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2011 TAX SEASON IS HERE

The 2011 tax season is upon us. And as usual, it means finding bills, accumulating paperwork, thinking about everything you did last year and trying to figure out ways to keep that darn tax bill to a minimum.

Our goal is to make sure you do not pay Uncle Sam any more than necessary.

As a business owner, there are ways of presenting information, making judgments and using tax laws to lower your tax bill. We have the experience to make use of all the techniques that are available and we work very hard to keep your taxes low.

Our goal is to keep your taxes as low as possible.

And we never forget to use our experience and judgment to keep you out of dangerous areas of tax law.

This year, Nick Kallas, Karen Walega and I will be preparing your personal taxes. Jim Humenik and Cathy Infantado will be preparing your business taxes.

You can keep your tax preparation costs down and help us to identify potential tax savings by answering the questions on the tax organizer as completely as possible. Along with the organizer, you should be submitting to us all W-2's, 1099's, closing statements on purchases or sales of real estate, mortgage interest statements and broker statements.

You can also help us by mailing your information early. Remember, we know you and your situation very well. Most questions can be answered over the phone and by mail.

We will be E-filing all returns again this year. What this means is that your personal and business returns will be prepared like normal and a paper copy mailed to you. You will have an opportunity to review the return. If everything looks good, you will sign a one-page authorization and mail it back to us.

No more need to rush to the Post Office on April 15 and your refund will get to you about 4 weeks quicker.

Please remember, the more organized your data, the less we have to charge. We charge extra for appointments, adding bills or organizing information, follow-up phone calls, missing data, tax advise or consultation, research, alternative calculations, re-running returns, adjusting estimated taxes or reviewing legal documents.

Here are some of the changes for 2011.

- The due date for your 2011 tax return will be on or before April 17, 2012. The due date is April 17 instead of April 15 because April 15 is a Sunday and April 16 is the Emancipation Day holiday in the District of Columbia.
- The deadline for making contributions to IRAs, health savings accounts, and medical savings accounts is also April 17, 2012.
- There will be a new line item on your tax returns which will cause some people problems. Credit card processing companies now have to report your gross sales activity to you (on Form 1099-K) and to the IRS. Gross sales activity includes all gross sales you do on credit cards – including charge-backs and tips. For some restaurant and bar owners this will require additional procedures to make sure the amounts reported by the processing companies do not conflict with what you have reported for sales tax and income tax purposes.
- Another new reporting requirement is Foreign Financial Asset Reporting. If you hold an interest in specific foreign financial assets, we are required to include certain information regarding these assets on your tax return. If the total value of all foreign assets exceeds \$50,000 on the last day of the year or \$100,000 at any time during the year (\$100,000 and \$200,000 if filing a joint return), there will be a reporting requirement.

Foreign financial assets include:

- A financial account maintained by a non-U.S. financial institution
- Financial interests held for investment:
 - Interest*
 - Dividends*
 - Royalties*
 - Stocks or securities*
 - Gains or losses from sale of assets*
 - Deductions/credits*

You can help us and also keep your tax preparation cost down by answering the questions on the tax organizer as completely as possible.

MICHIGAN'S UNCLAIMED PROPERTY DISCLOSURE PROGRAM

LAW EFFECTS ALL RESTAURANTS

You may have received recently a notice from the State of Michigan titled; "Notice Regarding Unclaimed Property Voluntary Disclosure Program".

This notice is a stepped up effort by the Treasury to educate businesses of their reporting requirements and identify potentially large sums of unclaimed property.

The unclaimed property laws have been in effect for years but based on these recent mailings, it seems the State is attempting to generate additional revenues by penalizing businesses who are not in compliance.

Most businesses have unclaimed property resulting from normal operations. Any asset, belonging to a third party that remains unclaimed for a specified period of time is considered unclaimed property. For example, uncashed payroll checks must be turned over to the State after one year. Returned vendor checks and unredeemed dated gift certificates must be turned over after three years, etc.

Uncashed payroll checks under \$50 are exempt from the reporting requirement.

