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KALLAS GETS MICHIGAN RESTAURANT ASSOCIATION AWARD

Your favorite accounting firm recently received an award from the Michigan Restaurant Association for 41 years as a member.

MRA President, Justin Winslow is seen in this picture handing the plaque to George Kallas with Nick Kallas standing to the right.

Kallas is not only a long-time association member supporting the restaurant industry but George served on the Board of Directors from 1989 through 1994 and represented the association in testimony before the Michigan Legislature regarding the contentious issue of how tips should be taxed.

This Association article about Kallas Restaurant Accounting appeared in its March 2023 issue of the MRLA Magazine.

We Are the MRLA Feature: Kallas Restaurant Accounting

Owner Name: George Kallas & Nicolas Kallas

Company: Kallas Restaurant Accounting

City: Farmington

Year Founded: 1946

Website: kallascompany.com

MRLA Member Since: 1981

What is your business' niche/specialty?

Accounting, payroll and taxes for restaurants and bars. For over 75 years, Kallas Restaurant Accounting has exclusively served the Michigan restaurant industry. Restaurant owners have a highly experienced and knowledgeable tax advisor they can talk to personally and locally for quick answers to tax or accounting questions.

Why is the MRLA important to you and your business?

When tax legislation is first proposed in Lansing affecting the restaurant industry, we are the first to analyze and determine the effect on restaurants. We work with the MRLA to formulate the appropriate response and contribute our resources if necessary.

Kallas Restaurant Accounting Highlights:

- After over 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 to you 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.

- 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 would come at an extremely high consultation fee.
- Kallas started studying the rules when ERTC was first issued and had internal meetings on how to bring this great benefit to our restaurant clients. We found the loophole in the law that makes virtually all restaurants eligible.
- Kallas Accounting is a family-owned business and treats every customer like family. After decades of running a business, the Kallas team of experts continues to serve our industry each and every day.

TAX-ADVANTAGED SAVINGS FOR CHILDREN AND GRANDCHILDREN

If you are a parent or grandparent who is thinking ahead and wants to save money for their minor children and grandchildren there are a few ways to save that come with some tax benefits.

The easiest way to save money for a child or grandchild is to set up a simple bank account called an UGMA (Uniform Gifts to Minors Act) or a UTMA (Uniform Transfers to Minors Act) account. UGMA

and UTMA plans put money into a savings or investment account, which can be used for any purpose including schooling, marriage, or a home. Money put into UGMA or UTMA accounts legally belongs to the child even though a parent has custodial rights.



As of 2023, the first \$1,250 of interest income is tax-free. Interest earned over \$1,250 and under \$2,500 is taxed at the child's rate. Any earnings over \$2,500 in a year are taxed at the parent's rate. There is no limit to amounts you can put in a UGMA or UTMA but if you want to avoid filing gift tax returns, the limit in 2023 is \$17,000 per person. So married parents or grandparents could give each child \$34,000 without filing a gift tax return. Gifted amounts over \$34,000 in this case would require a gift tax return.

Another popular way to save money for schooling is a Qualified Tuition Program (QTP) sometimes called a 529 plan or an Education Savings Account (ESA) 530 plan.

Michigan allows a deduction for contributions to a Michigan 529 or 530 plan. Unfortunately, there is no federal deduction. A 529 plan grows tax-free and there is no tax on withdrawals as long as they are used for college or higher education.

Contributions to a 529 plan vary based on actuarial tables necessary to cover qualified undergraduate and graduate expenses in the future. Contributions to a 530 plan are limited to \$2,000 per year but cover undergraduate, graduate and K-12.

You may contribute to a 529 and a 530 plan in the same year for the same individual. Contributors to a 529 may change beneficiaries or reclaim funds if desired. A drawback to the 530 plan is that contributions may be limited as the contributor's income increases.

Other rules and limitations apply so consult an investment advisor whenever opening a 529 or 530 educational saving account. If you set up a 529 or 530 educational saving account via the internet, please be sure to apply for a Michigan plan. Other states have plans and you could get directed to an out-of-state plan by mistake.

Another option you may consider is to withdraw savings from an IRA to pay the qualified educational expenses for yourself, a spouse, child, or grandchild. The 10% early withdrawal penalty is waived in the above circumstance.

