



INSIGHT ■ INNOVATION ■ EXPERIENCE

Winter 2011 ■ Volume 29 ■ Issue 1

## >> IN THIS ISSUE

- 1 Schneider Downs in the Community
- 1 Key Tax Dates
- 2 Lease Accounting Changes
- 3 Estate, Gift and GST Tax Legislation Passed
- 4 Technology New Year's Resolutions
- 4 Wealth Management: Quarterly Column
- 5 Around Schneider Downs
- 5 New Hires
- 5 Benefit Plan Due Dates
- 6 Professional News

## KEY TAX DATES

### MARCH

15

**Corporations.** Last day for filing corporate income tax return for calendar year 2010 (Form 1120, Form 1120-A and Form 1120S) and the application for automatic six-month extension (Form 7004).

### APRIL

15

**Individuals.** Last day for filing 2010 individual income tax and self-employment tax returns (Forms 1040, 1040A or 1040 EZ) and the application for automatic six-month extension (Form 4868).

**Partnerships, Trusts and Estates.** Last day for filing 2010 income tax return for calendar-year partnership, fiduciary and estates (Form 1065 and Form 1041) and application for automatic five-month extension (Form 7004).

See Page 5 for additional key dates

## Schneider Downs in the Community

by Sean P. Smith, Marketing Director

For more than 50 years, Schneider Downs has been proud of its legacy of providing financial support to numerous community, civic and arts organizations. The firm has always believed that it is important to demonstrate our commitment to making our communities better places to live and play. In 2008, Schneider Downs established a committee to help manage its charitable contributions in a fair and equitable manner.

"From our earliest days, Schneider Downs has believed all businesses have an obligation to give back to the communities where they work and live," explained Raymond W. Buehler, Jr., President and CEO. "Not surprisingly, we've learned over the years that these contributions are probably even more rewarding to us than to the organizations we support. Giving back is an important value at our firm, and I'm proud of our accomplishments."

The company is even more honored, however, by its many employees and shareholders who contribute significant amounts of time and services to organizations throughout the community. These contributions occur in the evenings, on the weekends, and when any other free time is available.

Schneider Downs employees serve as board members and treasurers, committee members and volunteers across a wide spectrum of community and professional organizations. There are coaches for basketball, football, hockey and soccer. Volunteers who staff fund-raising events, and volunteers packing boxes at

a local food pantry. From walking for a cause to counseling students to better understand accounting, Schneider Downs volunteers are everywhere.

In an effort to further encourage volunteerism throughout the firm, Schneider Downs has established a formal policy through which employees can recoup an additional day of vacation in exchange for contributing a full workday of volunteer service.

"As important as it is to get involved in the community, not everything can be done on the weekends. Our *Volunteer Service* policy was created as a platform to make it easier for our employees to volunteer their services during the workday when it is necessary," explained Thomas Harvey, Director of Human Resources. "While it certainly is not mandatory, we are quite pleased with the results."

Partially through the *Volunteer Service* program, Schneider Downs employees contributed more than 4,400 working hours to volunteerism in 2010, according to firm records. That's an average of more than 1.5 days of volunteer service for every employee at the firm's offices in Pittsburgh and Columbus. When paired with the countless evening and weekend volunteer hours, Schneider Downs truly is making an impact on the community.

"It's exciting to see so many of our employees getting involved," says Buehler. "I know it benefits the community, and I'm equally convinced of its value to the firm." ■

# TOP STORY

## LEASE ACCOUNTING CHANGES

by Shawn T. Edwards, Senior Assurance Manager



Companies have been using leases as a financing option for many years. Generally accepted accounting principles (GAAP) provide criteria for how these leases are classified, so, depending on the structure of the lease, the deal may or may not show up on the company's balance sheet. Consequently, this results in a lack of comparability from one company to another even if both companies lease the same piece of equipment.

In August 2010, the Financial Accounting Standards Board (FASB) issued an exposure draft that includes drastic changes to how lessors and lessees account for leasing transactions. This guidance is not applicable for leases involving intangible assets, exploration or use of natural resources or biological assets. In addition, there are simplified rules for leases that are for fewer than 12 months.

For all leases within the scope of this guidance, lessees will recognize a liability to make lease payments and an asset that represents their right to use the asset. In addition, lessors will recognize an asset that represents their right to receive lease payments and a liability that represents their obligation to provide the leased asset to the lessee. However, if significant risk or benefit associated with the asset is actually transferred to the lessee, then the lessor would derecognize the asset rather than record a liability.

While, initially, it sounds reasonable to include leasing transactions on the balance sheet of every company to create some consistency, there are additional complications involved

in the implementation of this proposed guidance. At the initial execution of a lease, the assets and liabilities required by this guidance are based on present value techniques, which is consistent with prior lease accounting rules. However, the present values suggested by the new guidance include additional factors that will require significant estimation. These factors include the estimated lease term (including consideration of renewal periods), estimated contingent rental payments, estimated residual value payments and estimated penalty payments.

