

In This Issue...

- DOES YOUR RENTAL REAL ESTATE QUALIFY FOR THE 20% QBI DEDUCTION?
- 2021 HOLIDAY SCHEDULE
- NO MINIMUM WAGE CHANGE IN 2022
- MORE MONEY AVAILABLE TO RESTAURANTS
- ARE VACCINE MANDATES APPLICABLE TO YOU?
- WE ARE IN A WORKER SHORTAGE CRISIS
- RESTAURANT RECRUITING CHECKLIST
- WHY KALLAS RESTAURANT ACCOUNTING IS THE INDUSTRY LEADER
- OBSERVATIONS & WARNINGS REGARDING NEW FOUND EMERGENCY MONEY

PROGRESS ON GOVERNMENT EMERGENCY MONEY

As of the day I write this article, Kallas has filed for close to \$18 million in the first round of ERTC refunds for our clients based on 2020 payroll.

That is averaging about \$70,000 per location.

The IRS estimates that refunds will be issued between 15 and 20 weeks from filing the amended 941 returns. Kallas started filing for refunds at the beginning of June so based on that, we anticipate refunds coming the end of October through December.

Kallas has started the process for filing for the second round of ERTC refunds based on 2021 payroll. The second round ERTC will affect your 2021 profit and consequently your 2021 business and personal returns.

We anticipate having all the ERTC work completed before your tax returns are due for 2021 but we need your help.

- To obtain the maximum amount of ERTC refunds, we need information regarding the second round of your PPP loans.
- And we also need you to sign and return the ERTC Engagement Agreement if you haven't already.
- Your bookkeeper at Kallas will contact you for the information we need.
- Some of you did not use Kallas to obtain forgiveness. We will need information from your forgiveness document to go forward with the ERTC. Please contact your bookkeeper to give us the information we need.
- It has come to our attention that some of you have not actually applied or received forgiveness yet on your second round of PPP. If you fall into this category, please get your forgiveness now.



We will need this information for your ERTC.

If you have not signed up with Kallas for the PPP forgiveness or the ERT credit please contact Michele at Kallas and she will get the process going for you.

DOES YOUR RENTAL REAL ESTATE QUALIFY FOR THE 20% QBI DEDUCTION?

One of the pro-business legacies left by President Trump that cannot be obliterated by the Biden administration is the Tax Cuts and Jobs Act (TCJA) signed in December 2017 and in effect since the 2018 tax returns.

In that law, a 20 % Qualified Business Income Deduction (QBI) was created for small business owners and some rental property owners.

That law has resulted in huge savings for our clients over the last 3 years.

Basically, it is a 20% reduction of the taxes on your “business” profits. And “business” has a specific definition in the law.

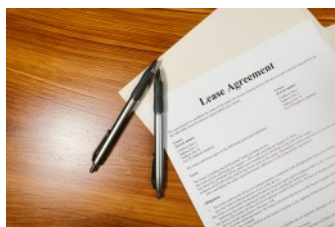
For restaurants, the fact that you are a “business” is clear. But there is a grey area when it comes to rental properties.

DOES YOUR RENTAL PROPERTY QUALIFY

Many restaurant owners own rental property. Some own the buildings that their restaurants are located in and pay rent to themselves.

The question posed by the IRS is: does the rental property constitute a business for purposes of the QBI deduction?

1. If you rent your property under a “net-net-net” lease where the tenant pays for all expenses (other than the note on the building), then you do not qualify for QBI.
2. If you rent your property to a business you own at least 50% of, then you do qualify for QBI (except for SSTB’s defined below). So a building you own that collects rent from a restaurant you own qualifies for QBI (even if it is a “net-net-net” lease).
3. If at least 250 hours are spent on your rental by you and your employees, agents and workers and those hours are documented, you qualify.
4. If you personally use your rental (such as a vacation condo) for a number of days that exceed the greater of 14 days or 10 % of the number of days during the year that the property is rented then you do not qualify.



5. There are special rules for certain “Specified Service Trade or Business (SSTB). Restaurants do not fall into this definition so are not affected by these rules.

When we prepare your taxes each year, we are taking the QBI deduction automatically for your restaurant and restaurant building. But if you have rental properties that you own less than 50% or may not be classified as a business, it would be wise to give us a call to plan properly to make sure you qualify.

MORE MONEY AVAILABLE TO RESTAURANTS

In addition to the first and second PPP forgivable loans and the ERTC payroll tax refunds, restaurants can access even more needed money.

Back in March 2020, when the CARES ACT was first passed, you could apply for and obtain an EIDL (Economic Injury Disaster Loan) for up to \$150,000. These loans had very advantageous terms, were easy to obtain, and had deferred principal and interest for 12 months, a 3.75 percent interest rate for 30 years.

