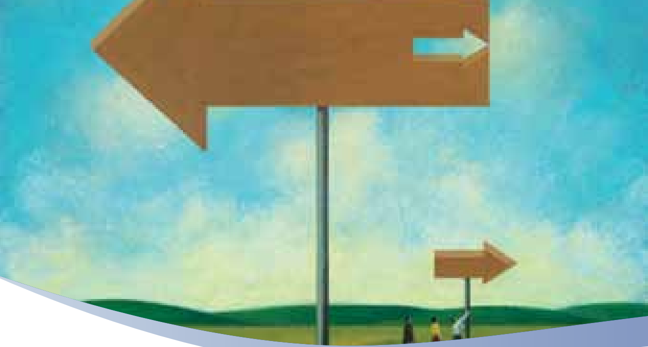

PITTSBURGH ▪ COLUMBUS

OnPoint

A publication of Schneider Downs & Co., Inc.

SCHNEIDER DOWNS

INSIGHT ▪ INNOVATION ▪ EXPERIENCE

Winter 2012 ▪ Volume 30 ▪ Issue 1

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KEY TAX DATES

January

17

Estimated Tax. Final installment of 2011 estimated tax by individuals, trusts and estates and certain residuary trusts.

31

Corporations. Provide Form 1099 to each individual from whom $600 or more of services was rendered in connection with trade or business in 2011.

Corporations. Provide Form 8300 to each payer in a transaction involving more than $10,000 cash during 2011.

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

Employers. File federal quarterly payroll tax reports Form 941, Form 501/W-3, Form UC-2 and annual payroll tax return for the prior year.

See Page 5 for additional key dates

TEN REASONS TO SCHEDULE A MEETING WITH YOUR CPA

by Matthew M. McKinnon, Tax Senior Manager

As we turn the calendar to January 2012, accountants and financial advisors have likely wrapped-up planning meetings with businesses and business owners for 2011. Although these year-end meetings are a typical practice, why wait until the fourth quarter? As accountants, we strive to take on the role of a client's trusted business advisor, and can help in many different ways. Including year-end planning, there are many reasons to schedule a meeting with your CPA.

Year-end tax planning

Year-end meetings help businesses and their owners plan for tax cash requirements, allow for tax minimization strategies, and help plan the timing for financial statement attest services and tax return preparation. Additionally, year-end meetings are a good time to discuss the client's tax strategy and business forecast for the upcoming year.

Staying "in the know" with current tax law and upcoming changes

The unprecedented state of the economy over the past few years has had a direct impact on tax legislation. Last year at this time, CPAs were scrambling to advise clients about the potential changes on the horizon; the Bush-era tax cuts from 2001 were set to expire with drastic changes to the tax rules. A last-minute extension was granted until December 31, 2012 with the passage of Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act in 2010 ("TRA 2010"). Regular meetings with your CPA will allow him or her to keep you informed about changes that will impact your tax burden. Knowing about tax legislation throughout the year allows businesses adequate time to plan for the future.

Managing business changes, daily operations and strategic planning

If you are running a business, you certainly understand the operations behind it. However, for most business owners, financial management of the company is less intuitive (and seemingly less urgent than the day-to-day activities that bring in revenue). Meet with your accountant to discuss the ongoing operations and changes in your business. Considering an acquisition or sale? Contemplating a significant capital expenditure? Have you developed a new product or service? Your CPA can add insight and guidance with these changes and allow you to focus on running your business, instead of grappling with the various tax and accounting ramifications.

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TOPSTORY

LEGACY SYSTEM REPLACEMENT

by Robert L. Morgan, Technology Advisors Manager

Many businesses today are realizing the constraints that are placed on them by their legacy computer system. Whether it's meeting the requests for dashboards of data for executives and management, or providing customers with accurate up-to-the-minute information on their orders, the demands put on these systems become more and more pronounced over time. The obvious question with a not so obvious answer is: Should you make the decision to replace a critical business system to gain needed flexibility and scalability, or maintain the status quo? Unfortunately, there is no easy answer, but there are things you can do to help get you to the right answer.

