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Upcoming KMG Events

Spring/Summer

Technology Forward - ipad lesson with an Apple Genius

Imerman Angels Charity Golf Outing

Fall/Winter

Medicare for Retirees

KMG Holiday Party



KMG

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CLIENT SPOTLIGHT:
Catching Up with
Bill Mitchell – Tax Assassin

**2013 TAX CHANGES
AND UPDATES**

UPCOMING KMG EVENTS



Our client profile in this issue of the KMG newsletter is Bill Mitchell.

Bill Mitchell

Idle days simply don't exist for Bill Mitchell, managing partner of KMG Accounting. It's been that way ever since the Chicago native graduated from the University of Illinois with a degree in accounting.

Knowing he didn't want a desk job, Mitchell took the civil service exam and interviewed with the Federal Bureau of Investigation and Internal Revenue Service. He started his career in the late 1970s, working as a Special Agent with the Criminal Investigation Division for the IRS, based in Chicago. He worked on solving cases involving tax law violations.

A majority of his work involved uncovering unreported income from drug busts. As part of his job, Mitchell carried a handgun and participated in raids and sting operations. He estimates that he spent at least 50 hours a week doing surveillance work. "It was dangerous, at times," he says. "We were always following leads, not knowing for sure who these people were." Mitchell worked on one particular case for nearly four years, which resulted in the arrest of 32 people for trafficking of cocaine and failure to report the proceeds on their tax returns.



While the pay wasn't great, Mitchell enjoyed his time with the IRS. But after five years, Mitchell left to join his family's restaurant business, Knickers, a popular steakhouse based in Des Plaines that opened in the late 1980s. The 28,000 square-foot restaurant, which was operated by Mitchell's parents and brother, featured a roaring 1920s theme, banquet hall and a lounge with live entertainment. "It was a chance to help my family and make some decent money at the same time," says Mitchell, who performed a variety of duties including accounting, banquet sales, as well as overseeing the daily operations.

In the 1990s the restaurant shifted gears and became Grazie Ristorante, a popular Italian restaurant that has since closed. "I enjoyed my time with the family business," Mitchell says.

Bill Mitchell (cont.)



"The customers were great, but in the restaurant business you work long hours. I needed a change of pace."

Five years ago, Mitchell joined KMG Accounting when the firm was looking to expand its accounting services. Mitchell, along with John Kwarcinski, oversees the daily operation for the accounting division. Among his responsibilities include administering payroll reports and financial statements and the preparation of annual tax returns. The accounting team works with an average of 350 clients each year. Their hectic time typically runs between January and April.

As part of his job, Mitchell visits more than 30 corporate clients on a monthly basis. He sees clients throughout the Chicago area including Libertyville, Cicero, Lake Zurich and Schaumburg. Face to face time with clients, he says, even over a cup of coffee, is instrumental in developing business relationships.

"I enjoy meeting with clients," he says. "I don't feel like I'm their bookkeeper. When we build that trust, they feel more like family."

Mitchell handles tax work for about 50 percent of KMG's clients. In turn, when his clients need financial expertise, he refers them to Jim Koliatsis, Ryan McCain and Greg Tong. "It's become a full-service business," he says. "We've built a great partnership between the financial and accounting sides. One feeds off the other. Other firms don't offer this type of service."

Mitchell lives in Skokie with his wife, Bessy, and their three children: Tia, 14, John 13 and Thomas, 10. The family enjoys a night out for dinner and theater, attending their children's sporting events, or spending a quiet night at home. They also look forward to family vacations to Wisconsin, Florida and Greece to visit relatives. Mitchell speaks fluent Greek, which helps attract Greek clients.

While he has no plans of slowing down, Mitchell hopes to one day pass his business on to his children. Just not yet. "I really enjoy what I do," he says. "I get great satisfaction helping our clients succeed."

"The customers were great, but in the restaurant business you work long hours. I needed a change of pace."

KMG Accounting is not affiliated with KMG Private Wealth Management.

2013 Tax Changes and Updates

A summary of tax changes for 2013 as a result of the fiscal cliff debate.

Below is a summary of the highlights of the changes that have been approved by Congress and the Obama Administration through the recent fiscal cliff discussions.

The latest legislation raises income-tax rates for the first time in almost two decades. It permanently codifies most of the tax rates that were set only temporarily in the Bush era. Here are the highlights:

Whose taxes are increasing? Social Security withholding for employees goes back up to 6.2% (12.4% for employers or self-employed individuals) from 4.2% on earnings up to \$113,700 in 2013. The average household earning \$50,000 will pay an extra \$1,000 in taxes in 2013 as a result. Those earning \$113,700 will pay an additional \$2,274 this year. This tax increase is expected to affect 77% of households, according to the nonpartisan Tax Policy Center.

What about capital gains? For couples with incomes over \$450,000 or individuals with incomes exceeding \$400,000, capital gains and qualified dividend taxes increase to 20% from 15%. The 3.8% Medicare tax imposed from the Affordable Care Act remains at \$200,000 single and \$250,000 married filing jointly.

What are the phase outs? Americans earning more than \$250,000 (single) or \$300,000 (married filing jointly) will be seeing the personal exemption phasing out at these levels. Additionally, 80% of itemized deductions for wealthy taxpayers, including charitable donations, state/local taxes paid, and mortgage interest, are phased out because the taxpayers' incomes are deemed too high.

Is there news on tax credits? The child tax credit, the child and dependent care tax credit, the earned income tax credit and the American opportunity tax credit have all been revised. Certain business tax credits have also been extended, including the 50% bonus depreciation rules that apply to a wide variety of property and equipment, excluding real property.

What about donating IRA assets to charities? Taxpayers who are at least 70 ½ may donate up to \$100,000 of IRA assets to a charity; this extension has been extended through 2013. In addition, distributions to a qualified charity made before February 1, 2013 can be treated as a distribution for 2012.

How about the Alternative Minimum Tax (AMT)? Congress created a permanent and retroactive inflation "patch" to the AMT. The "middle class" can breathe a sigh of relief.

What about gift and estate taxes? The maximum rate goes up to 40% over the exemption amount of \$5 million (indexed for inflation). The right to leave your unused estate and gift tax exemption to your surviving spouse was also made permanent.

Are Roth Conversions OK? Yes, clients may convert an employer-sponsored qualified plan (401(k), 403(b), etc) to the designated Roth account of the same qualified plan.

What are the new tax brackets? They are 10%, 15%, 25%, 28%, 33%, 35%, and 39.6% (the top bracket applies to income over the amounts of \$400,000 single and \$450,000 married filing jointly).

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