For lessors, additional consideration must be given to the structure of the lease before recording the transaction. While a lessor will calculate its asset for its right to receive lease payments in a manner similar to how a lessee calculates its liability to make lease payments, the credit side of the lessor's transaction contains options. If the lessor determines that it retains significant risks or benefits associated with the asset, then the lessor will simply record a liability to represent its obligation to the lessee. However, if the lessor determines that these risks and benefits have been transferred to the lessee, then the asset being leased should be derecognized.

In addition to the initial measurements, the lessees and lessors will have to remeasure the liabilities and assets at any future date where it has been determined that facts and circumstances have changed. This remeasurement will include all of the same factors used in the initial measurement. These re-measurements could affect the income statement if they resulted from current or prior facts and circumstances.

Lessors and lessees will also be subjected to expanded disclosure requirements under the new lease guidance. The most significant disclosures that lessors and lessees will be required to include in

financial statements are significant assumptions, details of leasing transactions, reconciliations of beginning and ending balance sheet amounts and sublease arrangements.

At the implementation date, lessees and lessors will have to convert all existing operating leases using the new guidance. Existing capital leases will not require conversion.

While the FASB has received significant comments related to this exposure and the significant estimates and calculations it requires, it still expects to issue a final document in the second quarter of 2011.

For additional details on this proposed guidance, please see the Schneider Downs' Insight articles on our website or contact Schneider Downs. ■



**SHAWN T. EDWARDS**  
**ASSURANCE ADVISORS**  
*Senior Manager*

**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 of 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.

© 2011 Schneider Downs & Co., Inc.

PLEASE RECYCLE  
THIS NEWSLETTER.



# FEATURE ARTICLE

## ESTATE, GIFT AND GST TAX LEGISLATION PASSED

by Melanie M. LaSota, Director of Estate and Trust Tax Services

On December 17, 2010, President Obama signed into law The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, P.L. 111-312 (the "Act") modifying the estate, gift and generation-skipping transfer taxes.

Prior to the passage of the Act, the estate, gift and generation-skipping transfer tax statutes were most recently modified by the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). Under EGTRRA, the gift tax exemption amount was a level \$1 million beginning in 2002 until 2010 with the gift tax rate decreasing from 50% in 2002 to 35% in 2010.

Further, under EGTRRA, the estate tax exemption amount increased from \$1 million in 2002 to \$3.5 million exemption amount in 2009. During the same time frame, the tax rate decreased from 50% to 45%. The estate tax was repealed in 2010 and replaced by a modified carryover basis regime. However, the estate tax had been scheduled to return in 2011 with a \$1 million exemption and a 55% tax rate if Congress had not acted.

The Act prevents the EGTRRA sunset provisions from taking effect and instead establishes a top estate tax rate of 35%



with an historically unprecedented \$5 million exemption amount for 2011 and 2012 (2012 adjusted for inflation).

Further, the estate and gift taxes have been reunified. In other words, the \$5 million exemption mentioned previously can be applied to transfers during life (gifts), transfers at death, or a combination of the two. Since the gift tax exemption has effectively been increased from \$1 million to \$5 million, each taxpayer now has at least \$4 million (\$8 million between spouses) of exemption available to him or her to gift during life, creating a tremendous planning opportunity.

The generation-skipping transfer tax, which is imposed on transfers to skip persons (persons more than one generation below the donor such as a grandchild), also has been modified by the Act to a \$5 million exemption in 2011 and 2012 (2012 adjusted for inflation) with a 35% tax rate.

The Act also introduced the concept of portability between spouses. Under this concept, if the first spouse dies with all or a portion of his or her then-applicable exemption amount unused, the surviving spouse may elect to transfer the unused portion to him or her to be used during his or her life and/or at his or her death. Note that portability does not apply to the generation-skipping transfer tax exemption, and it is uncertain whether portability will be available after 2012.



For those decedents who died in 2010, the executors have a decision to make under the Act. The executor can elect to either (a) pay federal estate tax at the 35% tax rate with a \$5 million exemption amount or (b) apply the modified carry-over basis rules. If the executor decides to pay estate taxes, the

taxes are paid and the beneficiaries' tax basis in the acquired property is stepped up or down to the fair market value of the property on the decedent's date of death. If the modified carry-over basis election is made, no estate taxes are due, but the executors can only allocate an additional basis of \$1.3 million with an additional \$3 million of basis provided to a spouse.

