



2026 Meal & Entertainment Tax Changes

What your business needs to know

The rules governing meals and entertainment (M&E) deductions continue to evolve, and 2026 brings tighter limitations that businesses need to understand. While most provisions of the Tax Cuts and Jobs Act (TCJA) remain in place, a key transition period has now ended — affecting how certain employee meal expenses are treated for tax purposes.

In 2026:

- Business meals **remain 50% deductible**
- Entertainment expenses **remain fully non-deductible**
- Certain categories — such as employee social events, meals treated as compensation, and meals billed to customers — **may qualify for a 100% deduction**
- Employer-provided meals and on-site food benefits are **now fully non-deductible**

The distinction between a 50% deduction, a 100% deduction, and no deduction at all can materially affect a company's tax position. That's why proper classification, documentation, and internal accounting procedures are essential to ensure compliance and maximize allowable deductions under the current rules.

What Changed in 2026?

The most significant development is the expiration of a transition rule affecting employer-provided meals.

From 2018 through 2025, meals furnished for the convenience of the employer — such as a breakroom snacks, subsidized cafeterias, or meals provided to employees working late — were 50% deductible. As of January 1, 2026, those expenses are 0% deductible.

This means companies now absorb the full after-tax cost of on-site food and beverage benefits.

All other core TCJA provisions remain intact:

- **Business meals** with clients or prospects are generally **50% deductible** if directly related to business, not lavish, and properly documented.
- **Entertainment expenses** — including tickets to sporting events, golf outings, concerts, and club memberships — remain **fully non-deductible**.
- If a **meal occurs alongside entertainment**, it must be separately purchased and separately stated to qualify for the **50% meal deduction**.

Tax Deductibility Rules for M&E (2026)



The table below summarizes how common meals and entertainment expenses are treated under current tax law. These rules generally apply to both S corporations and C corporations (though deductions pass through differently).

Expense Category	Deductible in 2026?	Conditions / Notes
Business meals (clients, prospects)	50% deductible	Must be directly related to business. An employee must be present. Expense cannot be lavish or extravagant. Proper document required.
Meals during business travel	50% deductible	Same standards as other business meals. Applies when travel requires an overnight stay.
Entertainment (sporting events, golf, concerts, club dues)	0% – Non-deductible	No deduction allowed for entertainment. If a meal is included in the entertainment cost and not separately stated, the entire amount is non-deductible.
Employee meals on company premises	0% – Non-deductible	New for 2026: Previously 50% deductible, these fall to 0% due to TCJA provisions expiring after 2025. Occasional in-office meals, snacks, and drinks for employees are no longer tax-deductible. (Exception: minimal de minimis snacks might still qualify for 50% if they are so small as to be administratively impractical to account for individually, but this remains subject to IRS guidance.)
Employee social events (annual parties, company-wide gatherings)	100% deductible	Fully deductible if primarily for employees (non-discriminatory). Must primarily benefit employees (not limited to executives). Considered a de minimis fringe benefit.
Meals treated as compensation to recipient	100% deductible	If included as taxable income to the recipient (e.g., reported on Form W-2), the business may deduct 100% as wages.
Meals (or catering) billed to a client	100% deductible	If the cost of a meal is passed on to a client or customer (separately stated in a bill or contract), it is fully deductible as a cost of goods/services sold. Otherwise, subject to 50% limit.



Additional Considerations

Mixed Business/Charity Events

If a payment includes both a charitable contribution and a meal or entertainment component (such as sponsoring a table at a gala), the meal/entertainment portion must be separated and treated under M&E rules. Only the charitable portion qualifies as a charitable deduction.

Expired Temporary Restaurant Deduction

The temporary 100% deduction for restaurant meals in 2021–2022 has expired. In 2026, all standard business meals — whether at restaurants or catered — fall under the 50% rule unless a specific exception applies.

Policy & Accounting Best Practices

Given the tighter limitations, companies should review internal expense policies and accounting practices.

Key action items include:

- Require documentation of business purpose, attendees, date, and location for all M&E expenses.
- Establish spending standards to avoid lavish or non-business expenses.
- Segregate general ledger accounts for 50% deductible meals, fully non-deductible entertainment, and fully deductible employee events.
- Train employees and finance teams on the 2026 changes, especially the elimination of deductions for employer-provided meals.

Some organizations record deductible and non-deductible portions separately throughout the year to simplify year-end tax reporting.

Implications for Financial Institutions

The elimination of deductions for employer-provided meals may have noticeable budget impact, particularly for financial institutions that provide regular in-office food benefits. Without a tax offset, these perks now represent a full after-tax cost.

At the same time, the distinctions between 50%, 100%, and non-deductible categories remain critical. Misclassification can either increase audit risk or reduce allowable deductions.

With clear policies, accurate expense coding, and consistent documentation, institutions can remain compliant while making informed decisions about client development, employee engagement, and corporate events.

For guidance on how these rules apply to your financial institution, contact a Pinion tax advisor.