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## OBSERVATIONS FROM YOUR ACCOUNTANT COVID-19 EDITION

The world has turned topsy-turvy since the second half of March 2020. The restaurant industry shut down and so did Kallas.

Kallas is back up and running at full capacity even though the restaurant industry is still either closed or operating at a limited capacity.

Every quarter for 35 years I have published The Kallas Insider's Report for restaurant owners without missing one – until May 2020. Instead of a newsletter, our limited staff at Kallas issued 22 E-blasts letting our clients know on a day-to-day basis what was happening regarding government programs that could help.

As many of you now know, the rules for PPP and EIDL and the other government programs shifted almost on a daily basis.

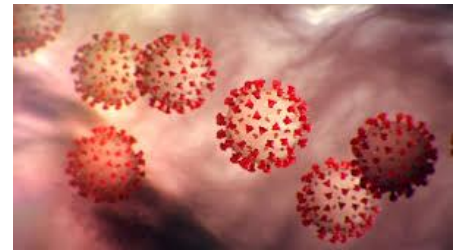
Restaurant owner's strategies for coping and planning were also shifting as rules changed.

As I write this, almost the entire lower peninsula is in stage 4 of Governor Whitmore's 6 phase plan. Phase 4 is defined as; "cases, hospitalizations and deaths are declining". During Phase 4 restaurants can reopen to dine-in service but servers must wear masks, customers must be distanced and restaurants can only fill to 50 percent capacity.

Phase 5 means new cases continue to decline with outbreaks quickly contained. Phase 6 is Post Pandemic meaning the pandemic is over and infections fall to near zero. In my opinion, the best we will ever do is Phase 5. Phase 6 will not come until a vaccine is readily available and government officials can tolerate a consistent low level of infections such as with the flu or other common viral infection that we live with on a daily basis.

The deadline for applying for PPP was August 8. The period for applying for the Wayne County Back to Work Grant was closed July 10. And the Michigan Small Business Restart Grant closed August 5. The good news is you may still apply for the EIDL loan. The EIDL loan terms are very favorable. 30 year amortization and 1 % interest. Call our financial partner Eric at 248-924-2410 for more information.

Congress is still debating another stimulus program including some excellent provisions specifically for the restaurant industry. Unfortunately, as of today, they are nowhere



near in agreement about what will be in the final bill.

Lately I have been traveling for business and eating out. From conversations with restaurant owners in Michigan and elsewhere, I can see most restaurants are coping with carry-out and distanced dining. Employees are coming back. People are desiring to eat out again.

The problem is the fear factor that has been generated by media and government officials. Will they turn it around and put as much energy in promote eating out when we hit Phase 5? And when will that be? At this point, we do not know. So, the best we can say and do is to survive the next few months until the election which may change things for the better or a vaccine is available.

## 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 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 and helps you



simplify your life and make sure all areas of need are covered.

*Don't go around saying the world owes you a living. The world owes you nothing. It was here first.*  
- Mark Twain

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

**Restaurant365**  
Restaurant Management Software

cycles: the Sales Cycle, the Purchasing Cycle, the Accounts Payable/Disbursements Cycle, the Payroll Cycle and the Financial Statements/Tax cycle.

In previous issues we addressed the Sales Cycle and the Purchasing Cycle. In this issue, we look at the Accounts Payable-Disbursements Cycle

Who performs each of these functions?

### THE ACCOUNTS PAYABLE/ DISBURSEMENTS CYCLE

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

#### WHO PERFORMS EACH OF THESE FUNCTIONS?

ENTERING/POSTING INVOICES	
CHECKING INVOICES FOR ACCURACY	
RECONCILING BANK ACCOUNT	
ACCOUNTING FOR CASH PAY-OUTS	
CLASSIFYING AND POSTING TO GENERAL LEDGER	

**TIP:** For security purposes, never let the person who cuts checks also reconcile your bank account. Your reconciliation should be done by yourself or an outside service to avoid theft. Most embezzlements occur when an employee has control of both check writing and bank reconciliation.

To conclude, you should be aware of who is responsible for each of these above functions to avoid inevitable problems later.

