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Meals and Entertainment: Where Are We Now?



Whether meals and entertainment are deductible business expenses is a surprisingly complex question. The laws have been on the move in recent years, creating new exceptions and splitting broad expense categories into even more subcategories.

Though it can feel tedious to understand the nuances of these rules, it's an important thing to get right.

Growth often requires adding more people, more equipment, and more capital to generate additional revenue. Scaling, on the other hand, means increasing revenue faster than costs by improving profitability, efficiency, and operational leverage.

Use this assessment to evaluate whether your financial processes are ready to help your business scale profitably and sustainably.

How have M&E deductions been changing?

In just the past ten years, meals and entertainment (M&E) deductions have changed dramatically, initiated by one of the following omnibus tax bills (and a handful of associated Treasury Regulations):

1. The Tax Cuts and Jobs Act of 2017 (TCJA)
2. The 2021 Consolidated Appropriations Act (CAA)
3. The One Big Beautiful Bill Act passed in 2025 (OBBBA)

Each tax bill changed something different. Congress temporarily expanded deductions during the COVID-19 pandemic with the CAA and even preserved some worthwhile deductions following the OBBBA, but the trend is clear: Congress is denying more types of deductions, making the tax treatment of M&E expenses much more restrictive than it was prior to the TCJA.

While we can't promise that the rule changes will stop here, we can remind you of what's deductible starting in 2026 — and what's not deductible — so that you can plan accordingly.

Which M&E expenses are deductible?

In 2026, the safest thing you can do is assume that all meals and entertainment expenses are nondeductible. But there are quite a few exceptions. Plenty of M&E expenses are 50% deductible, and some are even fully deductible.

To maximize deductions, we encourage you to look at each expense category individually.

Meals	Treatment as of January 1, 2026
Employee meals treated as de minimis fringe benefits (and therefore excluded from the employee's gross wages) Example: Coffee, juice, and bagels are provided every so often in the break room for employees.	**Nondeductible**
Employee meals treated as fringe benefits (and therefore included in the employee's gross wages) Example: The company offers to coordinate meals during a stressful week and lets employees know the cost of the meals will be taxable to them as wages.	**100% Deductible**
Employee travel meals Example: An employee drives six hours to visit a client and must stay overnight. All meals the employee eats on the road (breakfast, lunch, and dinner) are modestly priced.	**50% Deductible**
Employee meals during off-site meetings or conventions Example: An employee pays $15 to attend a monthly chamber of commerce meeting over the lunch hour.	**50% Deductible**
Employee meals provided for the convenience of the employer Example: During the monthly manager meeting, lunch is served to limit the lunch break.	**Nondeductible**
Meals during business meetings with prospects or clients Example: An employee meets with a prospective client over a modest lunch to discuss business.	**50% Deductible**
Employer-operated eating facilities (i.e., facilities that are located on or near the business premises, and that earn revenue that at least matches the facility's operating costs) Example: The business has a cafeteria attached to their lobby that serves both employees and visitors.	**100% deductible if full consideration is paid for food provided, otherwise nondeductible**
Restaurant-workers' employee meals Example: A restaurant's servers and bartenders pay full consideration for meals from that restaurant while on break or before/after their shift.	**100% deductible**

Entertainment	Treatment as of January 1, 2026
Entertainment provided at a business meeting for employees, shareholders, directors, or business leagues Example: A shareholder meeting is held at a local art museum where shareholders are given a tour of the latest exhibit.	**100% Deductible**
Entertainment costs for prospects or clients Example: The firm invites a prospect to the next football game and buys tickets in a corporate box suite. Business and nonbusiness topics are discussed.	**Nondeductible**
Club dues Example: Annual dues paid for the business or its executives to be part of a country club.	**Nondeductible**

Meals & Entertainment	Treatment as of January 1, 2026
Meals during business meetings with prospects or clients that are entertaining in nature EExample: An important prospect is invited to a private tasting at a fancy restaurant with the CFO and CEO.	**Value of meal: 50% deductible if meal costs are separately stated** **Value of entertainment: Nondeductible**
Office holiday parties Example: Each summer, the business hosts a picnic for employees to celebrate a job well done.	**100% Deductible**

What Should You Do Now?

To account for these changes, we recommend that you create separate accounts for each expense category. Start with one for meals, and one for entertainment. From there, you can further subcategorize your expenses to account for your company's most common activities.

Regardless of how many accounts you have or what they're called, continue to collect the following documentation to corroborate your deductions: (1) itemized list of costs, (2) date of M&E activity, (3) activity location, (4) purpose of the activity, and (5) who attended the activity.

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