A tax-free savings bond can also be purchased to pay for children's and grandchildren's educational expenses. Income phase-outs and

other limitations apply so again consult with an investment advisor to determine if a tax-free bond is the right choice.

IRS IS STILL FAR BEHIND IN PROCESSING TAX RETURNS

WHAT IS GOING ON OVER THERE?

We have been experiencing long delays in responses from IRS regarding amended returns, correspondence, ERTC refunds and paper filed returns.

This could effect you if you have an IRS problem that needs to be resolved or if you are waiting for a refund from the ERTC or even a refund from a normally filed tax return.



The mid-year report to Congress released in June found the IRS reduced its backlog of unprocessed paper-filed original tax returns from 13.3 million to 2.6 million. However, the

report also found the IRS is still behind in processing amended tax returns and taxpayer correspondence.

Even though there has been improvement in response time since the Covid related problems, an unconfirmed report stated that there are still trailers around the country packed with unopened mail.

Additionally, identity theft and fraudulent refunds have been such a big problem that the IRS is instituting new procedures to identify questionable returns. This causes further delays.

Some procedures the IRS has instituted to resolve identity theft problems are causing returns that were filed to be put on hold and not be processed. So if you call for the status of your refund, their records will show that you have not filed a return. Yikes.

Another example we encountered recently of incompetence at the IRS is of a large tax payment sent to the IRS with the taxpayer's spouse's social security number clearly written on the check but it

never got credited to the joint tax return. The money just sat in limbo and the taxpayer kept getting tax due notices.

Of the roughly \$79 Billion in funding the IRS received under the Inflation Reduction Act, only \$3.2 Billion was allocated for taxpayer services and only \$4.8 Billion was allocated to business systems modernization. In late May, the debt limit deal in the Fiscal Responsibility Act of 2023 and a related side agreement reduced the IRS funding level from \$79 Billion to \$58 billion.

TOP 10 PORTION CONTROL TIPS

The very best restaurants adhere to strict portion controls. Portion controls enhance consistency and reduce losses from waste.

Here are some simple tips to control portions:

1. Establish recipes. Restaurant recipes have two purposes: to ensure consistency and control costs.
2. Ensure your kitchen staff weighs all portions or use standard size ladles so as to meet your recipe specifications on every meal.
3. Be sure your staff is using scales, measuring cups, measuring spoons and appropriate ladles. Free handing usually results in over-portioning.
4. Find a use for all food items. Meat trimmings can be used for soups. Celery leaves can be used as garnishes. Pastry excess can be used for toppings.
5. Learn how to cut meats and fish to derive extra portions.
6. Maintain a fixed and limited menu. A fixed/limited menu allows for maintaining smaller inventory, easier training of staff and better portion controls.
7. Use specials to break in new menu items or add interest to the menu.
8. Soups, breads, and salads have a far lower fixed per plate cost than entrée's. Use side dishes to complete a meal and reduce the portion of the entrée.



9. Portion side items such as breads, butter, sauces, dressings and condiments according to the number of guests to reduce waste. Bring more if requested.

10. Use the correct size plate for each menu item. Plate sizing is important in portion control and the perception of the customer. Experiment with plate sizes. Don't be afraid to use different plates for different entrée's items.

Staff training is important for portion control. They should know that portions and consistency are important and what goes into the preparation of a menu item.

PAYMENTS TO IRS ARE GETTING LOST!

We are experiencing increasing "lost" payments to IRS mainly pertaining to payments for Income Taxes.

Payroll and business tax payments are being made without a hitch but Estimated Tax Payments and payments due on your personal tax returns seem to be disappearing into limbo.

Recently, one taxpayer made a six-figure payment and wrote the spouse's social security number on the check. When the taxpayer kept getting tax due bills, we looked into it and found the check was sitting in limbo and not credited to anyone. How large checks to the IRS can get "lost" is a mystery.

We also have had issues with taxpayers making payments on-line. These payments can easily be routed to the wrong tax period or tax account. We strong urge our clients to continue to write physical checks and not use the IRS on-line service for tax payments.

The best practice whenever you owe money for personal taxes whether for a tax due or for an estimated tax payment is to write a physical check, write the first taxpayer's social security number on the check, write the type of tax you are paying and the tax period you are paying on the check. Photocopy the check and mail it certified to be on the safe side.

The above "best practice" can save a lot of time and grief if your payments due not match up with IRS records.

