



IN THIS ISSUE:

- HOW LONG SHOULD YOU KEEP RECORDS?
- NEW LABOR BOARD 80/20 RULE IS IN EFFECT FOR RESTAURANTS
- MICHIGAN PASSES NEW LAW AT THE LAST MINUTE
- WHAT ELSE IS NEW – IRS BACKLOGGED
- RECOGNIZING DEDICATION
- 10 RED FLAGS FOR NEW RESTAURANTS
- WHY KALLAS OVER THE OTHER PAYROLL & ACCOUNTING FIRMS?
- MICHIGAN COMPARED WITH OTHER STATES
- SNAIL MAIL IS GETTING WORSE

OVER \$47 MILLION IN REFUNDS FOR KALLAS CLIENTS

As of April 30, 2022, Kallas Restaurant Accounting has obtained over \$47 million in payroll tax refunds for our clients under the ERC (Employee Retention Credit) rules.

So far, the average refund is \$ 82,650 per restaurant. That is for both 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. 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 CPAs 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.

It is a complicated credit because it involves qualifications, interpretation of the 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.

SO FAR, THE AVERAGE REFUND IS

\$ 82,650

PER RESTAURANT

HOW LONG SHOULD YOU KEEP RECORDS?

There is no hard and fast rule or law on what records you should keep or how long you should keep them.

The general rule is that you should keep all records that would be required so that you can prove your tax returns.

Remember, the burden of proof is on the taxpayer.

For a restaurant or bar operation, the suggested records and retention times are as follows:

Unclaimed payroll checks	1 yr then submit to state
Daily Z-out register tape	current yr + 3 yrs
Daily register check out sheets	current yr + 3 yrs
POS computer records	current yr + 3 yrs
Banks statements	current yr + 3 yrs
Time cards or employee time records	current yr + 3 yrs
Vendor invoices	current yr + 3 yrs
Tip records	current yr + 3 yrs
Credit card statements	current yr + 3 yrs
Credit card receipts	current yr + 3 yrs
1099 records	current yr + 3 yrs
Cancelled checks or check registers	current yr + 3 yrs
Employee files	3 years after termination
Major purchases	Permanently
Corporate records	Permanently
Bank loan records	Permanently
Stockholder loans	Permanently
Insurance awards	Permanently
Legal documents	Permanently
Equipment and construction records	Permanently
Tax returns	Permanently

If the above seems like a lot of record keeping, you can make it much simpler. The government will accept digitized copies of all the above. Your payroll tax returns and Individual and Business tax returns are already stored digitally by Kallas for 10 years.

Your Employee files can be stored digitally by using the Kallas On-Boarding payroll option.

"PERSEVERANCE IS NOT A LONG RACE; IT IS MANY SHORT RACES ONE AFTER ANOTHER." WALTER ELLIOTT

NEW LABOR BOARD 80/20 RULE IS IN EFFECT FOR RESTAURANTS

As of December 28, 2021, the U.S. Department of Labor's Dual Jobs final rule is now in effect.

This rule which was first proposed during the Obama presidency and revoked during the Trump administration is back under the Biden administration.

Under the final rule, an employer can take a tip credit only when the worker is performing tip-producing work.



Historically, the "tip credit" has been the difference between the minimum wage (currently \$9.87) and what you actually pay a tipped employee out of pocket (currently a minimum of \$3.75 per hour). That difference or "tip credit" is made up of tips reported by the server.

This allows restaurants to pay tipped servicers far less than the normal minimum wage.

Under the new rule, operators can no longer take a tip credit for the time employees spend on tasks considered "directly supporting work" that exceeds 20% of the workweek or 30 continuous minutes.

