

Pennsylvania Restaurant Matters



April 2003

A Publication of the Pennsylvania Restaurant Association



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Pennsylvania Restaurant Matters

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In 2002, the IRS released Revenue Procedure 2002-12, which is effective for tax years ending after December 31, 2001. The revenue procedure provides for taxpayers engaged in the business of operating a tavern or restaurant a method for the current deduction for the cost of smallwares and also a procedure for taxpayers to obtain the immediate consent of the IRS Commissioner to change to the smallwares method.



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An interview with Michael Passalacqua

owner of *Angelo's Restaurant* Washington, PA.

PRA Matters: *How would you describe the concept of Angelo's Restaurant?*

M. Passalacqua: Angelo's is unique. We are an Italian Restaurant that specializes in traditional Italian food as well as modern regional Italian. We are a little like a bistro. Most of what we do is alla fresca, which means fresh ingredients, simple recipes and prepare in minutes.

PRA Matters: *How long has Angelo's Restaurant been in business?*

M. Passalacqua: My grandfather opened Angelo's in March of 1939.

PRA Matters: *Will you share some background information about yourself with our*

readers? How did you get started in the foodservice industry? What made you decide to step into the family business?

M. Passalacqua: Although I was raised in the restaurant business, I was not raised to be in the restaurant business. I attended Kent State University to study journalism and ended up being a police officer. I was with the Portage County Juvenile authority as a probation officer, then I was a Portage County Deputy Sheriff and then I was a Kent State University Police Officer. I left there in 1981 at the rank of Corporal when my father called me and asked me to join him in the business. He bought my aunt and uncle's share of the business and he wanted the business to stay in the

family. I reluctantly left my position and came back. I really didn't want to, but something on the inside gnawed at me until I made the decision to come home. It actually took a couple of years for me to even like being in the Restaurant business. But when it finally sunk in, I decided to make the most of it.

PRA Matters: *What is your favorite item on the menu?*

M. Passalacqua: Pasta Diablo. Mushrooms, hot peppers, tomatoes and romano cheese tossed in chicken stock with linguini and spinach.

PRA Matters: *What is the best business advice you received when starting in the business?*

M. Passalacqua: Fuss over people. Take care of them like they are in your house. Remember Everything means Everything. Take no one for granted and be grateful to each and every person who walks through the door. If you do these things and develop good business skills, and serve quality food you will always be in business.

PRA Matters: *What memorable customers have you had?*

M. Passalacqua: My guests are more like friends. Many of my guests have become my friends. Upon asking this question I immediately thought of three great friends who passed away over the last 5 years. Each of them were great customers, great people, and



Michael Passalacqua: "You must give back something to the community that serves you. It is an obligation, not something you do when you have time or if it serves you. Being a community leader helping shape or protect your community is important. I am involved in everything from charities to the arts. I try to attend and be a voice in community activities."

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Their evening is all about choices



steak or pasta



soup or salad



coffee or tea

Why not provide them with every payment choice?



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■ Angelo's Restaurant

an interview with
Michael Passalacqua

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givers of themselves. I miss all three of them and they were very special to me and my family. Quicky though, one gentleman was an educator named Dr. Hanna. He volunteered here on Thanksgiving feeding the indigent. We showed him where the coffee, the sodas, the butter, the dressings and such were located. A couple of nights later he was in and I was walking past his table and he asked me for a coke. I said you know where it is, get it yourself and he laughed like there was no tomorrow. It is a great memory of him.

PRA Matters: *What is your restaurant's philosophy on community involvement?*

M. Passalacqua: You must give back something to the community that serves you. It is an obligation, not something you do when you have time or if it serves you. Being a community leader helping shape or protect your community is important. I am involved in everything from charities to the arts. I try to attend and be a voice in community activities.

PRA Matters: *What do you think can be learned from your guests?*

M. Passalacqua: You learn everything from your guests. What they like, what they don't, where else they dine, what their kids do, what they do and how they feel about the things that go on in the community and in restaurant. They are a pipeline about the competition, what people are saying and what's important to them in their home town.

PRA Matters: *When did you get involved in the Pennsylvania Restaurant Association (PRA)? Why do you belong?*

M. Passalacqua: Frank Sacco made me attend a wine tasting at a chapter event. I left there energized by meeting so many nice people in the restaurant industry. He asked me to serve on the Western Board and I haven't looked back since.

“ It is an obligation I believe. Somehow, you have to be involved with your industry. No one is looking out for you and you have to fight for yourself. I, like many of our leaders simply don't understand why EVERY Restaurant is not a member. It makes no sense to us. ”

PRA Matters: *What do you feel is the most important role for the PRA?*

M. Passalacqua: The watchdog role and political roles. This is the only way we can fight over regulation, bad laws and have our voices heard. The other things are icing on the cake, but without fighting for our rights the other things become less meaningful. Reg Liebensperger says you have to be PRA PROUD. I am. Some of the best friendship and most meaningful friendships come from this association. I love most of the people here. I am 10 times a better operator because of this group. I have leaned on many shoulders over the years for advice and counsel and no one and I mean no one in this or-



ganization has ever let me down.

