BARATZ & ASSOCIATES, P.A.
ACCOUNTANTS AND CONSULTANTS

Planning Considerations for Business Deductions
A Note on 2018 Federal Tax Reform

Tax Reform Cuts Business Tax Deductions for Charity Golf Outings
You likely know that the recent reform did away with business tax deductions for prospect and existing client golf. But did you know that charity golf is gone too? 2018 brings an elimination of the 100 percent business deduction for charity golf and other special charitable sporting events.

Starting January 1, 2018, you have no business deductions for participating in or attending a charitable sporting event. Taxpayers have to claim charitable deductions instead, and that gives you a far smaller deduction than before.

Tax Reform Allows 100 Percent Deductions for Presentation Expenses
Tax reform did much reduce tax deductions for business entertainment and meal expenses. But meals served at business presentations survived. And not only did presentation expenses survive, but they continue as 100 percent business expense deductions.

The key to this is the public. IRC Section 274(e)(7) exempts the presentation expense from classification as entertainment when it is an expense for goods, services, and/or facilities that you make available to the general public. If your audience is made up of relatives and close friends, they are not the public, but if your audience is made up of prospects with whom you have no personal relationship, they are obviously the public.

Tax Reform Really Did Eliminate Prospect and Client Meal Deductions
You likely have heard conflicting information on the deductibility of business meals with clients and prospects. We have spent time researching this issue, and our conclusion is that tax reform eliminated tax deductions for business meals with clients and prospects. The repeal means the rules that allowed the client and business meals when they're directly related to or associated with the active conduct of your business are now gone.

Tax Reform Allows Bigger Vehicle Deductions
Before 2018, many business taxpayers were buying vehicles with gross vehicle weight ratings (GVWRs) greater than 6,000 pounds to escape the draconian luxury limit of roughly $15,000. Essentially, the new law sets the luxury automobile limit at $50,000. Currently, SUVs, crossover vehicles, and pickup trucks can avoid the automobile luxury limits and even qualify for immediate write-offs of the full business cost using bonus depreciation or Section 179 expensing. Cars don't qualify for unlimited bonus depreciation or any added benefits from Section 179 expensing.

The new luxury auto limits mean there's far less need to buy the bigger, heavier SUV or crossover vehicle. With a car costing $50,000 or less, you realize 71.2 percent of your total vehicle depreciation deductions in the first three years. See your Baratz accountant for details on the breakdown.

This is not meant as a comprehensive overview of the 2018 reform on deductions but a primer for our business clients. You may contact our tax department with any and all questions at the number below.