

## In This Issue...

- 2018 HOLIDAY SCHEDULE
- TAX ISSUES GOING INTO 2019
- SELF QUIZ - DO YOU HAVE THE PRINCIPLES OF A SUCCESSFUL RESTAURANT/BAR
- RULES FOR HEALTH INSURANCE FOR S CORPORATION SHAREHOLDERS
- BENEFITS TO GOING PAPERLESS PAYROLL
- RESTAURANT TRADE SHOW FUN
- CHANGES TO TIP POOLING
- YEAR END IS FAST APPROACHING: TO DO LIST & CALENDAR

## OBAMACARE UPDATE 2018-2019

You may have heard in the news that there was a legislative change to Obamacare that eased the rules.

The new change signed into law by Trump took away the onerous penalties to individual taxpayers who did not have health insurance.

Unfortunately, there was no change to the business requirements. Business owners are still on the hook to follow the law as currently written.

We can tell you with certainty that the IRS is following up on businesses to see if they are reporting properly. We are aware of restaurant owners who have received letters from the IRS questioning their Obamacare filings so they are not ignoring this obsolete law.

Kallas does an analysis every year to determine if you are required to file. Large single employers (those with 50 full and/or part-time employees) and controlled groups of restaurants with 50 full and/or part time employees are referred to as an Applicable Large Employer (ALE).

If you are an ALE you are required to comply. You must offer health insurance to your full time employees and full time new hires or be subject to a \$2,000 per full time employee penalty. You are also required to distribute form 1095-C to full time employees by January 31, 2019 and file form 1094-C with the IRS.

### TIMELINE:

**November 15, 2018**

You will receive a Service Agreement regarding ACA. A 2018 fee chart will be included. You must sign and return the form for Kallas to perform the calculations necessary for 2018 to determine if you have 50 or more employees. You must also sign the agreement if you would like to consult with Kallas regarding the best way

**December 15, 2018**

Kallas will notify you of your filing obligations for 2018 and 2019. Kallas will need company group health insurance information along with any waivers the

**January 1, 2019**

If you are over the 50 full time threshold, you should be planning for compliance for 2019 by either offering health insurance to your full time employees and their dependents or obtaining waivers.



**January 31, 2019** Form 1095 C will be prepared and mailed to you for distribution to full time employees along with W-2's

**February 28, 2019** Form 1094 C and copies of forms 1095 C are due to the IRS. Kallas performs this function for you. Nothing you have to do.

**March 25, 2019** Kallas billings for the above services will go out.

The employer's requirements for Obamacare are still a significant administrative cost to businesses. Many firms are charging thousands of dollars to administrate Obamacare compliance. Kallas has systems in place to advise you and, based on what we have seen in the marketplace, we are still the lowest priced company producing the required paperwork.

If you have any questions regarding your requirements under Obamacare, call George at Kallas.

### *SELF QUIZ-* DO YOU HAVE THE PRINCIPLES OF A SUCCESSFUL RESTAURANT/BAR?

Customers look for a combination of things when they choose to eat out. Why do you think people come to your restaurant/bar? What do you offer?

Pick the reason or reasons they choose you & rank them. How can you improve them?

- |  |  |
|--|--|
| <input type="checkbox"/> Cleanliness                 | <input type="checkbox"/> Great value         |
| <input type="checkbox"/> Consistency                 | <input type="checkbox"/> Fast service        |
| <input type="checkbox"/> Unusual or unique menu      | <input type="checkbox"/> Laid back service   |
| <input type="checkbox"/> Comfort menu                | <input type="checkbox"/> Sports venue        |
| <input type="checkbox"/> Ethnic menu                 | <input type="checkbox"/> Entertainment venue |
| <input type="checkbox"/> Good service                | <input type="checkbox"/> Location            |
| <input type="checkbox"/> Outstanding food            | <input type="checkbox"/> Low prices          |
| <input type="checkbox"/> Owner always there to greet | <input type="checkbox"/> Friendly staff      |
| <input type="checkbox"/> Excitement                  | <input type="checkbox"/> On-line reviews     |
| <input type="checkbox"/> Snob appeal                 | <input type="checkbox"/> Word of mouth       |

**SMALL BUSINESS ISN'T FOR THE FAINT OF HEART. IT'S FOR THE BRAVE, THE PATIENT AND THE PERSISTENT. IT'S FOR THE OVERCOMER.**



## TRADE SHOW FUN

It is not often that we can take some time out of our busy days and have fun, socialize with other restaurant owners and learn something too. The Michigan Restaurant Trade Show held every year at the Suburban Collection Showplace in Novi is one of those times.

