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THE ONE BIG BEAUTIFUL BILL ACT: MAJOR TAX WINS FOR RESTAURANTS AND TAXPAYERS

The One Big Beautiful Bill Act (H.R. 1, Public Law 119-21) is a landmark tax and spending law passed by the 119th Congress and signed by President Donald Trump on July 4, 2025, after a narrow House vote (218–214) and a Senate tie-breaker by Vice President JD Vance. It permanently extends many provisions from the 2017 Tax Cuts and Jobs Act and introduces new deductions and credits designed to boost economic growth and lower taxes for middle-class households.

Key Provisions for Restaurant Owners

- Permanent 20% Qualified Business Income Deduction (QBI) Owners of pass-through entities (S-corps, partnerships) can deduct 20% of qualified business income. Example: A restaurant earning \$200,000 in qualified income deducts \$40,000, reducing taxable income to \$160,000. This deduction, now made permanent, passed in 2017 under the first Trump administration has saved restaurant owners thousands in taxes every year since it was implemented.
- 100% Bonus Depreciation Made Permanent Immediate write-off for kitchen equipment, furniture, and renovations. Example: Buy \$50,000 in ovens—you deduct the full amount this year instead of spreading it over 7 years.
- Section 179 Expensing Expanded Cap raised to \$2.5M; phase-out threshold \$4M.

Provisions for Restaurant Employees

- No Tax on Tips Deduct up to \$25,000 in tips (phases out above \$150K single / \$300K joint). Example: A server earning \$20,000 in tips pays zero federal tax on that amount.
- No Tax on Overtime Pay Overtime earnings exempt from federal income tax through 2028.

Taxpayer-Friendly Provisions

- Increased Standard Deduction \$15,750 (single), \$23,625 (head of household), \$31,500 (married filing jointly). Example: A married couple earning \$70,000 reduces taxable income by \$31,500 instead of \$27,700.



- Senior Bonus Deduction Additional \$6,000 per person over 65 (\$12,000 for couples), phasing out at \$175K single / \$250K joint. Example: A retired couple with \$40,000 income and Social Security can offset most taxable benefits.
- Auto Loan Interest Deduction Deduct interest on U.S.-assembled vehicles (up to \$10,000) purchased new in 2025, phases out above \$100K single / \$200K joint.
- SALT Deduction Cap Raised Increased to \$40,000 for taxpayers earning under \$500K; reverts to \$10K after 2029. The SALT deduction previously limited high-income taxpayers to a total of \$10,000 on their itemized deductions for state and local taxes.
- Child Tax Credit Boost Permanently increased to \$2,200 per child, with a temporary bump to \$2,500 through 2028.



Other Provisions

- Trump Accounts: \$1,000 “baby bonus” savings account for every newborn.
- Estate & Gift Tax Exemption: Raised to \$15M per individual (\$30M for couples).
- Opportunity Zone Incentives: Expanded for distressed communities.

Income Limitations

- Tips & Overtime Deduction: Phases out above \$150K single / \$300K joint.
- Senior Bonus Deduction: Phases out above \$175K single / \$250K joint.
- Auto Loan Interest Deduction: Phases out above \$100K single / \$200K joint.

Why It Matters

- For business owners, these deductions mean more capital for growth and lower taxes. For employees, higher take-home pay improves retention and lowers their taxes. For families and seniors, expanded credits and deductions ease financial strain during inflationary times and lowers their taxes.

HOW TO MAKE OVERTIME PAY INTO AN EMPLOYEE PERK

For years, restaurant owners preferred to pay managers as salaried employees rather than hourly employees.

This had several advantages. It would save employers money when managers had to work beyond 40 hours per week. The employer did not have to keep track of manager hours and could pay one amount per pay period (the salary) versus paying time and one half over 40 hours.

To be a salaried employee not subject to overtime regulations a manager had to primarily work as an executive, administrator or a professional or manage (make hire and fire decisions and work independently a section or department or shift of a restaurant) without doing hourly type of work such as waiting on tables or helping in the kitchen.

A salaried employee must make at least \$684 per week or \$35,568 per year.

Under the new Big Beautiful Bill, a change was made that could benefit your salaried employees. Individuals can deduct \$12,500 of overtime pay on their tax returns starting in 2025. Married filing joint couples can deduct \$25,000. The amounts eligible for the deduction is the 1/2 time of the time and 1/2.

In other words, if an hourly employee is making \$10 per hour, if that person works 45 hours in a week, the employer is obligated to pay \$15 per hour for any hours over 40. (\$10 x 1 and 1/2). The \$5 is eligible for the deduction.



This benefit strictly accrues to the employee.

It does not benefit the employer. To switch an employee from salary to hourly to take advantage of this benefit would be strictly up to you as the employer. There is no additional cost to the employer other than having to keep track of the manager's hours just like the hourly employees. So you would be doing the employee a favor.

