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MICHIGAN UNEMPLOYMENT OFFICE GOING THROUGH MAJOR CHANGES

As I have written in previous newsletters, the Michigan Unemployment Office is going through some radical changes – not all of which are good.

They converted all their records to a website called MIWAM and they are requiring all communications and payments be made electronically. That is the good news and the bad news.

The website allows taxpayers to monitor their account, make changes and perform other administrative tasks easier but it is proving to be a total mess when you want to track payments, credits and reports.

We are finding instances of balance due notices going out to the taxpayer even when the taxpayer has paid the tax in full and timely. We are finding instances of current payments being applied to prior quarters with no way to track how the payments are being applied. The MIWAM reports showing payments and credits, in some cases, are irreconcilable. In other cases the amount of credits that show on the reports do not match payments made by the taxpayer.

Simple requests for waivers are taking up to a year and one half to conclude and a formal rate appeal we filed in 2012 is still not resolved by an Appeals Officer.

Penalties for minor violations are ridiculously severe. Deadlines for responding to notices are far too short for independent business owners to reasonably comply with. And now that everything is done electronically, constant monitoring of your account is causing the cost of UIA compliance to go up.

Kallas has been in discussions with a high level administrative manager at UIA in Lansing regarding these problems as well as lower level local administrators. They have told us they think it will take at least 6 months to correct the issues with the website. We have also talked to the Michigan Restaurant Association about how these problems can be addressed politically. In the meantime, we are stuck with plowing through the bureaucracy and waiting.

If you receive notices from the UIA, please, as always, forward them to us. We are working with administrators at the UIA on clearing up any and all issues that have been popping up since the MIWAM website was re-organized.

In the old days (a few years ago), when humans handled Unemployment Claims, paid



the quarterly taxes and calculated the forms, things were easier and less costly. Now, we have to keep up with computers. Computers are great for government because they are faceless, untiring and fast. They can spit out more penalties and notices than a thousand humans. And if they make a mistake or their reports are undecipherable – well now it's on us to figure it out.

As a result of the new UIA demands, unemployment services are sprouting up across Michigan offering unemployment monitoring at a fee. As your payroll provider and your accounting service, Kallas, in the past, has provided UIA services at no extra cost to you.

Beginning in 2017, Kallas Restaurant Accounting will be instituting an Enhanced UIA Service at \$.12 per employee per pay period. For an average restaurant with 40 employees, the cost is \$4.80 per pay period. This fee will automatically appear on your invoices beginning with the January 1, 2017.

We will be sending more information to you before year end on the Enhanced UIA service.

WHAT MAKES A GOOD ACCOUNTING FIRM

What factors make a good accounting firm for you and your business? This is a question I re-visit every year to make sure we are providing value to you – our dear clients.

I am always talking to other accountants and payroll companies. Observing how they do things and asking if we can improve what we do for you. I also talk to clients every day and get feedback from you on how to improve.

Each year we do make improvements and, believe me, keeping up with the demands of the government keeps us constantly on our toes.

From 1960 to 2015, the federal regulators who directly regulate business increased

by more than 1800 percent from 3.06 billion to 57.05 billion. And this does not include the IRS, the Social Security Administration, the Defense Department or the



Centers for Medicaid and Medicare. The state of Michigan is right behind the feds in adding laws, regulations, rules and penalties. This is the challenge small restaurants and their outside accountants must face in today's business world.

So what makes for a good accounting/payroll/tax service for today's restaurant and bar owner?

Right size. There is a broad range of accountants and payroll services in the market. From the large regional firms to the bookkeeper working out of his or her house. Fees and knowledge correlate very closely to size. Larger firms are going to be very expensive and the small guy working out of his house is going to be cheap. Whether they have the knowledge of tax law and the restaurant industry and can provide the services you need as well as knowledgeable answers to your questions is another story. Kallas is "right sized" for most restaurant owner's needs, meaning we are not too big and we are not too small to meet your needs most precisely.

