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75 YEARS IN BUSINESS

MAKING ACCOUNTING FUN

Kallas Restaurant Accounting celebrates it's 75th year in business in 2021.

Wow! That is a long time. And still going strong to serve your needs.

Nicholas Kallas founded the company in 1946. George took over in 1984 and Nicolas Kallas continues today. For 75 years, restaurant owners have had a trusted tax advisor they can talk to personally and locally. No distant corporate ownership, voice machines or layers of bureaucracy to get you a quick answer to a tax or accounting question.



After 75 years, Kallas is still the only accounting firm in Michigan specializing 100 percent in closely held and family-owned restaurants and bars.

The benefits of our unique specialization are huge. You get unparalleled expertise in the industry. You get an accounting firm who knows your issues and problems and responds quickly. You get the right-sized firm – not too small and not too big. You get reasonable pricing and more services.

The new ERTC is a striking example of how our specialization benefits you.

No major payroll company or accounting firm was equipped to handle the ERTC from beginning to end. The payroll companies could only do a small portion of the entire process and depended on YOU to advise them. And most accounting firms do not have enough qualifying businesses to invest in the time and research necessary and if they did, it was at very high consultation fee.

Kallas started studying the rules when they were first issued and had internal meetings on how to bring this great benefit to our restaurant clients. We have the payroll expertise, the accounting expertise and the tax expertise to handle the entire process for you.

And we found the loophole in the law that made virtually all restaurants eligible.

One thing I can say after 75 years, is that everyone at Kallas appreciates you. We know you as family. Without your loyalty, we could not have survived 75 years.

I also know that we could not do it without the fantastic and loyal employees

either.

Many of you know them and talk to them all the time. Please go to the website at www.KallasCompany.com for a complete listing and photos of our staff. Click on "About Us".

Our undying gratitude for many years of service, loyalty and production to: Jim Humanik 29 years, Sheri Banach 29 years, Cathy Infantado 21 years, Arnold Patton 21 years, Daniel Wilson 15 years, Dawn Jankowski 15 years, Jordan Anderson 8 years, and Tony Gawel 8 years. Also, Lokia, Sue, Ravyn, Chat, Jason, Kim, Jacob, Andrea, Julie, Carrie, Michelle and Brian.

PPP FORGIVENESS STATUS AS OF AUGUST 1

Many recipients of PPP funds forget that the PPP must be forgiven otherwise it becomes a loan and has to be paid back.

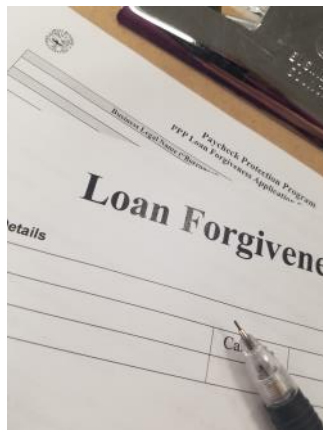
You have 24 weeks from the day the funds were deposited in your account to spend the funds and submit your request for forgiveness.

Don't forget that if you received two PPP amounts, you will be required to obtain forgiveness on each round of funding separately.

Kallas is winding up forgiveness procedures on the first round and will be contacting you regarding the second round in July.

Forgiveness must be obtained before Kallas can determine your ERTC credit. And the ERTC credit must be determined before you file your year-end taxes. The ERTC is available for 2020 and for 2021 so both years will be affected. It is a sequence of events. 1) Obtain forgiveness for the money received 2020. 2) Calculate the ERTC credit for 2020. 3) File the 2020 year-end tax return with the changes. Repeat the process for round 2 in 2021.

Some recipients of PPP have attempted to file for forgiveness themselves. But there are several considerations you should take into account before you



submit your forgiveness application.

