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LATEST COVID-RELATED NEWS

Michigan state government has established one of the most restrictive Covid rules and regulations for businesses in the country - especially for the restaurant industry.

On Monday November 2, new rules went into effect requiring food businesses to take down customer's names and phone numbers as well as the day and time of their visit.

The state leaves the method of collecting the information up to the restaurant. You can have the customers fill out cards, you can have wait staff or hostesses collect the info or any other method that works for you.

If you are a member of the Michigan Restaurant Association, they are offering signage, instructional videos, a support team and a computer software program that will capture all the data needed. All the customer has to do is give you their name and phone number. Go to edaunt@mrla.org to sign up.

On October 2, the Michigan Supreme Court invalidated every COVID-19 related executive order Governor Whitmer had issued since April 30, 2020 as an unconstitutional over-reach of her authority.

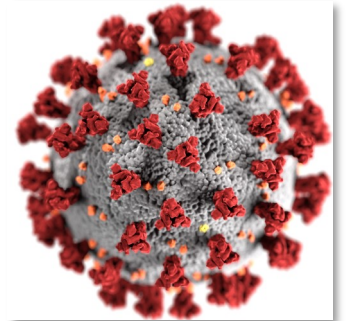
The Governor immediately ordered Michigan OSHA (Occupational Safety and Health Administration) to issue emergency administrative rules which mirrored her previous executive orders.

MIOSHA has authority to issue emergency administrative rules that last for 6 months and can be extended for another 6 months without going through the often-lengthy rulemaking process which involves public hearings and taking testimony from various public interests.

Under the emergency rules issued by MIOSHA, businesses must have a written COVID preparedness and response plan and provide training to their employees that covers workplace infection control practices, the proper use of personal protection equipment, steps workers must take to notify businesses of any symptoms of COVID or a suspected or confirmed diagnosis of COVID and how to report unsafe working conditions.

On October 9, the MDHHS (Michigan Department of Health & Human Services) released an order requiring that foodservice locations:

- Maintain six feet of distance between each party.
- Must not exceed 50 percent of normal seating capacity.
- Bars may only serve alcohol to gatherings seated at tables.
- Businesses must not allow indoor gatherings unless they require face masks except when



seated at a restaurant eating or drinking.

- Close indoor common areas in which people normally congregate, dance or mingle.
- Prohibit indoor gatherings anywhere alcoholic beverages are sold for consumption onsite, except for where parties are seated and separated from one another by at least six feet, and do not intermingle.

On October 22, the legislature in cooperation with the Governor's office passed a series of bills to extend unemployment for another 26 weeks and to provide legal immunity for businesses sued if a customer or worker contracts COVID - as long as the business has complied with all COVID rules and orders by all government agencies in effect at the time of the alleged harm.

One of the bills also prohibits an employer disciplining, discharging or retaliating against employees who stay home because they test positive, display symptoms or have had close contact with an individual who test positive or displays the principal symptoms.

Government agencies have the power to compel businesses to comply with these orders with civil fines and/or suspension of your license to operate.

In other news, a new Federal stimulus package which would include another round of PPP is stalled and probably will not be passed until after the election.

And the non-taxability of forgiveness of the PPP loans is still to be considered. See accompanying article on this issue.

COVID LOANS PRESENT UNUSUAL TAX CONSEQUENCES FOR 2020 AND 2021

The PPP and EIDL loans obtained by restaurants in 2020 will present some unusual tax consequences to restaurant owners on their 2020 and 2021 taxes.

Both the PPP and the EIDL are considered loans.

When you received your EIDL money, that was a loan for tax purposes and has the same consequences on your taxes as a bank loan. The interest is deductible and the principle is paid from profits.

The rub will come in when, and if, the PPP loan is forgiven.

To begin the story, we need to lay the groundwork. You applied for the PPP money and the EIDL loans to pay bills (mostly payroll) during the COVID shut-down and restrictions in 2020. That money was a God-send for most restaurants

as it allowed you to stay open and pay your bills.

But borrowing money to

pay bills implies that you will have losses for tax purposes otherwise you would have used normal sales to pay bills. If you used up your PPP and/or EIDL monies to fund operations in 2020 then you probably will have tax losses for 2020. Losses for some restaurants may be substantial for 2020.

If you broke even in 2020 and did not need the loan money to fund operations or you actually had profits even without using loan money then you probably will have profits for tax purposes in 2020.

