



## Tax Reform Law Makes Changes to the Meals & Entertainment Deduction

The 2017 Tax Cuts and Jobs Act made significant changes with respect to the deductibility of business meal and entertainment expenses. One of the biggest changes is the deductibility of entertainment expenses. Previously you could entertain clients and deduct 50% of the cost, now, entertainment expenses are not deductible at all. The Tax Act also made changes to the tax treatment of fringe benefits, including employee achievement awards. The chart below provides a useful summary of the old and new rules in these areas.

	2017 Expenses (Old Rules)	2018 Expenses (New Rules)
Office Holiday Parties Summer Office Picnic	100% deductible	100% deductible
Entertaining Clients	50% deductible	Meals – 50% deductible
	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	
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 (nondeductible after 2025)
Fringe Benefits	Businesses could deduct the cost of employee parking, transit passes and bike commuting reimbursements, and employees could exclude the benefit from income.  Employee achievement awards could consist of anything within a dollar limit of \$400 per award and \$1,600 for all awards to the employee for the year.	Businesses can no longer deduct the cost of employee parking and transit passes (bike commuting reimbursements are still deductible), but employees can still exclude the benefit from income, except bike commuting reimbursements.  Employee achievement awards must be tangible personal property and not cash, gift cards, coupons or certificates, nor tickets, meals, vacations, lodging or stocks and bonds. The dollar limits remain unchanged.