

krd Client News

SUMMER 2015

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KRD PROFILE:

What Makes a Chicago Charter School Successful?



For close to 40 years, the **Instituto Del Progreso Latino** has been implementing a vision to support individuals in Chicago's south side communities with educational and professional advancement. With programs ranging from youth development to adult workforce education, the organization has grown into a vital service for families with both longtime roots in the region as well as new immigrants. Miguel Tovar has been involved with **Instituto** for the past four years, serving first as a member of the Board's finance committee, and then assuming the role of CFO two years ago.

Working with **Instituto** marked Tovar's first experience in the not-for-profit sector—prior to then he had spent over two decades in corporate finance, primarily in media companies. The transition felt like an organic one to Tovar: "After 22 years," he explains, "it made sense to me to do what I love in support of Instituto's mission. There are ways to bring the corporate culture into a not-for-profit without changing mission points and end results." He notes that a not-for-profit faces a number of unique challenges in order to operate. For an organization like Instituto that offers a diverse array of programs, each section may have different internal goals and be supported by different sources of grant funding—unrestricted funds that can be applied flexibly are ideal, but not always available, so being aware of the infrastructure is key to managing it well. "I'm putting into place policies and procedures designed to expand the mission," Tovar says. "It's about adding structure and improving systems to be more efficient and optimized."

Tovar is dedicated to further growth of **Instituto's** services in response to the evolving needs of the communities it closely serves, sometimes

by providing alternative or supplemental programs for Chicago Public Schools. Within the past five years, for example, the organization has been steadily developing the **Instituto Health Science Academy**, which provides students with an introduction into the healthcare industry. "We saw [the Academy] as the biggest need," Tovar says. "That's where we see the future going. We are helping open the door to train new nurses, X-ray technicians, and other professions." **Instituto** is also nationally recognized for its other "workforce bridge" programs, which include training in the fields of manufacturing and technology systems, creating skilled and knowledgeable candidates for gainful employment. Tovar explains: "We teach language, skills, and terminology that certain sectors are looking for; then we can go to those companies and tell them 'We have trained, advanced employees.'"

Although founded with the needs of Chicago's Latino community in mind, Tovar clarifies that the **Instituto** is not exclusive, and that what matters most to him is the ability to help anybody who wants to advance. "We will work in communities that border our own. We don't close our doors. We help with interview skills, resumes, getting citizenship papers. Helping somebody achieve an educational goal, a dream, a job—that's what gets me up in the morning."

Kutchins Robbins and Diamond became involved with **Instituto** at approximately the same time as Tovar took the reins as CFO, and he describes the relationship as crucial. "I can't tell you how fortunate we are to have found KRD," he says. "They've been able to help me organize as well as educate me a bit on the not-for-profit sector and the nuances between this and the for-profit sector. David Diamond and his team have been fantastic; they took the extra steps to help us minimize expenses and optimize what we're doing." KRD is happy to continue supporting Tovar and **Instituto Del Progreso Latino** in its worthwhile mission. ■



Kutchins, Robbins & Diamond, Ltd.

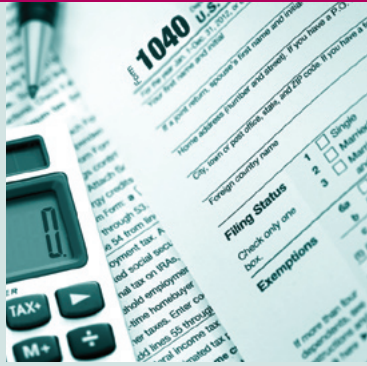
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Taxes and Inheriting an IRA



When the owner of an IRA dies, what happens with the IRA? Although surviving spouses have more options, a small mistake by non spouse heirs could trigger a huge tax bill.

Owners of traditional IRAs must start taking Required Minimum Distributions (RMDs) by April 1 following their 70-1/2 birthday. Non spouse beneficiaries of any age who want to “stretch” the IRA over their own life expectancies must start RMDs the year following the year the owner died. Heirs will have to pay tax, at ordinary rates, on distributions of deductible contributions and earnings from a traditional IRA. Also note that while Roth IRA owners never have to take RMDs, non spouse beneficiaries must (although still tax free).

