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SUMMARY OF COVID-19 RELATED CHANGES THIS YEAR

2020 WAS A TUMULTUOUS YEAR. BEYOND ANYONE'S IMAGINATION.

Who could have ever imagined that the entire restaurant industry would be shut down?

With all the bad, there was much in the way of government programs that were good.

It has been a full-time job just keeping up with new laws, application processes and changing rules. Most restaurant owners are over-whelmed so here is a brief run-down of the last 12 months.

INITIAL PPP

The initial PPP became available in April 2020. This kind of program has never been offered before in American history. Generally speaking, PPP was a loan from the government equal to 2 ½ times your payroll prior to the COVID-19 lockdowns. One of the big enticements to PPP was that it was forgivable under certain circumstances. Of course, the rules were complicated. The proceeds were required to be used for specific purposes and there were many questions as to how to comply. Eventually, by the end of 2020, most of the issues got resolved but because there were so many unknowns including how long the shut-downs would last, some operators ended up spending the money prematurely. One good note: If you never applied for the initial PPP you still may do so.

The demand was so great for PPP that Kallas partnered with Independence Business Consulting, a business lending company out of Northville to help process applications. With IBC, we were able to obtain millions of dollars in PPP money for our clients.

EIDL LOANS

Along with PPP loans, the Small Business Administration was offering EIDL loans. An EIDL was a straight loan but terms were extremely favorable – no collateral, 30 year, 3.75%, 1 year deferred payments and the first \$10,000 forgiven. You could obtain both a PPP loan and an EIDL loan as long as proceeds were used for different purposes.

PPP FORGIVENESS

The PPP loans can be forgiven. The forgiveness process rules have changed multiple times and the process is still on-going. The last corrections bill in December extending the time to apply for forgiveness and loosened up some of the rules to make it easier to qualify for full forgiveness. Unfortunately, many of the banks that must process the forgiveness applications have still not been able to program their systems to accept

applications. PPP loan recipients have, in general 16 months from the time they received the funds to apply for forgiveness. Kallas and IBC will be processing forgiveness applications throughout 2021.

UNEMPLOYMENT BENEFITS

Your employees who were laid off due to COVID restrictions were able to apply for generous unemployment benefits. They could collect the normal unemployment allowed by the State of Michigan with an extra \$600 per week supplemented by the Federal Government. As of today, the Federal Government has reduced the supplemental amount to \$300 per week. None of the unemployment benefits paid out during COVID will adversely affect your business unemployment tax rate.

PPP NOT INCLUDED IN INCOME

This is a HUGE deal. In December of 2020, U.S. Congress and President Trump signed a bill that corrected many issues with forgiveness and the initial PPP loan. Even though the IRS fought it, the new law passed. It clarified that the PPP monies you receive or received are not taxable as long as you meet the forgiveness rules. That means if you received, for example \$60,000 in PPP money in the first round and you receive another \$84,000 in the second round, \$144,000 is free – no taxes (as long as you spend it according to the rules and you obtain forgiveness).

2ND ROUND PPP

The second round of PPP is more generous than the first. The first round was 2 ½ times your pre-COVID payroll. The second round is 3 ½ times your pre-COVID payroll. IBC and Kallas are currently applying for the second round of PPP for our clients. You have 6 months from the time you receive the second round PPP to spend it. 60 percent must go to payroll but now you can use 40 percent to pay accounting fees, reconfigure facilities, buy protective equipment or even buy food inventory.

The second round of PPP has already been applied for by Kallas and IBC and some restaurants have received their money. If you have not applied for the second round of PPP, call Kallas at 313-962-6000 or IBC at 248-924-2410 to get started.

NOT ALL RESTAURANTS WILL BE ELIGIBLE FOR THE SECOND ROUND OF PPP

To obtain the second round of PPP, you must show a 25 percent reduction in sales in any quarter of 2020. Based on the sales numbers Kallas is seeing across its client base, some restaurants did not experience a 25 percent reduction

in sales. In fact, some primarily carry-out or drive-through restaurants experienced sales increases.

GRANTS

Various local grants were available to restaurant owners from \$1,500 to up to \$20,000. Grants are free money so the competition for limited funds was intense. The grants were issued and administrated mostly by the local counties. Kallas informed clients through our E-Blast system whenever a new grant was offered. Unfortunately, because of the demand from businesses throughout Michigan, grant money was exhausted within minutes of the applications opening.

