ON POINT

SCHNEIDER DOWNS
SPRING 2016
VOLUME 34
ISSUE 01

TOP STORY

PROTECTING AMERICANS FROM TAX HIKES ACT OF 2015 (PATH)

IN THIS ISSUE

KEY TAX DATES

4.18.16

INDIVIDUALS. Last day to make a contribution to traditional IRA, Roth IRA, Health Savings Account, SEP-IRA or solo 401(k) for the 2015 tax year, unless an individual extension is filed.

PARTNERSHIPS AND INDIVIDUALS. Last day to file tax returns and self-employment tax returns of individuals for calendar year 2015.

ESTIMATED TAX. Payment of first installment of 2016 estimated income taxes by calendar-year individuals.

TRUSTS AND ESTATES. Last day for calendar-year estates and trusts to file application (Form 7004) for automatic five-month extension of time to file 2015 income tax return.

Continued on Page 7

FRAUD PREVENTION: WATCH FOR THE RED FLAGS

BY BRIAN WEBSTER
BUSINESS ADVISORY
SENIOR MANAGER

Federal investigators were busy in the Pittsburgh area this past year, including their work to determine how an employee of a Pittsburgh-based company embezzled over $14 million since 2003. Investigators determined that one of the methods of embezzlement was unauthorized wire transfers into various accounts in the alleged fraudster's name. To conceal the fraud, the alleged fraudster altered the company's bank statements and created false invoices. Federal prosecutors have moved to seize various bank accounts, investment accounts, luxury vehicles and a yacht from the alleged fraudster.

This case involves substantial amounts of funds being siphoned from the company. So how does something like this happen?

Weaknesses in a company's internal controls are usually to blame in these types of asset misappropriations. Those weaknesses could include:

- Lack of segregation of duties. For instance, the same person should not be able to cut checks, make wire transfers and record accounting entries.
- Lack of independent checks and balances. Someone independent of a particular function should review transactions and activity.
- Lack of proper authorization on documents, records and transactions. Expenses should be reviewed and authorized to determine if they are appropriate.
- Inadequate accounting system might provide an inadequate audit trail and help to cover up a fraud.
- Override of existing internal controls. If employees, at any level of the organization, have the ability to override controls, it may be easier to execute fraudulent transactions.

What could have been done to possibly prevent this fraud or alert the company of the fraud earlier? Pay attention to red flags, including:

- Living beyond means. Should this person own luxury vehicles and a yacht?
- Vendor name and/or address that is the same as an employee's. Why was the company paying business expenses to a vendor with the same address as the secretary?
- Individuals refuse to take vacations or are unwilling to share duties. Are they attempting to hide a fraud scheme?
- Increase in write-offs or receivables. Why is this occurring? Are fraudulent transactions occurring and being written-off?

Remember these red flags, and commit to taking other simple steps, including being proactive and creating internal controls, establishing hiring procedures, training employees in fraud prevention and conducting regular audits. These actions may help prevent a fraud.

MARKO ZIVANOV CO-AUTHORS GUIDE TO LEGAL RESEARCH IN SERBIA

In today's increasingly active global marketplace, it has never been more important to have a firm understanding of the nuances of the legal systems in countries throughout the world.

Marko Zivanov, a CPA and attorney with Schneider Downs, has helped make the legal world a little bit smaller. He is co-author of the Guide to Legal Research in Serbia, published by the Hauser Global Law School Program through the New York University School of Law. The guide is a comprehensive resource for attorneys seeking to navigate legal processes in Serbia.

Mr. Zivanov co-wrote the guide with Linda Tashbook, a Law Librarian at the University of Pittsburgh School of Law's Barco Law Library.

A native Serbian, Mr. Zivanov enjoyed the opportunity to draft the comprehensive resource, which includes a detailed historical background, constitutional statues and an overview of key courts and cases in the Republic of Serbia.

"Every country has its own laws and standards, and resource guides are essential to help operate effectively and legally," Mr. Zivanov explained. "The NYU Global Resource website has a tremendous wealth of information. It's a privilege to be involved with the Serbian guide, and there is so much more information across the site."

- Sean P. Smith, Chief Marketing Officer

TOP STORY

PROTECTING AMERICANS FROM TAX HIKES ACT OF 2015

by Michael D. Winsko

BY
MICHAEL WINSKO
TAX STAFF

On December 18, 2015, President Obama signed into law the Protecting Americans from Tax Hikes Act (PATH). The enactment of PATH has ended a seemingly perpetual cycle in which Congress repeatedly renewed favorable temporary tax incentives for Americans each year. PATH extends or makes permanent, with some modifications, popular tax provisions that were set to expire. This enactment provides both short-term and long-term certainty that will assist taxpayers with their financial planning.