PRA Matters: *Describe your employees.*

M. Passalacqua: Employee issues since the late nineties have been a struggle. Right now I have the best staff I have had in some years. I believe my three chefs are putting out the highest quality food and best dishes we have ever produced. My wait staff is sincere and warm and both of my bartenders have regular clientele that remain very loyal to them. All told, they are a good bunch of people.

PRA Matters: *What advice could you offer to a restaurant industry newcomer?*

M. Passalacqua: Inventory every week, know your percentages and keep an eye on them. Make sure your costs are in line. Make sure your menu matches your place and make sure your people know how to treat guests. If you are struggling, hire a consultant. The money it costs will pale in comparison to what you are actually losing. And don't forget for anything you need, call the Pennsylvania Restaurant Association. ♦

Truncation: Protecting Customers'

Credit Card Number

"Identity theft costs financial firms \$2.4 billion a year in direct losses and related expenses." ~ Time magazine



With identity theft growing significantly, it is increasingly important for you to help your customers' protect their personal information - particularly their credit card number. According to an article in Time magazine earlier this year, "identity theft has become an American epidemic. Calls to the fraud-victims help line at a national credit bureau have nearly doubled from the 522,922 received in 1997, and 86,168 identity-theft cases were reported to the Federal Trade Commission last year, making it the top consumer fraud complaint."

While discussions on preventing identity theft often focus on steps consumers can take, there is little consumers can do to actually prevent identity theft. The key, according to experts, is for businesses to establish responsible information-handling practices and for the credit industry to adopt stricter application verification procedures.

So what can you do to help fight identity theft? One of the best ways is to truncate credit card account numbers. With card truncation in place on

your payment processing terminal, only the last five numbers of a credit card number print out on the receipt. This prevents identity thieves from stealing card numbers off of discarded receipts. With laws pending in Congress and bills being passed in states across the nation, this is a great time to get ahead of the curve. The Iden-

tity Theft Prevention Act of 2001, now in Congressional subcommittee, would require all new credit card machines to truncate any credit card number printed on a customer receipt and sets a timeline for converting all terminals. If your current terminal(s)

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“On Hold” Time



an Often-Overlooked Restaurant Marketing Opportunity

by Wendy Brown,
Director of Public Relations, AMTC

Restaurants often overlook the first opportunity they have to create a good impression; the time telephone callers spend “on hold” before speaking with a member of staff.

In today’s competitive marketplace, attracting and satisfying guests has never been more important. Savvy restaurant managers are subjecting every area of their guest services to scrutiny. However, even with such intense focus on the “guest experience”, restaurants often overlook the first opportunity they have to create a good impression; the time telephone callers spend “on hold” before speaking with a member of staff.

Telephone “hold” time is a fact of life for every restaurant; it is simply not possible to staff effectively and eliminate hold time completely. If the average time “on hold” is 30 seconds, a business that receives 100 calls a day 260 business days

a year has callers on hold 200 hours a year! It’s a matter of concern, because many callers left in “dead air” simply hang up, and they may not call back.

Some managers think - incorrectly - that playing a local radio station is a smart idea. However, in order to avoid infringement of copyright laws, playing a radio on hold requires the payment of hefty annual fees to ASCAP, BMI and SESAC, the organizations that collect music royalties on behalf of composers. Even worse, playing a radio creates the risk that a caller on hold will hear a commercial for a competing restaurant. Playing tapes or CDs requires the same royalty payments as playing the radio. Canned “elevator” music is expensive and provides no marketing benefit. The best solution is a mix of music and messages about your restaurant. It’s inexpensive, and uses otherwise dead “on hold” time to build a relationship with the caller.

There are three major “on hold” systems to choose from. They range in price from \$250 to under \$500. The system you’ll choose depends on how many messages you want stored for your callers to hear and how often you plan to change them.

Once the player has been selected, a

vendor must be selected to produce the music and message content. Sometimes a single company can provide both the equipment and production services, which allows a single point of contact. If there’s a problem, there’s no squabbling between the equipment vendor and service provider regarding responsibility. The best vendors offer a “turnkey” service: they can write the script and do all the necessary production work, providing voice talent and music. This requires a staff of professional copywriters, audio technicians and voice talents.

It’s essential to ask for and check references from existing clients - any reputable company will usually offer them without being asked. With the dramatic increase in the popularity of “on hold” systems, there’s been a surge in upstart vendors, many whose credibility and work product leave a great deal to be desired. Some “companies” are no more than a lone radio DJ moonlighting from home. Some use music that’s not properly licensed, subjecting the client to potential liability for copyright infringement. These companies tend to disappear as quickly as they appear, with their

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■ "On Hold" Time
Marketing opportunity
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clients left "holding the bag". Sticking with a vendor that has at least five years in business is a pretty safe bet.

Also it is wise to avoid any company that insists on a contract for ongoing service. It's difficult to predict how often production services will be required and businesses can end up paying for services never used. Vendors that insist on a service contract are hoping that the client will forget to use the service, resulting in a "money for nothing" windfall for the vendor. Business is about change; it's almost a certainty that at some point the messages will need to be updated. If the original vendor does a good job, the client will usually return for this service, and a quality vendor knows this. Any vendor that tries to lock a client into a service contract obviously isn't confident

that the level of service will be sufficiently high to guarantee that client's return.

