

## PUBLISHER'S NOTE:

Legislation affecting the 2012 tax season was still pending before Congress when this manual was ready for publication. Any updates or additions to the manual necessitated by changes to the tax law will be published as addenda pages as the tax season progresses. Check Appendix F of the manual with each CD shipment and regularly throughout tax season (at *Support.DrakeSoftware.com*) so you'll know which pages in the manual have been updated. Addenda pages are shipped with each software CD and are available at *Support.DrakeSoftware.com* > **Training Tools** > **Manuals**.

Drake will also relay any news we receive via e-mail and social media as soon as the information is made available.

# TAX YEAR 2012

USER'S MANUAL





# **Drake Software User's Manual**

**Tax Year 2012**

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# Quick Reference

Following is contact information for the Internal Revenue Service, Drake Support, and Drake's banking partners, followed by tables of shortcut keys and their uses that can help with data entry. Also included is a list of the forms that are eligible for e-file.

## Contact Information

### IRS Phone Numbers and Websites

Website	<i>www.irs.gov</i>
Individual return assistance	(800) 829-1040
Business return assistance	(800) 829-4933
Exempt organizations, Retirement Plan Administrators, Government Entities	(877) 829-5500
People with hearing impairments	(800) 829-4059 (TDD)
e-File application and help	(866) 255-0654
Help Desk (U.S./Canada)	(800) 876-1715
Help Desk (International)	(319) 464-3291
Refund hotline	(800) 829-1954
Order forms and publications	(800) 829-3676
Social Security Administration	(800) 772-1213
Taxpayer Advocate Service	(877) 777-4778
Suspected identity-theft victims	(800) 908-4490

Register for EFINs

[www.irs.gov](http://www.irs.gov) > **For Tax Pros > Getting Started > Become an Authorized e-file Provider**

Information on PTINs

(877) 613-7846 or  
[www.irs.gov](http://www.irs.gov) > **For Tax Pros > Getting Started > Apply for a PTIN**

**NOTE** To call, write, or visit the local taxpayer advocate office for your state, refer to Publication 1546 on the IRS website ([www.irs.gov](http://www.irs.gov)).

To report an individual or company that is not complying with the tax laws, phone, mail, or visit your local IRS walk-in office.

Phone: From within the U.S. (800) 829-0433  
International callers (215) 516-2000

Mail: Send written correspondence to the IRS Service Center where the return was filed, or complete Form 3949-A and mail it to:

Internal Revenue Service  
Fresno, CA 93888

## Drake Banking Department

Contact Information for Drake Software's Banking Department:

- Mail Drake Software  
ATTN: RAL Department  
235 E. Palmer St.  
Franklin, NC 28734
- Phone (828) 524-8020
- Fax (828) 349-5745
- e-Mail [RALS@DrakeSoftware.com](mailto:RALS@DrakeSoftware.com)

## Bank Partners

Contact Information for Advent Financial:

- Mail Advent Financial  
2114 Central Street  
Suite 600  
Kansas City, MO 64108
- Phone (866) 655-2340
- Fax (608) 229-9990
- e-Mail [support@adventtax.com](mailto:support@adventtax.com)
- e-Mail documents [documents@adventtax.com](mailto:documents@adventtax.com)

- Website [www.adventtax.com](http://www.adventtax.com)
- Check printing [direct.adventtax.com](http://direct.adventtax.com).

## Contact Information for Cardholder Customer Service:

- Mail Get It Prepaid MasterCard<sup>(R)</sup>  
P.O. Box 413944  
Kansas City, MO 64141
- Phone (877) 833-4818

## Contact Information for E1 Card:

- Phone (866) 331-8756
- Website [www.e1card.com](http://www.e1card.com)

## Contact Information for EPS Financial (E-Collect):

- Mail EPS Financial, LLC  
PO Box 1484  
Easton, PA 18044
- Tax office support (484) 546-2241
- Taxpayer support (877) 503-0788 or (484) 546-2242
- Spanish support (484) 546-2243
- Tax office website [www.epsfinancial.net](http://www.epsfinancial.net)
- Taxpayer website [www.myecollect.com](http://www.myecollect.com)

## Contact Information for Republic Bank

- Mail Republic Bank  
P.O. Box 2348  
Louisville, KY 40201
- Tax office support (866) 491-1040
- Taxpayer support (866) 581-1040
- Check verification (866) 631-1040 or [www.republicverify.com](http://www.republicverify.com)
- Website [www.republicrefund.com](http://www.republicrefund.com)

## Contact Information for River City Bank:

- Mail River City Bank  
P.O. Box 389  
Irvington, KY 40146
- Phone (888) 820-7848
- Fax (800) 896-9793

