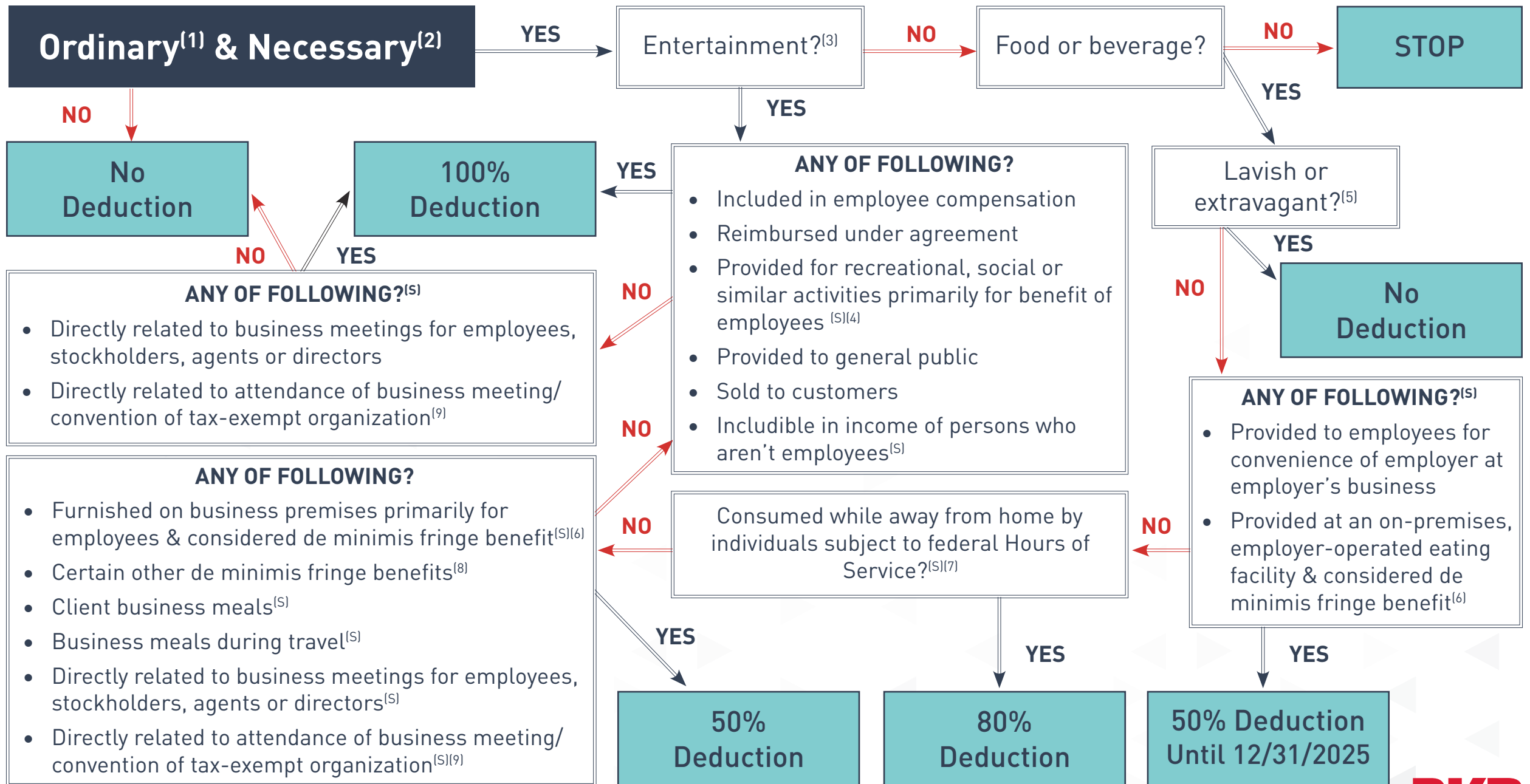


MEALS & ENTERTAINMENT DEDUCTION AFTER THE *TAX CUTS AND JOBS ACT*



See next page for definitions.

DEFINITIONS

- (1) Ordinary:** Not defined in the Internal Revenue Code (IRC) or Treasury Regulations; generally refers to items common in taxpayer's business
- (2) Necessary:** Generally refers to items appropriate & helpful to taxpayer's business
- (3) Entertainment:** An activity of the type generally considered to constitute entertainment, amusement or recreation, *e.g.*, entertaining at night clubs. This may include meals provided at such activities; however, it's unclear what meals constitute entertainment at this point absent IRS guidance.
- (4) Recreation:** Except when provided for employees who are officers, shareholders or other owners who own a 10 percent or greater interest in the business or any other highly compensated employees as defined in IRC Section 414(q)
- (5) Lavish or extravagant:** No deduction allowed to the extent food or beverage expense is lavish or extravagant under the circumstances. In addition, taxpayer (or employee) must be present at the furnishing of such food or beverages
- (6) De minimis fringe benefit:** Includes any service or property so small that accounting for it would be unreasonable & impractical, *e.g.*, coffee, doughnuts, etc. After 12/31/2025, de minimis fringe benefits related to meals provided at an on-premises, employer-operated eating facility are nondeductible
- (7) Federal Hours of Service:** Individuals subject to the U.S. Department of Transportation's (DOT) Hours of Service limitations for purpose of this provision:
- Certain air transportation employees such as pilots, crew, dispatchers, etc.
 - Certain interstate truck operators & bus drivers
 - Certain railroad employees such as engineers
 - Certain merchant mariners
- (8) Certain other de minimis fringe benefits:** De minimis fringe benefits other than:
- Related to meals provided at an on-premises, employer-operated eating facility
 - Provided for recreational, social or similar activities primarily for benefit of employees
 - Furnished on business premises
- Example:** coffee provided primarily for an employee while away from taxpayer's business premises
- (9) Tax-exempt organization:** Under IRC Section 501(c)(6) & 501(a), this includes business leagues, chambers of commerce, real estate boards, boards of trade, etc.
- (S) Substantiated:** No deduction allowed unless taxpayer substantiates expense by adequate records or sufficient evidence corroborating taxpayer's own statement to include:
- Amount of each separate expense
 - Time & place
 - Business purpose
 - Business relationship to the taxpayer of the persons entertained