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MINIMUM WAGE ISSUE STILL NOT SETTLED

You may remember in the 2018 election, outside interest groups attempted to get on the ballot in Michigan with initiatives that would have required all employers to (1) provide paid sick time to employees, (2) raise the minimum wage and (3) eliminate the tip credit used to meet minimum wage.

Those initiatives would have severely damaged the restaurant industry – costing jobs, reducing profits and putting borderline operations out of business.

To “cut the initiatives off at the pass” the Republican legislature in lame-duck sessions passed laws that mirrored the initiatives and then amended their own law to make them much more palatable to business. Sick pay was liberalized to eliminate some small businesses and make it harder for employees to qualify. The minimum wage was spread out over a longer period and the tip credit was reinstated.

The fight is not over, though. The current administration of Governor Whitmer and Attorney General Dana Nessel are hostile to the current law. Other interested groups have challenged the law to the Michigan Supreme Court.

If the court rules that the law is constitutional, that would settle the issue. If the court chooses not to take the case or rules against the law, the attorney general would direct state agencies to enforce the original ballot language. The original ballot initiative would be a disaster for the industry.

One way or another, this issue is not going away and may be tied up in the courts for a while. Please contact the Michigan Restaurant Association or the Michigan Chamber of Commerce to find out more of what you can do to keep our industry safe.

MORE FROM YOUR GOVERNMENT:

FORM I-9 COMPLIANCE

FROM THE DEPARTMENT OF “HOW TO MAKE THE SMALL BUSINESS OWNER SUFFER EVEN MORE”

Last month, I had to refer one of my well established, long time clients to an immigration attorney.



He got hit with a \$141,000 penalty from Homeland Security.

What was his sin? He did not have I-9 forms for all his employees on the premises for agents to inspect.

After this incident, I started getting calls from

other accountants who described similar instances.

It became apparent that there must be a task force in the Detroit area from Homeland Security that is going door to door busting small businesses for not having their I-9 forms.

Believe it or not, I-9 forms have been required to be filled out when you hire someone since 1986. Enforcement has been spotty over the years. In fact, I can only remember one or two I-9 audits in the last 30 years.

An I-9 form requires you to inspect at least two proofs that the employee is legal and able to work. These proofs are most of the time a drivers license and social security card but can be a passport or a green card. You must sign the form and the employee must sign the form. An unsigned form is subject to a penalty. You also must have forms for all current employees on premises for inspection whenever an agent requests them.

Enforcement has been so lax over the years that I am sure many employers have gotten away from the procedure.

What I would say now, after the misfortune of one restaurant owner, that my advice would be make sure you have completed and signed I-9 forms on your premises. Kallas can provide you with the forms. Just call our office.

MAKE SURE YOU ARE GETTING EVERY TAX BENEFIT YOU CAN

TRY THE HOME OFFICE DEDUCTION

In prior years the home office deduction was somewhat risky. The IRS seemed to audit that deduction frequently and there were complications due to apportionment of expenses between personal and business and depreciation on your home.

Now, due to simplified rules the home office deduction may not be as risky but here are the rules:

- You use a defined space in your home such as a room or a section of your basement for administrative or management activities of your restaurant.
- You do not use the home office space for anything other than business activities.
- You do not use the restaurant or a space in your restaurant to conduct business activities. Almost all your administrative or management activities are



conducted in your home office.

- If you have an office in the restaurant and just do some activities at home you do not qualify.

The simplified deduction does away with all the record keeping and depreciation of your home and substitutes a simple square foot times \$5.00 calculation. The maximum deduction is \$1,500.

If you think you qualify, make sure you mention it to your personal income tax preparation professional at Kallas.

DONATE YOUR REQUIRED MINIMUM DISTRIBUTION

If you are over 70 ½ years of age and have a retirement pension, you are required to take what they call a

minimum distribution each year. The minimum distribution is calculated using actuarial tables and is a percentage of what you have in your account. Pensions, IRA's are eligible but not 401K's.



If you also contribute to charities each year or to your church, you can take the

distribution and contribute all or part of it directly to the charity and thereby not pay taxes on it.

Funds must be transferred directly from the pension or IRA to the charity by the pension trustee in order to qualify for the tax break. If you withdraw the money and later donate it, it won't qualify. You have to make the distribution check payable directly to the charity.

TAKE YOURSELF OFF PAYROLL

The new Qbid deduction allows small businesses to take a deduction of 20% off their profits thereby reducing their taxes by 20%. This deduction is based on your profit. If you take a salary or wage check as part of your compensation, that reduces profit and consequently reduced the 20% deduction.

