Restaurant Industry Issues for Action

Restaurant Depreciation - QIP

Ask: Contact Senate and House leaders to press for the restoration of 15-year restaurant depreciation. After two years and multiple false-starts, the time for Congress to act is now.

House: Please pass H.R. 1869, the “Restoring Investment in Improvements Act,” introduced by Representatives Jimmy Panetta (D-CA) and Jackie Walorski (R-IN).

Senate: Please pass S. 803, the “Restoring Investments in Improvements Act,” introduced by Senators Pat Toomey (R-PA) and Doug Jones (D-AL).

- Restaurant depreciation (the tax recovery period for restaurant building improvements) was permanently set at 15 years in 2015 as part of bipartisan legislation that cleared the House and Senate.
- In 2017, Congress passed tax legislation that combined restaurant, retail and lease improvements into one category for depreciation (“qualified improvement property”). Due to a drafting error, the new category was not assigned the intended 15-year depreciation period. As a result, restaurant improvements are now at a 39-year recovery period.
- This error also prevents restaurants from utilizing the intended 100% temporary bonus depreciation through the end of 2022.
- Restaurants seeking to upgrade or renovate their businesses face significant cash flow disruptions, as a result of this error. This limits opportunities in other areas, like hiring additional employees and paying benefits, and the loss of construction and contract jobs associated with commercial renovation projects.
- Congressional leaders considered including a QIP fix in a large end-of-year legislative package, but unrelated partisan disputes led to it being dropped from the bill.

Health Care – Commonsense Reporting

Ask: Support the “Commonsense Reporting Act” in the House and Senate that would streamline and modernize employer process under the Affordable Care Act (ACA).

House: Support H.R. 4070, the “Commonsense Reporting Act,” a bipartisan bill introduced in July 2019 by Representatives Mike Thompson (D-CA) and Adrian Smith (R-NE)

Senate: Support S. 2366 the “Commonsense Reporting Act,” a bipartisan bill introduced in July 2019 by Senators Mark Warner (D-VA) and Rob Portman (R-OH)

- There is a need for commonsense reporting reforms to help employers and employees comply with the ACA. Employer reporting under the ACA must safeguard an employee’s personal information, transmit timely information about the offer of affordable coverage, and be streamlined to ease an employer’s administrative burden.
- The “Commonsense Reporting Act” directs the Treasury Department to implement an optional, prospective reporting system for businesses. The voluntary system would make critical information available to employees during the Exchange enrollment process, rather than after a coverage year has ended, and streamline the reporting requirements for employers. Additionally, it protects the privacy of Social Security numbers, authorizes the electronic transmission of reporting information, and establishes oversight of reporting verification.
The National Restaurant Association supports legislation that streamlines employer process and provides individual consumers with much-needed safety nets, employers with relief from duplicative and confusing reporting requirements, and health insurance exchanges with an additional tool to verify tax credit and subsidy eligibility.

**Minimum Wage Increase**

**Ask:** Explain why the “Raise the Wage Act” will needlessly reduce employment and raise consumer costs.

**House:** Thank those Representatives who opposed the “Raise the Wage Act” (see list below).

**Senate:** Oppose the “Raise the Wage Act,” introduced by Sen. Bernie Sanders (I-VT).

**Background**

- The federal minimum wage was increased to $7.25/hour in 2009. Since then, 29 states and the District of Columbia have set a wage rate higher than the federal standard.
- In 2019 the “Raise the Wage Act” was introduced in the House and Senate, which would increase the federal minimum wage to $15/hour, eliminate the tip credit, and index future increases to inflation.
- In July 2019, the House passed the bill on a roughly party-line vote of 231 to 199. The National Restaurant Association worked with our membership, our state partners, and employees around the country to engage and educate policymakers on the real impact a one-size-fit-all approach to wages would have on the industry. These efforts minimized House Republican support of the bill.
- A University of New Hampshire survey found that nearly three-quarters of US-based economists oppose a federal minimum wage of $15 per hour. The majority of these economists concluded that a $15 hourly wage would negatively impact youth employment levels, adult employment levels, and the number of jobs available. They also found that it would make it harder for small businesses with fewer than 50 employees to stay in business.
- The nonpartisan U.S. Congressional Budget Office released a report examining how the “Raise the Wage Act” would affect employment and family income. The report estimates that if the legislation were enacted, as many as 3.7 million jobs would be lost across the nation.

**Minimum Wage Hike – Impact on Restaurants**

- A federal minimum wage of $15/hour will have stifling impacts to restaurants in areas that do not face the same cost of living state-by-state. These small businesses cannot absorb a dramatic escalation in their labor costs.
- Ironically, an extreme wage hike would likely hurt workers the bill seeks to help, as employers cut back on hours or eliminate positions altogether.
- When labor costs rise, employers in labor-intensive industries, such as restaurants, are forced to raise menu prices to maintain profitability, thereby driving up consumer costs. Bottom line: When small businesses suffer, larger goals, like expansion and job creation do as well, to the detriment of employees, customers and the overall economy.

**Tip Credit Elimination – Impact on Restaurants**

- The tip credit allows workers to earn far more than the minimum wage.
- No tipped employee can legally earn less than the minimum wage, period. These employees must earn at least the federal minimum wage, or the relevant local/state minimum wage, through a combination of the direct cash wage from their employer and the tips they earn. If the combination of the direct cash wage and tips does not equal or exceed the minimum wage, the restaurant must compensate the tipped employee to make up the difference.
- As a result of the tip credit, most tipped employees earn between $19 and $25 per hour.
- Only seven states do not have a tip credit, and none of those states eliminated the tip credit in the last decade.
- When there were recent attempts to eliminate the tip credit in Maine, Michigan, New Mexico, New York and the District of Columbia, lawmakers quickly took action to preserve it.
- State and local lawmakers on both sides of the aisle have listened to tipped workers and rejected calls to eliminate the tip credit.
The Raise the Wage Act passed on a roughly party-line vote of 233 to 199.

All Republican House members voted against the bill, with the exception of the Republicans below that voted in favor of the bill.

- Fitzpatrick (PA)
- Rooney (FL)
- Smith (NJ)

All Democratic House members voted for the bill, with the exception of the Democrats below that voted against it.

- Brindisi (NY)
- Cunningham (SC)
- Horn (OK)
- McAdams (UT)
- Schrader (OR)
- Torres-Small (NM)