In addition to the educational seminars, cooking demonstrations and booth exhibits, restaurant owners get a chance to talk to their suppliers, vendors and other service providers in a convivial atmosphere where a lot can get done.



Kallas Restaurant Accounting has a booth each year. We really enjoy talking to current clients and meeting prospective clients.

If you could not make it this year, we hope to see you next year.

"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.

"Insiders Report" is published quarterly by Kallas Publishing, Inc as a free service to Kallas Restaurant Accounting clients.

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## BENEFITS TO GOING PAPERLESS PAYROLL

More and more restaurants are moving to paperless payroll. The technology is proven and just like any new technology, once people see the benefits, they jump on board.

Going paperless sounds scary and unfamiliar, but it is really easy and simple. Just like going from a manual cash register to a cloud-based POS system, the advantages far outweigh the perceived disadvantages. Once owners see how it works and the time they save, they would not think of going back to the old system.

Paperless payroll is a cloud-based system meaning it can be accessed anywhere and anytime you have an internet connection. Employees get paid either by direct deposit to their bank or via a Paycard which is basically a debit card. Journals, current payroll and payroll history is available for you to view or print via a secured website 24/7. You can even access your payroll on your cell phone. Email reminders go to you to let you know payroll is done. Mailing and postage fees are eliminated. Physical checks are eliminated. And you having to be physically at your restaurant on payday is eliminated.

It is simple to set up. Kallas will do all the follow-up work necessary and provide notices to employees. We will walk you through the process until you are completely comfortable.

### THE MANY BENEFITS OF PAPERLESS PAYROLL:

For small restaurants, going paperless is especially efficient. No need to be at the bar or restaurant to hand out checks.

1. No more having to cash checks for employees.
2. Even employees without bank accounts can go on the system with Paycards.
3. Paycards can be cashed at ATM's for free or can be used just like a debit card.
4. Even employees who have been black-balled by the banks or have creditors chasing them can have a Paycard.
5. No delays during holidays or having to work around a holiday schedule.
6. No delays due to inclement weather.
7. No more postage fees.
8. No need for the owner to be there to sign

checks.

9. Submit payroll from the comfort of your home or while on vacation.
10. No risk of employees opening payroll envelopes and seeing what others are earning.
11. No risk of a manager seeing what another manager is earning.
12. All earnings, history, current payroll requirements are available for your viewing or printing via the internet anytime and anywhere. Even when you are on a plane or on vacation.
13. There are hundreds of payroll reports that you can peruse on the cloud that are not available with paper. There are many reports that can help you better control payroll costs, schedule and see employee productivity.
14. Mailing mistakes and delays are eliminated.
15. Most employees love it once it is instituted.
16. You don't have to answer constant payroll questions from employees as they can access their own pay history via their own secured website.
17. No more having to submit employee address changes or dependent changes. They can do it themselves via their secured website.
18. No more having to provide employee earnings records, lost paystubs, lost paychecks or lost W-2's. Employees have their own access.

If you are interested in learning more, call Jordan at 313-962-6000.

### CHECK FRAUD IS BECOMING A MAJOR PROBLEM THESE DAYS.

It is too easy for dishonest people to copy a check and if you haven't had an issue of check fraud, the experts say you will.

Paperless payroll does away with this. The correct amount is deposited right into the employees' account.



WITH PAPERLESS PAYROLL, NO CHECK IS REQUIRED.

**THEREFORE NO CHECK FRAUD.**

## 2018 HOLIDAY SCHEDULE

*Our office will be closed on:*

- November 22 & 23 for Thanksgiving.
- December 24 & 25 for Christmas.
- December 31 & January 1 for New Years.

*While the phones will be off, some employees may be in the office to process faxed and e-mailed payrolls.*

You can always fax or e-mail your payroll - they are available 24/7.

