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OnPoint

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SCHNEIDER DOWNS

INSIGHT ▪ INNOVATION ▪ EXPERIENCE

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KEY TAX DATES

January

18

Individuals. Final installment of prior-year estimated tax by individuals.

31

Corporations. Provide Form 1098 to each individual from whom $600 or more in mortgage interest was received in connection with a trade or business in prior year.

Corporations. Provide statement (no official form) to each payer in a transaction involving more than $10,000 cash during prior year.

Employers. Must furnish employees with statement of compensation and amounts withheld during prior year (Form W-2).

Employers. File federal unemployment tax (FUTA) return for prior year (Form 940 or Form 940-EZ).

See Page 5 for additional key dates

Year-End Considerations for Financial Statement Preparers

by John R. Null, Audit Shareholder

Don't look now, but December 31 is just around the corner. With so much discussion focused on FASB's standards convergence with IASB standards and the possible timeline for adoption of IFRS in the United States, the future of U.S. GAAP is clearly a work in progress. There has even been renewed focus on private company financial reporting. While these debates are sure to play out over the next few years, here are a few new requirements to consider as you prepare your 2010 financial statements.

Revenue recognition is a topic that continues to draw significant attention. In 2009, the FASB issued two Accounting Standards Updates (ASU) addressing software revenue recognition and multiple element arrangements, respectively. ASUs 2009-13 and 2009-14 generally accelerate revenue recognition by providing for the removal of tangible products from the scope of software revenue guidance and creating a new "selling price hierarchy" that affords the seller the opportunity to allocate consideration in order to reflect the economics of an arrangement. For multiple element arrangements, sellers can now estimate selling prices of deliverables in situations where VSOE or other third-party evidence is not readily available. Revenue would then be recorded using a "relative selling price" method. These two standards are not effective until fiscal years beginning on or after June 15, 2010; however, earlier application is permitted. More recently, ASU 2010-17 provided for a milestone method of revenue recognition for research and development transactions. The provisions of the milestone method are similar to those of ASU 2009-13 and 2009-14 in that they provide for the subjective evaluation of transactions that accelerate revenue recognition and have the same effective date and adoption provisions. Not surprisingly, each of these standards increases the transparency of disclosures around revenue recognition accounting policies. While still a few years away, one of the most-watched FASB/IASB convergence projects deals with revenue recognition. The proposed standard, released on June 24, 2010, is designed to conform revenue accounting and eliminate industry-specific standards. Accordingly, this standard will most certainly affect all companies.

Consolidations - VIEs, here we go again. FASB Codification Topic 810 was updated by ASU 2009-17 to reflect the changes provided by FAS 167, issued in 2009. The updated standards are sure to conjure up memories of the grief created by variable interest entities (VIEs) when FIN 46R was adopted several years ago. Considerations such as "sufficient equity at risk" and "primary beneficiary" are still around, but unlike the old rules that focused solely on economics, the concept of "power" is now the driver of the primary beneficiary test. Now the primary beneficiary must have both of the following: the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance, and the

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TOPSTORY

Year-End Considerations

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obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. The new rules were effective January 1, 2010 for calendar year-end companies, and should be applied regularly to all arrangements, even those that were not previously consolidated under FIN 46R. If consolidation is required, assets and liabilities of the VIE would be reported gross, not net, as they were under FIN 46R.

Fair value disclosures require even more transparency. In January 2010, the FASB issued an ASU to require new disclosure for fair value measurements and provide clarification for existing disclosure requirements. More specifically, this update requires (a) an entity to disclose separately the amounts of significant transfers in and out of Levels 1 and 2 fair value measurements and to describe the reasons for the transfers; and (b) information about purchases, sales, issuances and settlements to be presented separately (i.e., present the activity on a gross basis rather than net) in the reconciliation for fair value measurements using significant unobservable inputs (Level 3 inputs). This update clarifies existing disclosure requirements for the level of disaggregation used for classes of assets and liabilities measured at fair value and requires disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements using Level 2 and Level 3 inputs. The new disclosures and clarifications are effective for 2010, while the disclosures about purchases, sales, issuances and settlements in the roll-forward of activity in Level 3 fair value measurements are effective for 2011.

