

# YOUR



## ERTC PACKAGE

PLEASE READ AND RESPOND

MARCH 1, 2021

1. READ MATERIALS ENCLOSED
2. SIGN AGREEMENT
3. FILL OUT QUESTIONNAIRE
4. ATTACH YOUR PPP FORGIVENESS APPLICATION
5. MAIL ALL TO KALLAS WITH \$125 CHECK FOR START UP FEE

# ERTC WORTH TENS OF THOUSAND OF DOLLARS

## ALL RESTAURANTS AND BARS IN MICHIGAN ARE ELIGIBLE FOR THIS TAX CREDIT

You may be reading or hearing on news shows about the ERTC credit available to businesses due to COVID-19.

The ERTC (Employee Retention Tax Credit) is a **one-time** Federal refundable tax credit which was created by the CARES Act March 27, 2020 and updated and expanded by the Taxpayer Certainty and Disaster Tax Relief Act of 2020 in December of 2020.

You received the initial PPP, then the 2<sup>nd</sup> round of PPP. Now you can receive the ERTC and it is possibly as lucrative as the PPP.

It is tied to payroll and will require amended returns and it is a more complicated process than the PPP but we are urging our clients to take advantage as the money involved is enormous and it is Free money other than the costs to prepare.

All employee payroll INCLUDING TIPS which was not paid with PPP money from March 12, 2020 until June 30, 2021 are eligible for the credit including owners

Generally speaking, the tax credit equals 50 percent of a qualified employee's pay up to a maximum credit of \$5,000 per employee in 2020 and a maximum credit of \$14,000 per employee in 2021.

### Here are 3 real-world examples of the ERTC cash benefit:

Examples are for only the 2020 tax year. 2021 would be additional.

	2020	2021
Mexican restaurant - 49 current employees and 269 W-2's	\$176,908 after taxes & fees	???
Italian restaurant - 15 current employees and 61 W-2's	\$45,298 after taxes & fees	???
Full-service breakfast - 30 current employees and 79 W-2's	\$23,313 after taxes & fees	???

Credits obtained for 2020 and later for 2021 will be refunded to you.

This may be worth tens of thousands of dollars to you over the next 6 months.

Outside payroll services alone cannot obtain this credit for you. It requires inter-disciplinary changes in your accounting, business taxes and payroll. Kallas is well positioned in all three to obtain this credit for you.

**If you want Kallas to proceed with the ERTC credit for you, please read and sign the attached Agreement, complete the Preliminary Questionnaire and mail all along with a start-up check for \$125 back to Kallas.**

# ERTC ENGAGEMENT LETTER

Client name: \_

Date: \_\_\_\_\_

<CLIENT> agrees to engage Kallas Restaurant Accounting <Kallas> to perform the research, testing, preparation, recordkeeping and amended returns, required to obtain the ERTC credit for the qualifying quarters in 2020 and 2021.

The ERTC (Employee Retention Tax Credit) is a one-time Federal refundable tax credit which was created by the CARES Act on March 27, 2020 and modified by the Taxpayer Certainty and Disaster Tax Relief Act of 2020 in December of 2020.

Generally speaking, the tax credit equals 50 percent of a qualified employee's wages up to a maximum credit of \$5,000 per employee in 2020 and a maximum credit of \$14,000 per employee in 2021. Qualified employee's wages are those that were not paid with PPP monies. For restaurants that paid employees during 2020 or 2021 with non-PPP money, these credits can potentially be in the tens of thousands of dollars up to hundreds of thousands of dollars.

The ERTC is a multi-step, multi-year process which affects your business payroll tax returns, business income tax returns and personal income tax returns. Kallas maintains a team of experts on this subject and has the experience and knowledge in payroll taxes, business taxes and income taxes sufficient to this engagement.

The ERTC requires qualification of the employer, qualification of the employee, identifying and separating qualified wages, performing calculations, amending payroll tax returns and business returns and maintaining records.

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Fees for this service are as follows:

\$ 125 startup fee - Due upon signing this agreement.

\$ 150 per amended quarterly payroll returns (941)

\$ 15 per qualified employee

\$ 175 per hour (first ½ hour free) for hours required for obtaining information, phone consultations, calculations or other work beyond ½ hour.

**The \$125 startup fee is due with this signed agreement. The balance of Kallas fees are due and must be paid within 5 days of Client receiving the first refund check. All fees are per location. Each year will be billed separately.**

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**Client understands that these credits will also affect your year-end income tax returns for 2020. The 2020 year-end returns are separate fees (business returns are prepaid with your monthly fee) and if we are required to amend business or personal returns, Client understands that a separate fee for those returns will be charged.**

**To avoid filing amended returns Kallas recommended applicants extend their 2020 personal tax and business returns. An authorization form is included in this package.**

Timing and deadlines of when these credits are calculated and/or returns prepared is at the sole discretion of Kallas. There is a 3-year window to obtain the credits and Client understands and agrees that amended returns for 2020 may be required. The Kallas objective, but not obligation, is to prepare all ERTC credits before the extension deadline of September 15, 2021, thereby avoiding the personal and business amended returns.

The 2020 credits will be given the first priority, and, because of different rules and deadlines, the 2021 credits will be applied for at a later date in 2021.

Client understands and agrees that Kallas's performance is dependent on Client's timely and effective cooperation in following Kallas's professional instructions, advice and requests, and that Kallas's failure to perform may be due to Client non-cooperation.

Client guarantees payment to Kallas personally and confirms that the undersigned is authorized by Client to legally obligate the business to this agreement.

Kallas may rely on certain Client representations as part of this engagement. Client holds Kallas harmless for any representations made by Client.