- Website [www.rcbral.com](http://www.rcbral.com)

Contact Information for Tax Products Group:

- Mail University Bank  
P.O. Box 261639  
San Diego, CA 92196
- Enrollment (877) 901-5646
- Tax office support (800) 779-7228
- Taxpayer customer service (800) 901-6663
- 24-hour automated support (800) 455-7228
- 24-hour fax support (858) 430-2795
- Risk Analysis Group (800) 814-0401
- Website [www.cisc.sbtpg.com](http://www.cisc.sbtpg.com)

## Contacting Drake Support

**E-mail Support** — [Support@DrakeSoftware.com](mailto:Support@DrakeSoftware.com) — Recommended for simpler Drake Software questions.

**Telephone Support** — (828) 524-8020 — Recommended for more complicated Drake Software questions.

**Fax Support** — (828) 349-5718 — We reply to faxes with faxes, not phone calls

**Client Write-Up Telephone Support** — (828) 349-5547

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### Drake Support Hours

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December 3, 2012 – April 20, 2013  
Monday – Friday: 8 a.m. – 10 p.m. EST  
Saturday: 8 a.m. – 6 p.m. EST

April 22 – December 2, 2013  
Monday – Friday: 8 a.m. – 9 p.m. EST  
Saturday: 9 a.m. – 5 p.m. EST

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### Other Drake Support e-Mail Addresses

Following are department e-mail addresses at Drake Software:

Department	Contact
Accounting	<a href="mailto:Accounting@DrakeSoftware.com">Accounting@DrakeSoftware.com</a>
Education	<a href="mailto:Education@DrakeSoftware.com">Education@DrakeSoftware.com</a>
e-Filing	<a href="mailto:EF@DrakeSoftware.com">EF@DrakeSoftware.com</a>
Support (General)	<a href="mailto:Support@DrakeSoftware.com">Support@DrakeSoftware.com</a>
Support (State-specific)	<a href="mailto:XXstate@DrakeSoftware.com">XXstate@DrakeSoftware.com</a> (Replace XX with state abbreviation)
Conversions	<a href="mailto:Support.DrakeSoftware.com">Support.DrakeSoftware.com</a>
Client Write-Up	<a href="mailto:Client_wu@DrakeSoftware.com">Client_wu@DrakeSoftware.com</a>

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

## Shortcut Keys

Save data-entry time with the following shortcut keys:

**Table Q-1: Home Window Shortcut Keys**

Desired Action	Keyboard Keys
Open Returns	CTRL + O
Calculate returns	CTRL + C
Print returns	CTRL + P
View returns	CTRL + V
Open recent client files	Enter 1-9
Open Quick Estimator	CTRL + Q
Open Client Status Manager	CTRL + L
Open EF Return Selector	CTRL + S
Transmit/Receive	CTRL + T
Open Drake Software Help	CTRL + F1
Exit the program	ESC

**Table Q-2: Navigating Through Data Entry Screens**

Desired Action	Keyboard Keys
Move cursor forward one field	TAB, ENTER, or DOWN ARROW ↓
Move cursor back one field	SHIFT + TAB, CTRL + UP ARROW ↑, or SHIFT + ENTER
Move cursor with a field	LEFT ARROW ← or RIGHT ARROW →
Delete character behind the cursor	BACKSPACE
Delete character in front of the cursor	DELETE
Move to last field on the screen	CTRL + END
Move to first field on the screen	CTRL + HOME
Bring up additional data entry screens ( <b>W2</b> , <b>1099</b> , etc.)	PAGE DOWN
Return to previous screen or exit	ESC
Go to the first position in a data entry field	HOME
Go to the last position in a data entry field	END



**Table Q-2:** Navigating Through Data Entry Screens

<b>Desired Action</b>	<b>Keyboard Keys</b>
Navigate up and down a data entry screen	CTRL + UP ARROW ↑ or CTRL + DOWN ARROW ↓
Access View mode	CTRL + V
Access Print mode	CTRL + P
Access data entry from View or Print mode	CTRL + E
Access an action menu	Right-click in field Right-click in gray area