- You have 24 weeks to spend the PPP money.
- The IRS considers it forgiven in 2020 even if it is forgiven in 2021.
- You must notify your tax preparer if you do it yourself.
- The forms have changed and more guidance is expected.
- The SBA has still not revised its Questions and Answers publication to account for the new rules issued in December.
- As of the date of this writing, some lenders are not ready to receive and review applications for forgiveness.
- You may need more time to strengthen your documentation.
- If you are denied forgiveness on the first PPP loan because you did not use the funds properly you may be denied on the second PPP.
- To obtain the maximum ERTC credit, you want to spend the full 40 percent of second round of PPP money on non-payroll expenses. You may need the full 24 weeks to do this.
- To obtain the maximum ERTC credit, you want to wait until after July 1, 2021 to fund payroll. (But you must be careful not to exceed the 24 week window)
- If Kallas is preparing your forgiveness, we are adjusting the numbers to maximize your ERTC credit.

If you know a fellow restaurateur who is having problems applying for PPP monies, PPP Forgiveness or ERTC credits, have them call Kallas.

QUICKBOOKS PRICING

Quickbooks has advised us that they are increasing wholesale pricing beginning September 1. Therefore, If you are licensed for Quickbooks through Kallas you are paying the wholesale price and will be experiencing an increase. In most cases, it will be about \$5 per month.



If you are licensed for Quickbooks through Kallas we will automatically make the above adjustment on your September accounting bill.

FINANCIAL HELP

WHAT IS STILL AVAILABLE TO YOU?

There is still some limited monies available to help a restaurant owner fund operations.

ERTC (EMPLOYEE RETENTION TAX CREDIT)

The ERTC (Employee Retention Tax Credit) is available through the end of 2021. If you haven't signed up with Kallas to obtain these credits for you, call our office and ask for Michele.

EIDL (ECONOMIC INJURY DISASTER LOAN)

The SBA has raised the maximum dollar amount of it's EIDL loan from \$150,000 to \$500,000. The EIDL loans have a 30 year maturity with interest rates of 3.75 and payments are not required until 2022.



Contact Eric at our partner firm. Independent Business Consultants for more information and how to obtain the EIDL. 517-231-4877

RRF (RESTAURANT REVITALIZATION FUND)

The RRF (Restaurant Revitalization Fund) was created in March 2021 specifically to provide grants the restaurants. It was funded with \$28 billion. Unfortunately, \$28 billion was not close to enough.

Since the fund opened, there have been 278,000 applications requesting \$72 billion in funds.

105,000 restaurants received the grant before the funding ran out.

The average grant given out was \$283,000.

The SBA closed its site for application on July 14.

Legislation has been introduced in the Senate to replenish the fund with an additional \$60 billion but even if passed, that will not be enough. The bill has not progressed as lawmakers are currently focused on forging an infrastructure bill.

If the RRF reopens, Kallas will send out an E-Blast to let you know.

If you are not getting e-blasts yet, email Dawn at djankowski@kallascompany.com to request. Or sign up on our website www.KallasCompany.com

PAYCHECK PROTECTION PROGRAM

First and 2nd round of PPP is not available any more.

USE THE MICHIGAN WORKSHARE PROGRAM TO YOUR BENEFIT

During the Covid shut-down, many restaurant owners are taking

advantage of Michigan's

WorkShare

RESTART. RETAIN.

Workshare Program to keep employees working at least part-time.

The program pays unemployment benefits to your employee(s) if you have to reduce their hours.

This is how it works:

- Register your employees for the program through the MIWAM website.
- Determine how much you are going to reduce the employee's hours.
- Report on MIWAM the reduced hours. MIWAM will determine the benefit payout based on the employee's prior earnings.
- Inform the employee of the unemployment benefits that they will receive. The employee must register with MIWAM and give them direct deposit information for depositing their benefit check.

You must have a minimum two employees to participate. Beginning August 29, benefits paid out of Workshare are fully charged to the employer's UI tax account.

Call Laika at Kallas if this sounds like something that would benefit you and she can help you.

TIMELINE FOR THE REMAINDER OF 2021

HOW WE EXPECT TO PROCEED WITH COVID PANDEMIC RELATED PROJECTS

The pandemic generated many government programs and laws designed to mitigate the government enforced shut-downs.

As a result, this has been a very difficult and unusual year for government compliance.

There was the first PPP, the second PPP, separate PPP Forgiveness for each round, the ERTC for 2020 and for 2021, the EIDL, various grants, tax changes, deadline changes, the RRF, the FFCRA and probably some I forgot.

All had their own rules and regulations, deadlines and penalties and required extensive involvement from your tax, payroll and accounting advisors.

