

THE ULTIMATE GUIDE TO

Writing Off Business Meals

Tamra Halley
tamra@startandb.com



(307) 215 -9653
StarTaxesAndBooks.com

Hey, it's Tamra!

In this guide, I'll be breaking down what qualifies as a legitimate business meal expense, how to document your meals, and how to avoid making mistakes I see entrepreneurs do every day!



When it comes to business deductions, the **FIRST** question you need to ask yourself is: Is this an ordinary and necessary expense for conducting my business?

But when it comes to business meals, there are a few more facts and circumstances needed to determine whether any deduction is appropriate. This guide is not intended as financial advice, and you should consult with your tax professional to determine the best course of action for your unique tax situation.



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Table of Contents

- 03 TCJA Expiration
- 04 50% Meals Deduction
- 05 Meal Documentation
- 06 Exceptions To 50% Limit
- 07 Meals When Traveling
- 09 FAQs



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Dude, where's my 100% deduction?

Do you vaguely remember being able to take a 100% deduction for your meals in the past? You're not going crazy! There was a temporary 100% deduction for meals from a restaurant after December 31, 2020, and before January 1, 2023, from the Tax Cuts and Jobs Act (TCJA).

Since this 100% deduction has expired, the meal deduction rules have reverted back to previous guidance. But, that doesn't mean you've lost your 100% deduction on all meals! Check out page six to find out which meal expenses may still be *fully deductible*.

But, let's get back to the present! Here's what you need to know in today's tax world: A lot of business meal expenses are back to being only *50% deductible*. Keep reading to find out what falls into this category!



Turning meals into business deals?

You can generally deduct 50% of your meal costs that meet the following criteria:

- The expense is an ordinary and necessary part of conducting your trade or business
- The expense is not lavish or extravagant
- Your business has a presence at the meal (either through you or your employee)
- The meal has a clear business purpose
- There is proper substantiation (documentation) of the meal



Document this for each business meal:



The date and time of the meal



Who attended the meal



The business purpose of the meal



The total cost of the meal (including tips & tax)

PRO TIP:

Writing the business purpose and attendees on your receipt is an easy way to do this all in one place.



BUT, THAT'S NOT ALL...

Here are some *exceptions* to the 50% deduction limit:

- Meal expenses that are treated as compensation to an employee
- Meal expenses from social activities for employees (like a holiday party or summer BBQ)
- Meals provided to the general public as a means of advertising
- Your trade/business is selling meals to the public (like a restaurant or food truck)

**These expenses may be fully deductible. Information sourced from IRS Publication 463 (2023).*



Business Travel Meal Expenses

Per the IRS, if you're traveling away from your **tax home** for business for a period of time that is substantially longer than an ordinary day's work (*i.e. you would need to sleep or rest to complete your work*), your meals may be deductible subject to the 50% limit to the extent that they are not lavish or extravagant.



What is your tax home?

Generally, your **tax home** is considered your regular area of business (regardless of where your family home is located) and includes the entire city or general area.



Q&A

WHAT ABOUT TIPS & TAXES?

Taxes and tips should be included in the deductible amount for qualifying business meals.

WHAT IS LAVISH AND EXTRAVAGANT?

The IRS has not defined an exact dollar amount for lavish and extravagant expenses and has stated that meal expenses won't be disallowed just because they've taken place at a luxury hotel or restaurant. All facts and circumstances should be considered to determine whether the meal expense is reasonable.

DOES MY COFFEE IN THE MORNING COUNT?

Are you meeting with a potential client, existing client, vendor, or employee to discuss business? If not, are you traveling for business away from your tax home? If your answer is no to both of these, your morning coffee probably does not qualify as a business meal. Confirm with your tax accountant for your specific situation!





Let's Connect!

I'm passionate about helping small business owners understand their numbers through monthly bookkeeping, increase profits and streamline business processes, lower their tax liabilities.



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