Even less desirable is leasing. Back when on-hold players cost over \$1000, leasing was a way to make them affordable for smaller businesses. The price of "on-hold" players is now so low that any business can buy one outright.

Some on-hold vendors still push leasing for selfish reasons that have nothing to do with affordability, putting the customer at great risk. The message-on-hold vendor technically sells to the leasing company a package that includes a player and a number of message updates. The leasing company pays the message-on-hold vendor for the whole package in advance (including the future updates). The leasing company then turns around and

leases the package to the client, typically for three years. The contract between the leasing company and the client specifically states that the leasing company has no responsibility for services owed by the message-on-hold vendor. If the message-on-hold vendor for some reason can't or won't fulfill its obligations under the contract, the client is still "on the hook" for the lease payments. Message-on-hold vendors go out of business all the time. There's a very real chance that the client will never get the ongoing services it's entitled to, but the monthly payment must still be paid to the leasing company. There is simply no reason for any business to expose itself to this risk. Quality vendors will gladly sell a player with a music and message production, and then sell updates as needed. "Pay as you go" means no risk.

So, having selected equipment and a service provider, what should the messages cover? This is limited only by the

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\$1,000,000 - \$1,999,999	\$550		

For sales greater than \$5 million, please call our Membership Department at 800.345.5353
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Stand Off at the O.K. Cork



By Eric Miller, Winemaker & Proprietor, Chaddsford Winery

It's a fair fight. You got yer sheriff of Dodge City trying to preserve the peace. You got yer rabble-rousers working up the crowd.

But in our case the battle is between ye olde traditional wooden corks and the new hi-tech silicon upstarts. To make it even messier, some fancy marketeers have thrown in the screw cap twist.

Good Guys and Bad Guys

Here's the facts. Historically, two to five out of every 100 bottles of wood corked wines are damaged by the cork itself or its sterilizing treatment. Fact is, a wood cork is harvested from an oak tree and intrinsically has bugs living in it. Unfortunately, the bug population has been ambushed by man's own cleaning solution with the potential to do residual damage equal to what the bugs might do. For the past 200 years the wood cork industry has done little

to show a decrease in "corked" wines. In my own experience, I've tried coated, agglomerated, and "dual-disk" versions and they have apparently made the wood stopper even less reliable - but I didn't have the nerve to go "unnatural."

I took a new position after one particularly harrowing experience when I opened five bottles to show a chef, only to find two of them corked. I went home and immediately ordered the silicon-based Supreme Corq for all of my wines that I figured would be opened within three years. That was two years ago. Not one corked bottle reported in a half million. Downside is that after three years in the bottle the Supreme Corq forms a near-perfect vacuum so well that it sometimes takes a twist of the Ah-So cork puller to break the seal. And it can get worse if you get the ones without the silicon coating, or the ones that are hard as rocks.

Taking Your Best Shot

Consumers seem to be split. Some like the "new technology" and the practicality of less spoilage, less leakage, less mold, and no little particles floating in their wine — plus the advantage of being able to easily re-cork the bottle. Others mourn the loss of pomp, tradition and

"romance." Me? I have to come down on the side of "perfect wines." We winemakers can't bear to see our perfect creations spoiled by a contaminated cork. Silicon coated stoppers may cost a little more than wood, but it's an insurance policy I'm willing to pay for.

The problem is the big guns...and the facts. The only stopper that has consistently been proven to retain wine quality over greater than 10 years is the screw cap. Right! If the Blue Bloods can't deal with plastic in their everyday wines, how are they going to feel about the sacred ones? Enter Plump Jack, one super-fine California Cab. Where they got the nerve I don't know, but they did it and darn if people didn't go for it. You can buy it for \$120 bucks with a screw cap, or just \$100 with an old cork. And their customers came down on the side of quality and preservation.

The next contenders are the straight-shooting Sauvignon Blancs from New Zealand holstered in screw-cap finish. The best of 'em are brilliantly fresh and fruity and just like today's market seems to like them. Finally, strides in joker Randall Graham crowing that all his

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■ Stand Off

at the O.K. Cork

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wines will eventually be in screw cap. So is it good-bye wooden cork? Farewell waiter's key and hello to the age of the crackling twist?

The death of the wooden cork?

Obviously, the wine industry is in a state of flux as we try to sort out the good from the bad, the damaging from the innocent. For hundreds of years we have been getting along with stopper failures. But we can do better and it's time to move on. (NEWS FLASH: I just read that there may be a way to clean a wood cork that is not deadly to the wine - hope it turns out to be true!). For now, though, I say let's focus on the wine, not the stopper. If it tastes good, drink it. If there's a problem, send it back. In the meantime, here are a few moderately priced wines with non-cork stoppers that a few professionals decided are worth pouring:

2002 Santa Maria Sauvignon Blanc, Marlborough, NZ (screw cap): Nose of new mown hay and redolent with lime; medium body and gooseberry, zesty acidity with a dry finish. \$15.19/750ml; LCB code 27504

