



The New Math

Tax Credits & Incentives = Greater Productivity and Profits

by Doug Fryett

Believe it or not, there is a direct link between tax credits and incentives and operational profits and productivity in foodservice operations. You might have to look at things a bit differently than you have been doing in the past to see it, but there definitely is a direct link. To help you understand this relationship a bit better, I've developed a simple graphic that will help you visualize the relationship between what I perceive to be the key ingredients in the "New Math" of productivity and profitability for our industry.

Utility Incentives

Let's start on the left hand-side of the triangle – "Utility Incentives." A quick internet search found that there were nearly 300 different utility rebates being offered by the various gas and electric utility companies throughout the country. That is a lot of programs with a lot of money to be passed out to those operators willing to purchase Energy Star and/or high-efficiency foodservice equipment. Rebate amounts vary from \$60.00 for some pieces of equipment up to \$2,000.00 for others. As expected, such rebates also vary from one utility to the next, so you need to check with your local utility to see which ones are available through them.

Federal & State Incentives

On the right hand-side of the triangle, you will see the federal and state tax incentives and credits. Unfortunately, they are a different kettle of fish with respect to availability and ease of simply "finding" them in comparison to the utility incentives. That means you are going to have to do a bit more digging around but there are lots of people out there who will

help you find them.

One program that I was able to easily (relatively speaking) uncover was from the state of Washington. At the time of this writing they were offering an 8.8% tax credit calculated on the net purchase price of a piece of energy-efficient foodservice equipment. Their definition of "energy-efficient" meant that it had to be Energy Star approved. Don't worry, there is a plethora of equipment now being offered by manufacturers that meet the Energy Star standards. The foodservice categories include: hot food holding cabinets, fryers, griddles, dishwashers, ice machines, steamers, ovens, refrigerators and freezers.

Unlike tax deductions, tax credits are subtracted from the amount of taxes you owe. A word of caution — most, if not all state and federal incentive programs have expiration dates associated with them, so don't wait — seek out any state and federal programs that are available and act on them immediately.

One area where both the state and federal governments are putting a lot of incentive and tax credits into is renewable energy technologies like solar and wind power. While it might appear to be cost prohibitive on the surface to purchase and install such systems, when operators factor in the federal and state incentives, the costs can fall dramatically — sometimes by as much as 50%.

One final word with respect to state and federal incentives — consult with your tax accountant or business advisor. If they are in tune with your business (which they should be), they should be able to point you in the right direction to take advantage of the various federal and state incentive programs that are being offered to small business in general,



and to foodservice operators more specifically.

More Productivity, Less Energy

The bottom part of the productivity and profitability triangle is in some ways, the easiest to deal with. Why? Because there is a growing inventory of foodservice equipment out there that is designed specifically to increase productivity while at the same time reduce energy consumption. How to find it? You can start by visiting the Energy Star web site www.energystar.gov and perusing the various commercial foodservice equipment categories that are Energy Star approved.

The combination of increasing productivity while at the same time reducing energy and operational costs is key. And, in many peoples' minds is somewhat "foreign." For the longest time, operators thought that the only way to increase productivity was to "pour the BTUs to it!" Well, not so. Take for example the new class of fryers that have hit the marketplace in the last couple of years and generally referred to as "low oil volume" fryers (LOV). As the name implies, these fryers are designed to cook higher volumes of product, using less oil (which is an expensive operational commodity) and consuming significantly less energy. One such model, Frymaster's Protector Fryer won the GFEN Product of the Year Award in 2008. LOV fryers qualify for many utility rebates and state and federal government tax credits. Now that's a win-win-win product!

And then there is a gas conveyor oven that was selected as GFEN's Product of the Year in 2009. Middleby Marshall's WOW! Conveyor Oven touts a cooking time of three to five minutes (significantly less than previous models), and uses substantially less energy. And to save even more energy, the oven goes into a "sleep" mode when it doesn't detect any product on the cooking belt.

This year, the energy-saving Accutemp Gas Evolution Convection Steamer was awarded GFEN's Product of the Year. (see related story on page 10)

I could go on giving examples of various pieces of equipment that have been designed to specifically increase throughput (productivity) while at the same time reducing operational costs, but I think you get the message. By working with your local utility and taking advantage of their equipment rebates; seeking out the various federal and state tax credits and incentives available to foodservice operators; and by purchasing equipment that is designed to specifically increase productivity *and* at the same time reduce your operating costs, you can significantly increase your bottom line!



For more information on energy-efficient natural gas equipment and GFEN Product of the Year award winners, visit www.gfen.com