Just recently, in September 2021, the EIDL was expanded to increase funding to a maximum \$2 million per loan. The expansion changes also include extending the 12-month deferral to 24 months for loans made in 2020 and 18 months for loans made in 2021. Interest continues to accrue during the deferment period.

EIDL money can be used for any normal operating costs including debt payments which the business is unable to pay because of the disaster. For most restaurants, because we are still experiencing the effects of the pandemic, the funds can be used until normal operations resume.

The funds cannot be used for:

- Expansion of facilities or acquisition of fixed assets
- Refinancing long term debt
- Repair or replacement of physical damages
- Paying profits, dividends, or owner distributions
- Employee bonuses
- Repayment of owner loans except if the loans were injected because of the disaster.

You can use EIDL funds to:

- Pay yourself for actual hours worked
- Pay off credit cards if they were used for business expenses
- Pay normal monthly rent to yourself if you own the building.

WHY KALLAS RESTAURANT ACCOUNTING IS THE INDUSTRY LEADER

Back in 1946, when Nicholas Kallas founded Kallas Company, he had an inspiration that has been copied across many industries since.

Why not take accounting, tax and payroll services and specialize in one type of industry and be the best in that industry.

Today, especially in a complicated world, many professionals and their customers have found that specialization works. That is why when you want in-depth knowledge and experience, you go to a specialist.

...No other firm specializes 100 percent in the restaurant and bar industry like Kallas.

How specialization works for restaurant owners:

- Quicker answers to questions regarding restaurant operations.
- In-depth knowledge of laws, loopholes and management tricks that work in restaurant operations.
- Streamlined specialized restaurant accounting systems.
- In-depth knowledge of tips and other restaurant related payroll issues.
- Right-size and right-priced. Not too big or expensive but not too small to handle your needs.
- Better trained bookkeepers who respond quickly.
- Vast contact network within the industry to help you when other needs arise.
- Specialized newsletter and E-Blasts when new laws or rules affect restaurants.
- Sounding board for best practices in the industry.
- Expertise in restaurant values, sales, purchases and tax techniques unique to the industry.
- Experience in IRS audits and other governmental issues and problems and how to fix them.

Many accounting, tax and payroll companies will say they specialize, but no other firm specializes 100 percent in the restaurant and bar industry like Kallas.

We keep our prices in line by obtaining new customers. So if you know a restaurant owner who is being under-

serviced by a general practitioner or an over-priced large CPA firm, give him or her our name to consider. We would be very grateful.

OBSERVATIONS & WARNINGS REGARDING NEW FOUND EMERGENCY MONEY

Some of you are rolling in government money.

Some restaurants were lucky enough to obtain first and second round PPP's, first and second round ERTC refunds, EIDL loans and RRF grant money. In some instances totaling in the hundreds of thousands and even in the millions of dollars (see accompanying article on page 2 about the increase in EIDL loans)

With this much money available you might have a large chunk of it sitting in the bank.

Two observations we would like to pass on to you:

1. Even if you have a ton of money sitting in the bank, be careful to segregate the government money from your normal operations and transfer it to pay legitimate monthly business expenses (including payroll and food). By using the government money to pay expenses, that leaves more sale dollars to drop down to the bottom line. The bottom line monies is then legitimately available for you to take as profits.
2. You cannot legitimately use government money for investment purposes or to build or buy new locations. This is prohibited.



The safest thing to do is use the procedure described above to pay monthly expenses with government money which allows your profits to be larger. Larger profits can then be used for investment and expansion.

The irony is, the extra money is there but the workers aren't. All industries throughout the country are experiencing worker shortages. The reasons are many and involved but no one has the answer right now.

WE ARE IN A WORKER SHORTAGE CRISIS

The biggest issue for all my clients these days is finding workers.

This problem is nationwide and in all industries.

A survey of 13,659 wage earners by the online job marketplace Joblist.com revealed that 58% of restaurant and hotel employee intend to quit their jobs by the end of the year.

The proportion of workers turned off by their hospitality jobs has doubled during the pandemic from 15% to 33%.

The percentage who said they are satisfied with their positions dropped to 42% from a pre-pandemic benchmark of 64%.

The leading sources of dissatisfaction were low pay (56%), desire for a new career (50%), a lack of benefits (39%), difficult customers (38%), long hours and rigid schedules (34%) and potential exposure to coronavirus (23%).



THERE IS SOME GOOD NEWS

Findings suggest that a third of those dissatisfied would reconsider if just one of the sources of their dissatisfaction were addressed.

Other data shows, across all industries that employees are choosing jobs based on social impact and personal beliefs. Workers feel they have higher expectations of employers and feel more empowered than ever to get what they want.

WHAT CAN YOU DO?

See the related article in this newsletter with hiring tips. Also, address the desire of younger workers to be part of a bigger picture.

Promote community functions, promote the disabled, promote global initiatives such as re-cycling, wildlife and environmental causes. The LGBT community is a big source of food service workers. Get involved in that community for workers. Sponsor refugee and immigrant services. Offer training at all levels.

