Business & Tax Solutions for the Entrepreneur

Volume 16 • Issue 1 • 2010

5 7 1 2 1 4 2 0 8 1 2 0 2

2 3 5 1 1 8 5 2 2 5 1 8 2

KATZ, SAPPER & MILLER

THE ADVISOR

0 8 9 1 9 1 6 1 8 1 5 1 0

5 3 2 0 9 1 9 1 1 2 1 3 1

5 1 9 2 0 1 5 2 2 5 1 8 2

2 3 5 1 1 8 5 2 2 5 1 8 2

5 7 1 2 1 4 2 0 8 1 2 0 2

0 8 9 1 9 1 6 1 8 1 5 1 0

"As a result of these expected lease accounting changes, companies' balance sheets will be greatly impacted."

In This Issue:

Major Changes in Lease Accounting on the Horizon

By Ron Smith, CPA

SUMMARY: LEASE TRANSACTIONS ARE WIDELY USED AS A FINANCING TOOL IN TODAY'S MARKETPLACE ACROSS ALL INDUSTRIES. WITH FUTURE LEASE ACCOUNTING CHANGES ON THE HORIZON, LEASE VERSUS BUY DECISIONS WILL MOST LIKELY BE IMPACTED. EVERY COMPANY THAT IS A LESSEE OR LESSOR OF PROPERTY, PLANT AND EQUIPMENT WILL BE IMPACTED BY THE CHANGES.

In March 2009, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) (the Boards) issued a discussion paper regarding leases as part of the continued convergence projects. The discussion paper initially only addressed a lessee's accounting of leases, but in subsequent meetings, the Boards have also addressed a lessor's accounting of leases. The objective of the project is to create common lease accounting requirements to ensure leases are recognized on the balance sheet, and to provide users of financial statements with useful and complete information about leasing transactions.

Currently a lessee accounts for a lease as either operating or capital. Under the preliminary decisions made by the Boards, a lessee would recognize an asset representing its right to use the leased asset and a liability for the obligation to pay rentals, essentially capitalizing all leases. The Boards have tentatively decided the lessor would follow a performance obligation approach in which an asset would be recorded representing the lessor's right to receive rental payments, and a liability representing its performance obligation under the lease.

At the inception of a lease, both the lessee and lessor would be required to estimate the ultimate term of the lease, evaluating the probability of renewal options and contingent rentals, such as an increase in rent based on an index and residual value guarantees. These items would then be factored into the calculation of the asset and liability recorded by the lessee and lessor. Estimates would need to be periodically reassessed and adjusted, which could potentially impact the recorded asset and

Continued on page 10. See "Major Changes."

5 7 1 2 1 4 2 0 8 1 2 0 2

0 8 9 1 9 1 6 1 8 1 5 1 0

Managing Partner Message

David Resnick, CPA
Managing Partner

For almost 70 years, Katz, Sapper & Miller has been committed to a mission of "helping our clients achieve success." To achieve our mission, KSM professionals are committed to:

- Lifetime Relationships
- Integrity
- Responsiveness
- Quality
- Employee Success
- Entrepreneurship

Client service is something we take seriously and we don't take for granted that we have met your expectations. To that end, this summer we asked a number of our clients to complete surveys requesting feedback on our client service and the value we provide. From your responses we will learn whether further improvements in any areas are necessary.

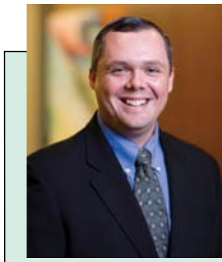
Our client service committee will read and discuss every returned survey and benchmark the results against our last formal survey. The findings of the survey will be presented to the entire firm during our fall meeting. I would like to thank our survey participants for their thoughtful and honest responses. If you were not selected to participate this year, please do not hesitate to contact me with your thoughts and feedback.

