

# Your Business: Make the Most of Business Meals/Entertainment

## Filing Guide

IRS Publication 463:  
[Travel, Entertainment, Gift, and Car Expenses](#)

## Tax Savers

You can deduct 100% of your expenses for meals and entertainment for sales seminars and similar events where the meal is integral to the presentation.<sup>7</sup> You can also deduct 100% of the cost of sporting events you organize to benefit charity<sup>8</sup> and recreation expenses for employees.<sup>9</sup>

## Tax Savers

You can't deduct membership dues for private nonbusiness clubs. But you can deduct the costs of meals you host there.

## Tax Savers

You can deduct the cost of meals that you furnish employees (and yourself, unless you're taxed as a proprietor) for the convenience of the business and not for compensation. These include meals you furnish on-premises to let employees stay available for emergency calls, meals you furnish during short lunch periods (up to 45 minutes), meals you furnish where there aren't adequate eating places near the workplace, and any meals you furnish to over 50% of employees.<sup>10</sup> You can also deduct off-premises meals you provide as part of required business meetings.<sup>11</sup>

## Sources

- <sup>1</sup>Regs. §1.274(c)(7).
- <sup>2</sup>Regs. §1.274-5(b)(3).
- <sup>3</sup>Rev. Rul. 95-96.
- <sup>4</sup>Regs. §1.274-2(d)(4).
- <sup>5</sup>IRC §274.
- <sup>6</sup>IRS Pub. 463, page 25 (2003).
- <sup>7</sup>*Matlock v. Comm'r*, TC Memo 1992-324.
- <sup>8</sup>IRC §274(l).
- <sup>9</sup>IRC §274(n)(2).
- <sup>10</sup>IRC §119; Regs. §1.119-1.
- <sup>11</sup>*Mabley v. Comm'r*, TC Memo 1965-323.

Meals and entertainment you host in the course of your business are deductible if they're directly related to the active conduct of your business or they take place directly before or after substantial, bona fide discussion directly related to the active conduct of your business. You can deduct 50% of most meals. Specific deductions include meals, drinks, taxes and tips.

- Surroundings must be conducive to business discussion.<sup>1</sup>
- To prove your deductions, you'll need a diary, day planner, or similar log to record your business appointments. Record the information listed in the table below.<sup>2</sup>
- You'll need receipts for expenses *over* \$75.<sup>3</sup> Credit card statements work *if* you corroborate them by recording the business purpose of the expense in your business diary.
- You can't deduct meals with your spouse unless you're traveling together for business. However, you can include the cost of a spouse or other "closely connected" person (such as children or parents) if your guest brings *their* spouse.<sup>4</sup>
- You can deduct costs for small gatherings at your home. If you invite more than 12 guests, you can deduct "reasonable" costs if your primary purpose is business. Include employees; let guests know your business purpose; discuss and display your product or service to support your deduction.<sup>5</sup>
- Entertainment expenses are 50% deductible if they take place directly before or after a substantial, bona fide discussion directly related to the active conduct of your business. Deductions include the face value of tickets to sporting and theatrical events, food and beverages, parking, taxes, and tips.

<b>Business Meals<sup>6</sup></b>			
Amount	Time	Place/ Description	Purpose/ Relationship
Cost of the meal	Date of the meal	Establishment where the meal takes place	<p>Purpose: Business purpose for the expense, or the business benefit gained or expected.</p> <p>Relationship: Occupations or other information (such as names, titles, designations) about your guest that show their relationship to you.</p>