



IN THIS ISSUE:

- *IMPORTANT - MAJOR CHANGES FOR MINIMUM WAGE / TIPPED WAGE MAY BE IN STORE*
- *WORKERS COMP INSURANCE PAPERWORK- IT DOESN'T PAY TO FIGHT YOUR INSURANCE CARRIER*
- *RESTAURANTOWNER.COM - A GREAT SOURCE OF KNOWLEDGE*
- *THE COMPLICATIONS OF THIRD PARTY DELIVER SERVICES.*
- *MICHIGAN UNEMPLOYMENT AGENCY WAIVES OVERPAID BENEFITS*
- *CONSIDER TIME SAVING APPS FOR PAYROLL.*
- *FOREIGN BANK ACCOUNT HOLDERS - LARGEST EVER TAX CASE AGAINST ONE INDIVIDUAL*
- *ACA AND NON-KALLAS PAYROLL SERVICES*

CURRENTLY APPROACHING \$50 MILLION IN REFUNDS FOR KALLAS CLIENTS

As of July 31, 2022, Kallas Restaurant Accounting has obtained over \$48 million in payroll tax refunds for our clients under the ERC (Employee Retention Credit) tax law rules.

So far, the refunds are averaging approximately \$ 84,000 per restaurant per year. The credit is available for 2020 and 2021.

This is a much-needed shot in the arm for many restaurants that are still struggling with the aftermath of the Covid shutdowns.

Kallas was the first accounting firm to jump on this great benefit for our clients. While other general practice accounting firms were struggling with the rules, we determined immediately that all restaurants were eligible due to the governor's shut down rules.

And we saw immediately the great benefit this would be to our clients so we acted quickly to keep the transaction costs within reason. We had numerous meetings with our experienced staff as well as our Enrolled Agent – Tony Gawel, our payroll tax expert – Jordan Anderson and our CPA's to interpret and institute procedures to obtain the credits.

Many accounting firms hesitated. Either because of the work involved, they did not have the expert staffing, or because they were afraid to make reasonable interpretations of the new law.

The credits are still available so if you know a restaurant owner who has not obtained the credit, you would be doing them a great favor by referring them to Kallas.

If you happened to employ one of the national payroll companies for your payroll, they would perform a portion of the work necessary but would require you or your accountant to provide to them much of the information and then your accountant would have to make the proper accounting entries and your tax person would have to coordinate with the payroll company and the accountant to prepare the necessary corporate and individual tax returns.

It is a complicated credit because it involves qualifications, interpretation of law, payroll, payroll taxes, amended payroll tax returns, adjustments to accounting

books, business tax returns and even individual tax returns. (Luckily it did not involve any banks so that didn't slow us down).

Kallas's combination of payroll knowledge, accounting knowledge and tax knowledge uniquely positions us to obtain these credits quickly in the most cost effective and safe way.

Now that the dust has settled, other firms are getting into the act but at a much greater cost to the client.

The credits are still available so if you know a restaurant owner who has not obtained the credit, you would be doing them a great favor by referring them to Kallas.

employees and 40 hours if less than 10 employees. (That translates to 40 hours of paid sick leave per year per employee).

Obviously, these laws would cause devastating changes to all small businesses in Michigan especially bars and restaurants.

As of this newsletter printing, **legislators are working on an appeal and a stay of the decision.**

Kallas will keep you updated via E-Blasts regarding any news updates.

In the meantime, talk to your legislators and especially the Governor to do something about this.

VERY IMPORTANT NEWS FOR RESTAURANTS

MICHIGAN COURT OF CLAIMS INVALIDATES THE MICHIGAN PAID MEDICAL LEAVE ACT

The decision on July 19 reinstates both the "Improved Workforce Opportunity Wage Act" and the "Earned Sick Time Act:".



The Improved Workforce Act and the Earned Sick Time Act do the following:

1. **Increase the minimum wage to \$12 per hour.**
2. **The tipped minimum wage would be set at \$9.60.**
3. Starting in 2023, the **tipped minimum** would be adjusted to 90% of full minimum wage and in **2024 would match the full minimum wage.**
4. Apply the **Medical Leave Act** to all businesses with one or more employees. (Previously, it was 50 employees).
5. The Medical Leave Act requires employers to provide 1 hour of **paid sick leave** for every 30 hours worked. Capped at 72 hours if you have more than 10



Update:

As of 7-29-22 a Court of Claims judge has put a "Stay" on implementation of the new law until February 19, 2023. This allows businesses to "adjust" to the new law.

FOREIGN BANK ACCOUNT HOLDERS - LARGEST EVER TAX CASE AGAINST ONE INDIVIDUAL

The IRS Criminal Investigation Division announced what is being called the largest tax charge ever against an individual in the United States.