2001 Ca del Solo, Big House Red, California (screw cap): A blend of some Rhone varieties (tastes like it must include a lot of Grenache). Deep blue red with forward ripe smells and flavors of sweet fruit, a little smoke and vanilla. Medium weight, clean and easy to drink. \$11.99/750 ml; LCB code 8774

2001 Chaddsford Chardonnay, Pennsylvania (Supreme Corq -canary yellow!): Sweet nose of vanilla and pineapple; medium body, smooth butterscotch, apple, mandarin orange, seamless long clean acidity. \$12.99/750 ml; LCB code

2002 Alice Wise Shiraz, SE Australia (screw top in 187 ml. bottles): Big dark over-the-top cooked fruit (cherry, blueberry, blackberry). Slightly hard in the finish but low tannin and clean. \$8.99/4 pack, 187 ml. bottles; LCB code 8859

2002 Rosemount Estate Shiraz, Cabernet blend (extruded section, flesh tone): Medium body, easy-drinking, candy fruit with a hint of earth and cedar. Imperceptible tannins. \$8.99/750 ml; LCB code 6785

Eric Miller is winemaker and proprietor of Chaddsford Winery in the Brandywine Valley, Pennsylvania's largest and best known winery. Eric produces (and sells!) about 35,000 cases annually and is among just a handful of East Coast winemakers who have achieved national prominence. Eric is dedicated to regional winemaking and says his mission in life is "to taste as many wines as I can before I die and open venues for others to enjoy and benefit from the unabashed joy of wine-drinking."


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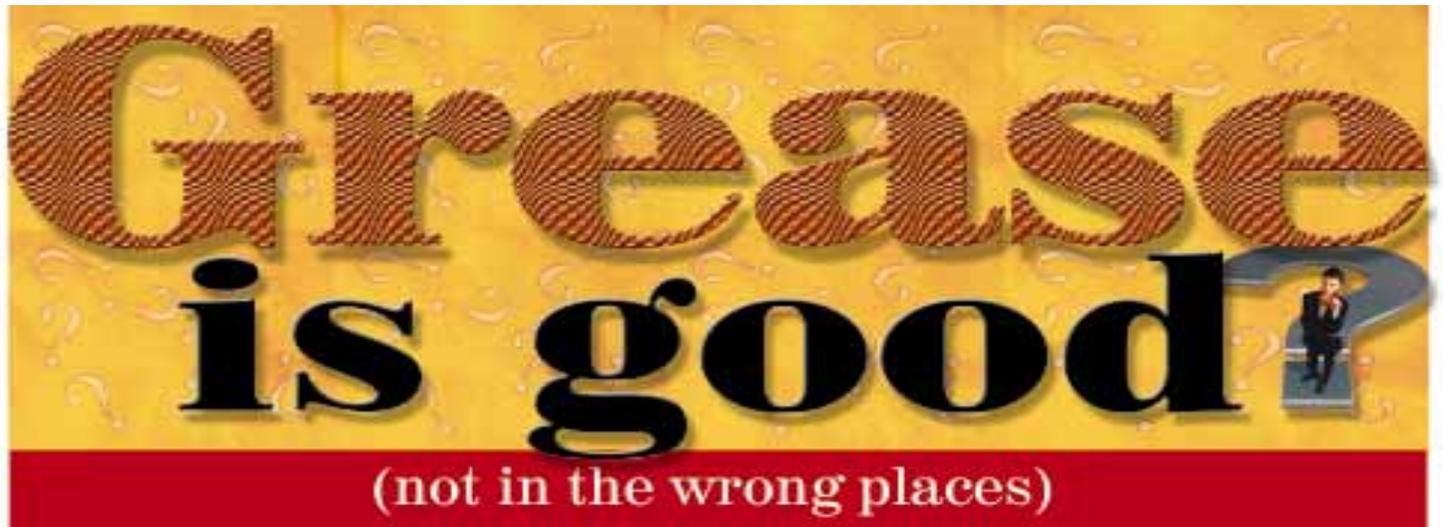


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Think not? Think roof damage or failure! Then think of possible interior damage! Now throw in rooftop grease contamination hazards: fire; health; safety; and lastly, environmental issues, all can carry heavy fines, insurance costs, and legal liabilities.

We are sure with minimum discounts on wine/spirits(now in the process of being put back on the right track), liquor liability, wage issues (both minimum and living), tip reporting, smoking bans, E.Coli break-outs, SERVE-SAFE Certifications, RAMP classes and everything that goes with being in the restaurant business (sounds a little like California?); the last thing on your mind (and rightly so, MAYBE?) is:

WHO IS REQUIRING ME TO KEEP GREASE OFF OF MY ROOF?!?

Well, the Environmental Protection Agency(EPA), Occupational Safety and Health Administration (OSHA), NFPA 96(National Fire Protection Association), Fire Marshall's, Health Departments, Insurance Underwriters, Landlords and any soon to be politician with a cause.

WHY? All industries generating or discharging FATS, OILS, GREASES (FOG's) are faced with EPA's Storm Water Pollution Prevention Plan (SWPPP) and Best Management Practice(BMP's) to resolve contaminated storm water run-off. Restaurant owners are to be compliant with state and federal requirements, this means businesses are responsible for controlling the run-off of fats, oils and grease (FOG's) spilling onto roofs and into the storm water drainage system.