Specialization and expertise. We have made the claim for 70 years and it still holds true today. No other accounting or payroll firm in Michigan specializes 100% in the bar-restaurant industry. Every day, employees here at Kallas are answering questions regarding taxes and management related to the restaurant industry. Our experience in this industry is unparalleled. I talk to accountants with expert knowledge of taxes who have not even heard of some of the issues we deal with every day. And our office systems are set up to cater only to our restaurant clients. We don't spread ourselves thin by handling bowling alleys, car dealerships, grocery stores, metal shops, medical practices and other industries. This newsletter, which we have been producing every quarter for 31 years, is an invaluable free service to our clients and no other accounting firm has anything like it.

Right Pricing. I check competitive pricing all the time. Some accountants will not even take a restaurant client because it is too much work for too little money. Others expect you to do all the work. Others will charge you to do research for simple things that if you know the restaurant industry, you would know. And others don't know what they don't know. Last week I was out at a new client that previously used ADP for payroll. The Kallas price for payroll, bookkeeping and tax returns was \$120 more than what ADP charged for just payroll. That new client was very, very happy. We can charge very reasonable fees – fees that a restaurant can afford because of our specialization, our "right sizing" and our bundled services.

Responsiveness. When you call Kallas, you talk to someone immediately. You don't get an answering machine with 10 to 12 options and, if you are lucky, a return call the next day. Many accountants and payroll companies prefer using voice mail to save effort. Against many people's advice, I refused that notion years ago. Our clients need answers right away. New clients who come to us are astounded when they see how fast we give them answers especially when they were used to sometimes waiting days for an answer from their prior accountant.

Bundling. We bundle our bookkeeping, tax and payroll services to give you the biggest bang for your dollar. Buying these services separately will usually cost more. In addition, you only have to make one call to get issues resolved. There is no finger pointing when you have a problem. Everything is handled by one expert company.

Personal relationships. We have a personal relationship with every client. You are not a number with us. We know your goals, your resources, the things you value, the things you need, your risk tolerance and your sensitivity to tax issues and we use that information to better serve you.

So what factors make a good accounting firm right for you? Right sizing, expertise in the industry, right pricing, responsiveness, services offered and personal attention – and don't forget gratitude. We never take for granted what you do for us. Thank you again for your continued patronage.

RESTAURANT TRADESHOW FUN

It is not often that we can have fun, socialize and learn something. The Michigan Restaurant Tradeshow 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.

Each year the show seems to get busier. If you couldn't make it this year, we hope to see you next year.



Kallas accountants James Humenik & Daniel Wilson at the MRA Tradeshow

NEW PAYROLL ENHANCEMENTS STARTING JANUARY 1, 2017

Kallas is in the middle of conversion from our old payroll program to a new state-of-the art payroll program. Some people have compared it to going from a Ford Taurus to a Maserati.

The new program will have options to allow you to enter your own payroll if you choose, have you or your employee enter new employee information or access their records on their own if you choose. You can view payroll reports via our website, access prior year records and tax returns in electronic format, download payroll from your POS to excel spreadsheets and then to us and many other features we will inform you of as we roll out the new program into our everyday routine.

We have hired extra people to help with the conversion as we are converting over 40,000 employee records to the new system. Our current staff is working overtime to prepare your current payrolls, meet year end deadlines and learn the new system. Kallas has hired Lynn VanDoren who has years of experience in payroll at both Paychex and MyPay Solutions to supervise the conversion. Even so, there are bound to be glitches and we ask your patience when things start rolling out on January 1.

NEW FEES BEGINNING 2017

Enhanced UIA Service. As a result of the Michigan Unemployment Agency requiring electronic filing, paying and communications, new deadlines and penalties, your exposure to increased costs has risen dramatically. *See accompanying article page 1.*

Kallas has instituted increased monitoring procedures and safeguards and is in greater communication with UIA than ever before. All other payroll services that we are aware of charge a UIA fee for monitoring and answering UIA correspondence and we have to also. The fee will be \$.12 per employee per payroll period. For an average restaurant payroll the cost will be under \$10 per month. The fee will be on your January billing and we will be sending out more information about the Enhanced Unemployment Service over the next 60 days.