If you are an owner and are on payroll it would be a good tax savings move to either go off payroll or reduce your payroll checks and take profit checks instead.



It is all legal but you should consult with your Kallas tax professional before making such a move as there are compensation rules you should follow.

"FAILURE IS SIMPLY THE OPPORTUNITY TO BEGIN AGAIN MORE INTELLIGENTLY".

HENRY FORD

THIS IS THE TIME OF YEAR TO CHECK YOUR TAX SITUATION DO YOU NEED TO START PAYING OR INCREASING YOUR ESTIMATES?

HOW WILL THE 20% QBID DEDUCTION EFFECT YOU?

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.

Part of our monthly bookkeeping procedures during the year is to keep an eye on your profitability to see if there are major fluctuations. But this is not an exact science

and there are many factors that could enter into how you end up at year end.

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 in 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 have been used up.*
- *Not paying the full amount of 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.

THE FULL ACCOUNTING CYCLE FOR RESTAURANTS

WHAT NEEDS TO BE ACCOUNTED FOR IN YOUR RESTAURANT

BE AWARE OF WHAT IS REQUIRED

Restaurant owners rarely know how much accounting is required to run their restaurant. Naturally, they just assume that the accountant "just handles it."

But does the accountant really handle it?

Many restaurant owners come to us with the full accounting functions being split between an in-house person, an outside payroll company, the owner and an outside CPA or accounting firm.



Splitting the various accounting

"THE FINAL BATTLE AGAINST INTOLERANCE IS FOUGHT – NOT IN THE CHAMBERS OF ANY LEGISLATURE – BUT IN THE HEARTS OF MEN."

DWIGHT EISENHOWER

functions can lead to very bad consequences – missed tax deadlines, non-payment of taxes, undetected theft, and major problems as a result of unclear differentiation of duties. When a bad error occurs, each party points the finger at the other party and many times they are justified because there are holes in the process.

Kallas has built its practice around efficient performance of the full accounting cycle just for restaurants.

This helps us to know precisely what you need, helps you simplify your life, and make sure all areas of need are covered.

In the next few issues of the newsletter, I will publish our copyrighted Accounting Cycle Worksheet which identifies what needs to be accounted for in your restaurant. Each restaurant is different so some items may not be applicable to you.

The Worksheet is divided into five cycles: the Sales Cycle, the Purchasing Cycle, the Accounts Payable/ Disbursements Cycle, the Payroll Cycle and the Financial Statements/Tax cycle.

Last issue we addressed the Sales Cycle. In this issue, we look at the Purchasing Cycle.

Who performs each of the Purchasing Cycle functions?

THE PURCHASING CYCLE

You should know who is responsible for each of these functions to avoid inevitable problems later.

WHO PERFORMS EACH OF THESE FUNCTIONS?

MENU DESIGN AND PRICING	
COUNTING/MANAGING INVENTORY	
VETTING/NEGOTIATING SUPPLIERS	
ORDERING	
COUNTING DELIVERIES	
APPROVE INVOICES	
SUBMIT INVOICES TO OFFICE	

MICHIGAN RESTAURANT SHOW OCTOBER 15 & 16

STAY UP TO DATE ON NEW PRODUCTS AND SERVICES.

WE WILL BE THERE AND CAN TALK TO YOU FACE TO FACE

The Michigan Restaurant Trade Show will be held at the Suburban Collection also known as the Rock Financial Showcase in Novi on October 15 and 16. The trade show



THE MRLA TRADESHOW
KALLAS BOOKKEEPING MANAGER, DAN WILSON &
KALLAS PAYROLL MANAGER, JORDAN ANDERSON

is a terrific way for owners to take a break from the day-to-day routine and see old friends, fellow owners and their favorite vendors. It is also a great way to re-new your creative spirits and get some fresh ideas on how to improve your restaurant.

I always get some new ideas when I go to the show and it is a great way to keep up on new pricing, and state of the art products and services. You will see demonstrations of new food products, new ideas on marketing, and be able to talk at length to vendors and service providers.

The two days of the show are not only dedicated to providing restaurant owners with an opportunity to see vendors and their new offerings but also to attend valuable seminars and demonstrations and benefit from special show discount pricing.

Register OnLine
<http://www.mrlashow.org>
using promo code

19BOOTH216

Kallas Restaurant Accounting maintains a booth at the show. Please stop by. We would love to see and talk to you. And if you are a new Kallas Company client you can meet and talk to staff.

Make sure you mark October 15 and 16 on your calendar this year. A couple hours of your time will give you an enjoyable, educational and sometimes inspiring benefit for years to come.

