Note J—Income Taxes

Income tax provision (benefit) consists of the following for the fiscal years ended March 28, 2004, March 30, 2003 and March 31, 2002:

	2004	2003	2002
Federal			
Current	**$ 94**	$ —	$ 985
Deferred	**804**	(281)	(93)
	898	(281)	892
State and local			
Current	**60**	46	181
Deferred	**142**	(48)	(16)
	202	(2)	165
	$1,100	$(283)	$1,507

Total income tax provision (benefit) for the fiscal years ended March 28, 2004, March 30, 2003 and March 31, 2002 differs from the amounts computed by applying the United States Federal income tax rate of 34% to income before income taxes as a result of the following:

	2004	2003	2002
Computed "expected" tax (benefit) expense	**$1,018**	$(609)	$ 833
Nondeductible amortization	**37**	99	169
Impairment on nondeductible favorable lease intangible assets	**—**	87	—
State and local income taxes, net of Federal income tax benefit	**181**	140	106
Tax-exempt investment earnings	**(46)**	(48)	(68)
Tax refunds received	**(62)**	—	—
Nondeductible meals and entertainment and other	**(28)**	48	17
	$1,100	$(283)	$1,057

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

	March 28, 2004	March 30, 2003
Deferred tax assets		
Accrued expenses	**$ 668**	$ 672
Allowance for doubtful accounts	**131**	167
Impairment of notes receivable	**908**	855
Deferred revenue	**816**	806
Depreciation expense and impairment of long-lived assets	**988**	1,152
Expenses not deductible until paid	**138**	238
Amortization of intangibles	**308**	407
Net operating loss and other carryforwards	**751**	1,540
Other	**65**	101
Total gross deferred tax assets	**$4,773**	$5,938

	March 28, 2004	March 30, 2003
Deferred tax liabilities		
Amortization of intangibles	**$ —**	$ 80
Difference in tax bases of installment gains not yet recognized	**196**	335
Unrealized gain on marketable securities and income on investment in limited partnership	**46**	46
Other	**2**	—
Total gross deferred tax liabilities	**244**	461
Net deferred tax asset	**4,529**	5,477
Less valuation allowance	**(751)**	(751)
	$3,778	$4,726

The Company utilized net operating loss carryforwards ("NOL's") of approximately $1,965 during fiscal 2004. The determination that the net deferred tax asset of $3,778 and $4,726, at March 28, 2004 and March 30, 2003, respectively, is realizable is based on anticipated future taxable income.

At March 28, 2004, the Company had a NOL of approximately $1,289 remaining (after certain IRS agreed-upon adjustments and other reductions due to expiring losses) which is available to offset future taxable income through 2005 and general business credit carryforwards remaining of approximately $120 which may be used to offset liabilities through 2008. These losses and credits are subject to limitations imposed under the Internal Revenue Code pursuant to Sections 382 and 383 regarding changes in ownership. As a result of these limitations, the Company has recorded a valuation allowance for the Miami Subs loss carryforwards and credits related to the acquisition of Miami Subs. The valuation allowance also includes various state NOL's related to the post-acquisition losses of Miami Subs not utilized on a consolidated basis and carried forward on a state basis.

Note K—Stockholders' Equity, Stock Plans and Other Employee Benefit Plans

1. Stock Option Plans

On December 15, 1992, the Company adopted the 1992 Stock Option Plan (the "1992 Plan"), which provides for the issuance of incentive stock options ("ISO's") to officers and key employees and nonqualified stock options to directors, officers and key employees. Up to 525,000 shares of common stock have been reserved for issuance under the 1992 Plan. The terms of the options are generally ten years, except for ISO's granted to any employee, whom prior to the granting of the option, owns stock representing more than 10% of the voting rights, for which the option term will be five years. The exercise price for nonqualified stock options outstanding under the 1992 Plan can be no less than the fair market value, as defined, of the Company's common stock at the date of grant. For ISO's, the exercise price can generally be no less than the fair market value of