

## 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 possible opportunities for 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
- Completed in four to six weeks

#### PHASE 3 — Redesign

Making prospective changes to expense categorization helps:

- Capture opportunity items
- Eliminate 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.



### Contacts

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