PUBLIC AFFAIRS POLICY BRIEF SERIES

NATIONAL RESTAURANT ASSOCIATION

POLICY BRIEF

HELPING RESTAURANTS MANAGE RISING INTEREST RATES

BACKGROUND

Interest on business debt is generally tax deductible, but subject to a cap.

Before 2022, the total amount of interest a business could deduct in a given year was limited to 30% of its earnings before interest, tax, depreciation, and amortization (EBITDA).

Starting in 2022, the maximum interest deduction was further limited to 30% of a business's earnings before interest and tax (EBIT).

The bipartisan Permanently Preserving America's Investment in Manufacturing Act would restore depreciation and amortization to the calculation.

LEARN MORE

Visit **Restaurant.org**

RESTORING DEPRECIATION AND AMORTIZATION TO THE INTEREST DEDUCTION CAP WILL HELP RESTAURANTS MANAGE RISING INTEREST RATES, EXPAND, AND REBUILD.

As interest rates continue to rise, restaurants are struggling with access to capital and the cost of debt financing, much of which comes from loans they were forced to take out during the COVID-19 pandemic.

The bipartisan Permanently Preserving America's Investment in Manufacturing Act (S. 1077/H.R. 5371) would permanently restore an invaluable tax tool that will help businesses grow in the short- and long-term.

RESTORING DEPRECIATION AND AMORTIZATION GROWS BUSINESSES, IMPROVES ECONOMY

Restoring the interest deduction calculation to again include depreciation and amortization (EBITDA) will allow restaurants to reduce their taxable income. As a result, restaurants will have more financial flexibility to finance equipment and refurbishments, expand operations, and rebuild their workforce. These investments are not just beneficial to restaurants but also contribute to local and national economies.

Without the bipartisan Permanently Preserving America's Investment in Manufacturing Act, the stricter EBIT-based calculation will make it much more expensive for restaurants to finance critical investments.

RESTORING DEPRECIATION AND AMORTIZATION TO THE INTEREST DEDUCTION CAP KEEPS U.S. BUSINESSES COMPETITIVE WITH OTHER COUNTRIES

Maintaining the current EBIT-based formula will weaken U.S. competitiveness on the global stage.

Among the 35 countries in the Organization for Economic Cooperation and Development (OECD) that have an earnings-based interest limitation, the United States is the only one with an EBIT-based rule. China, on the other hand, does not generally limit third-party interest deductions.

As the global marketplace expands from increased growth and productivity predominantly in Asia, the U.S. cannot afford to be an outlier compared to its peers.

STATE RESTAURANT INDUSTRY EMPLOYMENT: Q4 2021

STATE	EATING & DRINKING PLACE JOBS
Alabama	157,500
Alaska	19,700
Arizona	242,700
Arkansas	97,100
California	1,347,400
Colorado	230,600
Connecticut	109,100
Delaware	33,400
District of Columbia	44,200
Florida	808,500
Georgia	371,800
Hawaii	58,800
Idaho	59,800
Illinois	425,000
Indiana	234,700
Iowa	96,800
Kansas	99,000
Kentucky	155,600
Louisiana	159,300
Maine	40,400
Maryland	178,500
Massachusetts	238,000
Michigan	302,400
Minnesota	175,500
Mississippi	96,900

STATE	EATING & DRINKING PLACE JOBS
Missouri	216,700
Montana	41,500
Nebraska	67,500
Nevada	137,200
New Hampshire	48,500
New Jersey	248,500
New Mexico	69,800
New York	590,600
North Carolina	371,800
North Dakota	27,200
Ohio	419,600
Oklahoma	139,200
Oregon	146,300
Pennsylvania	374,600
Rhode Island	41,500
South Carolina	187,600
South Dakota	31,600
Tennessee	256,700
Texas	1,110,300
Utah	108,800
Vermont	18,500
Virginia	284,900
Washington	234,400
West Virginia	51,700
Wisconsin	193,100
Wyoming	21,100

Source: National Restaurant Association, based on data from the Bureau of Labor Statistics