Lastly, I am proud to share our recent recognition of being named by the Indiana Chamber of Commerce as one of the “Best Places to Work in Indiana” in the large company division. We are indeed fortunate to have received this award for five consecutive years, a run matched by only six other Indiana businesses. I believe a large part of what makes KSM one of the best places to work is the sense of gratitude and reward our professionals receive from serving our great clients; many with which we have had career-long relationships.

Thank you for your continued loyalty and the opportunity to work with you.

David Resnick is the firm's Managing Partner. David can be contacted at 317.580.2090 or dresnick@ksmcpa.com.

International Entity Classification



By Ryan E. Miller, CPA

SUMMARY: Any time a U.S. person acquires an interest in a foreign entity, he must carefully consider how the foreign entity will be classified for U.S. income tax purposes. A detailed review of entity classification is essential to ensure efficient world-wide taxation of the international investment. Furthermore, the review must be done in the beginning stages of the investment as elections may be required within 75 days of the desired effective date.

There are certain types of foreign entities that must be classified as foreign corporations for U.S. income tax purposes. These entities are commonly referred to as “per se corporations.” Foreign entities other than per se corporations are referred to as “eligible entities” because they are eligible to elect their classification for U.S. income tax purposes. An eligible entity with a single owner can choose to be classified as a foreign corporation or as a foreign disregarded entity. An eligible entity with more than one owner can choose to be classified as a foreign corporation or as a foreign partnership.

The general rule with respect to U.S. taxation of a foreign corporation’s business income (excluding interest, dividends, royalties and other passive income) is that such income of the foreign corporation is not subject to U.S. taxation. The U.S. shareholders of the foreign corporation will be subject to U.S. taxation on the dividend income they actually receive from the foreign corporation. Thus, classification as a foreign corporation can allow U.S. shareholders to defer U.S.

Continued on page 9. See "International."

Passive and Active Income Criteria

By Erin Eberly, CPA

SUMMARY: In the current economic environment, many clients are seeking to participate in new investments or start new business ventures as a means of rebounding from the recent downturn. When analyzing new endeavors, taxpayers should consider how their day-to-day involvement in the business will determine whether the income or loss generated by the entity will be treated as passive or active. The most advantageous outcome results when income is passive and losses are active.

"Passive" activities are defined as trade or business activities in which the investor does not "materially" participate. Most rental activities and investments by limited partners are passive. Limited Liability Company (LLC) members will not necessarily be treated as limited partners if they have management responsibility in the entity.

"If the activity is determined to be passive, losses can only offset other passive activity income."

"Active" participation requires the taxpayer be involved in operations on a regular, continuous and substantial basis. Taxpayers should determine if they can substantiate active participant status based on the following criteria provided by the regulations:

- Participates in the activity more than 500 hours during the tax year;
- Performs substantially all of the work in the activity;
- Participates more than 100 hours during the tax year and not less than any other individual (including non-owners);
- Participates more than 100 hours for the tax year, and the aggregate participation in all significant participation activities (SPAs) exceeds 500 hours;
- Materially participated in the activity for any five of the ten preceding tax years;
- If the activity is a personal service activity, materially participated in the activity for any three preceding tax years; or
- Based on facts and circumstances, participates in the activity on a regular basis during the tax year, but not less than 100 hours.

In practice, active participation is a subjective test based on all facts and circumstances. A taxpayer can substantiate participation with documentation from calendars/appointment books, correspondence (including e-mails), legal documents, participating in meetings, or corroboration by employees or other owners.

If the activity is determined to be passive, losses can only offset other passive activity income. Passive activity income does not include portfolio income (i.e. interest, dividends, etc.) or wages. Any passive losses that are not used to offset passive income are disallowed in the current tax year and carried forward until passive activity income is generated, or the passive activity is disposed. Taxpayers who are considered active in the trade or business benefit from being able to use the activity's losses to offset other sources of income such as wages, interest and dividends, etc.

The full extent of these rules are complex and contain many exceptions and recharacterizations. For example, rental real estate is generally a passive activity, however, certain moderate income taxpayers may offset a rental passive activity loss of up to $25,000 against non-passive income if

Continued on page 10. See "Passive."

