



**Business meals are fully tax deductible for 2021 and 2022 - by
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Business meals are back as fully tax deductible for 2021 and 2022

Many of you recall that business meals were only 50% deductible for the last few years but meals can now be 100% deductible as business expenses under certain conditions.

The Consolidated Appropriations Act of 2021 has temporarily allowed business meals to be 100% deductible for 2021 and 2022. The IRS issued guidance this year outlining that the meals must be purchased from a restaurant, be for meetings with clients or prospects of the taxpayer, and the taxpayer or their employees must be present at the meeting.

The IRS also stated that the meals cannot be lavish and if the meal is part of an entertainment event like a sporting event, then the meal is not deductible. The meal can be deductible if separately stated from the cost of the actual event. But in this circumstance the meal goes back to the 50% deduction amount.

The most practical application of this temporary tax break at this time of year is to be aware of the rule and go through your business credit card [or other] expenses and dig out those meals that you may have planned to leave as non-deductible items. Also, with the holidays here, maybe you'll have some motivation to get one last dinner appointment in at your favorite place.

The IRS needs to have a lot of rules. So here come all the caveats:

Your favorite place must be a conventional restaurant. It can't be a grocery store, liquor store or other prepackaged type of store. In other words, it must be for immediate consumption.

In the past, 'meals and entertainment' were a single category for accounting purposes. But the two categories diverged especially under 2018 tax reform. So it is important to keep meals separate from entertainment in your records. Entertainment, amusement, or recreational events continue to be non-deductible. Accordingly, it makes sense to have two separate accounts on your books.

Meanwhile, this temporary break is good to know about. Another related issue are meals provided at the employer's premises. These are 50% deductible as they were before the 2021 Tax Act and de-minimus items like snacks at the office also fall under the 50% deductibility rule.

Meals provided at your annual Holiday Party are also fully deductible and also note that any company event like a picnic would also be 100% deductible.

Many of us make business decisions everyday and we would have taken that client or prospect to lunch no matter the deductibility of the meal. But it's good to know that the meal is 100% deductible - at least until 2022 is over. Enjoy your Holiday season and please take all the write offs you're entitled to!

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