



# Tax Treatment of Business Meals and Entertainment Expenses

The tax treatment of business meals and entertainment expenses has changed significantly in recent years. It is important for businesses to analyze and record these expenses to accurately capture the allowable deductions associated with them. Please reference the chart below to determine the proper tax treatment of specific expenses, as well as important considerations for each type of expense. **Contact your KSM advisor if you have questions or concerns.**

EXPENSE DESCRIPTION	NOTES	RULE
<b>Client Business Meal</b>	Client business meals must: (1) Be ordinary and necessary to the trade or business; (2) May not be lavish or extravagant; (3) The taxpayer, or an employee of the taxpayer, must be present at the meal; (4) The meal must be provided to a current customer, client, consultant, or similar business contact (i.e., a prospective client).	50% Deductible
<b>Meals During Travel</b>	In order to be deductible the meals must not be extravagant or lavish and the travel must be made in pursuit of a trade or business.	50% Deductible
<b>Meals Provided Primarily to Employees on the Business Premises</b>	Previously, if these meals were primarily for the convenience of the employer and qualified as de minimis fringe benefits, they would qualify for 100% deduction.	50% Deductible
<b>Water, Coffee, and Snacks Provided on the Business Premises</b>	Previously, if these meals were primarily for the convenience of the employer and qualified as de minimis fringe benefits, they would qualify for 100% deduction.	50% Deductible
<b>Employee Shift Meals</b>	Restaurant or caterer's costs for food and beverage items, purchased in connection with preparing and providing meals to its paying customers, that are consumed at the worksite by employees of the restaurant or caterer.	100% Deductible
<b>Meals Treated as Compensation to an Employee or an Independent Contractor</b>		100% Deductible
<b>Meals Sold to or Reimbursed by a Client or Customer</b>		100% Deductible

*\*This reference guide incorporates all available IRS guidance to-date. As the IRS continues to issue new guidance and regulations, continue to check KSM's website for any developments and consult your tax advisor with any questions.*

EXPENSE DESCRIPTION	NOTES	2018 RULE
<b>Meals at Internal Business Meetings</b>	Meals at business meetings must be directly related to meetings of employees, stockholders, agents, or directors. The meal may be on or off of the business premises.	50% Deductible
<b>Meals of Business Leagues</b>	Meals must be directly related and necessary to attendance at IRC § 501(c)(6) organizations (i.e., business leagues, chambers of commerce, real estate boards, and boards of trades), and the organization must be tax exempt under IRC § 501(a).	50% Deductible
<b>Food Offered for Free to the General Public</b>		100% Deductible
<b>Club Memberships</b>	This includes memberships in clubs organized for business, pleasure, recreation, or other social purpose, which include social, athletic, or sporting clubs and organizations.	Non-Deductible
<b>Company Event (e.g., holiday parties or company picnics)</b>	Recreational, social, or similar activities primarily for the benefit of employees.	100% Deductible
<b>Sporting Event Tickets and Skyboxes</b>	Previously 50% of the face value of the ticket or skybox (to the extent of the face value of a non-luxury seat ticket in such box) were deductible.	Non-Deductible
<b>Charitable Sporting Event Tickets</b>		Non-Deductible
<b>Charitable Contributions Made to Educational Institutions for the Right to Purchase Sports Tickets</b>	Previously these payments were 80% deductible as charitable contributions (not meals and entertainment).	Non-Deductible
<b>Meals Included With a Ticket to a Entertainment Event</b>	If the meals are included, and not separately stated, from the cost of the entertainment.	Non-Deductible
<b>Meals Purchased at an Entertainment Event</b>	These meals must be separately stated from the entertainment on the bill, invoice, or receipt.	50% Deductible



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