While this legislation has provided taxpayers with an unprecedented planning opportunity, the Act is set to sunset on January 1, 2013 back to \$1 million exemption amounts and 55% tax rates. ■



**MELANIE M. LASOTA**

**TAX ADVISORS**

*Director of Estate and Trust Tax Services*



# NEWS YOU NEED

## Technology New Year's Resolutions

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

If you are like me, then you have probably identified some personal changes that you would like to make in the new year. Although I cannot offer you any assistance with your personal resolutions, I can suggest some business technology-related resolutions that you should consider for the upcoming year:



- **Implement a Mobile Phone Security Policy** – Almost all of the technology security experts are predicting an increase in security breaches related to mobile devices. Make sure that you have documented data security policies and data encryption on mobile devices used for business purposes.
- **Get Familiar with PCI DSS requirements** – Payment Card Industry Data Security Standards (PCI DSS) version 1.2 is the global data security standard that businesses must adhere to in order to accept payment cards, and to store, process and/or transmit cardholder data.
- **Develop a Social Networking Policy** – Determine the business-related information that should and should not be included on social networking sites. Document this allowed and prohibited information and share it with your employees.
- **Test Your Data Backups** – If it is not already a part of your daily, weekly or monthly routine, make sure that you test the restoration of your business data backups on a frequent basis.

If your business has already addressed the aforementioned issues, then you are in good shape (technologically speaking). If not, consider implementing these resolutions. It could help your business thrive for years to come. ■

## Q & A

### Schneider Downs Wealth Management Advisors, LP Quarterly Column

#### 12 Steps to a Successful Retirement Plan

by Jeffery A. Acheson, QPFC, Partner/Managing Director, SD Retirement Plan Solutions  
Schneider Downs Wealth Management Advisors, LP

The dictionary defines success as: 1) Resulting or terminating in success; or 2) gaining or having gained success. With that being said, how would one define a successful 401(k) retirement plan?

The primary purpose of a qualified retirement plan according to the Employee Retirement Income Security Act (ERISA) is to provide participants and their beneficiaries retirement income. Therefore, one measure of success for a 401(k) plan would be the degree that the plan provided post-retirement benefits to replace pre-retirement wages. ERISA also puts the fiduciary onus on plan sponsors to manage the plan's affairs in the best interest of the participants to help facilitate successful outcomes. Failure to address this fiduciary responsibility can bring about serious consequences for those who ignore their duties or abuse their powers.

Unfortunately, many plan sponsors are unaware of their fiduciary responsibilities or lack the time and resources to thoroughly research retirement plan alternatives and options that might better serve those they are charged with looking out for. This type of approach often leads to undesirable results because not all retirement plans or service providers are created equal.

So, what steps might one take if his/her primary goal was to build toward a successful retirement plan? We would suggest there are 12 steps, which are:

1. Position the plan as an integral part of the organization's overall compensation package.
2. Effectively communicate the importance of saving for financial independence and ultimately retirement.
3. Keep it simple.
4. Utilize an auto-enrollment process.
5. Illustrate projected income streams.
6. Engage a professional ERISA fiduciary.
7. Utilize an open architecture investment platform.
8. Make available both passive and active investment options.
9. Educate participants about the advantages of auto-pilot investment portfolios.
10. Provide participants with larger account balances access to vetted and credentialed investment advisors.
11. Provide older participants access to a retirement planner.
12. Demand full fee disclosure and transparency. ■



## Around Schneider Downs



Tom Harvey and Mike Collins attempt to stay warm as they grill burgers and hot dogs for the tailgate.

The Pittsburgh Steelers had quite a run this season, and the Pittsburgh office showed its spirit with dress-up days, cookouts and a friendly wager with a fellow IGAF Worldwide firm. Schneider Downs and Kolb+Co. in Wisconsin both raised money for charity with a jeans and team colors day, with the winning team's charity receiving all monies raised. The game didn't quite have the result we were hoping for, but the money raised by Schneider Downs will go to benefit Kolb+Co.'s chosen charity, Children's Hospital and Health System Foundation. Also as part of the wager, Ray must now be photographed sporting a Packers jersey and a cheesehead.



Ray Buehler makes good on his part of the Super Bowl wager.



Pittsburgh employees show their Steelers pride.



Not as many fans in Columbus, but those who were there showcased their team spirit!



On February 3, the Pittsburgh and Columbus offices participated in National Wear Red Day, benefitting the American Heart Association. By wearing red on this day, attention is brought to the fact that heart disease is the number one killer of women in the United States. Above, Columbus participants show their red in the lobby. Right, l-r: Constantine Mezhinsky, Ben O'Leary, Marybeth Dalessandro, Jessica Dettling.



