



Meal & Entertainment Changes Under Tax Cuts and Jobs Act

The new tax act establishes additional limitations on the deductibility of certain business meals and entertainment expenses. Under the act, entertainment expenses incurred or paid after Dec. 31, 2017 are for "expenses for recreation, social, or similar activities primarily for the benefit of the taxpayer's employees, other than highly compensated employees" (e.g., office holiday parties are still deductible). Business meals provided for the convenience of the employer are now only 50% deductible, whereas before the act they were fully deductible. Barring further action by Congress, those meals will be nondeductible after 2025.

Businesses must continue to account for meals and entertainment expenses by classification in order to apply the appropriate limitation, with the addition of a new category in 2018 for "entertainment meals." A comprehensive chart is provided below, to summarize proper treatment for many types of meals and entertainment expenditures, under the law applicable both before and after the act.

Event	2017 Expenses (Old Rules)	2018 Expenses (New Rules)	Citation
Office Holiday Party or Picnic	100% Deductible	100% Deductible	§274e(4), 274(n)(2)(A)
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	§274(k)(1), 274(n)(1), 162(a)
Entertainment-related Meals	50% deductible	No deduction (e.g., meals incurred when no business is conducted, potentially at night clubs, country clubs, sporting events, or on hunting, fishing, vacation and similar trips)	§274(a)(1), Reg. §1.274-2(b)(1)(i)
Transportation to/from Restaurant for Client Business Meal	100% deductible	100% deductible	Committee Reports on P.L. 99-514 (TRA of 1986)
Sporting Event Tickets	1). 50% deductible for face value of ticket 2). 50% deductible for skybox expenses to the extent of non-luxury seat ticket face value in such box 3). 100% deductible for charitable sports events 4). Contributions for the right to purchase tickets to an educational institution's athletic events 80% deductible 5). 50% for transportation to/from and parking at sporting events	No deduction	*§274(a)(1) *§274(a)(1) *§274(a)(1) *§170(i) *§274(a)(1), Committee Reports on P.L. 99-514
Club Memberships	No deduction for club dues; however, 50% deduction for expenses incurred at a club organized for business, pleasure, recreation, or other social purposes if related to an active trade or business	No deduction	*§274(a)(1), *§274(a)(2) & §274(a)(3)



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Meals Provided for the Convenience of Employer	100% deductible provided they are excludible from employee's gross income as de minimis fringe benefits under §119(a); otherwise 50% deductible	50% deductible (nondeductible after 2025)	§§274e(1), 274(o)(2)
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 under §132(e); otherwise 50% deductible	50% deductible (nondeductible after 2025)	§§274e(1), 274(o)(1)
Water, Coffee, and Snacks at the Office	100% deductible provided they are excludible from employee's gross income as de minimis fringe benefits under §132e(1); otherwise 50% deductible	50% deductible (nondeductible after 2025)	§§274e(1), 274(o)(1)
Meals in Office , Meetings of Employees, Stockholders, Agents, or Directors	50% deductible	50% deductible	§§274e(1), 274(o)(1)
Meals During Business Travel	50% deductible	50% deductible	§§162(a)(2), 274(n)(1); Reg. §1.274-2(f)(2)(iv)(B)
Meals at a Seminar or Conference, or at a Business League Event	50% deductible	50% deductible	1986 TRA Bluebook, at 64(1987); §274e(6), 274(n)(1)
Meals included in Charitable Sports Package	100% deductible	50% deductible (the exception provided under former §274(n)(2)C, referring to former §274(l)(1)(B), was repealed	§274(n)(1)
Meals Included as Taxable Compensation to Employee or Independent Contractor	100% deductible	100% deductible	§§274e(2), 274(e)(9), 274(n)(2)(A)
Meals Expenses Sold to a Client or Customer (or Reimbursed)	100% deductible	100% deductible	§§274e(3), 274(e)(8), 274(n)(2)(A)
Food Offered to the Public for Free (e.g., at a Seminar)	100% deductible	100% deductible	§§274e(7), 274(n)(2)(A)