Ready or Not, U.S. GAAP and IFRS Convergence Is On The Way

by Todd J. Lucas, Audit Manager

Recently, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) have made great strides toward full U.S. GAAP and International Financial Reporting Standards (IFRS) convergence.

Both the FASB and IASB have restated their commitment to a June 2011 deadline for the most important convergence projects, which include revenue recognition, financial instruments, fair value measurements, presentation of other comprehensive income, leases and consolidations. For lower-priority projects (financial statement presentation and financial instruments with characteristics of equity), the FASB and IASB have extended the completion date by six months to December 2011.

There are approximately 120 countries that currently require or permit the use of IFRS, and 90 countries that have fully implemented IFRS. Canada and Korea are expecting to implement IFRS by 2011, and Mexico, by 2012. Japan has introduced IFRS for proposed implementation by 2015 or 2016. With all these countries having already adopted or in the process of adopting IFRS, it should come as no surprise that the United States is also on the verge on implementing IFRS.

Below is a summary of some of the significant projects that should be finalized in the near future:

Revenue Recognition

The goal of this project is to eliminate the inconsistencies and complexities often associated with revenue recognition. Additionally, enhanced disclosure relative to estimates used in determining amounts of revenue recognized would be required.

The most significant changes from the current guidance are:

1. Revenue would be recognized when an entity satisfies its obligation by transferring goods or services to the customer.
2. An entity would be required to identify and report separate performance obligations.
3. Consideration of the customers' ability to pay would be required in determining when and how much revenue should be recognized.
4. An entity would be responsible for enhanced disclosure about contracts with customers, including reporting disaggregated information relative to revenue recognition and remaining performance obligations at year-end.

Financial Instruments

While the FASB and IASB agree on many accounting matters, financial instruments is not one of them. The boards appear to have gone their separate ways on this topic, at least for the time being. The FASB has decided to address all aspects of financial instruments in a single project. This approach differs from the IASB approach, in which IASB is addressing the topic of Financial Instruments as three separate projects: classification and measurement; impairment; and hedging.

Fair Value Measurements

The FASB and IASB have each issued exposure drafts on fair value measurements. The goal is to eliminate fair value measurement guidance contained in other pronouncements thereby eliminating some of the inconsistencies regarding fair value measurement guidance. In addition

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OnPoint is a publication of Schneider Downs & Co., Inc. The matters highlighted in this newsletter are presented in broad, general terms and, accordingly, cannot be applied without consideration of all the circumstances. The firm will provide additional details on matters discussed in this newsletter upon request, and will be pleased to discuss with clients or their attorneys the possible effects of these matters in specific situations.

FEATUREARTICLE

Uncertain Times for Year-End Tax Planning

by George E. Adams, Senior Tax Manager

Tax planning for the 2010 tax year and beyond can be very challenging for taxpayers due to the uncertain tax rates starting with the 2011 tax year. There has been considerable discussion in the past six months regarding extension of certain tax cuts. However, as the law currently stands, the tax rates for 2011 will revert to the rates that existed before the passage of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA).

The EGTRRA provisions terminate at the end of 2010, and an associated 50-plus major tax law changes expire. In addition to Congress passing legislation that would extend some of the sun-setting EGTRRA provisions, there has also been discussion on passing a small business tax incentives bill before year-end.

In June of this year, the House passed a bill that would extend specific provisions of EGTRRA. This extenders bill would provide a one-year extension to individual and business tax benefits that expired after December 31, 2009. A summary of the major benefits that would be extended under this bill are:

- State and Local Sales Tax Itemized Deduction
- Higher Education Tuition Deduction
- Research and Experimentation Tax Credit
- 15-Year Depreciable Life for Qualified Leasehold and Restaurant Property

There are two main provisions of the House and Senate bills that would pay for the extended tax benefits:

Taxation of Carried Interest - Partnerships do not pay income tax on their earnings. Rather ,the earnings flow through to the partners, who include these items on their individual income tax returns. Certain partners may receive an interest in future profits of the partnership in exchange for services provided. This is known as "carried interest." Currently, income from a carried interest is generally taxed at capital gains rates (15%). The House and Senate bills propose to tax carried interest income at ordinary income tax rates (current maximum rate of 35%) rather than capital gains tax rates, but would phase in the amount subject to ordinary tax rates, with slight differences between the bills.

