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Employee Meals with a Side of Tax

LARGE COMPANIES, TAX

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For technology giants located in the heart of Silicon Valley, it has become standard practice to shower their employees with handsome perks such as on-site gyms and a seemingly unlimited supply of lavish meals. The latter of these has caught the attention of the IRS in recent years.

Pursuant to Internal Revenue Code Section 119, meals provided by an employer are excludable from an employee's gross income provided the meals are furnished at the employer's place of business and are for the convenience of the employer. At companies such as Google and Facebook, where employee perks are extravagant and seem to go beyond what this particular income exclusion was intended for, the line becomes blurred as to who is the true beneficiary of the meals.

Because the incentives are symbiotic, encouraging the employees to work longer hours and collaborate in a more casual work setting, while simultaneously providing employees with free, gourmet meals, the Section 119 applicability becomes muddled, sparking the IRS to take a closer look at the Code. The IRS has added Section 119 to the 2015–2016 Priority Guidance Plan, with the intent to dissect the Code Section further and determine if changes are necessary.

A change to the taxation of employee meals might not only affect large tech giants, but might rather have a ubiquitous impact across the spectrum of taxpayers. If amendments are made to Section 119, it could have detrimental consequences to both the employer and the employee, possibly requiring that the employer-provided meals must be included in an employee's gross wages and spurring the employer to pay more in employment taxes.

Contact us if you have questions on changes to IRS Section 119 and visit our [Tax Services](#) page to learn more about the services that we offer our clients.

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