



To Our Clients and Friends:

The recent stimulus legislation included a provision that removes the 50% limit on deducting business meals provided by restaurants in 2021 and 2022 and makes those meals fully deductible. Here are the details.

In general, the ordinary and necessary food and beverage expenses of operating your business are deductible. However, the deduction is limited to 50% of the otherwise allowable expense.

The new legislation adds an exception to the 50% limit for expenses for food or beverages provided by a restaurant. This rule applies to expenses paid or incurred in calendar years 2021 and 2022.

The use of the word "by" (rather than "in") a restaurant makes it clear that the new rule is not limited to meals eaten on the restaurant's premises. Takeout and delivery meals provided by a restaurant are also fully deductible.

It is important to note that, other than lifting the 50% limit for restaurant meals, the legislation does not change the rules for deducting business meals. All the other existing requirements continue to apply. Thus, to be deductible:

- The food and beverages cannot be lavish or extravagant under the circumstances.
- You or one of your employees must be present when the food or beverages are served.
- The food or beverages must be provided to you or to a "business associate." This is defined as a current or prospective customer, client, supplier, employee, agent, partner, or professional adviser with whom you could reasonably expect to engage or deal in your business.

If food or beverages are provided at an entertainment activity, either they must be purchased separately from the entertainment or their cost must be stated on a separate bill, invoice, or receipt. This is required because the entertainment, unlike the food and beverages, is nondeductible.

Please let me know if you would like more information about deducting business meals or any other aspects of the new legislation.

Very sincerely yours,