Avoid Potential Pitfalls When Changing State of Residency

By Donna Niesen, CPA

SUMMARY: An individual's decision to change his domicile is generally driven by personal factors such as retirement, health issues or a change in climate. In addition to these factors, many individuals intend to take advantage of lower or no state taxes when making a residency change. This is easier said than done. Often the individual maintains contacts in the original state of residency that hamper the ability to reduce tax liability.

As a general rule, an individual is taxed on 100 percent of his income in the state of residency. Residency is generally dependent on where the individual is domiciled. A person has only one domicile at a given time, even though the person may maintain more than one residence at the same time. Once a domicile is acquired, it is retained until conditions necessary for a change of domicile occur. As a result, when an individual attempts to change his/her domicile it creates significant income tax consequences.

In recent years individual audits addressing a change in residency have increased. In addition, scrutiny of the facts behind and proof of a change in domicile has intensified. States review residency determinations on a case-by-case basis and often attempt to interpret the intent of the individual. While no factor by itself can positively determine domicile, in aggregate the following activities help establish the intended domicile for the individual:

- Spend at least 184 days in the intended state of domicile and keep a diary of days spent in each location;
- Own or rent a home in the intended state of domicile and use it as the main residence; and
- Refer to state of intended domicile as state of residency in correspondence, applications, reservations and other daily activities. Only request discounts available to residents there (e.g., in-state college tuition).

"In recent years individual audits addressing a change in residency have increased."

In addition, within the intended state of domicile take the following steps:

- Register to vote.
- Transfer all bank accounts, safe deposit boxes, and securities to a bank there. File federal returns using that address.
- File for homestead exemptions/credit related to property tax.
- Change driver's license to and register any vehicles or boats.
- Change address on credit cards and insurance policies.
- Update will to indicate residency in intended state of domicile.
- Change religious, social or other organization memberships to the local branch.
- Consider shifting charitable giving from organizations in former state to organizations in the new location.
- Move family members and pets.
- Be aware of any state filings that are required or available to change residency. Some states have specific forms to file to indicate an individual's intent to change domicile. For example, Florida has a Declaration of Domicile that can be filed with the Office of the Clerk of the Circuit Court in the county of intended residency. In addition, Ohio has an

Continued on page 11. See "Pitfalls."

Hospitals and Health Systems: Health Reform Legislation

By Grant D. Byers

SUMMARY: The Patient Protection and Affordable Care Act will impact every facet of the healthcare delivery system including employers, employees and state government throughout the next decade. Informed insight and prospective planning will be vital for all affected entities and individuals.

The Patient Protection and Affordable Care Act, enacted March 23, 2010, and the Health Care and Education Reconciliation Act of 2010, enacted March 30, 2010 (the Acts), represent the largest change in healthcare access and coverage since the inception of Medicare in 1965. Many key provisions are slated to be implemented starting in 2014. Approximately one-half of the estimated $938 billion cost will be financed via savings generated from the healthcare system. The Acts cover a broad spectrum, from insurance market reform to coverage responsibilities to Medicare and Medicaid reform.

Final regulation critical to implementation is still pending. Key focus areas of the legislation expand access and coverage while implementing quality and productivity measures as follows:

Employer responsibilities:

- Employers with more than 200 full-time employees who offer health benefits are required to automatically enroll new employees in a plan. Employees must have the opportunity to opt out of coverage.
- States must establish Small Business Health Options Program Exchanges for the purchase of qualified coverage for individuals or small businesses with 100 or fewer employees.

"The Acts cover a broad spectrum, from insurance market reform to coverage responsibilities to Medicare and Medicaid reform."

Individual changes:

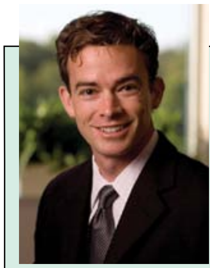
- Individuals are required to have “qualifying health coverage” or be subject to tax penalty unless qualifying for exemption.
- Lifetime or annual limits cannot be imposed by group health plans effective for plan years subsequent to 2014.
- A temporary federal high-risk insurance pool is established for individuals with pre-existing conditions until January 1, 2014.

