

# RESTAURANT MONEY MATTERS

Presented by Patrick Gros, CPA

Patrick is a CPA, and the principle of his own firm with notable restaurants as clients. He is also a restaurateur and owner of Bienvenue on Hickory, which provides him a level of knowledge and depth beyond what you may expect from a CPA.

Restaurant accounting is an ongoing challenge. To operate your restaurant at its maximum to measure revenues, expenses, and profitability, all restaurant owners and operators should have solid accounting practices in place. The key reasons being to measure the key financial indicators of a restaurant's operations, including, but not limited to, segments of revenue (food, beer, liquor, and wine), cost of goods sold, total labor costs, and various indirect costs (credit card fees, rent, insurance, supplies, etc.). Next to the food and beverages quality, service, and atmosphere, accounting practices are critical. It provides the measurement of the success of operations, as well as provides indicators to the operators of what needs to be addressed and corrected to be profitable at the operations in place.

## Pandemic Programs to Aid Small Businesses

Outside of the normal accounting practices, we have been provided many opportunities through the CARES Act and additional government programs with the Internal Revenue Service (IRS) and the Small Business Administration (SBA). These programs include, but are not limited to the Payroll Protection Program (PPP) loans, Employee Retention Tax Credits (ERTC) and Economic Injury Disaster Loans (EIDLs).

## Payroll Protection Program – Forgiveness Underway

For those who obtained PPP loans, most companies have reached the deadline to submit forgiveness, or are



reaching the deadline soon. When submitting forgiveness, consideration and coordination should be made as to the payroll wages used to obtain 100 percent forgiveness, as compared to wages used for ERTC. The guidelines require that at least 60 percent of the amount equal to the loan funds be spent on payroll. If you have enough non-payroll eligible expenses to submit to cover the funds spent for the remaining 40 percent of the loan amount, this will allow you to use more payroll for ERTC. The same wages submitted for PPP loan forgiveness cannot be used for ERTC calculations if the company qualifies for these credits that given quarter. No double dipping!

## Employee Retention Tax Credit – Many are unaware they are eligible

The IRS has provided the Employee Retention Tax Credit (ERTC) as a refundable tax credit against certain employment taxes. For 2020, the tax credit is equal to 50 percent of the qualified wages (and certain health plan costs) an eligible employer pays for employees after March 12, 2020, and before January 1, 2021. In addition, the eligible employer can qualify for a tax credit equal to 70 percent of qualified wages (and certain health plan costs) paid for an eligible employee per quarter from January 1, 2021, through September 30, 2021. These credits can be obtained by calculating the qualified tax credits and amending the applicable quarterly 941 reports to get a refund. Certain restrictions apply for eligible employees (certain relatives, owners greater than 50 percent, etc.).

Employers, including tax-exempt organizations, are eligible for the credit if they operate a trade or business during calendar year 2020 and 2021 and experience either:

1. The full or partial suspension of the operation of their trade or business during any calendar quarter because of governmental orders limiting commerce, travel, or group meetings due to COVID-19, or
2. A significant decline in gross receipts.

## A significant decline in gross receipts 2020 begins:

- On the first day of the first calendar quarter of 2020 for which an employer's gross receipts are less than 50 percent of its gross receipts for the same calendar quarter in 2019.

## A significant decline in gross receipts 2021 begins:

- On the first day of the first calendar quarter of 2021 through September 30, 2021 for which an employer's gross receipts are less than 80 percent of its gross receipts for the same calendar quarter in 2019.

## The significant decline in gross receipts ends:

- On the first day of the first calendar quarter following the calendar quarter in which gross receipts are more than of 80 percent of its gross receipts for the same calendar quarter in 2019.

The credit applies to qualified wages (including certain health plan expenses) paid during this period or any calendar quarter in which operations were suspended.

In addition, the employer must have less than 100 full-time employees in 2020 and less than 500 employees in 2021 to qualify for the ERTC.

## ERTC and Restaurant Start Up during Pandemic

The IRS has provided for a special situation for start-up businesses during the ERTC time periods noted above. Furthermore, there are additional calculation that may apply for those companies that don't qualify for the above noted eligibility requirements. You should contact your Certified Public Accountant for specific information on these special circumstances.

## How Cost Segregation

Many companies are not aware of the benefits provided by performing a Cost Segregation Study on real property that is purchased and owned by your company. This tax planning tool allows entities that deal with building, purchasing, expanding, or remodeling real estate properties to accelerate the depreciation deductions of the assets and defer federal and state income taxes. A Cost Segregation study is designed to break down the various components of a structure into useful lives of 5, 7, 15 and 39 depreciable assets.

When moving asset costs from 39 years (typically depreciation life of a commercial building) to 5, 7 and 15 years of its useful lives, depreciation expense is significantly accelerated to be deducted sooner, creating significant tax savings for the taxpayer.

In addition, consideration needs to be made that the 5, 7 and 15 year asset currently qualify for bonus depreciation, which in most cases can be deducted 100 percent in the year of acquisition.

Gros recommends that a qualified professional be retained to perform the Cost Segregation Study and issue a report providing documentation on the asset classification, in event that the company's tax return is audited by the IRS.

This information is for educational purposes only. You should consult with your Certified Public Accountant for more specifics on the benefits of the ERTC and of a Cost Segregation Study for your company and particular situation. ■



## KITCHEN COUNTER

COME SEE PATRICK AS HE PRESENTS

## Show Me the Money!

Sharing his best practices for monitoring cash flow, P&L statements and explain why restaurant owners should take advantage of the Employee Retention Tax Credit.

**Sunday, August 7  
10:30 - 11:15 a.m.  
at our LRA Showcase!**



Patrick Gros, CPA