IRS WARNING OF HIGHER PENALTIES

The IRS has increased penalties again for late or non-filed 1099 or W-2's

For the last few years, the IRS has been ratcheting up it's effort to match all income from whatever source to personal tax returns. The reason is obvious. Audits are easier and income that may have been under-reported in previous years is now captured for taxes.

To accomplish this task they are putting as much pressure they can on employers to file 1099 forms and correct W-2's and to file them electronically within strict time tables.



And how does the IRS pressure taxpayers? Increased penalties.

Not only are penalty amounts increasing,

but they are layering penalties also. In other words, you could receive multiple penalties for one incident.

You can be assessed for missing or incorrect Social security numbers or both. You can be assessed for late filing and incorrect filing where amounts don't match and on top of that you could receive a penalty for Intentional Disregard

Here are the new 1099 and W-2 penalties:

	FILED LATE	FILED INCORRECT
Late less than 30 days	\$50 per return	\$50 per return
Late 31 days - Aug 1	\$100 per return	\$100 per return
After Aug 1	\$270 per return	\$270 per return
Intentional Disregard	\$530 per return	\$530 per return

Example: You have 16 employees and you have been paying them on your own to save money. Most of the employees don't care about a W-2 anyway. Maybe some of the Social security numbers are wrong. You are busy and

have not had a chance to take your records to the accountant. Its August 2 and now you file W-2's.

The numbers are not all matching like they should. In October you get a letter from the IRS. Your penalty for late and incorrect W-2's is \$8,640. And if you don't correct it, they add another \$16,960 for Intentional Disregard.

Needless to say, one screwup could cost you dearly.

The biggest problem we find is where an employee gives the employer a bad SS#. The employee only works a short time and leaves.

The employer gets a notice from IRS that SS# and name does not match.

The employer cannot find the employee anymore and now you have a \$270 penalty Federal and another \$250 state Unemployment penalty.

To stay out of trouble, here is what we recommend.

- Require proof of identification of all employees. A drivers license and social security card or passport.
- Photocopy or take a picture of the proof.
- Complete the I-9 and W-4 form with the employee. (more about I-9 penalties in this issue.)
- Use a responsible payroll company that has been around a long time to file your W-2's and 1099's.
- Ask your payroll company to use e-verify to verify correct social security numbers.
- If you do a manual payroll and do not use a payroll company, get your information in early – remember the due date is January 31 each year.
- Talk to your accountant about possible 1099 forms you should be filing.

Another reason to be diligent about Social Security numbers is, on top of IRS penalties, the State of Michigan Unemployment Penalty for incorrect SS# is \$250 per quarter. The \$250 per quarter penalty is added every quarter the SS# until it is corrected.

"COURAGE IS THE FINEST OF HUMAN QUALITIES BECAUSE IT GUARANTEES ALL THE OTHERS."

WINSTON CHURCHILL

NEW PHOTO APP SAVES TIME

NOT EVERYTHING OUT THERE IS WORTH-WHILE

Seems like every day some new technology is being introduced to the restaurant industry.

Kallas spends a good amount of time from May to November each year testing and evaluating restaurant related software applications to see if they are helpful, efficient and cost effective or if they are just more glitter to waste your money and time on.

This year we have been testing some bill paying software, full restaurant accounting software as well as menu pricing and inventory software.

Much of it is not what we would recommend to our clients.

One tech advance we really like is simple, inexpensive and adds great value to your accounting without much cost.

No more snail mail sending multiple pieces of mail to the bookkeeper. With this application, Kallas has a digital copy of all your bills, receipts and notices. No more boxes of paper to store and organize. Kallas keeps a record of everything you send us digitally so you don't have to.



"FORECEIPT" is an app you can download into your iPhone for \$.99 per month. Use it to take a picture of bills, receipts, notices or anything else you need to send to the accountant.

Kallas can set it up to communicate with our office. Nothing for you to do except take a picture.

Call your bookkeeper to get on it today or call for more info.

Foreceipt is only available for iOS. Kallas is not associated with this software or developers. Not a sponsored ad.

Calendar for September, October, November 2019

September 2

- 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

- 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 15 & 16

- MRA tradeshow at Rock Financial Showplace.

October 20

- Michigan Sales, Use and MBT estimates due.

October 25

- UIA form 1020 due for 3rd Quarter.

October 31

- File Form 941 for the third quarter.
- 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

- Michigan Sales, Use and MBT estimates due.

November 28 & 29

- Kallas closed for Thanksgiving.