S Corporation Employment Taxes - Shareholders in S corporations only pay employment taxes on the wage income earned from an S corporation. They do not pay any self-employment taxes on the pass-through portion of income. Both the House and Senate versions would subject S corporation income from professional service businesses where the principal asset is the reputation or skill of three or fewer employees to self-employment payroll taxes. Professional services include health, law, lobbying, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, investment advice or management or brokerage services.

On September 27, 2010, President Obama signed into law the Small Business Jobs Acts. Some of the major highlights of this act are as follows:

- Extend Bonus Depreciation through December 31, 2010 - Expense 50% of the cost of new property with a life less than 20 years.
- Increase Small Business Expensing - Increases the expense deduction from $250,000 to $500,000 for depreciable property placed in service in the taxpayer's 2010 and 2011 tax years. The deduction is reduced dollar for dollar for the cost of qualifying property placed in service in excess of $800,000 currently. This act increases this investment limit to $2 million.
- The new law extends the general business credit carry-back period to five years for qualified small business taxpayers. A qualified small business taxpayer, for purposes of the enhanced general business credit is a corporation whose stock is not publicly traded, a partnership or a sole proprietorship and whose average annual gross receipts of the taxpayer for the prior three tax-year periods cannot exceed $50 million. In addition, the new law allows eligible small business credits to offset both regular and AMT tax liabilities.

This small business jobs act is paid for with increased penalties for failure to file informational returns. The new law requires qualified individuals receiving rental income from real property to file information returns with the IRS and to service providers reporting payments of $600 or more during the year for rental property expenses. The new information reporting requirement applies to payments made after December 31, 2010. Finally, the new law allows the rollover of existing 401(k), 403(b) and 457 plans to Roth IRAs, which would permit the previously deferred contributions to be taxed when converted to a Roth IRA. If an amount is rolled over in 2010, the amount is included ratably in income in equal amounts over 2011 and 2012, unless the taxpayer elects otherwise.

This year it is more important than ever to talk to your tax advisor to determine if there are any special planning techniques that may benefit you in either the 2010 or 2011 tax years. The looming tax rate increases may encourage certain taxpayers to accelerate income into 2010 or to defer deductions in 2010 to effectively reduce their 2011 taxable income. Please contact your Schneider Downs tax advisor to determine what planning techniques are available for your specific situation.

Ready or Not *Continued from Page 2*

to clarifying the definition of fair value, the boards seek to enhance related disclosures. Final guidance on fair value measurements is expected in early 2011.

Presentation of Other Comprehensive Income (OCI)

Currently, many options exist under U.S. GAAP and IFRS regarding presentation of items of OCI. One of the main objectives of this project is to present consistent and better-defined guidance on what items should be shown as OCI and how those items should be presented. Additionally, OCI would no longer be shown as a component on the statement of changes in stockholders' equity, but rather would be a new statement of comprehensive income that includes both net income and OCI.

The comment period for the exposure draft on OCI ends September 30, 2010.

