

A Step-by-Step Guide for Restaurant Operators to Maximize New Tax Benefits

The Working Families Tax Cuts (WFTC) introduces major tax changes designed to support restaurant operators. From equipment upgrades to workforce investments, these provisions offer real opportunities to reduce costs and grow your business. This guide summarizes the key permanent tax benefits and outlines actionable steps to help you prepare, plan, and maximize the impact of these changes on your restaurant.

FULL EXPENSING FOR CAPITAL EQUIPMENT PURCHASES

What it means: When expensive equipment must be replaced, the full replacement cost can now be deducted the same year as its purchase, rather than spaced out over several years.

Who qualifies: Restaurant operators making capital investments (e.g., ovens, refrigeration units, POS systems, furniture, and even a catering or delivery vehicle).

What to do:

- Confirm equipment purchases made in the tax year meet IRS criteria for qualifying property.
- Check qualifications for any other planned purchases in the tax year.
- Keep receipts AND documentation for all qualifying purchases.
- Deduct 100% of the cost on your federal tax return.

Action Item

Plan and prioritize equipment upgrades or replacements where possible. Work with your tax professional to ensure full expensing is applied correctly.

QUALIFIED BUSINESS INCOME DEDUCTION

What it means: Self-employed, small business restaurant owners who don't take traditional salaries, can deduct up to 20% of their "pass-through income."

Who qualifies: Self-employed restaurant owners, sole proprietors, partners, and S corporation shareholders.

What to do:

- Calculate your qualified business income (QBI) for the year; the deduction cannot exceed 20% of your total taxable income.
- If you have at least \$1,000 QBI then you may be eligible for the new inflation-adjusted minimum deduction of at least \$400. The deduction will adjust for inflation starting in 2026.
- If you were previously ineligible for the deduction, determine whether changes to the limitations make your business eligible.

Action Item

Review your business structure and income with a tax professional to ensure eligibility and claim the maximum deduction each year.



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BUSINESS INTEREST EXPENSE DEDUCTION

What it means: Capital-intensive businesses, like restaurants, that rely on debt financing for growth can include depreciation and amortization in the calculation for their maximum interest deduction on business debt.

Who qualifies: Restaurants with gross receipts over \$30 million per year using debt financing.

What to do:

- Review all business loans and financing arrangements.
- Confirm eligibility based on your business's size and structure.
- Include depreciation and amortization when calculating your maximum deductible interest.
- Adjust financing strategies to optimize deductions.

Action Item

Ensure your tax professional is factoring in the expanded deduction rules and consider refinancing or restructuring debt if beneficial.

ESTATE TAX RELIEF

What it means: This makes it easier for multi-generational transfers of family businesses, making it less burdensome for an owner's family to continue running the business.

Who qualifies: Family-owned restaurants planning generational ownership transfers.

What to do:

- Review your succession plan and ownership structure.
- Update business valuations and legal documents.
- Consult with an estate planner to understand how the new rules apply.
- Prepare heirs for operational and financial responsibilities.

Action Item

Consult with an estate planner to update succession plans and to ensure they qualify for the new relief provisions.

FAMILY AND MEDICAL LEAVE TAX CREDITS

What it means: This benefits employees and employers by bringing down the cost of offering leave beyond state and local requirements.

Who qualifies: Restaurant operators offering paid family or medical leave beyond state/local requirements.

What to do:

- Review your current leave policies and compare them to state requirements.
- Determine if enhancements qualify for the tax credit.
- Track leave usage and related expenses for accurate reporting.
- Claim the credit on your federal tax return if applicable.

Action Item

Review your business structure and income with a tax professional to ensure eligibility and claim the maximum deduction each year.

Quick Checklist For Operators

- Deduct full cost of capital equipment purchases.
- Confirm eligibility and claim the QBI deduction.
- Include depreciation/amortization in interest expense calculations.
- Review and adjust leave policies to qualify for tax credits.
- Update estate plans for family business continuity.

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