ON POINT

SCHNEIDER DOWNS
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KEY TAX DATES

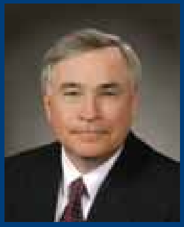
07.31.13
EMPLOYERS' TAXES. Employers of nonagricultural and nonhousehold employees must file Form 941 to report withheld income and FICA taxes for the second quarter of 2013.

09.16.2013
CORPORATIONS, PARTNERSHIPS, ESTATES AND TRUSTS. Last day for filing 2012 income tax returns by calendar-year corporations, partnerships, estates and trusts that obtained automatic filing extensions.
ESTIMATED TAX. Payment of third installment of 2013 estimated tax by individuals, trusts, estates and calendar-year corporations.

Continued on Page 7

IN MEMORIAM

John H. Stafford
1946 - 2013

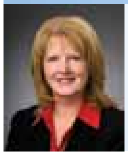


The extended Schneider Downs family was saddened by the recent death of John H. Stafford, who served as shareholder and director of our firm's technology practice from 1999 until his retirement in 2011.

John played a vital role in the steady growth of Schneider Downs, but more importantly, left his footprints throughout the firm's culture and heritage. His level-headed leadership style was admired by all who worked with him, and set an example for future leaders.

"John brought intense enthusiasm for his great passions, including family, golf and his beloved Notre Dame. If you had a few minutes, he would always have a story about one of them," said Raymond Buehler, Schneider Downs President and CEO. "We will miss those stories."

John Stafford is survived by his wife of 43 years, Judy, as well as his four children and seven grandchildren.



UNDERSTANDING WITHHOLDING TAXES ON PAYMENTS FOR SERVICES PERFORMED ABROAD

by Cynthia D. Hoffman, International Tax Director

If your employees are performing services in a foreign country, you may be subject to a foreign income tax liability and filing, or withholding tax may be imposed on the payment. Understanding whether this tax is a net cost to you is important in setting the price for such services.

Income from the performance of services is generally sourced to the country where the services are performed. Territorial taxing systems tax only income from sources in that country, generally when the provider has created a "permanent establishment." For example, services performed by U.S.-based employees in Canada would be Canadian-sourced and may be subject to Canadian taxation.

If the U.S.-based company's foreign activities do not give rise to a "permanent establishment" status, many countries nevertheless require the payor to withhold tax on the gross amount of the payment. Rates may be reduced by a bilateral income tax treaty, if one exists, between the U.S. and the foreign country.

The U.S. tax system imposes tax on all resident entities' worldwide income. As a result, when a foreign country imposes a withholding tax, the U.S. company faces possible "double taxation" on the same income. In order to mitigate the double taxation, the U.S. allows the foreign taxes to be deducted, or a foreign tax credit to be taken. Income taxes withheld at the source are "creditable" taxes for purposes of qualifying for a foreign tax credit. Foreign tax credit utilization can be limited in certain cases.

To qualify for a reduced rate of withholding under an income tax treaty, the U.S. company is required to provide U.S. residency certification from the U.S. Treasury Department. Such certification may be obtained by filing Form 8802 with the IRS. Other forms may be required to obtain treaty benefits, depending on the country.

Understanding the tax implications of providing services abroad is important to stay current with any local laws, as well as projecting costs associated with operations. Withholding tax rules are no exception.

TOP STORY

THE MARKETPLACE FAIRNESS ACT - IS IT REALLY FAIR?

by Jack Stewart

BY
EMERY "JACK" STEWART,
STATE AND LOCAL TAX
SENIOR MANAGER

ON MAY 6, 2013, THE U.S. SENATE PASSED THE MARKETPLACE FAIRNESS ACT OF 2013 (THE ACT OR BILL).