Robert T. Brockman, a 79 year old resident of Texas and the chairman and CEO of The Reynolds Company, has been accused of hiding over \$2 billion in income from the IRS over 20 years.

Brockman was charged in a 39-count indictment that focuses on two separate pieces:

The first set of charges focus on tax fraud, including tax evasion and failure to file Reports of Foreign Bank and Financial Accounts (FBAR) for the years 2000 through 2018.

The second set of charges is an investor fraud scheme involving manipulating debt securities.

Brockman is accused of directing untaxed income to secret bank accounts in Bermuda and Switzerland.

The take-away lesson for restaurant owners is this: The FBAR rules apply to anyone who has, at any point during the tax year, more than \$10,000 (in American dollars) in a foreign bank account or other foreign financial account. **If Kallas prepares your personal tax return, we need to know this to file the proper forms. There is no tax to pay but there are severe penalties for not reporting properly.**

IT DOESN'T PAY TO FIGHT YOUR INSURANCE COMPENSATION CARRIER

Workers Comp insurance is required by Michigan law for any businesses with more than 2 employees.

Your workers compensation insurance is based on the amount of your payroll and the job descriptions of the employees

Each year, auditors who represent the insurance companies will audit your payroll. They will request payroll information, and in some cases, independent contractor information (musicians, doormen, drivers, etc).

Of course, you want to keep this cost as low as possible and Kallas has some techniques it uses to reduce the cost for restaurant owners.

But, in the past, some restaurant owners have resisted, ignored or delayed giving their payroll information to auditors.

This can be very costly as the auditors have the authority to DOUBLE the premiums if a required business does not cooperate with giving the auditors the information they request. The term "cooperate" is not defined so if you do something to alienate or anger an auditor, they could make your life miserable.

As an alternative to unpleasant and wasted time with a workers comp audit, see the article in this newsletter or call Jordan about the Kallas Pay-as-you-Go Work Comp payroll application.

RESTAURANTOWNER.COM – A GREAT SOURCE FOR KNOWLEDGE

Kallas Company has built its 75 years of success on the success of the independent restaurant industry and its owners. So we are encouraged when anyone with something to contribute supports our industry.

RestaurantOwner.com and Restaurant Startup & Growth



Magazine are two excellent sources of information for closely held restaurant owners.

Jim Laube is the founder and publisher of RestaurantOwner and Restaurant Startup. I have a lot of respect for Jim and what he does.

I met Jim many years ago as he started his career in

Michigan. And I have learned and borrowed liberally from his restaurant templates, checklists, inventory controls, worksheets and articles on all facets of independent restaurant operations.

Jim began his restaurant career at the age of 15 working in a quick-service food operation and earned his way to a Michigan State accounting degree by working as a server and bartender.

During the late 80's and 90's, Jim practiced as a CPA and advisor to independent restaurants throughout the United States regarding operational, financial, cost control and profitability issues.

He is an author and lecturer and during the last 15 years, Jim has conducted over 700 presentations and training programs to thousands of restaurant owners.

Free 6-Month Trial to Restaurant Startup & Growth Magazine

Go to RestaurantOwner.com to see for yourself. Or call Dawn at Kallas and we can provide you with a 6-Month free trial subscription to Restaurant Startup & Growth Magazine.

CONSIDER TIME SAVING APPS FOR PAYROLL

Processing your company's payroll and paying employees is a necessary part of running a successful restaurant.

The burden has been made easier and more efficient with new payroll applications tied to the basic payroll processing.

These new applications have proven to be big time savers for restaurant owners.

The biggest time-savers are the following:

Direct entry also known as "GO" payroll. Instead of transcribing time cards or POS hours and tips onto an input sheet and then either calling the info into the payroll company or faxing the info, owners can input the information directly to a secure Portal anytime of the day or night. This eliminates wasteful phone time and the high possibility of transposition or transcription errors. With "GO" you check the numbers yourself before sending the information. And with a click of the mouse you are done.

Paperless Payroll. More and more restaurants are going to paperless. No more passing out checks. No more employees losing their checks. No more checks sitting on your desk for days. No more potential for employees seeing what other people make. Kallas can set you up for direct deposit and Debit cards (for employees who do not have bank accounts). You receive payroll journals via email. And now you are paperless. If an employee loses a Debit card we replace it free. And the service is free to you. Call Jordan for more details.