**Table Q-3:** Data Entry Shortcut Keys

<b>Desired Action</b>	<b>Keyboard Keys</b>
For field help during data entry or to verify a Social Security Number	F1, or SHIFT+?
Insert today's date in any date field	ALT+ D
Calculate a return	CTRL+ C
View a return	CTRL+ V
Print a return	CTRL+ P
Return to data entry from view or print mode	CTRL+ E
Split MFJ return to MFS return	CTRL+ S
Open a Detailed Worksheet; Access Form 4562 from the <b>Depreciation</b> field	Double-click, CTRL+ W, or Right-click > <b>Add Worksheet</b>
View preparer notes	CTRL+ R
Enter the Preparer note pad ( <b>PAD</b> screen)	CTRL+ SHIFT+ N
Increase Declaration Control Number (DCN)	CTRL+ M
Toggle heads-down and standard data entry	CTRL+ N
Delete a data entry screen	CTRL+ D
Carry data to an amended screen	CTRL+ X
Reset the screen	CTRL+ U
Exit screen without saving changes	SHIFT+ ESC
Open <b>Help</b>	Within data entry: CTRL+? From <b>Home</b> window: CTRL+ F1
Flag a field for review	F2
Clear a flagged field	F4
Clear all flagged fields	CTRL+ SHIFT+ SPACEBAR
Open Drake Document Manager	F6

**Table Q-3: Data Entry Shortcut Keys**

<b>Desired Action</b>	<b>Keyboard Keys</b>
Open Drake Tax Planner	F7
Open the <b>Set Client Status</b> menu	F8
Go to EF database	F9
Activate the calculator	F10
E-mail a client data file	F11
Exit data entry	ESC
View / Open Forms-based data entry	CTRL+ G
Opens Macros	CTRL+ SHIFT+ M

**Table Q-4: Client Status Manager Shortcut Keys**

<b>Desired Action</b>	<b>Keyboard Keys</b>
Open CSM from the <b>Home</b> window	CTRL + L
Open selected client in CSM	CTRL + O
Search for a client record	CTRL + F
Customize the display	CTRL + D
Refresh the display	F5
Filter the client list	CTRL + L
View information for the currently selected return	CTRL + Q
Generate reports	CTRL + R
Export to Excel	CTRL + E
Help	F1
Exit CSM	ESC

**Table Q-5: Frequently Used Codes**

<b>Field</b>	<b>Code</b>	<b>Application</b>
TS or TSJ	T	Assigns data to primary taxpayer. The program default is T if field is left blank.
	S	Assigns data to spouse.
	J	Assigns data to both taxpayer and spouse.
F	0 (zero)	Excludes data from federal return.
ST	State code	For state returns, enter appropriate two-letter state code. If field is left blank, program uses resident state.
ST	0 (zero)	Exclude data from any state return.

**Table Q-5:** Frequently Used Codes

Field	Code	Application
	PY	For multi-state returns, use PY as resident state code on screen 1. Do not use PY on any other screen.
C	City code	For city returns, enter appropriate code to indicate source of income.
Multiple	1-999	For Form 4562 (depreciation), indicate appropriate schedule for depreciated item in the <b>For</b> field. Indicate where information should be carried when there are multiple schedules.

**Table Q-6:** Search EF Database

Key	Function	Instructions
F1	General information	View basic EF information about taxpayer: taxpayer information, federal and state acknowledgement codes, acknowledgement dates, transaction date, filing status, refund amount, or balance due.
F2	Bank information	Access detailed loan information, direct deposit information, Declaration Control Number, etc.
F3	Fees/miscellaneous information	Access miscellaneous information, including Earned Income Credit and AGI, MISC field data, firm and preparer numbers, and tentative fee distribution details.
F4	Reject code lookup	Access the reject code lookup feature, which allows you to search for federal and state reject code descriptions, loan status codes, and bank decline reasons.
F5	Return to data entry	Opens return data entry for the client.
F10	Online Database	View your online database from data entry or from your EF Database.

**Table Q-7:** e-Mail Shortcut Keys

Desired Action	Keyboard Keys
E-mail a client data file from data entry	F11
Check mail / Send and Receive	CTRL + M
Open a message	CTRL + O
Edit address book	CTRL + E
Create a new mail message	CTRL + N
Print a message	CTRL + P
Reply to a message	CTRL + R
Forward a message	CTRL + F
Delete a message	CTRL + D

Table Q-7: e-Mail Shortcut Keys

Desired Action	Keyboard Keys
Send a message in the <b>New Message</b> window	ALT + S
Open address book list in <b>New Message</b> window	ALT + T
Attach a file to a message	ALT + A
Check mailbox status	CTRL + S

Table Q-8: Calculator Functions

Desired Action	Operator	Instructions
Access the calculator in a numeric field	F10	With the cursor in the desired field during return data entry, press F10.
Clear a number	Num Lock	Press NUM LOCK key or click the <b>C</b> button on the calculator.
Insert calculation total in data-entry field	F1 or <b>F1-Insert Result</b>	With desired total in calculator's summary field, press F1 key or click <b>F1-Insert Result</b> on calculator window. Calculator is closed and calculation total is transferred to data-entry field.
To exit the calculator	ESC	To deactivate calculator without inserting data in a field, press ESC or click <b>ESC-Quit</b> on calculator window.
Addition	+	Enter number to be added and press PLUS key or click plus sign (+) on calculator window.
Subtraction	—	Enter number to be subtracted and press MINUS key or click minus sign (–) on calculator window.
Multiplication	*	Enter first number of equation and press SHIFT+8 or click * on the calculator window. Enter second number. Press ENTER or click equal sign (=) on the calculator window.
Division	/	Enter the number to divide and press SLASH (/) key or click / on the calculator window. Enter the number to divide by. Press ENTER or click equal sign (=) on calculator window.