IMMIGRATION REVISES I-9 FORM

A new Form I-9 is required starting November 1, 2023

The I-9 Form is a United States Citizen and Immigration Services form that is required to be completed for every new employee you hire.

The form is used to verify the identity and legal authorization to work in the United States. Currently, it is a two-page form that needs to be completed by the employee and signed by you. You must confirm the new hire's identity by viewing either a passport or 2 other pieces of ID – usually a driver's license and social security card. (Other forms of ID are acceptable. See the I-9 form for a list.)

By confirming the identification of the new hire, you are proving that the person is legally allowed to work in your establishment.

All employers should retain the completed I-9 forms on premises (or readily available) for three years after the employee's first day of employment,

Employment Eligibility Verification
 Department of Homeland Security
 U.S. Citizenship and Immigration Services

USCIS
 Form I-9
 OMB No. 1615-0047
 Expires 07/31/2025

START HERE: Employers must ensure the form instructions are available to employees when completing this form. Employers are liable for failing to comply with the requirements for completing this form. See below and the [instructions](#).

ANTI-DISCRIMINATION NOTICE: All employees can choose which acceptable documentation to present for Form I-9. Employers cannot ask employees for documentation to verify information in Section 1, or specify which acceptable documentation employees must present for Section 2 or Supplement B, Reverification and Rehire. Treating employees differently based on their citizenship, immigration status, or national origin may be illegal.

Section 1. Employee Information and Attestation: Employees must complete and sign Section 1 of Form I-9 no later than the first day of employment, but not before accepting a job offer.

Last Name (Family Name) _____ First Name (Given Name) _____ Middle Initial (if any) _____ Other Last Names Used (if any) _____
 Address (Street Number and Name) _____ Apt. Number (if any) _____ City or Town _____ State _____ ZIP Code _____
 Date of Birth (mm/dd/yyyy) _____ U.S. Social Security Number _____ Employee's Email Address _____ Employee's Telephone Number _____

I am aware that federal law provides for imprisonment and/or fines for false statements, or the use of false documents, in connection with the completion of this form. I attest, under penalty of perjury, that this information, including any selection of the box attesting to my citizenship or immigration status, is true and correct.

Check one of the following boxes to attest to your citizenship or immigration status (See page 2 and 3 of the instructions):
 1. A citizen of the United States
 2. A lawful permanent resident of the United States (See instructions.)
 3. A lawful permanent resident (Enter USCIS or A-Number.)
 4. A nonlawful (other than a non-Numbers 2 and 3 above) authorized to work until (exp. date, if any) _____

If you check Item Number 4, enter one of these:
 USCIS A-Number _____ OR Form I-96 Admission Number _____ OR Foreign Passport Number and Country of Issuance _____

Signature of Employee _____ Today's Date (mm/dd/yyyy) _____

Section 2. Employer Review and Verification: Employers or their authorized representative must complete and sign Section 2 within three business days after the employee's first day of employment, and must physically examine or examine (consulted with an Attending procedure authorized by the Secretary of DHS, documentation from List A OR a combination of documentation from List B and List C. Enter any additional documentation in the Additional Information box; see instructions).

Document Title	List A	List B	AND	List C
Document Title 1				
Issuing Authority				
Document Number (if any)				
Expiration Date (if any)				
Document Title 2 (if any)	Additional Information			
Issuing Authority				
Document Number (if any)				
Expiration Date (if any)				
Document Title 3 (if any)				
Issuing Authority				
Document Number (if any)				
Expiration Date (if any)				

Check here if you used an alternative procedure authorized by DHS to examine documents.

Certification: I attest, under penalty of perjury, that (I) have examined the documentation presented by the above-named employee, (2) the above-titled documentation appears to be genuine and to relate to the employee named, and (3) to the best of my knowledge, the employee is authorized to work in the United States.

Last Name, First Name and Title of Employer or Authorized Representative _____ Signature of Employer or Authorized Representative _____ Today's Date (mm/dd/yyyy) _____
 Employee's Business or Organization Name _____ Employee's Business or Organization Address, City or Town, State, ZIP Code _____

For reverification or rehire, complete [Supplement B, Reverification and Rehire](#) on Page 4.

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or one year after the date employment ends, whichever is later.

You are not required but it is good practice to photocopy the ID you are examining and retain that with the I-9 form.