Client will be required to complete a Preliminary Questionnaire and return it to Kallas.

Client may also be eligible for credits associated with the FFCRA which is a related payroll credit and may be in addition to the ERTC. This agreement also covers the work required for the FFCRA.

Client understands that the IRS is administering this credit and that Client may receive inquiry notices in the future or be audited based on this engagement. Kallas will respond to any notices and can represent Client if audited at a separate hourly charge. Client holds Kallas harmless for any actions taken by the IRS against Client regarding the ERTC.

Client understands that, of today's date, more guidance from the IRS may be forthcoming. There is no precedence for this credit and little lead time for professionals and software companies to prepare thereby adding to the possibility of errors. There are no court cases, revenue rulings or audit guidelines to date. Some future event may effect the calculations done by Kallas. Kallas is obtaining the data you provide and performing calculations in good faith using its experience and knowledge in these matters based on the available information at this time. Client holds Kallas harmless in the event that the IRS makes future adjustments detrimental to Client.

At the election of Kallas, any controversy or claim arising from this engagement shall be settled by arbitration in Oakland County, Michigan in accordance with the commercial arbitration rules of the American Arbitration Association. The arbitration shall be conducted on a confidential basis pursuant to the Commercial Arbitration Rules of the American Arbitration Association.

The Letter of Understanding for Kallas Restaurant Accounting services signed previously by Client is fully in effect and nothing in this agreement negates any of the terms of the Letter of Understanding.

Client may request Kallas stop work at any time at which time a \$750 liquidation fee is required.

No other services other than specified above are implied by this agreement.

No guarantees are expressed or implied by this agreement.

Client's acceptance of this service is an acknowledgement and accord with the terms and conditions of this agreement.

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*I have reviewed the Kallas Restaurant Accounting ERTC Engagement Letter. I understand and agree to the fees, terms, responsibilities, and limitations of service as outlined.*

Client Name: \_\_\_\_\_ DBA: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Print Name: \_\_\_\_\_

# ERTC (EMPLOYEE RETENTION TAX CREDIT) PRELIMINARY QUESTIONNAIRE

Client name \_\_\_\_\_  
DBA \_\_\_\_\_

Date: \_\_\_\_\_

Your Name: \_\_\_\_\_

Please answer these questions to help us obtain the ERTC and FFCRA credits for you.

**The Covered Period for these questions is – March 12, 2020 through December 31, 2020.**

Yes No

☐ ☐ Did you receive an EIDL loan?

☐ ☐ Did you receive the first PPP?

How much exactly was your first PPP?

What was the date that the first PPP money was deposited in your account?

☐ ☐ Did Kallas prepare your forgiveness application? If no, please attach a copy.

☐ ☐ Do you use some other company other than Kallas to prepare your business payroll?

☐ ☐ Family members are not eligible for this credit. Did you (as owner) (or any other owners) have the following people on your payroll during the Covered Period: child, grandchild, brother, sister, stepbrother/sister, father, mother, stepfather/mother, niece, nephew, aunt, uncle, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, sister-in-law? If yes, what was their name(s)? Attach a list if needed: \_\_\_\_\_

☐ ☐ Did you have to close any seating or modify your operations in any way during the Covered Period?

☐ ☐ Did you pay anyone during the Covered Period out of non-PPP money because they needed time off due to being sick with COVID or they had to take care of someone in their household who had COVID?

☐ ☐ Do you have partners, shareholders or members in your business? (They will be required to answer the question and sign on page 2.

Kallas is asking that all applicants for the ERTC **extend** their personal tax returns for 2020. If you do not extend and the ERTC credit is obtained, you will be required to file an amended return. To avoid the cost of filing an amended return we ask that you give us permission to extend your return.

For all members, partners or shareholders of the business entity, please answer the following and sign.

Owner # 1 Name: \_\_\_\_\_ Signature \_\_\_\_\_

Yes No

☐ ☐ Kallas prepares my Personal Income Tax.

☐ ☐ I agree to extend my personal return until after the credit is determined.

Owner # 2 Name: \_\_\_\_\_ Signature \_\_\_\_\_

Yes No

- ☐ ☐ Kallas prepares my Personal Income Tax.  
☐ ☐ I agree to extend my personal return until after the credit is determined.

Owner # 3 Name: \_\_\_\_\_ Signature \_\_\_\_\_

Yes No

- ☐ ☐ Kallas prepares my Personal Income Tax.  
☐ ☐ I agree to extend my personal return until after the credit is determined.

Owner # 4 Name: \_\_\_\_\_ Signature \_\_\_\_\_

Yes No

- ☐ ☐ Kallas prepares my Personal Income Tax.  
☐ ☐ I agree to extend my personal return until after the credit is determined.

Owner # 5 Name: \_\_\_\_\_ Signature \_\_\_\_\_

Yes No

- ☐ ☐ Kallas prepares my Personal Income Tax.  
☐ ☐ I agree to extend my personal return until after the credit is determined.

**TIP #1** Regarding the 2<sup>nd</sup> round of PPP. You have 6 months from the date the money was transferred into your bank to spend your second round of PPP money. We are recommending, if possible, to wait as long as possible to spend the money. Also, try to spend the full 40% on non-payroll items (rent, utilities, modifications, supplies, accounting fees, etc.). These two strategies will increase the value of the ERTC credit.

**TIP #2** If Kallas does not prepare your personal return, you should discuss with your preparer, based on this letter, if you should extend your return.

**TIP #3** When you receive your refund checks, make a separate deposit. Do not co-mingle it with your daily sales.