

ON POINT

SCHNEIDER DOWNS

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IN THIS ISSUE

- 2 We've Moved!
Key Tax Dates
Upcoming Events
- 3 IRS Takes Hard Stance on Passive
Activities of Trusts
- 4 Mentoring Matters: Providing Financial
Coaching for Those in Need
- 6 401(k) Plan Best Practices: The "90%-10%-
90%" Formula for Success
- 7 Around Schneider Downs
- 8 Professional News



KEY TAX DATES

10.31.2013

EMPLOYERS' TAXES. Employers of nonagricultural and nonhousehold employees must file return on Form 941 to report income tax withholding and FICA taxes for the third quarter of 2013.

12.16.2013

ESTIMATED TAX. Payment of last installment of 2013 estimated tax by calendar-year corporations.

1.15.2014

ESTIMATED TAX. Final installment of 2013 estimated tax by individuals, trust and estates and certain residuary trusts in existence more than two years.

Continued on Page 7

UPCOMING EVENTS

Schneider Downs cordially invites you to attend our 2013 Continuing Professional Education Program, followed by a cocktail reception. Featured topics will include Healthcare Reform and Ethics. We will also feature our annual tax and audit updates, as well as an economic preview for 2014. Please join us for the day of CPE and networking.

Choose from two dates and locations.

COLUMBUS

December 3, 2013

1:00 - 5:00 p.m.

Cocktail reception follows

To register, email

lbrooks@schneiderdowns.com

PITTSBURGH

December 5, 2013

8:30 a.m. - 5:00 p.m.

Cocktail reception follows

To register, email

vbucci@schneiderdowns.com



WE'VE MOVED!

Sixteen conference rooms. Eight miles of computer cables. Up to 300 offices and workstations.

After more than 10 months of preparation and planning, Schneider Downs officially moved to its new Pittsburgh location on October 18. Located on the 17th and 18th floors of One PPG Place, the new space was designed specifically to enhance the open team environment that is at the center of the firm's client service model.

"The accounting industry – and the way we serve our clients – is radically different today than it was just 10 years ago. One of the most attractive facets of moving to a new building was the opportunity to create an entirely new workspace environment – one that takes into consideration the changing manner in which accounting firms can serve their clients," explained Brian O'Brien, leader of the firm's Audit Practice Unit and member of its Space Committee. "We had the opportunity to create progressive floor plans, install team workrooms, and provide Smart Screen technology for greater remote communications. Ultimately, we were able to build an environment that encourages communication and collaboration through space design and modern technology."

While planning and design for the new space began in January 2013, the firm's Space Committee had actually been compiling its wish list for several years. Before any decisions on floor plans or architecture were made, the firm first conducted a thorough analysis to learn how its engagement teams used its current space. The Committee toured many different styles of workspaces, including accounting firms, law firms and even advertising agencies. Ultimately, the goal was to identify how modern space design could integrate technology with contemporary client service models.



The Work Place Café creates a comfortable environment for casual lunches or impromptu conversations.



Smart Board technology fosters communication among team members from multiple locations.

"Teamwork is at the core of how we serve our clients, and we wanted to create a space for those teams to meet. Since many of our team members are often in the field, it was important to incorporate new technologies to foster video conferencing and other forms of remote communication," O'Brien explained. "We're thrilled with how the office looks, but especially pleased with the functionality of the space. That was the goal from the start." ■

TOP STORY

IRS TAKES HARD STANCE ON PASSIVE ACTIVITIES OF TRUSTS

by Melanie D. LaSota and Michael W. Darpino



BY
MELANIE D. LASOTA,
DIRECTOR OF ESTATE AND TRUST
TAX SERVICES

NOW THAT THE PATIENT PROTECTION AND AFFORDABLE CARE ACT IS THE LAW OF THE LAND, TAX PROFESSIONALS ARE DEVELOPING STRATEGIES TO MINIMIZE THE IMPACT OF THE NEW 3.8% MEDICARE SURTAX THAT NOW IMPACTS ESTATES AND TRUSTS.

In Technical Advice Memorandum 201317010 (the TAM), released earlier this year, the Internal Revenue Service (IRS) has taken a position that promises to make this challenging task more difficult.

Generally speaking, the surtax applies to estates and trusts to the extent that undistributed "net investment income" exceeds a specified threshold, which is \$11,950 for 2013. Net investment income includes passive income such as dividends, interest and income from trades or businesses in which the estate or trust does not "materially participate." Material participation is determined on a facts-and-circumstances basis and requires regular, continuous and substantial involvement in the operations of the business.

