

# 10 Tax Tips for Restaurants and Bars



## Smooth tax preparation starts here.

Taxes — they're an important part of running a business, but can also be a real source of stress and anxiety for a restaurant or bar owner.

We have 10 quick tax tips that should help you provide your tax preparer with what they'll need to get you the best possible result on your taxes this — and every — year.

### 1. Seek to write off food and beverage costs.

It's not just the cost of raw ingredients for your dishes (direct costs like meats and vegetables) that are likely deductible. You may also be able to write off indirect costs like oil and condiments, as well as food and beverage that is wasted, spoiled, or otherwise discarded.

## **2. If possible, write off remodeling expenses.**

According to Revenue Procedure 2015-56, restaurants may be able to deduct the cost of remodeling or even “refreshing” their locations by treating 75% of the qualified costs paid as an “ordinary and necessary” business expense, with the remaining 25% capitalized and depreciated over time as costs for improvement to a qualified building.

## **3. Deduct employee benefits.**

The cost of on-premise meals you provide your wait staff or kitchen crew is likely tax deductible, as well as benefits such as paid sick leave, vacation pay, and health insurance for employees (although not for you as the owner).

## **4. Count up your mileage.**

This deduction is one which needs to be tracked very carefully, but is well worth the effort. Make a habit of marking down mileage as you make deliveries, travel for catering events, or pick up supplies. Be sure to use a formal ledger or smartphone app designed for mileage tracking.

## **5. Make use of the Work Opportunity Tax Credit.**

This credit rewards employers for hiring former felons, unemployed veterans, recipients of the Supplemental Nutrition Assistance Program (SNAP) or other public assistance, residents of Empowerment Zones, and individuals referred by vocational rehabilitation services as new employees in your filing year.

## **6. Donate to charity.**

Check with your tax advisor to see whether the donations your business has made to organizations with 501(c)(3) status are tax deductible. For example, if you hosted an event for a charity organization the cost of food could be deductible, but staff time and the full menu price may not be.

## **7. Take the Section 179 deduction.**

There is now a permanent tax deduction for equipment purchases for small businesses that allows certain large capital investments — including computers, vehicles, furniture, and kitchen appliances — to be taken as a lump sum deduction in the year of the purchase. Confer with your tax advisor to see if this deduction applies to your purchases.

## **8. Use the 8 percent rule on tips.**

While employees are required to report tip income in excess of \$20 on a monthly basis, business owners should ensure that the total tip income reported by employees equals at least 8 percent of the business’s total receipts during the applicable pay period.

## 9. Double-check your employee withholdings.

New guidelines to determine withholding amounts for your employees' paychecks were implemented following the Tax Cuts and Jobs Act of 2017, per Notice 1036. Make sure you are giving employees the latest version of the W-4 Form, which the IRS revised in late 2018.

## 10. And if you get a letter...

Don't panic. There are a lot of reasons the IRS may contact you after you have filed your tax return. You could:

- Owe a balance
- Be owed a refund
- Need to confirm information
- Be asked to provide something you overlooked on your initial filing

Read the request carefully, consult with your tax accountant or attorney if any part of the letter concerns you, then respond with the material being requested.



## Possible Tax Deductions

- Food and beverage costs
- Remodeling costs
- Employee benefits, including meals
- Mileage
- Charitable donations
- Equipment purchases



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— Troy Ganter

*Papa Huey’s Raw Bar, Lighthouse Point, FL*

Want to learn more about how Rewards Network can help your restaurant grow?

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