

Tax Alert

Throw a Company Picnic for Employees This Summer and Enjoy Larger Deductions

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Many businesses host a picnic for employees in the summer. It's a fun activity for your staff, and you may be able to take a larger deduction for the cost than you would on other meal and entertainment expenses.

Deduction Limits

Generally, businesses are limited to deducting 50% of allowable meal and entertainment expenses. But certain expenses are 100% deductible, including expenses:

- For recreational or social activities for employees, such as summer picnics and holiday parties,
- For food and beverages furnished at the workplace primarily for employees, and
- That are excludable from employees' income as de minimis fringe benefits.

There is one caveat for a 100% deduction: The entire staff must be invited. Otherwise, expenses are deductible under the regular business entertainment rules.

Recordkeeping Requirements

Whether you deduct 50% or 100% of allowable expenses, there are a number of requirements, including certain records you must keep to prove your expenses.

If your company has substantial meal and entertainment expenses, you can reduce your tax bill by separately accounting for and documenting expenses that are 100% deductible. If doing so would create an administrative burden, you may be able to use statistical sampling methods to estimate the portion of meal and entertainment expenses that are fully deductible.

For more information about deducting business meals and entertainment, including how to take advantage of the 100% deduction, please contact us.