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## ACA TIMELINE FOR 2017 – 2018

As I write this, the ACA (Obamacare) mandate for employers is still the law of the land and the IRS is reminding taxpayers that their obligations under the law remain the same.

Restaurants that are determined to have 50 or more full time employees will be required again this year to offer employees and their dependents minimum essential health insurance coverage or be liable for a \$2,000 per full time employee penalty. The penalty for not filing the required forms is \$250 per employee.

If your employees decline coverage you have met your obligation but will still need to file forms 1094 and 1095 for each employee with the IRS.

### TIMELINE:

**November 15, 2017** You will receive a Service Agreement regarding ACA. A 2017 fee chart will be included. You must sign and return the form for Kallas to perform the calculations necessary for 2017 to determine if you have 50 or more employees. You must also sign the agreement if you would like to consult with Kallas regarding the best way to meet your obligations at the lowest cost.

**December 15, 2017** Kallas will notify you of your filing obligations for 2017 and 2018. Kallas will need company group health insurance information along with any waivers the employees signed.

**January 31, 2018** Form 1095-C will be prepared and mailed to you for distribution to full time employees along with W-2's. If you are over the 50 full time threshold, you should also be planning for compliance for 2018 by either offering health insurance to your full time employees and their dependents or obtaining waivers.

**February 28, 2018** Form 1094-C and copies of forms 1095-C are due to the IRS. Kallas performs this function for you.

March 25, 2018      Kallas billings for the above services will go out.

ACA can be a significant administrative cost to restaurant owners due to the detailed information required, the programming needed and the exposure to penalties for mistakes or non-compliance.

Kallas does it's best to design a system tailored to your specific situation that complies with the law at the lowest possible cost to you.

If you have any questions or concerns regarding the above, please give George a call at 313-962-6000.

## DEBIT CARD SOLUTION TO DAILY CASH SHORTFALLS A WAY TO MAKE YOUR LIFE EASIER

One of the common complaints of restaurant owners is that, as credit cards dominate all financial activity these days, fewer and fewer restaurant customers are paying cash.

This causes a problem for operations with high end customers where large credit card tips are common. Customarily, tipped employees want their credit card tips paid out to them at the end of every shift. And without much cash in the register, that means going to the bank every day or so to replenish the register after paying out the nightly credit card tips.

This is a tremendous hassle: daily trip to the bank, carrying large amounts of cash, and the IRS wants to see an accounting of why you withdrew cash and who it went to. If you cannot account for it, they may assess you.

Now there is an easy solution. Kallas can set up your tipped employees with Debit Cards. At the end of each shift the amount of credit card tips goes right into their debit card. No cash to deal with. No extra accounting and no daily trips to the bank.

For more information on Debit Cards for Tips, call Jordan at Kallas Company.

## EARLY INCOME TAX HISTORY

Until 1913 when the 16th Amendment to the constitution was passed, the U.S. generally funded the needs of the federal government with tariffs alone. Congress could afford to run the federal government on tariffs alone because federal responsibilities did not include welfare programs, agricultural subsidies, or social insurance programs like Social Security or Medicare.

The advent of the income tax prompted some congressmen to note that this tax was designed not principally for revenue, but to manipulate the American people and their choices.

Massachusetts Rep. Samuel McCall argued in a speech before the U.S. House of Representatives that legalizing the income tax "leads me to believe that the chief purpose of the tax is not financial, but social. It is not primarily to raise money for the state, but to regulate the citizens".

Here is a brief history:

**1861**— Congress passes the Revenue Act, which includes a tax on personal incomes to help pick up costs for the Civil War. The tax will get repealed a decade later.

**1913**—The 16<sup>th</sup> Amendment becomes ratified, officially establishing Congress's right to impose income taxes on individuals

**1931**—The IRS Intelligence Unit steps up investigations against tax evaders. Al Capone, the infamous gangster is found guilty of tax evasion the same year.

**1935**—The top income tax rate in American applied to only one person.

**1940s**—Higher tax rates coincide with America's involvement in World War II. Franklin Roosevelt calls the Revenue Act of 1942 "the greatest tax bill in American History.

**1954**—The filing date for taxes used to be March 15. But after the tax overhaul of 1954, the date gets pushed back to April 15.

