

Employer information is required for e-file

EIN..... [blue box]

Name..... [blue box]

Name cont..... [white box]

Street..... [blue box]

City..... [blue box]

U.S. ONLY State ZIP

[blue box] [white box]

Figure 1-1: Required fields in blue

Foreign Addresses

Increased support for foreign addresses with new **Foreign Address Only** fields on multiple screens in all packages. These fields are locked to keep incorrect data from being entered and must be clicked once to unlock them. For more information, see “Required Fields” on page 99.

8863 Changes

The IRS is increasing the amount of information it wants on Form 8863 concerning students and schools from taxpayers claiming education credits. Drake has redesigned screen **8863** to conform to the new Form 8863, removing the Education Expense Information from the **Dependents** screen (screen **2**) and moving it to the **8863** screen.

Added to screen **8863** are fields for the student’s name and SSN, and fields for the school’s name, address, and EIN.

For more information, see “Education Expenses” on page 138.

Other Data Entry Changes

- Added **FOR** and **MFC** fields to screen **6478 (Credit for Alcohol Used as Fuel)** so that the income from line 7 of Form 6478 can flow to the appropriate schedule.
- Added questions to the **8867** screen to meet new IRS requirements for the Paid Preparer’s Earned Income Credit Checklist.
- Redesigned the **2441** screen to make it easier to read and to complete.
- A new “Record” feature allows you to build new macros with fewer key strokes. (See “Macros Setup” on page 38.)
- Assets placed in service in 2012 — 50% bonus depreciation
- Assets placed in service after 2012 — 0 bonus depreciation

Highlights of Federal Tax Law Changes

The passage of the American Taxpayer Relief Act of 2012 that included the AMT patch and the so-called “extenders” means that few things have changed for preparers of 2012 returns.

Among the key provisions of ATRA:

- AMT permanently adjusted for inflation
- Educator expense deduction renewed
- Sales tax deduction renewed
- Work Opportunity Tax Credit renewed

- Tuition and fees deduction renewed
- Increased and expanded 179 deductions
- Bonus depreciation is 50% for 2012 and 2013
- Credit for Energy Efficient Appliances renewed

Among the changes to the 1040 package:

- **Adoption Credit** — Unlike last tax season, the adoption credit is a non-refundable credit. The maximum 2012 adoption tax credit is still \$12,650 for all qualifying adoption expenses.
- **Conversion to Electric Motor** — The credit for converting gasoline-powered automobiles to electric/hybrid has expired.

Merchant Card and Other Third-Party Income Reporting

Last year, the IRS introduced Form 1099-K for merchant card and other third-party income reporting, and added lines to Schedules C, E, and F of the 1040 return and to the “Income” section of the business returns for reporting this income. Drake incorporated data-entry fields on screens **C**, **E**, and **F** (for Schedules C, E, and F) of the 1040 package and to the Income (**INC**) screens of the business packages in anticipation that these fields would be used; however, because the IRS required that a zero (0) be entered in these fields for tax year 2011, the fields were inactive (grayed-out) in Drake.

This year, the IRS reversed itself and removed those lines from Schedules C, E, and F of the 1040 and from the “Income” section of the business returns, and Drake removed those “Merchant Card and third-party payments from Form 1099-K” lines from screens **C**, **E**, and **F** in the 1040 package and from the **INC** screens of the business packages.

No special reporting of this income is necessary.

Other Packages

Chapter 14, “New Features in Other Packages,” lists additions, enhancements, and other changes to Drake’s 1120, 1120S, 1065, 990, 1041, and 706 packages.

8949 in Business Packages

Significant changes have been made to the way capital assets are to be reported in the Corporation (1120), S Corporation (1120S), and Partnership (1065) packages. In the past, capital gains and losses from stocks, bonds, mutual funds, and other investments, were listed on Schedule D, Capital Gains and Losses. Now they are to be listed on the new Form 8949, Sales and Other Dispositions of Capital Assets, and summarized on Schedule D. Information for these forms is entered on screens **8949**, **D**, and **D2**. These screens are available under the **Assets-Sales-Recapture** tab of the **Data Entry Menu**.

8825 Rental Property Attachment

The IRS is requiring preparers to provide taxpayers with more detail about income from rental property, so Drake now generates the “K-1 Rental Real Estate Activity” attachment (listed as “K1_8825” in View mode) explaining the “Net rental real estate income (loss)” as it appears on line 2 of each shareholder’s or partner’s Schedule K-1.

This attachment is generated automatically whenever Form 8825 is generated.

See “8825 Rental Property Attachment” on page 368 for details.

