

## TAX REFORM: MEALS AND ENTERTAINMENT EXPENSE DEDUCTION

Deducting business-related meals and entertainment expenses is common for most businesses, but the Tax Cuts and Jobs Act has made sweeping changes. Business owners will need to be aware of the changes and how to properly account for them.

### 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.

### IMPACT ON BUSINESS OWNERS

The new law surrounding meals and entertainment expense deductions will require additional attention to record keeping. 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. Below is a breakdown of new deductibility amounts and how to categorize on the general ledger.

EXPENSE	% DEDUCTIBLE	SUGGESTED GENERAL LEDGER ACCOUNT
Tickets to sporting events, concerts, plays, etc.	0%	Entertainment
Golf Outings	0%	Entertainment
Country Club Dues and Membership	0%	Entertainment
Employee Parking Benefits	0%	Non-Deductible Fringe
Business Meals with Clients	50%	50% Deductible Meals
In-House Meals & Refreshments for Employees	50%	50% Deductible Meals
Meals Provided to Employees for Convenience of Employer Through an Eating Facility	50%	50% Deductible Meals
Employee Travel Meals	50%	50% Deductible Meals
Recreational & Social Activities Provided for Employees	100%	100% Deductible Employee Expenses
Holiday Parties Provided to Employees	100%	100% Deductible Employee Expenses

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Craig R. Campbell, CPA/CGMA 314-655-5517, [ccampbell@anderscpa.com](mailto:ccampbell@anderscpa.com)

[www.anderscpa.com](http://www.anderscpa.com) | (314) 655-5500