100% DEDUCTIBLE BUSINESS MEALS

Business meals prior to 1986 were fully deductible. And this used to be a big source of income to restaurants. Since 1986 they have either been non-deductible or partially deductible. In an effort to help the restaurant industry re-open, the new law signed in December made business meals 100 percent deductible again for 2021 and 2022. If I were a restaurant owner, I would put a big sign on the window saying: "Business meals now 100 percent tax deductible"

FFCRA TAX CREDIT

If you paid an employee out of non-PPP money while they were absent due to being sick due to COVID or taking care of a sick relative, from April 1, 2020 through March 31, 2021, you could be eligible for 100 percent reimbursement of those wages paid for up to two weeks. This again is a very generous benefit. Certain requirements and proofs are needed to obtain this credit. Call Jordan at Kallas for more info.

ERTC TAX CREDIT

If you paid employees from sales in 2020 and did NOT use PPP money, you may be eligible for the ERTC (Employee Retention Tax Credit). The ERTC is a powerful tax credit that equals 50 percent of your employee's pay up to a maximum of \$5,000 per employee in 2020 and a maximum \$14,000 per employee in 2021.

You can go back to payrolls beginning March 13, 2020 all the way through the second quarter of 2021 to obtain back credits. The credit can be used to reduce payroll taxes you owe and any excess credit can be refunded to you. This credit could amount to tens of thousands of dollars in refunds to you.

To be controlled in our economic pursuits means to be controlled in everything. - Friedrich August Hayek

WE DON'T JUST PREPARE YOUR TAX RETURNS

Throughout the year we pick up new clients - many from other accountants. We always review the prior work to see if there is anything that was missed or can be done to better your situation.

One of the recurring things we notice is that many accountants and tax preparers simply throw the numbers together and don't think about how they affect you.

We work at a higher level than that. We do a full assessment every time we prepare a return for you.

We look at many items – not only to lower your taxes but to keep you out of the RED FLAG danger zone. For instance:

- We look at the audit potential of your return as to individual line items and the return as a whole.
- We consider your risk tolerance as to how aggressive you want us to be.
- We call you if there are any items that are questionable or require discussion.
- We review your financials before the returns are prepared to look for any unexpected numbers or ratios that may be a red flag.
- We review your tax basis and other technical issues to make sure that your losses do not get limited.
- We may recommend moves you can make to take advantage of expenses or losses you would not be able to take ordinarily.
- We organize your return and your businesses to take advantage of all the credits, deductions and losses we can.
- We make recommendations or perform tax planning services when we see opportunities to make changes that will lower your taxes.

As a business owner, there are many ways to organize or structure your affairs to get the best tax advantage without taking big chances with the IRS. This is where our experience



and dedication really pay off for you.

Our job at Kallas Company is to help you maximize tax savings and help you create future wealth. For the greatest savings over time you need to plan ahead. Call us before you sell stocks, sell your business, buy a business or make any substantive changes to your financial situation.

INCOME TAX RETURNS

By now you should have received your 2020 personal income tax organizer. If you have not received your tax organizer, call our office for another one. The tax organizer helps you organize your tax information and allows us to receive your information in such a way as to help us find tax savings for you. If you need help completing it, call Dawn at 313-962-6000.

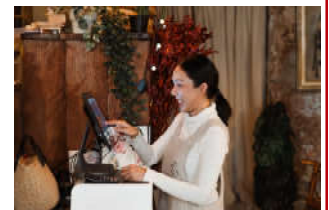
This tax season, due to COVID, we are not taking the normal face-to-face tax interviews.

Thank you again for your continued patronage. Remember, if you send us a new business or tax client you receive a gift certificate worth \$100 towards any accounting or tax services. In the years that we have had the gift certificate program, our clients have redeemed thousands of dollars worth of valuable tax services.