Table Q-9: Print Mode Shortcut Keys

Desired Action	Keyboard Keys
Toggle in/out of Classic mode	CTRL + S
Return to data entry	CTRL + E
Print selected form	CTRL + P
Quick-print select form	CTRL + Q
Help	F1

## Accepted Forms and Schedules:

### 1040

The following chart identifies forms and schedule accepted for the 2012 tax year and the maximum number that can be e-filed with a 1040 return:

Form or Schedule	Maximum Number	Form or Schedule	Maximum Number	Form or Schedule	Maximum Number
1040	1	4970	1	8859	1
1040A	1	4972	1 per taxpayer	8862	1
1040EZ	1	5329	1 per taxpayer	8863	1
Schedule A	1	5405 pg 2	2	8864	1
Schedule B	1	5695	1	8866	1
Schedule C	8	5884	1	8867	1
Schedule C-EZ	1 per taxpayer	6198	10	8873	10
Schedule D	1	6251	1	8874	1
Schedule E	Unlimited	6252	25	8880	1
Sch E, pg 2	1	6478	1	8881	1
Schedule EIC	1	6765	1	8882	1
Schedule F	5	6781	1	8885	2
Schedule H	1 per taxpayer	8082	Unlimited	8888	1
Schedule J	1	8275	2	8889	2
Schedule R	1	8275R	2	8896	1
Schedule SE	1 per taxpayer	8283	Unlimited	8903	1
970	2	8379	1	8907	1
982	1	8396	1	8908	1
1098-C	10	8582	1	8909	1
1099-R	20	8582CR	1	8910	1
1116	20	8586	1	8911	1
1310	2	8594	1	8912	10
2106	1 per taxpayer	8606	1 per taxpayer	8917	1
2106-EZ	1 per taxpayer	8609A	10	8919	2
2120	4	8611	5	8930	1
2210	1	8615	1	8936	1
2210-F	1	8801	1	8938	1

Form or Schedule	Maximum Number	Form or Schedule	Maximum Number	Form or Schedule	Maximum Number
2441	1	8812	1	8941	2
2555	1 per taxpayer	8814	Unlimited	9465	1
2555EZ	1 per taxpayer	8815	1	Pub 517, work-sheet 1-4	2
3468	1	8820	1	56	1
3800	1	8824	5	2350	1
3903	2	8826	1	4868	1
4136	1	8826	1	9465	1
4137	1 per taxpayer	8829	32 (4 per Sch C)	W-2	50
4255	1	8834	1	W-2G	Unlimited
4562	Unlimited	8835	1	W-2GU	10
4684	5	8844	1	2439	4
4797	1	8845	1		
4835	4	8846	1		
4952	1	8853	1		

## 1120

The following chart identifies forms and schedules that can be e-filed with an 1120 return for the 2012 tax year:

Form Number	Form Name	Form Number	Form Name
851	Affiliations Schedule	8832	Entity Classification Election
982	Reduction of Tax Attribute - Discharge	8834	Qualified Electric Vehicle Credit
1118	Foreign Tax Credit	8835	Renewable Electricity Credit
1120	U S Corporate Income Tax Return	8844	Empowerment Zone Credit
1120-X	Amended U.S. Corporation Income Tax Return	8845	Indian Employment Credit
1122	Authorization and Consent of Subsidiary	8846	Credit for Employer SS & Medicare Taxes
2220	Underpayment of Estimated Tax	8847	Credit for Contributions Selected Community Development Corps.