On-boarding. This is a powerful application that will really alleviate your payroll burden. When you are ready to hire an employee, you enter their name and

email address into the On-boarding app. Then you are done. The app sends them an email and they fill out all the paperwork themselves. They fill out their W-4 information, I-9 information, and any application information you want. They read your employee handbook and rules of the house and any other forms you require them to sign. Another big plus to On-boarding is that you can determine whether this employee is eligible for the WOTC (a tax credit missed by many employers due to the paperwork burden). The new hire must sign at each step of the way to proceed further. AND NOW YOU HAVE A PERMANENT RECORD – ALL FILLED OUT PROPERLY - FOR ANY TAXING OR LABOR HOUR OFFICIAL TO VIEW.



Actual App Screenshot for "GO"

Pay-as-you-Go Workers Compensation. How much time have you wasted dealing with the Workers Comp insurance company when they audit your payroll or if you estimated your payroll liability and you get a big unexpected audit bill. With Pay-as-you-Go Work Comp, your work comp liability is paid each payroll for the correct amount so you don't have to worry about audits or coming up with a huge audit bill when you least expect it. Call Jordan for more details.

THE COMPLICATIONS OF 3RD PARTY DELIVERY SERVICES

3rd party apps like Grubhub, DoorDash and Uber Eats exploded during Covid.

3rd party apps gave restaurants a big shot in the arm with access to delivery and new ways to find customers. Sometimes their services were the dominant revenue stream for restaurants.



But with convenience comes challenges. Confusion regarding how revenue is reported, mismanaged workflows, overpayment of

sales tax, tip reporting issues, local tax reporting and which taxes are affected are just some of the issues that come up due to 3rd party apps.

3rd party apps (3PA) can cause a lot of problems for your accounting.

You should separate your 3PA sales from normal sales for purposes of sales tax calculations, gross profit calculations, payroll management and identifying the real cost/benefit of the service.

Accountants have to find new ways of reporting 3PA revenue and costs because now they are a significant portion of total revenue.

The other factor confusing the issue is this business model is so new that some of the 3PA are still adjusting and changing their procedures. Additionally, states are having to adjust and change their reporting requirements on the fly.

Each contract with the 3PA companies is different so these need to be reviewed with your accountant.

Accountants who are not familiar with the various 3PA contracts may cause some restaurants to double pay sales tax.

The first step in proper handling of 3PA revenue is to make sure it is programmed correctly in your POS or cash register. The second step is to know what the contracts say. The 3rd step is to make sure your accountant is up on the proper procedures for reporting.

Accountants who are not familiar with the various 3PA contracts may cause some restaurants to double pay sales tax.

MICHIGAN UNEMPLOYMENT AGENCY WAIVES OVERPAID BENEFITS

During the Pandemic, the State of Michigan handed out millions in unemployment benefits to people who were laid off due to businesses closing.

Many millions of state residents were affected and collected benefits.

It became apparent after the dust settled that many thousands of people may have collected benefits fraudulently.

The state started a massive billing to go after those people and get the money back. They used sledgehammer techniques just billing people without determining the facts or allowing a response.

This caused a lot of anguish to people who were innocent but swept into the billing process including having refunds confiscated and other forms of collection.

As a result of the bad publicity and the unfairness, the Michigan Unemployment Agency just issued \$53.2 million in waivers to approximately 7,300 people. Another \$2.4 million will be refunded to claimants. Over the past 3 months, the UIA has waived more than \$484.2 million on 62,300 claims.



DO YOU USE AN OUTSIDE PAYROLL SERVICE? ARE YOU REQUIRED TO FILE UNDER THE ACA RULES?

The bad news is the ACA (Obamacare) rules are still in effect.

The ACA requirements for restaurants are complex and time-consuming.

Yearly testing is required and if a restaurant or group of commonly owned restaurants meet the IRS defined criteria of 50 employees, health insurance must be offered and yearly forms filed and distributed to all full time employees.

Kallas has offered this service for all our clients since the law was passed.

Some of our accounting and tax clients use an outside payroll company for their payroll needs.

In the past, Kallas would prepare their ACA forms even though they did not use our payroll service.

Unfortunately, obtaining the necessary information from the other payroll companies has become time consuming and cost-prohibitive.

Therefore, starting with the 2022 reporting year, for those clients who do not use the Kallas Payroll service, we can no longer prepare their ACA forms.

If you are using a non-Kallas payroll service and you are liable for ACA, please contact your payroll company now and talk to them about your ACA obligations.

Or, as a better option, Kallas would welcome your payroll business and your ACA obligations would be covered by knowledgeable accountants.

If you have any questions, call Jordan or George at 313-962-6000.



Affordable
Care Act



CALENDAR FOR SEPTEMBER, OCTOBER, NOVEMBER 2022

September 5

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 24 & 25

Kallas closed for Thanksgiving.