



## IN THIS ISSUE:

- **VISA & MASTERCARD CLASS-ACTION LAWSUIT MAY YIELD CASH BACK FOR YOU!**
- **NEW SALES REPORTING RULES FOR GRUBHUB AND UBER EATS**
- **2019 TAX SEASON INFORMATION**
- **TAX APPOINTMENTS STILL AVAILABLE**
- **MORE THAN ACCOUNTING: NEW RESOURCES AVAILABLE**
- **2020 ACA UPDATE**
- **WHICH IS BEST: LLC OR S-CORP?**

**CHECK OUT THE NEW  
[www.KallasCompany.com](http://www.KallasCompany.com)**

## 6 CHANGES FOR 2019 TAXES

In the old days before computers (don't laugh, it wasn't that long ago), changes in tax law happened slowly and infrequently.

In today's computer-centric and web-based world, changes to tax law are made constantly.

In 2018, we had major changes. The Trump Tax Cuts and Jobs Act created whole new deductions, forms and brackets.

For 2019, there are a few left-over changes that go into effect.

1. The Form 1040 is simplified from the many add-on schedules required last year.
2. The tax penalties for not having health insurance have been eliminated.
3. Medical deductions must now be over 10 percent of income to be deductible.
4. Alimony is no longer deductible to the payer and taxable to the payee for divorce or separation instruments executed on or after January 1, 2019.
5. A new form 1040-SR for seniors has been created.
6. A new form 8995 has been created to calculate the qualified business income deduction (QBID).

For any questions about taxes, give George, Nick, Tony or Jacob a call at Kallas.

## UNEMPLOYMENT TAX REDUCTION

Back in 2007-2009, during the recession, unemployment claims skyrocketed and put the Michigan Unemployment Insurance Program into debt.

To pay off the debt, the state issued seven year bonds back in 2012. The money needed to pay back these bonds was added each quarter to your Unemployment Tax as a line-item called the Obligation Assessment.

The good news is that the bonds are now paid in full. As a result, experts claim that businesses should see their Unemployment Taxes drop by an estimated \$65-\$217 per employee per year. The amount of your benefit depends on your current rate. The higher your unemployment rate, the greater your savings.

If you have any questions, call Laika at Kallas.

## VISA, MASTERCARD, DEFENDANT BANKS MAY OWE YOU MONEY

One of the advantages of working with a specialized accounting and payroll firm is being up to date on news that other accounting and payroll firms would skip.

### **VISA, MASTERCARD, DEFENDANT BANKS MAY OWE YOU MONEY - INTERCHANGE FESS ANTI TRUST LITIGATION**

There has been a class-action suit filed against Visa, Mastercard and Defendant Banks for over-charging on their fees. A new settlement has been reached and all eligible merchants including restaurants and bars could be eligible for a share of the settlement. The settlement is between \$5.5-6.2 billion.

When a cardholder makes a purchase of food or beverage at your restaurant or bar using a credit or debit card, there is an interchange fee charged to the merchant by the bank. The fee is usually 1-2% of the purchase price including tips.

If you took Mastercard or Visa during the years January 1, 2004 and January 25, 2019, you would be a potential claimant.

**To estimate your potential share of the settlement take an average of your credit card sales during the time period above times your interchange fee rate which is usually 1-2 per cent. Take that number times 4 per cent.**

**Example if you have been in business the entire settlement period and your credit card sales have been consistent:**

Credit card sales per year:	\$750,000
Times average credit card rate	<u>1.5%</u>
Equals credit card fees	\$11,250
Times potential settlement rate	4%
Potential dollar value of settlement	\$450
15 year lookback period	\$6,750

*Your potential settlement could be more or less depending on the amount of your credit card sales.*

There is a formal procedure required to make a claim, proof documents that have to be supplied and possible professional fees. If you think it is worth it to proceed with a claim, contact Jim Humanik at Kallas.



## 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.

By now you should have received your 2019 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.

## NEW RESOURCES FOR KALLAS CLIENTS

Kallas Restaurant Accounting has added Michael R. Kramb, CPA to our staffing resources.

Michael has a strong history in the restaurant industry. He has worked as a controller for two well-known independent restaurant chains as well as owning his own restaurant.

Michael is very familiar with restaurant operations from top to bottom.

He has a strong experience and knowledge in restaurant inventory

systems such as Compeat and Restaurant 365 as well as various restaurant POS systems.