<b>Form Number</b>	<b>Form Name</b>	<b>Form Number</b>	<b>Form Name</b>
2439	Notice to Shareholders Undistributed Long-Term Cap Gain	8866	Interest Computation Under the Look-Back Method
3115	Application for Change in Accounting Method	8873	Extraterritorial Income Exclusion
3468	Investment Credit	8874	New Markets
3800	General Business Credit	8881	Credit for Small Employer Pension Plan Startup Costs
4136	Fuels Credit	8882	Credit for Employer-Provided Childcare
4255	Recapture of Investment Credit	8883	Asset Allocation Statement Under Sec 338
4562	Depreciation and Amortization	8896	Low Sulfur Diesel Fuel Production Credit
4626	Alternative Minimum Tax	8900	Qualified Railroad Track Maintenance Credit
4684	Casualties & Thefts	8903	Domestic Production Activities
4797	Sale of Business Property	8906	Distilled Spirits Credit
5471	Info Return of Persons with Respect to Certain Foreign Corps	8907	Nonconventional Source Fuel Credit
5472	25% Foreign-Owned U.S. Corporation	8908	Energy Efficient Home Credit
5884	Work Opportunity Credit	8910	Alternative Motor Vehicle Credit
6252	Installment Sale Income	8911	Alternative Fuel Vehicle Refueling Property Credit
6478	Credit for Alcohol Used as Fuel	8912	Clean Renewable Energy Bond Credit
6781	Gains & Losses from Section 1256	8916	Reconciliation of Sch M-3 Taxable Income
7004	Request for Extension	8916A	Supplemental Attachment to Schedule M-3
8050	Direct Deposit of a Corporate Refund	8925	Report of Employer-Owned Life Insurance Contracts
8082	Notice of Inconsistent Treatment	8941	Credit for Small Employer Health Insurance Premiums
8283	Noncash Charitable Contributions	8949	Sales and Other Dispositions of Capital Assets

Form Number	Form Name	Form Number	Form Name
8586	Low-Income Housing credit	B	Additional Information for Schedule M-3 Filers
8594	Asset Acquisition statement	D	Capital Gains & Losses
8609A	Annual Stmt for Low-Income Housing Credit	G	Certain Persons Owning the Corporation's Stock
8611	Recapture of Low-Income Housing Credit	M-3	Net Income (Loss) Reconciliation
8697	Interest Computation Under the Look-Back	N	Foreign Operations of U.S. Corporations
8820	Orphan Drug Credit	O	Controlled Group Information
8824	Like-Kind Exchange	PH	U S Personal Holding
8827	Credit for Prior Year Minimum Tax		

## 1120S

The following chart identifies forms and schedules that can be e-filed with an 1120 return for the 2012 tax year:

Form Number	Form Name	Form Number	Form Name
1120S	U S Corporate Income Tax Return	8825	Like-Kind Exchange
982	Reduction of Tax Attribute - Discharge	8827	Credit for Prior Year Minimum Tax
2220	Underpayment of Estimated Tax by Corporation	8832	Entity Classification Election
2439	Undistributed Long-Term Capital Gains	8834	Qualified Electric Vehicle Credit
2553	Election by a Small Business Corporation - <i>(Must be sent as PDF)</i>	8835	Renewable Electricity Credit
3115	Application for Change in Accounting Method	8838	Consent to Extend Time to Assess Tax
3468	Investment Credit	8844	Empowerment Zone Credit
3800	Other Business Credits	8846	Credit for Employer SS & Medicare Taxes
4136	Fuels Credit	8847	Credit for Contributions to Selected Community Development Corps.



<b>Form Number</b>	<b>Form Name</b>	<b>Form Number</b>	<b>Form Name</b>
4255	Recapture of Investment Credit	8866	Interest Computation Under the Look-Back Method
4562	Depreciation and Amortization	8873	Extraterritorial Income Exclusion
4684	Casualties & Thefts	8874	New Markets Credit
4797	Sale of Business Property	8881	Credit for Small Employer Pension Plan Startup Costs
5884	Work Opportunity Credit	8882	Credit for Employer-Provided Childcare
6252	Installment Sale Income	8883	Asset Allocation Statement Under Sec 338
6478	Credit for Alcohol Used as Fuel	8903	Domestic Production Activities Deduction
6765	Credit for Increasing Research Activities	8907	Nonconventional Source Fuel Credit
6781	Gains & Losses from Section 1256	8908	Energy-Efficient Home Credit
7004	Request for Extension	8910	Alternative Motor Vehicle Credit
8050	Direct Deposit of a Corporate Refund	8911	Alternative Fuel Vehicle Refueling Property Credit
8082	Notice of Inconsistent Treatment	8912	Clean Renewable Energy Bond and Gulf Bond Credit
8283	Noncash Charitable Contributions	8916A	Supplemental Attachment to Schedule M-3
8586	Low-Income Housing credit	8925	Report of Employer-Owned Life Insurance Contracts
8594	Asset Acquisition statement	8941	Credit for Small Employer Health Insurance Premiums
8609-A	Annual Stmt for Low-Income Housing Credit	8949	Sales and other Dispositions of Capital Assets
8611	Recapture of Low-Income Housing Credit	D	Capital Gains & Losses
8697	Interest Computation Under the Look-Back	K-1	Shareholders Share of Income/Expense Items
8820	Orphan Drug Credit	M-3	Net Income (Loss) Reconciliation

