Small Business Taxes

IRS Meals and Entertainment Deductions

Rules and Limits

MEALS AND FOOD EXPENSES - HOW MUCH CAN I DEDUCT?

Business meals are 50% deductible while entertainment expenses remain fully non-deductible after the 2017 Tax Cuts and Jobs Act eliminated them.

BOTTOM LINE UP FRONT – 2026 CHANGES

- Meals provided on employer premises for the convenience of the employer are no longer deductible
- Use of Per Diem rates (see explanation below): The IRS has set the per diem rate for 2026 at $68 per day with higher cost areas ranging up to $92 per day
- The full per diem rate set by the GSA (lodging, meals and incidentals) is $225 or $319 for high-cost areas

FIFTY PERCENT DEDUCTION FOR BUSINESS MEALS

You can deduct 50% of the cost of a business meal if it meets three requirements:

1. The expense is not lavish or extravagant
2. You or your employee are present when the food is served
3. There is a business purpose for the meal

The person you are dining with needs to be a "business associate". A business associate can be anyone you could expect to do business with, current or prospective clients, suppliers, employees, partners, and professional advisors.

***DISCLAIMER:** This information is for general education only and is not individualized tax, legal, or financial advice. Consult a qualified tax professional about your specific business, entity type, government obligations, and cash-flow situation.*

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EMPLOYER CONVENIENCE MEALS

Before 2026, meals provided on employer premises for the convenience of the employer were 50% deductible. **Starting on January 1, 2026 this deduction has been eliminated.**

LAVISH AND EXTRAVAGANT

The Tax Law states that amounts spent on meals (and lodging while traveling away from home) are deductible only to the extent that are not "lavish and extravagant under the circumstances." IRS rules state that an expense is not considered lavish or extravagant if it is reasonable based on the facts and circumstances.

SEPERATING MEALS FROM ENTERTAINMENT

When food and entertainment happen at the same event, the meal portion can still be 50% deductible, but only if the meal portion is listed separately on the bill. When booking events that include catering, ask the venue to itemize food and beverage charges separately.

EXCEPTIONS ALLOWING A 100% DEDUCTION

Several categories of meal and activity expenses bypass the 50% limit entirely. These need to be tracked separately from your standard business meals, because lumping them together means leaving money on the table.

- **Employee social and recreational events:** holiday parties, summer picnics, team outings, and similar events held primarily for the benefit of employees are 100% deductible.
- Small, occasional food items provided to employees are 100% deductible as **de minimis fringe benefits.** Coffee in the break room, donuts at a morning meeting, and occasional snacks all qualify.

WHAT THE IRS EXPECTS YOU TO DOCUMENT

The IRS requires records for every business meal deduction to include:

- **Amount** – total cost supported by an original receipt
- **Date** – when the meal took place
- **Location** – name and address of the restaurant or venue
- **Business purpose** – reason for the meal and who was present

USE OF PER DIEM RATES

Rather than tracking actual meal costs, a taxpayer/small business owner can use the federal per diem for meals and incidental expenses.

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