## TAX ADJUSTMENTS YOU NEED TO BE AWARE OF COVID CHANGED SOME DUE DATES

### SALES TAX AND MICHIGAN WITHHOLDING

The state had allowed businesses to delay paying their February, March, and April sales and withholding taxes until June 22 without any penalties or interest.

In addition, you may enter into an installment agreement for the amounts due June 22 paying 1/6 each month for 6 months in addition to the normal monthly amount due.

Call Kallas for more details on how this works.

### FEDERAL PAYROLL TAXES

You may defer the employers portion of payroll taxes for the remainder of 2020 and pay ½ on December 31, 2021 and the other ½ on December 31, 2022 without penalty and interest. Call Jordan at Kallas ext 119 for more details.

### INCOME TAXES

The IRS declared that 2019 tax return AND tax due payments could be extended from the traditional April 14 until July 15. Additionally, a taxpayer could request an extension to file the personal return until October 15, 2019 (*any tax due would still be due July 15*).

The 2020 first and second quarter estimates which are traditionally due April 15 and June 15 of 2020 were also extended to July 15. So, a self-employed taxpayer theoretically would owe his or her tax due for 2019 plus the first and second estimate for 2020 all on July 15 2020.

### ESTIMATED TAXES

If you pay estimated taxes, your 3rd quarter and 4th quarter payments are still due September 15, 2020 and January 15, 2021. Because of the COVID-19 shut down and reduction of business, you may think that your estimated taxes are too high. If that is the case, you may adjust them yourself or call Jacob at Kallas ext 120 and we can recalculate an estimate for you. As of now, the penalties for underpayment of estimates is still in full force so be aware that



unless the IRS changes the rules, if you underpay your estimates for 2020, you may be penalized.

### STATE PAYMENT PLANS

Are you on a state installment payment plan for back taxes? If yes, you might be eligible for a reduced payment. Because of COVID-19, the state is relaxing payment plan requirements. This is an important likely one-time break for those on a payment plan with the state. Contact Tony at Kallas ext 128 to learn more.

## YOU MAY BENEFIT WITH MICHIGAN WORKSHARE PROGRAM

During the COVID-19 shut-down, many restaurant **WorkShare** owners have started taking **RESTART. RETAIN.** advantage of Michigan's Workshare Program to keep employees working at least part-time.

The program pays unemployment benefits to your employee (s) if you have to reduce their hours.

This is how it works:

- Register your employees for the program through the MIWAM website.
- Determine how much you are going to reduce the employee's hours.
- Report on MIWAM the reduced hours. MIWAM will determine the benefit payout based on the employee's prior earnings.
- Inform the employee of the unemployment benefits that they will receive. The employee must register with MIWAM and give them direct deposit information for depositing their benefit check.

You must have a minimum two employees to participate. Beginning August 29, benefits paid out of Workshare are fully charged to the employer's UI tax account.

If this sounds like something that would benefit you, call Lalkia at ext 114 and she can help you.

*Property must be secured or liberty cannot exist.*

*- John Adams*

## DO YOU HAVE LONG-TERM CAPITAL GAINS? OR QUALIFIED DIVIDENDS?

The Tax Cut and Jobs Act which passed at the beginning of the Trump Administration expanded the brackets for capital gains rates and indexed them for inflation.

This is good news for taxpayers in all income levels.

***Always** consult your tax preparer for tax saving ideas before you sell property at substantial gains.*

The laws are written so if you have capital gains you will, in almost every circumstance, save money over your normal personal income tax bracket.

Qualified dividends are dividends you receive from your stock market portfolio and long-term capital gains are gains from the sale of stocks, real estate and most all other non-depreciated property held for more than 1 year.

You may also have capital gains from the sale of a business on an installment sale.

The current tax rates on long-term capital gains and qualified dividends is:

For joint returns and taxable income under \$77,200 . . . . .	zero
For joint returns and taxable income under \$479,000 . . . . .	15%
For joint returns and taxable income over \$479,000 . . . . .	20%

The above income thresholds are based on Taxable Income. Taxable Income is determined after you deduct itemized



deductions so taxable income is always going to be a lower figure than your gross income. Therefore, more taxpayers will benefit from the lower capital gain rates.

