

# MEALS & ENTERTAINMENT: WHAT YOU NEED TO KNOW

In certain circumstances meals are deductible as ordinary and necessary business expenses. The Consolidated Appropriations Act of 2021 (CAA) allows meals provided by a restaurant to be fully deductible in 2021 and 2022. Qualifying restaurant meals must be paid and incurred before January 1, 2023. See [IRS Notice 2021-25](#) for the definition of “restaurant” for purposes of this temporary change.

On January 1, 2023, the allowable meals deduction returns to limits set by the Tax Cuts and Jobs Act of 2017. Additional considerations when determining the deductibility of meals: taxes and tips are deductible, meals must not be lavish, and taxpayers must maintain adequate records.

Cost of occasional holiday party/picnic for employees	<b>100% deductible</b> as long as the event is primarily for non-highly compensated employees.
Department gatherings and outings that include refreshments	<b>100% deductible</b> as long as the activities primarily benefit employees other than those who are highly compensated.
Meals during business travel	<b>50% deductible</b> as long as the meal cost is not lavish or extravagant, the taxpayer or an employee is present and the amount is properly substantiated. However, the CAA removes the 50% limit on deducting meals provided by restaurants in 2021 and 2022 and makes those meals fully deductible.
Food offered to the public for free during a seminar or other event	<b>100% deductible</b> if primarily consumed by customers and members of the general public.
Items sold to customers	<b>100% deductible.</b>
Event tickets (Sporting, Theater, etc.)	<b>Not deductible</b> for entertainment portion. Promotion, advertising, charitable and meal portions may be fully or partially deductible if separately stated or invoiced.
Meal with a customer or potential customer	<b>50% deductible</b> if the taxpayer or an employee is present, the meal is not lavish or extravagant and the expenses are properly substantiated. However, the CAA removes the 50% limit on deducting meals provided by restaurants in 2021 and 2022 and makes those meals fully deductible.
Meals with a customer or potential customer during entertainment events	<b>Not deductible</b> unless the food and beverages are separately purchased or the cost is separately stated on an invoice and the cost reflects the venue’s usual selling prices. Cost of food and beverages separately stated on an invoice or receipt are <b>50% deductible</b> . However, the CAA removes the 50% limit on deducting meals provided by restaurants in 2021 and 2022 and makes those meals fully deductible.
Refreshments or meals brought to the office for employees working overtime	<b>50% deductible.</b> However, the CAA removes the 50% limit on deducting meals provided by restaurants in 2021 and 2022 and makes those meals fully deductible.
Operation of an eating facility on or near business for employees	<b>50% deductible.</b> After 2025, these costs will be non-deductible.
Meals provided for the convenience of the employer	<b>50% deductible.</b> After 2025, these costs will be non-deductible. However, the CAA removes the 50% limit on deducting meals provided by restaurants in 2021 and 2022 and makes those meals fully deductible.
Snacks and beverages provided at the office	<b>50% deductible.</b> However, the CAA removes the 50% limit on deducting meals provided by restaurants in 2021 and 2022 and makes those meals fully deductible.
Membership dues for clubs organized for business, pleasure, recreation or other social purposes	<b>Not deductible.</b> Generally, costs related to business leagues, trade associations and chambers of commerce are deductible.