



# Tax Reform's Impact on Business Meals and Entertainment Expenses

The **Tax Cuts and Jobs Act of 2017** – or tax reform – significantly changed the tax treatment of business meals and entertainment expenses. It is important for businesses to begin analyzing these expenses immediately. Please reference the chart below\* to determine the proper tax treatment of specific expenses, as well as important considerations for each type of expense. **Contact your KSM advisor if you have questions or concerns.**

EXPENSE DESCRIPTION	NOTES	2017 RULE	2018 RULE
<b>Client Business Meal</b>	Client business meals must: (1) Be ordinary and necessary to the trade or business; (2) May not be lavish or extravagant; (3) The taxpayer, or an employee of the taxpayer, must be present at the meal; (4) The meal must be provided to a current customer, client, consultant, or similar business contact (i.e., a prospective client).	50% Deductible	50% Deductible
<b>Meals During Travel</b>	In order to be deductible the meals must not be extravagant or lavish, and the travel must be made in pursuit of a trade or business.	50% Deductible	50% Deductible
<b>Meals Provided Primarily to Employees on the Business Premises</b>	Previously, if these meals were primarily for the convenience of the employer and qualified as de minimis fringe benefits, they would qualify for 100% deduction.	100% Deductible	50% Deductible
<b>Water, Coffee, and Snacks Provided on the Business Premises</b>	Previously, if these meals were primarily for the convenience of the employer and qualified as de minimis fringe benefits, they would qualify for 100% deduction.	100% Deductible	50% Deductible
<b>Employee Shift Meals</b>	These are a restaurant's or caterer's costs for food and beverage items – purchased in connection with preparing and providing meals to its paying customers – that are consumed at the worksite by employees of the restaurant or caterer.	100% Deductible	100% Deductible
<b>Meals Treated as Compensation to an Employee or an Independent Contractor</b>		100% Deductible	100% Deductible
<b>Meals Sold to or Reimbursed by a Client or Customer</b>		100% Deductible	100% Deductible
<b>Meals at Internal Business Meetings</b>	Meals at business meetings must be directly related to meetings of employees, stockholders, agents, or directors. The meal may be on or off of the business premises.	50% Deductible	50% Deductible

\*This reference guide incorporates all available IRS guidance up to and including IRS Procedure 2018-76. As the IRS continues to issue new guidance and regulations, continue to check KSM's website for any developments and consult your tax advisor with any questions.

EXPENSE DESCRIPTION	NOTES	2017 RULE	2018 RULE
<b>Meals of Business Leagues</b>	Meals must be directly related and necessary to attendance at IRC § 501(c)(6) organizations (i.e., business leagues, chambers of commerce, real estate boards, and boards of trades), and the organization must be tax exempt under IRC § 501(a).	50% Deductible	50% Deductible
<b>Food Offered for Free to the General Public</b>		100% Deductible	100% Deductible
<b>Club Memberships</b>	This includes memberships in clubs organized for business, pleasure, recreation, or other social purpose, which include social, athletic, or sporting clubs and organizations.	Non-Deductible	Non-Deductible
<b>Company Event (e.g., holiday parties or company picnics)</b>	The event must be recreational, social, or have similar activities primarily for the benefit of employees.	100% Deductible	100% Deductible
<b>Sporting Event Tickets and Skyboxes</b>	Previously 50% of the face value of the ticket or skybox (to the extent of the face value of a non-luxury seat ticket in such box) were deductible.	50% Deductible	Non-Deductible
<b>Charitable Sporting Event Tickets</b>		100% Deductible	Non-Deductible
<b>Charitable Contributions Made to Educational Institutions for the Right to Purchase Sports Tickets</b>	Previously these payments were 80% deductible as charitable contributions (not meals and entertainment).	80% Deductible	Non-Deductible
<b>Meals Included With a Ticket to an Entertainment Event</b>	This is the case if the meals are included, and not separately stated, from the cost of the entertainment.	50% Deductible	Non-Deductible
<b>Meals Purchased at an Entertainment Event</b>	These meals must be separately stated from the entertainment on the bill, invoice, or receipt.	50% Deductible	50% Deductible

