**BizBoost News**

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**Business Meals Deduction for 2021-2022 Tax Years**

As an incentive to help restaurants recover economically due to the COVID-19 pandemic, Congress has temporarily allowed that expenses for business-related meals are 100 percent tax deductible from January 1, 2021 through December 31, 2022. After that date, the federal tax deduction for business-related meals will return to the 50 percent level.

It’s important for a business owner to understand when the temporary 100 percent deduction applies and when the 50 percent limit is in effect. For that, the IRS has issued Notice 2021-25 for clarity.

For the cost of a meal to be 100 percent deductible, the food and beverages must be purchased from a restaurant. The IRS defines a restaurant as “a business that prepares and sells food or beverages to retail customers for immediate consumption, regardless of whether the food or beverages are consumed on the business’s premises.” The 100 percent deduction is allowed as long as the expense isn’t “lavish or extravagant,” the business owner or their employee is present at the meal, and the meal is provided to the business owner or their client.

There are certain circumstances where the temporary 100 percent deduction does not apply. For example, pre-packaged food or beverages, such as food sold at a grocery store or a vending machine, do not qualify for the enhanced deduction. Additionally, because eating facilities located on a business premise are not considered restaurants, meals purchased from these sources remain limited to a 50 percent deduction.

Business owners are advised to keep track of the different types of meal expenses to determine their deductibility. A good way to do this is to create separate categories, accounts, or sub-accounts for 100 percent deductible meals and 50 percent deductible meals on their chart of accounts in their accounting software.

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DID YOU KNOW… Pre-packaged food or beverages, such as food sold at a grocery store or a vending machine, do not qualify for the enhanced business meal deduction. Additionally, because eating facilities located on a business premise are not considered restaurants, meals purchased from these sources remain limited to a 50% deduction. Learn more in our latest article: [link]

Our latest blog article reviews the rules for business meal deductions for the 2021-2022 tax years. Get instant access here: [link]

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It’s important for a business owner to understand when the temporary 100% deduction applies and when the 50% limit is in effect. Learn more in our latest blog article: [link]

DID YOU KNOW… There are certain circumstances where the temporary 100% business meal tax deduction does not apply. Find out more here: [link]

In regards to business meal deductions, business owners are advised to keep track of the different types of meal expenses to determine their deductibility. A good way to do this is to create separate categories for 100% deductible meals and 50% deductible meals on their chart of accounts. Learn more in our latest blog article: [link]

Do you know how business meal tax deductions work, and when meals are 100% deductible or 50% deductible? Sign up for our newsletter to learn more: [link]