

ON POINT

SCHNEIDER DOWNS

SPRING 2017
VOLUME 35
ISSUE 01

FEATURE ARTICLE

RHETORIC TRANSITIONS TO POLICY... PRESIDENT TRUMP MUST YIELD RESULTS

IN THIS ISSUE

- 2 Recapping ISACA's 2016 Pittsburgh Information Security Day
Key Tax Dates
Christopher S. McElroy Joins Schneider Downs as Shareholder
- 3 Significant Changes to the Use of Bonus Depreciation on
Nonresidential Real Property Beginning in 2016
- 4 Rhetoric Transitions to Policy...President Trump Must Yield Results
- 6 Welcome Due Date Changes for Businesses and Individuals This Tax
Season
- 7 Around Schneider Downs
Cyber Security Tips
- 8 Professional News

KEY TAX DATES

4.18.17

INDIVIDUALS. Last day to make a contribution to traditional IRA, Roth IRA, Health Savings Account, SEP-IRA or solo 401(k) for the 2016 tax year, unless an individual extension is filed.

INDIVIDUALS. Last day to file tax returns and self-employment tax returns of individuals for calendar year 2016.

ESTIMATED TAX. Payment of first installment of 2017 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 2016 income tax return.

Continued on Page 7

CHRISTOPHER S. MCELROY, CPA JOINS THE FIRM AS SHAREHOLDER

Schneider Downs is proud to announce that Christopher S. McElroy, CPA has joined Schneider Downs as a shareholder in our tax group.



Chris has more than 25 years of public accounting experience. He has a diverse background serving large U.S. multinational companies, closely held companies, partnerships and S corporations in the areas of international tax consulting and compliance, tax accounting and mergers and acquisitions.

"We're thrilled welcome Chris to Schneider Downs. His expertise working with large multinational companies is ideal for our client base, and his collaborative style fits right into our culture, said Steven Thompson, Co-CEO.

Chris is a licensed CPA in Pennsylvania, Ohio and West Virginia and is a member of the American Institute of Certified Public Accountants. He is a former Trustee of the Community Shelter Board in Columbus, Ohio.

RECAPPING ISACA'S 2016 PITTSBURGH INFORMATION SECURITY DAY

As cybersecurity continues to be a focus within governments, organizations and homes, news outlets are poised to report on the latest breach of data. To raise awareness within the line of Risk Advisory, Information Technology (IT) and Internal Audit (IA), ISACA presented Pittsburgh's Information Security Day on Monday, December 5, 2016. ISACA is an independent, nonprofit, global association that engages in the development, adoption and use of globally accepted, industry-leading knowledge and practices for information systems serving a broad range of IT governance professionals.



BY ERIC FAIR
SCHNEIDER DOWNS
IT RISK ADVISORS

This day-long event provided an opportunity for Risk Advisory, IT and IA professionals to gain insights from industry experts, through a multitude of topics, as well as an opportunity to network, share experiences and (how can we forget) obtain Continuing Professional Education (CPE) hours. To help support the local community, the event also hosted a food drive to benefit the Greater Pittsburgh Community Food Bank.

Schneider Downs played a major role in this event. We have two members on the local chapter board of ISACA: the local Chapter President and the Director of Career and Education Outreach. In addition, five Schneider Downs IT Risk Advisory team members volunteered to assist with the event, and more than fifteen Schneider Downs IT Risk Advisory team members attended the event.

The event provided two optional tracks, with a total of 18 presenters, 24 sponsors and 300 registrants. Presentations focused on a variety of information security topics, including but not limited to:

- Verizon Data Breach Investigations Report
- Asymmetric Cyberwarfare
- Information Security and Privacy Law
- AppSec in DevOps
- Reduce Attacker Dwell Time
- Productization of the Security Market & Top 10 Open Source Security Tools
- 7 Steps to Raise Your Incident Readiness IQ
- Best and Worst of Logs, Stories Through Logging
- Behind the Scenes of the Cyber Kill Chain
- Attacks Start with Email: Fix Your Human Firewall Flaws
- You Have a Blind Spot: Exposing the Misuse of Online Security
- Creating Trust in a Digital World
- What is Powershell?
- Ensuring Proper Disposition of Data and Equipment
- Strategies in Security Intelligence Prevention, Detection and Response
- Rise of the Digital Universe! Is This the End of Privacy and Security?
- Special presentation from the FBI Pittsburgh Field Office

