

**January 2018**

## Tax Reform Cuts Deductions for Employee Meals to 50 Percent

Tax reform (Public Law 115-97) includes winners and losers.<sup>1</sup>

Employers who for their convenience provided business meals for their employees are losers—50 percent losers to start and then total losers later.

Meal costs that were 100 percent deductible for perhaps a half century or more are now limited to 50 percent, and that 50 percent becomes a big fat zero deduction beginning January 1, 2026.<sup>2</sup>

Employee meals that were 100 percent but are now 50 percent deductible beginning January 1, 2018, include

- meals served at required business meetings on your business premises;
- meals served at required business meetings in a hotel or other meeting place that passes the test for business premises but is located outside of the office;
- meals served to employees who are required to staff their positions during breakfast, lunch, and/or dinner times;
- meals served to employees at in-office cafeterias; and
- food and meal costs for employees who are required to live on premises for the convenience of the employer.

### ***Chart of Accounts***

For 2018, you need an account that says something like “meals subject to 50 percent cut.” In this category, you can put travel meals and the meals above.

### ***Resources***

We selected three strategy articles that showed how you could qualify for the 100 percent employee meal deduction when it existed. The strategies still work, but now they produce only a 50 percent deduction. And, of course, 50 percent beats zero all to pieces, so spend a few minutes reviewing the articles that apply to you.

## ***Off-Site Business Premises (Perhaps Out of Town)***

The Boston Bruins deducted 100 percent of their meal expenses for employees who traveled out of town for the away games. The IRS challenged that 100 percent and lost.

One big deal with the Bruins' win is that it is precedent-setting, meaning that the Boston Bruins may have created a road map for you that could lead you to more 100 percent business meal deductions (versus the usual 50 percent allowance for business meals).

Remember, in 2018, tax reform reduces that 100 percent to 50 percent. The following article will likely create paths to the new 50 percent meal deductions that you had not previously considered. To see how this works, read *A New Way to Beat the 50 Percent Cut on Business Meals* and remember when reading this to substitute 50 percent for 100 percent when you see it.

## ***Pick Your Employees for the Meals***

To achieve what is now the 50 percent deduction, not only do you need to serve the meal on your business premises, but you also need to have “your business convenience” as the reason for that meal.

**Example.** Say that you have five employees, one of whom is your key assistant. You have an emergency and need your assistant to work with you through lunch, so you order a meal for your assistant. You meet the old criteria to deduct 100 percent of the assistant's meal, which means (in 2018) you meet the new criteria for a 50 percent deduction.

You have many ways to qualify for the “convenience of employer” test. Make sure to read *One Additional Way to Create 100 Percent Deductions for Employee Meals*. Also, make sure to examine the chart in this article, because it clarifies additional circumstances where you can provide the meals.

## ***Meals at the In-Office Business Meeting***

Through a simple two-step process, you can fully deduct 50 percent of the cost of meals you provide to your employees. That's right—this strategy helps you avoid the dreaded 2018 zero deduction for meal expenses classified as entertainment.

But be careful when you use this strategy—your business may need to classify your meal as the owner of the business differently from the meals for nonowner employees.

For how this works in 2018, read [Don't Settle for a 50 Percent Write-Off on Employee Lunches: Here's How to Snag 100 Percent](#), but change the 100 percent to 50 percent and the 50 percent to zero as you read the article.

## ***Takeaways***

Many businesses provide meals to their employees to keep them on the premises and ensure productivity. The businesses consider it money well spent.

And tax law prior to 2018 also considered the monies well spent, allowing a 100 percent deduction. Of course, the 100 percent deduction does not give the business 100 percent of the money. Most businesses were out of pocket after taxes by more than 50 percent of the costs. The tax deductions, by subsidizing the costs, simply reinforced that the monies were well spent.

Beginning January 1, 2018, meals that used to generate 100 percent deductions now generate 50 percent deductions. Your new 50 percent deductible meals include

- meals served at required business meetings on your business premises, in hotels, and at other sites that qualify as your business premises;
- meals served to employees who are required to staff their positions during breakfast, lunch, and/or dinner times;
- meals served to employees at in-office cafeterias; and
- food and meal costs for employees who live on premises for the convenience of the employer.

[Client Letter on This Article for Use by Tax Pros. Click Here.](#)

<sup>1</sup> PL 115-97.

<sup>2</sup> PL 115-97, Section 13304(b). Only 50 percent of expenses for meals provided on or near business premises allowed as deduction.

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