RESTAURANT RECRUITING CHECKLIST

Finding employees is a big problem right now for restaurants.

Actually, finding employees is a problem throughout the country in almost all industries. Demand seems to be there but employees are not.

Here is a list from RestaurantOwner.com on techniques for recruiting.

- Set up an employee referral program. Ask current employees to recruit their friends. Make it worth their while with a large incentive.
- Get in touch with past employees. Maybe they could go part-time or have friends that might be available.
- Put recruiting messages on your website, sales receipts, table tents, to-go packaging and even menus. You are always looking for good employees even when you are fully staffed.
- Ask new hires. Maybe they know someone else who is looking for work.
- Create business cards for your employees and ask them to hand them out to potential new hires. If the new hire turns in the card, the employee would get a bonus.
- Trash your help wanted signs. No one pay attention. Try replacing them with something funny, clever and attention getting such as: "Choose your hours – make a few bucks".
- Get buttons for your servers to wear. "Ask me about how to join our team".

I would add to the above for you to get involved with local schools, local government and local high school and college activities as a source of applicants for jobs and increased sales.

If you are a family-style restaurant this could work especially well. Sponsor the local high school and college activities. Give donations to cheerleaders, football, marching band, etc. Run contests with free meals as prizes. Give gift certificates and with every contact, and advertise that you have job opportunities available.

Don't give up. Find creative ways to advertise you have jobs available. See related article in this newsletter about the job situation today.

GET READY FOR W-2s

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.

- 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.
- 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.

NO MINIMUM WAGE CHANGE IN 2022

Minimum wage for 2022 is unchanged from 2021.

Minimum hours wage rate is \$9.65 per hour.

You can pay tipped employees as little as \$3.67 per hour as long as the employees are informed of the tip provisions, they receive and report tips to you and the tips they receive plus the \$3.67 you pay equals at least \$9.65. The minimum tops they would have to report then is \$5.98 per hour. If the employee does not make at least \$5.98 in tips, the employer has to make up the difference.

If you have 2 employees or less ages 16 and older, and your sales are less than \$500,000 per year, you are not subject to minimum wage rules.

You may pay minors 16 to 19 years of age under the same rules, \$8.20 per hour.

Overtime pay of 1 1/2 times their regular rate of pay is required after 40 hours in a 7 day week.

Currently, salaried workers whose primary job responsibilities involve "executive, administrative or professional" duties and whose salaries are less than \$23,660 per year – or \$455 per week – **must receive overtime pay.**

2021 HOLIDAY SCHEDULE

Our office will be closed on:

- November 25 & 26 for Thanksgiving.
- December 24 for Christmas.
- December 31 for New Years.

While the phones will be off, some employees may be in the office to process faxed and e-mailed payrolls.

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

PAYROLL FAX : 313-962-7113

PAYROLL FAX 2 : 313-394-1905

PAYROLL E-MAIL: payroll@kallascompany.com

Due to the quantities of payrolls being processed, those payrolls not called in by the 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.

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

Normal call day	Call this day
Thursday Nov 25	Wednesday Nov 24
Friday Nov 26	Wednesday Nov 24
Friday December 24	Thursday December 23
Friday December 31	Thursday December 30

We offer 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 these services.

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

If you are not using "My Go" and the paperless service, please give us a call after the holidays so we can show you how you could benefit from "Cloud" services.

PRESIDENT BIDEN ISSUES NEW VACCINE MANDATE

The federal government recently issued guidance to agencies on implementing the White House Covid-19 vaccination mandate for federal workers and contractors, but many covered employees are still confused about the details.

The mandate covers federal employees and contractors but additionally covers private-sector employers (restaurants) that employ at least 100 employees.

As of my writing of this article today, there has been no guidance on how to determine if you have 100 employees. The rules for ACA and ERT and other government rules typically include combining common ownership in the

employee count. So, if you own more than 1 location, all locations may have to be combined.

Yet the rules vary slightly, and no specifics have been issued for this mandate.

The safest route for restaurants per employment law attorneys is to have written rules in place in your establishment addressing:

- Will you require your employees to be vaccinated?
- Will you require proof of vaccination?
- Will you require periodic testing of employees?
- What type of testing will be required?
- What if an employee refuses to comply?



Calendar for December 2021, January, February 2022

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 2021 and 2022.
- 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 online.

December 21

- Michigan Sales, Use and MBT estimates due.

December 24

- Kallas closed for Christmas.

December 31

- Kallas closed for New Year.

January 1

- Minimum Wage does not change for 2022.
- ACA: If you are over the 50 full time threshold, you should start compliance for 2022 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 2021 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 2021.
- Furnish Form 1095-C to employees who received health insurance through your business.

- Deposit any FUTA tax owed through December 2021.
- 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 2021 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 2021.
- File Form 8027 Tip Reporting if you are a large food or beverage establishment.