" It is important for restaurant operators

to get involved in identifying hidden hazards in the workplace such as rooftop grease," advises Joe Baribeau president and founder of Coastal Enviro- Solutions, a leader working in the environmental industry and providing solutions to rooftop grease and other environmental hazards for over twenty-five (25) years, " it is a commonly overlooked problem within the food service industry."

The problem comes from rooftop exhaust fans for kitchen ventilation extracting grease laden vapor through the system, causing this grease vapor to discharge through the rooftop fan grease spout / drain and/or seep onto the unit and overflow with the natural force of rainwater. This overflow to the roof area causes roof damage and/or failure voiding the roofing warranty.

The leading culprits are poorly designed collection devices, not engineered to collect the volume of grease that is emitted; and products that are difficult to install, clean and maintain. "Restaurant operators and managers need to start inspecting their roofs more frequently, to make sure the proper grease containment product is in place to stop grease from spilling onto the roof," notes Mr. Baribeau.

The consequences that occur from rooftop grease spills are:

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■ Grease is Good? not in the wrong places

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- Fire hazards - possible ignition from fan motors, through kitchen interior hood or outside sources.
 - Health Hazards - attracts pest and rodents (i.e. Pigeon dirt is classified as a hazardous material - expensive to clean up). Newly found political and legal opportunity - MOLD growth and effects.
 - Safety Hazards - slip and fall accidents - legal repercussions.
 - Environmental Pollution - contamination of Storm Water run-off - EPA regulations and fines.
 - Roof Damage / Failure - softens / blisters/cracks/delaminates causing leaks and/or failure voiding warranty

Is California moving west to east? Their politicians tried to turn new grease re-

quirements into law. To control further grease discharges from food service establishments in the City of Los Angeles, they proposed amendments to Municipal Ordinance LAMC 64.30 that would require all food service establishments to:

- Obtain an industrial wastewater permit - \$356 then \$244/year inspection fee
- Use Best Management Practices to reduce grease discharge into sewer system
- Failure to implement Best Management Practices would require installation of a grease interceptor - thousands \$ to buy and thousands \$ to install
- All newly constructed restaurants must install a grease interceptor
- Any recently remodeled restaurants, improving value at \$100K would require installation of a grease interceptor

Exemptions, conditional waivers or variances would have been available if:

- The food establishment did NOT

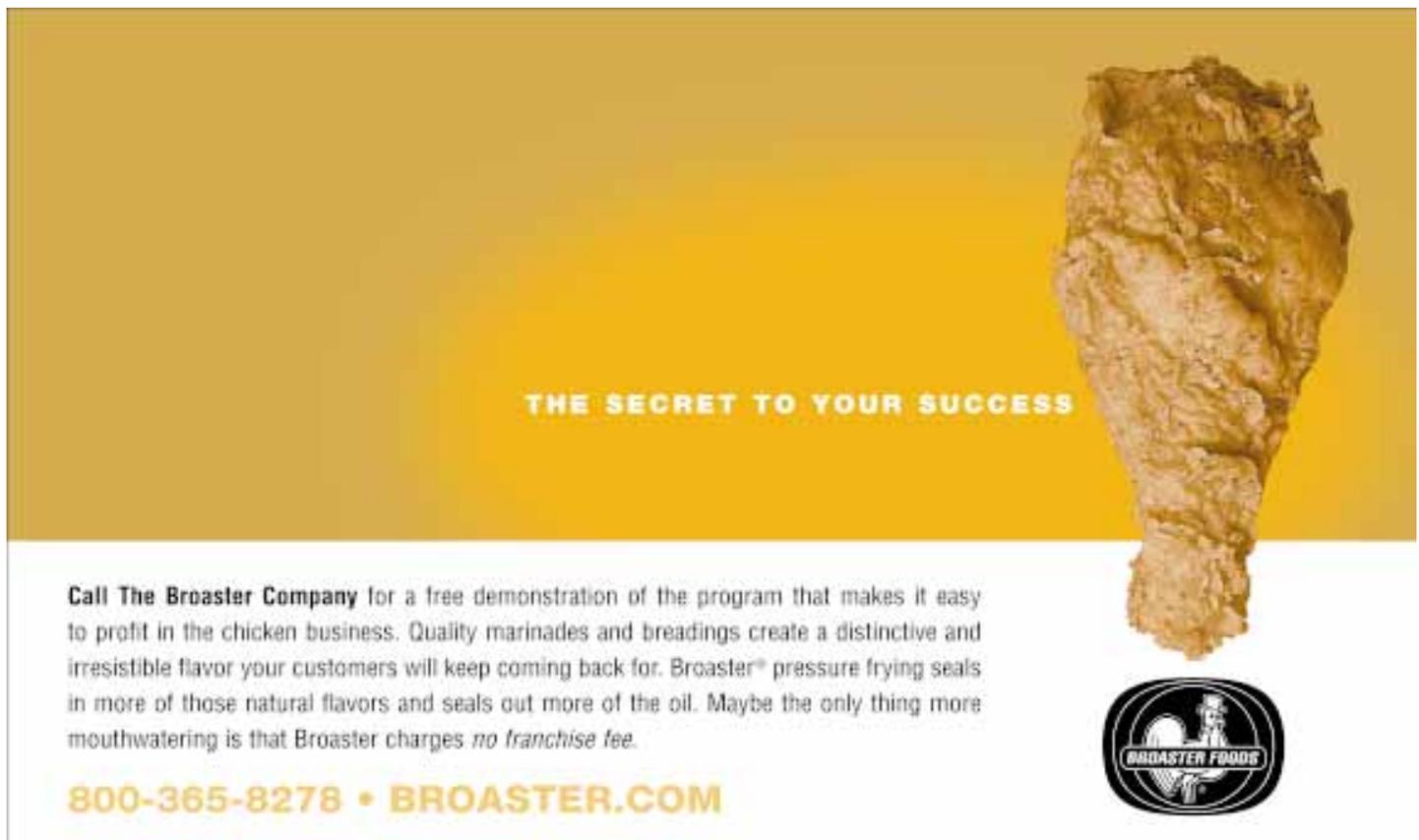
generate grease

- The food establishment did NOT cause grease blockage impacts to the sewer system
- The food establishment had limited space on property to install a grease interceptor

Only the intervention of the California Restaurant Association - Government Affairs turned this political nightmare into an acceptable resolution. They urged and cajoled the city into changing the proposal (temporarily) to require only the Best Management Practices (BMP's) be used in disposal of the FOG's, by wiping down cooking utensils before the dishwashing procedure. "The CRA believes this is a fair compromise which does not place unfair financial burdens on law bidding restaurants."

Failure to implement BMP's will be warned and thereafter required to install grease interceptors.

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Do You Have a Plan for **Emergency** Situations?

Bill Bensinger, owner of the Virginville Hotel, in Virginville, PA, was shocked to hear that his restaurant was on fire May 27, 2002.

He had managed the restaurant from 1989 until 1997 and bought the establishment after working there for eight years. Bill was indifferent to hear a 30 year old mug chiller shorted out, causing the fire.

Mr. Bensinger and his family worked diligently for 6 months to reopen the restaurant on November 19, 2002. Soon, anxiety turned into excitement as the “new” eating place was ready to open.

Did you have a plan in place for emergency situations?

The restaurant was up to code with fire exits. All employees were aware of the evacuation procedures in case of

Bill Bensinger's establishment before and after the fire. Bill suggests sitting down with your insurance agent to discuss proper coverage for you and your restaurant. Coverage he recommended as most important was replacement coverage (not content value), loss of business income and wages.

emergencies.

After the disaster, what were the most important steps in the recovery process?

Bill first called his insurance company to inform them of the situation and to discuss premium coverage. The insurance agent met with Bill that morning, giving him a reference for restoration of the restaurant. Bill called the Berks Fire, Water & Restoration Company who came out that morning and quickly restored his electric hook-up.

The next day Bill met with the owner of the restoration company to discuss clean up. Amazingly at 1200 ° F, there was mostly smoke damage to the restaurant. However, due to the extreme temperature, things melted and the bar was badly damaged by the fire.

For the next few weeks inventory was taken of food, alcohol, dishes, glasses,

pictures etc... The non perishable food items were thrown away or given to the local community. Alcohol was dumped out and bottles were thrown away. Chipped glasses and dishes were discarded while the others were sent to get cleaned. The place was gutted.

Finally, the rebuilding process began giving Bill and his family a lot of mixed emotions. There were feelings of both guilt and excitement as the “new” restaurant unfolded.

Based on what you went through, what is the most important advice you would give to others?

Bill suggested sitting down with your insurance agent to discuss proper coverage for you and your restaurant. Coverage he recommended as most important was replacement coverage (not content value), loss of business income and wages. Finally he suggested coverage for other people's property. ♦



■ Grease is Good?

not in the wrong places

continued from page 15



Can we, in Pennsylvania be far behind? Consider our recent past with severe water drought experiences and developers both residential and commercial, more so commercial with huge parking and rooftop run-offs. Political ramifications will surely follow from city to township to county to state.

The solution lies in part with proper and continual maintenance by the property owner, management and their personnel; and the use of proper industry rooftop grease containment products.

- The product should NOT sit directly on the roof around the base unit
- A system permitting rainwater to run out of the system without the grease spilling to the roof area.
- A unit with a disposable filter, moreover a greasediaper that is hydrophobic (water repelling) that traps FOG not allowing rainwater to pass through it.
- A complete and rain proof that collects the FOG and holds it.
- A product that allows a visual inspection and ease of routine service for preventative maintenance.
- The product must be cost effective to install and maintain.

Some rooftop grease containment products are expensive to install and then, replacement filters are costly to replace and maintain. A good Grease Control system, need not to be an expensive piece of equipment, to do the job correctly.

Mr. Joe Baribeau of Coastal Enviro-Solutions concludes, "the Grease Control product should always meet the requirements of the local, state and federal agencies involved; NFPA 96 section 7.8.2.1 should be used as the guideline."