Ambiguity arises as to what constitutes material participation by an estate or trust. Previous guidance is clear that an estate or trust materially participates in a business if the fiduciary participates in the business on a regular, continuous and substantial basis. The only court that has specifically addressed the issue held that, for purposes of material participation, a trust may count not only the individual participation of the trustee, but also the collective participation of employees and agents of the trust who performed services on its behalf.¹

Until this year, neither the IRS nor the case law had addressed the situation in which the fiduciary of an estate or trust also serves as an officer of the company and performs services in both capacities. In the TAM, an individual rendered services to

a company for which he functioned as president, shareholder and fiduciary of a trust that owned shares in the company. At issue was which services counted toward the trust's fulfillment of the material participation requirements. The taxpayer argued that, because the individual's roles were interrelated such that the performance of a particular task fulfilled his obligations for these various capacities simultaneously, all his time counted toward meeting the material participation requirements.

The IRS disagreed, holding that an estate or trust materially participates in an activity only if the fiduciary, in his fiduciary capacity, satisfies the material participation standard. Because the trust instrument under scrutiny did not grant the fiduciary the authority to operate the business, the IRS concluded that the majority of services were performed in the individual's capacity as president of the company and not as fiduciary, and that the trust did not satisfy the material participation standard.

Practitioners have criticized the TAM on grounds that it will render it virtually impossible for an estate or trust to satisfy the material participation requirements. As a practical matter, many trustees lack the technical expertise to manage the daily operations of a business and delegate such oversight functions to a qualified professional. Furthermore, the IRS has offered no guidance regarding how to distinguish and classify duties performed by individuals who serve a company in multiple capacities.

It is important to remember that the TAM has no precedential authority beyond the case in which it was issued. Nonetheless, the issuance of a TAM may foreshadow the release of regulations that carry the force and effect of law. ■

¹ The Mattie K. Carter Trust, 2003-1 ustr ¶150,418 (N.D. Tex. 2003).

FEATURE



BY
SEAN P. SMITH
DIRECTOR OF MARKETING

“NEVER DOUBT THAT A SMALL GROUP OF THOUGHTFUL, COMMITTED CITIZENS CAN CHANGE THE WORLD; INDEED, IT’S THE ONLY THING THAT EVER HAS.”

- Margaret Mead, Cultural Anthropologist

On any given day, the professionals at Schneider Downs work with clients from a wide variety of industries and organizations. These relationships are characterized by knowledgeable, savvy individuals on both sides of the client/firm relationship, resulting in informed and insightful decisions.

Recently, however, a group of 35 volunteers from Schneider Downs accepted the challenge of working with a new category of clients: Individuals who are not yet as financially savvy, or who haven’t had the opportunity to learn important economic fundamentals to live a steady and secure life.

MENTORING MATTERS: PROVIDING FINANCIAL COACHING FOR THOSE IN NEED

by Sean P. Smith

“Mentoring Matters” is a program through which Schneider Downs professionals provide private coaching to individuals who have expressed an interest in learning more about personal financial matters. A joint partnership with the United Way of Allegheny County, Schneider Downs



and Neighborworks Western Pennsylvania, the program's goal is to provide one-on-one relationships through which participants can learn important

personal financial fundamentals from seasoned and trained accounting professionals.

If the program proves successful, all three entities believe it could serve as a prototype for other markets, perhaps eventually becoming a national initiative.

At the heart of the program, of course, is the relationship between those who ask for help and the professionals volunteering their time and experience.

Before entering the actual coaching relationship, each volunteer from Schneider Downs participated in a two-day training session to review not just the teaching content, but also effective techniques for working with individuals who have a limited knowledge of financial matters. The training provided a solid foundation to help the accountants from Schneider Downs prepare lesson plans for each individual.

“The training helped me gain perspective for the types of questions I’d be asked, and also helped me become more prepared to actually serve as a mentor,” explained Dan Riske, a Schneider Downs volunteer involved in the program. “It helped set my mind at ease.”

An important component to the program is the fact that each of the students, or mentees, formally request a mentor through one of several community agencies that are participating in the program. As requests are received, the United Way partners the individual with a professional from Schneider Downs. This process ensures that both the student and the mentor are motivated and enthusiastic about working together.