RESTAURANT BEST PRACTICES

CASH HANDLING

- Make sure there is only one manager in the safe during each shift.
- Incoming and departing managers should both verify the count and report any discrepancies.
- Cashiers should always count their cash drawer before accepting it and sign off.
- Only the assigned cashier should be working the register. No one else should have their hands in it.
- Limit the amount of money in the drawer. Do a cash drop to the safe if cash exceeds a certain amount.
- The keys for the safe and the cash drawer should be stored in a safe place.
- If possible, make a daily deposit of cash to the bank. The daily count should match the deposit.



2020 TAX SEASON IS HERE

The 2020 tax season is upon us. And this year is going to be like no other in my lifetime.

With the fall-out from COVID-19, forced closures, PPP loans, PPP forgiveness, grants, unemployment, and major changes to the IRS code, this tax year will be challenging.

I have listed on pages 1 and 2 of this newsletter the credits, deductions and other changes to taxes that could affect you. Please go through the list and make sure Kallas has addressed all these items for you.

...our goal is to keep your taxes low.

This tax season, due to COVID, we are not taking the normal face-to-face tax interviews.

If in previous years you came in for a face-to-face meeting, we are asking that you change your procedure and mail your tax information to us or utilize our no-contact drop off. Walk-ins cannot be accepted this year.

If you have an exceptional situation which requires tax planning, call first and if a meeting is necessary, we will arrange a meeting.

Please complete your organizer as best as you can and call us if you have any questions.

Otherwise, the normal tax routine is still in effect. And as usual, it means finding bills, accumulating paperwork, thinking about everything you did last year and trying to figure out ways to keep that darn tax bill to a minimum.

Our goal is to make sure you do not pay Uncle Sam any more than necessary.

As a business owner, there are ways of presenting information, making judgments and using tax laws to lower your tax bill. We have the experience to make use of all the techniques that are available and we work very hard to keep your taxes low.

And we never forget to use our experience and judgment to keep you out of dangerous areas of tax law.

This year, Nick Kallas, Jacob Isaac and I will be preparing your personal taxes. Jim Humenik, Cathy Infantado, Dan

Wilson, and Anthony Gawel will be preparing your business taxes.

You can keep your tax preparation costs down and help us to identify potential tax savings by answering the questions on the tax organizer as completely as possible. Along with the organizer, you should be submitting to us all W-2's, 1099's, closing statements on purchases or sales of real estate, mortgage interest statements and broker statements.

You can help us and also keep your tax preparation cost down by answering the questions on the tax organizer as completely as possible.

You can also help us by mailing your information early. Remember, we know you and your situation very well. Most questions can be answered over the phone and by mail.

We will be offering again this year the option of receiving your tax returns via a private, secure web portal. You simply log on, review the return or print a copy at your convenience.

Whether you prefer an on-line version or a physical copy, you will have an opportunity to review the return. If everything looks good, you will sign a one-page authorization and mail it back to us with payment of fees. We then E-file your return.

No more need to rush to the Post Office on April 15 and your refund will get to you about 4 weeks quicker.

Please remember, the more organized your data, the less we have to charge. We charge extra for appointments, adding bills or organizing information, follow-up phone calls, missing data, tax advice or consultation, research, alternative calculations, re-running returns, adjusting estimated taxes or reviewing legal documents.

When a government takes over a people's economic life it becomes absolute and when it has become absolute it destroys the arts, the minds, the liberties and the meaning of the people it governs.

Maxwell Anderson

SAVE TIME AND MONEY WITH PAYROLL ADMINISTRATION

PAPERLESS PAYROLL SAVES \$\$\$\$ & NOW IS THE PERFECT TIME

To succeed in the restaurant industry, operators need to spend their time in the most efficient way possible.

It does little good to spend time on administrative tasks when your most profitable time can be spent bringing in business or tightening down costs or even taking a break from work once and a while.

Many owner-operators or their staff waste time with tasks that can be delegated or automated.

Think about this:

- How much time does it take to hand out checks every pay period?
- Do payroll checks sit in your office? What security do you have in place to protect confidentiality?
- What happens when an employee comes to you and says they lost their check?
- What do you do with payroll checks that never got picked up?
- What happens when you are expecting payroll checks to be delivered and a snow storm happens or a holiday falls on payday or the delivery truck broke down?
- How much are delivery costs running you?
- What happens when an employee is applying for a loan and needs a pay

history from you?

All the above involves you or your staff in wasted time and effort.