**FAX :313-962-7113 or 313-394-1905**

**E-MAIL: payroll@kallascompany.com**

Due to the quantities of payrolls being processed, those payrolls not called in by the above listed times WILL NOT go out until OUR next business day. We ask that you keep to your scheduled call-in time and day. Payrolls called in earlier than the call in day will not be processed until your scheduled call in day.

**Clients using "My Go" anywhere-anytime payroll and the Paperless Paycard service will see no delay in payroll due to the holiday.**

Normal call day	Call this day
Thursday Nov 22	Wednesday Nov 21
Friday Nov 23	Wednesday Nov 21
Monday Dec 24	Friday Dec 21
Tuesday Dec 25	Wednesday Dec 26
Monday Dec 31	Friday Dec 28
Tuesday Jan 1	Wednesday Jan 2

We will be offering a COURIER SERVICE or Next Day UPS or PICKUP if you do not want to rely on the regular mail during the holidays. There will be an additional charge for this service.

If you need to change your payday due to the holidays; please let us know when sending in your payroll.

*If you are not using "My Go" and the paperless service, please give us a call after the holidays so we can show you how you benefit from "Cloud" services.*

## RULES FOR HEALTH INSURANCE FOR S-CORP SHAREHOLDERS

S Corporations have always had unique issues with respect to health insurance for owners.

The Affordable Care Act (ACA) created more complexity for S Corporation owners.

Here are the basic rules:

- Group health insurance non-discriminatory plans that cover all eligible employees are deductible by the corporation as fringe benefits. The premiums are reported in box 3 or 5 of the W-2 for Social Security or Medicare purposes. This forces the premiums into taxable income for all employees. The shareholder can then deduct the premiums on page 1 of their 1040 thereby netting the health insurance to zero and not paying taxes on the amount.
- The real impact of ACA on S Corporations comes into play when there is no group plan for the business, but the business wants to pay premiums directly for shareholders (or other employees such as managers) or wants to reimburse shareholders (or other employees such as managers) for premiums.
- Generally, under ACA, arrangements that reimburse employees or directly pay premiums (outside of a non-discriminatory group plan) are not allowed.
- If the employer wants to assist an employee or the owners by covering health insurance premiums, the only option is to increase the employee's pay with additional taxable compensation on the W-2. The employee or owner will then deduct the amount on his or her 1040 in the appropriate section – either page 1 for owners or Sch A for non-owners.
- Penalties for non-compliance with the above rules are rough \$100 per day per individual where a failure to comply exists.





## TAX ISSUES GOING INTO 2019

Last years tax legislation changed many things for 2018 and opened up many opportunities for tax planning.

Below are bullet points for you to ponder and discuss with your tax person at Kallas.

- The 20% deduction for Pass-through income. (awesome). This will give a tax benefit to every restaurant and bar owner. There are limitations so talk to your tax person to see how you are affected.
- Entertainment expenses are no longer allowed as a business expense starting in 2018. (not good)
- Bonus depreciation and section 179 expenses have expanded for assets purchased in 2018. (excellent)
- Depreciation limits for luxury autos have increased for autos purchased in 2018. (very good)
- Tax brackets have expanded giving a tax break to every taxpayer. (good)
- The penalty for not having health insurance has been eliminated. (very good)
- The personal exemption has been eliminated (bad – especially if you have a lot of dependents) but the standard deduction has been roughly doubled. (good). This will reduce the need for many middle to lower income taxpayers to itemize. (good)
- The Child Tax Credit is doubled and is now available at higher income brackets. (very good)
- Mortgage interest deduction is limited starting in 2018 to mortgage debt only up to \$750,000 and home equity debt is no longer deductible unless proceeds go to improvement or addition of your home. (not good)
- Threshold for deducting medical expenses has gone from 10% of AGI to 7.5% of AGI (good).
- State and local real estate, sales and income taxes can only be deducted up to a limit of \$10,000.

(very bad). Prior to the law, there was no limit on real estate, sales and income taxes that could be deducted. For taxpayers with high real estate or state income taxes paid, this will hurt.

- The Alternative Minimum Tax threshold is increased 40% and will be adjusted for inflation. (very good).
- The Estate Tax Exemption is doubled thereby taxing far less estates at time of death. (very, very good)

My opinion is that these changes, on balance are very, very good for all taxpayers and for the economy in general and will be a good standard going forward. Some taxpayers with unique situations may lose but no tax bill is going to cover every situation favorably. The business provisions are almost all good and should spur new business investment and jobs almost immediately and going forward.

