

ONPOINT

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KEY TAX DATES

JANUARY

15

Estimated Tax. Final installment of 2012 estimated tax by individuals, trusts and estates.

31

Employers' Taxes. Employers of nonagricultural and nonhousehold employees file return on Form 941 for withheld income and FICA taxes in last quarter of 2012.

Individuals. Individuals (other than farmers and fisherman) who owed, but did not pay, estimated tax on January 15 must file final 2012 income tax return and pay tax in full to avoid late payment penalty.

Individuals. Annual information statements (Form 1099-MISC) must be provided to recipients for payments of more than \$600 for services rendered as well as all other types of information returns.

FEBRUARY

15

Individuals. Last day for filing Form W-4 by employees who wish to claim exemption from withholding of income tax for 2012.

See Page 5 for additional key dates

IS YOUR COMPANY PREPARED FOR THE CHANGES TO THE 2012 FORMS W-2?

by Patrick B. Armknecht, Technology Advisors Senior Business Development Manager

Changes, what changes?

Unless you've had your head buried in the sand for the last few years, you have probably heard of the Patient Protection and Affordable Care Act (the Act), commonly referred to as Obamacare. The act, signed into law in March 2010, aims to provide affordable health care for Americans while improving the quality and efficiency of health care in the United States. While the pros and cons of the Act have and will continue to be debated for years to come, one of the requirements associated with the Act will go into effect for a number of businesses this January. For the 2012 taxable year, employers are required to display the aggregate cost of applicable employer-sponsored coverage on box 12 of Forms W-2.

Does this apply to me?

For taxable year 2012, a number of exceptions have been made that exempt employers from reporting additional information on Forms W-2. One exception that will impact a number of companies relates to the number of Forms W-2 issued for the previous 2011 year. Companies that issued fewer than 250 Forms W-2 in 2011 are not required to disclose for the aggregate cost of applicable employer-sponsored coverage on Forms W-2. A more comprehensive

explanation of the exceptions can be found at www.irs.gov/pub/irs-drop/n-12-09.pdf. A number of the exceptions are expected to be temporary in nature. However, if and when changes are made to these exceptions, they can only be applied prospectively and will not go into effect until the calendar year beginning at least six months after the guidance is issued.

I'm not exempt, what should I do now?

It is important to understand the impact that the new requirements will have on your W-2 reporting process. Depending upon the information that your payroll software or outsourced payroll service is tracking, this could be a quick fix or a painstaking effort. In the worst-case scenario, you may be required to calculate and manually input this information. Conversely, you may find that your existing solution addresses the new requirements and your process will not be affected at all. If you have not done so already, contact your outsourced

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PATRICK B. ARMKNECHT

TECHNOLOGY ADVISORS

Senior Business Development Manager

AUDITOR COMMUNICATIONS FOR PCAOB AUDITS

by Shawn T. Edwards, Assurance Senior Manager

After more than two years since its original proposal, the Public Company Accounting Oversight Board (PCAOB) adopted Auditing Standard No. 16, Communications with Audit Committees (AS16). AS16 was adopted to enhance the relevance, timeliness and quality of communications between the auditor and the audit committee.

Some of the primary enhancements to auditor communications include:

- Communications with the audit committee that are required to occur prior to the issuance of the audit report;
- Certain matters regarding the company's accounting policies, practices and estimates;
- The auditor's evaluation of the quality of the company's financial reporting;
- Information related to significant unusual transactions, including the rationale for such transactions;
- An overview of overall audit strategy, timing, identified significant risks and significant changes to the planned audit strategy;
- Information related to the nature and extent of specialized skill or knowledge needed for the audit;
- Information related to the extent of the planned use of internal auditors, company personnel, other accounting firms or other third parties;
- The basis for the auditor's determination regarding principal auditor considerations if significant parts of the audit will be performed by other auditors;
- Identified concerns regarding management's anticipated application of recent or expected accounting pronouncements; and
- Auditor's evaluation of going concern considerations.

The most notable change included in AS16 is the requirement to communicate with the audit committee prior to issuance of the audit report. According to prior guidance, audit committee communications were incidental to the audit and not required to occur prior to the issuance of the audit report. However, with the passage of the Sarbanes-Oxley Act of 2002 and the formation of the PCAOB, it was determined that auditors and audit committees play an important role in investor protection. Accordingly, the PCAOB determined it was appropriate to ensure that there were meaningful exchanges between the auditors and the audit committee.

