

Abstract: Business owners should remember that the 50% deduction limit for certain meals remains suspended in 2022. That means companies can deduct 100% of the cost of business-related, restaurant-provided meals. This brief article has the details.

Businesses can still deduct 100% of restaurant meals

Business owners, 2022 is well underway. So, don't forget that a provision tucked inside the Consolidated Appropriations Act suspended the 50% deduction limit for certain business meals for calendar years 2021 *and* 2022. That means your business can deduct 100% of the cost of business-related meals provided by a restaurant.

As you may recall, previously you could generally deduct only 50% of the “ordinary and necessary” food and beverage costs you incurred while operating your business. Now you can deduct your full eligible costs. What's more, the legislation refers to food and beverages provided “by” a restaurant rather than “in” a restaurant. So, takeout and delivery restaurant meals also are fully deductible.

However, some familiar IRS requirements still apply. The food and beverages can't be lavish or extravagant under the circumstances. The meal must involve a current or prospective customer, client, supplier, employee, agent, partner or professional advisor with whom you could reasonably expect to engage in the due course of business. And you or one of your employees must be present when the food or beverages are served.

Entertainment expenses still aren't deductible, but meals served during entertainment events can be deductible if charged separately. If food or beverages are provided at an entertainment activity, further rules apply. In addition, in November of last year, the IRS issued guidance on per diems related to the temporary 100% deduction for restaurant food and beverages. Contact us for further details.

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