The easiest, safest and best choice is a GreaseControl system with a grease drip pan and greasediaper that is easy to attach and is maintained without difficult instruction; one that saves on product cost, maintenance costs and provides long lasting service and protection. ♦

Are you supporting your local PRChapter? In government affairs?

It is, as the old Aamco adage claims " You can pay me now or you can pay me later" and it will be a lot more to pay later!

Bill Kauffman is responsible for Specialty Product Sales; including Rooftop Grease Containment and consultation for Best Roofing Technology, Inc. in Carlisle, with offices in Carlisle, PA., Raleigh, NC and West Palm Beach, FL.. Best Roofing Technology, Inc. is also an approved full-line commercial roofing contractor specializing in roof consultation, sales, installation and maintenance; for more information visit their website at www.bestrooftech.com or call 800-935-ROOF.

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*Source: AC Nielsen latest 8 months ending 7/13/02. Philadelphia/Central PA market scan only.



Will You Pay to Prevent Outbreaks?

Listeriosis Outbreaks

Although the West Nile Virus has received considerably more media attention than Listeriosis in recent years, *Listeria monocytogenes* (Listeriosis) affects approximately 2,500 people each year, with an estimated 25% of these cases resulting in death. Even though the reported number of cases for West Nile Virus pale in comparison to those of Listeriosis, many Americans continue to take increased precautions against West Nile viruses while ignoring the potentially fatal risks of Listeriosis.

Listeriosis was on its way to becoming a household name last summer, as 44 people in eight Northeastern states contracted the disease. Wampler Foods was identified as the source of the Listeriosis outbreak, which resulted in seven deaths and three miscarriages. Approximately 27.4 million pounds of Wampler food products were voluntarily recalled throughout the investigation process.

The concern that the food service industry has with the Wampler outbreak is that Listeriosis was linked to "ready-to-eat" products such as lunchmeats. Where most consumers use proper refrigeration for lunchmeats but do not cook the products prior to serving them, the Listeriosis bacteria is not destroyed. In fact, *Listeria* thrives in cool environments (0 to 50 degrees Fahrenheit) similar to the conditions found in refrigerators.

Listeria can be found in soil and water, allowing raw food crops to become contaminated with soil or manure. The bacteria can also be carried by animals, and passed on to meats and dairy products during food processing. Without proper pasteurization or heating procedures, *Listeria* can easily affect consum-

ers with weakened immune systems.

What is Being Done to Prevent Outbreaks?

Last year, over 30 recalls were associated with the *Listeria* bacteria, and 2003 has already seen the recall of nearly 30,000 pounds of potentially contaminated food. Although packaging plants use quality control to routinely inspect their own facilities and food products, consumer groups are angered over the amount of food contamination outbreaks, citing the lack of mandatory Listeriosis testing for ready-to-eat products as a major concern. According to Daniel Puzo of the USDA, processing plants, "Must have a plan to control microbial hazards. If they refuse to test, then we must intensify our inspection of the plants."

All processing facilities of meat, poultry, and egg products are routinely inspected by the facilities' quality control and by USDA food safety inspectors. However, USDA inspectors are mostly limited to first shift operations of these facilities, and additional USDA inspectors are needed for second and third shift operations of processing plants. The funding for these additional inspectors may not be available until 2004, when President Bush's proposed plan would allow for an 11% increase in funding for the food safety industry. This amounts to a total of \$797 million dollars for the testing for *Listeria* and *E.coli*, safety against bioterrorism, research of animal diseases and vaccines, and an increase in the number of USDA food safety inspectors.

The 11% increase raises some concerns for many processing facilities. Will facilities have to pay for second and third shift USDA

inspectors? If so, the consumer could see a food taxation to compensate for the costs of inspector "user fees." Tim Willard, spokesperson for the National Food Processors Association (NFPA), says the industry believes if user fees become necessary for the services of additional USDA inspectors, "It will cost more for food to be produced, so the costs would be passed on to consumers."

Many consumer groups argue that since processing plants would be paying for their own inspectors, a conflict of interest could develop. The NFPA is aware that consumer confidence could be adversely affected, "Consumer confidence is the key to a good food supply," Willard agrees. Therefore, rather than risking a decline in consumer confidence, the industry would prefer general revenues fund the increased number of inspectors, as opposed to facilities having to pay the user fees on their own.

How Will This Affect You

This poses a significant question to restaurant owners and operators; will President Bush's 11% increase in food safety funding eventually force the food industry to pass excess fees on to the consumer? Safer food products can protect you from lawsuits and reputations associated with improper food handling, and they can also give you confidence in knowing that the food you are serving is free from harmful bacteria like Listeriosis, but it is likely that you will have to pay for it in the long run. In the near future, both you and your customers might feel the trickle down effect from this funding as a result of food production taxes. However, food production taxes might be a small price to pay to ensure the safety of food products for your customers. ♦

✓ Correction

This is a correction from our Winter 2003 Issue, "How to Claim a Federal Income Tax Credit for FICA Taxes You Pay on Employee's Tips." Our member Harold Gorsky, CPA, from Bush, Levin and Tecosky provided the following updated information. Thank you Harold Gorsky and Bush, Levin and Tecosky for providing this information!

