

## RESTORING TAX CREDITS WILL HELP RESTAURANTS IN PERIL

Small business tax credits, such as the ERTC, that are used for payroll, debt servicing, and other expenses, do NOT increase consumer demand for goods and services, and therefore do not increase inflation. Reinstating the ERTC would not increase inflation.

Since being introduced in the House and Senate in December 2021 and February 2022, respectively, the ERTC Reinstatement Act has gained broad bipartisan support in both chambers.

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[Restaurant.org](https://www.restaurant.org)

A valuable COVID-19 relief tool that helped to keep many restaurants afloat during the pandemic, the Employee Retention Tax Credit (ERTC) was cut short in the fall of when COVID-19 variants drastically altered consumer demand, decreased sales and reversed the restaurant recovery. Restoring the badly needed program for Q4 (Oct.-Dec) 2021 will help struggling small businesses now facing extensive refund delays and unexpected tax penalties.

### RESTAURANTS ARE UNIQUELY ELIGIBLE FOR ERTC

To be eligible for ERTC, businesses must have experienced a 20% or more loss in gross receipts for a calendar quarter or a government-ordered capacity restriction. The first to close in the pandemic, restaurants have been the last to reopen. **Approximately 60% of restaurants experienced losses of 20% or more in Q4 (Oct.-Dec.) 2021 according to a January 2022 National Restaurant Association survey.**

### DELAYS PUT RESTAURANTS IN A DANGEROUS POSITION

IRS delays in processing approximately 440,000 amended Form 941 applications are putting restaurants in a perilous position, with many waiting 9 months or more for funds. Because of this, **during the 2021 tax season, small business restaurants that applied for ERTC lost standard tax deductions for payroll and benefits, creating a severe cash on hand shortfall.**

### SMALL BUSINESSES NOW FACE A TAX CLAWBACK

The ERTC program allowed small businesses to withhold tax payments. Restaurants that did so or budgeted for a credit payment, but have not received it, now face an unexpected federal tax liability. For example, one family-owned restaurant in Texas that has yet to receive ERTC refunds now owes more than \$1.14M in unexpected taxes.

### POLICYMAKERS CAN HELP SMALL BUSINESSES WITH TAX CREDITS

Delays from unprocessed filings and mounting tax penalties could serve as the final blow to small business restaurants on the verge of permanent closure unless Congress acts. **The restaurant industry urges Congress to pass the bipartisan ERTC Reinstatement Act (H.R. 6161, S. 3625).**

*“We kept on our 100+ team through the worst of the pandemic. The ERTC was a life saver, flowing right through our restaurants and to their wages. However, too many restaurants are still struggling and need this targeted support.” - New Hampshire Restaurateur*