“There is a tremendous need for financial coaching in our region. We are pleased with the partnership with Schneider Downs and NeighborWorks America to support individuals who need someone to encourage them to reach their financial goals. We believe Mentoring Matters has the opportunity to open new doors for individuals who would like to know more about financial matters,



but perhaps don’t know where to start,” explained Angela Reynolds, Director, Programs for Financially Struggling Adults and Families with the United Way of Allegheny County. “This program presents a more personal approach to learning by creating a one-on-one relationship to discuss a very personal matter – finances, instead of a traditional classroom setting.”

The program is a perfect fit for Schneider Downs, which has a long-standing relationship with the United Way and was actively seeking a way to involve more of its professionals in community projects. Nancy Skeans, Partner/Managing Director of Schneider Downs Wealth Management Advisors, actively recruited volunteers from throughout the organization.

“We spend our day in the comfort zone of working with individuals for whom the concept of personal finance is just second nature,” Ms. Skeans explained. “The opportunity to serve the community by using our knowledge and experience is very much in keeping with our core values. We are all blessed with great gifts, and this program is a way we can give back. We’ve been thrilled with the great response we’ve had from our professionals.”

Mentoring Matters launched in September, and coaching sessions will continue throughout the year. For the “coaches” at Schneider Downs, it’s a unique change of pace from the more traditional duties of a CPA.

“This program has been incredibly rewarding for me personally, and I really do feel that I’m making a difference,” said Veronica Bucci, of Schneider Downs. “I’m positive that I benefit from this program every bit as much as the person I’m coaching. It’s a wonderful program, and I’m proud to be a part of it.” ■

NEWS YOU NEED

WELCOME

TO SCHNEIDER DOWNS!

2013 New Class

On October 29, 2013, Schneider Downs will welcome a new class of 25 recent graduates starting in Assurance and Tax Advisors.

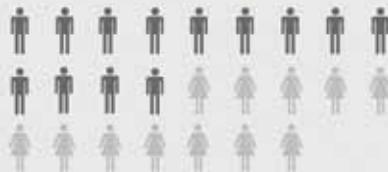
10/29/13



higher learning

Of the 25 recent hires, 19 went to school in Pennsylvania, five are graduates of universities and colleges in Ohio and one graduated from a university in West Virginia. Thirteen of the recent hires were also interns at Schneider Downs.

ladies & gents



32% of our new hires hold a masters and/or law degree

Advanced Degrees

SCHNEIDER DOWNS WEALTH MANAGEMENT ADVISORS, LP QUARTERLY COLUMN

401(K) PLAN BEST PRACTICES: THE "90%-10%-90%" FORMULA FOR SUCCESS



BY
JEFFERY A. ACHESON, QPFC, AIF®
PARTNER, SCHNEIDER DOWNS
WEALTH MANAGEMENT
ADVISORS, LP

Financial security in retirement is one of our nation's cornerstone principles when it comes to the way of life we have come to envision after a career of hard work, dedication and sacrifice. Originally, the underpinning of that retirement security for those in the private sector was to come from Social Security enhanced by private pensions and personal savings. Unfortunately, for many of us, the demise of most employer-funded primary pension plans and inadequate personal savings has shifted the role of Social Security from being a safety net of supplemental income to being the primary, and sometimes only, source of retirement cash flow. However, according to the Social Security Administration, the average worker's retirement check in 2013 was only \$1,261. So much for financial security during the golden years!

While most American workers have the ability to save for their future through their 401(k) plan at work, many don't realize that they should for three reasons: 1) they don't participate 2) they don't defer sufficient salary to create the capital needed for adequate income replacement at retirement and/or 3) they mismanage their account balances by making poor or ill-timed investment decisions during their working years. So, what can employers do to measure the success fundamentals of their 401(k) plan and determine if action steps for change are needed?

Many retirement plan professionals apply a first blush 90%-10%-90% litmus test. This test focuses on three simple mathematical measurements that can identify if a plan, as a whole, is tracking toward creating retirement readiness for its participants and what course of action should be taken if less-than-desirable results are determined.