What is a Legacy System?

By itself, the word "legacy" usually has a positive connotation. However, as soon as you add the word "system" after it, things usually turn negative. This is because a "legacy system" is usually associated with a conglomeration of computer systems that, over time, have become technologically obsolete. As newer and more advanced technologies become available, the legacy system becomes less scalable, less flexible, and often becomes an inhibitor to a business's ability to meet the growing demands of its internal and external customers.

Considerations for Replacement

There are many considerations in making the decision to replace a legacy system. On the one hand, legacy systems store data and incorporate business processes that have been in use for years. Over time, they may have been modified and tweaked to meet certain business demands and perform relatively well. In addition, personnel are usually knowledgeable of the ins and outs of using and maintaining the system. Finally, replacing a legacy system can be very disruptive to a business, and has the potential to cause problems that did not exist before if the new system is not implemented well.

ROBERT L. MORGAN
TECHNOLOGY ADVISORS
Manager

On the other hand, businesses need to stay competitive, meet ever-changing regulatory and compliance requirements, and consider the ease-of-use factor from an end-user and IT department perspective. One way new systems can help a company stay competitive is by being fully integrated across the business, providing beginning-to-end real-time access to both internal and external customers. Legacy systems tend to be made up of disparate applications that struggle to communicate with each other. This often results in reduced productivity, data corruption (due to data needing entered in multiple applications), delayed financial and operational reports, and customer service issues.

Furthermore, new laws and regulations may be a factor in deciding whether to replace a legacy system. Regulations like the Sarbanes-Oxley Act and new privacy laws that protect customers and personnel data may be difficult to comply with, using a legacy system; whereas, new ERP systems are designed with these requirements in mind, and are scalable to future demands.

Another consideration is the benefits an ERP system provides to the end-user and the IT Department. Modern systems are designed to be easier to use, and many people will already be trained on the same or similar ERP systems. In addition, legacy systems tend to require 24/7 support and maintenance from an internal IT department. This burden and complexity only grows over time, as more customizations and system integrations are added to the mix. A single, integrated system reduces this burden and complexity, allows the IT staff to apply their knowledge of more current technologies to enhance the system further, and reduces the maintenance risk associated with an outdated system.

An Approach to Replacement

It is difficult to make a case for changing a system without providing some tangible evidence of value. In order to accomplish

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FEATURE ARTICLE

TEN REASONS TO SCHEDULE A MEETING WITH YOUR CPA *continued from Page 1*

Estate planning

Many businesses and business owners spend time planning for income taxes, but fail to develop an appropriate estate and/or gifting plan. The 2010 TRA tax extension legislation dramatically changed the estate tax ramifications for decedents who die in 2011 or 2012 and those who make gifts during these years. With this new landscape (and potential decrease in the estate tax exemption beyond 2012), business owners must consider certain tools of estate planning—the use of trusts, gifting and other mechanisms—in order to minimize the tax impact on their estate.

Succession planning

Who will take over the management and operations of the business once you retire? Is a potential sale on the horizon or is the next generation coming into the business? Too many owners have failed to consider succession issues as part of their long-term strategic plan. A frank discussion with your CPA can help to determine the appropriate technique—buy-sell agreements, life insurance and other vehicles—to transfer the business to the next regime.

International tax compliance and planning

Businesses are increasingly likely to have a global presence today. Operations or financial accounts outside of the United States trigger additional U.S. filing requirements. If not met, steep penalties can be imposed on the business and its owners. Keeping your CPA informed on new developments to your business occurring outside of the U.S. will ensure that any new filings and disclosures are not missed.