Medicare reimbursement modifications:

- Hospital and provider Medicare payment will be directly linked to quality measures.
- Services relative to wellness and preventative care will be afforded the benefit of no co-payment or deductible.
- Modifications specific to wage index, critical access hospitals, rural hospitals, 340(b) drug program, physician fee schedules, physician-owned hospitals are also made by the Acts.
- Medicare and Medicaid Disproportionate Share Hospital payments will be modified to reflect changes in uncompensated care levels.
- Productivity adjustments and readmission rate adjustments to market basket payment updates are also implemented by the Acts.

Continued on page 11. See "Health Reform."

Understanding of Loan Covenants Deemed Critical



By Ed Stohlman, CPA

SUMMARY: The current state of the economy and its effect on the credit market continues to be a significant challenge facing business owners. In particular, it has become critical to carefully negotiate, understand and monitor loan covenants on a regular basis.

In the past many business owners assumed that as long as they were current on their payments, they were in good standing with their lender. However, violation of any loan covenant may give a lender reason to call the loan or increase interest rates.

"It is in the best interest of the loan holder and the lender to set realistic expectations of future financial performance."

As a new loan agreement is negotiated it is important to work with the bank to set realistic covenants. Growth plans should be reasonable given the current economy, and past performance and future budgets should be compared to the proposed covenants. It is in the best interest of the loan holder and the lender to set realistic expectations of future financial performance.

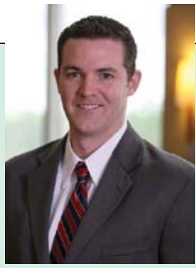
The review of existing loan agreements to ensure a complete understanding of current covenant requirements is imperative. Typical affirmative covenants will include certain financial ratios, submission of monthly internal financials, and an annual audited or reviewed financial statement. During the last two years more banks have been requiring audited financials than in the past. It is also common for lenders to require corporate and personal tax returns. In addition to affirmative covenants, also be aware of any negative covenants. These may prohibit additional loans, distributions, capital expenditures or changes in management or ownership without the banks' approval. If certain covenants are unrealistic, notify the lender and come prepared with a solution or other alternatives.

A process to monitor loan covenants on a regular basis should be established, which could be accomplished as part of the monthly financial reporting process. In addition to monitoring financial covenants on a monthly basis, it is also prudent to project future covenants based on the most recent forecasts and budgets. At the first sign of trouble it is crucial to assess the situation and develop a plan. Timely, proactive communication is necessary so that the lender gains an understanding of the current situation, the proposed solution, and a timeline for correcting it. Covenant waivers may also need to be requested, especially in connection with an annual review or audit of financial statements.

Whether negotiating a new loan, a renewal, or operating under an existing agreement, it is crucial to understand the various loan covenants. Routine monitoring and communication with the lender will allow potential issues to be addressed in a timely manner as work begins toward a solution.

Ed Stohlman is a manager in the Business Advisory Group. For more information, contact Ed at 317.580.2164 or estohlman@ksmcpa.com.

HIRE Act Could Save Employers Money



By Randy Hooper, CPA

SUMMARY: The Hiring Incentives to Restore Employment (HIRE) Act, signed into law by President Obama on March 18, 2010, provides employers with payroll tax exemptions on certain new employees and a general business credit for retained employees. In addition, employers may still take advantage of the Work Opportunity Tax Credit (WOTC) in 2010, which was extended in 2009, although employers may not claim the WOTC and the payroll tax exemption on the same employee. Various state credits are available for employers as well.

The HIRE Act rewards employers in two ways: through a payroll tax holiday on new employees and through a retained worker credit.