AS16 encourages effective two-way communication between the auditors and the audit committee. To be effective, the communications should be tailored to each specific company. These communications can be in the form of presentations, charts, reports or robust discussions. The PCAOB recognizes that smaller, less-complex companies might have fewer difficult auditing or financial reporting matters than larger, more complex companies. Therefore, only relevant AS16 communications are required to the audit committee. Auditors should also utilize this opportunity to understand the audit committee's comments, concerns and risks related to the company.

The PCAOB does not have the authority to require management to communicate to the audit committee. However, the PCAOB recognizes that management might communicate certain matters to the audit committee that are covered by AS16. In these

circumstances, the auditor is not required to duplicate the communication to the audit committee.

AS16 also formalizes a requirement for the auditor to establish the understanding of the terms of the audit engagement with the audit committee. This requirement aligns the PCAOB audit standards with the provisions of the Sarbanes-Oxley Act of 2002. The requirement to establish this understanding should be done in an engagement letter that the audit committee reviewed and approved.

Prior to becoming effective, AS16 must first be approved by the Securities and Exchange Commission (SEC). The PCAOB expects, subject to SEC approval, that AS16 could be effective for audits beginning on or after December 16, 2012. [N](#)



SHAWN T. EDWARDS
ASSURANCE ADVISORS
Senior Manager

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FEATURE ARTICLE

POST-ELECTION TAX PLANNING: FINALLY, A LITTLE CLARITY (SORT OF)

by Matthew M. McKinnon, Tax Senior Manager

President Obama's re-election has removed some of the uncertainty regarding future tax policy. The past few years had seen tax advisors scrambling to understand the tax policies of the candidates and the impact to their clients. With the current administration retaining the presidency for the next four years, we can now declare a few certainties about the tax landscape: the top rates won't decrease, dividends and capital gains will continue being taxed, and the AMT and estate tax aren't going away.

What we don't know, however, is the extent of potential increase in rates and change in brackets; the fate of the "extenders" and Bush-era tax cuts scheduled to expire on December 31, 2012; how the divided Congress will compromise to enact long-term tax policy; and when these issues will be addressed. The consensus appears to be that the lame duck session will accomplish very little, and many significant tax issues will be pushed to the next session of Congress in January 2013.

Given these uncertainties, year-end tax planning continues to be a challenge. However, a few key concepts should be considered.

Accelerate income into 2012

If tax rates increase, accelerating income into 2012 could save tax dollars. Plus, the new Medicare contribution tax of 3.8% on unearned income takes effect on January 1, 2013. This surtax applies to "net investment income" for taxpayers making more than \$250,000 for married filing jointly and \$200,000 for single filers.

Do you have assets with unrealized gains? Consider selling your investments in 2012 before capital gains rates increase. For assets subject to the installment

sale rules, consider electing out of installment treatment. By doing so, the entire transaction is taxed in the year of consummation. Advisors must analyze these options during year-end planning.

Are you an owner of an S Corporation with earnings and profits from former C Corporation days? Think about making a dividend distribution of these earnings in 2012, because dividend tax rates might increase.

Will your wage income exceed \$200,000 in 2013? Ask your employer to accelerate any year-end bonus into 2012. If you have the right to nonqualified stock options, give serious thought to exercising them in 2012. Both of these techniques will tax the income in 2012 and also avoid the additional 0.9% Medicare tax on wages effective January 1, 2013.

Carefully utilize available deductions

The deferral of deductions into later years with higher tax rates could also be a useful planning technique. Advisors should consider the interplay between deduction deferral and income acceleration very carefully.

Does your business need new capital equipment? Maximizing the benefit of enhanced depreciation deductions (Section 179 expense and Bonus Depreciation) is a key element of 2012 tax planning. These incentives are set to expire at year-end (or significantly decrease as is scheduled for Section 179 expense). In some situations, electing out of the Bonus Depreciation provisions and foregoing Section 179 expense could produce a greater benefit by taking the depreciation deductions in later tax years with higher tax rates.