IRS or state and local inquiries

Is correspondence from the IRS, states and localities dominating your daily mail? Perhaps your business is currently under an IRS or state exam. Sitting down with your accountant to discuss the receipt of notices or examination letters is extremely important. CPAs can help to resolve issues raised by the taxing authority, and help to minimize future headaches. The proper approach can help to reduce applicable penalties, too.

In addition, your CPA can determine potential state and local tax exposure based on a review of your operations in conjunction with an analysis of notices currently received. Such a review can determine exposure (tax liabilities) and potential refunds if your business is overpaying or filing unnecessarily.

Referrals to other professionals

Throughout the life cycle of a business, the input of outside professionals is generally needed by the owners. Whether an owner needs legal counsel, a banking relationship or industry-specific resources, CPAs can reference their many professional relationships to provide advice and referrals. Knowing the needs of the owner, a CPA can make a strong recommendation for an appropriate referral, based on the CPA's experience. Since accountants have exposure to many different advisors through their client base, they can make an introduction for the right "fit" for your business.

MATTHEW M. MCKINNON
TAX ADVISORS
Senior Manager

General business best practices

As advisors, CPAs have interacted with many different industries and clients over their careers. Essentially, they have experience on what works and what doesn't work in business. Owners can lean on their accountants for general business advice gleaned from other clients' successes and challenges. Whether it's a question on document retention, a review of internal controls, or assistance with obtaining a new loan, CPAs provide extremely valuable feedback, based on their many prior experiences.

Along with traditional business advice, the use of technology has become a key component of business best practices. Do you have proper safeguards in place to protect confidential customer information? Are the proper software applications being used in your business? Would a new software solution allow for the streamlining or automation of processes? Your CPA can advise on these types of technology concerns.

Further develop the relationship

Meeting regularly with your CPA allows him or her to gain a better understanding of the nuances of your business, its complexities and your struggles. An open dialogue is the easiest way to leverage the expertise of your accountant and tap into their professional experience and recommendations.

Why meet regularly with your CPA? There are many reasons, but they essentially boil

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LEGACY SYSTEMS *continued from Page 2*

this, one must first determine how the legacy system is being used today, develop an understanding of the costs and risks associated with it, and finally, determine the benefits and costs of a new system. These costs and benefits need to be documented in financial terms. For example, if upgrading the current system is an alternative to replacement, that cost should be documented along with the cost of implementing the new software. Some other examples of areas to quantify costs and benefits would be productivity gains and support costs.

If a determination has been made to replace the current system, the next steps would be to define its limitations or technology gaps, develop a "requirements" document that defines functional and technical requirements in line with the business goals and objectives, and then, finally, make a decision on the best fit solution.

Conclusion

Making the decision to replace a legacy system will have a major impact on a business. As discussed, a legacy system can place constraints on a business's ability to meet its internal and external customer demands, inhibit compliance with laws and regulations, and limit productivity of the end-users and IT department personnel. Replacing the legacy system with a new ERP system is often necessary to overcome these issues and strengthen a business for its long-term success. Replacement requires an in-depth understanding of the issues inherent in the legacy system, the business processes in place today, the requirements of the new system, and a determination of the tangible and intangible benefits the business would realize.

Q & A

Schneider Downs Wealth Management Advisors, LP

Quarterly Column

Q: Should I be concerned about the new IRS cost basis reporting requirements?

As part of the 2008 Emergency Economic Stabilization Act, custodians are required to report cost basis on their Forms 1099-B. There is a three-year phase-in schedule depending upon the type of security. 2011 is the first year of reporting, and custodians will report only the tax basis of equities purchased and sold in 2011 (covered securities). The taxpayer will have to reconcile the reported information to correctly complete Schedule D of Form 1040.

