



TRAPHAGEN FINANCIAL GROUP

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New Tax Rules on Meals & Entertainment

The Tax Cuts and Jobs Act (TCJA) made major changes to one of the more common business expenses - Meals and Entertainment for amounts paid or incurred after December 31, 2017.

Meals

The new law generally still provides that 50% of otherwise allowable expenses for meals - food and beverages are allowable as a deduction. However, there were some changes and exceptions under the new tax law.

Entertainment

The TCJA repeals the rule that allowed a deduction for entertainment, amusement, or recreation expenses that were directly related to or associated with the active conduct of the taxpayer's trade or business - no deductions are

allowable for tickets to sporting events, stadium license fees, private boxes at sporting events, theater tickets, golf club dues, etc.

We have outlined below the similarities, differences and exceptions - comparing 2017 and 2018 rules for both Meals and Entertainment expenses:

Similarities Between 2017 - 2018

Activity	2017	2018
Social & Recreational Events for Employees (Holiday Parties, Picnics) - <i>Meals & Entertainment</i>	100%	100%
Board of Directors/Shareholder Meetings <i>Meals</i>	50%	50%
Included on Wages or Other Compensation of Recipient Meals & Entertainment	100%	100%
General Entertainment with Business Guests with <u>NO</u> Business Purpose (discussion/ activity) - Entertainment	0%	0%
General Meals with Business Guests with Business Purpose (discussion/ activity)	50%	50%
Lavish & Extravagant <i>Meals & Entertainment</i>	0%	0%
0% starting 1/1/2026		

Differences Between 2017 - 2018

Activity	2017	2018
General Entertainment of Business Guests with Business Discussed - Entertainment	50%	0%
Board of Directors/Shareholder Meetings Entertainment	50%	100%
Company In-House Cafeteria Costs Meals	100%	50%
Company Meals Brought in to Employees for Benefit of Employer - Meals	100%	50%
0% starting 1/1/2026		

Statutory Exceptions (allowable deductions) Section 274(e)

Activity	Meals	Entertainment
Recreational, Social, or Similar Activities for the Benefit of Employees (e.g. holiday parties)	100%	100%
Expenses Treated as Taxable Compensation to Employee or Non-Employee (W-2/1099)	100%	100%
Meals Provided to Employees On-Site for Benefit of the Employer	50%	n/a
Meals/Entertainment Used in Employee, Stockholder, Board Meetings	50%	100%
Reimbursed M&E Expenses (employee or non-employee) Under an Allowance/Reimbursement Arrangement	100%	100%

If you have any questions about how these regulations apply to your particular situation, please contact our office so we can assist you.

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