The payroll tax holiday encourages employers to hire individuals who have been previously unemployed by allowing a payroll tax exemption on all qualified individuals for wages paid from March 19, 2010 to December 31, 2010. The exemption relieves employers of the 6.2 percent Social Security payroll tax on any qualified employee for the remainder of 2010. With the current Social Security cap of $106,800, there is a possible exemption of $6,621. Employers wanting to take advantage of the credit must obtain a signed affidavit from the new employee (Form W-11) stating that he has not been employed for more than 40 hours during the 60-day period before the hire date. In addition, to be a qualified individual the new employee must begin employment after February 3, 2010 and prior to January 1, 2011, cannot be related to the employer, and must not be employed to replace another employee, with the exception of certain circumstances.

The Retained Worker Credit provides up to a $1,000 credit per qualifying employee. A qualifying retained worker is any qualified worker, as defined under the payroll tax holiday, who was employed by the taxpayer for a period of not less than 52 consecutive weeks. In addition, the employee's wages during the last 26 weeks of the period must be at least 80 percent of the wages for the first 26 weeks of the tax period. A calendar year taxpayer will be able to take this credit as part of the general business credit on his 2011 income tax return. The credit is the lesser of $1,000 or 6.2 percent of the wages paid to the retained worker.

"The exemption relieves employers of the 6.2 percent Social Security payroll tax on any qualified employee for the remainder of 2010."

In addition to the HIRE Act incentives, prospective employers should keep in mind the WOTC, which is currently not set to expire until September 2011. On February 17, 2009, the Recovery Act expanded the previous WOTC target groups to include unemployed veterans and disconnected youth. Other target groups include Temporary Assistance for Needy Families (TANF) program recipients, qualified veterans, qualified food stamp recipients, qualified supplemental security income (SSI) recipients, qualified summer youth employees, vocational rehabilitation referrals, ex-felons, and long-term family assistance recipients.

Before claiming the credit, an employer must receive certification from the state workforce agency (SWA). Once an employer hires an individual from a target group, Form 8850 and either Form ETA 9061 or ETA 9062 must be mailed to the state's WOTC coordinator no later than 28 days after the employee begins working. The credit is claimed on Form 5884 with the taxpayer's annual income tax return. Taxpayers should keep in mind that if the employer uses the payroll tax holiday it cannot use those employees' wages for the WOTC.

Continued on page 11. See "HIRE."

Nonprofit Board Responsibilities

By Amanda McGinity, CPA, and Casse Tate, CPA

SUMMARY: The 2008 overhaul to the Form 990[1] and news stories about problems at nonprofits have magnified the importance of the responsibilities of a nonprofit board member. Board members have three basic duties: the duties of loyalty, care and obedience.

The duty of loyalty states board members must act in the best interest of the organization before their own interests. The duty of care requires board members exercise reasonable care and judgment when making decisions for the organization. And the duty of obedience requires board members act within the goals of the organization when making decisions. Board members should keep these duties in mind at all times as this is the standard to which they are measured.

In order to fulfill the basic duties board members must have an understanding of, and responsibility for, the organization's financial position. The board should understand and approve the annual budget prior to the beginning of each fiscal year, which provides an important tool to monitor the performance of the organization. Reports comparing actual results to the budget should be reviewed regularly. In addition, board members have responsibility for the information returns of the organization. The Form 990 now reports if the return was provided to the entire board before filing. Since the return is public information, board members (or at least the finance committee) should spend time reviewing the form to ensure they understand what is being filed.

Another responsibility of the board is setting and monitoring key policies of the organization. Best practices call for organizations to have several policies in place, and although not required by law, these policies help ensure that certain safeguards exist. Examples of these policies are a conflict of interest policy, a whistleblower protection policy, a document retention and destruction policy, a gift acceptance policy, and a joint venture policy. The Form 990 requires information on many of the organization's policies, and board members should evaluate which policies are applicable to the organization's needs.

"Board membership can be a very rewarding and positive experience, but members should be prepared for the time commitment."

