

## ONPOINT

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INSIGHT ■ INNOVATION ■ EXPERIENCE

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## KEY TAX DATES

## DECEMBER

15

**Estimated Tax.** Payment of last installment of 2009 estimated tax by calendar-year corporations.

## JANUARY

15

**Estimated Tax.** Final installment of 2009 estimated tax by individuals, trusts and estates and certain residuary trusts in existence more than two years.

## FEBRUARY

1

**Individuals.** Final income tax return for 2009 by calendar-year individuals and by trusts and estates in existence more than two years who owed but did not pay 2009 estimated tax otherwise due January 15.

**Benefit Plan Participants.** Forms 945, Annual Return of Withheld Federal Income Tax due.

See Page 5 for additional key dates

## Why Sell Your Business Now?

by Tricia Warrick, Managing Director, Schneider Downs Corporate Finance, LP

At the Association for Corporate Growth's Great Lakes Capital Connection in Cleveland in September, more than 800 business executives, private equity investors, investment bankers and other mergers and acquisitions (M&A) professionals convened to prime the pump for the rebound in middle-market M&A activity. And here at Schneider Downs Corporate Finance, we've seen a noticeable increase in sell-side client activity in recent weeks. This may seem a bit surprising given the lingering economic malaise. So what's going on; and why sell now?

While the M&A environment has changed markedly since the lights went out on the long, heated party in late 2007, and some CEOs lack clarity about what's around the bend for the next quarter (let alone next year), it still could be a good time to execute an exit strategy. Owners need to weigh several elements of the current M&A climate to determine whether now is the right time to sell:

- **Market liquidity changes.** For the foreseeable future, the aggressive leveraged financing alternatives that drove up valuations during the boom will likely be constricted by more disciplined bank lending practices and regulatory surveillance. That said, many strategic buyers are sitting on hefty cash reserves, and private equity firms still have an unprecedented level of eager capital for acquisitions and recapitalizations. In the absence of aggressive senior debt alternatives, private equity buyers have re-engineered deal structures by committing more equity and bridging deals with plentiful mezzanine financing.
- **Perfect timing is rarely perfect.** Waiting for the M&A market to peak again may be foolhardy. Most mid-market companies are vulnerable to continuing competitive pressures, and in certain respects, are not in control of their destinies. Even if you command a slightly lower multiple of earnings in a sale, it may be a better result than waiting for the next wave and missing the boat entirely.
- **Diversification of wealth.** Owners of private companies typically have nearly "all of their eggs in
- **Supply and demand.** There are fewer companies for sale, so you'll receive much more attention than a little more than a year ago, when buyers with stacks of deal books quickly weeded out most sellers because the deal was too small, the "story" was too involved, or the fit was not perfectly clear.

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# TOP STORY

## A Lifelong Relationship Comes Full Circle *by Sean P. Smith, Director of Marketing*

After more than 50 years in business, it's not unusual when old friends resurface. Former clients reappear at new companies. Former employees become clients of the firm. Simply through the nature of this industry, friendships and relationships often become rekindled.

"Quality relationships endure," says Raymond W. Buehler, Jr., President and CEO of Schneider Downs. "One of the core values of our firm is to relentlessly value the relationships we share with our clients and employees. That's why it's always so special when those relationships come full circle."

Even with this thought in mind, however, the heartwarming story of The Children's Institute and Paul Downs (a founding partner of Schneider Downs) is special.

As a child, Paul Downs was diagnosed with polio in 1930. Following his diagnosis, he became a resident at The Children's Institute, which was then known as The Home for Crippled Children.

The Home proved to be an ideal environment for a young boy battling the challenges associated with polio. He adapted well, and excelled in elementary school. In those days, The Home for Crippled Children did not yet have a day school, so Paul was enrolled in Schenley High School...the only high school in Pittsburgh with an elevator. Despite the mobility challenges of being in a wheelchair, Paul's determination prepared him for the road ahead.