Form Number	Form Name	Form Number	Form Name
8824	Like-Kind Exchange	N	Foreign Operations of U.S. Corporations

## 1065

The following chart identifies forms and schedules that can be e-filed with a 1065 return for the 2012 tax year:

Form Number	Form Name	Form Number	Form Name
982	Reduction of Tax Attribute - Discharge	8844	Empowerment Zone Credit
1065	Partnership Return	8846	Credit for Employer SS & Medicare Taxes
3115	Application for Change in Accounting Method	8847	Credit for Contributions Selected Community Development Corps.
3468	Investment Credit	8864	Biodiesel and Renewable Diesel Fuels
4255	Recapture of Investment Credit	8866	Interest Computation Under the Look-Back Method
4562	Depreciation & Amortization	8873	Extraterritorial Income Exclusion
4684	Casualties & Thefts	8874	New Markets
4797	Sale of Business Property	8881	Credit for Small Employer Pension Plan Startup Costs
5884	Work Opportunity Credit	8882	Credit for Employer-Provided Childcare
6252	Installment Sale Income	8883	Asset Allocation Statement
6478	Credit for Alcohol Used as Fuel	8896	Low Sulfur Diesel Fuel Production Credit
6765	Credit for Increasing Research Activities	8907	Nonconventional Source Fuel Credit
6781	Gains & Losses from Section 1256	8908	Energy Efficient Home Credit
7004	Request for Extension	8910	Alternative Motor Vehicle Credit
8082	Notice of Inconsistent Treatment	8911	Alternative Fuel Vehicle Refueling Property Credit

Form Number	Form Name	Form Number	Form Name
8283	Noncash Charitable Contributions	8912	Clean Renewable Energy Bond Credit and Gulf Bond Credit
8308	Report of a Sale or Exchange	8925	Report of Employer-Owned Life Insurance Contracts
8586	Low-Income Housing Credit	8941	Credit for Small Employer Health Insurance Premiums
8594	Asset Acquisition statement	8949	Sales and other Dispositions of Capital Assets
8611	Recapture of Low Income Housing Credit	8906-A	Annual Statement for Low Income Housing Credit
8697	Look-Back Method for Completed Long-term Contracts	8916-A	Supplemental Attachment to Schedule M-3
8820	Orphan Drug Credit	C	Schedule C Additional Information for Schedule M-3
8824	Like-Kind Exchange	D 1065	Capital Gains/Losses
8825	Real Estate Income	F 1040	Profit/Loss from Farming
8826	Disabled Access Credit	K-1 1065	Partner's Share
8832	Entity Classification Election	K-1 STM099	K-1 statement record
8834	Qualified Electric Vehicle Credit	M-3	Net Income (Loss) Reconciliation for Certain Partnerships (1 per return)
8835	Renewable Electricity Credit	STMnnn	Statement record other than K-1

## 1041

The following chart identifies forms and schedules that can be e-filed with a 1041 return for the 2012 tax year:

Form Number	Form Name	Form Number	Form Name
1041	U.S. Income Tax Return for Estates and Trusts	6478	Credit for Alcohol use as Fuel
C (Form 1040)	Profit or Loss From Business	6765	Credit for Increasing Research Activities
C-EZ (Form 1040)	Net Profit From Business	6781	Gains & Losses from Section 1256 Contracts and Straddles

<b>Form Number</b>	<b>Form Name</b>	<b>Form Number</b>	<b>Form Name</b>
D (Form 1041)	Capital Gains and Losses	8082	Notice of Inconsistent Treatment or Administrative Adjustment Request
E (Form 1040)	Supplemental Income & Loss	8275	Disclosure Statement
F (Form 1040)	Profit or Loss From Farming	8275-R	Regulatory Disclosure Statement
H (Form 1040)	Household Employment Taxes	8582	Passive Activity Loss Limitation
I (Form 1041)	Alternative Minimum Tax – Estates and Trusts	8582	Passive Activity Loss Limitations
J (Form 1041)	Trust Allocation of an Accumulation Distribution	8582-CR	Passive Activity Credit Limitations
K-1 (Form 1041)	Beneficiary's Share of Income, Deduction, Credits	8586	Low-Income Housing Credit
1116	Foreign Tax Credit	8609-A	Annual Statement for Low-Income Housing Credit
2210	Underpayment of Estimated Tax by Individuals, Estates and Trusts	8801	Credit for Prior Year Minimum Tax Individuals, Estates and Trusts
2439	Notice to Shareholder of Undistributed Long-Term Capital Gains	8820	Orphan Drug Credit
3468	Investment Credit	8824	Like Kind Exchanges
3800	General Business Credit	8829	Expenses for Business Use of Your Home
4136	Credit for Federal Tax Paid on Fuels	8864	Biodiesel Fuels Credit
4255	Recapture of Investment Credit	8874	New Markets Credit
4562	Depreciation & Amortization	8881	Credit for Small Employer Pension Plan Startup Costs
4684	Casualties and Theft	8882	Credit for Employer-Provided Childcare Facilities and Services
4797	Sale of Business Property	8886	Reportable Transaction Disclosure Statement
4952	Investment Interest Expense Deduction	8896	Low Sulfur Diesel Fuel Production Credit

