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Tax Regs in Plain English

IRS Restructuring and Reform Act of 1998

5002 - Clarification of Exclusion of Meals for Certain Employees

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Section 5002

A. Provision(s) covered: Section 5002 - Clarification of exclusion of meals for certain employees under section 119 of the Code.

B. Background: The regulations under section 119 provide that if substantially all of the meals an employer provides to its employees are for the employer's convenience, then all of the meals will be so considered. An example in the regulations provides that substantially all is approximately 90%.

C. Change(s): As modified the statute provides that all meals furnished to employees at a place of business for the convenience of the employer are treated as provided for the convenience of the employer under section 119 if more than one-half of employees to whom such meals are furnished on the premises are furnished such meals for the convenience of the employer under section 119. If these conditions are satisfied, the value of all such meals would be excludable from the employee's income and fully deductible to the employer.

D. Impact: This may expand the situations, in this inherently factual area, in which the employer may treat the value of employer provided meals as fully deductible while excludable from employee income.

E. Necessary Actions

1. Actions/Procedures. It is anticipated that the Service will address these issues in training and will continue its present efforts to work with taxpayer groups with related issues.
2. Things we CAN do. See other special comments.
3. Things we CAN'T do. None.

F. Other Special Comments: None

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