



## Certain Business Meals Continue to be Deductible As Clarified by the IRS Notice

Last week, the IRS issued guidance clarifying the deductibility of expenses for certain business meals as amended by the Tax Cuts and Jobs Act of 2017 (“the Act”). With the passing of the Act, most deductions for business expenses with



respect to entertainment, amusement or recreation are disallowed beginning January 1, 2018. However, the Act does not specifically address the deductibility of expenses for business meals.

Under the interim guidance issued this week, the IRS clarified that generally, taxpayers may continue to deduct 50% of otherwise allowable business meals if all the following conditions are met:

1. The expense is an ordinary and necessary business expense paid or incurred in carrying on any trade or business;
2. The expense is not lavish or extravagant under the circumstances;
3. The taxpayer and/or an employee of the taxpayer is present;
4. The food or beverages are provided to a current or potential business customer, client, consultant or similar business contact; and
5. In the case of food and beverages provided during or at an entertainment activity, the food and beverages are purchased separately from the entertainment, or the cost of the food and beverages is stated separately from the cost of the entertainment on one or more bills, invoices or receipts. (The entertainment disallowance rule may not be circumvented through inflating the amount charged for food and beverages.)



Per their Notice 2018-76, the IRS announced that “until the proposed regulations are effective, taxpayers may rely on the guidance of this notice for the treatment of expenses for certain business meals.”

Business meals can play a significant role in expanding and carrying on business relations. We can help you determine how and which of your meal costs can qualify for this deduction.

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Please call or email Griffing & Company, P.C. for help with these or any other questions you may have.



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