THE BOTTOM LINE

What Smart Tax Policy Means for Your Restaurant

Tax policy plays a major role in the vitality of the restaurant industry. In the Working Families Tax Cuts (WFTC), there are several tax provisions that enhance planning for the future and investing in growth – and many are retroactive to January 2025.

WHAT'S GETTING BETTER FOR OPERATORS

Full expensing for capital equipment purchases means when the oven has to be replaced, instead of spacing out the tax deduction for several years, the full replacement cost can be deducted that year. This will **keep more money on-hand** for immediate needs rather than spreading the deduction out over several years.

Qualified business income deduction means that self-employed, small business restaurant owners who don't take traditional salaries, can deduct up to 20% of their "pass-through income" and **use that tax savings to keep the lights on** at work and the mortgage paid at home.

Business interest expense deduction means that capital-intense businesses, like restaurants, that rely on debt financing for growth can once again include depreciation and amortization in the calculation for their maximum interest deduction on business debt. This allows restaurants to **more effectively manage debt costs** for business growth.

Family and medical leave tax credits benefit employees and employers by **bringing down the cost** of offering leave beyond state and local requirements. This credit can support recruitment efforts, boost employee morale, and allow for operators to plan long-term investments in their workforce.

Estate tax relief makes it **easier for multi-generational transfers** of family businesses. The family restaurant has always been a path to the American dream, and this change will make it less burdensome for an owner's family to continue running the business.

TOTAL SAVINGS

In 2025, the tax changes will free up **$5.1 billion for operator** investment and will put up to $6.4 billion back in the pockets of the industry workforce.

Source: National Restaurant Association analysis of hourly wage and tip data

What This Means

The major permanent tax provisions will **allow restaurant owners to make long-term plans for investment and growth.** From hiring more employees to expanding to an additional location, the tax provisions in WFTC will support growth and will not expire or change.

WHAT'S GETTING BETTER

FOR EMPLOYEES

No Taxes on Overtime allows most hourly employees who earn 1.5x overtime pay to **deduct up to $12,500** from their federal taxes. Both the worker and employer will still contribute to FICA. This deduction expires at the end of 2028.

No Tax on Tips allows tipped restaurant workers to **deduct up to $25,000** from their federal income taxes. This will lower the amount they owe and put more money back in their pockets. Both the worker and employer will still contribute to FICA to support their Medicare, Medicaid and Social Security. This deduction expires at the end of 2028.

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What This Means

These tax deductions **recognize the extra effort restaurant employees make every day**—whether it's staying late, working weekends, or going the extra mile for customers. It's about fairness, respect, and making sure hard-earned money stays in your pocket.

2025 TIPPED RESTAURANT WORKER SAVINGS

State	Tax Savings ($M)
Alabama	$68
Alaska	$12
Arizona	$135
Arkansas	$40
California	$616
Colorado	$121
Connecticut	$59
Delaware	$21
District of Columbia	$30
Florida	$519
Georgia	$171
Hawaii	S34
Idaho	$31
Illinois	$246
Indiana	$112
Iowa	$59
Kansas	$51
Kentucky	$67
Louisiana	$83
Maine	$23
Maryland	$101
Massachusetts	$140
Michigan	$166
Minnesota	$118
Mississippi	$37
Missouri	$114

State	Tax Savings ($M)
Montana	$25
Nebraska	$38
Nevada	$112
New Hampshire	$29
New Jersey	$146
New Mexico	$33
New York	$361
North Carolina	$184
North Dakota	$18
Ohio	$204
Oklahoma	$63
Oregon	$69
Pennsylvania	$231
Rhode Island	$29
South Carolina	$109
South Dakota	$21
Tennessee	$125
Texas	$528
Utah	$42
Vermont	$12
Virginia	$152
Washington	$124
West Virginia	$24
Wisconsin	$135
Wyoming	$13