

Announcement 98-100

The Internal Revenue Service announces today that the proposed training materials relating primarily to the application of section 119 of the Internal Revenue Code to meals provided to the employees in the hospitality industry, as described in Announcement 98-77, 1998-34 I.R.B. 30 (the Proposed Section 119 Training Materials), will not be finalized by October 31, 1998. The Service had indicated in Announcement 98-78 that it expected to finalize the training materials by that date. However, the Service has determined that it needs additional time in order to consider the comments received on the proposed training materials and to discuss such comments with the commentators.

In Announcement 98-78, 1998-34 I.R.B. 30, issued on August 4, 1998, the Service announced a settlement initiative relating to employee meals. The purpose of the initiative is to resolve certain issues

quickly and eliminate the need for further potentially costly controversies for the periods covered by the settlement initiative. The settlement initiative provides that taxpayers can indicate their interest in accepting the offer no later than 30 days after the Proposed Section 119 Training Materials are finalized. Taxpayers will continue to have until 30 days after the release of final training materials to indicate an interest in the settlement initiative relating to these issues.

The Service received questions about one aspect of the settlement offer. In response to these questions, the Service clarifies that, for taxable years beginning on or after January 1, 1995 and before December 31, 1998, the taxpayer may deduct an amount of the otherwise allowable expenses for such periods, taking into account section 274(n)(1), but substituting 70% in section 274(n)(1) in place of 50%. If, for example, a taxpayer in-

curred \$100 of allowable expenses for employee meals in the tax year beginning on January 1, 1996, section 274(n)(1) would ordinarily limit the deduction of those expenses to \$50. The settlement offer, as set forth in Announcement 98-78, provides for a \$70 deduction for the 1996 tax year.

For further information on the settlement initiative, contact Bob Patrick, at (702) 455-1403 (not a toll-free number). For further information on the training materials, contact Dan Bryant, Senior Analyst, Office of Employment Tax Administration and Compliance at (202) 622-3650 (not a toll-free number).

The principal author of this announcement is Thomas Burger, Director, Office of Employment Tax Administration and Compliance (OETAC). For further information regarding this announcement contact Bob Patrick at (702) 455-1403 (not a toll-free call).