<b>Form Number</b>	<b>Form Name</b>	<b>Form Number</b>	<b>Form Name</b>
4970	Tax on Accumulation Distribution of Trusts	8941	Credit for Small Employer Health Insurance Premiums
4972	Tax on Lump-Sum Distributions	PMT	Payment Record Electronic Funds Withdrawal (Direct Debit) Payment
5884	Work Opportunity Credit, and related Instructions	STMBnn	Statement Records for forms and/or schedules other
6198	At-Risk Limitation		
6252	Installment Sale Income		

**990**

The following chart identifies forms and schedules that can be e-filed with a 990 return for the 2012 tax year:

<b>Form Number</b>	<b>Form Name</b>	<b>Form Number</b>	<b>Form Name</b>
990	Exempt Organization Business Return	F	Statement of Activities Outside the United States
990-EZ	Short Form Return of Tax Exempt Organization	G	Supplemental Information Regarding Fundraising or Gaming Activities
990-N	Exempt Organization Postcard E-Filing	H	Hospitals
990-PF	Organization Exempt from Income Tax Private Foundation	I	Grants and Other Assistance to Organizations, Governments and Individuals in the U.S.
3115	Application for Change in Accounting Method	J	Compensation Information
4562	Depreciation and Amortization	K	Supplemental Information on Tax Exempt Bonds
8868	Application for Extension for Exempt Org	L	Transactions with Interested Persons
A	Organization Exempt from Income Tax Sch A	M	Non-Cash Contributions
B	Organization Exempt from Income Tax Sch B	N	
C	Political Campaign and Lobbying Activities	O	Supplemental Information to Form 990

<b>Form Number</b>	<b>Form Name</b>	<b>Form Number</b>	<b>Form Name</b>
D	Supplemental Financial Statements	R	Related Organizations and Unrelated Partnerships
E	Schools		

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# 1 Introduction

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Thank you for choosing Drake Software. The Drake Team has been hard at work in 2012 to help ensure that your firm has a successful, rewarding filing season in 2013.

We appreciate the time you're taking to familiarize yourself with the *Drake Software User's Manual* for the 2012 tax year. Please read the following introduction that includes information on how to use your manual and describes the software's new features for tax year 2012.

## About Your Drake Software User's Manual

The electronic *Drake Software User's Manual* has been developed for Drake clients to provide clear, up-to-date, easy-to-find instructions and guidelines for using the software. Use this manual in conjunction with other Drake resources such as the online and onscreen help features, tutorials, training, and phone support. Be sure to take advantage of our extensive index and the "search" feature, both of which will help you locate information more efficiently in the 2012 manual.

This manual is also available as a paper manual that can be ordered from the Drake Support site ([Support.DrakeSoftware.com](http://Support.DrakeSoftware.com) > **Training Tools** > **Manuals**).

To keep your manual updated, Drake Software publishes addenda pages as the tax season progresses. Check Appendix F, Addenda Pages, regularly with each CD shipment and throughout tax season so you'll know which pages in the manual have been updated. Addenda pages are shipped with each software CD and are available on the Drake Support site.

NEW FOR  
2012

See the new "Quick Reference" section where you'll find contact information for the Internal Revenue Service, Drake Support, and Drake's banking partners, tables of shortcut keys and their uses, and a list of the forms that are eligible for e-file with Drake Software.



## What's New in Drake for 2012

Each year, Drake strives to offer the most efficient and comprehensive tax software in the industry while staying current with the latest technology. Listed here are short descriptions of some of the more significant changes to the 1040 program, and to the software in general, for tax year 2012. (Information on what's new in business and other packages is also detailed in Chapter 14, "New Features in Other Packages.")

### Drake Passwords

Drake passwords have been reformatted for greater security. Beginning with Drake12, the Drake password will consist of eight to 15 characters (numerals and case-sensitive letters). No special characters will be allowed and at least one character has to be a numeral.

