

Travel, meals, and entertainment tax services

50,000 — The average number of meals and entertainment (M&E) expenses a typical Fortune 1000 company records each year



Larger companies with more employees may record as many as 1.2 million M&E expenses annually, including:

- Non-meal
- Employee recreation
- De minimis snacks and meals
- Charitable entertainment events
- Miscellaneous other expenses

20 to 40 — The percentage of M&E expenses that companies typically misclassify



Companies that misclassify M&E expenses may be overpaying both federal and state taxes.



Three myths about M&E studies

1 *M&E studies are too time consuming for tax department staff*

FACT Less than 10 hours of tax department time is typically required

2 *The process is too onerous*

FACT Recent IRS directives on the use of statistical sampling have greatly simplified corporate taxpayers' ability to claim M&E deductions

3 *Data collection is too difficult*

FACT Access to information from enterprise resource planning (ERP) systems with tax-specific functionality, as well as information available on the Internet, has dramatically improved the process of capturing necessary data

Three phase — Deloitte M&E study that identifies misclassifications and presents potential changes to M-1s

PHASE 1 — Feasibility analysis

- Identify potential cash tax benefits
- Identify potential exposure areas
- Assess availability of required documentation



PHASE 2 — Statistical sampling

- According to IRS Revenue Procedures 2004-29 and 2011-42
- Generally completed in four to six weeks

PHASE 3 — Redesign

Making prospective changes to expense categorization helps:

- Capture potential cash tax benefits
- Reduce potential exposure items
- Enhance substantiation



Deloitte specialists dedicated to M&E issues have performed an extensive number of projects during the past 18 years, including these industries:

- Financial services
- Manufacturing
- Energy
- Travel and transportation
- Retail
- Professional services

The Deloitte Difference — The use of IRS-approved statistical sampling improves the accuracy of documentation and its sustainability in the event of an audit. Deloitte's dedicated national M&E practice:



- Samples ~150 expenses out of a given dataset
- Takes a highly specific approach to data collection, including Internet and social media searches to improve the accuracy of the conclusions
- High audit sustention rate

Learn how your company can benefit from Deloitte's M&E services today.



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