PATH makes permanent over 20 tax provisions that had expired or were scheduled to expire. Beginning in 2016, research credits are reinstated for qualified research expenses paid or incurred on or after January 1, 2015. Businesses with less than $5 million in annual gross receipts, and no more than five years of gross receipts, can take up to $250,000 of the research credit against their payroll tax liability. Further, certain businesses with up to $50 million in gross receipts can take the credit to offset their alternative minimum tax (AMT) liability.

Section 179 expensing has also become permanent. PATH indexes to inflation the Section 179 expensing limit of $500,000 and the phaseout threshold of $2 million. This is effective for property placed in service on or after January 1, 2015. Other notable provisions that become permanent include: the state and local sales-tax deduction, tax-free charitable distributions from IRAs of taxpayers age 70½ and older, the American Opportunity tax credit for higher education costs, a 100% exclusion from gain for qualified small business stock, a reduced five-year holding period for S corporation built-in gains and a 15-year life for qualified leasehold, retail and restaurant improvements.

Along with the permanent provisions mentioned above, PATH extended six other provisions, most notably bonus depreciation, for five years. Taxpayers may continue to take the 50% bonus deduction for property placed in service for years 2015-2017; however, the deduction percentage is reduced to 40% for 2018, to 30% for 2019, and 0% for 2020 and after. Beginning in 2016, bonus depreciation can be taken for improvements to an interior portion of a commercial building, whether or not the improvements were made on property subject to a lease. Qualified improvements include improvements to the common areas of a building, as well as improvements that were made to a building prior to it being in service for three years. Also, taxpayers may elect to forgo bonus deprecation and, instead, increase the amount of unused AMT credits that are available to them. PATH has also extended the work opportunity tax credit, the new market credit with a $3.5 billion annual allocation, the controlled foreign corporation related payment look-through rule, the Section 45 production tax credit and the ability to claim Section 48 investment tax credit for wind and solar property.

Finally, PATH generally extended the provisions that expired at the end of 2014 for two years retroactively from the beginning of 2015, including the alternative fuel and biodiesel credits. PATH has lowered the tax credit available for liquefied natural gas and liquefied petroleum gas (propane) to their energy equivalents in gasoline. Now, a registered alternative fueler will only receive a credit of 29 cents per gallon for liquefied natural gas and 36 cents a gallon for propane.

FEATURE

BY
SEAN P. BLEIBTREY
ASSURANCE ADVISORS
MANAGER

Here we are a few months into 2016, and most companies along with their Certified Public Accountants (CPAs) are either in the middle of another "busy season" trying to finally wrap up 2015, or looking forward to spring with another year-end close completed. Either way, most organizations are not eagerly awaiting the Financial Accounting Standards Board's (FASB) announcements relating to their agenda for 2016 so that they can determine how it might impact their company. There is no need to worry about that—your advisors at Schneider Downs & Co. keep current with all of the latest accounting pronouncements and standards, and we are happy to assist with any of your questions or implementation issues. Just a few of the pronouncements being discussed for 2016 are:

PREVIEW OF ACCOUNTING 2016

by Sean P. Bleibtrey

Leases

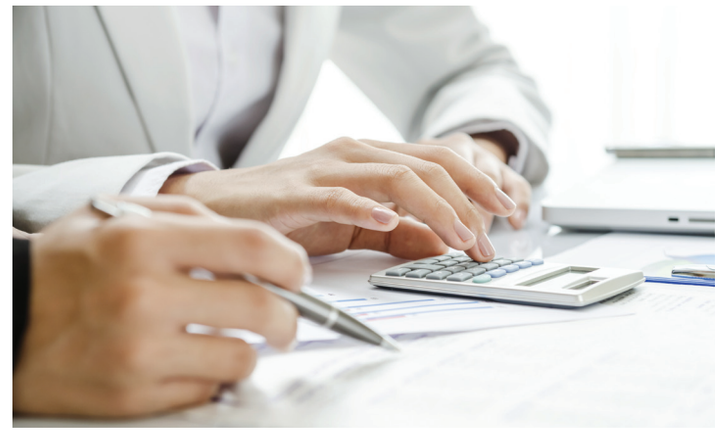
The much anticipated final lease standard has been issued on February 25, 2016. The objective of this standard is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. Relative to the income statement, under the new standard, lessees would account for most existing capital leases as finance leases (that is, recognizing amortization of the right-of-use (ROU) asset separately from interest on the lease liability) and most existing operating leases as operating leases (that is, recognizing a single total lease expense). Relative to the balance sheet, both finance leases and operating leases result in the lessee recognizing a ROU asset and a lease liability. The standard will be effective for public business entities for years beginning after December 15, 2018 and for all other entities for fiscal years beginning after December 15, 2019. Visit the Schneider Downs website for a full whitepaper that provides greater detail on this new ASU.

