

Under the new 2018 Tax Cuts and Jobs Act, the deductibility of bona fide business meals and entertainment expenses have significantly changed. As of January 1, 2018, entertainment expenses are nondeductible unless they fall under the specific exceptions in Code Section 274(e), for example: “expenses for recreation, social or similar activities primarily for the benefit of the taxpayer’s employees, other than highly compensated employees” (i.e. office holiday parties are still deductible).

Meals provided to employees for the convenience of the employer are now only 50% deductible compared to 100% deductibility prior to the 2018 Tax Cuts and Jobs Act. Please see below for some major modifications related to meals and entertainment.

EXPENSE TYPE	2017 EXPENSES (OLD RULE)	2018 EXPENSES (NEW RULE)
Office Holiday Parties	100% deductible	100% deductible
Business Meals with Clients	50% deductible	50% deductible
Entertaining Clients	Event tickets are 50% deductible for face value of ticket; anything above face value is nondeductible	No deduction
Entertaining Clients	Tickets to qualified charitable events are 100% deductible	No deduction
Employee Travel Meals	50% deductible	50% deductible
Meals to Employees 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)

LET’S TALK

