accountants to see what they qualify for this season and start preparing for next season. Common incentives for restaurant owners include utility and power credits.

Taija Sparkman • Apr. 24, 2017

Anyone running a restaurant business may qualify for certain sales and use tax credits. With tax season ending, it's a good time for restaurant owners to check in with their accountants to see what they qualify for this season and start preparing for next season.

Common sales and use tax incentives for restaurant owners include utility and power credits. Restaurant owners can claim a credit on equipment, such as ovens and grills, that take base ingredients and turn them into something else, or even manufacture a new product. Field studies are conducted on restaurant equipment to determine how much power is used by the equipment, which can then result in credits.

"In Indiana, the restaurant industry falls under manufacturing, so restaurant owners can take advantage of the manufacturing exemption. Existing entities undergo a field study on their equipment, which helps determine if they qualify," said Becky Fromm Quintana, CPA, CGMA, principal at Indianapolis-based Somerset CPAs.

"The best way for restaurants to know what they qualify for is to reach out to their accountants," said Quintana. New restaurants or those starting a new location may qualify for credits such as sales and use incentives, segregation of cost, special depreciation and research and development credits. Other incentives include solar energy credits and reverse audits. In some progressive states, restaurants using power generated from solar panels can claim a credit. While not a credit, reverse audits can potentially generate revenue for restaurant entities by looking at the sales and use tax they've paid over time.

“There are companies that will data mine an entity’s sales to see if they have

looking for ways to generate cash inflow. The easiest way is to go after restaurant entities for sales and use tax,” said Quintana.

Accountants and their restaurant clients should work together to ensure the proper controls are in place, so sales and use tax never becomes a problem. Timely and accurate reporting is very important. In the event of an audit, restaurant owners and managers should be cooperative, helpful and friendly, and pull their accountant in as soon as possible to look at everything before the auditors. Accountants can prepare the restaurant owners and management for issues they see, as well as help with negotiating the overall amount due or penalties.

Accountants can best help their restaurant clients take advantage of sales and use tax incentives through regular check-ins. Many times, clients don’t communicate every purchase to their accountant, resulting in the loss of incentives and credits. Accountants should regularly reach out to clients to discuss past transactions and future plans to help clients benefit from the credits available to them.

“Somerset has an internal policy where we meet with clients regularly to see what’s going on. When clients don’t tell us they’re thinking of purchasing equipment, we can’t let them know what credits they could qualify for,” said Quintana. “We reach out to clients quarterly to ask about any new purchases and what they’re thinking of in terms of their business, such as remodeling or cash outs. Asking these questions usually triggers consulting work and deeper conversations. At the very least, we’re meeting with our clients, so they understand they’re important to us.”

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