## CHANGES TO TIP POOLING

Some restaurants pool tips.

Tip pooling is the practice of combining all tips earned by all servers and putting them into one lump sum for distribution later by means of a formula developed by the establishment.



Tip pooling is not practiced frequently in restaurants but it does occur and there are strict rules associated with implementing tip pooling in your restaurant.

There are basically two scenario's.

1. If you pay tipped employees less than the minimum wage (use their tips to bring them up to minimum), you can tip pool among tipped employees but cannot share any tips with non-tipped, back-of-the-house employees or managers.
2. If you want to share tips with back-of-the-house employees, then you must pay the full minimum wage to tipped employees (not use tips to bring them up to minimum).

Even under this scenario, under the new law, you cannot share tips with managers or other salaried employees. You may share with bus-persons, runners, bartenders, hostesses, cooks, dishwashers, etc.

# Calendar for December 2018, January, February 2019

## DECEMBER –INFO NEEDED AT KALLAS

- Give us any missing or corrected employee information. That includes addresses, names, social security numbers.
- Give us any information on bonuses, taxable fringe benefits, auto reimbursements, health insurance premiums or any other information that will be needed to produce W-2's.
- Give us any information we request regarding completion of the 8% Annual Return of Tip Income and Allocated Tips. That information would be charge sales, charge tips, indirect tips, etc.
- Any information needed to prepare 1099 Miscellaneous Income for your contractors.
- For any purchases or sales of businesses during year, we will need legal docs by now.
- Any new construction or new equipment purchases should be to us by now.

### **DECEMBER 15**

- Corp: Taxes due for September fiscal year.
- Estimated Taxes due for fiscal year ending April, June, September or December.
- Payroll: If you are a monthly depositor, your Federal coupon and taxes should be paid on-line.

### **DECEMBER 20**

- Michigan Sales, Use and MBT estimates due.

### **DECEMBER 24 & 25**

- *Kallas closed for Christmas.*

## JANUARY –INFO NEEDED AT KALLAS

- Send us your Personal Property Tax Form when you receive it in December or January.
- Send us your new unemployment rate when you receive it in January. There is a fee if we have to research your rate.
- Any late accounting work received after January 20 that needs to be caught up will require an additional \$25 per month fee.
- Don't forget all Kallas fees need to be paid up to date to receive W-2's.

### **DECEMBER 31 & JANUARY 1**

- *Kallas closed for New Year.*

### **JANUARY 10**

- W-2's will be mailed from our office starting today.

### **JANUARY 15**

- Individuals: Final installment of your 2017 estimated tax due.
- Corp: Taxes due for October fiscal year
- Corp: Estimated Taxes due for corporations with fiscal year ending January, May, July or October.
- Payroll: Your Federal coupon and taxes should be paid

### **JANUARY 22**

- Michigan Sales, Use and MBT estimates due.

### **JANUARY 25**

- UIA form 1020 due for 4th Quarter.

### **JANUARY 31**

- Furnish Forms 1098, 1099, and W-2G to recipients.
- Furnish Form W-2 to employees who worked for you during 2017.
- Furnish Form 1095-C to employees who received health insurance through your business.
- Deposit any FUTA tax owed through December 2017.
- File Forms 940, 941, 943, 944 and/or 945 if you did not deposit all taxes when due.

### **FEBRUARY 1**

- File Form 632 (L-4175), Personal Property Statement to city of business.

### **FEBRUARY 12**

- Kallas Restaurant Accounting closes the books for all calendar clients. Any 2017 bookkeeping material submitted after this date requires a billable work order.

### **FEBRUARY 15**

- Furnish Forms 1099-B, 1099-S and certain Forms 1099-MISC to recipients.
- Corp: Taxes due for November fiscal year
- Corp: Estimated Taxes due for corporations with fiscal year ending February, June, August or November.
- Payroll: Your Federal coupon and taxes should be paid.

### **FEBRUARY 20**

- Michigan Sales, Use and MBT estimates due.

### **FEBRUARY 28**

- File information returns, including Forms 1098, 1099 and W-2G.
- File Form W-3 with Copy A of all Forms W-2 issued for 2017.
- File Form 8027 Tip Reporting if you are a large food or beverage establishment.