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Goodbye Meals Deductions

Meals provided by employers have long been targeted for limited deductibility.

Some meals [food and beverages] for business meetings, training events, social events, employee lounges, and company-provided cafeterias have been affected by a new provision in the Tax Cuts and Jobs Act.

Effective January 1, 2026, **IRC §274(o)** took effect. Meal expenses are still considered “business expenses” for purposes of determining the profitability of a business, ***BUT meal expense deductibility on tax returns has been severely limited or disallowed.***

Under §274(o),

THE BIG CHANGE - Expenses for meals furnished on the business premises for the ***convenience of the employer***, which were 50% deductible through 2025, are **now 0% deductible** in 2026 and beyond. That deduction is fully **disallowed**.

Employer-provided Cafeteria Meals under §132(e)(2) are **now 0% deductible** (Expenses associated with operating an employer-operated eating facility are treated as a de minimis fringe, including the food and beverages provided through the facility)

Employee Lounge Meals under §119(a) are **now 0% deductible** (if your company stocks a breakroom, lounge, or subsidized cafeteria with snacks, coffee, drinks, or meals for employees)

Business Meals with clients under §274(k) continue to be **50% deductible** (*subject to documented substantiation*: clear business purpose, company representative present, non-company personnel identified by name and association, date incurred, place incurred, food amount, and [alcoholic] beverage amount separate).

Training Meals under §274(k) continue to be **50% deductible** (subject to substantiation of a clear business purpose and the attendees present).

Social Meals under §274(e)(4)) continue to be **100% deductible** (meals provided at employer-hosted recreational/social events for the benefit of rank-and-file employees, or meals sold to employees at full value).

How does this affect you as a small business?

Consider which costs of providing meals on premises for the convenience of the business, now that they are fully disallowed, provide a business and employee benefit sufficient to continue providing.

Consider setting up dedicated accounts for each type of meal expense to provide a cost vs. benefit analysis:

- "On-Site Meals (0% deductible)"
- "Employee Lounge Meals (0% deductible)"
- "Substantiated Business Meals (50% deductible)"
- "Training & Development Meals (50% deductible)"
- "Company Events & Recreational Meals (100% deductible)"
- Keeping these costs separated in your books is the single biggest thing you can do to make your tax return clean and defensible if the return is examined.

Call us to discuss how we can be of assistance

If you are a startup, small business, or nonprofit, MyAdvisor LLC is here to help you with bookkeeping, accounting, and tax services at value-priced rates.



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