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## TAX REFORM – MEALS & ENTERTAINMENT CHANGES

**By: JIM GENTRY, CPA**

Prior to the Tax Cuts and Job Act, businesses generally could deduct 50% of expenses for business-related meals and entertainment. Meals and entertainment for company parties, picnics, and board meetings were generally 100% deductible. Club dues, luxury boxes, and nonbusiness-related meals & entertainment expenses were non-deductible. Travel costs such as lodging and transportation were 100% deductible. To account for these distinctions, most of our clients had several general ledger accounts setup on their books to breakout these costs which readily provided us with the information needed to prepare their tax returns. However, because of the new tax law, these costs will need to be broken out into additional general ledger accounts starting in 2018.

Under the new tax law effective for amounts incurred or paid after December 31, 2017, deductions for business-related entertainment expenses are completely disallowed. Meal expenses incurred while traveling on business are still 50% deductible, but the 50% disallowance rule will now also apply to meals provided via an on-premises cafeteria or otherwise on the employer’s premises for the convenience of the employer. After 2025, the cost of meals provided through an on-premises cafeteria or otherwise on the employer’s premises will be nondeductible. The following is a general summary of the old rules versus the new rules.

	<b>2017 Costs (Old Rules)</b>	<b>2018 Costs (New Rules)</b>
<b>Company Holiday Parties &amp; Related Events</b>	100% deductible	100% deductible
<b>Entertaining Customers / Conducting Business with Customers</b>	Meals - 50% deductible	Meals - 50% deductible only if business is conducted and other conditions are met
	Entertainment - 50% deductible (for certain events, limit based on face value of ticket)	0% deductible for entertainment expenses
	Tickets to certain qualified charitable events - 100% deductible	
<b>Employee Travel</b>	Club dues & luxury boxes - 0% deductible	
	Meals - 50% deductible	Meals - 50% deductible
	Lodging & transportation - 100% deductible	Lodging & transportation - 100% deductible
<b>Meals Provided for Employer Convenience Located on Employer’s Premise</b>	100% deductible provided they are excludible from employees’ gross income as de minimis fringe benefits; otherwise, 50% deductible	50% deductible (0% deductible if incurred or paid after December 31, 2025)



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If you have questions about this or any other business or tax issue, please contact your Account Manager or [Jim Gentry, CPA](mailto:jgentry@connerash.com), at (314) 205-2510 or via email at [jgentry@connerash.com](mailto:jgentry@connerash.com).