This means, practically speaking, that you have to be careful that servers do not spend more than 30 minutes in set up, cleaning, prep work or other non-tipped duties or you would owe them the entire minimum wage for any time over the 30 minutes that is non-tipped. In other words, if a tipped employee does set up for 25 minutes per day, you can still pay the tipped minimum for those 25 minutes. If a tipped employee does set up for 35 minutes, you would owe the full minimum wage for the 5 minutes that person worked in non-tip activities (over the 30-minute limit)

You also have to be careful that a server does not spend more than 20 percent of his or her time in non-tipped activity. If you go over the 20 percent of hours worked

during the workweek, then you cannot take the tip credit for the non-tipped activity exceeding the 20 percent.

Editorial comment: Do these bureaucrats have nothing better to do?

WHY KALLAS OVER THE OTHER PAYROLL & ACCOUNTING FIRMS?

EXPERIENCE - Over 75 years experience serving one industry – restaurants and bars. Today Kallas serves more independent restaurants than any other firm in the Midwest.

SPECIALIZED KNOWLEDGE - By specializing in one industry, you can get quick and authoritative answers most generalized accountants or CPA's would have to research.

HIGHER LEVEL EMPLOYEES - When you use our payroll service, you are not dealing with salespeople or clerks with no accounting background. You are speaking with industry specialists who can answer your questions quickly and authoritatively.

PRICE - Our services and products are priced right for restaurants locally. We are not owned by an out of state software company that required you adhere to their strict procedures.

CUSTOM DESIGN OF YOUR ACCOUNTING - We design your accounting system based on your budget, background and resources. From a small mom and pop to multi-location franchises.

QUICK RESPONSE - We answer our phones. You don't have to leave a message, start a ticket or get in a que. You will have your own personal accountant you can talk to any time.

WE KNOW THE NEEDS OF RESTAURANT OWNERS - All our clients are owner managed. We work with restaurant owners every day. We know how to avoid problems, what are best practices in the restaurant industry and how to make your accounting simple for small or inexperienced operators.

RIGHT SIZED - We are sized right - not too big so you are just a number and not too small where you cannot get the talent you need. We give restaurant owners the right combination of expertise and services.

TAX AND MANAGEMENT EXPERTISE - Imagine calling your payroll company for their thoughts on how to reduce

unemployment claims. Or what is the best method for reporting tips. We are experts in tip reporting. We know the audit red flags, and best practices in the industry. We know the unique tax savings methods that are exclusive to the restaurant industry. We know what your operating ratio's should be. What your insurance and rent costs should be. We deal with employee issues, Unemployment issues and other problems you experience every day. And we have seen it all and can help you.

WHAT ELSE IS NEW – IRS BACKLOGGED

The last 24 months has been an extreme challenge for our restaurant clients.

It has also been a challenge for the IRS.

With a slurry of new laws to stimulate the economy and fight Covid, Congress has put the burden of administrating it all largely on the IRS.



The IRS has had to institute procedures for obtaining, responding to and auditing stimulus payments in two separate years, monitoring state unemployment payments, making rules for PPP and PPP forgiveness, RRF, grants, new carryback rules and the Employer Retention Credit (ERC) refunds. This is major stuff and this is all on a reduced budget.

It's a mess.

As of the beginning of April 2022, the IRS had a backlog of 35 million individual and business tax filings and 2.3 million unprocessed ERC refunds.

It may take years to get back up to speed.

"OUR INCOME TAX SYSTEM HAS BEEN DESTROYED BY COMPLEXITY – A COMPLEXITY LARGELY BY WELL-MEANING EFFORTS TO ACHIEVE THEORETICAL PURITY, ELIMINATE EVERY REAL AND IMAGINED 'ABUSE' AND ADDRESS NONTAX POLICY OBJECTIVES."

