

Tax laws don't eat away at expense-account dining

By DONNA CASSATA
The Associated Press

WASHINGTON — Restaurant owners feared the worst — acres of white table cloths covering empty tables and massive waiter layoffs — when the tax law went into effect Jan. 1, cutting the deductibility for business-related meals.

But those dire predictions have not panned out — at least not yet.

"Most of the effect is nil," said Jeff Prince, spokesman for the National Restaurant Association, which last year warned that tax law change would result in a loss of \$8.9 billion in sales and the elimination of 342,000 jobs.

"American business people believe the meals work," Prince says now. "It may cost a little

more, but if they make a million-dollar deal it's worth it."

Under the new tax law, taxpayers can deduct only 80 percent of the cost of business-related meals and entertainment. Previously, the entire cost of such business expenses could be deducted.

Prince cautions that his association has not taken any formal survey of members. But the predicted \$8.9 billion loss "is simply not happening," he says.

Salvador Rubino, general manager of Casa Grisanti, a fancy restaurant in Louisville, Ky., said he had not seen "any impact as of this date."

"They're just filing '86 returns," he said. "I anticipate any effect later in the year."

In its campaign last year to retain

the full deductibility, the restaurant association contracted Chase Econometrics and Shriner-Midland Co., to study the effects of the tax law provision.

The study's conclusion for 1987: billions of dollars in lost restaurant sales and the elimination of more than 300,000 jobs. Over a three-year period, the result would be a \$6.3 billion loss to the federal Treasury, \$8.3 billion to state and local coffers.

Robert Shriner, the study's co-author, expressed surprise at Prince's response, and emphasized that he stood by the results of the analysis.

"If the price of anything changes, there's some effect on the product," he said. The lone exception is a product that is "price inelastic,"

where demand for a product is so fixed that an increase in price would reduce consumption.

"Meals are probably less sensitive than other things, but are not totally inelastic. ... No one said this would happen instantly."

Shriner said the analysis' methodology was based on the magnitude of the tax changes, a study of the tax on the marketplace and the size of the business meal market.

When asked again about the study's ominous predictions, Prince

said, "they didn't take into consideration the psychological factors of restaurant promotion and people sticking to the business meal."

Most restaurants favored by the expense-account lunch and dinner clientele haven't been affected, but owners remain concerned.

"We polled a lot of executives," said Rick D'Alessandro, owner of Enzo's in San Francisco. "They have to take out people for business lunches; they're not going to go to McDonalds."

Garth Weldon, general manager of the Prime Rib in Washington, said he has not seen any change since the tax law went into effect.

"They (business people) need to meet clients in an atmosphere where they can concentrate on business," said Weldon. "We weren't too concerned when it passed."

Nevertheless, some restaurants are taking steps to avoid any revenue loss from the reduced deductibility.

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