Assume a manager earns \$12,500 in overtime pay. Assume he or she is in a 20 percent tax bracket. The savings to that person would be \$2,500.

The formula to initially calculate an hourly rate for a manager that has been paid previously as a salaried employee can be quite complicated. If you are interested in doing this for any of your salaried employees, give Kallas a call to perform the calculations.

NEW MINIMUM WAGE BEGINNING JANUARY 1, 2026

The new Michigan minimum wage changes January 1, 2026

Hourly rate for all non-tipped employees is \$13.73 per hour.

Tipped employees can be paid \$5.49 as long as they make at least \$8.24 per hour in tips.

Minimum you can pay salaried employees and not pay overtime is \$1,128 per week.

You can pay 16 and 17 year olds \$11.67 per hour for until their 18th birthday day.

For new employees under the age of 20, you can pay a training wage of \$4.25 per hour for the first 90 days.

Please see the article in this newsletter about how to give a tax break to your salaried employees.

building costs to equipment to obtain a better depreciation deduction thereby lowering your taxes.

For instance, you construct a building or do a massive build-out to an existing building to build your restaurant. The total cost is \$1,000,000 which includes everything. Typically, you are so busy and stressed with construction quotes, costs and delays that you are dealing with



large, summarized amounts. You file your tax returns accordingly but several years later you have a CSS done. The CSS finds, for example, that some wiring, hoods, HVAC, flooring, walls and other costs which you considered part of the building could theoretically be separated and defined as equipment. The report is given to your accountant and your tax returns are changed to add bigger depreciation deductions thereby lowering your taxable income.

If you are dealing with large enough numbers the tax benefit can be substantial. You can even go back three years and amend prior tax returns getting refunds of previously paid taxes.

There can be several downsides you should be aware of:

- The tax returns that are changed are open to audit and the IRS can dispute the analysis done by the company that performed the CSS.
- The company that performed the CSS may not be around when you get audited or may not have the expertise or wherewithal to handle an audit.
- A CSS can be very costly to perform. \$10,000 to \$40,000 is not out of the question.
- There are special tax forms your tax preparer is going to have to file and those charges could be substantial.
- The CSS is a technique that accelerates your depreciation deduction into current years. It does not create any new depreciation deductions. In other words, over time you will still get the same depreciation deductions either way. The CSS merely pushes it into current years reducing current year taxes. You should consult with your tax advisor to decide whether it is more advantageous to receive the benefits now versus later.
- The new OBBBA law passed in 2025 substantially liberalized depreciation deductions to the point that a CSS may not be advantageous to you.

If this is something you would like to explore in more detail, give Nick or Tony a call at Kallas.

TAX PLANNING TECHNIQUE RESTAURANT OWNERS SHOULD CONSIDER

Maybe you have heard of a Cost Segregation Study (CSS) as a big tax benefit for high income taxpayers.

There are a lot of promoters on the internet and tax articles that talk about Cost Segregation Studies of "CSS" as the next big thing in tax planning.

Although there are potential big benefits from a Cost Segregation Study there are downsides too.

A CSS is performed by companies that specialize in this particular tax-planning technique. When you contract with a CSS company, mechanical engineers and other professionals do a detailed analysis of your commercial real estate using architectural drawings, detailed construction analysis and observation to separate the cost of potential equipment from the total cost of your building. By separating equipment out from building costs, you can reclassify

If you are dealing with large enough numbers the tax benefit can be substantial.

YEAR END IS FAST APPROACHING

JANUARY TO DO LIST (CONT.)

- 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.

NOVEMBER TO DO LIST

- 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.
- If you are a large tipping establishment, Kallas may request information regarding completion of the Annual Return of Tip Income and Allocated Tips.
- Give us federal ID numbers, addresses and amounts for any 1099-Miscellaneous or 1099-NEC forms you want us to prepare. Please note that penalties for late 1099 have gone up.
- If you purchased a business and have not given us legal documents or start up costs, we will need them at this point.
- Any new construction or purchases of major equipment that we have not received during the year are due now.

DECEMBER TO DO LIST

- Send us your New Unemployment Rate form.
- Send us your Personal Property Tax form from the city or local jurisdiction.
- Turn in all of your 2025 bookkeeping before January 20.
Any accounting work for January through November 2025, received after January 20, will be billed at a premium due to it being late.
- If you are liable under Obamacare (ACA) to provide health insurance to your full time employees you should have your waivers signed and stored in case they are needed in the future. ACA form 1095-C's are due January 31.

JANUARY TO DO LIST (CONT.)

- Hand out W-2's. Reminder: all Kallas fees need to be up to date to receive W-2's.
- Hand out 1095-C forms if required
- You should receive your 2025 Tax Organizer for your personal Income Tax. Complete the information, sign and return to Kallas. If you need an appointment, call Nick at 313-962-6000.