High income taxpayers – for joint filers with both modified adjusted gross income and net investment income over \$250,000, a 3.8 additional tax is owed. Therefore the brackets for them go from 15% to 18.8 and 20% to 23.8% respectively.

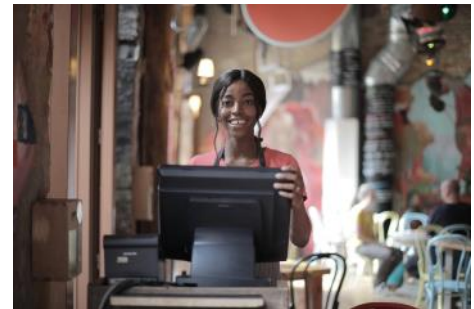
**TAX TIP:**

If you are a high-income taxpayer you can avoid the 18.8% capital gains bracket or the 23.8% bracket by gifting the capital

gain items before you sell them to children or grandchildren thereby going from paying 23.8% in taxes to zero.

## TEEN WORKERS & KEY GUIDELINES

- A work permit is required for minors and can be obtained through the child's school.
- In the summer, minors aged 16-17 may work between 6:00 am and 11:30 pm. During the school year, minors aged 16-17 may only work between the hours of 6:00 am and 10:30 pm except on Fridays and Saturdays, when they can work until 11:30 pm.
- Minors under 16 years of age may only be employed between the hours of 7:00 am and 9:00 pm.
- Minors can't handle cash after 8:00 pm or sunset (whichever is earlier) unless there is another employee present who is at least 18.
- Minors can't sell or serve alcoholic beverages, but a minor over the age of 16 (or 14 in a retail setting) can work where alcohol is being sold if alcohol doesn't exceed 50 % of sales.
- The Michigan Workforce Opportunity Wage Act (minimum wage law) allows employers to pay minors 85% of established minimum wage. This means the minimum wage for minors is currently \$8.20 (85% of \$9.65).
- Teens under the age of 20 may be paid a training hourly wage of \$4.25 for the first 90 days of employment.
- Teens working in amusement or recreational establishments are not entitled to overtime pay if the establishment is not open more than 7 months of the year.
- A 30 minute rest period is required for minors after five hours of continuous work.
- Individuals must be at least 18 to operate power-driven equipment such as meat slicers, mixers, saws and motorized vehicles.
- Teens who are immediate family members in family owned businesses are exempt for minimum wage laws.



## COVID-19 SERVICES STILL AVAILABLE

Since the beginning of the COVID-19 disaster, Kallas has been sending out E-Blasts informing our clients of programs and strategies for coping with the shut-down.

From mid-April until June, we sent out 22 E-Blasts letting our clients know about the various grant and loan programs, the rules at the time, changes in the rules and strategies for spending the money.

The restrictions were many and the rules complex. Every situation was different.

As of this writing, Congress is debating a new stimulus with possible new PPP money and other provisions to help the restaurant industry. The bill is yet to be finalized.

### EIDL - Economic Injury Disaster Loans

What we do know is that EIDL loans are still available. Currently, they are limited to \$150,000 but have very preferable terms. No personal guarantees required, no security needed, 1% interest rate, up to 30 year payback and until the money runs out, the first \$10,000 is automatically forgiven.

Call our financial partner Eric at Independent Business Consulting to apply. Eric's number is 248-924-2410.

### PPP - Paycheck Protection Program

Those who have received PPP money must apply for forgiveness – it is not automatic.

*Those who have received PPP money must apply for forgiveness – it is not automatic.*

Under the new PPP forgiveness guidelines, you have 24 weeks from the time you received the PPP money to use it. Under the new rules, you do not have to spend all

your PPP money at one time to bring your FTE's up to pre-COVID-19 levels if business does not warrant it. They loosened the rules so you can hit pre-COVID FTE levels any time in that 24 week period. Under the new rules, you only need to spend 60% for payroll and still get full forgiveness. The other 40% of PPP money is still limited to paying rent, utilities and interest on debt (that was in existence prior to February 15, 2020).

You may also apply for forgiveness immediately after you have spent all your PPP money or you can wait up to 10 months to apply.