## CALL EARLY FOR YOUR TAX APPOINTMENTS

TAXES CONSUME THE BIGGEST PORTION OF MOST PEOPLE'S CURRENT EARNINGS AND FUTURE RETIREMENT INCOME.

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.

In January you will receive your tax organizer. If you need help completing it or would like an appointment, call Dawn at 313-962-6000. Tax interviews prior to March 15 are \$100 per hour. After March 15 they are \$150 per hour.

Thank you again for your continued patronage. Remember, if you send us a new business or tax client you receive a gift certificate worth 50% of that new client's first tax return or monthly billing fee. In the years that we have had the gift certificate program, our clients have redeemed thousands of dollars worth of valuable tax services.

## TIPS TO LOWER YOUR SALES TAX

Kallas bookkeepers and tax preparers are trained to look for every dollar we can to reduce your taxes.

One way to reduce sales tax is to deduct tax-exempt sales, discounts and give-aways.

Tax-exempt sales are allowed when a charitable organization or a governmental organization including schools come to eat at your restaurant. If they present to you a W-9 form showing they are tax exempt, you do not collect sales tax from them nor do you pay sales tax for those sales to the state.

If you discount sales either through coupons or some other program and ring up the un-discounted sales, we can deduct the discounts on your sales tax.

If you give food away or allow employee meals and ring them up, we can deduct those sales from sales tax

*If you submit to us your full sales report each month, we automatically take the discounts you are entitled to.*

although there is a use tax on the cost of the meal given away.

If you have any of the above situations and you submit your sales to us without giving us the amount of tax-exempt sales, discounts and give-aways, here is a way to save some money going forward.

Note that if you submit to us your full sales report each month, we are automatically taking the discounts you are entitled to.

*"We have two ears and only one tongue in order that we hear more and speak less."  
-Diogenes*

## RESTAURANT TRADE SHOW FUN

It is not often that we can take some time out of our busy days and have fun, socialize with other restaurant owners and learn something too. The Michigan Restaurant Trade Show held every year at the Suburban Collection Showplace in Novi is one of those times.

In addition to the educational seminars, cooking demonstrations and booth exhibits, restaurant owners get a chance to talk to their suppliers, vendors and other service providers in a convivial atmosphere where a lot can get done.

Kallas Restaurant Accounting has a booth each year. We really enjoy talking to current clients and meeting prospective clients.

If you could not make it this year, we hope to see you next year.



*Dan Wilson and Jordan Anderson  
at the 2017 MRA Tradeshow*

*"Perseverance is not a long race; it is many short races one after another."*

## OUR 2017 HOLIDAY SCHEDULE

PLEASE POST THIS SCHEDULE FOR REFERENCE

Our office will be closed on:

- Thursday & Friday, November 23 & 24 for Thanksgiving.
- Monday, December 25 for Christmas.
- Monday January 1 for New Years.

Normal call/fax day	Call or fax this day
Thursday Nov 23	Wednesday Nov 22
Friday Nov 24	Wednesday Nov 22
Monday Dec 25	Friday Dec 22
Monday Jan 1	Friday Dec 29

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

**PAYROLL FAX :** 313-962-7113

**PAYROLL FAX 2 :** 313-394-1905

**PAYROLL E-MAIL:** payroll@kallascompany.com

Due to the quantities of payrolls being processed, those payrolls not called in by the above listed times WILL NOT go out until OUR next business day. We ask that you keep to your scheduled call-in time and day. Payrolls called in earlier than the call in day will not be processed until your scheduled call in day.

We will be offering 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 this service.

You will be asked your mailing preference when calling in your payroll.

If you need to change your payday due to the holidays; please let us know when calling in your payroll.

*"It's what you learn, after you know it all, that counts."*

John Wooden

## YEAR END IS FAST APPROACHING

### DECEMBER 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.
- Give us any information we request regarding completion of the Annual Return of Tip Income and Allocated Tips. That information would be charge sales, charge tips indirect tips, etc.
- Send any information needed to prepare 1099 Miscellaneous Income for your contractors.
- Send info for any purchases or sales of businesses during year, we will need legal docs by now.
- Any new construction or new equipment purchases should be to us by now.
- Don't forget all Kallas fees need to be paid up to date to receive W-2's.

