

Meals and Entertainment Changes for Businesses in 2018



CHANGES UNDER THE TAX CUTS AND JOBS ACT OF 2017

Businesses and employers need to be aware of the new rules as they plan their 2018 meals and entertainment budgets. The Tax Cuts and Jobs Act of 2017 (TCJA) places stricter limits on what businesses can deduct as meals and entertainment expense for its employees and clients.

Prior to the TCJA, 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.

Under the new law, for amounts paid or incurred after December 31, 2017, deductions for business-related entertainment expenses are disallowed. Meals expense incurred while traveling on business are still 50% deductible, but the 50% disallowance rule will now also apply to meals provided via an on-site cafeteria or otherwise provided on the employer's premises for the convenience of the employer. After 2025, the cost of meals provided on the employer's premises will be nondeductible.

Business Meals and Entertainment Expenses	2017 Expenses (Old Rules)	2018 Expenses (New Rules Under TCJA)
Entertaining Clients	Entertainment Expenses 50% deductible	No deduction for entertainment expenses
	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	No deduction for entertainment expenses
Business Meals (Employee Travel Meals)	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 until 2025 (nondeductible after 2025)
Office Holiday Parties	100% deductible	100% deductible