

## Business Entertainment and Meals

### Business Entertainment

Entertainment expenses that are both ordinary and necessary in carrying on a trade or business may be deductible. Generally, you can deduct expenses to entertain a client, customer or employee if the expenses meet the directly-related test or the associated test.

- The directly related test means the main purpose of the entertainment was the active conduct of business, you did engage in business with the person during the entertainment period, and you had a more than general expectation of getting income or some other specific business benefit.
- The associated test means the entertainment is associated with your trade or business and the entertainment directly precedes or follows a substantial business discussion.

The following records are necessary to substantiate your deduction:

- Amount
- Date and place of the entertainment
- Business relationship and purpose of the meeting
- Attendees
- For individual expenses under \$75, an actual receipt is not required; however, you must maintain a record of the other items: amount, date and place, attendees and purpose.

### Meals

Travel related meals are deductible if incurred in the conduct of business and are meals while away from your home city.

Generally only 50% of meal and entertainment expenses are allowed as a deduction. There are numerous situations that allow a 100% meal deduction including:

- Advertising
- Meals furnished on employer's premises for the convenience of the employer
- Meals and entertainment for the benefits of all employees

This document is not meant to address all the rules regarding meals and business entertainment. Publication 463 available at [www.irs.gov](http://www.irs.gov) provides additional information.