Kallas is accepting applications now to calculate and apply for forgiveness for our clients. Call Tony or Nick if you would like Kallas to

apply for you. Applications are not being accepted by lenders yet but Kallas can put you on our list to apply as soon as the digital applications are ready. Call Kallas and he will send you the agreement for this service.

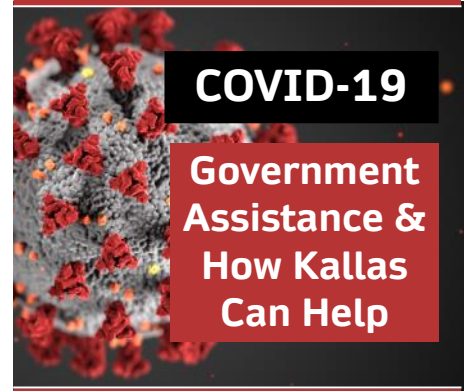
### ERTC - Employee Retention Credit under the CARES Act

If you have not received a PPP loan, you may be eligible for ERTC. The ERTC is a powerful tax credit that equals 50 percent of your employee's pay up to a maximum of \$5,000 per employee. You can go back to payrolls beginning March 13 2020 to obtain back credits. The credit can be used to reduce any payroll taxes you owe and any excess credit can be refunded to you. This can amount to thousands of dollars in your pocket. Kallas can perform the necessary calculations and obtain the credit for you. Contact Jordan at Kallas extension 119 for more info.

### DETROIT RESTAURANTS - DETROIT ECONOMIC GROWTH CORPORATION

On August 5, 2020, the U.S. Department of Commerce announced a new 2.9 million in funding to go to the Detroit Economic Growth Corporation to be used for lending to small businesses affected by COVID-19.

Kallas will provide more information as we can. If you are not signed up to receive e-mail updates, call Dawn at Kallas ext 129 or email the request to [info@kallascompany.com](mailto:info@kallascompany.com)



"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 needs in today's highly competitive food and beverage service industry.

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## ADD SOME EFFICIENCIES TO YOUR PAYROLL & HR

Some restaurant operators have down-time during the COVID-19 lock-down and are looking for new ways to stream-line their operation. Here are payroll services that Kallas can offer you that have proven to save time and save money.

Call Jordan at Kallas ext 119 if you have any questions or would like to start now. By starting now, fees are discounted and in some cases, waived entirely.



**EMPLOYER ON THE GO**: View, change, and control your payroll from anyway and anytime via the internet.

**EMPLOYEE ACCESS**: Eliminate employee questions and hassles by giving them secure internet access to their own records.

**PAPERLESS PAYROLL**: Employers love it and employees love it. And it saves you time and money.

**ON-BOARDING**: Today, you have to keep voluminous records on each and every employee. On-boarding makes it easy and

automatic almost with no effort on your part.

**DIRECT DEPOSIT**: Many employees expect to direct deposit their checks. This service is free to you when you go paperless.

**PAYCARDS**: New Paycard technology is easy and convenient. Combine Paycards and direct deposit and you are paperless.

**PAY-AS-YOU-GO WORK COMP**: Very convenient. No audits, no big amounts due or underestimates. Payments are calculated and paid with each payroll.

**401K PROGRAMS**: Easy retirement savings tied into your payroll for you and your employees.

**ERTC**: If you didn't obtain the PPP, you can still save big tax dollars with ERTC (Employee Retention Tax Credit). Ask Jordan about the details.

**PPP FORGIVENESS**: Kallas can apply for you using the best practices available to obtain full forgiveness of your PPP loan.

**ACA**: The ACA (Affordable Care Act-Obamacare) is still in place and, if you need to comply, Kallas has an inexpensive solution for you.

**WOTC**: Work Opportunity Tax Credit may save you thousands of dollars. Call Jordan or Julie at Kallas to see if it will work for you.

## CALENDAR FOR SEPTEMBER, OCTOBER, NOVEMBER 2020

### September 7

*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

**All Businesses**: 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 20

**All Businesses**: Michigan Sales, Use and MBT estimates due.

### October 25

**Payroll**: UIA form 1020 due for 3rd Quarter.

### October 31

**Payroll**: File Form 941 for the third quarter.

**Payroll**: 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

**All Businesses**: Michigan Sales, Use and MBT estimates due.

### November 26 & 27