FOOD and MEALS

FEDERAL FUNDS

What is Allowable?

Food Costs for Employees

Meals must be reasonable in costs, necessary to accomplish program objectives, and an integral part of the instructional program and mandatory.

Light meals for participant meetings or training events under very limited circumstances.

Light lunch during a training or meeting must be six hours and impractical for participants to obtain lunch on their own.

Working lunch, participants must be working through lunch, on the agenda, and a sample of the work completed must be attached.

NO OTHER FOOD COSTS, INCLUDING FOOD AND BEVERAGES FOR REFRESHMENTS, BREAKS, or SNACKS, ARE PERMITTED.

Nutritional snacks for students during extended day (after=school) Programs
Nutritional snacks for children in child care while parents are participating in grant activities

Food necessary to conduct nutrition education programs for parents

Parent involvement activities in which refreshments are necessary to encourage participation or attendance by parents, such as in low-income areas, and thus meet program objectives.

FULL MEALS FOR PARENTS OR STUDENTS ARE NOT ALLOWABLE FOR THESE PURPOSES UNDER ANY CIRCUMSTANCES.

The Following Food Costs are

NOT ALLOWABLE

- Refreshments of any kind, including beverages, breaks, and snack foods except those listed under allowable food costs for parents and/or students.
- Refreshments or meals at an award banquet or function.
- Any food costs that is not necessary to accomplish the objectives of the program.
- Any food cost associated with an event where an individual conducts a presentation and the participants are not actively engaged in performing activities.
- Breakfast
- Working lunches or light lunches that exceed $20.00
- Gratuities or tips

SOURCE: TEA Guidelines Related to Specific Costs
Food and Meal costs are allowable using Local Funds. The issue is the IRS considers some food and meals a taxable fringe benefit. If the food is being provided for one the following reasons, then the employee does not have to pay income tax on it and you don’t have to report it to Payroll.

Non-Taxable Food Costs

Meals provided on the employer’s premises and for the employer’s convenience.

Examples of meals for the convenience of employer:

- Emergency situation – employee must remain on duty
- Remote work site without eating facilities
- During a “working” group meeting – staff cannot leave to obtain a meal.

Meals provided Off Premises (must have itemized receipts)

- Meals during business-related travel
- While traveling overnight away from home
- Directly related to business

So answer these questions when you are trying to decide if it is ok to purchase a meal or food for the staff?

Is it for a reason stated above? If yes, include documentation.

Can I defend it to an IRS agent? Yes, you will have to discuss it with the IRS agent; not me.

Will the employee really want to pay income tax for the meal if the IRS agent disagrees with you?