Paul went on to graduate from the University of Pittsburgh, and then joined James T. Schneider in establishing Schneider Downs. Throughout his career, Paul Downs frequently cited the vital role The Home for Crippled Children played in his development and success. He served as a member of its Men's Advisory Board, and was active with the Alumni Committee, even as Schneider Downs continued to grow and thrive.



Paul Downs

"Paul often spoke fondly of his time at The Home, and I believe he credited both the knowledge and the values he developed there with helping him become the man he was," explained Marie Downs Deasy, who was married to Paul for nearly 20 years.

When Paul Downs died unexpectedly in 1986, the story may have appeared to come to an end. However, as noted earlier, the accounting industry has a knack for bringing relationships full circle.


In 2005, The Children's Institute (long-since renamed from The Home for Crippled Children) became a client of Schneider Downs. Given the many years since Paul Downs' involvement, neither of the organizations was immediately aware of the previous relationships that had existed. Eventually, the story was uncovered, leading to great pride among both parties.

"I can't think of a more fitting tribute to Paul Downs than for the firm he founded to continue working with The

Children's Institute almost 70 years after he became a resident there," said Buehler, a Paul Downs protégé. "I know he would be pleased that we have the opportunity to serve the organization that served him so well."

David Miles, President and CEO of The Children's Institute, agrees.

"What brought The Children's Institute to conclude that Schneider Downs was the best firm for us were the same qualities that, I believe, brought Paul and his family to the Home for Crippled Children... high-quality services, mission-driven, with a commitment to treating its clients' individual needs," Miles explained. "In many ways, the story made a full circle."

For more information about The Children's Institute and its mission, visit [www.amazingkids.org](http://www.amazingkids.org), or call 412-420-2400. 

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# FEATURE ARTICLE

## 2009 and Beyond: A Challenging Time for Tax Planning *by Matthew M. McKinnon, Senior Manager, Tax Advisors*

Given the unprecedented state of the economy since mid-2008 and the recent administration change in Washington, taxpayers and their advisors face an interesting challenge in the next few years. Tax planning will become even more critical, especially this year. Significant tax law changes have been passed by Congress—temporary tax breaks to stimulate the economy, and changes are on the horizon to pay for the recovery. For taxpayers, it is imperative that no deduction is overlooked, and that any available credit(s) are taken in order to lower this year's tax bill. Managing the recognition or deferral of income will be important in balancing your effective tax rate for 2009, 2010 and beyond.

Many of the tax breaks in recent stimulus tax bills will expire at the end of this year. At this point, Congress cannot be counted on to extend many of them for 2010.

For individuals, these expiring provisions include: the itemized state and local sales tax deduction, the \$4,000 higher education tuition deduction, the additional standard deduction for real property taxes, and the above-the-line \$250 teachers' classroom expense deduction.

For businesses, plan to see the expiration of the increased benefits related to capital expansion. Bonus depreciation and the

enhanced Section 179 expense limits were intended to encourage capital investment and are likely headed for extinction at the end of 2009.

These are just a few examples of the tax incentives set to expire. Accelerating qualifying expenses into 2009 to take advantage of these expiring provisions, rather than incurring them early in 2010, may make a significant difference in your overall tax bill.

What's on the horizon for 2010 and beyond is also a vital aspect of effective year-end tax planning.

**IRA to Roth IRA conversion:** In 2010, the \$100,000 income limitation will be no more. The lifting of this restriction has many individuals already planning to make the conversion in 2010. Some individuals, however, may find it more beneficial to convert to a Roth IRA before the end of 2009, when the value of their accounts, and the taxable income that must be recognized as a result of conversion, may be lower than 2010 values.

**Increase in tax rates:** The Obama administration has proposed to increase the income and capital gains tax rates on single individuals

with incomes of more than \$200,000 and married couples with incomes exceeding \$250,000 effective for tax year 2011. Based on this proposed change, following the traditional year-end planning concept of deferring income into next year may not work well for 2009. Deferring too much income into 2010 could result in overloading income next year. This could make it more difficult to shift income from 2011 to 2010 to escape the expected higher rates in 2011.

