

THE CURCHIN GROUP

Newsletter

AUG./SEPT. 2018

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Meal and Entertainment Expenses as changed by the Tax Cuts and Jobs Act (TCJA)

By Peter Pfister, CPA

With the signing of the TCJA on December 22, 2017 many changes were made to the deductibility of meal and entertainment expenses beginning in 2018. These changes may have a major impact on individual and business spending habits. Here are some answers based on a question and answer format.

Q: I take clients out for a meal to discuss business, is that still a business deduction?

A: Yes, however your deduction is still limited to 50% of the cost of the meal. In addition, the meal must not be "lavish or extravagant" and you must be in attendance.

Q: What is the status of golf fees, amusement and other recreational expenses?

A: Beginning in 2018, these types of expenses are no longer deductible. Examples include the costs for sporting event tickets, stadium license fees, theatre tickets, fishing trips and golf fees.

Q: So, if I take a client to lunch and then we play golf (and review business issues), the meal portion is 50% deductible and the golf fees are 100% non-deductible?

A: Yes, correct

Q: As, an employer, when I reimburse employees for allowable meal and entertainment expenses what is the tax treatment for me as the employer?

A: First, let's assume the expense is business allowable. Next, the reimbursement is treated as a non-taxable reimbursement to the employee. However, as the employer, you treat the expense as it applies under the law, meaning, if it's a business meal it's only 50% deductible. If it's for sporting event tickets, it's 100% non-deductible.

Q: What about expenses reimbursed that don't qualify as business related?

A: In this case, you'd have to include the reimbursement as part of the employee's compensation (include in the W2), which would allow the employer the full deduction for the expense.

Q: I sometimes provide on-site meals and special food treats for employees and have a separate kitchen, which includes a refrigerator, table, coffeemaker and water cooler, are these types of expenses still 100% deductible?

A: Unfortunately, no. Prior to 2018 these expenses were 100% deductible as they were

considered a convenience to the employer and a de minimis fringe benefit to the employee. Beginning in 2018, it has now changed. These types of expenses will only be 50% deductible through 2025. Beginning in 2026, these types of expenses will be 100% non-deductible. Examples would include meals provided to employees for working late, and meals provided during the work day. It would also seem to cover the costs of the "eating facility" which would include the coffee and other related expenses.

Q: Are any of these employer type of meal costs excluded under the new law?

A: Luckily yes. Meals provided at the annual company holiday party or summer outing are still 100% deductible. In addition, meals provided for company training events such as continuing professional education would be 100% deductible.

Q: Some of us are members of business associations such as the chamber of commerce, what is the status of these meal expenses?

A: The law hasn't changed as the meal expense is still 50% deductible. Dues, however, are 100% deductible.

Q: How are expenses treated for charity events such as golf outings and annual dinners which at times involves inviting clients to attend?

A: The charity golf outing for the golf portion is non-deductible as the payment applies to an entertainment facility which by law is non-deductible. A portion could be considered advertising if a form of sponsorship is involved as part of the payment. For an annual dinner, the meal cost would be 50% deductible, the ticket cost would be the charitable contribution. The charity would have to provide that information. The same rules would apply if only company employees attended the annual dinner.

Q: These rule changes seem to make record keeping more cumbersome?

A: Yes, it does seem to, however, it has been suggested these types of expenses be segregated in your company financial activity for easy reference.

Please contact us should have any additional questions regarding this topic.



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Governor Murphy and Legislative Houses Reach Budget Deal Which Includes Corporate and Individual Tax Increases

By Edward Rigby, CPA, MST

On July 1, 2018, Governor Phil Murphy, Senate President Steve Sweeney and Assembly Speaker Craig Coughlin announced that their respective branches of New Jersey's government had reached a compromise agreement for the fiscal year 2019 state budget. The upcoming fiscal year budget will include certain tax increases as part of the budgeted \$37.4 Billion in revenues. Highlights of the tax increases include corporate and individual tax increases.

For individual taxpayers earning over \$5 Million, the top New Jersey Gross Income Tax rate will be raised from the current 8.97 percent to 10.75 percent. For corporations with taxable income over \$1 Million, there will be a 4-year increase in the corporate tax rate as follows: For the first two years, there will be a surcharge of 2.5 percent applied to the current corporate tax rate of 9 percent. The surcharge will phase down over the remaining two years. New Jersey will have one of the highest corporate tax rates in the country. In addition, the Corporation Business Tax will require combined reporting of affiliated corporations and modification to income sourcing rules for state allocation of service revenue to New Jersey.

Effective October 1, 2018, a new surcharge will apply to prearranged rides provided by transportation network companies (the surcharge will be \$0.50 or \$0.25 for shared rides). A transportation network company e.g., Uber, uses a digital network to connect a transportation network company rider to a transportation network driver to provide a prearranged ride. This law change does not apply to taxi or limousine companies.

In addition, certain transient accommodations will be subject to sales and local occupancy taxes. Transient space marketplaces such as Airbnb will be required to collect taxes on behalf of lessors. Transient accommodations do not include hotels or private residential property where keys or other access mechanisms are provided to the lessee at the location of a New Jersey licensed real estate broker.

For individual taxpayers, the state deduction for property taxes will be increased from \$10,000 to \$15,000.

Eligible taxpayers who benefit from the Federal Earned Income Tax Credit will receive an increase in the New Jersey earned income percentage from the current law 35% of the federal credit. The credit will gradually increase to 40% in 2020.

In addition, certain taxpayers will receive a dependent care credit on their New Jersey individual income tax return. To qualify, New Jersey taxable income must be \$60,000 or less. The credit is a percentage of the federal credit.

