



TaxNewsFlash

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Tax Court: Pregame meals provided hockey team are de minimis fringe benefit

The U.S. Tax Court today issued an opinion concluding that pregame meals at away-city hotels, provided by a professional hockey team to its players and personnel, qualified as a de minimis fringe and that the costs of the pregame meals were not subject to the 50% limitation under section 274(n)(1).

The case is: *Jacobs v. Commissioner*, 148 T.C. No. 24 (June 26, 2017). Read the Tax Court's [opinion](#) [PDF 123 KB]

Background

The taxpayer husband and wife were the owners of the Boston Bruins professional hockey team. [Team ownership was held through subchapter S corporations and other entities, of which the taxpayers were the direct or indirect owners.]

During the years at issue, the Bruins' team members and personnel traveled to away games, and arrangements were made at the away-game hotels for pregame meals to be provided to the players and personnel. For the tax years 2009 and 2010, the taxpayers claimed meal expense deductions of approximately \$128,000 and \$142,000, respectively. The IRS issued deficiency notices reflecting a disallowance of 50% of the claimed deductions for meal expenses provided to the Bruins' traveling hockey employees in cities other than Boston.

The taxpayers petitioned the Tax Court, asserting that the 50% limit imposed on meal expenses under section 274(n)(1) did not apply in this instance because the meals qualified as a de minimis fringe benefit under section 274(n)(2)(B), or alternatively as an expense sold to customers under section 274(n)(2)(A).

Tax Court's opinion

The Tax Court agreed with the taxpayers, and held that they were entitled to deduct the full cost of the meals without regard to the 50% limitation imposed by section 274(n)(1).

The court found that the pregame meals at away-city hotels were provided to the Bruins' traveling hockey employees for substantial noncompensatory business reasons. The court reached this conclusion by finding, among other items, that:

- The employee meals were provided pursuant to the nondiscriminatory manner requirement of section 132(e)(2).
- The Bruins' contracts with the away-city hotels for the right to use and occupy the meal rooms to conduct team business were substantively leases (thus satisfying the "operated by the employer" criterion).
- The contract with each away-city hotel regarding the operation of the meal rooms as well as food preparation and service was in effect the taxpayers "contracting with another to operate an eating facility for its employees."
- The rented hotel space in the away cities constituted part of the Bruins' business premises, given that the traveling hockey employees' performance of "significant business duties at away city hotels along with the unique nature of the Bruins' business (i.e., professional hockey)."
- It was "illogical" for the IRS to ignore the nature of the Bruins' business and the NHL and to analyze the amount of time spent at each away-city hotel in isolation.

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