The complications start when the PPP money is forgiven. Under current law, once forgiven, that money becomes taxable income. Based on the forgiveness timetable as published by the government, PPP forgiveness will not come until 2021.

This will mean some restaurants will have large losses in 2020 and possible huge profits in 2021 as the PPP money is forgiven (and becomes taxable) and your sales rebound.

Having big losses in 2020 for tax purposes is not necessarily a bad thing. We can carry those losses back and forward to obtain refunds of previously paid taxes. But, as stated above, if the PPP loans are forgiven, that could mean big taxable profits in 2021.

This is something you should be aware of and talk to your tax preparer at Kallas to consider how it affects you.

To add to the story, part of the negotiations going on now in Washington include making the PPP forgiveness non-taxable. Our best guess at this point is that nothing will pass until after the election but if the non-taxability of forgiveness passes it will be a huge boon to restaurant owners because it will become tax-free.



KALLAS HOLIDAY SCHEDULE

Please post information for reference.

Our office will be closed on:

November 26 & 27 for Thanksgiving.

December 24 & 25 for Christmas.

December 31 & January 1 for the New Year

If you call in your payroll instead for e-mailing and faxing, we ask that you follow the schedule below:

Normal Call Day	Call on
Thursday, November 26	Wednesday, 11/25
Friday, November 27	Wednesday, 11/25
Thursday, December 24	Wednesday, 12/23
Friday, December 25	Wednesday, 12/23
Thursday, December 31	Wednesday, 12/30
Friday, January 1	Wednesday, 12/30

**You can always fax or e-mail your payroll -
they are available 24/7.**

PAYROLL FAX : 313-962-7113 or
313-394-1905

PAYROLL E-MAIL: payroll@kallascompany.com

Due to the quantities of payrolls being processed, those payrolls not called in by the above listed times WILL NOT go out until OUR next business day. We ask that you keep to your scheduled call-in time and day. Payrolls called in earlier than the call-in day will not be processed until your scheduled call in day.

We will be offering a COURIER SERVICE or Next Day UPS or PICKUP if you do not want to rely on the regular mail during the holidays. There will be an additional charge for this service.

If you need to change your payday due to the holidays; please let us know when calling in your payroll.

Clients using "My Go" anywhere-anytime payroll and the Paperless Paycard service will see **NO** delay in payroll due to the holiday.

YEAR END IS FAST APPROACHING

We know December may be a busy month for you but January and December are also the biggest months for your accounting and tax deadlines so it is best to try to be organized and prepared.

November To Do

- Ask your employees to review the information on their check stubs before year end. Especially social security numbers, name spelling and addresses. An incorrect social security number can cause several hundred dollars in penalties for each instance plus rejection of your W-2's.

December To Do

- Give us any missing or corrected employee information. That includes addresses, names, social security numbers.
- Give us any information on bonuses, taxable fringe benefits, auto reimbursements, health insurance premiums or any other information that will be needed to produce W-2's.
- If you are a large tipping establishment, give us any information we request regarding completion of the Annual Return of Tip Income and Allocated Tips.
- Give us federal ID numbers, addresses and amounts for any 1099 Miscellaneous forms you want us to prepare. *Please note that penalties for late 1099's have gone up.*
- If you purchased a business and have not given us legal documents or start up costs, we will need them at this point.
- Any new construction or purchases of major equipment that we have not received during the year are due now.

January To Do

- Send us your New Unemployment Rate form.
- Send us your Personal Property Tax form from the city or local jurisdiction.
- Turn in all of your 2020 bookkeeping before January 20th! Any accounting work for January through November 2019, received after January 20, will be billed at a premium due to it being late.
- If you are liable under Obamacare (ACA) to provide health insurance to your full time employees you should have your waivers signed and submit a list to Kallas. 1095-C's are due January 31.
- Hand out W-2's. *Reminder: all Kallas fees need to be up to date to receive W-2's.*
- Hand out 1095-C forms if required.
- You should receive your 2020 Tax Organizer for your personal Income Tax. Complete the information, sign and return to Kallas. If you need an appointment, call Nick or Jacob.

ACA STILL AROUND & PENALTIES ARE STILL OUTRAGEOUS

REMINDER UPDATE ON WHAT YOU NEED TO DO FOR 2020 and 2021

The IRS has not forgotten about Affordable Care Act (ACA).

