

New Tax Reform Law Takes a Bite Out of Meals and Entertainment Deductions

Business Planning Tip

Maximize tax deductions and save time on tax preparation for 2018 by **setting up separate general ledger accounts** for **business meals** (50 percent deductible), **entertainment/amusement** (nondeductible), and **recreational/social employee expenses** (100 percent deductible).

Prior to the Tax Cuts and Job Act, taxpayers generally could deduct 50% of expenses for business-related meals and entertainment. Meals provided to an employee for the convenience of the employer on the employer's business premises were 100% deductible by the employer and tax-free to the recipient employee. Various other employer-provided fringe benefits were also deductible by the employer and tax-free to the recipient employee.

Under the new law, for amounts paid or incurred after December 31, 2017, deductions for business-related entertainment expenses are disallowed. Meal expenses incurred while traveling on business are still 50% deductible, but the 50% disallowance rule will now also apply to meals provided via an on-premises cafeteria or otherwise on the employer's premises for the convenience of the employer. After 2025, the cost of meals provided through an on-premises cafeteria or otherwise on the employer's premises will be nondeductible. Businesses should keep the new rules in mind as they plan their 2018 meals and entertainment budgets.

	2017 Expenses (Old Rules)	2018 Expenses (New Rules)
Office Parties	100% deductible	100% deductible (no change)
Entertaining Clients	50% deductible	Meals – 50% deductible
	Event tickets; 50% deductible for face value of ticket; anything above face value is non-deductible	No deduction for entertainment expenses
	Tickets to qualified charitable events are 100% deductible	
Employee Meals While Traveling	50% deductible	50% deductible
Meals Provided for Convenience of Employer	100% deductible provided they are excludible from employees' gross income as de minimis fringe benefits; otherwise, 50% deductible	50% deductible (nondeductible after 2025)
Fringe Benefits	Employee achievement awards could consist of anything within a dollar limit of \$400 per award and \$1,600 for all awards to the employee for the year.	Employee achievement awards must be tangible personal property and not cash, gift cards, coupons or certificates, nor tickets, meals, vacations, lodging or stocks and bonds. The dollar limit remain unchanged.

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