

Testimony before the House Ways & Means Tax Policy Subcommittee

John Horne, Owner and President, Anna Maria Oyster Bars

Wednesday, May 23<sup>rd</sup>, 2018

To testify today, I was asked for a resume and a CV to give to let you know who was testifying...I have neither...haven't had a resume since my Senior year of college at Clemson University...and only had it then because it was part of my course work getting my degree in Administrative Management...I never used a résumé to get a job because I started as a bus boy in a seafood restaurant on Anna Maria Island in Manatee County during summer break from college...I stayed with that small independent business and helped the owner open 5 more restaurants...I became a server, assistant to the assistant's assistant...general manager, Area Manager then opened my own restaurant...a little 85 seat oyster bar on the Anna Maria City Pier, 741 feet out in the mouth of Tampa Bay. 21 years later, I have 4 restaurants in Manatee County with 333 employees. 300 are hourly employees with an annual payroll of 2.5 million dollars in the past 12 months. 33 managers who earned \$1.5 million in salary and bonus...we serve between 700 to 1000 guests at each location every day of the year...well, all but Christmas and Thanksgiving...that's a day people should be with their families.

I know every industry thinks theirs is the best, and the most important industry in the country, but ours actually is! One out of three Americans got their 1<sup>st</sup> job in the hospitality industry.

Wait...

Now many people believe that it is only an entry level job that most people are looking for when they start at a restaurant... as a host, or a dishwasher as a bus boy, like I did.....but in Florida alone, the Hospitality Industry is the largest industry in the state and we collect and remit more sales taxes to Tallahassee than any other industry. Of my 300 hourly staff members, no one is paid minimum wage. Currently Florida is at one dollar higher than the federal minimum wage...we're at \$8.25. My 300 range from: 113 between 10 and 12.50...most of these are the entry level jobs that are paid the minimum Tipped wage (\$5.23) plus tip pool that ranges between 5.50 and 6.18 per hour...so they average between \$10.73 and \$11.41 per hour...not bad for a high school kid looking for date money. I guess high school kids are still working their 1<sup>st</sup> jobs for date money.

39 between 12.50 & \$15

40 between 15 and \$20 and

64 over \$20...most of these are bartenders and servers earning 20-30 dollars per hour in tips. 47-48% of our hourly staff earn over 15 dollars per hour.

In the last 12 months, FICA payments at our 4 stores was \$552,544...matched with the employees' payments, that's over 1.1 million dollars our small business contributed in FICA taxes. Small businesses are big businesses...I know you all are working with MUCH larger numbers, but to a little guy like me, these are huge numbers.

I met with my CPA after tax season this year when he brought me my returns...this is the part that kills me, I paid my accountant \$ 29,050 and he brought me my info back and these returns...four restaurants, five "s" corps, 2 LLCs and my personal returns. As I said, I went to Clemson and have a degree in Administrative Management...but I don't remember them teaching me how to

read a statement or how to understand the tax code...however many pages there are...4,000 or 70,000.

What he did explain to me though was one of the parts of the new Tax Cut and Jobs Act where I get a 20% Business Income Deduction this year...so he showed me what my taxes were in '17 and if the new code were in effect what they would have been. So I've already planned 2018...Plugging my adjusted gross income for this year with the 20% deduction gives me an idea what we can expect this year.

How do I know my bottom line will remain the same? I don't, but we've been very consistent in our stores over the last 10 years as far as bottom lines go...we rarely raise prices on our menus and only to cover increased costs...we couldn't keep up if we tried to keep our percentage goals the same. I want dollars to the bottom line...not percentages. I have never deposited a percentage in the bank in my 35+ years in the restaurant business.

So what do I do with the 20% reduction that the new Tax Cuts and Jobs Act will provide? There are so many options...one I've already taken. Back in April after I met with my accountant, I bonused \$60,000 to some of my staff. I purchased two new two-sided LED signs @ \$20,000 each for two of my locations to attract new customers...I think I heard my accountant say we'd probably realize \$100,000 in savings/benefits from new plan...sometimes I hear what I want to hear...not what they're saying...I may have to defer to my wife on my hearing!

Speaking of reinvesting in our businesses...which we all have to do to remain viable in our industry, we do need Congress to fix an alleged scrivener's error when the new code was passed, it reverted depreciation for restaurants back to 39 years...it was at 15 years due to the excessive wear and tear on restaurants due to the volume of guests and equipment upgrades

necessary...we need to get the depreciation back to 15 years so we can keep investing our dollars back into the businesses.

We're very seasonal in Florida...but what I've noticed and what many of us in our area have noticed, business is up, and the seasonality is not near the levels it used to be...our guest counts are up, people are eating out more lately. People have a confidence to come out more often lately. Many of my fellow restaurateurs in our local Restaurant Association are raving about guest counts increasing and staying up year-round...everyone's feeling the effects of a stimulated economy...even my buddy Mike Finnerty, a 29 year veteran bartender at Old Ebbitt Grill across the street from the Treasury Department told me on my last trip up here...Mike and I waited tables together on Anna Maria Island in the 80's and have been buds since...he sees his sales and his income from tips here in your neighborhood screaming up with the changes that have occurred in the last year. And like Finnerty, a bartender here in DC, my staff is feeling the same thing...and people all over our region in Florida...the most important thing the new tax plan does, is it helps small businesses STAY in business and continues employing 333 people livable wages and helps our communities.

If I had a resume, or a CV, you'd see the Oyster Bars have received many accolades and many recognitions for our work in the community...most recently receiving the Restaurant Neighbor award Nationally from the Education Foundation of the National Restaurant Association...a lot was for our efforts over the years in our community especially helping with education thru advisory boards, scholarships and many more efforts...but the program we piloted last year was outstanding...and successful...

Last summer my wife Amanda and I piloted a program locally with our school district. We brought in 75 rising 2<sup>nd</sup> and 3<sup>rd</sup> graders from three Title I

schools. We fed them breakfast, taught them some life skills, fork on the left, knife on the right, napkin in your lap, eye contact when you speak and shake hands when you meet people...one-on-one mentoring and reading with some of our regular guests who volunteered for the month of June. Our kids weren't ready to be invited to the royal wedding last weekend, but they did increase their reading skills by 1.25 months over the summer vs. the normal Summer Slide of minus 2.5 months for kids below the poverty level. They even got to take the books home with them every week and I'm pretty sure many started their own family libraries with these books. Our 75 kids read 1624 books last summer.

Why our emphasis on education and Grade Level Reading? Because from birth to 3<sup>rd</sup> grade, a child learns to read; from 3<sup>rd</sup> grade on, you read to learn.

Small businesses can get their staffs and their customers involved locally like no other business can...they're already in their communities and they know the needs of their communities and they have a vested interest to make their communities better!