The organization's board is also responsible for setting the compensation of the executives. There should be a documented process for setting the compensation that includes some of the following practices: separate compensation committee, use of an independent consultant, consulting the Form 990s of similar organizations, use of a written employment contract, use of a compensation survey, and approval by the board. In addition to approving compensation of the executives, the board is responsible for hiring and evaluating the executive director of the organization. An evaluation should at least be provided annually, and may be coordinated with the compensation-setting process.

Board membership can be a very rewarding and positive experience, but members should be prepared for the time commitment. Furthermore, with each board involvement, the needed skills and the time investment is different.

[1]This year brought only a couple of small wording changes to the Form 990 after the great overhaul witnessed in 2008, when the requirement threshold for filing the full form was decreased to $500,000 in gross receipts and $1.25 million in total assets.

Amanda McGinity is a manager in the Audit and Assurance Services Group and a member of the Not-for-Profit/Governmental Services Group. For more information, contact Amanda at 317.452.1020 or amcginity@ksmcpa.com.

Casse Tate is a manager with the Business Advisory Group and a member of the Not-for-Profit/Governmental Services Group. Casse may be reached at 317.580.2153 or ctate@ksmcpa.com.

International *(Continued from page 2)*

taxation until the foreign corporation actually pays a dividend. Alternatively, U.S. persons that own a foreign disregarded entity or a foreign partnership will be subject to U.S. taxation on their share of the foreign entity's income or loss without regard to actual distributions by the foreign entity. However, actual distributions from the foreign flow-through entity will generally not be subject to U.S. taxation.

"Any time a U.S. person acquires an interest in a foreign entity, he must carefully consider how the foreign entity will be classified for U.S. income tax purposes."

It may seem that the foreign corporation structure is more advantageous due to the ability to control the timing of U.S. taxation; however, there are at least two important advantages to a flow-through structure (foreign disregarded entity or foreign partnership) that often make the flow-through structure more advantageous from a tax perspective. First, while income from the foreign entity will be subject to U.S. taxation regardless of actual distributions, any losses incurred by the foreign entity will also flow-through and provide a potential U.S. income tax benefit. This can be a particularly important benefit for start-up ventures where initial losses are expected. U.S. persons are not able to utilize losses incurred by a foreign corporation because such losses are trapped at the foreign entity level.

The second important advantage to a flow-through structure is that it generally leads to more efficient utilization of the U.S. foreign tax credit. U.S. persons, other than certain U.S. C-corporations, cannot claim a foreign tax credit for income taxes paid by a foreign corporation on its annual taxable income. In a flow-through structure, U.S. persons can generally claim U.S. foreign tax credits for the income taxes paid by the foreign entity. Therefore, although U.S. persons in a flow-through structure are subject to U.S. taxation on their share of the flow-through income regardless of distributions, the more efficient utilization of foreign tax credits can result in a significantly lower world-wide tax burden.

Although there are circumstances where a foreign corporation structure will be desired, the foreign flow-through structure will often result in the lowest possible world-wide income tax burden. In order to achieve a foreign flow-through structure, U.S. persons must avoid investments in per se corporations. As a result, U.S. persons investing in foreign entities must consider entity classification at the beginning of the investment process.

Ryan Miller is a director in the Tax Department. For more information, contact Ryan at 317.580.2009 or rmiller@ksmcpa.com.

Major Changes *(Continued from page 1)*

liability, putting an additional burden on companies to track and monitor leases.

The Boards have tentatively determined not to exclude existing leases at the date of implementation, which would require companies to record an asset and liability for all outstanding leases at the date of implementation. This could require a great deal of time and effort by companies, depending on the number of leases, to gather the necessary information and calculate the impact.

As the discussions stand now, there is no exclusion for short-term leases. There would, however, be a simplified method of calculating the lease asset and liability, which would not take into account the time value of money. Materiality would be a factor that would be considered in all leases.

As a result of these expected lease accounting changes, companies' balance sheets will be greatly impacted. Assets and liabilities will increase, resulting in increased leverage ratios. Cash flow measures, such as Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), will be affected due to replacing rent expense with amortization and interest expense. Additionally, interest expense under the effective yield method is higher in the earlier years of a lease. As the new rules approach implementation, companies will need to start determining what impact the changes will have on their balance sheet and income statement since these changes may have an effect on loan covenants and other external measures of financial performance.