1. They mention employee's wages of \$2.13. The minimum wage that can be paid to tipped employees in Pennsylvania is \$2.83 per hour.
2. Because of the above, the FICA tax paid by the employer is higher. The calculation used in the chart is incorrect. The employer social security and Medicare taxes on tips that are used to meet the Federal minimum wage to the employee under the Fair Labor Standards Act are not used in the computation.
3. The social security tax of 6.2% is paid on wages of up to \$84,900 a year for 2002, and up to \$87,000 a year for 2003, not \$80,400 as the article states.
4. The article states a credit carry back of three (3) years. It should be a carry back of one (1) year.
5. They mention a credit carry forward of fifteen (15) years. It should be a carry forward of twenty (20) years.
6. The credit can possibly be used by shareholders of "S" corporations, or partners in Partnerships, to offset individual income taxes.
7. Special rules apply to married couples filing separate returns, controlled groups, regulated investment companies, real estate investment trusts, estates and trusts.
8. If anyone has questions, please contact the Pennsylvania Restaurant Association at 800.345.5353 or Harold Gorsky, CPA, at Bush, Levin and Tecosky at 215.947.6300 ext: 115.

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Are You Expensing Your Smallwares?

In 2002, the IRS released Revenue Procedure 2002-12, which is effective for tax years ending after December 31, 2001. The revenue procedure provides for taxpayers engaged in the business of operating a tavern or restaurant a method for the current deduction for the cost of smallwares and also a procedure for taxpayers to obtain the immediate consent of the IRS Commissioner

You should refer to the revenue procedure for definitions of the terminology used in this article and seek the advice of your tax advisor for the proper implementation of this new smallwares method. In addition, the new procedure clears up uncertainties and is easier to account for by the taxpayer.

The definition for the trade or business of operating a restaurant or tavern is not as clear cut as the taxpayer might first imagine and includes on-

premises and off-premises consumption and may include food or beverage services at grocery stores, hotels and motels, amusement parks, theaters, casinos, country clubs and other social or recreational facilities.

Generally, smallwares consist of ten categories: (1) glassware and paper or plastic cups; (2) flatware (silverware) and plastic utensils; (3) dinnerware (dishes) and paper and or plastic plates; (4) pots and pans; (5) table top items; (6) bar supplies; (7) food preparation utensils and tools; (8) storage supplies; (9) service items and (10) small appliances. Smallwares do not include office supplies, cleaning supplies, maintenance tools, extraordinary items (such as collectibles), other items of artistic or intrinsic value, items that are accounted for separately for tax purposes or items that are generally listed as scheduled property for insurance purposes.

The taxpayer must keep in mind that the revenue procedure does not apply to the initial cost of smallware expenditures for its "opening package" before a restaurant or tavern opens its doors to customers. This expenditure, in accordance with Internal Revenue Code section 195, would be recovered through amortization deductions. The average cost of an opening package ranges from \$10,000 to \$50,000, and the smallwares have an average useful life of slightly over one year, based on industry data.

A taxpayer that has been previously engaged in the trade or business of op-

erating a tavern or restaurant is allowed to account for smallwares in the same manner as materials and supplies. Materials and supplies are deductible in the year in which they are actually consumed and used in the taxpayer's business. Smallwares are considered consumed and used in the taxpayer's business in the year in which they are received at the tavern or restaurant and are available for use. "Available" does not include smallwares purchased and stored in a facility where the smallwares ultimately will not be used, such as a warehouse.

Taxpayers that want to change to the smallwares method must realize that the change is a change in the method of accounting in accordance with the Internal Revenue Code and must follow the automatic change in method of accounting provisions of the revenue procedure. In the year of change, a full deduction for any smallwares not previously deducted is allowed in accordance with Section 481(a) relating to changes in method of accounting.

James R. Nace, CPA, is a principal with the firm of Brown Schultz Sheridan & Fritz in Camp Hill, Pennsylvania and is the principal in charge of providing accounting, tax and consulting services to the Pennsylvania Restaurant Association. ♦



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“On Hold” Time

Marketing opportunity
continued from page 9

copywriter's imagination. Promote your restaurant's specialties, detail fine wines, and introduce special nights like Valentine's Day. Low-key information, not a hard sales pitch, is the key to successful on-hold messaging. The caller should never think they're on hold simply to give the restaurant a chance to "pitch" them. Messages should be polite and tactful and should always thank the caller for waiting. Don't be afraid to be creative and entertaining - make the caller really enjoy what he or she is hearing.

As an effective tool in the battle for guests, on hold messaging systems should not be ignored by any restaurant. ♦

Wendy Brown is Director of Public Relations for Applied Media Technologies Corporation, (AMTC) a Florida based electronics manufacturing company. AMTC is the market leader in "on hold" messaging systems and pioneered the use of CD and removable memory stick technology in "on-hold" player equipment. www.amtc.com

Truncation:

Protecting customers
continued from page 7

can't truncate a card number, you might think about upgrading and meeting your customers' need for privacy protection. Global Payments has numerous applications that offer this feature.

If you're interested in learning more about identity theft, check out the U.S. Government site at www.consumer.gov/idtheft/.

To find out more information about these or other Global Payments products available to you, contact your Global Payments representative (NAME & NUMBER). ♦

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