Leases

Changes to lease accounting is one of the areas that could most affect companies. Currently, U.S. GAAP permits both capital and operating leases, whereas IFRS does not permit operating leases. As a result, all leases would be classified as capital leases, which would require the recognition of an asset and liability on the balance sheet. Classification of leases as capital could have a significant, and potentially negative, impact on a company's ability to meet its existing debt covenants. These proposed changes are detailed in an exposure draft, which is open for comment until December 15, 2010

Consolidations

The consolidations project primarily focuses on changing the definition of "control" in determining when an entity should be consolidated, as well as requiring enhanced disclosure. Under the revised guidance, a reporting entity controls another entity when the reporting entity has power to direct the activities of the other entity in order to generate returns. U.S. GAAP does not differ

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Q & A

Schneider Downs Wealth Management Advisors, LP
Quarterly Column

Year-End Planning

by Nancy L. Skeans, CPA, CFP®, Partner/Managing Director, Schneider Downs Wealth Management Advisors, LP

As 2010 comes to a close, the team has had many inquiries regarding year-end planning ideas. Here are just a few things to consider:

Retirement Accounts

- If you are 70½ or older, don't neglect to take your required minimum distribution before year-end. Unlike 2009, there is not a waiver this year. The penalty for missing the deadline is steep.
- If you are eligible to contribute to an IRA, go ahead and make that deposit if the cash is available. Although the deposit is not technically due until April 15, it never hurts to start earning on a tax-deferred basis early.
- While you are contemplating your retirement accounts, review account beneficiary designations and update as needed.

Year-End Gifting

- The estate tax is coming back in 2011, and the estate tax rate could rise to 55%, so if you are working to lower your taxable estate, don't skip 2010 annual gifting. The 2010 annual exclusion is $13,000.
- When making year-end charitable gifts, consider using low-basis equities. The gift is tax-deductible for those who can itemize deductions, and built-in capital gain is not taxed to the charity when the stock is sold.

Investment Strategy

- Review your portfolio allocation to determine if any year-end adjustments should be made. Bonds, Real Estate Investment Trusts (REITs) and emerging markets stocks have all had strong returns this year, and your portfolio might need to be rebalanced.
- Assess cash needs from investments for 2011, and set cash aside to meet those needs. There is no reason to believe that equity markets will be less volatile in 2011, and short-term cash should never be invested in the equity market.
- Don't neglect to review 529 plan asset allocations if the plan is not invested in an age-based portfolio. Depending on the child's age, it might be time to adjust the equity exposure down a notch. Adding new dollars to a 529 plan is also a way to rebalance, and contributions might be tax-deductible for state purposes.

Happy holidays from all of us at Schneider Downs Wealth Management Advisors. If you have a question that you would like to be answered in a future column, please email us at sdteam@schneiderdowns.com or visit our website at www.sdwealthmanagement.com.

SDNEWS

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significantly from IFRS in this regard. It bases its definition of "control" on whether the reporting entity has the power to direct the activities and economic performance of another entity.

The additional disclosures include, among others, significant judgments and assumptions used in determining whether the reporting entity controls the other entity; the effect of restrictions on the reporting entity's ability to access the assets or settle the liabilities of the other entity; and the reporting entity's risk associated with its control of the entity that might be consolidated.

The FASB will decide later in 2010 whether or not to issue an exposure draft on consolidations and disclosure.

For more information on IFRS, please visit the IFRS Resource Center on the Schneider Downs website.

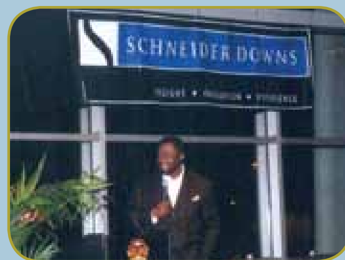
New Hires

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

Kathleen A. Cannell	Michele C. Jury
Rosemary N. Coombs	Angella R. Morgan
William E. Davidson	Michael P. Scalamogna
Daniel J. Desko	Whitney S. Schmiesing
Jessica Dettling	Rose M. Smith
Daniel E. Dukstein	Nicole R. Healy
Thomas Geyer	Anthony J. Ventura
Trudie E. Homonai	

WELCOME

Around Schneider Downs



On September 17, Schneider Downs helped sponsor the 4th Annual Challenge the Champions event for Every Child, Inc. Pittsburgh Steelers Head Coach Mike Tomlin is seen speaking to the crowd below the Schneider Downs banner.