FRED GOLDBERG, FORMER IRS COMMISSIONER

10 RED FLAGS FOR NEW RESTAURANTS

After 40 years advising new restaurant owners, I have come up with 10 of the most common red flags that when present increase the risks of failure

1. Not having a good idea of the type of customer you want to draw and the corollary; not providing an appealing experience for that customer.
2. Having multiple partners with roles and functions not clearly documented. Misunderstandings between partners are more common than you may think and can ruin an otherwise successful project.
3. Underestimating what it costs to open or take over an existing restaurant and the corollary; being undercapitalized.
4. Not having prior restaurant experience in at least a general manager capacity.
5. Not having prior restaurant experience and thinking you can hire people to do everything.
6. Thinking you are going to save money being your own lawyer or accountant and the corollary; having poor legal or financial records.
7. Do it yourself accounting. This may be self-serving but if you ask any consultant, the absence of well organized and implemented accounting systems is a big factor in failures.
8. Not enough sales. You can fix just about any problem in a restaurant but if the sales is not there, your chances of success go down significantly.
9. Over-leveraged and the corollary; paying too much for what the restaurant is capable of producing.
10. Not having weekly reports and paying attention to prime costs. (labor, food and beverage)



RECOGNIZING DEDICATION

QUALITIES NOT SEEN VERY MUCH ANYMORE

Below list of anniversaries of some of Kallas's long-time employees.

Heartfelt thanks and honor to Kallas employees with long-time dedication, experience, and trustworthiness

James (Jim) Humenik	25 years
Sheri Banach	25 years
Arnold Patton	20 years
Catherine (Cathy) Infantado	20 years
Daniel (Danny) Wilson	15 years
Dawn Jankowski	15 years

It is these people who provide stability and knowledge to allow Kallas Restaurant Accounting to be in business for over 75 years. Thank you.

TRAINING FOR YOUR STAFF

RestaurantOwner.com is a website dedicated to independent restaurant ownership.

It is an excellent source of videos and articles on everything an independent operator needs to know to improve their restaurant.

All the video's are short – 2-4 minutes – and concise. They also have webinars on important current topics such as the big issues now: How to Hire and How to Retain Good Employees.

You, your managers and staff can all benefit from these learning videos. The video's are organized by Back of the House, Front of the House, Human Resources, Managers and Accounting roles so that you can assign certain videos to certain people.



There is a membership fee to join but at least check it out. It could really help your operation and bottom line profit.

Contact them directly for more information.

Kallas is not affiliated with or sponsored by RestaurantOwners.com.

MICHIGAN PASSES NEW LAW AT THE LAST MINUTE

Boy, talk about putting taxpayers in a bad position:

The State of Michigan passed a new tax law signed by Governor Whitmer on December 20, 2021 which affected the 2021 tax returns in a big way

Never has there been a new law passed so close to the tax filing season.



In the past, legislators always gave taxpayers and their professional advisors time to re-write programs, study the law, and adjust their procedures.

To make matters worse, it is a complicated law affecting both business and personal returns. Plus, the rules on how to implement it did not come out until mid-March of 2022 with about 20 days left in the tax filing season.

The new law did the following:

Under prior law, state income taxes you paid were a limited deduction on your federal personal tax return. For high tax states like New York, New Jersey, and California, this was a big hit for their taxpayers because the state income tax deduction was significant for those taxpayers.

To solve the problem and do a work-around the federal limitation, high tax states wrote laws that moved the state income tax deduction from the personal returns to business returns where it was 100% deductible.

The State of Michigan just followed suit, passing a new law that allows high-income taxpayers to pay the Michigan taxes on their business return thereby making it fully deductible.

But to make it deductible on your 2021 taxes the taxpayer must make an advance payment by March 15. We were notified of this around March 10.

Needless to say, the timing of this was horrible but Kallas was able to muster its resources, contact our high-income taxpayers, and make the payments – all in a couple of intense days.

Kallas will be studying this law more intensively over the next few months to see how we can apply it to more taxpayers for 2022.

If you have any questions regarding how this affects you, call Nick or Tony at Kallas.

SNAIL MAIL IS GETTING WORSE

U.S. Mail service is getting worse as time goes on. We have experienced delays of 1 week for local mail to even up to 2 weeks before it is delivered.

This can be a disaster if taxes are due.

We have informed the Postmaster General at the central administrative office in Detroit of the problems. We have even written letters to our Senator and Representatives. And we have developed personal relationships with our carriers and local supervisors.

