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Driven



Local restaurants eye new legislation

By Brian Sodoma
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Legislation currently sitting in the House of Representatives' Ways and Means Committee in Washington D.C. could benefit local restaurateurs looking to expand or start up new operations.

House Bill 571, spearheaded by the National Restaurant Association, was recently proposed by Florida Congressman Mark Foley (R-Fla.). Although the bill, which suggests an adjustment to the depreciation schedule for restaurant equipment and up-

grades to facilities from 39 years to 15 years, has a ways to go before approval, some local restaurant owners are keeping a close eye on its progress.

Under the bill, new restaurants, or those expanding or making upgrades on their establishments, would benefit from being able to write off one-fifteenth of their capital improvements or new equipment annually on their federal taxes, as opposed to one-thirty-ninth of the expenses, under current law. This increase in write-off power could spell big bucks for some future restaurant opera-

tors, said Justin Doucette, owner of the Coyote Cafe located inside the MGM Grand.

Doucette, who also has a background as a CPA, said in the case of a restaurant opening with \$1 million in start-up costs, the difference in depreciation write offs for its equipment and decor expenses could be a difference between \$25,000 and \$66,000 under the new plan.

On a standard 30 percent tax schedule, Doucette added, using this example, a res-

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taurant could keep an extra \$12,000 in profits. The difference, he added, is substantial enough for some restaurant owners considering expansion to go ahead with their plans.

"I think the restaurant owner who is on the fence about expanding, this may push them over. ... Depreciation is a huge thing for restaurants," said Doucette.

Doucette, like some others, believes the bill will help to renew business spending in the restaurant industry.

Bob Ansara, president of Ricardo's of Las Vegas, a Mexican restaurant in the MGM Grand, agreed. "If a small business is looking to remodel, they don't have an incentive to remodel (under the current law). With the new depreciation rate, they could," he said.

But to most restaurant owners, the new bill would simply be a more accurate barometer of how long equipment or renovations really last in the industry.

"I don't think the equipment even lasts that long (15 years)," added David Roush, owner of the Tenaya Creek Restaurant and Brewery in Summerlin.

Van Heffner, chief executive of the Nevada Restaurant Association, said the new bill would not only more accurately reflect the true lifespan of restaurant decor and equipment, but also help to keep the upscale image needed for many restaurants in the valley.

"This bill is really long overdue, es-



Photo by Bill Hughes

Tim Etter, master brewer at Tenaya Creek Restaurant and Brewery, adjusts equipment.

pecially for our upscale dining. Those restaurants put millions of dollars into start-up costs and they need to be able to keep their facilities renovated," he said.

But Roush, unlike Doucette, Ansara and Heffner, doesn't foresee the bill resulting in any long-term increase of restaurant owners' spending.

"The tax-shelter aspect of it is the best aspect of it," he said. "But as far as encouraging spending, I don't think it'll really do that."

Sue Esposito, owner of the Se-

rene Cafe in Henderson, has had her restaurant open for only two weeks. Esposito, who has owned restaurants in the past, said the bill would be good, but also said it would not have an effect on her immediate operation because she leases her equipment. However, she admitted that for future expansions the bill would be helpful.

"We do plan to expand in the future and I think it would be helpful then," she said. The bill's language also indicates that the new law would only

apply to "retail restaurant buildings placed in service after the date of enactment."

Esposito and Roush also agreed that the legislation is a greater asset for the expansion efforts of the major restaurant chains, which make up the dominant lobbying force behind the bill.

"It's tough to be a small business because of these big corporate chain restaurants with an almost unlimited amount of money," she said, while adding that the tax breaks are simply a popular agenda for Republicans. "They're looking to give anyone they can a tax break to look good for next year's elections."

Doucette, who also serves as the vice chairman of the state's restaurant association, agreed that the large chains will benefit the most, but he still insisted the small restaurateurs should not overlook the benefits they could see.

"It will help the little guy too. I think it will spur investment. If restaurant operators are not thinking of this, I think they're being a little shortsighted," said Doucette.

As far as the likelihood of the bill passing, one of the bill's supporters, Congressman Jim Gibbons (R-Nev.)'s spokeswoman, Amy Spanbauer, said it is still a long road to passing for H.B. 571.

"It's a little too early to tell. We believe that some action will be taken on the bill. It could be included in a broader economic stimulus package in the House or broader tax reform," she said.

"It's a lot of work and we'll do everything we can," added Heffner.