The Act authorizes states meeting the bill's minimum simplification provisions to require remote sellers (a seller from outside the state that, prior to this legislation, had no legal requirement to collect and remit the tax) exceeding the small-seller exception threshold ($1 million in remote sales) to collect and remit its state's sales tax. The U.S. House of Representatives is considering similar legislation, which may become law if the two chambers reach an agreement, especially since President Obama has indicated that he is in favor of remote seller legislation.

Proponents of the bill argue that current sales and use tax law is unfair because it provides an unfair competitive advantage to remote sellers that are currently not collecting the tax. Supporters point out that this is not a new tax, but an existing one that is due and currently largely uncollected.

The current law regarding sales and use tax nexus in the United States is governed by the United States Supreme Court's (Court) opinion in the case of *Quill v. North Dakota* (1992) (*Quill*). In *Quill*, the Court stated that the bright-line rule in its previous opinion in National Bellas Hess (1967), regarding the Commerce Clause of the U.S. Constitution and the physical presence requirement, is still good law and provides clear guidance in a tax area containing thousands of jurisdictions having different laws and rates. The Court's opinion also stated that Congress is entitled to disagree and is authorized to pass legislation imposing the collection burden on remote sellers.

While Congress has the authority, opponents do not believe that the Act adequately addresses the interstate commerce concerns expressed by the Court in *Quill*. Brick-and-mortar retailers not making remote sales only have to comply with the sales tax rules and rates for the location(s) where they have a physical presence connection.

The remote seller, once it exceeds the small-seller threshold, is required to collect sales tax for every compliant state into which it makes a sale, even if it only makes one sale into that jurisdiction. Each state may have different rates and taxability rules. While the Act simplifies the number of reporting jurisdictions and requires the states to provide assistance to remote sellers regarding tax rules, rates and filings, opponents believe that the Act is too vague in addressing the various compliance burdens.

Furthermore, the Act provides no federal oversight as to whether states passing simplification legislation meet the requirements in the proposed federal law. Remote vendors wanting to challenge the state simplification laws may have to do so in an out-of-state or federal court. Remote sellers could face a large increase in the number of state audits, which can be time-consuming and costly. A single error not covered by the relief of liability clause can result in a large assessment of tax, penalties and interest that may possibly drive a remote seller into bankruptcy or out of business.

Historically, states have justified their compliance requirements on the basis that the businesses are the beneficiaries of the many services that state and local governments provide. Therefore, the businesses benefitting from these services have an obligation to collect the tax for the state and local government. Businesses that have a physical presence in the jurisdiction clearly benefit more from these state and local services than do remote sellers. Thus, the question: is the Marketplace Fairness Act really fair?

FEATURE

BY
JOEL M. ROSENTHAL
SHAREHOLDER, BUSINESS ADVISORS

CONGRATULATIONS! YOU'VE SIGNED A LETTER OF INTENT. NOW IT IS TIME TO INITIATE THE DUE DILIGENCE PHASE OF YOUR ACQUISITION.

The first step is to assemble the team. It should include employees from your finance, operations and human resources functions, as well as external advisors, including insurance, environmental and IT professionals, attorneys and accountants trained in the diligence aspect of an acquisition. Experience counts when it comes to diligence, so pick your team carefully.

Communication is an important aspect of the team dynamic. It ensures that information and significant findings are shared, procedures aren't duplicated, and risk areas are not overlooked. Best communication practices include determining the point person for the project, having a shared data room and frequent "all hands" meetings or calls.

NEXT STEP: DUE DILIGENCE

by Joel M. Rosenthal

The team's first order of business should be to review all available information and develop a list of the risks associated with the acquisition. Team members should develop a plan to address the risks, and all of the plan's lists should be consolidated into one master plan. A master request list should also be developed. A final review should be performed by the entire team to challenge approaches and eliminate any duplications. Timelines for executing and reporting should also be part of the plan.