There were some great insights and takeaways from this event. Thanks to all of the sponsors, volunteers and Rivers Casino for making this event possible! ■

TOP STORY

SIGNIFICANT CHANGES TO THE USE OF BONUS DEPRECIATION ON NONRESIDENTIAL REAL PROPERTY BEGINNING IN 2016



BY
MARK A. DIPIETRANTONIO
TAX SHAREHOLDER

Bonus depreciation, which was scheduled to expire after 2014, was extended through 2019 by the PATH Act. Under the PATH Act, 50% bonus depreciation applies to qualified property placed in service in 2015, 2016 and 2017. The rate is reduced to 40% for qualified property placed in service in 2018 and 30% for qualified property placed in service in 2019. Unless additional legislation is enacted, bonus depreciation is scheduled to expire after 2019.

To better understand the 2016 bonus depreciation rules relative to nonresidential real property, it may be helpful to understand the bonus depreciation rules for nonresidential real property that was placed in service before January 1, 2016. For nonresidential real property placed in service before January 1, 2016, bonus depreciation was available for “qualified leasehold improvement property.”

“Qualified leasehold improvement property” (which qualified for bonus depreciation if placed in service before 2016) was defined as:

- Improvements to the interior portion of nonresidential real property by a lessor or lessee pursuant to a lease;
- The improvements were required to be placed in service more than three years after the building was placed in service;
- The lessor and lessee could not be related taxpayers; and
- Improvements that were for the enlargement of a building, any elevator or escalator, any structural components benefiting a common area or the internal structural framework of the building did not qualify.

The PATH Act simplifies the definition of nonresidential real property that is eligible for bonus depreciation. Effective for property placed in service after January 1, 2016, bonus depreciation is available for “qualified improvement property.” For bonus depreciation purposes, qualified improvement property expands and replaces the class of property known as “qualified leasehold improvement property.”

“Qualified improvement property” is defined as any improvement to an interior portion of a building that is nonresidential real property, if the improvement is placed in service after the date the building was first placed in service. Qualified improvement property does not include expenditures attributable to the enlargement of a building, an elevator or escalator, or the internal structural framework of the building. Qualified improvement property is defined similarly to qualified leasehold improvement property except for the following “taxpayer-friendly” distinctions:

- Nonresidential building improvements are eligible for bonus depreciation regardless of whether the improvements are required by the lessor or lessee pursuant to a lease;
- The improvements are not required to be placed in service more than three years after the building was placed in service; and
- Improvements that are structural components benefiting a common area of the building are now eligible for bonus depreciation.

While beyond the scope of this article, it is important to note that qualified improvement property does not qualify for a 15-year recovery period unless the qualified improvement property is:

- 15-year leasehold improvement property;
- 15-year retail improvement property; or
- 15-year restaurant improvement property

Qualified improvement property that does not qualify for a 15-year recovery property is depreciated over 39 years as nonresidential real property using a mid-month convention. If you have any questions regarding qualified improvement property, or your ability to utilize bonus depreciation, do not hesitate to contact a member of the Schneider Downs Construction Industry Group. ■

FEATURE



BY
JASON R. STALEY, CFA®
SCHNEIDER DOWNS WEALTH MANAGEMENT ADVISORS
INVESTMENT RELATIONSHIP MANAGER

With the presidential primary and general election well behind the United States, Donald J. Trump is now the leader of the free world and at the helm of the world's largest economy. President Trump's trademark bravado mixed with his unconventional and, at times, unpredictable, rhetoric fueled his forceful ascendancy to the oval office. Mr. Trump's unconventional approach worked with much of the U.S. electorate; however, financial markets and their participants crave clarity and loathe unpredictability. In order to preside over the type of economy that achieves the economic growth targets stated during the campaign, Mr. Trump and his team will need to build broad public support that in turn produces a strong coalition that can push his legislation through

RHETORIC TRANSITIONS TO POLICY... PRESIDENT TRUMP MUST YIELD RESULTS

by Jason R. Staley

Congress. Finally, Mr. Trump and his team will need to reassure the global markets and U.S. trading partners that, despite some of the strong rhetoric, the U.S. will remain a reliable and stable partner.