The IRS is sending letters to restaurants and proposing penalties in the tens of thousands of dollars unless you can prove that you complied with the rules.

There are 2 types of notices.

One is called a 5699 Letter stating that according to the number of W-2's filed for your establishment, you may be liable to file information returns and provide health insurance to your full-time employees. Currently the IRS is auditing 2017 and 2018.

One restaurateur we met had received a \$75,000 penalty for not filing when he was required to.

(not a Kallas client during the year in question)

If you get such a letter you must respond within 30 days or face penalties.

If you respond that, based on the proper calculations, you are under 50 employees or if you have some other reason for non-filing you should be ok.

If you respond that you had more than 50 employees or you do not respond at all you could be in a world of hurt. Penalties can be up to \$540 for each non-filed form. In addition, you may still be liable for not offering health insurance which is a whole separate penalty.

The second letter you may receive is Letter 226-J. This letter proposes a penalty if you filed properly but 1 or more of your full-time employees received health insurance coverage through the government sponsored Exchange. Some of these penalties can exceed \$100,000.

To defeat this penalty, you must show that you offered minimum coverage to your full-time employees and their dependents. **This needs to be done each year in January.** Kallas can give you a list of your full-time people and provide you with the proper waiver form for your employee to waive out of your coverage.

So for 2021, to be in compliance:

1. Have Kallas determine if you are over 50 employees. (Commonly owned restaurants must be all included as one.)
2. Obtain a legitimate health insurance offer you can present to full-time employees and the terms for an employee to join. If the IRS finds that your insurance plan is either non affordable or of minimum value, the penalty is \$3,750 per full time employee.
3. Obtain a signed waiver from any full-time employees who do not want to join. Waivers can be obtained from Kallas.
4. Important: Keep a copy of the waivers for possible audit later.

5. Kallas will request information from you to file the proper paperwork. **This is due in January of each year.**

6. Pass out 1095C forms to full time employees along with their W-2's.

ACA TIMELINE:

By November 15, 2020

You will receive a Service Agreement regarding ACA. A 2020 fee chart will be included. You must sign and return the form for Kallas to perform the calculations necessary for 2020 to determine if you have 50 or more full time employees. You must also sign the agreement if you would like to consult with Kallas regarding the best way to meet your obligations at the lowest cost.

Make sure all full time employees sign the "IRS approved" waiver.
The IRS is auditing and without the waiver, you could face an enormous penalty.

By December 15, 2020

Kallas will notify you of your filing obligations for 2020 and 2021. Kallas will need company group health insurance information along with a list of full-time employees who have signed waivers.

By January 1, 2021

If you are over the 50 full time threshold, you should start compliance for 2021 by obtaining a legitimate health insurance offering to your full time employees and their dependents and obtaining waivers for those who opt out.

By January 31, 2021

Form 1095 C will be prepared and mailed to you for distribution to full time employees along with W-2's

By February 28, 2021

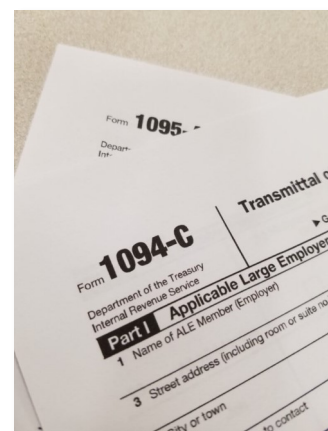
Form 1094 C and copies of forms 1095 C are due to the IRS. Kallas performs this function for you. Nothing you have to do.

By March 24, 2021

Kallas billings for the above services will go out.

The employer's requirements for Obamacare is still a significant administrative cost to businesses. Many firms are charging thousands of dollars to administrate Obamacare compliance. Kallas has systems in place to advise you and, based on what we have seen in the marketplace, we are still the lowest priced company producing the required paperwork.

If you have any questions regarding your requirements under Obamacare, call Jordan at Kallas.



LOAN MONEY STILL AVAILABLE

Independence Business Consulting (IBC) was the firm Kallas used to manage and apply for the PPP and EIDL loans for our clients.

The feedback from our clients was very good. According to our clients, IBC quickly responded to questions and got the work done in an efficient manner.