Financial due diligence plans typically focus on the quality of the earnings, working capital, balance sheet quality and taxes. In each of these areas, the financial team should be looking to validate the seller's representations, identify opportunities and add clarity to high-risk assumptions. Descriptions and potential procedures to access the associated risks are highlighted below:

- Quality-of-earnings procedures are designed to determine the sustainability of the earnings stream and cash flows of the business. This can be done by analyzing trends in the income statement accounts, one-time financial events and products and services. Additionally, any seller adjustments to EBITDA should be validated and scrutinized. Revenues should be examined for product/customer trends to identify if future sales would be different than the current state.

- Working capital is the lifeblood of the day-to-day operations of the business being acquired. Understanding the composition of the working capital components is critical to determining the feasibility of ongoing operations. Procedures may center around trends, evaluation of future needs based on financial models and determination of any seasonal needs. Typical sales agreements contain a base working capital amount that is to be delivered at closing. Financial diligence can be used to evaluate the amount and finalize the components of the calculation.

- Balance sheet diligence typically focuses on the quality of the assets and the existence of liabilities. Procedures can include assessment of the collection cycle and collectability of the receivables. Inventories may have many intricacies and the focus may be on costing, aging and condition. Work on liabilities can take on different tones depending on whether you are buying assets or stock. In the case of a stock deal, more attention should be given to liabilities to ensure that all of the liabilities are on the books. Key areas to look at include warranties, benefit plan liabilities, vacation and employee accruals and litigation, to name a few.

- Tax diligence can also take on different forms depending on whether it is an asset or a stock deal. Stock deals need an in-depth review of all tax positions for open years, since the buyer will inherit those positions. Other things to consider beyond federal income taxes include state filing nexus, sales and use taxes and employee versus contractor status.

Other areas of diligence that are not technically financial, but touch the financial side of the business and should be reviewed are information technology and benefits. There are many variations based on the risks identified and the type of business being acquired. Ultimately, the plan should be tailored to address the business risks.

Diligence can add value to the buyer in many ways. In addition to identifying problems, it can identify opportunities for improvement and profit enhancement. Diligence can also help focus on transition issues and identify needs for the future.

For more information about Schneider Downs' due diligence services, please contact Joel Rosenthal at jrosenthal@schneiderdowns.com.

NEWS YOU NEED

A PERFECT STORM FOR MULTI-FAMILY REAL ESTATE INVESTORS

BY ANTHONY J. VENTURA, DIRECTOR, SCHNEIDER DOWNS CORPORATE FINANCE, LP

Recovery in the United States economy and its expected job growth outlook, restrictive retail mortgage credit markets and changes in the U.S. population may lead to the development of more than 10 million new and prospective renters, particularly in the South. A shortage in supply, relatively low interest rates and the availability of credit has caused institutional and retail investors alike to search for high-quality opportunities in this segment. Investors in this segment, who assume the risks associated with traditional real estate investment, are often seeking cash flow yields above U.S. Treasuries and risk-adjusted equity returns.

What's driving the demand?

Emerging Economic Realities

It's estimated that U.S. homeowners lost $6 trillion in real estate equity value in the years following the peak of the 2006 cycle. Today's homebuyers are subject to tighter underwriting requirements including a significant down payment, and as a result, homeownership is its lowest level in 18 years.

Changing U.S. Population and Demographics

Seventy-two million Baby Boomers are retiring and may choose to rent

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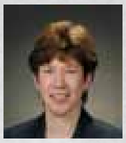
SCHNEIDER DOWNS WEALTH MANAGEMENT ADVISORS, LP

QUARTERLY COLUMN

INVESTING IN BRICs AND THE "NEXT" EMERGING MARKET COUNTRIES



BY
NANCY L. SKEANS, CPA, CFP®
PARTNER, SCHNEIDER DOWNS WEALTH MANAGEMENT ADVISORS, LP

According to the IMF, emerging market countries account for 51% of global GDP based on purchasing power parity. This dwarfs the U.S. share of 19%. Investing in emerging market equity is not a new idea, but it is an underutilized asset class in most portfolios. Investors have added exposure to the asset class over the years, but most have not embraced the asset class. Emerging market economies also continue to increase their share of the global equity market. At the end of 2012, emerging and frontier markets accounted for 26% of the world's market capitalization.