### JANUARY TO DO LIST

- January 1. New minimum wage goes into effect. See accompanying article.
- Send your Personal Property Tax Form when you receive it in December or January.
- Send your new unemployment rate when you receive it in January. There is a fee if we have to research your rate.
- Any late accounting work received after January 20 that needs to be caught up will require an additional \$25 per month fee.
- Don't forget all Kallas fees need to be paid up to date to receive W-2's.

## NEW MINIMUM WAGE FOR MICHIGAN

GOES INTO EFFECT JANUARY 1, 2018

The new rate effective January 1, 2018 is **\$9.25 per hour**.

Employees who regularly receive **tips may be paid \$3.52** per hour as long as that person is claiming at least \$5.73 in tips per hour.

Kallas payroll service will make the changes automatically on your payroll but we ask that you keep an eye on it the first or second payroll in 2018 because there are always exceptions that could cause an error; especially for employees with multiple rates of pay.

If your pay period includes January 1, 2018, the law allows you to pay the lower rate through December 31. If you choose to do this we ask that you let us know ahead of time as those adjustments will take time and are not automatic. If you choose not to split the payroll into two minimum wage rates, the new rate will be included for the entire payroll ending at the beginning of January.

The law allows an employer to pay a newly hired employee age 16 to 19 \$4.25 per hour for the first 90 days of employment.

The law also allows a Michigan employer to pay employee's aged 16-18 \$7.86 per hour after the first 90 days and \$7.25 if your sales is less than \$500,000.

Overtime rates for tipped employees is calculated as follows:

Example:

Amount you are paying the tipped employee:

\$4.00

Amount to meet minimum wage:

\$5.25 (\$9.25-4.00)

Minimum times 1.5:

\$13.88 (\$9.25 X 1.5)

Tipped minimum:

\$8.63 (\$13.88 - \$5.25)

## ANOTHER OUTRAGEOUS GOTCHA TAX

Business owners face many tax traps and what I call "Gotcha" taxes. Gotcha taxes are obscure laws that even the most conscientious owners could not anticipate or account for but still end up paying for.

I have written in the past of other Gotcha taxes like the late filing penalty tax assessed against partnerships and S corporations with no activity and no bank account. The penalty can be in the thousands of dollars depending on how many member or shareholders and how late the return.

The newest one I have seen is the tax to restaurant owners on unreported tips. This is how it works:

A tipped employee reports tips to you each pay period like normal. You provide that person with a W-2 at year end showing what they earned and the tips that were reported to you.

The employee goes to his or her tax preparer and finds out they are not showing enough income to claim the maximum earned income credit or they are trying to buy a house and they need to show more income on their tax return.

The tax preparer says, "Well that is no problem. We can report more tips to bring your income up."

Has nothing to do with you. Right? Wrong. The IRS receives a report showing the additional tips reported on the persons personal income taxes and goes back to you saying you owe the employers share of FICA taxes on the unreported tips.

Unfair? Absolutely. That is why I call it a Gotcha tax.

"Insiders Report" is intended as an informational tool for Restaurant and Bar owners. "Insiders Report" is a quick source for new and changing tax laws, legislation and practical management strategies the restaurant and bar owner need in today's highly competitive food and beverage service industry.

"Insiders Report" is published quarterly by Kallas Publishing, Inc as a free service to Kallas Restaurant Accounting clients.

For information or subscription rates, contact:

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22600 Haggerty Road  
Farmington Hills, MI 48335  
(313) 962-6000

## Calendar for December 2017, January, February 2018

### December 8

- 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.
- 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

- Kallas closed for Christmas.

### January 1

- Kallas closed for New Year's.
- 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 2017 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: If you are a monthly depositor, your Federal coupon and taxes should be paid on-line. If you are a semi weekly depositor, your Federal coupon and taxes are due on Wednesday or Friday depending on what your payday is.

### January 22

- Michigan Sales, Use and MBT estimates due.

### 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 employees who worked for you during 2017.
- Furnish Form 1095-C to employees who received health insurance through your business.
- Deposit any FUTA tax owed through December 2017.
- 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 2017 bookkeeping material submitted after this date requires a billable work order.

### February 15

- Furnish Forms 1099-B, 1099-S and certain Forms 1099-MISC 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: If you are a monthly depositor, your Federal coupon and taxes should be paid on-line. If you are a semi weekly depositor, your Federal coupon and taxes are due on Wednesday or Friday depending on what your payday is.

### 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 2017.
- File Form 8027 Tip Reporting if you are a large food or beverage establishment.