

**CRELIN & ASSOCIATES, CPA's**  
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Dear Client:

Before 2018, businesses could deduct 50% of business-related meal and entertainment expenses. The Tax Cuts and Jobs Act (TCJA) eliminated the deduction for entertainment expenses incurred after 2017. Business-related meal expenses, on the other hand, remain 50% deductible. That raised an important question: Are food and beverages purchased while entertaining clients and customers entertainment expenses that are no longer deductible or business-related meal expenses that continue to be 50% deductible? This has created a lot of uncertainty surrounding a time-honored, well used, and legitimate business practice of wining and dining clients.

Fortunately, the IRS has recently given us the answer to this question, and it's good news. Although the TCJA eliminated the deduction for entertainment expenses, food and beverages purchased while entertaining clients continue to be 50% deductible under the longstanding requirements, but only if they are purchased separately or stated separately on the bill, invoice, or receipt.

For example, if you take a customer to a ball game and purchase tickets in a suite where food and beverages are provided, none of the ticket cost is deductible unless the cost of the food and beverages is stated separately on the bill, invoice, or receipt. In that case, 50% of the food and beverage costs are deductible, while the rest of the ticket cost is a nondeductible entertainment expense. Of course, the IRS warns that the entertainment disallowance rule cannot be circumvented by inflating the amount charged for food and beverages.

This pretty well means that it's business as usual for these entertainment-related meal expenses, with the added requirement that, to be deductible, the cost of food and beverages must be purchased separately or stated separately on the bill, invoice, or receipt.

**Note:** It's important to remember that the longstanding rules for entertainment-related meals continue to apply—namely, to be 50% deductible, the expenses must not be lavish; you or one of your employees must be present at the event; and the person being entertained must be a current or potential business customer, client, consultant, or similar business contact. Also, business must be conducted during the event (or immediately before or after) and the time, place, business purpose, and business relationship of the attendees must be documented.

Please give us a call if you have any questions or need our assistance.

Sincerely,

Michael R. Crelin, CPA

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