Pittsburgh ▪ Columbus

OnPoint

A publication of Schneider Downs & Co., Inc.

SCHNEIDER DOWNS

INSIGHT ▪ INNOVATION ▪ EXPERIENCE

Winter 2009 ▪ Volume 27 ▪ Issue 1

>> IN THIS ISSUE CONTENTS

KEY TAX DATES

March

15

Corporations

Due date of 2008 income tax returns (Form 1120 or Form 1120-A) for calendar-year U.S. corporations.

Due date of 2008 income tax returns for calendar-year S corporations (Form 1120-S).

Last date for filing application by calendar-year corporations for automatic six-month extension to file 2008 income tax return.

31

Information Returns - Electronic Filing

Due date for filing Form 1098 or Form 1099 with the IRS electronically (not by magnetic media).

April

15

Individuals

Income tax and self-employment tax returns of individuals for calendar year 2008.

Last day to file application for automatic six-month extension to file 2008 income tax return.

Estimated Tax

Payment of first installment for 2009 estimated income tax for individuals.

2009 Change of Filing Date for Partnerships, Trusts and Estates

by Melanie M. LaSota, Director of Estate and Trust Tax Services and Jeffrey A. Wlahofsky, Tax Shareholder

Certain individuals, partnerships, trusts and estates have experienced difficulty filing timely tax returns, due to the fact that individual taxpayers and pass-through entities have had a common filing due date. The common filing date has been problematic because certain individual taxpayers must use K-1s issued by pass-through entities in order to determine their personal income, and to file individual income tax returns. Problems have arisen when a partnership, trust or estate completed their return on the very date that the return was due, forcing individuals to rush to incorporate the partnership, trust or estate K-1 information into their income calculation before filing their return that same day. In a case where an individual last-minute return preparation could not be accomplished, or where the required K-1 information was not received by the individual taxpayer by the filing date, the individual would have been forced to file an estimate of taxes due, and then to file an amended or late return.

In response to this problem, the Internal Revenue Service has issued temporary regulations reducing the filing extension period from six months to five months for partnership, estate and trust returns. The IRS reasoned that a shorter extension period for these entities would reduce the overall tax burden, since individuals require information from these types of entities in order to complete their own returns.

Although the temporary regulations do not directly affect the existing rules for S Corporation return extensions, they could indirectly put a crunch on an S Corporation's timetable. Since S Corporate returns are originally due March 15, their six-month extensions will now coincide with the new five-month extensions of partnerships, estates and trusts. Trusts and estates that are shareholders of an S Corporation will need the K-1 provided by that S Corporation in order to file the trust or estate return. Accordingly, trusts and estates who are shareholders of an S Corporation will likely pressure the S Corporation for an earlier completion of the S Corporation's return, or face filing an estimate and later amendments or filing late returns.

The same issue exists for partnerships where trusts and estates are partners. The filing deadline accelerates even further to provide the trust and estates time to prepare their returns.

These new regulations transfer the burden of last-minute filings from individuals to pass-through entities. Under the new regulations, calendar year

Continued on page 2

E-Waste: Recycling Electronics Requires Planning and Caution

by Richard X. McKenna, Technology Advisors

As recycling becomes more common, businesses need to exercise caution when recycling their electronic equipment. Electronic equipment—such as cell phones, laptops, televisions, VCRs, stereos, fax machines, PDAs, computer monitors, CRTs and printers—is being recycled in record numbers, and important considerations must be made before you recycle such equipment. Electronic waste is one of the fastest-growing segments of the nation's waste stream.

According to the U.S. Department of Environmental Protection, two million tons of e-waste ended up in landfills in 2005. In 2006, more than 100 million cell phones were thrown away. Those numbers are much larger when you count all the electronic equipment thrown away and turned in for recycling by American businesses each year.

Why should you pay attention to this? Because all of the electronic devices we use today, both in our personal life and in business, contain hazardous and dangerous chemicals and compounds. Almost all electronics contain lead, mercury and cadmium. All of these heavy metals produce dangerous toxins and hazards when dismantled and recycled, and require special consideration.