Most major U.S. equity indices appreciated from their pre-election levels after Mr. Trump's victory. Investors were elated at the real prospect of significant and meaningful corporate tax reform, less-burdensome regulations, and a stronger U.S. Dollar with Republicans controlling both houses of Congress and the Presidency. The "Trump Rally" was based entirely on investors' increasingly bullish sentiment that Mr. Trump would stimulate the U.S. economy from current levels (approximately 2% annualized GDP growth). Trump, however, will not be judged on the movements of the stock market over the course of 45 days; instead, Mr. Trump will be judged on the successful implementation of cohesive domestic policy agenda that stimulates productivity, wage and, ultimately, economic growth.

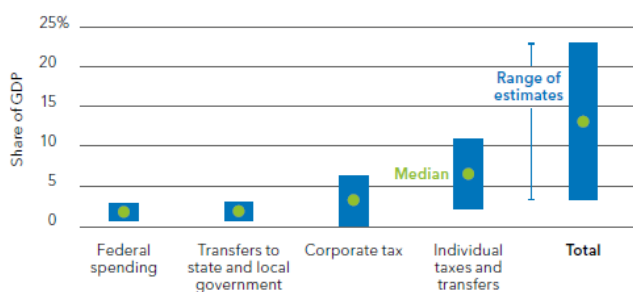


in U.S. GDP of all of Mr. Trump's policies over the course of ten years. The potential changes in GDP range from 3% to 23%; the eventual outcome will depend on the implementation, efficacy and execution of these policies. At maximum effectiveness, GDP may hit 4%, but there are many variables and potential impediments that make achieving that number difficult. In instances like the above, where you have a wide range of outcomes, we would expect the global equity and fixed income markets (since much of the world trades off of U.S. economic sentiment) to experience increased levels of volatility. Adding further complexity is the fact that domestic equity markets are trading at elevated valuation levels with consensus for only modest returns in the interim; in order to drive markets upward, investors would need to be confident of economic growth, since significant multiple expansion is unlikely. If market participants get jittery or there is a hiccup in policy implementation, there is risk to the downside, such as was felt quickly after the executive order on immigration was signed in late January.

We have a less sanguine view of fixed income markets domestically. Whereas U.S. equities, despite some concerns surrounding valuations, have rollback of excessive regulations and an overhaul of the corporate and personal tax code as a tailwind, the U.S. fixed income market is

Trumponomics

Estimated 10-year impact on U.S. GDP of Trump's potential policies



Source: BlackRock Investment Institute, Congressional Budget Office and Committee for a Responsible Federal Budget, November 2016. Notes: The chart shows estimates of the impact of President-elect Donald Trump's policies on U.S. GDP over the next 10 years, measured as a percentage of 2015 GDP. The estimates are derived by applying Congressional Budget Office estimates of fiscal multipliers of different tax and spending policies to estimates of the fiscal impact of the President-elect Donald Trump's policies produced by the Committee for a Responsible Federal Budget. The bars represent the range of estimates, which are driven by different fiscal multipliers.

The above chart, produced by BlackRock Investment Institute, examines the potential impact of Mr. Trump's fiscal policy and proposals on U.S. GDP¹. While we find the inputs that factor into the potency of Trump's economic plans interesting, as investors and asset allocators, the most illuminating part of this chart, in our opinion, is the bar on the far right. This bar, labeled "Total" shows the range of potential cumulative change

continued on page 6

NEWS YOU NEED



WELCOME DUE DATE CHANGES FOR BUSINESSES AND INDIVIDUALS THIS TAX SEASON

BY MICHAEL LEOPOLD, TAX ASSOCIATE

This tax season there are several important tax return due date changes for both businesses and individuals to be mindful of.

In order to provide more timely partnership information (Schedules K-1) to partners for their individual tax reporting, the new filing deadline for a Partnership's Form 1065 is the 15th day of the third month after the fiscal year-end (March 15 for calendar-year partnerships). This is a change from the historical due date of April 15.

