

## **Tax Reform brings changes to fringe benefits that can affect an employer's bottom line**

The IRS reminds employers that several programs have been affected as a result of the Tax Cuts and Jobs Act passed last year. This includes changes to fringe benefits, which can affect an employer's bottom line and its employees' deductions.

Here's information about some of these changes that will affect employers:

### **Entertainment Expenses & Deduction for Meals**

The new law generally eliminated the deduction for any expenses related to activities generally considered entertainment, amusement or recreation.

However, under the new law, taxpayers can continue to deduct 50 percent of the cost of business meals if the taxpayer or an employee of the taxpayer is present, and the food or beverages are not considered lavish or extravagant. The meals may be provided to a current or potential business customer, client, consultant or similar business contact. Food and beverages that are purchased or consumed during entertainment events will not be considered entertainment if either of these apply:

- they are purchased separately from the entertainment
- the cost is stated separately from the entertainment on one or more bills, invoices or receipts

### **Qualified Transportation**

The new law also disallows deductions for expenses associated with qualified transportation fringe benefits or expenses incurred providing transportation for commuting. There is an exception when the transportation expenses are necessary for employee safety.

### **Bicycle Commuting Reimbursements**

Under the new law, employers can deduct qualified bicycle commuting reimbursements as a business expense. The new tax law suspends the exclusion of qualified bicycle commuting reimbursements from an employee's income. This means that employers must now include these reimbursements in the employee's wages.

### **Qualified Moving Expenses Reimbursements**

Employers must now include moving expense reimbursements in employees' wages. The new tax law suspends the exclusion for qualified moving expense reimbursements.

There is one exception as members of the U.S. Armed Forces can still exclude qualified moving expense reimbursements from their income if they [meet certain requirements](#).

### **Employee Achievement Award**

Special rules allow an employee to exclude achievement awards from their wages if the awards are tangible personal property. An employer also may deduct awards that are [tangible personal property](#), subject to certain deduction limits. The new law clarifies the definition of tangible personal property.