

New Rules in 2023 Take a Bite out of Business Meals Deductions

Starting the 2023 tax year, the IRS is reducing the deduction for most business meals from 100% to 50% deductible, and client entertainment expenses are not deductible at all.

Imagine all is going well with your client lunch when you remember that deductions for your meal may be disallowed.

This disallowance could happen thanks to the Sutter court case. Tax professionals know this conflict well. It's named after Dr. Sutter, who had a very tough time with the Tax Court.

You see, the IRS invokes the Sutter rule at its whim. No standards exist, other than your "abuse" in the eyes of the IRS.

The triggers that put the Sutter rule into action include the wrong types of business meals and/or too many business meals that you deduct. The problem: there is no definition of "too many."

Be aware. If you don't know how to handle the Sutter rule, you may find yourself in the soup.

You can actually put up a strong defense. Document your business meals with records that prove your business meals are ordinary and necessary business expenses. You meet the rules when you have a receipt, proof of payment, name(s) of the person or people with whom you dined, and a record of the business reason for the meal.

Does all this information need elaboration? You bet it does and we are here to help . . .