ARE YOU REQUIRED TO FILE UNDER ACA RULES?

NOW IS THE TIME TO THINK ABOUT IT

The Affordable Care Act requires that every business with over 50 full-time equivalent employees offer health insurance to its full-time employees and file forms with the IRS and with employees.

The ACA rules a quite complex. If you own more than one location, you must combine locations for purposes of the 50 employee test.

Yearly testing is required and there are specific rules which define an "offer". Rules on how to count full and part-time employees. Rules on how ownership is determined for multi-location chains. And legal techniques on how to avoid actually having to buy expensive health insurance for certain employees.

Penalties for non-compliance are horrible and can run into the 10's of thousands of dollars. If you are unsure whether you are liable, call our office to make sure you are on our ACA testing list.

Kallas has provided the filing service and ACA advising service for all its payroll clients since the law was passed.

Be aware, though, that Kallas cannot provide the ACA service unless you use the Kallas payroll service.

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.

7 WAYS PAPERLESS PAYROLL SAVES TIME & MONEY

More and more tech-savvy restaurant owners are moving to paperless payroll. It sounds strange and dangerous but it actually is more secure, easier, faster and efficient than paper checks.

Restaurant owners who go paperless are happier. The employees are happier. Managers are happier.

Young employees these days are very familiar with automatic deposits and debit cards which is how they are paid. Employees can access their own portal which allows them to print their own W-2's and earnings history any time they want. And if they move or change dependents, they can do it themselves through the portal. No more bugging you or your manager.

Advantages to going paperless:

1. No more postage fee.
2. No more delayed delivery due to snow, emergencies, computer delays, out of town, etc.
3. No more having to be on premises to hand out checks.
4. You can be sick or out of town and payroll is done and employees are paid on time.
5. Greater confidentiality. Managers cannot mistakenly see someone else's check.
6. No more loose checks sitting on your desk which can be lost or stolen.
7. No more employee claiming they lost their check and need you to get them another.

Kallas has an instruction form for your employees explaining how to go on the portal and how they will benefit from going paperless.

Kallas offers paperless payroll FREE to our clients. Just call Jordan at 313-962-6000 to get it set up.

2025 HOLIDAY SCHEDULE

Our office will be closed on:

- November 27 & 28 for Thanksgiving.
- December 25 & 26 for Christmas.
- January 1 & 2 for New Years.

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

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

PAYROLL FAX : 313-962-7113
 PAYROLL E-MAIL: payroll@kallascompany.com

While the phones will be off, some employees may be processing faxed and e-mailed payrolls. Don't wait to send your information!

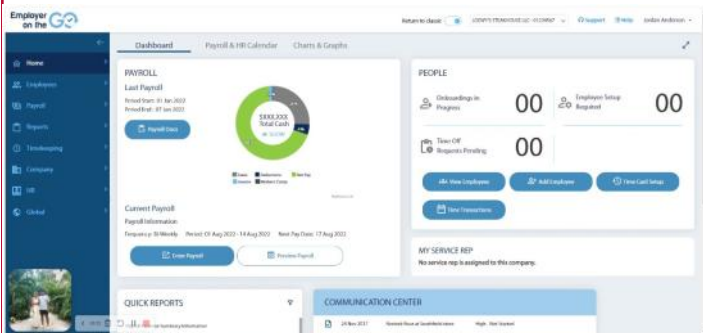
If you call in your payroll instead of e-mailing, faxing, or using direct entry, we ask that you follow the schedule below:

Normal call day	Call this day
Thursday Nov 28 Friday Nov 29	Wednesday Nov 27
Thursday Dec 25 Friday Dec 26	Wednesday Dec 24
Thursday Jan 1 Friday Dec 2	Wednesday Dec 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.



Employer on the GO - NEXT Experience

Calendar for December 2025, January, February 2026

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 2025 and 2026.
- 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 on-line.

December 20

- Michigan Sales, Use and MBT estimates due.

December 25 & 26

- Kallas closed for Christmas.

January 1

- Kallas closed for New Year's.
- Michigan's minimum wage rate will increase to \$13.73 per hour. The tipped employee rate of hourly pay increases to \$5.49 per hour.
- ACA: If you are over the 50 full time threshold, you should start compliance for 2026 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 2025 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.
- Any accounting work for Jan-Nov received after Jan 20 will be billed a premium due to being late.

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 full time employees.
- Furnish Form 1095-C to employees who received health insurance through your business.
- Deposit any FUTA tax owed through December 2024.
- 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 2025 bookkeeping material submitted after this date requires a billable work order.

February 15

- Furnish Forms 1099-B, 1099-S and certain Forms 1099-MISC & 1099-NEC 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 2025.
- File Form 8027 Tip Reporting if you are a large food or beverage establishment.