The new fee starting January 1, 2017 for electronic transferring of payroll tax payments will be \$15 per occurrence and for sales tax payments will be \$20.

The new W-2 fee for 2016 will be \$50 + 3.5 per W-2.



WHAT TO DO WITH FRIEND OF COURT NOTICES

Many restaurant owners receive Friend of the Court (FOC) withholding orders. These court orders require an employer to withhold monies out of the paycheck of the subject employee and forward those monies to the court.

There are strict rules regarding FOC orders and an employer can get stuck with owing monies to the court if not paid or withheld properly.

Kallas Auto Payroll service provides FOC services as part of your payroll at a minimal cost. Note that FOC orders are different than Garnishments. Garnishments are a separate topic we will talk about in a future newsletter.

Here are the basic rules regarding FOC orders. For an expanded explanation of the rules, call Ravyn at Kallas.

- Any employer (or other source of income) who receives a notice of income withholding and who owes money to the employee must withhold income.
- An employer must withhold income seven days after the employer receives the notice.
- For Michigan court cases, an employer must send the income to the Michigan State Disbursement Unit (MiSDU) within three days after it is withheld.
- In Michigan cases, the FOC whose circuit court ordered support must send a new notice to the employer if the support amount changes.
- The income-withholding remains in effect until it is canceled. The FOC will send the employer a written notice to stop the withholding.
- Under Michigan law, an order to withhold income for child support has priority over all other legal processes for the same income, including garnishments and other payroll deductions (except tax withholding and other child support orders).
- Employers are liable for any support that they fail to withhold. The court will require the employer to pay the amount it should have withheld. The court may also find an employer in contempt of court and impose

a fine for failing to obey the withholding order.

- Under MCL 552.608 and 552.611a, no more than 50 percent of the employee's disposable income may be withheld.
- An employer must include the employee's name and social security number, the employee's court case number, the amount it issues, and the date on which the money was withheld from the employee's income. The employer or other source of income must also provide its federal employer identification number.
- Michigan law does not allow employers to charge a fee for processing Michigan income withholding orders.
- An employer must obey an income withholding notice even if the employee disputes the order.
- Employers must notify the FOC if the employment relationship ends or is interrupted for a period of 14 or more consecutive days. In the case of termination, employers must also provide the FOC with the employee's last known address and the name and address of the employee's new employer (if the employer has that information).
- It is a criminal offense to refuse to employ someone, or to discharge, discipline, or penalize a current employee because of income withholding. It is punishable by a fine up to \$500 and full restitution to the employee, including both reinstatement and back pay.
- Upon the FOC's request, an employer must provide the employee's full name and address, social security number, date of birth, amount of wages or other income, and employment status, plus information about any dependent health care coverage that the employee can obtain as a benefit of employment.
- Michigan law now allows the FOC to send an income withholding notice to employers or other sources of income regarding fines, fees, and costs by an employee. These notices are on a separate income withholding notice and the withheld income should be sent directly to the FOC. Normal child support income withholding notices take precedence over the notices payable to the FOC.

TOP 10 RED FLAGS FOR NEW RESTAURANTS

After 40 years advising new restaurant owners, I have come up with 10 of the most common red flags that increase the risks of failure.