Emerging market countries offer growth opportunities due to their economic position and demographic characteristics. It is no secret that many of the emerging market countries have young and growing populations that will contribute to future economic output and, increasingly, to consumer consumption. Additionally, the financial strength of government balance sheets coupled with supportive policies are expected to allow emerging markets' GDP growth to accelerate at faster rates relative to the U.S. and other developed economies.

So why have emerging market stocks lagged the performance of developed markets lately? One reason is that many emerging market economies are tied closely to the export of commodities. Given the global economic slowdown, commodity demand and prices have suffered. Emerging economies are also dependent upon consumer consumption in more developed countries. These consumers, particularly in Western Europe, have lost not only a tremendous number of jobs but also their appetites for non-discretionary purchases. As the global economy recovers, however, demand will certainly follow.

There is no doubt that investing in emerging markets equity can increase the volatility of your portfolio due to its higher risk/reward profile. As a long-term investment, we view emerging markets as a critical component of future portfolio growth for investors. For the past two decades, emerging markets investments have been dominated by the four countries classified as the BRICs: Brazil, Russia, India and China. These four countries alone account for roughly 51% of emerging markets' market capitalization.[1] When building an emerging markets position, we recommend seeking diversification beyond the obvious players. Don't throw out the BRICs, but look for opportunities to benefit from the growth of the next wave of emerging economies — those with the population and dynamics to contribute to global growth over the next decade and beyond.

[1] December 31, 2012 Market Capitalization of listed companies in US$ I Source: The World Bank

Our people are our greatest strength. We welcome our new hires:

Lauren M. Dorsch	Danielle J. Miceli	Kelly L. Schwieterman
Catherine M. Grunebach	Nicholas L. Rawlins	Edward T. Williams
Jonathan G. Joodi	Jordan M. Schweinsberg	Christina N. Woulf

ADDITIONAL TAX DATES

CONTINUED FROM PAGE 2

BENEFIT PLAN DUE DATES

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

Year-End	Due Date	With 5558 Extension
11/30	7/1/13	9/16/13
12/31	7/31/13	10/15/13
1/31	9/2/13	11/15/13

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
3/31	6/17/13
4/30	7/15/13
5/31	8/15/13

MULTI-FAMILY REAL ESTATE

CONTINUED FROM PAGE 6

as they downsize their homes. Eighty-five million Echo Boomers prefer a lifestyle of convenience requiring little domestic upkeep and seek to rent near work, shopping and entertainment. Immigration and growth in minority cultural demographics may also contribute to the expected future demand for apartments.

Fundamentals of Multi-Family Real Estate Investment

Multi-family investments may be more stable compared to other real estate asset categories. They are more prone to population cycles rather than economic cycles, and operating reports from property managers provide transparency. Numerous renters with relatively short-term leases mitigate revenue concentration risk and provide a hedge against inflation.

Schneider Downs Corporate Finance has experience assisting clients in planning, financing or capitalizing the acquisition or development of significant real estate assets. For more information, please contact Anthony Ventura at 412-697-5481.

Schneider Downs Corporate Finance, LP is a registered broker/dealer. Member FINRA/SIPC.

AROUND SCHNEIDER DOWNS

Schneider Downs recently participated in the 2013 Dave Thomas Foundation for Adoption "Kickball for a Home." Not only did the Schneider Downs team raise money and awareness to help children in foster care find permanent homes, but also the team came in first place! *Pictured l-r: Jason King, Marcus Stierwalt, Annette Fairchild, Chip Whyte and Michael Sedlock.*

Lara Fuller spoke at the The Ohio Society of Certified Public Accountants' Dayton Accounting Show. She offered her thoughts on the recent changes to employee benefit plan auditing standards. Lara shared the stage with a few famous names in accounting, including nationally known accounting and auditing expert Leah Donti and long-time Dayton Accounting Show attendee and Tae Kwon Do expert Mike Zimmer.