Consider the timing of estimated tax payments, charitable contributions and other itemized deductions. Deductible medical expenses should be paid in 2012 because the deduction threshold is scheduled to increase from 7.5% to 10% of adjusted gross income effective January 1, 2013. With the possibility of the return of the income-based limitation on itemized deductions, taxpayers should consider when to make charitable donations and state and local estimated tax payments. It might make sense to postpone some payments to 2013, and in some scenarios, it might be beneficial to pay in late 2012. The Alternative Minimum Tax also needs to be considered relative to the timing of state and local tax payments.

Where to go from here?

While the election did not resolve much with respect to future tax policy, we do know one thing—tax rates will not be any lower than the present time. It is imperative for taxpayers and advisors to discuss various alternatives during year-end planning. Certain planning techniques (such as electing out of the installment method or choosing how to depreciate an asset, for example) do not have to be decided by year-end; taxpayers have the luxury of making the choice with the filing of their returns, including extensions. Maintaining a dialogue with advisors from now until return filing will allow taxpayers to take the most advantageous tax positions, as Congress comes to a resolution on the outstanding policy issues. ■



MATTHEW M. MCKINNON
TAX ADVISORS
Senior Manager

NEWS YOU NEED

IS THERE AN APP FOR THAT?

by Karlye N. Rowles, Marketing Manager

Apps are designed to make life more manageable by giving you access to information or organizing information with the press of a “button.” In September 2012, the iPhone App Store had 700,000 apps available, and Google Play, formerly the Android Market, had 675,000 apps (<http://cnet.co/TMBjAf>). Both markets brag that more than 25 billion apps have been downloaded. That’s a lot of Angry Birds.

With so many apps and so little time, here are a few that are favorites around Schneider Downs:

Bump (Free) – According to Bump, their app is the easiest way to share information. No typing necessary, simply bump your smart phone with another to share contacts, photos and files.

Yahoo! Finance (Free) – Organize your stocks, access daily news and market conditions and compare currencies. It’s a favorite among Schneider Downs shareholders.

Flight Trackers – FlightView (\$0.99), FlightAware (Free) and FlightTrack (\$4.99) are a few apps that will help you when you fly. They provide maps, flight information, delays and other details about the whereabouts of your airplane.

Goodreader (\$4.99) – A top choice for business travelers, this file viewer can be used to read, manage and annotate documents on an iPhone or iPad.

GotoMyPC (Free) – This app provides remote access to a MAC or PC from a web browser. Caution – Check with your IT department before you install this app.

Skype (Free) – Conduct a conference call anywhere on your smartphone, PC, tablet or TV with Skype. It also works on 3G or WiFi – check with your provider. Also a favorite for grandparents.

The Weather Channel (Free) – This app offers a glimpse or in-depth dive into the daily weather of your city(ies) of choice. You can access current and hourly conditions and 36-hour to 10-day forecasts all in one place.

TSN (Free) – TSN will fill the void when you’re away from the big screen. 24-7 access to the NHL, CFL, NFL, MLB and NBA.

What are your favorite apps? Send an email to knowles@schneiderdowns.com or comment on Jason Reljac’s Insight on our website: <http://bit.ly/sdcpa-apps>. ■

Q & A

Schneider Downs Wealth Management Advisors, LP *Quarterly Column*

Q. Interest rates are at historical lows. Why am I being warned about a bubble in bonds?

A. Investopedia.com explains that “a speculative bubble is usually caused by exaggerated expectations of future growth, price appreciation, or other events that could cause an increase in asset values. This drives trading volumes higher, and as more investors rally around the heightened expectation, buyers outnumber sellers, pushing prices beyond what an objective analysis of intrinsic value would suggest.”

Asset class bubbles are not unusual. Over the past two decades, we have experienced two significant bubbles: the technology bubble of the 1990s followed by the housing bubble in the 2000s. In the late 1990s, investors were willing to pay very high prices for stocks associated with the internet even if these companies were losing money. Some companies could provide no evidence that the product being peddled would ever make a return for investors. Investors were speculating on the chance that internet stocks would eventually make millions. This ended badly for investors when the bubble burst and stock prices fell sharply.

Is this even possible with bonds? Many investors think of bonds simply in terms of yield (the interest rate that one is being paid to hold the bond to maturity). As the question implies, with interest rates so very low, how can the assets be overpriced? At the most basic level, a bond’s price is determined by current yield and credit quality. Since we should be able to calculate a fair price for a bond if we know at least this much, the chances of a speculative bubble forming in this asset class seem to be impossible.