Not taking an RMD results in a 50% penalty on the amount that should have been withdrawn for the year. If you miss an RMD, you may avoid the penalty by emptying the account within five years of the owner’s death (if the owner died before he had to start RMDs). Also note that if the owner died after starting RMDs but had not yet taken the RMD for the year in which he or she died, the non spouse beneficiary must take that RMD.

Non spouse beneficiaries cannot roll an inherited IRA into their own IRA. Rather, a separate account must be set up with a title that includes the decedent’s name and the fact that the account is for a beneficiary (e.g. Jane Doe (deceased June 1, 2015) IRA for the benefit of John Doe). If split amongst beneficiaries, each new IRA must be properly retitled (and then don’t forget to name successor beneficiaries).

Split the IRA among heirs especially if the heirs have a wide age difference. Otherwise, the age of the oldest beneficiary will be used to calculate RMDs which will shorten the number of years the money can grow tax deferred. (e.g. Beneficiaries are 75-yr old sister, 50-yr old son and a 20-yr old grandchild. If the account remains whole, all the heirs will have to calculate their RMDs on the 75-yr-old’s life expectancy). If the account is split by December 31 of the year following the year the owner dies, each beneficiary can use his or her own life expectancy to take RMDs and can choose how to invest the money.

Kiplinger Retirement Report, May 2015 ■



Congratulations! Max Kopytko, CPA recently earned his certification as a **Certified Fraud Examiner (CFE)**.

Consider Renting Your Residence For a Tax Shelter



Rather than selling your home at a loss and receiving no tax benefit for the loss, it may be to your advantage to turn it into a rental property and potentially claim a tax loss. You will need to prove, with good supporting documentation, that you’re serious about renting it out.

The Tax Court will evaluate the following factors in its decision to allow a tax deduction if there is a loss at the time of the eventual sale.

1. The length of time the home was occupied by the taxpayer as a personal residence before it was placed on the market for sale.
2. Whether the taxpayer permanently abandoned all further personal use of the home.
3. The character of the property (e.g. if it was a vacation home).
4. Legitimate offers to rent.
5. Legitimate offers to sell.

Learn from this case:

In 2004 a couple purchased an oceanfront condo in Florida for \$875,000. They used the property personally until 2006 when they decided to rent out the property and listed it with a broker specializing in oceanfront properties. The couple claimed that the broker showed their home as a model and advised prospects that it was available for rent.

The taxpayers also turned one of the bedrooms into a child’s room to make it more appealing to grandparents who were looking for rentals. The condo was featured in a portfolio of rental properties in the realty company’s office; however the couple said they received only two inquiries that didn’t work out.

They switched to a second broker in 2009, and listed the property for sale but then took it off the market to determine if it should be priced more competitively. When they sold the property in 2010 for \$725,000 or a \$150,000 loss from their initial investment and they deducted the loss on their 2010 return. However, based on their “facts and circumstances” the Tax Court ruled it was never actually converted to a rental property and denied the loss (because losses on the sale of personal residences are nondeductible).

Court reason for tax deduction denial:

Only minimal attempts to rent it out and no corroborating evidence of a rental agreement. ■



Harry Kraemer presents Values-Based Leadership at KRD Retreat

Harry Kraemer shared his knowledge and experience on values-based leadership at our annual firm-wide KRD Retreat.

Harry was the **former Chairman and CEO of Baxter International**, the multi-billion-dollar healthcare company where he worked for 25 years. He is currently an **executive partner with Madison Dearborn Partners**, one of the largest private equity firms in the U.S., where he consults with CEOs and senior executives. As a **Professor of Management and Strategy at Northwestern University's Kellogg School of Management**, Harry teaches in the MBA and Executive MBA programs. As recent as June of this year, Harry was selected by a class of executives in senior positions in various industries for the **"Best Faculty Award"**.

Harry has written two books on leadership and believes in "giving back" – all the proceeds from his book sales go to charity.

Insight on the Four principles of Values-Based Leadership:*

- 1. Self-Reflection:** *Ability to identify and reflect on what you stand for, what your values are and what matters most.*
- 2. Balance:** *Ability to see situations from multiple perspectives, including differing viewpoints, to gain a holistic understanding.*
- 3. True Self-Confidence:** *Acceptance of yourself, recognizing your strengths and skill mastery as well as your weaknesses while focusing on continuous improvement.*
- 4. Genuine Humility:** *Never forgetting who you are, appreciating the unique value of each person in the organization and treating everyone with respect.*

* **Becoming the Best - Harry M. Jansen Kraemer Jr.**
www.harrykraemer.org

What is the New myRA All About?

