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sweeping tax law changes impact many taxpayers, including individuals, businesses, estates and ...

Mike D'Avolio • Jul. 25, 2018

The Tax Cuts and Jobs Act was signed into law on December 22, 2017 and represents the most extensive tax reform legislation we've seen in 30 years. These sweeping tax law changes impact many taxpayers, including individuals, businesses, estates and trusts. The following article discusses changes pertaining to the meals and entertainment deduction for businesses. Tax professionals can consider sharing these important measures with their clients and prospects by way of newsletters, social media or face to face tax planning sessions.

Business meals

Under prior law, an employer could deduct 100% of the cost of providing food and beverages to its employees through an eating facility that qualified as "de minimis" fringe benefits. Housing and meals provided to employees on the business premises for the convenience of the employer are excluded from income.

Under the Tax Cuts and Jobs Act and for amounts incurred or paid after December 31, 2017, the current 50% limit on deductibility of business meals is expanded to include expenses of the employer associated with providing food and beverages to employees through an eating facility. Such amounts incurred and paid after December 31, 2025 will no longer deductible.

As under pre-TCJA law, businesses are allowed to deduct 50% of the food and beverage expenses associated with operating their trade or business, such as meals consumed by employees on work travel.

Entertainment expenses

Under prior law, businesses could deduct up to 50% of expenses relating to meals and

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wise to separate out these expenses on your profit and loss statements, so you can better analyze these categories going forward.

Outstanding ambiguity

The Tax Cuts and Jobs Act does not explain the tax treatment of an expense typically described as a business meal. For example, you may have business leaders who take a client out to lunch or dinner at a restaurant and conduct a substantial and bona fide strategy discussion. Under pre-TCJA regulations, the cost of such a meal was 50% deductible if the requirements were met and the expense was substantiated. Hopefully, the IRS will issue guidance on the topic and explain the requirements that need to be met in order to deduct these expenses. It can get especially confusing when meals are consumed in conjunction with an entertainment event.

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