

Entertainment and Business Meals/Meals

Detailed Discussion

Entertainment:

	Tax Deductible	
	Yes	NO
Entertainment [examples – but not limited to]		X
Sporting Events		
Theater		
Night Club		
Country Club		
Golf Outings		

Business Meals/Meals :

	Tax Deductible		
	Yes * #	NO	?
Employee Meals: for the convenience of the employer must be served on employer premises	X		
Meals While Traveling: employee meals while away from home [out of town]	X		
Meals – Business Meetings: the meals must be directly related with business meetings with employees or shareholders or members of governance [board of directors and board committees]	X		
Meals with clients, customers and prospective clients, customers: must discuss business related issues			X

Key

- * = Subject to 50% deductible limitation
- # = Meals are deductible provided the meals are not lavish and/or extravagant
- ? = Based on the disallowance of entertainment expenses as a tax deduction, the tax deductibility of **Meals with Clients**, etc. is inclusive and requires guidance from the Department of the Treasury --- Internal Revenue Service [IRS].

Most likely this issue will be addressed in the anticipated correction bill and legislation.

Comments:

Since entertainment is no longer deductible, the accounting records must maintain separate accounts for entertainment and meals [a combine account of Meals and Entertainment would be disadvantageous, ie: both meals and entertainment would be disallowed as a tax deduction].

Since the tax deductibility of **Meals with Clients** etc. is inconclusive, consideration should be given to recording the cost of **Meals with Clients**, etc. in an account that is separate from Business Meals/Meals [pending IRS guidance and/or a correction bill].

While entertainment is no longer tax deductible, the food and drink consumed during a sporting event, theater, golf outing, etc. maybe a tax deduction. [See above comments regarding **Meals with Clients**, etc.]

Entertainment is no longer tax deductible but that does not mean a business cannot incur entertainment expenses. Entertainment costs would be reported on corporate and partnership income tax returns as a non deductible expense [similar to the reporting of tax related penalties, parking tickets, fines, personal use of vehicle, etc.]

<see disclaimer - legal>