You can avoid all the problems associated with the above if you do as most all larger businesses have done and that is going "paperless" with your payroll.

It is really simple.

The employee's net pay is automatically deposited into the employee bank account on payday. You receive an email with the payroll journal prior to payday so you can review it. For employee's with no bank account, they receive a debit card with their net pay deposited into it each pay period.

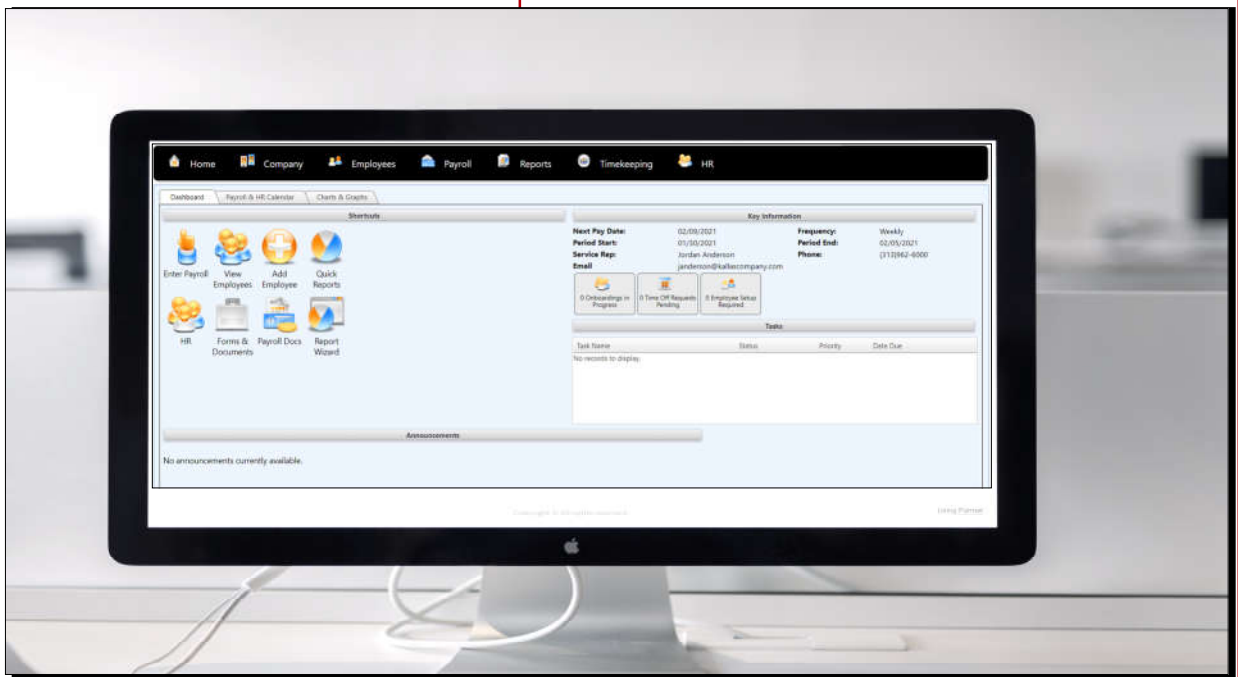
The employee can view or print his or her payroll history via a website they have secure access to.

Guess what? You just saved yourself a ton of wasted administrative time. Note: the savings are so significant that many businesses require the employees to be paid electronically upon hiring – no one gets a check.

And Kallas Payroll is offering this service to you for a limited time at no cost. FREE.

Now is a good time to start this as you re-open and re-hire employees.

Contact Jordan at 313-962-6000 for more information and to start saving money.



FOREIGN REPORTING REQUIREMENTS FOR U.S. TAXPAYERS

DO YOU HAVE A FOREIGN BANK ACCOUNT OR INCOME PRODUCING PROPERTY?

In the past several years, the IRS has been vigorously pursuing taxpayers who fail to comply with foreign reporting requirements. The IRS has instituted banking treaties with almost all

sovereign countries which require foreign banks to report amounts that are in the name of U.S. citizens. These reports are then matched to each person's U.S. tax return.

It is important taxpayers are reminded of the forms they are required to file. Below are the forms you could be liable for if you have a foreign bank account or own income producing property in another country.