The IRS has mandated significant changes to the 1099-B form. Beginning this year, cost basis for covered securities will be reported to the IRS on this form. The IRS redesigned the form with the following new fields:

- Box 1b - Date security was acquired
- Box 3 - Cost Basis
- Box 5 - Wash Sale disallowed
- Box 6 - If this box is checked, boxes 1b, 3, 5, 7, and 8 may be blank
- Box 8 - Type of Gain or Loss, holding period (short or long)

Most of the new fields are self-explanatory. Box 6 may seem confusing. If checked, the security is uncovered, or cost basis is not required (acquired before the legislation phase-in period). For the first time in 2011, electronic forms are permitted. If you currently receive electronic statements, you may opt in to receive an electronic Form 1099.

New this year is IRS Form 8949 - Sales and Other Dispositions of Capital Assets. This is a worksheet attachment to Schedule D to reconcile your sale transactions. The form is still in draft mode, but you may have to complete multiple forms, separating sell transactions into short-term and long-term gains, further divided into those with reported basis, those without and those with undetermined or un-reconciled basis.

Schedule D will also receive a makeover. Changes to the form have not yet been finalized and drafts are unavailable.

Even though only equities purchased in 2011 are covered this year, by the end of the phase-in period, all cost basis will be identified on your behalf to the IRS. It is to your benefit to confirm the basis of your holdings. Missing basis will be treated as zero.

Next year, we will begin identifying mutual fund basis. Mutual funds have their own set of challenges including reinvested dividends and tracking average cost basis. The following year, 2013, phases in fixed income and "other" security types. ETFs (Exchange Traded Funds), depending upon their underlying organization, may be grouped with equities, mutual funds or "other." There are additional rules and regulations regarding default accounting methods or elections, as well as amortization and accretion for fixed income.

Familiarize yourself with the new regulations. A little time preparing will avoid headaches at tax time. Contact your advisor or custodian with any questions.

Charles Schwab has put together an excellent eight-page booklet regarding these new rules. Follow the link below and choose "Guide to Tax Reporting Requirements." http://content.schwab.com/web/as/public/costbasis/index.html.

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SDNEWS

TEN REASONS *continued from Page 3*

down to one—getting value to help your business. Most, if not all, business challenges can be minimized with adequate planning. Keeping informed of the tax law and potential changes as they happen allows real-time decisions to be made, rather than scrambling at year-end. Business changes can be more efficient if discussed from start to finish, rather than mid-stream. Proactive decision-making lets the business owner focus on running the business (and generating revenue), rather than stressing about financial, accounting and tax issues.

New Hires

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

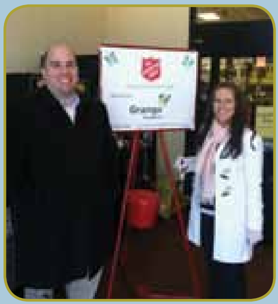
Michael C. Bailey
Nicholas M. Baker
Kevin M. Baker
Tyler D. Bidwell
Bradley D. Boyd
Carly A. Burns
Michael W. Darpino
Eric M. Fair
Nathan C. Farshchi
Thomas J. George
Michael B. Green
Anthony O. Griff
Alayna G. Keeling
Courtney M. King
Andrea R. Kirby
Logan Kowcheck
Kerstin N. Makowski
Michael D. Maloney
Christine McGloin
Robert W. Meyers
Dennis R. Mowrey
Christopher L. Norwood
Amy L. Oliveira
Susan A. Shoemaker
Amanda J. Smith
Andrew P. Trettel
Terri L. Watts
Andrew J. Welch
Tracey R. Winning
Michael P. Withrow
Rachel L. Wycoff

WELCOME

Around Schneider Downs

Nancy Bromall, audit shareholder, was recently recognized by the United Way of Allegheny County for serving three terms on the organization's Board of Directors. Her service was honored in a ceremony at the December 5 Board meeting, where Nancy was presented with a recognition award by Art Rooney II, President and co-owner of the Pittsburgh Steelers.

The Schneider Downs coed soccer team finished the regular season in first place and is headed to the championship!



Matt McKinnon and Amanda Smith take time out of their day to ring the bells and collect donations for The Salvation Army.