Michael's primary function for Kallas will be as a facilitator and installer for Restaurant 365 but he can also be available to you if you need hands-on help with the following:

- Setting up inventory controls
- Budgeting and forecasting
- Developing and improving office functions
- Software setup and implementation
- Growth planning
- Creating safety and profitability procedures for managers and staff
- Assessing current procedures and recommending improvements

Generally speaking, Michael can be available to you on a short-term contract basis for any issues you have in your restaurant operation that need improving or fixing.

Give Kallas a call if you need Michael's help.

**Restaurant365**  
**compeat**

## CHECK OUT NEW KALLAS WEBSITE

This summer, Kallas Restaurant Accounting updated its website to make it more meaningful to you.

The old Kallas website had hundreds of restaurant related resources for our clients to use. Unfortunately, navigation was not always easy and as a result, few people used it.

We spent weeks designing a new format we think you will like better.

*Come Visit the New*  
[www.KallasCompnay.com](http://www.KallasCompnay.com)

Of course, information and advertising about Kallas is all there but now the section on Restaurant Resources is easier for you to use and access.

When you click on Restaurant Resources, the first section is Handy Tools and Checklists. Click on those icons to see new Income Tax Rates, a Restaurant Owner Tax Planning



Checklist, an Audit Risk Analyzer, an Amortization Calculator and a list of Red Flags for New Restaurant Owners.

Scroll down to Recommended Professionals. These are lists of Professionals such as lawyers, insurance agents and business brokers who have demonstrated a commitment to the industry and we have worked with before with no bad experiences. In this section, you can also find referrals for financing, credit card services and other restaurant related professionals.

Scroll down further for a list of restaurant organizations that offer help to restaurant owners.

At the bottom of this section are forms and worksheets that are common in the restaurant industry and that we provide to you on a regular basis when requested. Here, you can print the forms anytime when you need them.

Go back to the Home Page and click on Newsletter. Here you will find my current newsletter as well as newsletter articles going back 10 years. Past articles are organized by Tags. Click on a Tag that interests you such as Employment Law and you will see past articles in chronological order about Tips, Minimum Wage, Unemployment taxes, and the Medical Leave Act.

We are proud of the new website. You can search the web (I have) and you will not find another accounting website that offers local restaurant owners as much.

Take a moment to visit and let me know what you think.

## ACA UPDATE FOR 2020

The Affordable Care Act (ACA) is still with us and a big administrative pain for large restaurants and restaurant chains.

It appears that the IRS is stepping up enforcement actions.

According to reports, they have issued \$4.5 billion in penalties to employers for the 2015 tax year alone.

Currently, employers are receiving notices or proposed assessments for 2016 and 2017.



*It appears that the IRS is stepping up enforcement actions.*

If you are an ALE you are required to comply with the ACA rules. An ALE is an Applicable Large Employer. An Applicable Large Employer is any employer who employs a total of 50 employees counting full and part time equivalents. You may also be an ALE if you have a small restaurant but are tied through ownership to other restaurants where combined you all exceed the 50 employee

Kallas monitors all its payroll clients and bookkeeping clients for whether you have exceeded the 50 employee limit but if you have any questions or concerns, you can call George at Kallas.

**IMPORTANT:** If you are offering insurance to your full time employees (30 hours or more average), make sure you are offering to all full time plus any new hires that will be full time. The IRS has threatened penalties for not offering to all full time.

If you are an ALE you are required to comply with

## 2019 TAX SEASON IS HERE

The 2019 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.

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

*...our goal is to keep your taxes low.*

This year, Nick Kallas, Jacob Isaac and I will be preparing your personal taxes. Jim Humenik, Cathy Infantado, Dan Wilson, and Anthony Gawel 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 offering again this year the option of receiving your tax returns via a private, secure web portal. You simply log on, review the return or print a copy at your convenience.

Whether you prefer an on-line version or a physical copy, you will have an opportunity to review the return. If everything looks good, you will sign a one-page

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

authorization and mail it back to us with payment of fees. We then E-file your return.

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 advice or consultation, research, alternative calculations, re-running returns, adjusting estimated taxes or reviewing legal documents.

## WHAT IS BEST FOR YOU – S CORPORATION OR LLC

This is an important question. How you are organized for tax purposes can make a big difference in how much you pay.

For restaurant owners, I give this advice:

If you are a small business (not a rental property) and you own 100% of it, then a Single Member LLC is a good choice. It only requires one schedule (Schedule C) on your personal income tax return at a relatively low preparation cost. In contrast, a partnership or S Corporation requires its own separate tax return for which there is a significant preparation cost plus certain procedures you must follow. The down-side to the Single Member LLC is that all income you earn is subject to self-employment taxes which are approximately 12 %.. If your income is high enough, you may want to consider changing to an S Corporation.

