

ALERT: Reduced or Eliminated Deductions for Business-Related Meals and Entertainment

February 22, 2018

The Tax Cuts and Jobs Act changed the deductibility of business-related meals and entertainment. A summary of changes is included below; however, additional rules and limitations may apply to your situation.

Deductions for business-related meals and entertainment		
	Deductible under previous law	Deductible under new law
Meals:		
Business Related	50%	Unclear
Convenience of Employer	100%	50%
Traveling	50%	50%
Entertainment	50%	0%
Employee Event	100%	100%

Actions to take now

Businesses may want to consider changing the accounting for these expenses now in order to be ready for 2018 tax return preparation. Below are a couple of examples:

- If entertainment expenses have historically been recorded to the same account as meals, you should consider recording them to a separate account since they will be non-deductible on the 2018 tax return.
- If employee meal expenses are recorded to an employee relations account rather than a meals account, you should consider recording them to a separate account in order to segregate and make them easily identified as employee meals, which are subject to the new 50 percent limitation.

Further clarification to follow

The IRS is expected to release guidance during 2018 to clarify uncertainty around other business meals, such as those with clients, and whether these will remain at 50 percent deductibility or if they are being classified as entertainment and therefore no longer eligible for deductions. Due to this uncertainty, it would be beneficial to record these costs in a separate account so they are more easily identifiable for future review.

For more information on these changes, please contact your AGH tax advisor or AGH tax senior vice president Shawn Sullivan at 316.291.4110 or Shawn.Sullivan@aghlc.com.

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