Employers who violate the law may be subject to civil fines and/or criminal penalties (when there is a pattern or practice of violations). The penalties for I-9 violations can range from \$250 to \$3,000 for improper completion of the I-9 form. Improper completion, retention or making it available for inspection fines range from \$100 to \$1,100 for each I-9. Knowingly hiring or continuing to employ unauthorized workers fines range from \$250 up to \$11,000 per violation.

Contact Kallas for more information.

PRACTICE TIP:

THE NEW I-9 FORM CAN BE AUTOMATICALLY INCORPORATED INTO YOUR HIRING PROCESS WITH NO EXTRA RECORDKEEPING ON YOUR PART BY SIGNING UP FOR THE KALLAS ON-BOARDING PAYROLL OPTION.

MORE AND MORE EMPLOYERS ARE SIGNING UP FOR ON-BOARDING AS IT TAKES ONE MORE COMPLIANCE HEADACHE OFF OF YOU.

IT IS SO SIMPLE AND THE COST IS LOW COMPARED TO THE ALTERNATIVE OF YOU HAVING TO COMPLY MANUALLY, VIEW DOCUMENTS AND STORE DOCUMENTS.

THIS IS THE TIME OF YEAR TO CHECK YOUR TAX SITUATION

YOUR ESTIMATED TAXES MAY HAVE TO BE ADJUSTED

Restaurant owners and other business owners have to pay attention to their tax situation more than other taxpayers. Your income can vary from year to year and profits and losses from your business can cause your taxes to fluctuate.

In addition, as a business owner, you have some control and latitude as to how to treat certain forms of income and how to expense certain items such as depreciation.

Most owners who have to pay taxes on their profits

need to do so through quarterly estimated taxes. Quarterly estimated taxes are a requirement for all taxpayers whose payroll withholding are insufficient to cover their tax liabilities.

If you do not set up proper estimated taxes, you may have an unpleasant surprise tax bill at year end along with penalties for not paying enough.

To resolve this situation, the IRS allows a taxpayer to set up "safe" estimates which is basically 110% of your prior year tax.

Kallas prepares a "safe" estimate for you every year that it is needed. But if your income has increased or decreased this year, or you had some other transactions we are not aware of, you may need to adjust your estimates.

The best defense against an unexpected tax bill is for you – the business owner – who knows best whether you are having an unexpectedly good year to call our office and have us take a look to see if we need to increase your estimates or create estimates for you.



- Items that could cause a too low estimated tax;
- High profits or downturn in business the current year.
- Open or close a business in the current year.
- Sale of a business or sale of stocks in the stock market.
- Loss carryovers end.
- Skipping or not paying the full amount of prior estimates.
- Other unanticipated items.

Even if none of the above apply to you, Kallas welcomes you to sit with us and discuss any issues or tax planning opportunities. We will assess your current situation and can make recommendations.

FREE MONEY STILL AVAILABLE

ERTC BENEFITS STILL OPEN

If you haven't applied for your ERTC (Employee Retention Tax Credit) refunds or you know someone who still hasn't applied, give us a call at Kallas.

The second, third and fourth quarter of 2020 is still open for refunds and the first, second and third quarters of 2021 are still available to apply for.

The Employee Retention Credit (ERC) – sometimes called the Employee Retention Tax Credit or ERTC – is a refundable tax credit for businesses and tax-exempt organizations that had employees and were affected during the COVID-19 pandemic.

The credit is available to eligible employers that paid qualified wages to some or all employees after March 12, 2020, and before January 1, 2022.

Eligibility and credit amounts vary depending on when the business impacts occurred. The ERC is not available to individuals.

Generally, businesses and tax-exempt organizations that qualify are those that:

Were shut down by a government order due to the COVID-19 pandemic during 2020 or the first three calendar quarters of 2021, or

Experienced the required decline in gross receipts during the eligibility periods during 2020 or the first three calendar quarters of 2021, or

Qualified as a recovery startup business for the third or fourth quarters of 2021

Eligible employers must have paid qualified wages to claim the credit.

Eligible employers can claim the ERC on an original or adjusted employment tax return for a period within those dates.

For more information, call Kallas at 313-962-6000.



Calendar for September, October, November 2023

September 4

- 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 23 & 24

- Kallas closed for Thanksgiving.