There is a larger concern. It has been reported recently in *USA Today* and on CBS News that thousands of tons of recycled electronics from the United States have found its way to third-world and developing countries to be processed for recycling. In these countries, recycling is done using primitive and unsophisticated means that expose local workers to dangerously high levels of lead, mercury and cadmium. You need to be sure you know where your recycled products will end up.

So what are the things you should consider for your business when it comes to recycling electronic equipment?

- Don't just throw it in the trash.
- Don't try to remove internal parts or components and then throw it away.
- Locate a legitimate recycling partner that handles electronic waste.
- Make sure you understand where your waste will end up.
- Check with local government agencies to see if they have an e-waste recycling program.
- Pay particular attention to the batteries that might be inside the equipment, and find out where can you legally dispose of these items.

For additional information, check the EPA's web site: http://www.epa.gov/epawaste/partnerships/plugin/index.htm. Also, the U.S. Postal Service offers a free mail-back program to help businesses recycle smaller items such as PDAs, digital cameras, iPods, and ink jet cartridges. You can find out more at http://www.usps.com/green/recycle.htm.

Although recycling is a good idea and has many benefits, when it comes to recycling electronic equipment, you must plan for and execute an effective and safe recycling program.

RICHARD X. McKENNA
SCHNEIDER DOWNS
TECHNOLOGY ADVISORS
Manager

Filing Dates *continued from page 1*

pass-through entities will have a common extension due date of September 15, while individuals will have until October 15 to file their returns. The new regulations apply to entities whose tax returns are due January 1, 2009 or later.

The following is a summary of the filing due dates under the new regulations:

	Original Due Date	Extended Deadline
S Corporation Tax Returns	March 15	September 15
Partnership, Estate and Trust Tax Returns	April 15	September 15
Individual Tax Returns	April 15	October 15

Additional research and writing for this article was completed by Laura Fernan.

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.

A number of clients and friends of the firm have requested permission to reprint articles from OnPoint. We are pleased that our readers find the articles informative, and encourage reproduction with acknowledgment of the source.

© 2009 Schneider Downs & Co., Inc.

PRINTED ON RECYCLED PAPER • PRINTED ON RECYCLED PAPER • 30%

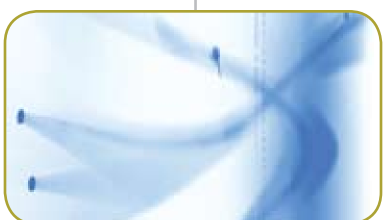
PLEASE RECYCLE THIS NEWSLETTER.

FEATURE ARTICLE

Technology Spending During an Economic Downturn *by Patrick B. Armknecht, Technology Business Development Manager*

The decline of the global economy has and will continue to significantly impact information technology spending. With consumer spending at its lowest point in 50 years, businesses are looking for ways to improve their bottom line, and are re-evaluating their technology spending habits. It will be critical for businesses to:

- Attempt to reduce or eliminate existing technology-related expenses;
- Invest in cost containment technologies, such as virtualization; and
- Perform an ROI analysis for new technology purchases.



Reducing/Eliminating Technology Expenses

Technology-related expenditures are often one of the first expenses to be scrutinized, because these expenditures tend to be higher in nature. Businesses should evaluate existing technology annually, in order to determine if benefits received exceed the cost of support and maintenance. However, since many of the criteria used in the evaluation are subjective, it can be difficult to ascertain if the benefit gained outweighs the cost of supporting the technology. Include these guideline questions when performing a cost/benefit analysis of a technology:

- Does the technology provide your organization with a competitive advantage?
- Will the reduction or elimination of the technology result in a loss of business?
- Will you incur additional costs as a result of eliminating the technology?
- Are you underutilizing functionality available within the technology? If so, would the use of additional functionality reduce costs elsewhere?
- Can additional technologies be used in conjunction with the existing technology to increase the benefit?

When it becomes evident that a technology cannot be eliminated, you should consider ways of reducing the cost of ownership. Consider these questions when determining if a technology-related cost can be reduced:

- Are there lower-cost alternatives for supporting the technology?
- Can maintenance contracts or service agreements be renegotiated?
- Can you reduce the ongoing cost of support and maintenance by eliminating user licenses or features (example: deactivate software modules that are no longer utilized)?

