



REPRESENTING THE RESTAURANT INDUSTRY

*The Cornerstone of the Economy, Career Opportunities and Community Involvement*

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July 24, 2008

Chairwoman Nydia Velazquez  
House Committee on Small Business  
Rayburn House Office Building  
Washington, DC

Dear Chairwoman Velazquez:

The National Restaurant Association is pleased to offer its support of the Small Business Tax Modernization and Stimulus Act of 2008, specifically, the provision increasing to 80 percent the business meal and entertainment deduction for small businesses.

While we advocate an increase in the meal deduction for all taxpayers, the association understands the revenue constraints that make it difficult to restore the deduction in one step. It is small businesses that were most heavily impacted by the reduction in the meal and entertainment deduction to 50 percent. For many small businesses and self-employed individuals, the business meal is their only means of marketing and advertising. Restaurants are the conference room for small businesses. According to a study by the Small Business Administration, the business meal deduction represents a much larger percentage of small businesses overall expenses, compared to larger businesses. More importantly, the study suggested that full reinstatement of the business meal and entertainment deduction should be a major policy priority for small businesses (*The Impact of Tax Expenditure Policies on Incorporated Small Business*, SBA Research Summary, 2004)

Moreover, we commend the committee for considering the need for additional economic relief and holding the July 28 hearing, "*Economic Stimulus for Small Business: A Look Back and Assessing the Need for Additional Relief.*" As one of the nation's largest private-sector employers with 13.1 million employees and sales of \$558 billion, we believe the restaurant industry has a significant impact on this nation's economy. Our overall economic impact is expected to exceed \$1.5 trillion in 2008, which includes sales in related industries such as agriculture, transportation and manufacturing. Any economic relief for the restaurant industry reverberates throughout the economy.

In fact, according to National Restaurant Association research, raising the business meal deduction to 80 percent would boost business meal sales by \$8 billion a year and create a \$26 billion increase to the overall economy. (Based on an increase in the deduction for all taxpayers).

There is no question additional economic relief is needed. Our research indicates that the impact of the stimulus package has been dampened by soaring prices. It is now likely that average pump prices in 2008 will be more than \$1 higher than they were in 2007. This will cost consumers more than \$100 billion, which will essentially absorb most of the tax rebate checks that were sent to households beginning in May, and therefore have an overall dampening effect on the economic stimulus package.

The sluggish economy, rising prices and declining wealth are all combining to put consumers in a precarious position. Menu and grocery store prices are on pace for their strongest growth in 18 years, while consumer prices for energy are soaring at their strongest rate in 28 years. Meanwhile, income growth is not keeping pace, which will likely be a drag on consumer spending in the months ahead.

The National Restaurant Association urges Congress to consider additional economic relief to this nation's struggling economy and to implement policies that will boost consumer spending. To that end, we strongly encourage passage of an increase in the business meal and entertainment deduction.

Thank you for your consideration of our views on this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Gay', with a stylized flourish at the end.

John Gay  
Senior Vice President  
Government Affairs and Public Policy

Cc: Committee on Small Business, U.S. House of Representatives  
Senator Daniel Inouye  
Congressman Neil Abercrombie