Given the complexity of many C Corporation returns and the fact that auditor financial statement reports may be issued a few months after year-end, the Internal Revenue Service has moved the filing deadline back to the 15th day of the fourth month after year end (April 15 for calendar-year companies). There is an exception for taxpayers with a June 30 year-end, where their due date will remain September 15, until January 1, 2026, at which point they will also move to the fourth month (October 15).

Individuals with foreign assets (cash, mutual funds, etc.) that exceed \$10,000 in the aggregate are required to file FinCEN Report 114. The due date of this form has been moved up from June 30 to April 15, now due at the same time as the taxpayer's individual tax returns. FinCEN has granted an automatic six-month extension for the form, providing more time for those who need it. ■

RHETORIC TRANSITIONS TO POLICY (CONTINUED FROM PAGE 5)

afforded no such luxury. The U.S. Federal Reserve began a tightening of U.S. monetary policy in December, raising the Fed Funds rate by 0.25%; in addition to the interest rate hike, the Janet Yellen-led Fed indicated that three additional rate hikes were possible in 2017. The three-decade-plus bull market in bonds appears to be coming to a close after almost a decade of accommodative monetary policy following the U.S. financial crisis. In addition to the change in monetary policy is the prospect of a large U.S. infrastructure spending bill that has varied in cost from \$500 billion to \$1 trillion, depending on the source and proposal. This type of massive spending has the potential to stimulate the economy, increase worker productivity, and bring people currently not looking for employment back into the workforce (all very positive attributes).

However, with a national debt that is approaching \$20 trillion, the interest expense, or the interest rate at which the U.S. Treasury issues debt, is likely to increase as investors demand more compensation for owning these bonds. The value of many fixed income investments trades in an inverse relationship to interest rates; as interest rates go up, the price/value goes down (and vice versa). For these reasons, our interim outlook on fixed income is that the broad market will remain challenging, especially the U.S.

government/agency sections of the market.

Most people can agree that increasing worker productivity and investment, coupled with steady wage growth and low unemployment is a recipe for increased economic growth; the challenge is how to drive and implement policy to achieve those ends. Mr. Trump is now at the wheel, and financial markets and the global economy are not something that can be cajoled with a 140-character tweet. Shepherding the economy to greater prosperity will take a focused effort and attention to policy detail. Global investors, and more importantly Mr. Trump's constituents, will demand that his lofty rhetoric deliver the desired results. Mrs. Clinton and Messrs. Rubio, Cruz, Bush, et al. have been vanquished; Mr. Trump has won, and he is now on the clock.

Disclaimer: 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. The information provided should be relied upon when coordinated with individual professional advice. ■

¹ <https://www.blackrock.com/corporate/en-us/literature/whitepaper/bii-2017-investment-outlook-us.pdf>

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	3/31/17	6/15/17
9/30	5/1/17	7/17/17
10/31	5/31/17	8/15/17

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	3/15/17
1/31	4/17/17
2/28	5/15/17

CYBER SECURITY TIPS

Too many passwords to remember? Encrypted password managers are great tools because they store all your passwords securely, they can help you generate strong random passwords, and, in general, the only password you have to remember is the one to open your password manager. Many password managers will also tell you the strength of the random password they are generating for you based on the input parameters you set (use of lowercase, use of uppercase, use of numbers, use of special characters, etc.). Some password managers are cloud based, meaning they are connected to the internet and can be a target for hackers. We prefer a locally installed version. The author of this tip uses the mSecure app on iOS. The mSecure app containerizes and encrypts the underlying password data using Blowfish encryption, has a setting to wipe the password data after too many failed logins and has a browser launcher that inputs usernames and passwords automatically.

Reprinted from Schneider Downs' Cyber Security Month tips from October 2016.

AROUND SCHNEIDER DOWNS



National Wear Red Day for Women

On February 3, people in both offices donned their red in honor of the American Heart Association's 14th Annual National Wear Red Day for Women. The day is intended to bring attention to the leading killers of women - heart disease and stroke.