Investment in Cost Containment Technologies (Virtualization)

Prior to the economic downturn, there was a substantial investment in growth-related technology. Companies invested in software and hardware designed to increase revenue or improve client satisfaction, as it was easy to envision the additional revenue or competitive advantage gained by their implementation. However, with consumer spending on the decline, businesses will be leery of investing in any technology that does not result in a quantifiable cost reduction. Technologies designed to improve operational efficiencies, automate processes and ultimately reduce operational costs are referred to as cost-containment technologies.

One of the most prevalent cost-containment technologies available today is virtualization. Virtualization is a method of running multiple operating systems on a single piece of hardware. According to an article by John K. Waters of CIO.com, there are three types of virtualization:

> *Storage virtualization* melds physical storage from multiple network storage devices so that they appear to be a single storage device; *network virtualization* combines computing resources in a network by splitting the available bandwidth into independent channels that can be assigned to a particular server or device in real-time; and *server virtualization* hides the physical nature of server resources, including the number and identity of individual servers, processors and operating systems, from the software running on them.

Often, businesses with multiple servers do not use their servers to their fullest capacity. Virtualization allows servers to allocate resources to applications when necessary, reducing the number of physical servers required. By implementing virtualization technology, businesses can expect to reduce costs in the following areas:

- Hardware costs – the ability to allocate resources based upon demand reduces the number of servers required to operate your business;
- Energy costs – fewer servers will result in lower energy costs associated with powering and cooling servers;
- Labor costs – fewer servers results in a reduction in service hours required to support them; and
- Maintenance and support costs – fewer servers will reduce costs associated with hardware maintenance and support contracts.

It is not uncommon for companies to replace up to five physical servers with a

PATRICK B. ARMKNECHT
SCHNEIDER DOWNS TECHNOLOGY ADVISORS
Director of Business Development

Continued on page 5

Kicking Yourself for Taking Early Social Security?

How to undo reduced benefits and take advantage of an interest-free government loan

by Laura A. Fernan, Tax Advisors

If you are regretting taking early Social Security, there is an easy way to undo the reduced early withdrawal payments. By filing a simple form, a Social Security beneficiary may withdraw their application.[1] When the retiree refiles for benefits, the Social Security clock restarts and benefits are now based on the applicant's current age.[2] What does this mean for someone who withdrew reduced benefits at age 62? If a person starting drawing Social Security at 62 withdrew his or her application and later refiled for benefits at age 66 or 70, this person would increase his or her benefits by about 32% or 73%, respectively. Of course, there is a catch. In order to restart the Social Security clock, all benefits previously received must be paid back.[3] However, there is no interest or penalty due on these payments.[4] Essentially, the early retiree has just received an interest-free loan from the government.

Retirees may want to take advantage of this loophole even if they did not plan to take early retirement. A retiree may draw early Social Security at 62, bank the proceeds, and earn interest on the distributions for eight years.[5] At age 70, this retiree needs only pay back the amount of benefits received, interest-free. Although these distributions will increase the retiree's tax burden in the year of distribution, the repayment is deductible, or a tax credit is available for the taxes paid on past Social Security benefits.[6]

1 Social Security Handbook §1515.1.
2 Carroll, Patrick P., Social Security Administration Inspector General. Memo to The Commission of Social Security - "Quick Response Evaluation: Individuals Withdrawing Title II Benefit Applications." September 2008.
3 *Id.* at 2.
4 *Id.* at 9.
5 *Id.* at 9.
6 Department of Treasury, Internal Revenue Service, Publication 915, Page 15.

Q & A

Schneider Downs Wealth Management Advisors, LP

Question of the Quarter

Q. Given the recent turmoil in the capital markets and the economic crisis, should I be making changes to my 401(k) account?

The dramatic decline of the capital markets in 2008 has created a great deal of anxiety for participants in company-sponsored 401(k) plans. Before reacting to your 2008 year-end statement, it will be more important than ever to keep in mind that the goal of your 401(k) plan is to provide a vehicle for ***long-term*** retirement savings. Any changes to your plan participation, rate of savings or asset allocation strategy should be made with that long-term focus in mind.

