



## PIECES OF THE PUZZLE

May 2018

### **Which Meal and Entertainment Expenses are Still Deductible Under the TCJA?**

---

The Tax Cuts and Jobs Act (TCJA) made major changes to one of the more common business expense outlays for meals and entertainment. Under pre-TCJA law, meals and entertainment were generally deductible to the extent of 50% of the expense as long as the taxpayer established that the expense was (1) directly related to, or (2) in the case of an item directly preceding or following a substantial and bona-fide business discussion, associated with the active conduct of the taxpayer's trade or business or income producing activity. **Effective for amounts paid or incurred after December 31, 2017**, the TCJA repeals the rule that allowed a deduction for entertainment, amusement, or recreation expenses that were directly related to or associated with the active conduct of the taxpayer's trade or business. Thus, deductions for items such as cost of tickets to sporting events, stadium license fees, private boxes at sporting events, theatre tickets, golf fees, etc. are no longer deductible.

The TCJA keeps intact the Code Section 247(k) "*Business Meals*" deduction. The committee report declared that "Taxpayers may still generally deduct 50% of the food and beverage expenses associated with operating their business..." The requirement that a business meal be "directly related to" or "associated with" a taxpayer's business was abolished.

It is the position of the American Institute of Certified Public Accountants that business meals (1) take place between a business owner or employee and a current or perspective client; (2) are not lavish or extravagant under the circumstances; and (3) were the taxpayer has a reasonable expectation of deriving income or other specific trade or business benefit from the encounter.

Therefore, for 2018 we recommend that our clients begin the process of differentiating deductible business meals from nondeductible entertainment in their accounting records by establishing two separate general ledger accounts. There should be a business meals account which is 50% tax deductible and an entertainment expense account which is not tax deductible.

If you have any questions, please feel free to contact us.

**Howard &  
Company**

CERTIFIED PUBLIC ACCOUNTANTS, P.A.

4745 Sutton Park Court, Ste 102

Jacksonville, Florida 32224

Phone: (904) 421-0690 Fax: (904-421-0691)