The new *myRA*, which stands for **My Retirement Account**, is **similar to the Roth IRA** in many ways.

1. Participants can contribute after-tax funds up to an annual threshold which is equivalent to a Roth IRA - \$5,500 (\$6,500 for age 50 and older).
2. Contributions grow without any current tax.
3. "Qualified" distributions are tax free if it is in existence at least five years.
4. The *myRA* is exempt from the rules requiring lifetime distributions after age 70-1/2.
5. The MAGI phase-out range for 2015 *myRA* contributions is the same as the Roth which eliminates this option for upper-income taxpayers (\$116,000 to \$131,000 single filers; \$183,000 to \$193,000 joint filers).

Targeted toward Americans who either don't have access to an employer-sponsored retirement plan or lack options to save for retirement, the initial *myRA* deposit can be as little as \$25 with subsequent payroll deductions of \$5 or more per pay period. *MyRAs* may be offered through employers or private financial institutions. The *myRA* holder pays no maintenance fee. **Employers can help employees start saving** for retirement by introducing them to *myRA* as a new retirement savings option. *MyRA* costs nothing for employers to participate; they do not administer employee *myRA* accounts, contribute to them, or match employee contributions. Each payday, employers simply facilitate a payroll deduction from the employee's paycheck to the designated *myRA* account. Employees can keep their *myRA* when they change jobs.

Unlike a Roth IRA, there is only one investment option: a U.S. Treasury bond offering the same variable interest-rate return as the one offered to federal employees. It is backed by the U.S. Treasury and the account carries no risk of losing money. This may give investors more peace of mind, however, the rate of return could pale when compared to other investments. Savers can withdraw money they put into their *myRA* accounts tax-free and without penalty at any time; however, payouts of interest earnings before age 59 -1/2 are subject to tax, plus a 10% penalty tax may apply. Some exceptions apply on or after death (to a beneficiary or estate), a disability, or first-time home purchase up to \$10,000. And finally, when the account balance reaches \$15,000, or is in existence for a maximum of 30 years, the investor must roll over the funds to a private-sector Roth IRA.

***MyRA* accounts can be set up at <https://myra.gov> ■**

International Corner

GGI | Geneva Group International

GGI is a worldwide alliance of well-established and experienced accounting, consulting and law firms that provide clients with solutions for international business requirements.

KRD utilizes our membership to benefit our international clients and those considering international trade. Let us know if we can be assistance to your organization.

KRD will be attending this year's **GGI World Conference** in Boston.

This year GGI celebrates its 20th anniversary.

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Calendar of events

Geneva Group International (GGI)

World Conference

October 22 - 25, 2015

www.ggi.com

2015 Accounting & Auditing Clinic

– Ralph Nach

Kutchins, Robbins & Diamond

Schaumburg

November 4, 2015

www.krdcpas.com

2015 Friends of La Rabida Awards Dinner

Radisson Blu Aqua Hotel

November 6, 2015

www.larabida.org

Income Tax Update

– Al Grasso

Kutchins, Robbins & Diamond

Schaumburg

November 30, 2015

www.krdcpas.com

One Acre Fund Chicago Gala

Radisson Blu Aqua Hotel

December 9, 2015

www.oneacrefund.org

Alexander Graham Bell

Montessori School

Holiday Show

December 17, 2015

www.agbms.org

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with your SmartPhone
to learn more about KRD!



For the 4th year, KRD has been recognized as one of **Chicago's 101 Best & Brightest Companies to Work For.**

The National Association for Business Resources recognizes the best companies in several categories which result in better business, richer lives and stronger communities.

CHICAGO'S
101 BEST AND BRIGHTEST
COMPANIES TO WORK FOR
WINNER 2015

Join Us in Congratulating...

Allen & Genie Kutchins

on receiving the

Family Philanthropy Award



For over 40 years, Allen and Genie have been giving their time, and generously donating to many charities benefitting children.

The award dinner will be held at the
Radisson Blu Hotel - Chicago
November 6, 2015