But the truth is it is getting worse. The U.S. Post Office is a sclerotic government bureaucracy controlled by union rules and unable to improve.

That is why we urge all our clients to move to communicate via email or fax.

Email is great. You can take pictures or scan documents and send them to us. There is always a clear digital record to be able to refer to if needed. Nothing gets lost or delayed in the mail. Responses are much quicker if not immediate. And you can do it on your smartphone.



If you are one of those who are way behind the times and want to learn how to use email, give Kallas a call and talk to Dawn.

Another way to avoid the Post Office delays is to use our Direct Deposit and Paycard service for your payroll. Payroll is all done digitally. Nothing needs to be mailed. No delays for Holidays or snowstorms or mail carrier sick or power failures. Your employees will love it and you will too. And it is a FREE service.

Call Jordan at 313-962-6000 for more information.

MICHIGAN COMPARED WITH OTHER STATES

You always hear complaints about how the top 1% of taxpayers does not pay it's fair share of taxes.

Thankfully, anyone interested can see the actual numbers. GOBankingRates .com did us the favor of compiling the average taxes paid and the average tax rates on the top 1% of taxpayers according to the latest IRS data.

The data shows some interesting facts. To be in the top 1% in Michigan your average income is \$1,281,000 and you

pay \$312,000 in federal taxes. By comparison, to be in the top 1% in California your average income would be \$2,239,000 and you would pay average \$590,000 in federal taxes.

Also, interesting, if you look at the combined rate of taxes, Florida is the lowest at 25.2 % mainly because there is no state tax.



	MICHIGAN	FLORIDA	CALIFORNIA	INDIANA	ILLINOIS	NEW JERSEY	NORTH DAKOTA
MINIMUM INCOME TO BE CONSIDERED IN THE 1%	\$ 435,000	\$ 569,000	\$ 680,000	\$ 399,000	\$ 573,000	\$ 694,000	\$494,000
AVERAGE INCOME OF THE 1%	\$1,281,000	\$2,191,000	\$2,239,000	\$1,017,000	\$1,842,000	\$1,856,000	\$1,173,000
AVERAGE TAX PAID BY THE 1%	\$ 312,000	\$ 552,000	\$ 590,000	\$ 243,000	\$ 481,000	\$ 512,000	\$ 293,000
AVERAGE TAX RATE OF THE 1%	24.36	25.2	26.38	23.93	26.09	27.62	23.45
STATE INCOME TAX RATE	4.25	0	12.3	3.25	4.95	10.75	2.9
COMBINED STATE AND AVERAGE FEDERAL	28.61	25.2	38.68	27.18	31.04	38.37	26.35

CALENDAR FOR JUNE, JULY, AUGUST 2022

June 15

- Individuals outside the U.S.: File 2021 Form 1040.
- Individuals: Pay the second installment of estimated tax for 2022.
- Corporations: Deposit the second installment of your 2022 estimated tax.
- Corporations: Taxes due for March year end corporations.
- Corporations: Estimated Taxes due for corporations with fiscal year ending March, June, October or December.

June 20

- Michigan Sales, Use and MBT estimates due.

July 4

- Kallas Restaurant Accounting closed for Independence Day.

July 15

- Corporations: Taxes due for April year end corporations.
- Corporations: Estimated Taxes due for corporations with fiscal year ending January, April, July or November.

July 20

- Michigan Sales, Use and MBT estimates due.

July 25

- UIA form 1020 due for 2nd quarter.

July 31

- Deposit FUTA owed through June if

more than \$500.

- File Form 941 for the second quarter of 2022.

August 10

- File Form 941 for the second quarter of 2022 if you timely deposited all required payments.

August 15

- Corporations: Taxes due for May year end corporations.
- Corporations: Estimated Taxes due for corporations with fiscal year ending February, May, August or December.

August 20

- Michigan Sales, Use and MBT estimates due.