(Continued on page 3)



Daryl Hoskins took an old office building in downtown Jackson and turned it into 4 floors of foodservice including a hip bar/restaurant on the first floor and party rooms and banquet facilities on the upper floors. In the summer, Daryl hosts outdoor concerts and get-togethers in his patio space.

(Continued from page 2)

Unredeemed gift certificates, if they include an expiration date and are unused after 3 years must be reported and remitted to the state. This requires some restaurants to institute extra accounting procedures to track gift certificates with an expiration date. Gift certificates that do not expire are exempt from this reporting requirement.

Compliance with the Unclaimed Property Disclosure Program will require annual reporting and remittance of unclaimed property by July 1st of each year. Kallas Restaurant Accounting can annually file the appropriate documents on your behalf.

If you have questions regarding Unclaimed Property Disclosure, or want help getting into compliance, please contact Nick or Jim at Kallas Restaurant Accounting.

CALL EARLY FOR YOUR TAX APPOINTMENTS

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.

By now you should have received your 2011 tax organizer. If you have not received your tax organizer, call our office for another one. The tax organizer helps you organize your tax information and allows us to receive your information in such a way as to help us find tax savings for you. If you need help completing it or would like an appointment, call Dawn at 313-962-6000. Tax interviews prior to March 15 are \$90 per hour. After March 15 they are \$120 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 \$100 towards any accounting or tax services. In the years that we have had the gift certificate program, our clients have redeemed thousands of dollars worth of valuable tax services.

YOUR NEW HEALTH CARE SYSTEM

Just a reminder that the Patient Protection and Affordability Care Act also known as Obamacare is two years away from full implementation.

To give you an idea of what is coming up (if it is not repealed) the Joint Economic Committee of Congress created an organizational chart (*see diagram on page 4*) that displays SOME of the new government agencies, bureaucracies, and lines of authority. Rep Kevin Brady of Texas states that the organizational chart only represents 1/3 of the total bill and none of the thousands of new regulations that will spring forth as the bill is implemented.

In addition, based on some projections, the new law will create:

\$569 billion in higher taxes;

\$529 billion in cuts to Medicare;

16 million new Medicaid recipients;

17 major insurance mandates; and

Two new bureaucracies with powers to impose future rationing: the *Patient-Centered Outcomes Research Institute* and the *Independent Payments Advisory Board*.

"A friend of mine teaches classes on the annual changes in tax law to CPAs all over the country. Whenever he talks about the tax credit (employer credit allowed in Obamacare), he gets the same results: the CPAs just sit there, utterly mystified by the material and rolling their eyes as if they were listening to Al Gore explain the Alternative Minimum Tax. As my friend said, "Why would an employer pay a CPA \$3,000 to calculate the tax credit to get a benefit of just \$1,300?" What this means, of course, is that these employees likely won't be covered by their employers, and they'll eventually be enrolled into a government plan at our expense."

Bruce Biolosky, former Presidential appointee

Calendar for March, April and May 2012

March 15

- *Corporations:* File Form 1120 or Form 1120S for 2011 calendar year and pay any tax due. For automatic 6-month extension, file Form 7004 and deposit estimated tax.
- *Corporations:* Furnish a copy of Sch. K-1 to each shareholder.
- *Corporations:* Estimated Taxes due for corporations with fiscal year ending March, July, September or December.
- *Corporations:* File Form 2553 to elect to be treated as an S Corporation beginning with calendar year 2012.
- *Payroll:* If you are a monthly depositor, your Federal coupon and taxes should be paid on-line.

March 20

- Michigan Sales, Use and MBT estimates due.

March 31

Payroll: Electronically file Forms W-2, W-2G, 1098, 1099, and 8027.

April 16

- *Payroll:* If you are a monthly depositor, your Federal coupon and taxes should be paid on-line.