Accounting for Goodwill Impairment

The objective of this project is to reduce the cost and complexity of the subsequent accounting for goodwill by simplifying the impairment test. The staff of the FASB will be drafting a proposed Accounting Standard Update (ASU) to be approved by the board of the FASB and issued for exposure to the public sometime in the first half of 2016.

Accounting for Identifiable Intangible Assets in a Business Combination for Public Business Entities and Not-For-Profit Entities

Say that three times fast! This project is intended to evaluate whether certain identifiable intangible assets acquired in a business combination should be included in goodwill for public business entities and not-for-profit entities. This option is currently only available to



private companies through the work of the Private Company Council (PCC). The PCC currently allows private companies to subsume into goodwill customer-related intangible assets (unless they are capable of being sold or licensed independently from the other assets of the business) and noncompetition agreements in a business combination. The FASB is in its initial deliberations on this matter and plans to continue discussions with the international community before proceeding to an exposure draft.

Employee Share-Based Payment Accounting Improvements

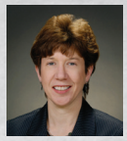
The FASB issued final guidance to reduce cost and complexity and improve the accounting for share-based payment awards issue to employees for public and private companies. Areas that were amended include 1) accounting for income taxes upon vesting or settlement of awards; 2) presentation of excess tax benefits as any operating activity on the statement of cash flows; 3) a policy election for accounting for forfeitures as they occur; 4) increase in statutory withholding; and 5) private company practical expedients for the expected term and intrinsic value to name a few.

These are just a few of the updates. If you would like additional information on the topics above or any other topics that may impact your company, please contact any member of the Schneider Downs Assurance and Advisory practice.

NEWS YOU NEED

SCHNEIDER DOWNS WEALTH MANAGEMENT ADVISORS, LP

QUARTERLY COLUMN



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

CYBER SECURITY - PLEASE, NOT AGAIN!

Yes, again. We've been inundated with warnings about security. Every day brings stories about data breaches, identity theft and mail theft. We're becoming immune to it. Maybe we just don't care, or perhaps, but more likely, we are just overwhelmed. The world is awash with risk. We've learned to live with the risk and hope we don't become one of the statistics. Life is busy enough without having to deal with more passwords, secret questions, security codes and tokens. And anyway, we all know not to click on suspicious links sent to us by email, isn't that enough?

In the last few weeks, our internal security protocol at Schneider Downs Wealth Management Advisors has thwarted two attempts by electronic fraudsters to wire funds out of a client brokerage account. Apparently, we are not the only ones receiving false requests from fraudsters posing as clients. Wire fraud and other fraudulent attempts to move money electronically are happening at an alarming rate.

We hope that if you work with another advisory firm, or any financial institution for that matter, it has procedures in place to verify and stop fraudulent requests from being executed. But where are these threats coming from? How can a cyber thief pose as you, know where your financial accounts are housed and even know whom to contact to initiate a request to move money? We certainly see ourselves as the strong line of defense between our clients and someone who wants to whisk their away assets under the cover of technology, but you must be the first line of defense.

All of us know how important it is to shred our financial documents (old tax returns, credit card statements, bank and brokerage account statements, etc.) before tossing them into the trash. More recently, many of us have stopped receiving documents in paper form and have opted for electronic documents. It certainly saves on storage space and eliminates the headache of shredding. Unfortunately, many of these documents and our personal communications about them now reside somewhere electronically. They have been piling up in our electronic mail boxes and on our email providers' remote email servers. There probably still are identity thieves sifting through your curbside garbage, but the tech-savvy ones are searching for this sensitive information in your email.

Did you know that your email is stored on a remote server? Who houses your email? Google? Comcast? Verizon? Apple? Or one of the numerous smaller internet providers? Servers are often the target of hackers. When you download an email to your computer or iPad, did you know that it still resides on the remote server? If you are like me, I never logon to my email provider's website to read my mail. I simply open Outlook and let the mail drop into my personal computer's mail box. Even if I delete the mail from Outlook, or my iPad, it can still exist in the online mailbox until I delete it there. Sophisticated software can quickly attempt millions of password combinations to unlock server email boxes. Many email services do not even have a lock-out provision for multiple incorrect logins because users complain if it's too hard to get to their email.

We believe the fake wire requests we have received did not come from someone breaking into or taking over a personal computer but came from someone breaking into an online email account. The fraudster went through the email and found email that was used to previously request a transfer of funds. They then knew exactly what to say and who to send it to. What have you left hanging out in your email server's inbox? Not only is the information contained in emails vulnerable, so are your email attachments if you have not password-protected them.

Bottom line, your email is not as secure as you might think. Even if you are vigilant about deleting your email from your personal device's inbox and from your provider's inbox, the provider or program you use to access email often has folders where deleted items are stored. Items are retained in that folder until you permanently delete them. Additionally, your e-mail may be retained on some server farm possibly forever. Many organizations retain email for legal or regulatory purposes. So what can you do? Stop using email? Electronic communications can be safe and secure as long as you use precautions.