Schneider Downs employees tailgate before the Pitt-South Florida football game.

On December 7 and 8, Schneider Downs hosted education and networking events in both cities. At left, Mike Renzelman presents an accounting update in Columbus. At right, Karlye Rowles leads a social media discussion for a full house in Pittsburgh.

CALENDAR - BENEFIT PLAN DUE DATES

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

Year-End	Due Date	With 5558 Extension
5/31	1/2/12	3/15/12
6/30	1/31/12	4/16/12
7/31	2/29/12	5/15/12

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

Due Date	Details
1/31/12	to participants
2/28/12	to IRS via paper forms
4/2/12	to IRS electronically

Processing of corrective distributions relative to failed 401(k) ADP/401(m) ACP discrimination testing, so as to avoid a 10% employer imposed excise tax.

Year-End	Due Date
9/30	12/15/11
10/31	1/16/12
11/30	2/15/12

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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

Follow us on Twitter!
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PROFESSIONAL NEWS

Gennaro J. DiBello, Tax Shareholder, and **Eugene M. DeFrank**, Audit Shareholder, attended the AICPA National Construction Conference in December in Las Vegas, NV.

Frank A. Wisehart, Director of Business Advisory Services, wrote the article "Unmasking the Hypothetical Willing Buyer Using WATC to Estimate Pass-Through Entity Value" that appeared in *The Value Examiner* in November.

Raymond W. Buehler, Jr., President and CEO, **David E. Kolan**, Audit Shareholder, and **Mary D. Richter**, Tax Shareholder, attended the first world meeting of IGAF Polaris in Miami, FL.

Cynthia D. Warsing, CFO, was a finalist for *Pittsburgh Business Times*' CFO of the Year award.

Theodore M. Pettko, Audit Shareholder, attended the AICPA Oil and Gas Conference in Denver, CO in November.

Matthew M. McKinnon, Tax Senior Manager, and **Jeffery A. Acheson**, Wealth Management Partner, spoke at the Society of FSP Professional Development Seminar on November 17.

Joel M. Rosenthal, Business Advisory Shareholder, was named Chair of the Jewish Family and Children's Services.

Stephen D. Thimons, Business Advisory Manager, received his Certified Fraud Examiner (CFE) certification.

James B. Yard, Internal Audit and Risk Advisory Shareholder, co-chaired The Institute of Internal Auditors Central Regional Conference held in Pittsburgh in November.

Steven D. Thompson, Audit Shareholder, presented to the PA Association of Community Bankers in Harrisburg, PA on the changes from SAS 70 to SSAE 16 standards. Steve was also quoted in the October 16 *Pittsburgh Post-Gazette* article, "Obama Job Group Raps Fraud-Busting Sarbanes-Oxley."

Maria D. Stromple, Tax Senior Manager, attended the CCH User Conference in San Antonio, TX in November.

Joseph J. Patrick, Jr., Audit Shareholder, and **Charles A. Oshurak,** Audit Senior Manager, attended the AICPA SEC and PCAOB Conference in December in Washington, D.C.

Angela M. Gillis, Internal Audit and Risk Advisory Services Manager, spoke at the Association of Government Accountants (AGA) Professional Development Conference on the topic of "Enterprise Risk Management in Government Entities."

Donald R. Owens, Internal Audit and Risk Advisory Services Director, presented "Sarbanes-Oxley Best Practices" at the OSCPA SEC Conference and "Conducting a Design Evaluation of the Internal Control Environment" at The Institute of Internal Auditors Regional Conference.

Aaron M. Dolan, Office Manager, joined the Board of Neighbors in the Strip for a three-year term.

Susan M. Kirsch, Tax Shareholder, attended the National Association of College and University Board Officers (NACUBO) Tax Forum in New Orleans, LA. Sue also attended the AICPA Tax-Exempt Technical Resource Panel Fall Meeting with the Internal Revenue Service in Washington, D.C.