Lease transactions will have a similar impact on a lessee's balance sheet as other financing arrangements going forward. This may affect the lease versus buy decision, but leases will still be a valuable tool for many companies that do not have other financing options available to them.

The Boards will continue discussing this project and are expected to have an exposure draft issued by mid-2010 and a final accounting standard update issued by mid-2011. Implementation is expected for 2012.

To learn more and to follow the lease project, visit FASB's website at www.fasb.org.

Ron Smith is a director in the Audit and Assurance Services Department. For more information, contact Ron at 317.580.2078 or rsmith@ksmcpa.com.

Passive *(Continued from page 3)*

they actively participate in the rental real estate activity. An individual who spends more than half of their time and at least 750 hours in real estate activities ("a real estate professional") may be considered active in rental activities, which are generally treated as passive. SPAs that do not aggregate to 500 hours may be treated as passive if there are losses, or recharacterized as active if there is income.

A basic knowledge of the general principles that drive passive versus active determinations can enable taxpayers to take advantage of the current tax laws. When properly considered, these rules may allow taxpayers to have a proactive approach when selecting investment strategies and could lead to significant tax planning opportunities.

Erin Eberly is a manager in the Business Advisory Group. For more information, contact Erin at 317.580.2186 or eeberly@ksmcpa.com.

Pitfalls (Continued from page 4)

Affidavit of Non-Ohio Domicile that must be filed if a resident intends to change his/her domicile to another state.

It is extremely important for individuals to sever as many ties with the former state of domicile as possible in order to effectively change the domicile to another state. If careful attention is not paid, there could be significant tax consequences in the former state of domicile.

Donna Niesen is a director in Katz, Sapper & Miller's State and Local Tax Department. For more information, contact Donna at 317.580.2047 or dniesen@ksmcpa.com.

HIRE (Continued from page 7)

The State of Indiana also uses credits to encourage employment within the state. For example, the Economic Development for a Growing Economy (EDGE) tax credit is available for taxpayers who create or retain jobs in the state, and the Hoosier Business Investment (HBI) tax credit is awarded to foster job creation and higher wages in Indiana.

Randy Hooper is a manager in the Business Advisory Group. For more information, contact Randy at 317.580.2041 or rhooper@ksmcpa.com.

Health Reform (Continued from page 5)

Medicaid reimbursement modifications:

- Beginning in 2014, states will have the option to expand coverage up to 133 percent of the federal poverty level for select categories of recipients.
- The Acts also extend the Children's Health Insurance Program through fiscal year 2015.

Development of new patient care models:

- Beginning January 1, 2012, groups of qualifying providers may form Accountable Care Organizations and share in cost savings achieved for Medicare beneficiaries. The group may be a network of physician practices, hospitals and/or hospital-physician joint ventures. Pilot programs are outlined in the Acts to bundle payments for services, improve the coordination of services, and develop episode of care and post-acute quality measures.

The landscape of healthcare delivery will be changed by the scheduled implementation of provisions contained within these two pieces of legislation. Proactive monitoring and review of regulation implementing these provisions will be critical to the success of many providers.

Grant Byers is a director with the Healthcare Resources Group. For more information, contact Grant at 317.452.1396 or gbyers@ksmcpa.com.

