

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

apply to business meals. Until the IRS issues some much-needed guidance, the exact tax ...

Apr. 03, 2018

The image shows three overlapping IRS tax forms. The top form is Form 1065, 'U.S. Return of Partnership Income', for the calendar year 2005. Below it is Form 1120S, 'U.S. Income Tax Return for an S Corporation', also for the calendar year 2005. The bottom form is Form 1120, 'U.S. Corporation Income Tax Return', for the calendar year 2005. The forms are partially overlapping, with Form 1120S in the middle and Form 1120 at the bottom. The forms are white with black text and red lines. The IRS logo is visible on each form.

Say that you meet a client for lunch and discuss business during the course of the meal. Or maybe you and the client sit down for dinner and drinks after a round of golf. Tax deductible or not? The opinions of tax experts are divided.

Under the new Tax Cuts and Jobs Act (TCJA), no deduction is allowed for business entertainment, beginning in 2018. But the law isn't exactly clear how the new rules

apply to business meals. Until the IRS issues some much-needed guidance, the exact

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

paid for clients for purely goodwill reasons didn't qualify as directly-related entertainment.

Conversely, if such a meal immediately preceded or followed a substantial business meeting, you could deduct 50% of the cost as associated-with entertainment. Thus, if you wrapped up a contract negotiation in the afternoon and treated the client to dinner afterwards, you could write off 50% of the expense, including costs attributable to significant others – as long as the entertainment wasn't "lavish or extravagant."

Now the TCJS appears to wipe out deductions in these instances, but some commentators believe that deductions are still available if business is conducted during the meal. In any event, the general consensus is that you may still deduct 50% of the cost of meals incurred while you're legitimately traveling away from home on business. If you eat out with a client during a business trip, costs may have to be allocated.

The TCJA makes several other changes relating to meal expenses. For instance, prior to the new law, meals provided to employees for the convenience of an employer – such as lunches served in a company cafeteria or similar facility – were 100% deductible by the employer. Under the TCJA, this deduction is limited to 50% of the cost, beginning in 2018. After 2025, the employer gets no deduction.

On the other hand, if an employer pays for recreational or similar expenses on a company-wide basis, it's generally agreed upon by the experts that the entire cost can be deducted, just as before. This would apply to a summer company picnic or barbecue that doesn't discriminate in favor of the higher-ups.

We'll keep our eyes peeled for IRS pronouncements on the new business meal rules. In the meantime, make sure that your clients are carefully following the

substantiation requirements for business meals, paying close attention to the

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us