As we approach year-end, it is important to consider the use of losses. Matching losses with gains is not necessarily a simple task in the tax law—different rules apply to different losses. Losses can be categorized as: ordinary, passive, “at-risk,” capital, Code Section 1231, and many other types. Knowing the differences and acting before year-end to match them correctly can mean significant tax savings.

Planning for deductions and credits at year-end can also get complex, but can have a dramatic impact on your tax bill. The general rule of pre-paying certain expenses, such as real estate taxes or mortgage interest, does not necessarily translate into a larger deduction this year, especially as more and more taxpayers are subject to the Alternative Minimum Tax (AMT). Paying a spring college tuition bill in late December instead of early January, however, can impact whether you maximize the benefit of the new American Opportunity Tax Credit for both 2009 and 2010. Year-end charitable

giving generally has always been a smart way to reduce current year taxes, but be cognizant of the strict timing rules and revised substantiation



**MATTHEW M. MCKINNON**  
**SCHNEIDER DOWNS**  
**TAX ADVISORS**  
*Senior Manager*

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# NEWS YOU NEED

## Why Sell? *continued from Page 1*

one basket”—locked up in their business. Selling during the economic rebound may provide the opportunity to reinvest the cash proceeds into the broader capital markets, potentially taking advantage of the ride back up in a well-diversified investment portfolio.

- **You might need to sell now.** Whether dreaming of retirement, moving on to another business opportunity, attempting to keep a senior management team engaged, coping with changing personal circumstances or just worn-out from the latest economic downturn, some business owners are currently grappling with nonstrategic dynamics that lead to a decision to exit their business.

Timing the sale of a private company is tricky no matter where we are in the economic cycle. Unlike the instantaneous sale of a public company stock, a well-governed sale process takes six to twelve months. If you've held your own during the economic downturn, continuing to deliver profitability (even at lower levels), and have pared back costs to lower your break-even point, it might be a good time to sell. ■



**PATRICIA M. WARRICK**  
**SCHNEIDER DOWNS CORPORATE**  
**FINANCE ADVISORS, LP**  
*Managing Director*

## Q & A

### Schneider Downs Wealth Management Advisors, LP *Question of the Quarter*

#### **Q. My child's 529 plan has suffered a large loss, even with the recent rally. What are my options?**

If your children are under the age of 12, relax. There is time to rebuild.

First, make sure that the portfolio is diversified among different asset classes; this will allow the portfolio to benefit as different types of equities recover. Second, make sure that, as the child grows up, fixed-income and cash positions are added to the allocation to reduce the volatility and the risk of loss as the child approaches college age.

If your children are between ages 12-16, there is still no need to panic. Increase your fixed-income allocation to protect your principal, but keep some equities to benefit from the eventual recovery in the equity market. Engage your children. As they enter high school, stress that good grades and challenging course work could result in merit scholarships.

If your child is over the age of 16, and you have experienced a loss in your college savings, you may need to explore other options to help fund the cost of college. If possible, defer withdrawing 529 plan funds for college in the child's first or second year, allowing the account additional time to recover. (You can liquidate the entire account, but the loss is not a capital loss. A 529 loss can only be deducted as a miscellaneous itemized deduction subject to 2% AGI.)

Consider FAFSA planning, Free Application for Federal Student Aid, ([www.fafsa.ed.gov](http://www.fafsa.ed.gov)). Most colleges require that you complete the FAFSA to be eligible for aid that includes loans, grants or work-study. FAFSA will look at income and assets when calculating the Expected Family Contribution (EFC). It does not, however, apply the value of your home or

retirement accounts. So maximize those retirement contributions. The expected family contribution formula does not factor debt. So, you may want to consider paying off consumer debt or prepaying a portion of your mortgage. Paying down debt will relieve your encumbrances while minimizing the assets that are counted in the EFC.



