

Doron F. Eghbali Business Law

How to Deduct Your Business Meals From Your Taxes

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It is very common to go out with a colleague or friend and talk about business while eating. However, we often wonder if we could get reimbursed by the IRS if our employer has not paid the bill. Well, let us educate ourselves about it to rather comfortably deduct such business expenses from our taxes.

BASIC REQUIREMENTS

For every business meal, to be eligible for tax deduction, you must show:

1. *The Business Meal Has a Business Purpose; And*
2. *The Deduction Is Proper.*

SOME DETAILS

1. You Should Provide Some Sort of Documentation.

This would be a comfort to a lot of us that for business meals below \$75, we usually do not need to keep receipts. Nonetheless, this is extremely important to keep some sort of documentation to prove the meal has a business purpose and our deduction is proper. Specifically, we should

- Put down the meeting as an entry in your appointment book or the like.
- Put down the general topic of your discussion and some specifics.
- Put down the number of participants.
- Put down the name of participants.
- Put Down the location of the meeting.
- Put Down the total cost of the business meeting.

2. Generally, Business Meals Are Subject to 50% Limitation.

This means that you can usually deduct half of all business meals expenses that satisfy the two requirements specified earlier.

However, the 50% limitation has some exceptions:

- **If You Sell Meals to the Public:** This means if you are a restaurant or club, and have a business meal at your establishment, you can deduct the whole amount and not worried about the 50% limitation.
- **If You Provide Snacks to the Employees at the Office:** Friday goodies, soda, coffee, water, candy, donuts and similar snacks are 100% deductible by the employer.

- **If You Provide Meals for a Business Holiday Party for Your Office:** Holiday picnic meals costs paid out of employer's pockets for employees are, generally, totally deductible.
- **If You Provide Meals to Your Employees at Your Establishment to MORE THAN Half of Your Employees:** This is generally happens when a business provides meals to MORE THAN HALF of its employees to keep them working overtime or on weekends.

CAVEATS

1. Business Meal Must Not Be Lavish and Extravagant: Although the IRS does not define specifically what lavish and extravagant means, it states such costs MUST BE reasonable. As such, it behooves business owners, depending on the totality of circumstances, to properly determine whether a business meal is lavish and extravagant or reasonable.

2. Business Discussion Over Business Meals Must Be Substantial: It is extremely important to note that just a gathering of business people around a table would not satisfy the business purpose requirement if in the meeting everything is discussed including business.

3. Business Meal Must Not Be "It Is My Turn" Cost: If you frequently go out with a client, associate or employee and every time one of you picks up the tab, then such costs are NOT deductible.

***DORON EGHBALI** is a Partner at the Beverly Hills Offices of Law Advocate Group, LLP. He Primarily Practices Business, Real Estate and Entertainment Law. He Can Be Reached at: 310-651-3065. For More Information, Please, Visit: www.LawAdvocateGroup.com.*