Qualified Real Property

The provision of the Small Business Jobs Act of 2010—under which taxpayers could expense up to \$250,000 of the cost of qualifying real property (QRP) placed in service during tax years 2010 and 2011, rather than recovering that cost through depreciation deductions—was set to expire at the end of 2012, but through the American Taxpayer Relief Act of 2012 been extended for the 2012 and 2013 tax years.

1041 Changes

For 2012, Drake provides better support of multiple grantor statements (last year it required some extra data entry if there was more than one) and allows preparers more flexibility to allocate deductions to a particular income type than in prior years.

The IRS has created a page at www.irs.gov/form1041 for information about Form 1041 and its instructions. Information concerning developments affecting Form 1041 filers (such as legislation enacted after the 2012 form is released) will be posted to that page.

Changes to 706 Package

Changes to the 706 package include:

- The Deceased Spouse Unused Exclusion (**DSUE**) screen, to allow taxpayers to opt out of electing to transfer any DSUE amount to a surviving spouse.
- The Protective Claim for Refund (**PC**) screen to allow taxpayers to preserve their right to a refund of estate taxes paid for assets or liabilities that are the subject of unresolved controversy at the time of filing the return.
- The **Recapitulation Overrides** screen.

For more information, see “Estate Package (706)” on page 371.

Manual Supplements

In early 2013, Drake will publish supplements to this manual. These supplements provide basic procedures for using Drake’s 1120, 1120S, 1065, 990, 1041, and 706 packages. They will be available through the software (from the **Home** window, go to **Help > Online Resources**) or from the Drake Support website at Support.DrakeSoftware.com.

IRS Changes and Requirements

The following pages cover just a few of the IRS changes and requirements for tax year 2012. For a complete list, see the IRS website (www.irs.gov).

Preparer Regulations

The IRS now requires all tax return preparers to obtain or renew their PTIN annually and pay a \$64.25 annual fee. The PTIN renewal period begins each year in mid-October and all PTINs expire on December 31. Sign up for a PTIN online through the IRS website (www.irs.gov). Click the **For Tax Pros** tab and follow the links in the **Getting Started** section.

RTRP Test Preparation

Tax return preparers with a PTIN have until the end of 2013 to take and pass the Registered Tax Return Preparer (RTRP) Competency Test. Preparers are also required to earn 15 hours of CPE each year, beginning in 2012.

Drake Software offers two online, self-paced courses to assist you in preparing for the test and to earn up to 12 CPE credits.

The **RTRP Test Study Course** covers the seven domain areas specified by the IRS as the content of the test and includes:

- Study Guides, Examples, Quizzes, and a Practice Test
- Flexible online format and custom feedback and tracking
- Access to the course that does not expire. Re-take the course as many times as needed to pass the exam.
- 10 hours of continuing education on federal tax law that applies towards the annual RTRP requirement.

The cost of the course is \$149, but Drake Software customers receive a discounted price of \$99.

The **RTRP Test Overview and Tips Course** provides both an overview of the RTRP test and tips for success. The course costs \$19, includes two hours of continuing education, and reviews the test specifications, offers tips on how to study and prepare, what to expect on test day, and how to handle test anxiety.

For more information or to sign up for the courses, go to Support.DrakeSoftware.com, and from the blue menu on the left, select **Training Tools > Drake ETC > RTRP Study**. (For information on setting up an account in Drake's ETC, see "Drake's e-Training Center (ETC)" on page 261.)

Go to www.irs.gov/For-Tax-Pros to learn more about PTIN renewal, the RTRP test, and new CE requirements.

e-File Mandates

The current e-file mandate, phased in over the past two years, now requires tax preparers who anticipate preparing 11 or more federal individual or trust tax returns during the year to e-file their returns. This mandate went into effect January, 1, 2012.

You must be an authorized e-file provider to use IRS e-file. To apply to become an e-file provider, go to the IRS website (www.irs.gov), click the **Tax Professionals** tab, and follow the links to set up an e-service account.

For the newest state e-file mandates, see Chapter 1, “Appendix E: State E-filing Mandates.”

Contacting Drake Support

In addition to the manual, on-screen Help, and online resources, Drake Software offers unparalleled telephone and e-mail support. See “Contacting Drake Support” in the “Quick Reference” on page ix for more information on contacting Drake Support.

NOTE The filing deadline for 1040 is Monday, April 15, 2013. Note that Drake's tax-season support hours are effective through April 20.

For more on the many helpful resources provided by Drake Software, see Chapter 10, “Resources and Support.”

IMPORTANT State and federal tax rules and regulations can change at any time. Read the Drake shipment letters and broadcast e-mails throughout the season to stay up to date on the latest changes to the software and in the state and federal tax laws.

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