Settling In

Now that our Columbus employees have had a chance to settle into their new space, on January 11, we opened the doors to our clients and friends and let them see the innovative designs and focus on technology in the new office during an Open House.

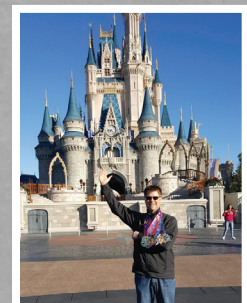


Recruiting Season

Thanks to the efforts of our Human Resources team and client-serving professionals from various business lines, we've wrapped up another successful fall recruiting season. This season included visits to 14 different state and private colleges and universities, 13 career fairs and 18 student-hosted events. Between winter and summer interns, as well as a new class of grads starting in the fall, we'll be welcoming almost 80 new recruits this year!

More Hardware for Jeff!

As has become tradition, ICS Technical Support Specialist Jeff Smercani has completed his fourth runDisney Dopey Challenge. The challenge includes a 5K, 10K, half marathon and full marathon over four days. Weather caused the half marathon to be cancelled, but Jeff ran it on a treadmill anyway! Congratulations, Jeff!





One PPG Place, Suite 1700
Pittsburgh, PA 15222

P: 412.261.3644
F: 412.261.4876

65 E. State Street, Suite 2000
Columbus, OH 43215

P: 614.621.4060
F: 614.621.4062

www.schneiderdowns.com

INTERESTED IN RECEIVING EMAIL UPDATES?

Are you on our email list?
Please visit
www.schneiderdowns.com
and click on "Subscribe."

STAY UP-TO-DATE WITH SOCIAL MEDIA



@Schneider_Downs



LinkedIn

On Point 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 On Point. We are pleased that our readers find the articles informative, and encourage reproduction with acknowledgment of the source.

© 2017 Schneider Downs & Co., Inc.

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

PROFESSIONAL NEWS

NANCY L. SKEANS, Wealth Management Partner, spoke on a panel at the JPMorgan Asset Management National Women's Summit in NY, NY in October.

TROY J. FINE, Risk Advisory Services Manager, was appointed as a member of the AICPA's CITP Credential Committee for the 2016-2017 volunteer service year that began this past October.

JOHN J. BELLARDINI, Schneider Downs Meridian Managing Director, was elected to the board of the Turnaround Management Association Upstate New York Chapter.

THEODORE M. PETTKO, Audit Shareholder, has been appointed to the Board of Directors of the Sarah Heinz House.

JOEL M. ROSENTHAL, Business Advisors Shareholder, was named to the Board of the Jewish Healthcare Foundation.

DAVID J. SNYDER, Risk Advisory Services Manager, joined the leadership team for American SAP Users Group (ASUG) for the Pittsburgh Chapter.

THOMAS D. PRATT, Business Advisors Shareholder, has been accepted to participate in the FBI Citizens Academy, 2017-XVIII.

RYAN R. DEATRICK, Audit Manager, was appointed Treasurer of the Pittsburgh Surety Association.

DENNIS J. MOWREY, Tax Director, was awarded a lifetime achievement award – The David K. Beebe Achievement award from the Arthritis Foundation at a Gala on Saturday February 4th. Dennis currently sits on the National Board for the Arthritis Foundation and has been involved for the past 15 years.

ROSEMARY MAZZEO, Risk Advisory Manager, was profiled on the Point Park University School of Business website, her alma mater.

SEAN P. SMITH, Chief Marketing Officer, presented "The Marketing Team of the Future" at The Advisory Board's Winning is Everything Conference in Las Vegas in January.

MARY D. RICHTER, Tax Shareholder, was honored as one of the recipients of the 2017 BusinessWomen First Award from the *Pittsburgh Business Times*. Also, along with Mark Santo of Fox Rothschild, Mary founded the Western Pennsylvania Global Business Forum - an informal forum to discuss international business matters. The inaugural meeting included more than 35 attendees from business, government, education and professional services representatives.

MARIA D. STROMPLE, Director of Private Client Tax Advisory Services, attended the online AICPA Conference "Sophisticated Tax Planning for Wealthy Clients" in November. Maria also presented "Adoption Tax Credit Planning Opportunities" at Pressley Ridge in Pittsburgh in November.