Your child may be eligible for a Federal Stafford

Loan, which is a low-fixed-

rate loan subject to annual loan limits. Payments are deferred the entire time your student is enrolled at least half-time. If the loan is subsidized, no interest will accrue during the deferral period. Federal Parent PLUS Loans are available, as are private loans, although interest rates may not be as favorable. From a tax perspective, student loan interest is tax-deductible subject to limitations. Alternately, to meet short-term needs while the markets mend themselves, you can use the proceeds from a home equity loan. The home equity interest may be deductible. If your student qualifies, work-study is also an option.

In all cases, if you have the ability, continue to make periodic investments into the 529 account, even for a child who is on the verge of starting college or even already attending college. Dollar cost averaging has proven to be an efficient way to stabilize a portfolio. In Pennsylvania, a deduction is available for certain contributions to 529 plans (talk to your tax advisor). The 3% tax savings is an automatic 3% return to you on your investment.

This is a quick overview of possibilities. For more information specific to your situation, contact your financial advisor. ■

Written by Victoria A. Rogers, CERTIFIED FINANCIAL PLANNER™, Schneider Downs Wealth Management Advisors, LP.



# SDANNOUNCES

## Tax Planning *continued from Page 3*

requirements for non-cash donations. Homeowners should consider taking advantage of the new residential energy property credit, which has a unique set of rules on qualifying expenses and deadlines for installations.

As we proceed into the year-end tax planning season, taxpayers should maintain an open dialogue with their advisors and provide information sooner rather than later. With the expiration of certain tax benefits on December 31, 2009, it is important to act now. The next few years will certainly present interesting tax planning challenges for individuals and businesses. ■

## New Hires WELCOME

Our people are our greatest strength. We welcome our July, August and September new hires:

Michelle N. Argenas	Ryan C. Johnston
Michael J. Bucci	Mark A. Rossetti
Mayu Chikada	Richard A. Schnuerer
Evan G. Dick	Kaitlin P. Szaraz
Jason M. Droske	Stephen D. Thimons
Raimee R. Gordon	Jared E. Wade

## Around Schneider Downs

### Women's Professional Networking Events in Columbus



Erin Abbot and Kim James, Schneider Downs audit managers, are joined by Mindy Stobart (left) and Melanie Martin-Jones (middle right), representatives of Porter Wright. Women professionals from Schneider Downs, Porter Wright and Huntington National Bank gathered at the YWCA on November 3 as part of the group's W.I.N. (Women In the Neighborhood) networking series.

Kim Phillips, marketing manager, is joined by members of the WELD 2010 "Women You Should Know" planning committee at the November 4 calendar launch reception. The calendar honors 12 professional women leaders in the Central Ohio business community.



### Camp Guyasuta - Team Building for New Staff

In November, 24 new staff members from the Pittsburgh and Columbus offices began their careers with Schneider Downs. As part of their orientation, they were taken to Camp Guyasuta in O'Hara Township, PA to complete a team-building and ropes course. Congratulations!



New staff take a break to pose for a group picture.



New hires working together on the ropes course at Camp Guyasuta.

## CALENDAR - BENEFIT PLAN DUE DATES

### Forms 5500, Annual Return/Report of Employee Benefit Plan.

Year-End	Due Date	With 5558 Extension
5/31	12/31/09	3/15/10
6/30	2/1/10	4/15/10
7/31	3/1/10	5/17/10

### Forms 1099-R, Distributions from Pensions, Annuities, Retirement or Profit Sharing Plans, IRAs, Insurance Contracts, etc.

Due Date	Details
2/1/10	to participants
3/1/10	to IRS via paper forms
3/31/10	to IRS via electronically

### Processing of corrective distributions relative to failed 401(k) ADP/401(m) ACP discrimination testing, so as to avoid a 10% employer imposed excise tax.