April 17

- *Individuals:* File 2011 Form 1040, 1040A, or 1040EZ. For automatic 6-month extension file Form 4868 and deposit estimated tax.
- *Individuals:* Pay the first installment of 2012 estimated tax.
- *Partnerships:* File 2011 Form 1065 and furnish a copy of Sch. K-1 to each partner.
- *Corporations:* Deposit the first installment of your estimated tax for 2012.
- *Corporations:* Taxes due for January year end corporations.
- *Corporations:* Estimated Taxes due for corporations with fiscal year ending January, April, August or October.

April 20

- Michigan Sales, Use and MBT estimates due.

April 25

- UIA form 1020 due for 1st Quarter.

April 30

- *Employers:* File Form 941 for the first quarter.
- Deposit FUTA tax owed through March if more than \$500.
- File MBT Form 4567 for 2011 calendar year and pay any tax due.
- Liquor License renewal forms and fees due.

May 10

- File Form 941 for the first quarter of 2012 if you timely deposited all required payments.

May 15

- *Corporations:* Taxes due for February year end corporations.
- *Corporations:* Estimated Taxes due for corporations with fiscal year ending February, May, September or November.
- *Payroll:* If you are a monthly depositor, your Federal coupon and taxes should be paid on-line.

May 20

- Michigan Sales, Use and MBT estimates due.

May 28

- Kallas Restaurant Accounting closed for Memorial Day

Kallas
Restaurant
Accounting

INSIDERS REPORT

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PAYROLL TAX CUT TEMPORARILY EXTENDED INTO 2012

The Temporary Payroll Tax Cut Continuation Act of 2011 temporarily extends the two percentage point payroll tax cut for employees, continuing the reduction of their Social Security tax withholding rate from 6.2 percent to 4.2 percent of wages paid through February 29, 2012. This reduced Social Security withholding will have no effect on employees future Social Security benefits.

The benefit under this law for an employee making \$25,000 per year is a whopping \$8.33 total

The two month tax cut extension is largely political grandstanding in a politically charged year at the expense of real businesses who are burdened with the task of reprogramming and instituting the changes as the benefit under this law for an employee making \$25,000 per year is a whopping \$8.33 total.

It is unclear now whether Congress and the President will extend the tax break beyond February 29.

RESTAURANT PROMOTION

#6 IN OUR QUARTERLY SERIES OF PROMOTIONAL IDEAS TO BRING MORE SALES AND PROFITS TO YOUR RESTAURANT

HOST FOOD EVENTS –Hosting food events such as a wine tasting, a food competition, a pub crawl or an event featuring locally grown products or unusual food items is a great way to position your restaurant as a center of the food scene in your market.

It helps leverage publicity you would not be able to generate through normal channels. If done in conjunction with other restaurants or local businesses it provides you additional credibility off the reputation and profile of other participants. And it can also help you share the expenses and advertising budget of the event.

Hosting an event also provides your restaurant with the opportunity to recruit manpower and resources you would not ordinarily come in contact with and is a great source of local goodwill and publicity.

WARNING FOR S CORPORATIONS AND LLC'S

ANOTHER TAX TRAP YOU HAVE TO AVOID

A new penalty for late filed S Corporations and partnership LLC's was created starting with the 2009 tax year and continuing to present.

The penalty is severe. \$195 per shareholder or partner per month up to a maximum 12 months. So, as an example, if you have a two person LLC or S corporation and you file 2 months late the penalty would be \$780. If you filed 12 months late, the penalty would be \$4,680.

If an extension is filed, a partnership LLC is due October 15 of each year and an S Corporation is due September 15 of each year.

The above penalty includes inactive S Corporations and LLC's. So as long as you have a federal identification number then you must file a return even if you do not engage in any business.

The IRS has for the last two years waived this penalty if it is your first instance of being late but has informed tax preparers that penalties will not be waived for a second instance of being late.

To avoid this penalty:

1. Make sure your information is sent timely to your tax preparer.
2. Confirm with your tax preparer that a preventative extension has been filed each year.
3. Confirm that the IRS has received your S Corp or Partnership LLC before the due date each year.
4. Make sure your tax preparer is aware of any inactive S Corps or Partnership LLC's you may own.

Do not think you can just file whenever you "get around to it" as that may end up costing you a bundle.

"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.

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