In May, the Pittsburgh office welcomed our new class of summer interns. They represent a number of different colleges and universities in Pennsylvania, Ohio and West Virginia.

Schneider Downs sponsored a hole at the June golf outing for The Institute of Internal Auditors at Cranberry Highlands Golf Course. Schneider Downs' teams took both first and second place! Pictured at left are Chuck Oshurak, Doug Morally and Dan Desko. Mike Stetson also participated and served as team photographer.

Correction: The last issue stated that Timothy Slomer spoke at the Pennsylvania Payroll Conference. It should have stated that the speaker was Tina Hudak, Technology Advisors Senior.

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PROFESSIONAL NEWS

RAYMOND W. BUEHLER, JR., President and CEO; **MICHAEL A. RENZELMAN**, Audit Shareholder; **JOSEPH J. PATRICK, JR.**, Audit Shareholder; and **DANIEL P. PHILLIPS**, Tax Shareholder, attended the PrimeGlobal Partner Leadership Conference in Chicago.

CHARLES A. OSHURAK, Audit Senior Manager, was re-elected as Treasurer for the MIT Enterprise Forum of Pittsburgh.

SUSAN M. KIRSCH Tax Shareholder, joined the FISA Foundation Board of Directors.

DANIEL J. DESKO, Internal Audit and Risk Advisory Manager, wrote the article "Social Media Risks" for the June issue of the Pennsylvania Association of Community Bankers magazine, *Transactions*.

DANIEL P. PHILLIPS, Tax Shareholder, attended the American Trucking Association's National Accounting and Finance Council's annual meeting in San Diego, CA.

ANGELA M. GILLIS, Internal Audit and Risk Advisory Manager, was elected President of the Central Ohio Chapter of The Institute of Internal Auditors for the 2013-2014 year. Angela also attended the North American IIA Leadership Conference in Orlando, FL.

MEREDITH J. CHRISTY, Tax Senior Manager, was elected to a three-year term on the Board of Directors of the Armstrong County Memorial Hospital and is Chair of the finance committee.

DONALD R. OWENS, Internal Audit and Risk Advisory Services Shareholder, spoke at the Ohio Association of College and Business Officers annual meeting on the topic of Enterprise Risk Assessment. Don also presented at the Central Ohio Chapter of The Institute of Internal Auditors on the topic of Risk Beyond the Borders.

MATTHEW M. MCKINNON, Tax Senior Manager, was accepted into the Leadership of Columbus Class of 2014.

GINA M. WALKER, Human Resources Manager, recently passed the Senior Professional in Human Resources (SPHR) exam.

ERIC M. WRIGHT, Technology Shareholder, and **DANIEL J. DESKO**, spoke at the PICPA IT Assurance Conference in Harrisburg, PA. Eric was also interviewed by the *Harrisburg Patriot* regarding the IT controls that can deter fraud.

THEODORE M. PETTKO, Audit Shareholder, and **JEFFREY A. WLAHOFSKY**, Tax Shareholder, attended the Marcellus Shale meeting in Harrisburg, PA in May, where they met with various state legislators.

TIMOTHY D. ADAMS, State and Local Tax Shareholder, **GEORGE E. ADAMS**, Tax Shareholder, and **JEFFREY A. WLAHOFSKY**, taught a course "Surviving the Challenges of Oil and Gas Taxation in Pennsylvania, Ohio and West Virginia" sponsored by Lorman Education Services.

MARY D. RICHTER, Tax Shareholder, and **MARK E. COBETTO**, Tax Shareholder, attended the PrimeGlobal European Tax Conference in Munich, Germany.