The measurement focus areas of this best practice formula are:

- 90% participation by all eligible employees
- 10% average contribution of salary between employee and employer contributions
- 90% of the participants are using some kind of managed investment option (i.e., Target Date or Risk-Based Funds or asset allocations models)

As mentioned, these three simple litmus tests can quickly determine if a plan's projected participant readiness is headed for success or less-than-desirable outcomes. With this information in hand, an engaged and caring Plan Sponsor working with a dedicated retirement plan professional can develop action plans designed to enhance the odds of participants achieving the financial independence and security they expect and deserve. ▀

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

Jennifer N. Antoon
Natasa Capuzzi
Christopher R. Debo
William M. Deller
Cody S. Domasky

Keith P. Doolin
David M. Foutz
Kenneth R. Frederick, Jr.
William L. Harcourt

Jin S. Lee
Christine A. Leggett
Rachel C. Ross
Michael D. Valek

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
2/28	9/30/13	12/16/13
3/31	10/31/13	1/15/14
4/30	12/2/13	2/17/14

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
6/30	9/16/13
7/31	10/15/13
8/31	11/15/13

SCHNEIDER DOWNS AMONG TOP 100 ACCOUNTING FIRMS

Schneider Downs was recognized as an industry leader by INSIDE Public Accounting in its annual ranking report. Schneider Downs was ranked #58 on the 2013 IPA 100 list.

The IPA 100 is ranked by U.S. revenues and is compiled by analyzing more than 500 responses to IPA's annual survey. IPA has been conducting the survey since 1994, and issues the rankings every August.



AROUND SCHNEIDER DOWNS



Dan Desko (left) and Steve Thompson donned their red and blue coats, respectively, to entertain guests at their Pennsylvania Association of Community Bankers' conference booth. The conference, held in Boston this year, was the 121st annual PACB convention.

Congratulations to the Pittsburgh team members who ran the Great Race! Representing the team in the picture are (left to right) Mike Collins, Tom Schneider, Natasa Capuzzi, Jennifer Antoon, Kevin Baker, Jeff Smercani and Jennifer Cowles.



Our Columbus team members showed off their woodworking skills at the Furniture Bank of Central Ohio. The Furniture Bank provides free furniture to central Ohio families and individuals struggling with poverty and other severe life challenges.



Scott Wiley and Barb Benton, both from the Ohio Society of CPAs, spoke at our Columbus Leadership Development lunch.



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PROFESSIONAL NEWS

CYNTHIA D. WARSING, Chief Financial Officer, was elected Treasurer of Dress for Success.

KENNETH A. ROWLES, Retired Co-Managing Shareholder, was recently appointed to the Executive Committee of the Cummer Museum of Art and Gardens in Jacksonville and was also appointed Chairman of the Finance Committee.

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

THEODORE M. PETTKO, Audit Shareholder, and **JEFFREY A. WLAHOFSKY**, Tax Shareholder, presented at the Washington County of Commerce Energy Industry Training Series in August. They also presented at the California University of Pennsylvania's Oil and Gas seminar.

JAY R. MEGLICH, Audit Shareholder, presented a session titled "Impact of the Utica Shale in Ohio" to two groups of members of the Builders' Exchange of Central Ohio in August.

MICHAEL J. STREZA, Technical Operations Manager of the Internal Computer Department, was elected Vice Chair of the North Boroughs YMCA Board of Management for a two-year term.

DENNIS R. MOWREY, Tax Director, was named Vice Chair of the Board of Great Lakes Region of the Arthritis Foundation.

PATRICK B. ARMKNECHT, Technology Advisors Business Development Senior Manager, and **BOB M. WHALEN**, Technology Advisors Senior Manager, attended the Microsoft Dynamics NAV partner conference, Directions 2013, in Nashville, TN in September.

CHRISTOPHER R. DEBO, Internal Audit and Risk Advisory Senior Manager, spoke at the ISACA Central Ohio luncheon on the topic of social media risks.

DONALD R. OWENS, Internal Audit and Risk Advisory Services Shareholder, presented "Best Practices for Small Audit Functions" to the Central Regional Conference of The Institute of Internal Auditors. He also presented "The Changing Face of COSO and Its Impact on Your Control Environment" via webinar to the Ohio Society of CPAs and the Ohio Auditor of State.

EDWARD R. FRIEL, Audit Shareholder, was appointed to the Finance Council of St. Kilian Parish.

JEFFERY A. ACHESON, SD Retirement Plan Solutions Partner, was named one of the elite 401(k) plan advisors in the United States by the National Association of Plan Advisors.

JOHN T. POPIES, Audit Shareholder, joined the Board of the Pittsburgh chapter of Autism Speaks as Treasurer.

MARY D. RICHTER, Tax Shareholder, attended a reception for the Japan-U.S. ambassadors hosted by the Japan America Society. She also attended a private dinner with the former Prime Minister of Greece, George Papandreou, sponsored by RMU and UBS.

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