

ADDITIONAL SUPPORTIVE TAX REFORMS

- *Enhance the Work Opportunity Tax Credit Act* to support the hiring, training, and development of individuals who face barriers to employment.
- *Paid Family and Medical Leave Tax Credit Extension and Enhancement Act* to help workers access more paid leave options offered by employers.
- *Death Tax Repeal Act* to protect multi-generational family-owned restaurants from needing to sell or close when family members cannot pay inheritance taxes.

RESTAURANT OPERATORS NEED SUPPORTIVE TAX POLICY

Tax policy plays a major role in the success of the restaurant industry. Restaurant operators need tax laws that support job growth, investment, and economic stability. Congress can do this by permanently extending supportive tax laws that will strengthen restaurant vitality.

WHAT RESTAURANTS NEED

The *Main Street Tax Certainty Act*, which makes permanent the qualified business income deduction to support restaurant growth and stability.

Restoring the capital expense deductions in the *Accelerate Long-term Investment Growth Now (ALIGN) Act (H.R. 574/S. 187)* and the business interest expense deductions in the *American Investment in Manufacturing and Main Street (AIMM) Act (H.R. 1347/S. 559)* to help operators invest in their business while maintaining their cash on hand needed to ensure they can meet payroll, pay leases, and afford utilities.

EXTENDING 199A QUALIFIED BUSINESS INCOME DEDUCTION

Most small business restaurants operate as family-owned, pass-through businesses (partnerships, LLCs, S-Corps, or sole proprietorships) that work tirelessly for an average 3 – 5% pre-tax profit margin.

The 199A qualified business income (QBI) deduction allows an owner to preserve 20% of their earnings to ensure more working capital is available for new hiring, employee benefits, refurbishments, and growth. For an average restaurant operator, the QBI deduction reduces their top effective tax rate from 37% to 29.6%.

The *Main Street Tax Certainty Act* makes the QBI deduction for pass-through businesses permanent. Without this legislation, this deduction expires at the end of 2025.

RESTORING FULL DEDUCTIBILITY OF CAPITAL EXPENSES

Unlike retail stores, restaurants put an extraordinary amount of work into creating their product on-demand. Modernization and maintenance of the necessary equipment are large investments for restaurant operators.

Full expensing of capital expenses allows restaurant operators to immediately take a tax deduction for many capital investments, instead of spreading that deduction over multiple years. This allows more cash on hand for other essential costs like rent and payroll.

The **ALIGN Act** encourages investments in restaurant operations by making many of them fully deductible in the current tax year.

RESTORING BUSINESS INTEREST EXPENSE DEDUCTION

Many of America's small and medium-sized restaurant groups rely on debt financing to make long-term investments in buildings, kitchen equipment, and dining room upgrades. However, the deductibility of business interest expenses tightened significantly in 2022, eliminating deductions for depreciation and amortization and restricting interest expense deductions to 30% of earnings before interest and tax (EBIT). This led to an unexpected increase in taxes for many small and medium-sized restaurant groups.

The **AIMM Act** restores depreciation and amortization in the calculation of business interest expense, providing businesses with more flexibility to fuel growth and operations.

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