Kallas has been on top of it for our clients. Sending E-Blasts when new information was available, partnering with a consultation firm that was well-versed on SBA procedures, having multiple meetings, researching the laws, hiring additional employees, giving advice freely, and obtaining millions in benefits for our clients.

We are working hard for you and there is plenty still to do the remainder of 2021 to secure the monies obtained or monies still able to be obtained.

Here is how we expect the remainder of the year to go:

- We are wrapping up the first PPP Forgiveness. That should be done in July prior to this newsletter being published.
- The ERTC credit is dependent on the PPP Forgiveness so once we are done with forgiveness on the first round we will finish the ERTC for 2020. The 2020 ERTC we expect to finish no later than the end of July.
- Once we are done on 2020 ERTC, we can finish up 2020 business and personal returns that have been extended due to the ERTC. Those should be all done and filed by September 15 assuming we have all your personal information.
- Immediately after finishing the 2020 forgiveness and ERTC, we will be starting on 2021 forgiveness and ERTC. We expect to have those mostly finished before the 2022 tax season starts in December of 2021.

We need and appreciate your patience and cooperation in providing us with the information to move the process along as fast as possible. Thank you.

HIRING TEEN WORKERS & THE KEY GUIDELINES YOU NEED TO KNOW

- A work permit is required for minors and can be obtained through the child's school.
- In the summer, minors aged 16-17 may work between 6:00 am and 11:30 pm. During the school year, minors aged 16-17 may only work between the hours of 6:00 am and 10:30 pm except on Fridays and Saturdays, when they can work until 11:30 pm.
- Minors under 16 years of age may only be employed between the hours of 7:00 am and 9:00 pm.
- Minors can't handle cash after 8:00 pm or sunset (whichever is earlier) unless there is another employee present who is at least 18.
- Minors can't sell or serve alcoholic beverages, but a minor over the age of 16 (or 14 in a retail setting) can work where alcohol is being sold if alcohol doesn't exceed 50 % of sales.
- The Michigan Workforce Opportunity Wage Act (minimum wage law) allows employers to pay minors 85% of established minimum wage. This means the minimum wage for minors is currently \$8.20 (85% of \$9.65).
- Teens under the age of 20 may be paid a training hourly wage of \$4.25 for the first 90 days of employment.
- Teens working in amusement or recreational establishments are not entitled to overtime pay if the establishment is not open more than 7 months of the year.
- A 30 minute rest period is required for minors after five hours of continuous work.
- Individuals must be at least 18 to operate power-driven equipment such as meat slicers, mixers, saws and motorized vehicles.
- Teens who are immediate family members in family owned businesses are exempt for minimum wage laws

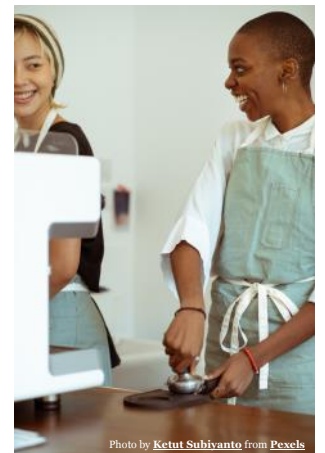


Photo by Ketut Subiyanto from Pexels

MAIL

United States mail service over the years has been spotty. Lately however, it has been getting really bad.

We are seeing business reply delayed up to 2 weeks and government agencies have increasingly "lost" mail.



Kallas is recommending to all our clients that any important correspondence with the IRS or the State be mailed "certified", especially if you are sending payments or have deadlines to respond.

You can also use email or FAX in some cases that will generate clear proof of mailing.

HOW TO MAXIMIZE YOUR ERTC CREDIT

The ERTC (Employee Retention Tax Credit) is available in 2020 and 2021 to virtually all restaurants.

It is a powerful FULLY REFUNDABLE credit on payroll taxes you have already paid. This means you will be getting an electronic deposit into your account similar to the PPP.

It maxes out at \$5,000 per employee for 2020 and \$14,000 per employee for 2021.

To date, Kallas has obtained over \$15 Million in credits for our clients averaging \$64,626 per location.



