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To all Kallas clients. Please review carefully this quarter's newsletter subjects. A lot is changing in the restaurant industry. Restaurants will have to adjust quickly.

Kallas is on top of these changes and is well positioned to support you, answer your questions and avoid the risk of penalties but we need you to be aware and participate.

In this issue are articles on:

- Two new minimum wage increases in 2025 (article on page 5).
- Call to Action: We need to make our voices heard regarding bad legislation (article on page 1).
- New BOI reporting penalties start January 1, 2025 (article on page 2).
- To-Do lists for the remainder of 2024 (article on page 4).
- Kallas holiday schedule (article on page 5).
- ACA reminder (article on page 4).

MICHIGAN VOTERS: IMPORTANT CALL TO ACTION

By now you probably have heard that the democrat majority Michigan Supreme Court went partisan last July to strike down the Workforce Opportunity Wage Act (2018 PA 368) and Paid Medical Leave Act (2018 PA 369) arguing that they are unconstitutional because they amended ballot initiatives that had been adopted into law within the same legislative session.

This results in two never-voted-for, never-debated, anti-business laws coming into effect starting February 25, 2025.

There is still time to legislate modifications to these laws. Many legislators of both parties and the Governor have expressed willingness to listen to changes but our industry must put the pressure on.

As it stands now:

THE NEW MINIMUM WAGE AND TIP CREDIT LAW

In addition to the normal minimum wage increase starting January 1, 2025, the new law requires a second increase starting February 21, 2025.

As of February 21, 2025 (**see article pg 5**), the second new minimum wage increase goes to \$12.48 per hour. Tipped employees must be paid \$5.99 per hour. Youth minimum goes to \$10.60 per hour. (This is an increase of \$2.06 per hour for tipped employees.)

Please note that starting February 21, 2025 the tip credit which allows you to pay tipped employees less than the minimum will gradually phase out until in 2030 when it will no longer exist. This increases your labor cost dramatically.

This is a job killer. Can you imagine? Our payroll data show tipped employees make at least \$20 per hour. Add a \$15 minimum wage to that and they are making \$35 per hour. That's crazy.

Starting	New Michigan	Tipped Employee
2025	\$ 12.48	\$ 5.99
2026	\$ 13.29	\$ 7.97
2027	\$ 14.16	\$ 9.91
2028	\$ 14.97	\$ 11.98
2029	To be determined	90% of minimum wage
2030	To be determined	Same as minimum wage

THE NEW PAID SICK LEAVE LAW.

The following will be effective on February 21, 2025.

- All employers in Michigan must provide an accrual of 1 hour of paid sick leave for every 30 hours worked.
- Employers with less than 10 employees must provide up to 40 hours of paid sick time per year.
- Employers with 10 or more employees must provide up to 72 hours of paid sick time per year.
- Employers must allow for a carryover of unused paid sick time from one year to the next with no cap.
- Employers can only require a doctor's note after 3 consecutive sick days off.
- There are no eligibility exceptions to the law – everyone is eligible regardless of their employee status. Part-time, seasonal, temporary, exempt or non-exempt.
- All employers must provide the paid sick leave regardless of number of employees.

- Employer must pay tipped-employees based on base wage plus average tips from the prior week.
- Employer must allow for paid sick leave to be taken on the smallest time increment that the HR software allows.

CALL TO ACTION

This law, especially the elimination of the tip credit and the entire sick pay law is unworkable. We must push hard to get this law modified or eliminated.

1. Call your state senator and representative and voice your concerns.
2. Write your state senator and voice your concerns.
3. Vote pro-business this November. (The two pro-business Supreme Court Justices up for election are Andrew Fink and Patrick O'Grady.)
4. Go to the Michigan Chamber of Commerce, Michigan Manufacturers Association, and Michigan Restaurant and Lodging Association websites. They have letters they will send on your behalf.
5. Many of you have legislators that eat at your restaurants. Voice your concerns to them.
6. Talk to other restaurant owners. Let's band together.
7. Whatever publicity you can generate about this is important. What will a table service meal- out cost if tipped employees are making \$35 per hour? This paid sick leave law is unworkable. Your labor costs will be uncontrollable because, as currently written, employees can game the system.

NEW BOI REPORTING NON-FILING PENALTIES START JANUARY 1, 2025

BENEFICIAL OWNERSHIP INFORMATION REPORTING REQUIREMENT HAS STIFF PENALTIES FOR NONCOMPLIANCE

Starting January 1, 2024 a new mandatory ownership reporting requirement for small businesses (corporations, partnerships and LLC's) was instituted.

Three years earlier, in 2021, Congress passed the Corporate Transparency Act on a bipartisan basis. This law created a new *Beneficial Ownership Information* (BOI) reporting requirement as part of the U.S. government's efforts to make it harder for bad actors to hide or benefit from their

ill-gotten gains through shell companies or other opaque ownership structures.

Under this law, small corporations and LLC's are required to provide to the Financial Crimes Enforcement Network (FinCEN) information on all "beneficial owners."

