

Business Meals and Entertainment

Beginning in 2018, the tax act eliminated the deduction for unreimbursed employee expenses. Therefore, it is important for employees to comply with their employer's documentation and other policies in order to receive reimbursement of expenses incurred for all business expenses included meals and entertainment.

If you own a business, the deduction for the cost of client entertainment is no longer allowed for 2018 and beyond as a result of tax reform. The IRS confirmed in Notice 2018-76 that businesses can generally continue to deduct 50 percent of the cost of business meals, including those incurred while meeting with or entertaining customers and clients.

Until proposed regulations are effective taxpayers may deduct an otherwise allowable business expense under Notice 2018-76 if:

- The expense is an ordinary and necessary expense under Section 162(a) paid or incurred during the taxable year in carrying on any trade or business.
- The expense is not lavish or extravagant under the circumstances.
- The taxpayer, or an employee of the taxpayer, is present at the furnishing of the food or beverages.
- The food and beverages are provided to a current or potential business customer, client, consultant, or similar business contact.

In the case of food and beverages provided during or at an entertainment activity, the food and beverages are purchased separately from the entertainment, or the cost of the food and beverages is stated separately from the cost of the entertainment on one or more bills, invoices, or receipts. The entertainment disallowance rule may not be circumvented through inflating the amount charged for food and beverages.