Kallas is currently working on the 2020 credits and will start on the 2021 credits shortly.

ERTC is based on payroll that was NOT PAID BY PPP

FUNDS. And for most restaurants, the credits expire July 1 2021. So we are advising clients to maximize the credit; use your PPP funds to cover payroll costs after July 1 if you can. Remember, you have 24 weeks from when you received the PPP funds in your bank account, to spend them - so be careful you do not go beyond the 24 weeks when you make your payroll expenditures.

GOVERNMENT AGENCIES EXTREMELY BACKED UP

If you have any dealings with the IRS, State of Michigan or the Michigan Unemployment Agency you will be experiencing long delays.

With all the changes Covid created, all government agencies are short-staffed and backed up.

Kallas is still responding in a timely manner to any letters or notices you receive but can only go so fast due to government slow-down. If you are worried about any issues you have with the government agencies, all we can say is be patient. Your issues will eventually be resolved.

INSURANCE

If your insurance rates went up dramatically you may be a victim of your "Insurance Score" which is one of the factors used by insurance companies to "rate" your risk.



You can protest an adverse Insurance score if you were victim of an extraordinary life circumstance.

Extraordinary life circumstances include:

- Identity theft.
- Death of a spouse, child or parent.
- Catastrophic event as declared by federal or state government.
- Serious illness or injury to self or family member.
- Divorce or involuntary interruption of alimony or child support.
- Temporary loss of employment.
- Military deployment.
- Late payments to mortgage lender, landlord lenders or credit card companies due to Covid.
- Adverse collection activity due to Covid.
- Medical collection activity due to Covid.

Contact your insurance company for procedures to follow to protest an adverse Insurance Score".

HOW TO HANDLE RRF FUNDS

Some of you have received RRF (Restaurant Revitalization Fund) money.

Consider yourself very lucky. Only about 39% of applications were able to be funded before the money ran out and the fund was closed. And there is a huge pent-up demand for restaurants that never filed an application. The likelihood of adequate new funding is not good.

For those who received funds:

1. You can use the funds to pay for almost all operating type expenses including food and beverage costs and current note or debt payments as they come due.
2. We suggest that you open a separate checking account for the RRF funds and simply write checks for operating expenses until the money runs out. You have until March 11, 2023 to

exhaust all RRF funds.

3. You must make a report to SBA each December 31 reporting how the funds were used.

Not all the rules have been issued but generally speaking:

- Do not use RRF to pay individuals earning over \$100,000 per year.
- Do not use RRF to buy equipment that is a capital improvement expected to last over 1 year.
- You can use RRF to build an outdoor seating area.
- Paying off old debt is eligible if incurred after February 15, 2020.
- You cannot use RRF and ERTC on the same payroll.
- If you close or sell the business, any unused funds must be paid back.



Calendar for September, October, November 2021

September 6

Kallas closed for Labor Day.

September 15

Individuals: Pay the third installment of your estimated tax.

Partnerships: File Form 1065 if you timely requested a 5-month extension. Deposit payroll tax for Aug if the monthly deposit rule applies.

Corporations: File Form 1120 or 1120S if you timely requested a 6-month extension.

Corporations: Deposit third installment of your estimated tax.

Corporations: Taxes due for June year end corporations.

Corporations: Estimated Taxes due for corporations with fiscal year

ending January, March, June or September.

September 20

All Businesses: Michigan Sales, Use and MBT estimates due.

October 15

Individuals: File Form 1040, 1040A, or 1040EZ if you timely requested a 6-month extension.

Corporations: Taxes due for July year end corporations.

Corporations: Estimated Taxes due for corporations with fiscal year ending February, April, July or October.

October 20

All Businesses: Michigan Sales, Use and MBT estimates due.

October 25

Payroll: UIA form 1020 due for 3rd Quarter.

October 31

Payroll: File Form 941 for the third quarter.

Payroll: Deposit FUTA owed through Sep if more than \$500.

November 15

Corporations: Taxes due for August year end corporations.

Corporations: Estimated Taxes due for corporations with fiscal year ending March, May, August or November.

November 20

All Businesses: Michigan Sales, Use and MBT estimates due.

November 25 & 26

Kallas closed for Thanksgiving.