Now, IBC is providing application services for The Main Street Lending Program. The



Main Street Lending Program is a federal loan program designed to provide favorable loans to small and medium sized businesses that were in sound financial condition before the COVID-19 pandemic.

Terms for these loans are as follows: 5 year, no payments year one, interest only payments year 2, low interest rate, no prepayment penalty, 15 percent balloon at end of year 3, 15 percent balloon at end of year 4, pay-off balloon end of year 5.

NEW MINIMUM WAGE**

currently scheduled for January 1

New **Minimum** wage 2021. \$9.87 **

New **Tipped** minimum wage \$3.75 **

Sub-minimum wage for **Minors** \$8.39 **

**** Please note:** Per Michigan Law, if the State Unemployment rate for 2020 is 8.5% or higher, the minimum wage increase may be delayed or cancelled.

As of November 1, 2020 the State has not determined the 2020 unemployment rate. Stay tuned for more information on this.

If the increase goes into effect, Kallas Auto Payroll Service will make the necessary changes on your payroll.

The loans have no restrictions as far as what they can be used for.



If you need time to get back to profitability, this loan has very favorable terms.

For more info, contact Dennis Murphy at 248-949-2422.

DON'T FORGET TO APPLY FOR PPP FORGIVENESS

You must request and be granted forgiveness for any PPP loan you obtained otherwise you will owe the money back.

It is not an easy process. Instruction issued at the beginning of the PPP loan process have been changed and the forms required to be submitted have changed multiple times.

Each of the bank lenders are responsible for their own loans and therefore have different forms to complete. And, for the banks that have issued forgiveness forms, the answers required are still ambiguous with no clear answers.

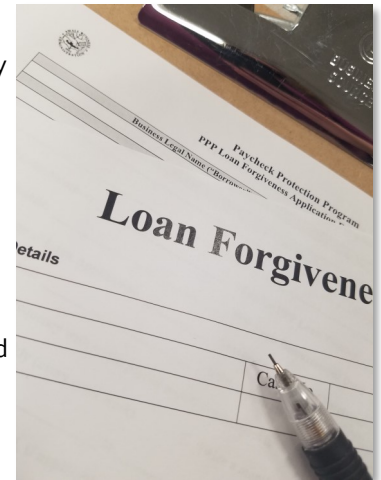
Kallas has been attending seminars given by multiple experts and been talking to the banks on how to approach the application process for forgiveness. It is apparent that some issues are still unclear and require educated judgements to be made.

Banks are still struggling with some of the issue themselves.

This is why Kallas is now taking requests for PPP forgiveness but not starting the process until the banks are ready and certain issues have been cleared up.

The good news is that the government is now offering a short form for forgiveness for PPP loans of \$50,000 or less. The bad news is that any loans greater than \$50,000 are going to require proof of base period payroll EFT and post-crisis payroll EFT along with other data.

If you would like Kallas to complete your PPP forgiveness forms, call our office and talk to Nick or Tony.



PUT IT IN PERSPECTIVE

Every day we hear the drumbeat of new Covid cases and "spikes". Has anyone bothered to define "spikes"? It seems like the media revels in reporting the bad news.

But media and politicians have a natural bias to make things look bad. Everything in life, including life itself, has a cost.

And the cost that the media and politicians never discuss is the cost to our economy, to small business viability, to mental health, to the limits of moving about freely, to seeing your doctor for other conditions, to people being able to pay their bills, to seeing our friends, to having normality.

The Covid virus is real and destructive but we must keep it in perspective or we will lose more than we can imagine.

As of the last week of October, the best stats I could find to put things in perspective are:

7147 deaths in Michigan and 154,688 cases (as of October 23, 2020). Therefore, if you are diagnosed, you have a 4.6 percent chance of dying. But, you also have a 95.4 percent chance of recovering and an 84 percent chance of having no symptoms at all.

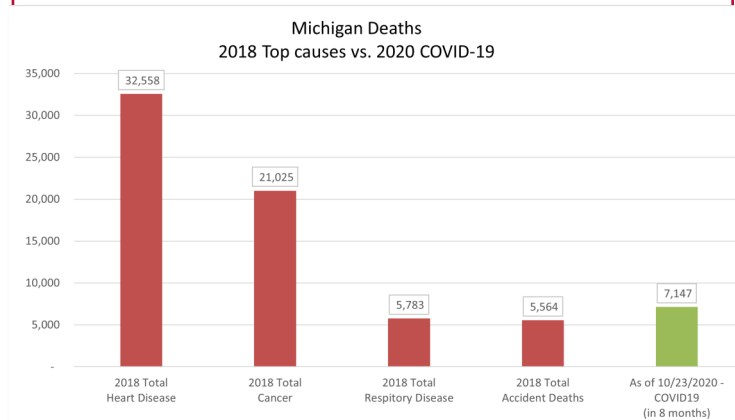
7147 deaths is 7 deaths for every 10,000 Michigan residents. Not a number to ignore but certainly not, in my mind, enough for draconian shut-downs.

