



Business Tax Reform: What We Know

- Most business entertainment expenses are **no longer deductible**. These would include sporting events, the theater, clubs, golf outings, etc.
- The entertainment activities that survived the cut and **remain 100% deductible** include the following **employer** expenses:
 - **Expenses treated as compensation** - entertainment, amusement, and recreation expenses you treat as compensation to employees and that are included as wages for income tax withholding purposes
 - **Recreational expenses for employees** - expenses for recreational, social, or similar activities (including facilities therefor) primarily for the benefit of employees (other than employees who are highly compensated employees)
 - **Employees, stockholder, etc. business meetings** - expenses that are directly related to business meetings of employees, stockholders, agents, or directors (here, the law limits the expenses for food and beverage to 50%)
 - **Meetings of business leagues, etc.** - expenses directly related and necessary to attendance at a business meeting or convention, such as those held by business leagues, chambers of commerce, real estate boards, and boards of trade that are exempt from taxation under section 501(a) (here, the law also limits expenses for food and beverage to 50%)
 - **Items available to public** - expenses for goods, services, and facilities you or your business make available to the general public
 - **Entertainment sold to customers** - expenses for entertainment goods, services, and facilities that you sell to customers; and expenses paid on behalf of nonemployees that are included in the gross income of a recipient of the entertainment, amusement, or recreation as compensation for services rendered or as a prize or award
- **Employee meals that were 100% but are now 50% deductible include:**
 - Meals served at required business meetings on your business premises
 - Meals served at required business meetings in a hotel or other meeting place that passes the test for business premises but is located outside the office
 - Meals served to employees who are required to staff their positions during breakfast, lunch, and/or dinner times; meals served to employees at in office cafeterias
 - Food and meal costs for employees who are required to live on premises for the convenience of the employer
- Meals related to out of town business travel remain 50% deductible

There is still **a lot of uncertainty** on whether the elimination of the deduction for entertainment expenses applies to business associate, referral source, client, customer, prospect, etc. business meals. We believe the answer is that these meals are no longer deductible. We will keep you informed as more information becomes available.