

Meals – 100% Deduction

Generally taxpayers deduct 50% for business meals. However, if the expenses fall within the following guidelines they are 100% deductible:

- De minimus fringe benefits. Meals provided on the employer's premises for the employer's convenience, if more than 50% of the employees are furnished meals for the employer's convenience. (IRC 119)
- Expenses for meals and entertainment that are treated as taxable compensation to employees are fully deductible by the employer.
- Promotional activities made available by the taxpayer to the general public. Examples: Real estate brokers may deduct the full cost of free dinners provided to potential investors who attend sales presentations; wine merchants may deduct the cost of wine used as samples and food provided during a wine tasting event.
- Employer-provided social or recreational expenses for the benefit of employees who are not highly compensated, such as a summer picnic or holiday party.
- Meals and entertainment sold to customers. Example: A restaurant.
- Real Estate Agents- all food and beverage purchased for broker/realtor opens. These broker/realtor opens must be open to the general public to be 100% deductible.

*This information should be used as a guideline. Specific questions regarding this "Biz Facts" should be directed to a Business by Design tax professional.