Common sense approach to electronic communications

- Never click links. If you think the link is legitimate, key it in yourself.
- Never open unsolicited attachments.
- Never send personal identification via email.
- Password-protect and encrypt your attachments.
- Delete sent and received email from your device and email provider's inbox regularly.
- Make sure if you have a deleted items folder, it is set to empty when you log out.
- Keep your software up to date. Vulnerabilities are often repaired with updates.

Continued on Page 7

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
8/31	3/31/16	6/15/16
9/30	5/2/16	7/15/16
10/31	5/31/16	8/15/16

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	3/15/16
1/31	4/15/16
2/29	5/16/16

CYBER SECURITY

CONTINUED FROM PAGE 6

- Run virus and malware scans regularly.
- Do not access personal information over free Wi-Fi (including entering login credentials for any site).
- Check your credit reports yearly.

These are all reasonably simple steps that you can make part of your everyday routine.

If you have questions about the security procedures your financial institutions and advisors use to protect your information, do not be afraid to ask.

Material discussed is meant for general illustration and/or informational purposes only and it is not to be construed as investment, tax or legal advice. Although the information has been gathered from sources believed to be reliable, please note that individual situations can vary. Therefore, the information should be relied upon when coordinated with individual professional advice.

AROUND SCHNEIDER DOWNS

Schneider Downs Staffing Receives Honors
Melissa Deremer and A.J. Dorogi specialize in permanent full-time employment and temporary contract employee placement services through our affiliate, Creative Financial Staffing (CFS). At a recent annual meeting of over 40 CFS offices, Melissa and A.J. were recognized as one of the top five offices in two categories: Most Improved Office of the Year and Most Improved Temp Office of the Year. Congratulations!

SDADVANTAGE RETIREMENT SOLUTIONS

The shareholders of Schneider Downs have formed SDAdvantage Retirement Solutions, LP to consolidate qualified retirement plan consulting, TPA and recordkeeping services. This is an affiliate to the retirement plan division of Schneider Downs Wealth Management Advisors, LP, which sponsors the open architecture, daily valued, SDAdvantage 401(k) and SDAdvantage IRA platforms. The group is led by Karl W. Kunkle and Jason M. Lumpkin.

Schneider Downs Chairman Ray Buehler and his wife Kathy served as event chairs for the Homeless Children's Education Fund's (HCEF) Champions for Children benefit at the Priory Hotel in Pittsburgh. Pictured from left to right are Bill Wolfe, HCEF Executive Director; Ray Buehler; Kathy Buehler; and Joe Lagana, HCEF Founder.

On February 5, Schneider Downs employees wore red for the annual Go Red for Women Day. Go Red for Women Day benefits the American Heart Association.

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PROFESSIONAL NEWS

MARK A. DIPIETRANTONIO, Tax Shareholder, was recently appointed to the Board of Directors for Abiding Ministries Pittsburgh.

SUSAN M. KIRSCH, Tax Shareholder, was honored as one of the recipients of the 2016 BusinessWomen First Award from the *Pittsburgh Business Times*.

CHRISTOPHER DEBO, Technology Advisors Senior Manager, spoke at Ohio State's Annual Information Systems Association banquet on the topic "The Evolving Technology Career Landscape."

MARY D. RICHTER, Tax Shareholder, has been named to the United Way of Southwestern Pennsylvania's Committee on Supporting People with Disabilities.

MARY D. RICHTER, Tax Shareholder, and **ADAM R. SPITZNAGEL**, Tax Senior Manager, and **DOUGLAS A. PAPA**, Tax Manager, presented "Federal Tax Roundup" to the Taxation Section of the Allegheny County Bar Association.

SEAN P. SMITH, Chief Marketing Officer, served as a program advisor for the accounting conference, Winning is Everything, in Las Vegas, NV.

STEVEN H. EARLEY, IT Audit and Risk Advisory Services Senior Manager, delivered a webinar on cybersecurity risk to the Ohio Auto Dealers Association (OADA). He also spoke on the same topic to the Ohio Motorcycle Dealers meeting. Steve was also quoted in a cybersecurity article in the January/February 2016 issue of *Ohio Contractor* magazine.

TRACY M. SMITH, Audit Manager, spoke at the Ohio Township Association's annual conference on Grants Management.

DON A. LINZER, Schneider Downs Wealth Management Advisors CEO, was featured in the article, "The 5-year retirement countdown" on MSN.com's Money section as well as Marketwatch.

CYNTHIA D. WARSING, Chief Financial Officer, served as a Power Circle facilitator during the Tepper Women in Business Leadership Conference at Carnegie Mellon University in February.