If you are a small business and you own 100% of it, but you are making significant money, the S Corporation has the ability to save you tax dollars. In theory, if you are making considerable profits beyond what you would take as a salaried worker, you can define those profits as dividends. Dividends from an S Corporation are not subject to self-employment taxes so you save the 12 % mentioned above. You should consult with your tax professional before making this move because there are technical issues that must be addressed. The down-side to the S Corporation is



that a separate tax return is required so that cost should be considered.

If you have multiple owners, you could choose to operate as a Partnership LLC or as an S Corporation.

The biggest practical differences for restaurant owners between a Partnership LLC and an S Corporation are the following:

In a partnership, owners cannot be on the payroll like other employees. All checks issued to partners are partner distributions and are subject to self-employment taxes. A working partner can take additional monies for working and that is called a Guaranteed Payment. Partners who take distributions in most cases must pay estimated tax payments quarterly. The biggest benefit to a partnership form of doing business is that distributions of profits, losses and capital can be changed as partners see fit.

So, for instance, if one partner contributed all the money and wants to take all profits until he/she is paid back and then once he/she is paid back, profits can be split evenly, that can be done in a partnership. It can not be done with an S Corporation.

In an S Corporation, all profits, losses and capital must be assigned or distribution in proportion to stock ownership. So if you have a three person S Corporation with stock ownership of 40%, 50 % 10%, all distributions of profits, losses and capital must be done 40-50-10. The upside for the S Corporation is that owners can be on payroll and no estimated taxes have to be paid on that money. In addition, profits can be distributed as dividends the same as mentioned above with no self-employment taxes due on that money.

All LLC's referred to above and S Corporations, except for rare exceptions, provide the same legal protections, so that does not have to be a determining factor in your decision.

These are the general rules and applicable for most restaurant owners. There are other differences having to do with tax basis, borrowing and other technical tax determinations but these are beyond the scope of this article.

It is an important decision and should be made before you file for a federal ID #. That is why we recommend that you consult with a good tax accountant before making your decision.

# GRUBHUB & UBER EATS SALES TAX PROCEDURE CHANGES

One of the advantages of working with a specialized accounting and payroll firm is being up to date on news that other accounting and payroll firms would skip.

Grubhub and Uber Eats both are changing their procedures regarding sales tax reporting and paying. Previously, Grubhub and Uber Eats made the restaurant responsible for paying sales tax on its sales. Due to changes in state law,



and starting October 1, 2019 for Grubhub and February 1, 2020 for Uber Eats, they will report and pay sales tax on its orders from you.

You are responsible for keeping track of Grubhub and Uber Eats sales and reporting it on your sales tax but then showing it as a subtraction from taxable sales. Kallas will report it properly on your sales tax but you need to differentiate Grubhub and Uber Eats sales and report it to us each month.



Currently, other delivery services such as DoorDash are not included in this new change so if you sell food through them you are still liable to collect and pay sales tax.

If you have any questions on this, call your bookkeeper or Dan Wilson at Kallas.

## MARCH, APRIL, MAY 2020

### March 15

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

*S-Corporations:* File 2019 Form 1120S and pay any tax due. For automatic 6-month extension, file Form 7004 and deposit estimated tax. Furnish a copy of Sch. K-1 to each shareholder.

*Partnerships:* File 2019 Form 1065 and pay any tax due. For automatic 6-month extension, file Form 7004 and deposit estimated tax. 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.

### March 20

Michigan Sales, Use tax due.

### March 31

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

### April 15

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

*Corporations:* File 2019 Form 1120 calendar year and pay any tax due. For automatic 6-month extension, file Form 7004 and deposit estimated tax.

*Individuals:* File 2019 Form 1040. For automatic 6-month extension, file Form 4868 and deposit estimated tax.

*Individuals:* Pay the first installment of 2020 estimated tax.

*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 tax due.

### April 25

*Employers:* UIA form 1020 due for 1st Quarter.

### April 30

*Employers:* File Form 941 for the first quarter.

*Employers:* Deposit FUTA tax owed through March if more than \$500.

Liquor License renewal forms and fees due.

### May 10

*Employers:* File Form 941 for the first quarter of 2020 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.

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

### May 20

Michigan Sales, Use tax due.

### May 25

Kallas Restaurant Accounting closed for Memorial Day.