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## **100% Deduction for Meals**

### **100% Deduction for Business Meals & Beverages in 2021 & 2022**

With the passage of the Consolidated Appropriations Act of 2020, Congress has provided for the temporary allowance of a 100% deduction for business meals and beverage expenses provided by a restaurant that are paid or incurred in 2021 and 2022.

### **Invoicing**

Food and beverage expenses deductibility and treatment depends on how they are invoiced. Food and beverage expenses include delivery fees, tips, and sales tax. For food or beverages provided at or during an entertainment activity, the amount charged for food or beverages on a bill, invoice, or receipt must reflect the venue's usual selling cost for those items if they were to be purchased separately from the entertainment, or must approximate the reasonable value of those items. However, if the invoices are not stated separately and no allocation can be made, the entire amount is non-deductible.

As a general rule, your company can deduct the cost of meals as a business expense if the following requirements are met:

- The expense must be ordinary and necessary and paid in carrying on a trade or business;
- The expense may not be lavish or extravagant;
- The taxpayer or an employee must be present when the food or beverages are furnished;
- Food and beverages must be provided to the taxpayer or a business associate; and
- If the food and beverages are provided during or at an entertainment activity, separate invoicing is required.

The food or beverage must be provided to a person with whom the taxpayer could reasonably expect to engage or deal in the active conduct of the taxpayer's trade or business such as the taxpayer's customer, client, supplier, employee, agent, partner, or professional adviser, whether established or prospective. This definition is applied to employer-provided food or beverage expenses by considering employees as a type of business associate as well as to the deduction for expenses for meals provided by a taxpayer to both employees and non-employee business associates at the same event.

## Contact Us

Please contact our office if you have any questions regarding these changes to the law affecting deductibility of business meals.

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