Learn more about Katz, Sapper & Miller's affiliate companies:

KSM Business Technology, LLC
www.ksmbt.com

KSM Charitable Foundation Services, LLC
www.ksmcfs.com

KSM Profit Advisors, LLC
www.ksmpa.com

KSM Transport Advisors, LLC
www.ksmta.com

TouchPoint Recruiting Group, LLC
www.touchpointrecruiting.com

KATZ, SAPPER & MILLER

800 E. 96th Street
Suite 500
Indianapolis, IN 46240-0857

In The Firm News

Welcome to the following new staff members:

MARY BURTON, GRANT BYERS, JEFFREY CARR, JENINA CODY, STEPHEN COMBS, CHARLES DECKER, NEIL GIANNINI, RYAN GOULD, LEAH HACKWORTH, RYAN HALBROOK, JULIA HARCOURT, SARA HEIM, SUSAN HUETTL, KEVIN KILLWORTH, VINCE KOVATCH, ROY MARSCHKE, DAWN McCOON, PHILLIP PAWLOWSKI, RYAN ROBERTSON, RONALD ROMINE, RACHEL ROSE, DAVID ROUSH, STEVEN SAPP, SHANE SCHUH, BRITTANY SINGLETON, ALEX THATCHER, SARAH THOMAS, JIMMY WADE, EMILY ZIMMERMAN

Congratulations to the following staff members who recently passed all parts of the CPA Exam:

LATOYA ALEXANDER, BLAIR BELLAMY, JESSICA BOICOURT, JEFFREY CARR, CHARLES DECKER, MATT GARD, RYAN HALBROOK, JULIA HARCOURT, LESLIE LATHROP, ERIC LEAFGREEN, BRITTANI MALETTA, CALLIE MEHLING, JP MOORE, TIM MUSHOLT, PHIL PAWLOWSKI, ELISE RABATIN, TIM READ, STEVEN SAPP, SHANE SCHUH, BRITTANY SINGLETON, SARAH THOMAS, ALI TODD, EMILY ZIMMERMAN

Congratulations to the following staff members who recently passed Exams:

RYAN ACHTERBERG - VMware Certified Professional

KIM CANADA - Professional in Human Resources

BIRGIT CORNELIUS - Qualified Pension Administrator and Enrolled Retirement Plan Agent

HEATHER JUDY - Certified Tax Representative

SUSAN HUETTL - Certified Personnel Consultant

CASSE TATE AND AIMEE TROST - Chartered Advisor in Philanthropy

Acknowledgements:

KATZ, SAPPER & MILLER
Named one of the "Best Places to Work" in Indiana by the Indiana Chamber of Commerce for the fifth consecutive year and awarded membership to the Indianapolis Chamber of Commerce's Green Business Initiative for its environmentally-responsive green business practices, becoming the first and only Indianapolis accounting firm to be awarded the designation

BLAIR BELLAMY
Appointed to the Domestic Violence Network of Greater Indianapolis board of directors

MATT BISHOP
Served as one of the judges for Indiana University's 2nd Annual Kelley School of Business Ethics Case Competition

PATRICK BRAUER
Presented on Form 5500 changes at the Indiana Benefits Conference

BILL LEACH
Presented on Public Accounting Firm Management at the Association for Accounting Administration's National Practice Management Conference in New Orleans, LA

RON LENZ
Named to the Strategic Planning Committee for the Ronald McDonald House of Indiana, elected to the VSA Arts of Indiana board of directors as Treasurer

ANDY MANCHIR
Named 2010 Chapter Officer of the Year by The ESOP Association, and presented "Someone Wants to Buy Me – What Do I Do Now?" at the ESOP Round Tables and Roundball event

TERRY O'NEIL
Named President of the Venture Club of Indiana, presented to Veterinary Study Groups in Phoenix, AZ and Cancun, Mexico on financial benchmarking, veterinary hospital valuation and succession planning

DAVID RESNICK
Elected Chairman of the board of directors of The United Way of Central Indiana

CASSE TATE
Elected to the Finance Committee of Dress for Success of Indianapolis and honored with the "3 Under 30" award from the Ball State University Department of Accounting

VICTOR VERNICK
Re-elected as First Vice President of the Broadmoor Country Club

The Advisor Editorial Committee:
MARK FLINCHUM, ROSANNE AMMIRATI, DONNA BLACKMON, CHRISTOPHER BRADBURN, JENNIFER MOORE, RON SMITH, ANNE WHISLER

For more information about Katz, Sapper & Miller, please visit our website at www.ksmcpa.com.