1. Not having a good idea of the type of customer you want to draw and the corollary; not providing an appealing experience for that customer.
2. Having multiple partners with roles and functions not clearly documented. Misunderstandings between partners are more common than you may think and can ruin an otherwise successful project.
3. Underestimating what it costs to open or take over an existing restaurant and the corollary; being undercapitalized.
4. Not having prior restaurant experience in at least a general manager capacity.
5. Not having prior restaurant experience and thinking you can hire people to do everything.
6. Thinking you are going to save money being your own lawyer or accountant and the corollary; having poor legal or financial records.
7. Do it yourself accounting. This may be self-serving but if you ask any consultant, the absence of well organized and implemented accounting systems is a big factor in failures.
8. Not enough sales. You can fix just about any problem in a restaurant but if the sales is not there, your chances of success go down significantly.
9. Over-leveraged and the corollary; paying too much for what the restaurant is capable of producing.
10. Not having weekly reports and paying attention to prime costs like labor, food and beverage.



OUR 2016 HOLIDAY SCHEDULE

Please post this schedule for reference.

Our office will be closed on:

- Thursday, November 24 & Friday, November 25 for Thanksgiving.
- Thursday, December 22 & Friday, December 23 for Christmas.
- Thursday, December 29 & Friday, December 30 for New Year's.

Normal call/ fax day	Call or fax this day
Nov 24 Thursday	Wednesday Nov 23
Nov 25 Friday	Monday Nov 28
Dec 22 Thursday	Wednesday Dec 21
Dec 23 Friday	Wednesday Dec 21 or Monday Dec 26
Dec 29 Thursday	Wednesday Dec 28 or Monday Jan 2
Dec 30 Friday	Wednesday Dec 28 or Monday Jan 2

You can always fax or scan & e-mail your payroll callsheet. Both are available 24/7.

Payroll Fax Line 313-962-7113 or
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.

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.

You will be asked your mailing preference when calling in your payroll.

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

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

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REMINDERS - YEAR END IS FAST APPROACHING. DON'T FORGET:



December 1. New salaried employee rules go into effect. See accompanying article page 3.

December. Give us any missing or corrected employee information. That includes addresses, names, social security numbers.

December. 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.

December. Give us any information we request regarding completion of the Annual Return of Tip Income and Allocated Tips. That information would be charge sales, charge tips indirect tips, etc.

December. Any information needed to prepare 1099 Miscellaneous Income for your contractors.

December. For any purchases or sales of businesses during year, we will need legal docs by now.

December. Any new construction or new equipment purchases should be to us by now.



January 1. New minimum wage goes into effect.

January. Send us your Personal Property Tax Form when you receive it in

December or January.

January. Send us your new unemployment rate when you receive it in January. There is a fee if we have to research your rate.

January. Submit all your 2016 bookwork. Any late accounting work received after February 12 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.

ANNUAL MICHIGAN MINIMUM WAGE CHANGE

2017

Minimum Hourly Wage	\$8.90
Tipped Employees	\$3.38
Minor Employees (under 18)	\$7.57

Calendar for December 2016, January, February 2017

December 12

- Deadline for any missing or incorrect employee W-2 information, year end bonuses, taxable fringe benefits, auto reimbursements, and health insurance premiums.

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 22 & 23

- Kallas closed for Christmas.

December 29 & 30

- Kallas closed for New Year's.
- You should receive your personal property tax statement from the city. Mail this statement to Kallas immediately.

January 5

- For those of you who are required to file under the 8% tip law, have your final year-end sales to us by today.

January 10

- W-2's will be mailed from our office starting today. Please inform us if you want your W-2's mailed in any special way.

January 17

- Individuals: Final installment of your 2016 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: If you are a monthly depositor, your Federal coupon and taxes should be paid on-line. If you are a semi weekly depositor, your Federal coupon and taxes are due on Wednesday or Friday depending on what your payday is.

January 20

- 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 2016.
- Furnish Form 1095-C to employees who received health insurance through your business.
- Deposit any FUTA tax owed through December 2016.
- 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 2016 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: If you are a monthly depositor, your Federal coupon and taxes should be paid on-line. If you are a semi weekly depositor, your Federal coupon and taxes are due on Wednesday or Friday depending on what your payday is.

February 21

- 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 2016.
- File Form 8027 Tip Reporting if you are a large food or beverage establishment.