

Meals continue to be deductible under new IRS guidance

TO OUR CLIENTS AND FRIENDS:

On **October 3, 2018**, both taxpayers and CPAs breathed a collective sigh of relief when the IRS issued transitional guidance stating that taxpayers may continue to deduct 50% of the food and beverage expenses associated with operating their trade or business.

Prior to the Tax Cuts and Jobs Act, entertainment expenses and business meals could be deductible if they were directly related to a taxpayer's business or if they occurred directly before or after a business discussion. With the passage of the Tax Cuts and Jobs Act, those exceptions were mostly repealed and entertainment expenses were disallowed. As a result, there was a lot of commentary and speculation about whether or not business meals would continue to be deductible, or if they would be considered entertainment, and thus disallowed.

With the interim guidance (detailed on the right), taxpayers can continue to deduct 50% of the cost of business meals. Business lunches can remain business as usual!

Our expert team at Geffen Mesher is ready and prepared to help navigate these changes for your business.

Please reach out to our expert team:

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Under this notice taxpayers may deduct 50% of an otherwise allowable business meal expense if:

- The expense is an ordinary and necessary business expense under Sec. 162(a) paid or incurred during the taxable year in carrying on any trade or business;
- The expense is not lavish or extravagant under the circumstances;
- The taxpayer, or an employee of the taxpayer, is present at the furnishings of the food or beverage
- The food and beverages are provided to a current or potential business customer, client, consultant, or similar business contact; and
- In the case of food and beverages provided during or at an entertainment activity, they are purchased separately from the entertainment, or the cost of the food and beverages is stated separately from the cost of the entertainment on the receipt.