A beneficial owner is **any** individual who owns or controls at least 25 percent of the ownership interests of a company OR individuals who directly or indirectly "exercise substantial control" even if they are not actual owners.

Initial Reporting -

Starting January 1, 2024, FinCEN began accepting Beneficial Ownership Information (BOI) reports for businesses formed before 2024.

Companies started during 2024 have 90-days to submit BOI initial report and documentation.

Companies started after January 1, 2025, will have 30-calendar days to file their initial BOI reports.

Required information for the business includes full legal name, all DBA's, EIN, the business's physical address.

Required information for ALL beneficial owners includes legal name, date of birth, current residential address, driver's license number (or passport) and an image of the ID being used.

Updated Reports -

BOI is not an annual report. However, if any of the reported information changes an Updated Report Form and supporting document must be submitted within 30 days of the change.

Changes such as: new DBA, new physical addresses for the business, new or removing beneficial owners, changes to any beneficial owners name, addresses, or ID numbers.

Note: There is no requirement to report a company's termination or dissolution.

Exclusions -

The only excluded restaurants would be ones with 20 or more full-time employees and more than \$5 million in sales the prior year.

"Inactive entities" are also excluded if a business ceased to conduct business and formally dissolved before January 1, 2024.

If the dissolution process was not complete before 1/1/2024, there IS STILL a BOI requirement.

Penalties-

Penalties may be imposed on the entity and any person who causes the failure.

Again, this is not an annual report. After the initial report, only changes need to be made but they must be made very promptly to avoid outrageous penalties.

Penalties for failing to comply with the filing requirements start at \$500 per day and there may be criminal penalties for willful failure to comply.

BOI REPORTING ASSISTANCE AVAILABLE WITH KALLAS

Kallas has been working hard to help our clients meet the new Beneficial Ownership Information filing requirements ahead of the December 31, 2024 deadline.

Three important parts:

1. This is new reporting that nearly all our clients MUST do in order to avoid hefty penalties, but
2. You do not need Kallas to do it for you. We are offering it to our clients as a convenience and time saver so you don't need to go online and complete the report yourself.
3. We cannot assume you want us to help with this. It is not tax-related and is outside of all existing business arrangements. You must contact us if you want help.

Kallas is offering a BOI initial report service which will help you with your BOI reporting requirements

If you are planning to file your BOI reports yourself or have an attorney handle it for you, just let us know so we can take you off the reminder list.

If you would like the convenience of Kallas's assistance, we are trying to get everyone completed early to ensure compliance without the stress of last-minute preparations in December. Please contact Valerie at vchristy@kallascompany.com as soon as possible to get started.

If you have any questions, please contact Sheri, Dawn, or Valerie at Kallas.

For more information, visit www.fincen.gov/boi

Calendar for December 2024, January, February 2025

December 7

- Deadline for any missing or incorrect employee W-2 information, year end bonuses, taxable fringe benefits, auto reimbursements, and health insurance premiums. Inform us if you want W-2s sent any special way.

December 15

- Corp: Taxes due for September fiscal year.
- ACA: Kallas will notify you of your filing obligations for 2024 and 2025.
- 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 25

- Kallas closed for Christmas.

January 1

- Kallas closed for New Year's.
- Michigan's minimum wage rate will increase to \$10.56 per hour. The tipped employee rate of hourly pay increases to \$4.01 per hour.
- ACA: If you are over the 50 full time threshold, you should start compliance for 2024 by obtaining a legitimate health insurance offering to your full time employees and their dependents and obtaining waivers for those who opt out.
- You should receive your personal property tax statement from the city. Mail this statement to Kallas immediately.

- BOI: Reporting requirement for new businesses change to 30 days of creation or registration.

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.

January 15

- Individuals: Final installment of your 2024 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 20

- Michigan Sales, Use and MBT estimates due.
- Any accounting work for Jan-Nov received after Jan 20 will be billed a premium due to being late.

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 full time employees.
- Furnish Form 1095-C to employees who received health insurance through your business.
- Deposit any FUTA tax owed through December 2024.
- 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 2024 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 21

- Michigan's minimum wage rate will increase a second time this year to \$12.48 per hour. The tipped employee rate of hourly pay increases to \$5.99 per hour. Youth employee rate of hourly pay increases to \$10.60 per hour. *As time of publishing, there is pending litigation that might affect this minimum wage increase.*

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 2024.
- File Form 8027 Tip Reporting if you are a large food or beverage establishment.

YEAR END IS FAST APPROACHING

NOVEMBER To Do List

- Ask your employees to review the information on their check stubs before year end. Especially social security numbers, name spelling and addresses. An incorrect social security number can cause several hundred dollars in penalties for each instance plus rejection of your W-2's. your W-2s.

DECEMBER To Do List

- 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.
- If you are a large tipping establishment, Kallas may request information regarding completion of the Annual Return of Tip Income and Allocated Tips.
- Give us federal ID numbers, addresses and amounts for any 1099 Miscellaneous forms you want us to prepare. Please note that penalties for late 1099's have gone up.
- If you purchased a business and have not given us legal documents or start up costs, we will need them at this point.
- Any new construction or purchases of major equipment that we have not received during the year are due now.

