

**Abstract:** As a matter of convenience, many of today's employers provide meals to employees. A recent tax law change, however, may curtail this practice because it limits the tax benefits. This brief article looks at the changing deductibility rules brought forth by the recently passed Tax Cuts and Jobs Act.

## **The new deal on employee meals (and entertainment)**

Years and years ago, the notion of having a company cafeteria or regularly catered meals was generally feasible for only the biggest of businesses. But, more recently, employers providing meals to employees has become somewhat common for many midsize to large companies. A recent tax law change, however, may curtail the practice.

As you're likely aware, in late December 2017 Congress passed and the President signed the Tax Cuts and Jobs Act. The law will phase in a wide variety of changes to the way businesses calculate their tax liabilities — some beneficial, some detrimental. Revisions to the treatment of employee meals and entertainment expenses fall in the latter category.

Before the Tax Cuts and Jobs Act, taxpayers generally could deduct 50% of expenses for business-related meals and entertainment. But meals provided to an employee for the convenience of the employer on the employer's business premises were 100% deductible by the employer and tax-free to the recipient employee. Various other employer-provided fringe benefits were also deductible by the employer and tax-free to the recipient employee.

Under the new law, for amounts paid or incurred after December 31, 2017, deductions for business-related entertainment expenses are disallowed. Meal expenses incurred while traveling on business are still 50% deductible, but the 50% disallowance rule now also applies to meals provided via an on-premises cafeteria or otherwise on the employer's premises for the convenience of the employer. After 2025, the cost of meals provided through an on-premises cafeteria or otherwise on the employer's premises will be completely nondeductible.

If your business regularly provides meals to employees, let us assist you in anticipating the changing tax impact.

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