Unfortunately, there are other factors contributing to the creation of this bubble. Bond prices and interest rates have an inverse relationship, meaning that when interest

rates fall, bond prices rise. Over the past 30 years, interest rates have been falling, creating historical long-term returns that cannot be realized by today’s bond buyers. Some investors are buying into bond funds because they see these long-term positive historical returns and do not understand that with today’s low interest rates, these returns cannot be repeated. Couple this desire for higher returns with the volatility and uncertainty in the global equity markets over the past 12 years. Driven by the want to find safety from the equity markets, investors have also been piling into bonds. Another factor that has been pushing investors into bonds, particularly lower-quality bonds, is the search for yield. Add these factors together and the bond market has seen unprecedented inflows of cash further pushing up prices across all types of bonds.

This certainly does not mean that investors should rush for the exits now. Given the poor growth in the U.S. and around the world, interest rates are unlikely to move up any time soon. Also keep in mind, if interest rates begin to slowly tick up, this can be positive news. First, it should signal that the economy is starting to get healthier, leading to better growth and higher returns for other asset classes. Returns on cash investments, such as Certificates of Deposits and money markets, will respond quickly to rising rates. Additionally, maturing bonds and coupon payments from bonds can be invested at higher rates. At this point, the most important thing investors should do is to understand what type of fixed income (bonds) they own and discuss any concerns with their advisors. ■

Written by Nancy L. Skeans, Partner, Schneider Downs Wealth Management Advisors, LP

SDNEWS

CHANGES TO FORMS W-2

Continued from Page 1

payroll provider or software vendor and determine how they plan to address the new reporting requirements. The sooner you know what you're dealing with, the more time you will have to prepare.

Where can I find more detailed information about the 2012 reporting requirements?

For more information about the W-2 reporting requirements or guidance on what constitutes the aggregate cost of applicable employer-sponsored coverage, please visit www.irs.gov. Additional information about employer-provided health coverage reporting requirements can be found at <http://1.usa.gov/QACDJw>. ■

New Hires

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

Kira L. Bornak	Annamaria A. Jackson
Curtis N. Colaianne	Janet J. Kim
Sarah C. Coulson	Brian A. Kranitzky
Melanie Cribbs	Alyssa S. O'Connell
Casaundra A. Dady	Michael A. Stetson
Adam M. Friend	Nancy B. Wolfram
William J. Gorol	

WELCOME

Around Schneider Downs



The Columbus Internal Audit and Risk Advisory Services practice hosted a Data Security Seminar on November 7. Speakers included Schneider Downs' Chris Watson (right), Patrick Cornelius from Squire Sanders (center), Spencer Timmel from Hylant Group (left). Not pictured, but also presenting, were Steve Romig from The Ohio State University and Special Agent Corey Collins of the FBI white-collar crime unit.



Pittsburgh Mayor Luke Ravenstahl joined Pittsburgh real estate industry professionals at a recent Schneider Downs gathering. Pictured with the Mayor are Ryan Broze, Tax Manager, and Ted Pettko, Audit Shareholder.



Welcome to the Class of 2012! In October, we welcomed 22 graduates to the firm.



Jay Meglich builds a table at Furniture Bank of Central Ohio. A number of Schneider Downs volunteers spent the day assembling and painting furniture that will be provided free to families in need.



At the Schneider Downs annual firm meeting this year, Ohio State and Penn State alumni battled in a game of tug-of-war in advance of the football game between the two schools. The Ohio State alumni won the best-of-3 match without much trouble! Serving as referee was Tom Harvey, Director of Human Resources.

CALENDAR - BENEFIT PLAN DUE DATES

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

Year-End	Due Date	With 5558 Extension
5/31	1/2/13	3/15/13
6/30	1/31/13	4/15/13
7/31	2/28/13	5/15/13

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

Due Date	Details
1/31/13	to participants
2/28/13	to IRS via paper forms
4/1/13	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	12/17/12
10/31	1/15/13
11/30	2/15/13