Year-End	Due Date
9/30	12/15/09
10/31	1/15/10
11/30	2/15/10


# ONPOINT

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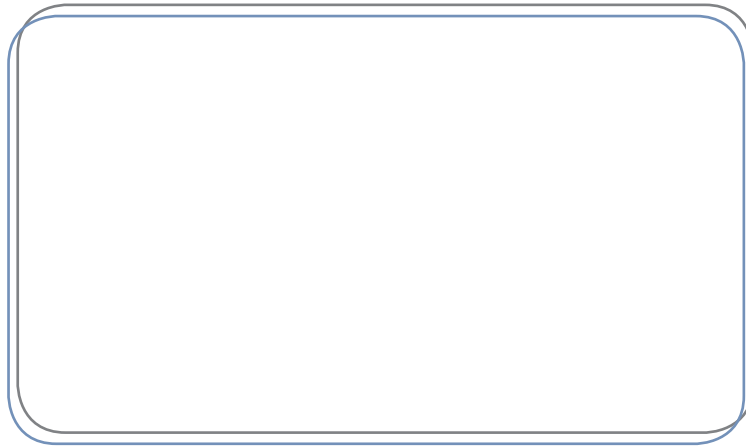
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## PROFESSIONAL NEWS

**Michael S. Collins**, Assistant Director of Human Resources, was appointed to the Board of Riverview Athletic Association.

**Henry J. Szymanski**, Director of Automotive Services Group, **Robert E. Bandi**, Tax Senior Manager, **Kathy D. Petrucci**, Tax Shareholder, and **Roy M. Lydic**, Audit Shareholder, attended the 2009 AICPA National Auto Dealership Conference in New Orleans in October.

**Jay R. Meglich**, Audit Shareholder, presented "Accounting for Nonprofit Mergers and Acquisitions" at the NASB national teleconference in September.

**Donald R. Owens**, Director, Internal Audit and Risk Advisory Services, participated in the Association of Government Accountants 25th Annual Regional Professional Development Conference in Columbus in October. Don was also featured in the October 23rd *Columbus Business First* article, "Risk Management."

**Gennaro J. DiBello**, Tax Shareholder, is serving as the Membership Chair for Pittsburgh Young Presidents' Organization (YPO) for 2009-2010.

**Susan M. Kirsch**, Tax Shareholder, presented "Tax Information Reporting Environment" at the National Association of College and University Business Officers (NACUBO) conference in Chicago in October.

**Lori A. Field**, Audit Administrative Professional, has been appointed to the Board of the International Association of Administrative Professionals (IAAP), Pittsburgh Chapter.

**Andrew J. DiLuciano**, Audit Manager and **Natalie K. Donovan**, Senior Human Resources Representative, served as panelists at The Ohio State University Masters of Accounting Boot Camp. They contributed to "Landing Your First Job, Voices of MACC Alumni" and "Voices of Public Accounting Professionals and Friends of Fisher."

**Maria D. Stromple**, Tax Senior Manager, attended the CCH User Conference at the Gaylord National Convention Center in National Harbor, MD, in October.

**Barbara M. Balcita**, Tax Manager, was appointed to the American Lung Association Leadership Board.

**Marc P. Brdar**, Business Advisors Manager, attended the AICPA National Forensic Accounting Conference in Orlando, FL in September.

**Jeffrey A. Wlahofsky**, Tax Shareholder, and **Theodore M. Pettko**, Audit Shareholder, attended the AICPA National Oil and Gas Conference in Denver, CO in November.

**Judith C. Dué**, Tax Manager, was appointed cochair of the PICPA Lifestyles, Family Issues and Women in Accounting Committee.

**Misty N. Parshall**, Audit Manager, was appointed as Treasurer of the Nine Mile Watershed Association. Misty will also chair the Strategic Planning Committee.

**David E. Kolan**, Audit Shareholder, **Joel M. Rosenthal**, Business Advisors Shareholder, and **Tricia Warrick**, Managing Director of Schneider Downs Corporate Finance, LP, represented Schneider Downs at the first-ever Association for Corporate Growth Great Lakes Capital Connection event in Cleveland, OH in September.