensated employees, such as office holiday parties, which are still 100% deductible.

Business meals with clients are still 50% deductible, as are employee travel meals and meals provided for the employer's convenience. The new law lowers the deductibility of fringe benefits from 100% to 50% of the total amount paid. Below is a breakdown of what changed with the new law.

	OLD LAW	NEW LAW
Event Tickets for Client Entertainment	50% deductible for face value of ticket, anything above face value is non-deductible	Not deductible
Meals Entertaining Clients	50% deductible	50% deductible
Employee Travel Meals	50% deductible	50% deductible
In-house Meals and Refreshments for Employees Provided by Employer	100% deductible 50% if not excludible from employees' gross income as fringe benefit	50% deductible Not deductible beginning 2026

IMPACT ON BUSINESS OWNERS

The new law surrounding meals and entertainment expense deductions will require additional planning and budgeting for 2018. Consider creating separate accounts for 50% deductible business meals, 100% deductible social employee expenses, and nondeductible entertainment expenses. This will help easily identify how to treat expenses during tax time.

To learn more about our services or arrange meeting with our team, please contact:
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