Himmelwright
Huguley
Boles

General Checklist for Deductible and Non-Deductible Meals and Entertainment

The IRS allows certain business meals and entertainment expenses to be deductible under specific conditions, while others remain non-deductible. Use this checklist to check on compliance when deducting these expenses. As always, be sure to check the IRS website for updated information. (Updated 2024)

IRS – Travel & Entertainment Expenses FAQs

Deductible Business Meals (50% Deductible):

1. You can deduct 50% of the cost of meals if the following conditions are met:

    • The meal is directly related to your business or associated with the active conduct of your business.

    • You or an employee are present during the meal.

    • The meal is not lavish or extravagant based on the circumstances.

    • The expense is properly documented (see "Record-Keeping Requirements" below).

    - **Examples of 50% deductible meals**:

        • Business meals with clients, prospects, or business associates.

        • Meals during business travel.

        • Meals provided to employees at a conference or training.

2. Fully Deductible Meals (100% Deductible): Certain meals qualify for 100% deductibility:

    • Meals provided to employees for the convenience of the employer (e.g., meals during overtime).

    • Food and beverages provided at company-wide events such as holiday parties or annual picnics.

    • Snacks or drinks provided in an office setting for employees.

3. **Non-Deductible Meals**: Meals are not deductible if:

- They are personal in nature, such as meals with friends or family unrelated to business.
- The expenses are overly lavish and extravagant without a valid business reason.

4. **Non-Deductible Entertainment Expenses**: The Tax Cuts and Jobs Act (TCJA) eliminated deductions for most entertainment expenses, including:

- Tickets to sporting events.
- Concert tickets, theater tickets, or other recreational activities.
- Membership dues for clubs organized for recreation or social purposes (e.g., golf or athletic clubs).

5. **Exception**: Entertainment Directly Related to Business: Some entertainment-related expenses may still be deductible if they are separately stated and meet IRS requirements:

- Meals during entertainment events are deductible at 50% if the food and beverage costs are stated separately on the invoice or bill.
- **Example**: If you host a client at a sporting event and purchase food, only the meal portion is 50% deductible if properly itemized.

6. **Record-Keeping Requirements**: The IRS requires documentation to substantiate meal and entertainment deductions:

- Keep receipts or invoices showing the amount, date, and location.
- Record the business purpose of the expense (e.g., discuss project proposals or business strategies).
- Note the names of attendees and their business relationship to you.
- Maintain logs or records for travel-related meal expenses.

7. **Additional Considerations**

- Per Diem Rates: If using per diem allowances for meals during travel, ensure rates align with IRS guidelines.
- Employer-Provided Meals: Meals offered for employee convenience or as part of a company policy may be fully deductible, but excess lavishness may trigger non-deductibility.

Quick Summary

Category	Deductibility
Business meals with clients	50%
Business travel meals	50%
Meals at company-wide events	100%
Snacks and drinks for employees	100%
Lavish meals	Non-deductible
Entertainment (sports, concerts, etc.)	Non-deductible
Meals at entertainment events	50% (if itemized)