William G. "Gus" Pagonis, vice chairman of the board, GENCO, head of supply chain for Sears, Roebuck and Co., and retired lieutenant general, U.S. Army, was the featured guest speaker at Schneider Downs' "Leadership of the Supply Chain" events in Pittsburgh and Columbus. The event drew members from the supply chain industry as they listened to Gus share best practices on how to operate a business efficiently and effectively. *Pictured l-r: Richard McKenna, Gus Pagonis, Joel Rosenthal.*

On September 23, professional women from the Central Ohio business community attended our event, "The Flavors of Leadership with Velvet Ice Cream." Luconda Dager, president, Andre Dager-Sarap, vice president of guest relations, and Joanne Dager-Sheehan, vice president of food service, addressed their different styles of leadership, and how they work to combine those styles into one unique flavor that defines Velvet Ice Cream.

Corrections from last issue:

Author corrections: The article "Costly Mistakes: What We Can Learn from the Five Largest Data Breaches Reported Under HITECH" was written by Christopher L. Watson, Manager, Internal Audit and Risk Advisory Services. "Key Fundamentals of Reviewing and Assessing Service Auditor Reports" was co-written by Holly L. Russo, Senior Manager, and Heather A. Haemer, Manager. Both are members of the Internal Audit and Risk Advisory Services group.

Title correction: Matthew M. McKinnon, Tax Senior Manager, was incorrectly shown as an Audit Senior Manager.

CALENDAR - BENEFIT PLAN DUE DATES

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

Year-End	Due Date	With 5558 Extension
5/31	12/31/10	3/15/11
6/30	1/31/11	4/15/11
7/31	2/28/11	5/16/11

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

Due Date	Details
1/31/11	to participants
2/28/11	to IRS via paper forms
3/31/11	to IRS 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	12/15/10
10/31	1/17/11
11/30	2/15/11

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PROFESSIONAL NEWS

Edward R, Friel, Audit Shareholder, and **Jeffrey A. Wlahofsky**, Tax Shareholder, attended the national AICPA Oil and Gas Conference in Denver in November.

Mark E. Cobetto, Tax Shareholder, was quoted in the October 21 *Columbus Business First* article, "Tax rate changes might prompt income reporting overhaul."

Henry J. Szymanski, Director - Automotive Services Group, **Robert E. Bandi**, Tax Senior Manager, and **Paul M. Matvey**, Tax Shareholder, attended the AICPA National Auto Dealership Conference in Phoenix in October.

Kathy D. Petrucci, Tax Shareholder, presented the topic "Health Care Reform - What You Need to Know" at the Ohio Trucking Association (OTA) convention in Columbus in September.

Meredith J. Christy, Audit Senior Manager, was elected Chairman of the Board of ACMH Hospital for a third term.

Maria D. Stromple, Tax Senior Manager, attended the 2010 CCH User Conference in Orlando in November.

Frank Wisehart, Business Advisors Director, taught a class on business valuations for the National Association of Certified Valuation Analysts (NACVA) in Dallas in September. He also taught an Exceptional Report Writing course during a NACVA webinar in November.

Joel M. Rosenthal, Business Advisors Shareholder, attended the AICPA National Conference on Valuations in Washington, D.C. in November.

Susan M. Kirsch, Tax Shareholder, attended the Eastern Association of College and University Business Officers (EACUBO) Annual Meeting in Washington, D.C. in October. Sue also attended the National Association of College and University Business Officers (NACUBO) Tax Forum in New Orleans in November.

James B. Yard, Internal Audit and Risk Advisory Services Shareholder, attended The Institute of Internal Auditors (The IIA) Western Regional Conference in Anaheim, CA in September.

John R. Null, Audit Shareholder, and **Nicole D. Saldamarco**, Internal Audit and Risk Advisory Services Senior Manager, presented during the Accounting and Tax session at the Pittsburgh Tri-State Area Conference (PTAC) hosted by the Institute for Management Accountants in November. John also participated in the Management and Leadership session.

Marc P. Brdar, Business Advisors Senior Manager, and **Stephen D. Thimons**, Business Advisors Manager, spoke on fair value and fraud risk assessment, respectively, for employees at Michael Baker Corp.