























MEALS & ENTERTAINMENT: GUIDANCE FOR DEDUCTIBILITY UNDER THE NEW TAX LAW

POSSIBLE SCENARIOS	EXAMPLES	100% DEDUCTIBLE	50% DEDUCTIBLE	NON-DEDUCTIBLE	NOTES
Office Party	Christmas party, annual picnic, or summer outing				Assuming occasional & everyone is invited. The 100% deduction also applies to an expenditure for use of a facility in connection with the activity.
Team lunch at a restaurant	Head of department taking the department out for occasional team-building lunch				Assuming occasional & the entire team is invited.
Team lunch along with a recreational activity	Team building lunch combined with an activity like bowling or attending a baseball game.				Assuming occasional & the entire team is invited. The 100% deduction also applies to an expenditure for use of a facility in connection with the activity.
Happy hour	The company providing food and beverage for an office happy hour or a happy hour at a restaurant				Assuming occasional & the entire team or company is invited. Must be employees in attendance only (no clients or other outside persons.)
Bagels, Coffee, Donuts	Breakfast food provided to employees				
Baby or Bridal shower	Finger food, cake, drinks				
Welcome lunch of new hire	Manager/HR takes the new hire for lunch				
Employee work anniversary celebration lunch	Milestone celebration for 5/10/15/20/25				Response relates to celebratory meal only. Other rules apply for employee achievement awards of tangible personal property, cash, gift cards, vacations, tickets and other items.
Meals claimed by employees while traveling based on per diem	Employee staying overnight to attend an out-of-town training/conference				

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Lunch meeting in office for employees	Lunch provided during a training or business meeting at the office for employees				
Overtime meals provided in the office for employees	Employees working on weekend, holidays or after office hours during busy time				
Sales meetings with employees	Sales manager travels in his/her territory to meet their local sales employee at a lunch/dinner meeting				
Meals claimed by independent contractors while traveling based on per diem					Suggest review of contractor agreements to determine which party is subject to the 50% limitation. See Note 2.
Sales meetings with independent contractors	Sales manager travels in his/her territory to meet their local sales contractor at a lunch/ dinner meeting				
Lunch with clients	Lunch to discuss business with clients				To be allowed as a deduction, an employee of the taxpayer must be present at the furnishing of such food or beverages.
Marketing lunches	Lunch with prospective clients or referral sources with the business purposes of sales/marketing				To be allowed as a deduction, an employee of the taxpayer must be present at the furnishing of such food or beverages.
Trade fair lunches	Lunch provided at trade fairs to attendees and guest				To be allowed as a deduction, an employee of the taxpayer must be present at the furnishing of such food or beverages. See note 4.
Lunch meeting with vendors	Employee/contractor travel in their territory to meet vendors at a lunch/dinner meeting				To be allowed as a deduction, an employee of the taxpayer must be present at the furnishing of such food or beverages.
Lunch passed through from a vendor to the company on an invoice	Lunch/dinner billed by a vendor				If a vendor passes a business meal through to the company as a separately stated item on an invoice, the business meal should be separately coded to "meals" subject to 50%.

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Cocktail parties with clients, prospects, vendors, etc.	A cocktail party hosted for attendees of a conference or trade show				If any portion of the party is for entertainment, the entertainment piece must be separately broken out and treated as non-deductible. To be allowed as a deduction, an employee of the taxpayer must be present at the furnishing of such food or beverages.
Meals claimed by Board of Directors or Officers while traveling	A board member travels out-of-town for a board meeting				Travel expenses should be segregated between lodging, meals, and other travel expenses. Meals while traveling are subject to 50%. Additional rules apply to travel outside the United States.
Tips given at restaurants					
Golf Outing	Golf outing with a client, prospect, vendor, etc.				Green fees are non-deductible. See Note 5 for treatment of meal expenses.
Sporting Event (employee in attendance)	Attending a football game with a client, prospect, vendor, etc.				The cost of the tickets is non-deductible. See Note 5 for treatment of meal expenses.
Sporting Event (employee not in attendance)	Giving tickets to a football game to a client, prospect, vendor, etc.				The entire cost (meals and entertainment) are non-deductible.
Charitable golf or other event	Employees attending a charitable golf event				The portion of the cost for which no goods or services are provided is 100% deductible as a charitable contribution. The portion of the cost for entertainment is non-deductible. See Note 5 for treatment of meal expenses.
Skybox rentals					
Club dues	Membership fees to a golf club				

- Note 1: Business meals are 50% deductible only if they are directly related to or associated with the active conduct of a taxpayer's trade or business. No deduction allowed for the expense of any food or beverages if such expense is lavish or extravagant under the circumstances. Substantiation requirements must also be met.
- Note 2: The 50% limit doesn't apply to: expenses treated as compensation paid to an employee or otherwise included in the recipient's gross income (such as an independent contractor.)
- Note 3: The 50% limit doesn't apply to: meals and entertainment expenses that are reimbursed to the Company (in which case the 50% limit applies to the person making the reimbursement.)
- Note 4: It is also possible, depending on the circumstances, that incidental food, drinks and refreshments provided as hospitality items during an event to promote the sale of products or services where no entertainment is provided could be 100% deductible under the exception for items made available to the general public. Further guidance is anticipated.
- Note 5: Although food and beverages consumed during a golf, sporting or charitable event might be considered to be meals (subject to the 50% limitation), it could also be deemed non-deductible since associated with the event entertainment. Further guidance is anticipated. In the meantime, you may wish to segregate meal expenses.

NOTE: This analysis is based upon the law and commentary available at this time. No regulations have been issued yet.



If you have any questions regarding how the new tax law effects you our your business we encourage you to contact our Tax Services Team.