## New Hires

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

Kathryn M. Coloccia  
Neil D. Hertenstein  
Victoria L. Huber  
John A. Kolher  
Lauren A. Landry  
Jack R. Macioce  
Constantine M. Mezhinsky  
Ryan R. Miller  
Matthew D. Ogrodnik  
Kelley M. Ravotta  
Lauren K. Rodgers  
Joanne M. Silowash  
Brendan H. Stewart  
Aaron C. Thomas

WELCOME

## CALENDAR - BENEFIT PLAN DUE DATES

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

Year-End	Due Date	With 5558 Extension
8/31	3/31/11	6/15/11
9/30	5/2/11	7/15/11
10/31	5/31/11	8/15/11

### 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
12/31	3/15/11
1/31	4/15/11
2/28	5/16/11

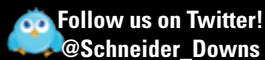
# ONPOINT

## 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](http://www.schneiderdowns.com)



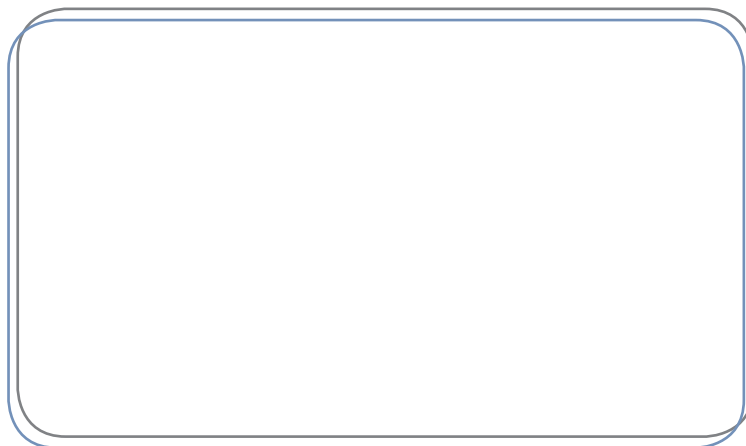
## Interested in receiving email updates?

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](http://www.schneiderdowns.com) and click on Subscriptions. We'll be sure to keep in touch.



CHANGE SERVICE REQUESTED

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



## PROFESSIONAL NEWS

**Melanie M. LaSota**, Director of Estate and Trust Tax Services, spoke at the PICPA Tax Conference on the estate and gift provisions of the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010. The conference was in Mars, PA on January 7.

**Steven D. Thompson**, Audit Shareholder, presented to the Columbus Institute of Internal Auditors in November on the upcoming changes to guidance under SSAE 16 for Service Organization Reports commonly referred to as SAS 70 reports.

**Mark E. Cobetto**, Tax Shareholder, presented the Federal Tax Update at the annual IGAF Worldwide Tax Conference in Newport Beach, CA in January.

**Thomas J. Harvey**, Human Resources Director, and **Michael S. Collins**, Human Resources Assistant Director, spoke to students at Duquesne University on resume etiquette and interviewing tips.

**Sean P. Smith**, Marketing Director, was named to the Board of Directors for the Pittsburgh Chapter of the Professional Services Marketing Association (PSMA).

**Meredith J. Christy**, Audit Senior Manager, was elected Chairman of the Board of Lenape Vocational Technical School.

**Karlye N. Rowles**, Marketing Manager, was quoted in the January issue of *Accounting Today* article "The Future of Accounting Marketing."

**Gennaro J. DiBello**, Tax Shareholder, attended the AICPA National Real Estate Conference in November in Las Vegas.

**Eugene M. DeFrank**, Audit Shareholder, attended the AICPA National Construction Industry Conference in Phoenix, AZ in February. Eugene also attended the IGAF Worldwide Business Assurance Conference in Newport Beach, CA in January, during which he presented an accounting update.

**Mary D. Richter**, Tax Shareholder, was the opening speaker at the Employer Conference on Hiring People with Disabilities for PA CareerLink in December. Mary also presented a Federal Tax Update to the Institute of Management Accountants - Pittsburgh Chapter in January.

**Joel M. Rosenthal**, Business Advisors Shareholder, was appointed to the ACG National Board of Directors.

**Timothy D. Adams**, Managing Director, State and Local Tax Services, spoke to an audience of approximately 100 attendees in February, where he discussed state and local tax changes with an emphasis on Act 32 – Consolidated Local Income Tax Collection changes effective January 1, 2012.

The following Schneider Downs professionals attended the 2011 Ohio Tax Conference in Columbus in January: **Timothy D. Adams**, Managing Director, State and Local Tax Services; **Emery "Jack" Stewart**, State and Local Tax Services Senior Manager; **Mark E. Cobetto**, Tax Shareholder; **David E. Kolan**, Audit Shareholder; **Mark A. Rossetti**, State and Local Tax Services Senior; **Matthew M. McKinnon**, Tax Senior Manager; and **Kimberly A. Phillips**, Marketing Manager.