

7. INCOME TAXES:

The components of income tax expense from operations for fiscal 2019 and fiscal 2018 consisted of the following:

	2019	2018
Current: Federal	\$ 1,139,927	\$ 1,294,253
Current: State	428,501	423,209
	<u>1,568,428</u>	<u>1,717,462</u>
Deferred: Federal	34,466	(470,166)
Deferred: State	6,106	(83,296)
	<u>40,572</u>	<u>(553,462)</u>
Income tax expense	<u>\$ 1,609,000</u>	<u>\$ 1,164,000</u>

The difference between the Company's income tax expense in the accompanying consolidated financial statements and that which would be calculated using the statutory income tax rate of approximately 21% and 24% for fiscal 2019 and fiscal 2018, respectively, on income before income taxes is as follows:

	2019	2018
Tax at statutory rate	\$ 1,010,517	\$ 1,160,247
Nondeductible business expenses	226,670	405,996
State income taxes, net of federal tax benefit	332,931	513,241
Change in deferred tax rate	—	(778,000)
Other	38,882	(137,484)
	<u>\$ 1,609,000</u>	<u>\$ 1,164,000</u>

Temporary differences between the financial statement carrying balances and tax basis of assets and liabilities giving rise to a net deferred tax assets (liabilities) at September 2019 and September 2018 relates to the following:

	2019	2018
Deferred tax assets:		
Allowance for doubtful accounts	\$ 215,925	\$ 210,734
Accrued expenses	796,542	779,282
Inventory	452,192	272,946
Intangible assets	71,849	—
Other	23,237	23,237
Net operating loss carry forwards - federal	63,983	92,421
Net operating loss carry forwards - state	723,306	697,013
Total gross deferred tax assets	<u>2,347,034</u>	<u>2,075,633</u>
Less: Valuation allowance	<u>(723,306)</u>	<u>(697,013)</u>
Total net deferred tax assets	<u>1,623,728</u>	<u>1,378,620</u>
Deferred tax liabilities:		
Trade discounts	375,172	285,439
Property and equipment	2,150,130	1,361,508
Goodwill	921,799	921,799
Intangible assets	—	592,675
Total deferred tax liabilities	<u>3,447,101</u>	<u>3,161,421</u>
Total net deferred income tax liability	<u>\$ 1,823,373</u>	<u>\$ 1,782,801</u>