JANUARY To Do List

- Send us your New Unemployment Rate form.
- Send us your Personal Property Tax form from the city or local jurisdiction.
- Turn in all of your 2024 bookkeeping before January 20.
Any accounting work for January through November 2024, received after January 20, will be billed at a premium due to it being late.
- If you are liable under Obamacare (ACA) to provide health insurance to your full time employees you should have your waivers signed and stored in case they are needed in the future. ACA form 1095-C's are due January 31.

JANUARY To Do List (CONT.)

- Hand out W-2's. Reminder: all Kallas fees need to be up to date to receive W-2's.
- Hand out 1095-C forms if required
- You should receive your 2024 Tax Organizer for your personal Income Tax. Complete the information, sign and return to Kallas. If you need an appointment, call Nick at 313-962-6000.

ARE YOU REQUIRED TO FILE UNDER ACA RULES?

NOW IS THE TIME TO THINK ABOUT IT

The Affordable Care Act requires that every business with over 50 full-time equivalent employees offer health insurance to its full-time employees and file forms with the IRS and with employees.

The ACA rules a quite complex. If you own more than one location, you must combine locations for purposes of the 50 employee test.

Yearly testing is required and there are specific rules which define an "offer". Rules on how to count full and part-time employees. Rules on how ownership is determined for multi-location chains. And legal techniques on how to avoid actually having to buy expensive health insurance for certain employees.

Penalties for non-compliance are horrible and can run into the 10's of thousands of dollars. If you are unsure whether you are liable, call our office to make sure you are on our ACA testing list.

Kallas has provided the filing service and ACA advising service for all its payroll clients since the law was passed.

Be aware, though, that Kallas cannot provide the ACA service unless you use the Kallas payroll service.

If you are using a non-Kallas payroll service and you are liable for ACA, please contact your payroll company now and talk to them about your ACA obligations.

Or, as a better option, Kallas would welcome your payroll business and your ACA obligations would be covered by knowledgeable accountants.

If you have any questions, call Jordan or George at (313) 962-6000.

MICHIGAN'S MINIMUM WAGE WILL INCREASE TWICE IN 2025

We would like to inform you of important changes to the minimum wage regulations in Michigan, The first will take effect January 1, 2025 and the second February 21, 2025.

Key Changes to the Michigan Minimum Wage:

January 1, 2025

The standard minimum hourly wage will increase from \$10.33 to **\$10.56** per hour.

The tipped employee rate increases from \$3.93 to **\$4.01**.

The rate for minors under 18 will increase from \$8.78 to **\$8.98** per hour.

The training rate of \$4.25 for newly hired employees under the age of 20 for their first 90 days of employment remains the same.

February 21, 2025

Minimum Wage: The new minimum wage for non-exempt employees will increase to \$12.48 per hour, up from the current rate of \$10.56 per hour. This applies to most workers across the state, including part-time and full-time employees.

Tipped Employees (Servers): For employees who receive tips, such as servers, the minimum wage will increase to \$5.99 per hour, up from the January 1 rate of \$4.01 per hour. As a reminder, employers must ensure that tipped employees' total earnings (including tips) equal or exceed the new standard minimum wage rate of \$12.48 per hour.

Youth Minimum Wage: For employees under the age of 18, the minimum wage will rise to \$10.60 per hour, ensuring fair pay for younger workers.

Overtime and Exemptions: Overtime rules remain unchanged. Non-exempt employees are still entitled to overtime pay (1.5 times their regular wage) for hours worked over 40 in a week. Certain exemptions and specific industries may have unique rules, so it's important to review how these changes may impact your business or employment situation.

Action Required:

We will make the rate changes automatically. Employers and employees should review their payroll reports and pay stubs and contact their employer with any questions or concerns.

We encourage everyone to stay informed about these new minimum wage rules and their impact. If you have any questions or need additional information, please feel free to reach out to us.

2024 HOLIDAY SCHEDULE

Our office will be closed on:

- November 28 & 29 for Thanksgiving.
- December 25 for Christmas.
- January 1 for New Years.

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

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

PAYROLL FAX : 313-962-7113

PAYROLL E-MAIL: payroll@kallascompany.com

*While the phones will be off, some employees may be processing faxed and e-mailed payrolls.
Don't wait to send your information!*

If you call in your payroll instead of e-mailing, faxing, or using direct entry, we ask that you follow the schedule below:

Normal call day	Call this day
Thursday Nov 28	Wednesday Nov 27
Friday Nov 29	Wednesday Nov 27
Wednesday Dec 25	Tuesday Dec 24 or Thursday Dec 26
Wednesday Jan 1	Tuesday Dec 31 or Thursday Jan 2

We offer 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 these services.

If you need to change your payday due to the holidays; please let us know when calling 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 could benefit from "Cloud" services.