

Congress Puts Your Golf Game in the Bunker *The new rules for Meals and Entertainment under the TCJA*

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Business deals have been created and closed during an 18-hole round of golf, drinks, and dinner. Inviting a client out to attend an NFL, NHL, NBA, or MLB game was fairly common place. Entertainment with a business purpose was an ordinary and necessary part of the business world. While the deduction was limited to 50% (essentially the client's half), there was still a tax benefit to this business practice. Key word *Was*.

No Longer.

As part of the Tax Cuts and Jobs Act, Congress has decided to focus and in most cases severely restrict the deductibility of Meals and Entertainment for tax purposes. The new law does provide some simplification in this area, albeit in a detrimental way.

Beginning on January 1, 2018, entertainment expenses directly related to the active conduct of a trade or business are no longer deductible, but the treatment of client business meals is still the same. What does this mean? The cost of the golf game, sports tickets, or any other type of "entertainment, recreation, or amusement" cannot be deducted for tax purposes going forward. However, that dinner and drinks you may have before or after are still deductible at 50%. The non-deductibility of the club dues has also not changed.

But Congress did not stop there. As part of the simplification measures, from January 1, 2018 until December 31, 2025, the 50% limitation on business meals has been expanded to include those provided to employees, with very limited exceptions. Unfortunately, this means those working lunches or dinners you bring in to the office for your employees will now be only 50% deductible during this period. After December 31, 2025, they become completely non-deductible. Luckily, Congress decided the annual company holiday party was still safe by leaving those rules in place.

The new rules will require businesses to change the way they have been tracking both their meals and entertainment expenses. A new account may need to be created immediately for tracking the non-deductible entertainment expenses and, certainly, additional scrutiny of the receipts will need to be performed by those responsible for recording the expenses.

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Victoria has over 25 years of experience in providing tax consulting, compliance and tax audit representation to closely held businesses and the owners of closely held businesses. She delivers a full range of tax services in covering federal and multi-state laws and regulations for partnerships, S and C corporations, and individuals.