

Year End Tax Issues

Restaurants **NEED TO CONSIDER**

As we approach year end it is time for restaurant managers to take their annual tax and planning issues by the horns. Specific items to consider are:

- **Reporting tips properly on form 8027** – The IRS requires food and beverage establishments that normally employ more than 10 employees to report the amount of charged tips and cash tips employees reported as received, along with cash and credit card sales information for the year. The proper point of sale system can ensure that all reportable information is obtained.
- **FICA tax credits** – Restaurants must pay FICA taxes on any tips reported by employees. The Internal Revenue Code allows for a credit equal to “any excess employer social security tax paid or incurred by the taxpayer during the taxable year.” The credit represents the employer’s share of any FICA tax paid on tips in excess of the minimum wage (determined on the minimum wage in effect as of January 1, 2007, \$5.15 per hour). The credit is elective, and in many cases can provide significant tax savings to the employer.
- **Automatic gratuities** - It may be necessary to report these as wages, rather than tips, a treatment that may also affect other types of taxes, such as sales tax and FICA tax on tips.
- **Gift card issues** – A thorough review of an establishment’s treatment of gift cards is necessary. Federal income tax issues arise from the sale of gift cards. As such, careful consideration is needed when determining the timing of reporting gift card revenue. State unclaimed property laws also address the handling of monies received from the sale of unredeemed gift cards.
- **Cost segregation studies** – These can provide tremendous tax benefits from accelerated depreciation deductions to many restaurant employers.
- **Compliance with the Affordable Care Act** –Health care reform has created significant tax and insurance issues within the industry. Having a thorough understanding of the laws and a health plan in place are crucial.

- by David Pierce, WeiserMazars LLP



** David Pierce has over 25 years of experience, providing accounting and advisory services. He possesses expertise in a range of industries, including hospitality and restaurants, finance, agriculture and food, manufacturing, wholesale and distribution, professional services, technology/software, real estate and retail. To contact David Pierce, email David.Pierce@WeiserMazars.com.*