While it is important for everyone to conduct a periodic review of their progress, during your 2009 review, keep in mind the following points:

- **Remember why you participate in your company's 401(k) in the first place!**
  Overwhelmingly, American workers value their 401(k) because the plan makes it easy to save and invest. The core benefits of participating in a 401(k) plan are just as important, if not more important today:
  - Payroll deduction provides the discipline to save in a systematic way with minimal involvement.
  - Generally, all contributions made to the program are tax-deferred and enjoy tax-deferred growth until distributed from the plan.
  - Many companies still offer some form of matching contribution as an incentive to participate. Matching contributions provide an immediate return on your investment.
- **Market returns matter, but your contributions matter more!**
  Research shows that the single biggest factor in the size of your account balance is your contribution rate. Maximizing your contributions in this environment will help you to recover quicker. Contributions made to your account will also be buying investments at levels not seen since 1997.
- **Stay Invested!**
  Moving everything to a Money Market or Stable Value option at this point locks in the loss. History tells us that much of what was lost in the recent downturn will be regained early in the recovery. It is impossible to time the market, so staying fully invested according to your long-term asset allocation strategy will allow you to participate fully in the recovery when it happens.

History has shown that investors can be driven by their emotions. In a market such as the one we are in today, those emotions are telling investors to sell and run for cover. This strategy can be detrimental to your retirement account. Before reacting, review your long-term strategy carefully and make any adjustments with your goals in mind.

Article written by Nancy L. Skeans, Managing Director of Schneider Downs Wealth Management Advisors and Scott F. Fremer, Director of Business Development for Schneider Downs Wealth Management Advisors.

SDANNOUNCES

Technology Spending *continued from page 3*

single server when utilizing virtualization technology.

Return on Investment (ROI) Analysis for New Technology Purchases

Over the last decade, businesses have routinely prepared a Return on Investment (ROI) analysis for substantial technology purchases. An ROI analysis essentially builds the business case for making the investment. In the face of a struggling economy, we anticipate that the ROI analysis will become a requirement for any new technology purchase. A technology ROI analysis should include:

- An explanation of the expected changes to the current business processes or environment;
- Anticipated increase in revenues;
- Anticipated cost savings;
- Anticipated avoided costs;
- Total required investment; and
- An estimated payback period.

During this recession, greater accountability will be placed on achieving the benefits identified in the ROI analysis. This will definitely be the case for cost-containment technologies, because there are few external variables that have an effect on the benefits realized.

For an analysis of your information technology expenses and potential cost-savings, contact Patrick Armknecht at parmknecht@schneiderdowns.com.

New Hires

Our people are our greatest strength. We welcome our October, November and December new hires:

Brandi J. Allen
Jason M. Bollinger
Kenneth C. Gruber
William J. O'Connor
Paul D. Scherrah
Karrie L. Smiley

WELCOME

Around SD

Pittsburgh Office Shows Steelers Pride!

The Friday before the Pittsburgh Steelers won Super Bowl XLIII, the Pittsburgh employees showed their spirit with a "black and gold" day that included a tailgate-type lunch.

Gina Walker and Tom Harvey braved the elements of a snowy Pittsburgh day to grill hamburgers, veggie burgers and hot dogs.

Lunch was served buffet-style in the office's lunch room, which was transformed into a sea of black and gold.

Mary Jo McCaul shows her "Steelers pride." She updated the lobby presentation to include our well wishes for the home team!

Corporate Finance Seminar

More than 120 people attended the Pittsburgh Schneider Downs Corporate Finance seminar on November 18, 2008 at the Duquesne Club. "Bullseye! Targeting a Changing Consumer Market" featured panelists Rob Cochran, President and CEO of #1 Cochran, and Michele Fabrizi, President and CEO of MARC USA. Mr. Cochran and Ms. Fabrizi discussed how their businesses are confronting fluctuations in consumer spending, and their survival strategies. Patricia Warrick and Peter Lieberman, Managing Directors of Schneider Downs Corporate Finance, served as panel moderators. Our Columbus office will be hosting its annual Corporate Finance seminar in May. Look for more information on our web site: www.schneiderdowns.com.

