



THE MAIN DISH

Spring 2013

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Henry & Horne, LLP is one of the leading accounting firms in Arizona with offices in Tempe, Scottsdale and Casa Grande. We combine the knowledge and expertise of a premier consulting firm with the personal attention of a local CPA, meaning unmatched service to you. Our services include: daily, monthly and annual bookkeeping and accounting; audit, review and compilation of company financial statements; audits of 401(k) plans; tax planning and compliance; tip reporting and compliance; cost segregation studies; internal control reviews; estate, trust & gift services; real estate appraisal and consulting; and valuation and litigation support services.

Your Restaurant Team:

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Financing Your New Restaurant **By Brian Campbell, CPA**

So, you are thinking about starting a restaurant or perhaps opening another location for your existing restaurant. In order to do this, you need capital or equity. Obtaining capital can come in a variety of ways. For smaller restaurants, capital may be provided by personal savings, a 401K account, equity from a currently profitable restaurant looking to expand, or maybe even family or friends. Larger restaurants may be able to raise equity by obtaining capital through venture capitalists, selling stock or bonds, or through traditional bank financing.

For the smaller restaurants that I typically deal with, capital is usually provided by outside angel investors, an owners' personal savings, traditional bank financing and/or other types of vendor financing.

Angel investors can be found via word of mouth or through networks within the community that sometimes can be found from local chambers of commerce. The networks will screen potential candidates and will match candidates with potential investors. There is usually some type of fee to get involved with an angel investor network and a business plan should be prepared prior to meeting with any of these networks or angel investors.

Traditional bank financing can be difficult to obtain as restaurants typically do not have any hard collateral that a bank can lend against. For example, real estate, inventories or accounts receivable. Traditional bank financing however can be obtained with an owner's personal guarantee and a guarantee by the U.S. Small Business Administration (SBA). The SBA will provide a loan guarantee for borrowers who have difficulty obtaining conventional financing. The restaurant industry is a frequent user of the SBA 7(a) guaranteed loan program. The SBA does not offer loans directly to borrowers however it does guarantee loans made by banks and other financing institutions. By law, the SBA can consider guarantee applications only from entities that are unable to obtain reasonable financing from other sources. The SBA can guarantee up to 85% of a loan up to \$150,000 and 75% of a loan up to \$5 million dollars. SBA loans are a great resource for many people looking to start or expand their current restaurant.

Vendor financing is another type of resource that may be available to someone wanting to start or expand a restaurant. Vendor financing enables you to build out your restaurant through dollars received from your landlord and equipment leases obtained from a leasing company. Landlords will sometimes offer rent concessions or tenant improvement dollars to help you finance the upfront cost of building out your restaurant. The rent concessions may provide you with \$500,000 or more to build your restaurant in exchange for higher rent payments over the life of your lease. With tenant improvement money and equipment leases available you could be open for business without having to go the route of traditional bank financing or outside angel investors.

The important thing to keep in mind is that there is money out there to be able to live the American dream and to own your own business. It may take some time to find the money, but with the right frame of mind and the right business professionals to guide you, success can be just around the corner.

If you have any questions Brian can be reached at (480) 839-4900 or BrianC@hhcpa.com.



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TAPPAS

According to Food & Wine Magazine, restaurants doubling as markets (ad hoc community centers or mini malls) will be popping up more frequently this year.

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According to Foodchannel.com, smoked food and drinks are the coming trend.

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According to epicurious.com, Brazilian steakhouses, known as churrascarias, are going to be big this year.



Two Updates for Restaurant Owners

By Kelly Lynch, CPA

Running and managing a restaurant is a full-time job with virtually no time to keep up with all the changes in the law. Below, we bring attention to two quick updates that may pertain to your restaurant business.

Work Opportunity Tax Credit

A new notice carries transitional relief for eligible employers who want to claim the work opportunity tax credit (WOTC), as retroactively extended by the American Taxpayer Relief Act of 2012. This relief provides employers additional time to file the form necessary to claim the credit for certain eligible workers. Employers have until April 29, 2013 to file.

The WOTC allows employers who hire members of certain targeted groups to get a credit against income tax equal to a certain percentage of first-year wages. The recently passed Act retroactively extended the WOTC so that it applies to eligible veterans and non-veterans who begin work for an eligible employer before Jan. 1, 2014.

The Act granted the extension but did not provide a mechanism for eligible employers to meet the prerequisite for claiming the WOTC. An individual is not treated as a member of a targeted group unless; the employer obtains certification from a local designated agency, the employer completes a pre-screening notice on or before the day employment is offered, and the employer submits such notice to the designated agency.

Under this transitional relief, a taxable employer that hires a member of a targeted group other than a qualified veteran on or after Jan. 1, 2012 and on or before March 31, 2013, will be treated as having satisfied the requirements if the employer submits the notice to the designated agency to request certification not later than April 29, 2013.

Fed Issues New I-9 Form

The federal government issued a new I-9 Form on March 7th. While the new form is available for immediate use, employers have a 60-day grace period to begin using it. The new form will be required for new hires starting May 8, 2013. The new form is intended to be clearer and more user-friendly. Employers and employees complete the form to verify the identity and work eligibility of newly hired employees. The U.S. Citizenship and Immigrations Services (USCIS) requires employers to maintain I-9 Forms for their employees as long as they work for the employer and for the required retention period after the end of employment. More details on the form are available on USCIS's website.

Please contact Henry & Horne if there are any questions relating to these latest updates.

If you have any questions Kelly can be reached at (480) 839-4900 or KellyL@hhcpa.com.



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