The New Jersey budget agreement will also include a tax amnesty program that will require the Director of the New Jersey Division of Taxation to establish a 90-day amnesty period that shall end no later than January 15, 2019. In general, under the amnesty legislation, taxpayers owing "back taxes" will avoid late payment and late filing penalties and one-half of applicable interest.

Please contact us should have any additional questions regarding this topic. Call us at (732) 747-0500 or email info@curchin.com.

Multi-State Tax News

U.S. Supreme Court Overrules Longstanding Sales Tax Nexus Requirements in its Recent South Dakota v. Wayfair, Inc. Decision

By Edward Rigby, CPA, MST

On June 21, 2018, the U.S. Supreme Court overturned longstanding multi-state nexus rules requiring what is referred to as a “physical presence” test to be met in a state before a state could require an out of state business to collect and remit sales tax. Two key Supreme Court cases, Quill Corp. v. North Dakota and National Bellas Hess, Inc. v. Department of Revenue of Illinois have provided the fundamental judicial doctrine for decades having required an out of state business to have a physical presence in a state, before such state could impose its sales and use tax requirements. In the modern economy, internet sales are typically made into states where the company does not have any physical presence while enjoying significant sales volume.

As states work to increase their tax revenues to meet increasingly higher spending budgets, they have become increasingly aggressive in challenging the old physical presence standards. For example, states such as California have imposed taxes based on sales volume in their state even if no physical presence is established. States have attempted to impose sales tax collection requirements on out of state businesses through “affiliate nexus” or “amazon rules” for e-commerce companies. For example, a New Jersey business with an affiliate company located in California could be subject to California sales tax due to certain sales solicitation activities on behalf of the New Jersey business by its California affiliate. South Dakota imposed a sales tax requirement based on a minimum sales volume. Thus, an out of state business would be responsible for sales tax collection even though it has no employees or property in the state if the sales volume requirements are met. The South Dakota sales tax statute was the focus of the Supreme Court case.

The U.S. Supreme Court upheld the South Dakota sales tax statute in its recent decision, effectively overruling the longstanding prior court doctrine requiring physical presence. Thus, taxpayers who sell tangible property over the internet or who otherwise have no physical presence in the state need to carefully consider their multi-state tax requirements and discuss these multi-state issues with their tax advisors.

Curchin Open

13 Annual Curchin Open

November 7, 2018



The Curchin Group's highly successful mini-golf tournament is entering its 13th year. The firm's biggest fundraising event of the year is a combination of miniature golf, networking and just plain fun. Held in the hallways of Curchin's headquarters, the Curchin Open has raised more than \$177,000 since 2005.

Although the event doesn't occur until November 7th this year, there's a lot of planning and ways for our friends and clients to get involved:

Charities Selected

We are excited to announce that Aslan Youth Ministries and Ocean of Love, two locally based nonprofit organizations, will be receiving all proceeds from the event:

- Aslan Youth Ministries is a provider of relationship-driven programs that impact and empower at-risk youth.
- Ocean of Love is an organization that is dedicated to helping Ocean County children with cancer and their families.



Become a Sponsor

Curchin is offering sponsorship opportunities to local businesses that would like to help the selected charities as well as raise their profile in the community. Register for a sponsorship on our website at www.curchin.com/community/register/ or reach out to our team at 732-747-0500.

Circle the date of November 7, 2018. It promises to be the biggest event yet!

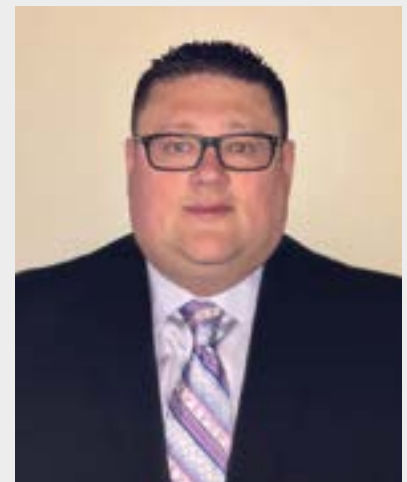
Featured Employee:

FRANK BLASUCCI

Frank joined Curchin in 2017 with more than 20 years of experience in auditing and tax preparation. His vast experience spans many industries including construction, engineering, food service, hospitality, retail, wholesaling and non-profit.

Frank is a 1996 graduate of St. John's University in New York City, holding a Bachelor of Science in Accounting. He has been a Certified Public Accountant in New York since 1999, and is a member of both the AICPA and NYSSCPA.

Frank lives in Manalapan, N.J. with his wife, two kids, mother-in-law and two dogs. Outside of work, he serves on the Board of Directors as Treasurer for the Manalapan Soccer Club. He coaches both of his sons' soccer teams. Frank is also an avid hunter and fisherman in his spare time.



CURCHIN

200 Schulz Drive, Suite 400
Red Bank, NJ 07701

Firm News



NJ Credit Union League

Robert Fouratt and Carolyn Kvalo lead the New Jersey Credit Union League's virtual CFO Roundtable on June 7, 2018, providing an update to Credit Unions of all sizes on the preparation process for implementing FASB's new accounting standard update, ASU 2016-13 Financial Instruments - Credit Losses, more commonly referred to as CECL, the Current Expected Credit Losses model. Implementation of the vastly different new standard requires a diverse implementation team, well thought out implementation plan, extensive assessment of the data and systems available for estimations and need for additional data or systems. The web conference drove home the fact that although the implementation date may appear to be quite distant, it is imperative to start planning for the implementation now.