Schneider Downs

1133 Penn Avenue
Pittsburgh, PA 15222-4205
TEL (412) 261-3644
FAX (412) 261-4876

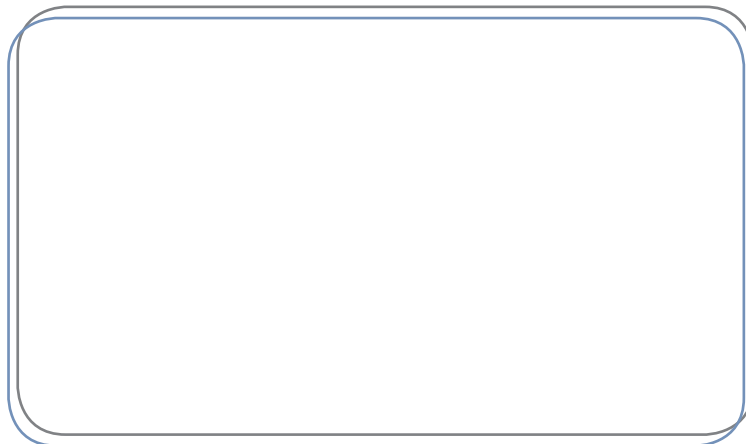
Huntington Center, Suite 2100
41 South High Street
Columbus, OH 43215-6102
TEL (614) 621-4060
FAX (614) 621-4062

www.schneiderdowns.com



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PROFESSIONAL NEWS

Paul M. Matvey, Tax Shareholder, **Henry J. Szymanski**, Director - Automotive Services Group, **Kathy D. Petrucci**, Tax Shareholder, **Robert E. Bandi**, Senior Tax Manager, and **Jackie L. Emert**, Tax Senior, attended the AICPA National Auto Dealer Conference in Las Vegas, NV in October.

Patrick B. Armknecht, Technology Advisors Senior Business Development Manager, presented on "Building an Accounting Referral Program" at the Microsoft Dynamics NAV Directions Conference in October in Phoenix, AZ.

Edward R. Friel, Audit Shareholder, recently joined the finance committees of Central Catholic High School (Pittsburgh) and Butler Country Club.

Jay R. Meglich, Audit Shareholder, presented to bankers in the oil and gas industry in conjunction with Steptoe and Johnson in September. Jay also presented to the Central Ohio Builder's Exchange regarding Utica Shale opportunities in Ohio in November.

Donald R. Owens, Internal Audit and Risk Advisory Services Shareholder, presented "Internal Controls Could Have Saved Many a Company" to the Ohio Society of Certified Public Accountants. Don also spoke at the Ohio Association of Government Accountants Annual Conference on the topic "COSO - Yesterday, Today and Tomorrow...Why the Changes?"

Mary D. Richter, Tax Shareholder, and **Cynthia D. Hoffman**, International Tax Advisory Services Director, attended the PrimeGlobal European Tax and Corporate Finance held in Malta. Cynthia is also serving as an adjunct professor at Capital University Law School, teaching International Tax in the graduate law program.

Jennifer E. Koehler, State and Local Tax Senior Manager, and **Cathy A. Condrac**, State and Local Tax Manager, attended the Institute for Professionals in Taxation (IPT)'s Advanced Sales and Use Tax Academy in Arlington, VA in November.

Kathy D. Petrucci, Tax Shareholder, wrote an article for the Ohio Automobile Dealer Association newsletter titled "Auto Dealer Record Retention." Kathy also attended the 2012 F&I Office Protection Products Conference: Fundamentals of Risk Transfer.

Maria D. Stromple, Senior Tax Manager, attended the 2012 CCH User Conference in November in San Diego, CA.

Frank A. Wischart, Business Advisors Director, and **Trevor P. Warren**, Audit Senior Manager, presented the webinar "Parts Department Best Practices for Deterring Fraud" to the Ohio Auto Dealer Association's auto dealer members.

Theodore M. Pettko, Audit Shareholder, **Thomas G. Claassen**, Business Advisors Shareholder, and **Scott P. Seapker**, Audit Manager, attended the AICPA National Oil and Gas Seminar in Denver, CO in November.

For the fourth consecutive year, Schneider Downs co-sponsored the Eastern Association of College and University Board Officers (EACUBO) Pittsburgh Fall Workshop at the Regional Learning Alliance in Cranberry Township, PA in November. Speakers from Schneider Downs included **Charles A. Oshurak**, Audit Senior Manager (and EACUBO Workshop Programming Chair); **Susan M. Kirsch**, Tax Shareholder; **Daniel J. Desko**, Internal Audit and Risk Advisory Manager; **Eric M. Wright**, Technology Advisors Shareholder; **Patrick F. Kerns**, Audit Manager; and **Lauren E. Craig**, Audit Senior Manager.