Of the 7147 deaths in Michigan, 31 percent or 2,222 were in nursing homes. (Chances of a nursing home resident- the most vulnerable of us - surviving Covid are 71.6 percent per MDHHS.)

To put it in perspective, for the year 2018, data from the CDC shows 32,558 deaths in Michigan from heart disease, 21,025 cancer deaths, 5,783 respiratory disease deaths and 5,564 deaths from accidents.

As of October, .8 percent (8 in 1000) of emergency room visits involve Covid symptoms. This is well below the 5.2 percent in March 2020.

Accountants like to play with stats so to see it from a different angle that tells me that Covid emergency room admittances from Covid are down 86.6 percent. That sounds like success to me.



CALENDAR FOR DECEMBER 2020, JANUARY, FEBRUARY 2021

December 7

- Deadline for any missing or incorrect employee W-2 information, year end bonuses, taxable fringe benefits, auto reimbursements, and health insurance premiums. Inform us if you want W-2s sent any special way.

December 15

- Corp: Taxes due for September fiscal year.
- ACA: Kallas will notify you of your filing obligations for 2020 and 2021.
- Estimated Taxes due for fiscal year ending April, June, September or December.
- Payroll: If you are a monthly depositor, your Federal coupon and taxes should be paid on-line.

December 21

- Michigan Sales, Use and MBT estimates due.

December 24 & 25

- Kallas closed for Christmas.

December 31

- Kallas closed for New Year.

January 1

- Kallas closed for New Year.

- New Minimum Wage goes into effect**
Minimum Wage. \$9.87 per hour
Tipped Minimum. \$3.75
Minor Employees. \$8.39

** Please note: Per Michigan Law, if the State Unemployment rate for 2020 is 8.5% or higher, the minimum wage increase

may be delayed or cancelled.

- ACA: If you are over the 50 full time threshold, you should start compliance for 2021 by obtaining a legitimate health insurance offering to your full time employees and their dependents and obtaining waivers for those who opt out.
- You should receive your personal property tax statement from the city. Mail this statement to Kallas immediately.

January 5

- For those of you who are required to file under the 8% tip law, have your final year-end sales to us by today.

January 10

- W-2's will be mailed from our office starting today.

January 15

- Individuals: Final installment of your 2020 estimated tax due.
- Corp: Taxes due for October fiscal year.
- Corp: Estimated Taxes due for corporations with fiscal year ending January, May, July or October.
- Payroll: Your Federal coupon and taxes should be paid.

January 20

- Michigan Sales, Use and MBT estimates due.

January 25

- UIA form 1020 due for 4th Quarter.

January 31

- Furnish Forms 1098, 1099, and W-2G to recipients.
- Furnish Form W-2 to employees who worked for you during 2020.

- Furnish Form 1095-C to employees who received health insurance through your business.
- Deposit any FUTA tax owed through December 2020.
- File Forms 940, 941, 943, 944 and/or 945 if you did not deposit all taxes when due.

February 1

- File Form 632 (L-4175), Personal Property Statement to city of business.

February 12

- Kallas Restaurant Accounting closes the books for all calendar clients. Any 2020 bookkeeping material submitted after this date requires a billable work order.

February 15

- Furnish Forms 1099-B, 1099-S and certain Forms 1099-MISC to recipients.
- Corp: Taxes due for November fiscal year.
- Corp: Estimated Taxes due for corporations with fiscal year ending February, June, August or November.

- Payroll: Your Federal coupon and taxes should be paid.

February 20

- Michigan Sales, Use and MBT estimates due.

February 28

- File information returns, including Forms 1098, 1099 and W-2G.
- File Form W-3 with Copy A of all Forms W-2 issued for 2020.
- File Form 8027 Tip Reporting if you are a large food or beverage establishment.