Tax reform made many structural changes to our tax system. Changes to Code Section 274, however, sent shudders through corporate America. As amended, Code Section 274 eliminated the 50 percent deduction for “entertainment” expenses that are related to business activities. Sadly, gone are the days of companies deducting the cost of box tickets to games for the local sport’s team. Gulp! But, in its haste, Congress left what constitutes entertainment expenses substantially undefined. Accordingly, a strict reading of the statute meant—along with the box seats—went the hot dogs and beer! Ugh! So, under this strict interpretation, taking your client to the fancy restaurant to encourage her to buy your product or services would no longer be deductible.

Thankfully, the IRS has recently clarified that meals are not entertainment under amended Code section 274. IRS Notice 2018-76 explains that business meals are still eligible for the 50 percent deduction if they are not lavish and extravagant. And an IRS press release, IR-2018-195, explains that the IRS will release proposed regulations explaining what “entertainment” means.

**Practice Point:** We can all sigh with relief that Uncle Sam will continue to underwrite the “wining and dining” of our clients. Although eating is officially not entertainment (at least for tax purposes), the recent IRS guidance acknowledges that America does a lot of its business while breaking bread.

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