Michele Fabrizi from MARC, USA and Tricia Warrick of Schneider Downs.

Peter Lieberman of Schneider Downs with Rob Cochran, owner of #1 Cochran.

Winter 2009 • Volume 27 • Issue 1

ONPOINT

Schneider Downs

1133 Penn Avenue
Pittsburgh, PA 15222-4205
TEL 412.697.5200
FAX 412.261.4876

Huntington Center, Suite 2100
41 South High Street
Columbus, OH 43215-6102
TEL 614.586.7200
FAX 614.621.4062

www.schneiderdowns.com

CHANGE SERVICE REQUESTED

PRSRT STD
U.S. POSTAGE
PAID
PERMIT NO. 830
PITTSBURGH, PA

Interested in receiving email updates?

Are you on our email list? Schneider Downs frequently issues email messages with news, information and updates on topics that are important to our clients' industries. If you would like to receive periodic updates via email, please visit www.schneiderdowns.com and click on Subscriptions. We'll be sure to keep in touch.

PROFESSIONAL NEWS

Raymond W. Buehler, Jr., CEO, spoke at the Upper St. Clair High School International Education Week: "Pittsburgh: Bridges to the World" in November.

Donald B. Applegarth and **Steven D. Thompson**, Audit Shareholders, attended the AICPA SEC Conference in Washington, D.C. in December.

Edward R. Friel, Audit Shareholder, was elected Treasurer of Catholic Charities Diocese of Pittsburgh Board of Directors.

Mark E. Cobetto, Tax Shareholder, was quoted in the February 6 *Columbus Business First* article, "Looking for cash in all the right places."

Eric M. Wright, Technology Shareholder, was asked to join the Sage MIP Business Partner Council.

Gennaro J. DiBello, Tax Shareholder, attended the AICPA National Real Estate Conference in Phoenix in November. He also attended the Major Firms Group Meeting in Naples in January. Gennaro was also re-elected to the LaRoche College Board of Directors.

Patricia M. Warrick, Corporate Finance Managing Director, served as a panelist with U.S. District Court Judge Joy Flowers Conti and Maggie Good of The Meridian Group, at the International Women's Insolvency and Restructuring Confederation Speaker Series regarding the impact of today's economic and capital markets climate on restructuring issues and opportunities. Tricia has also rejoined the Board of Directors of the Association for Corporate Growth - Pittsburgh as President-Elect.

John H. Stafford, Technology Shareholder, joined the Board of Directors for DePaul School for Hearing and Speech.

Jeffery A. Acheson, Managing Director, SD Retirement Advisors, was quoted in the January 2 *Columbus Business First* article, "Bloodbath has lawmakers, savers taking a harder look at 401(k) plans." He was also quoted, along with **Mark Cobetto**, in the January *Columbus CEO* article, "Family Limited Partnerships."

Eugene M. DeFrank, Audit Shareholder, and **Mark A. DiPietrantonio**, Tax Senior Manager, attended the AICPA National Construction Industry Conference in New Orleans in December. Eugene and Mark also both earned the Certified Construction Industry Financial Professional credential.

Kevin J. Brubaker and **Trevor P. Warren**, Audit Managers, spoke at the Ohio Society of Certified Public Accountants Columbus CPE Day, as well as the organization's Accounting and Auditing Update. Both events were in November.

Charles J. Conner, Director, Creative Financial Staffing, was asked to be a part of the Local Government Academy's "Pillars of Good Government."

Daniel P. Phillips, Tax Shareholder, made a presentation to members of University of Pittsburgh's Beta Alpha Psi chapter on tax changes.

Charles A. Oshurak, Audit Senior Manager, and **Todd J. Lucas**, Audit Manager, made a presentation to members of Duquesne University's Beta Alpha Psi and Student Accounting Association on the current financial environment.

Susan M. Kirsch, Tax Shareholder, spoke a the NACUBO Tax Forum Conference in Chicago in November. She also presented at the United Jewish Federation seminar in Atlanta. In September, Sue spoke at the PICPA's Fall Technical Tax Session in Pittsburgh.