

Testimony of Scott Rudich  
Owner/Operator Round Guys Brewing Company  
Lansdale, PA

Members of the House Majority Policy Committee,

Thank you for allowing me to submit comments to you today about Round Guys Brewing Company and how the Governor's proposed budget would impact my business and my ability to operate within the Commonwealth. I am the owner/operator of Round Guys Brewing Company located in Lansdale, Pennsylvania.

Round Guys was founded in 2012 and before the COVID-19 pandemic, we employed 25 people—11 of those were full time (working 35 hours/week or more). The shutdown in March of 2020 required us to lay off most of our staff. Today we operate at 50% indoor capacity following the open and certified rules. That 50% is misleading however. We have seats for 32 customers. 50% capacity is 40 seats for us, but we cannot achieve that due to the restriction on bar seating. Currently we employ 14 people—7 working full time hours. My business is struggling to get through this crisis and there are facets of the proposed budget that would be a death sentence to my business in the best of times, more so given the current state of our economy.

The Governor's budget includes a gradual increase in the minimum wage of \$15/hour and a complete elimination of the tipped wage and the tipped credit. This elimination of the tipped wage and tipped wage credit is an absolute non-starter and the biggest threat to my business at this time. In 2019, because of the ability to utilize the tip credit—my business saved \$25,000. This credit ensures my employees make an above average wage and ensures that I can continue to operate successfully amidst the typical low profit margins that come with operating a restaurant/brewery.

Currently we have two types of employees. Those who receive tips (barbacks, bussers, Servers, bartenders) and those who do not (Brewers, Cooks, Managers, dishwashers). My tipped employees start at \$5/hour. The state minimum wage for tipped employees is \$2.83/hour. Our starting wage for non-tipped employees is \$10.00/hour as opposed to the state minimum wage of \$7.25/hour. Employees that do a combination of tipped/untipped work make between \$12-\$16/hour before tips. I do not make them clock in at \$5.00/hour if they are doing tipped work. The average take home pay for employees that receive tips is between \$17-\$35/hour. Elimination of the tipped wage, at best, leads to a pay cut for my employees tipped employees because they will receive less tips. Additionally, I will lose a highly beneficial tax credit of \$25000 and pay an additional \$18,000 in payroll taxes. That is a negative impact of potentially \$43,000 to my business on an annual, ongoing basis.

The payroll figures included in the above paragraph do not include the added issue of wage compression. I should make it clear that I am as invested in this business as my employees. My salary as the owner is \$18.50/hour. This is \$0.50 more per hour than my highest paid employee

Please see our wage scale below:

Position	wage	Tips
bartender/server	\$ 5.00	Y
Food Runner/Busser	\$ 7.25	Y
Dishwasher	\$ 10.00	N
Packaging Technician	\$ 10.00	N
Kithen Utility	\$ 11.00	N
Cook	\$ 12.00	N
Brand ambassador	\$ 12.00	Y
Sr Cook	\$ 13.00	N
Events manager	\$ 14.50	N
Front of house manager	\$ 15.00	N
Brewery Production Manager	\$ 15.00	N
Kitchen Manager	\$ 16.00	N
Chef	\$ 18.00	N
Me	\$ 18.50	N

I am not trying to “make it rich” by operating this business. If I wanted to stay in an upper income bracket I would never have left my job at Merck & Co and I would be making over \$100,000/year. As it stands, I make \$38,480/year. By and large, people in this industry are in it because they love it—they love the business, the people they serve and the experiences the create for their customers. The problems that a \$15 minimum wage create are myriad. For example, to meet that requirement, I would either have to compress all employees between \$15-18/hour, or I would have to raise the wages of my employees for an added annual payroll cost of an estimated \$59,150 annually. Its going to be hard to keep a kitchen manager happy \$16/hour when a dishwasher is making \$15/hour.

If you add the \$43,000 lost because of the elimination of the tipped wage and the tip credit to the cost of minimum wage hike, I am looking at a combined negative impact of \$102,150 annually to my business. In these difficult times, that is just too much to bear. To Be clear, I can’t hire ANYONE at \$7.25 an hour and while I support a higher minimum wage as you can see by our wages scale above, it should be driven by market forces and not government mandate. Case in point, this summer my 16 year old daughter worked at the brewery as a dishwasher for \$9.00/hour. She quit after 5 weeks because she found a job as a barista making \$10/hour plus tips that was closer to home. This is how it is supposed to work. If you look above, we changed the wages of all dishwashers to \$10/hours as a result of market forces. Even now, we are trying to hire a dishwasher at \$10/hour and we have received only 7 applicants, and that is with a promise to cross train into brewery operations.

As it pertains to the tax proposals in the most recent budget, cutting the Corporate Net Income Tax (CNIT) is great for large corporations but for my small business, along with thousands of others, there will be no tax relief from that cut. Most small businesses are Sole proprietorships, LLCs, partnerships or LLPs. With these entities, the tax burden from those small business passes directly to the business

owners. So cutting the CNIT gives big corporations a break, but no help for the small business owner. Further, the increase in the personal income tax (PIT) will increase my tax obligation assuming my business is able to get through this crisis and make revenue again. My wife and I would be above the threshold cutoff for relief from the PIT. Right now, because of the extreme mitigation that has been in place—I am struggling every single day and not making revenue—but when we do get out on the other side of the crisis—small businesses should not be faced with additional tax burdens.

In recognition of what you did to help businesses, I do want to take a moment to thank all of you through for passing Act 1 of 2021, which clarifies that the PPP loans my company has received are not subject to personal income tax. We recently got funded for our second loan and it is relief to know that I will not have additional tax obligations for a grant that I needed just to survive.

Finally, as you work through this budget and consider other legislative priorities to help our industry, I would like to highlight one of my greatest concerns and frustrations as a business owner. When my younger employees turn 26 years old, they often opt to leave Round Guys Brewing Company because I am not able to afford a healthcare plan that is not financially crippling to my employees and myself. One of the biggest things I would like to offer my employees is health care but that is not feasible for a business as small as mine. We here at Round Guys Brewing company believe that the brewing and hospitality industry is a viable career and as such needs to be treated as such with benefits. I would urge you to consider legislation by Rep. Valerie Gaydos which allows for association health plans (AHP's) in Pennsylvania. This plan, already approved by the federal government, would allow me to access affordable healthcare--because every restaurant in Pennsylvania could buy into the same plan—therefore increasing participation and decreasing risks. I am only as successful as the great employees I am able to keep and creating a work environment with benefits that typically only large companies can afford would allow me to continue to grow my business and invest in this Commonwealth.

Thank you for allowing me to testify today and I am happy to answer any questions.