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PRODUCT & SERVICE GUIDE

IRS Offers Guidance on 100% Business Tax Deduction for Food and Beverages

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The Treasury Department and the Internal Revenue Service have issued [Notice 2021-25](#) providing guidance under the Taxpayer Certainty and Disaster Relief Act of 2020. The Act added a temporary exception to the 50% limit on the amount that businesses may deduct for food or beverages. The temporary exception allows a 100% deduction for food or beverages from restaurants.

Beginning Jan. 1, 2021, through Dec. 31, 2022, businesses can claim 100% of their food or beverage expenses paid to restaurants as long as the business owner (or an employee of the business) is present when food or beverages are provided and the expense is not lavish or extravagant under the circumstances.

Where can businesses get food and beverages and claim 100%?

Under the temporary provision, restaurants include businesses that prepare and sell food or beverages to retail customers for immediate on-premises and/or off-premises consumption. However, restaurants do not include businesses that primarily sell pre-packaged goods not for immediate consumption, such as grocery stores and convenience stores.

Additionally, an employer may not treat certain employer-operated eating facilities as restaurants, even if these facilities are operated by a third party under contract with the employer.

More information for business seeking coronavirus related tax relief can be found at [IRS.gov](#).

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