



Statistical Sampling to Increase Meals and Entertainment Deductions

Identifying the deductibility of Meals and Entertainment (M&E) expenses can be an overly time-consuming and tedious process, resulting in an overstatement of taxable income. Using Internal Revenue Service (IRS)-approved statistical sampling data science, Ryan is able to bring efficiencies to the process, ensuring optimal deductibility while mitigating risk. Through the use of statistical sampling, companies may efficiently decrease effective tax rates and increase earnings per share and cash flow by incorporating these rules into their accounting policies. Our process adheres to all IRS guidance, including two separate revenue procedures, resulting in mitigation of risk coupled with optimal deductibility.

Ryan's Experience

Ryan's data scientists design statistical samples for application to IRS revenue procedures, allowing taxpayers to substantiate tax deductibility otherwise difficult to justify under a full population review. Our approach can deliver incremental deductibility up to 30%, while reducing risk through diligent adherence to IRS guidance.

Benefits of Statistical Sampling

Statistical sampling can be particularly beneficial to help identify expenses that should be treated as nondeductible, or 50% or 100% deductible. Reviews now are of greater value to taxpayers because they are much more efficient, beneficial, and nonintrusive to your organization. Companies should review their M&E expenses annually to realize the full deductibility and ensure compliance with tax law.

Examples of fully deductible expenses include:

- Expenses treated as employee compensation
- Reimbursed expenses
- Expenses for recreational, social, or similar activities primarily for the benefit of employees
- Expenses for goods, services, and facilities made available by the taxpayer to the general public
- Expenses for goods or services that are sold by the taxpayer in a bona fide transaction for an adequate and full consideration
- Expenses includable in income of persons who are not employees



VALUE PROPOSITION <i>(Assuming 30% reduction in M&E addback)</i>	
Three-Year Estimated Gross M&E	\$6,000,000
Hypothetical M-3 – Original	\$3,000,000
Less: Hypothetical M-3 – New	\$2,100,000
Increased M&E Deduction	\$900,000
Estimated Marginal Effective Tax Rate	30%
After-Tax Benefit	\$270,000

Benefit Example of Extrapolation in Statistical Sampling

Without Statistical Sampling	With Statistical Sampling
\$25 M&E expense may result in a \$25 deduction	\$25 M&E expense may result in a \$1,000 deduction

The Ryan Advantage

Using statistical sampling in M&E reviews, Ryan helps companies efficiently and effectively incorporate the ever-changing tax rules into their accounting policies. Our experienced team is focused on partnering with clients to reduce their income tax burden while ensuring compliance.



Award-Winning Tax Services

For additional information

1.855.RYAN.TAX

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