Passwords are assigned by Drake and included in your software packing slip or download e-mail. Drake recommends you change this password at your earliest convenience by going to *Support.DrakeSoftware.com* > **My Account** > **Edit Account**. The new password must meet the criteria listed above. Anytime you change your password, it is critical that you update the password entered in ERO Setup in Drake.

**Drake E-Mail** Because of the new password system, it's no longer possible to e-mail returns using prior-year Drake programs. To e-mail returns from prior tax years, open the e-mail program in Drake12, click **Add** or **Attach**, and use the **Prior Year** function. For details, see "E-Mail Program" on page 275.

### Program Enhancements

Changes and enhancements to the program include:

#### Printing Updates

Drake has made changes to its print engine as a part of an ongoing effort to create nearly exact replicas of tax forms on the many different makes and models of printers that are used in tax offices today. Some of these changes are necessitated by the emergence of stricter requirements enforced by some government tax agencies for paper processing.

Drake has provided a way for you to print a test page in the preferred Printer Command Language (PCL) mode to see if your printer is compliant with these software changes. See "Testing Your Printer" on page 49.

#### PDF Attachments

Binary, or PDF, files can now be attached to e-filed 1040 returns in Drake Software. These attachments are generally signature or third-party documents such as a copy of a signed lease, or a signed appraisal statement, possibly a divorce decree or bankruptcy papers. In some instances, the IRS requires that a document be attached to an e-filed return; in other instances, a document can be attached voluntarily to support or explain an entry in the return. In either case, a PDF must be available to be attached to the return in order to be e-filed with the return.

The link to the **PDF Attachments** screen is on the right side of the **Data Entry Menu**. or enter PDF in the selector field.

For more on attaching PDF documents to 1040 returns, go to item **II** of the **FAQ** screen of the 1040 package, or see “Binary Attachments” on page 184 of this manual.

**Setup > ERO** Redesigned **Setup > ERO** to make setup easier and less confusing, added a method of editing your serial number, and added a new **Use Firm #1 Info** button to import the information for the first firm listed in **Setup > Firm(s)** directly into the **General Information** section of the **Electronic Filing Setup** window. For details, see “ERO Setup” on page 21.

**Setup > Data Locations** Drake has redesigned its setup configurations for both stand-alone computers and networks, making the process easier and clearer. The software now inspects your system and makes the best choice for you, lessening the chance you'll make an incorrect choice or that you'll set up a network incorrectly.

For more information see “Single Workstations and Network Options” on page 16.

**Tax Planner** Drake has made extensive changes to the Tax Planner. As always, this tool allows you to show clients how such events as the birth of a child, a marriage, a divorce, a new house, or a new job will affect their finances and tax liability and help them make financial decisions.

The best new feature of the Tax Planner is its use of the same Drake **Data Entry Menu** and data-entry screens you're familiar with to set up the various scenarios, so there nothing new to learn.

For more information, see Chapter 13, “Suite Products.”

**Document Manager** The Document Manager was enhanced this year so it would more fully integrate with the tax software. Save your tax source documents (such as scanned or imported Forms W-2, 8879, and 1099s, Social Security cards and other forms of ID,) to the Document Manager's “Working Cabinet” or “Archive Cabinet.”

For details see Chapter 13, “Suite Products.”

**Organizers** If you use organizers to collect your clients' tax information, Drake's enhanced organizers can help make the process of getting the organizers to and back from the clients easier.

You can now download the organizers directly to your SecureFilePro™ portal. SecureFilePro™ alerts your clients the organizer is ready for download, and lets you know when the clients access the documents through the portal. The clients can then print the organizers, complete them and mail them to you, or can scan them and upload them back to SecureFilePro™, where you can download the organizers and start entering the data into Drake.

You can also send organizers directly to the Drake Document Manager, to your regular printer, and to SecureFilePro™ at the same time. If you send multiple organizers to the Document Manager or to SecureFilePro™ portals, the program places the organizers in the correct Document Manager folders and correct portals.

For more on organizers, see “Printing Organizers and Proformas for Clients” on page 82. For more on SecureFilePro, see Chapter 13, “Suite Products.”

## SecureFile-Pro

Changes have been made to SecureFilePro™:

- E-mail customization will allow clients to:
  - Change certain text within the automatic e-mails
  - Add/remove a logo
  - Customize instructional paragraph for new and existing clients
  - Add additional paragraphs, and add footer information to e-mails
- File expiration settings will allow our clients to set a date to expire all files. To help keep their portal size managed automatically.
- Move/Copy feature has been added so clients can move/copy to a new target location.

There have been behind the scenes changes to make PDF file sizes smaller. This will help with storage sizes in SecureFilePro and lag time in create, copy, and move of PDF files.

For more on SecureFilePro, see Chapter 13, “Suite Products.”

## GruntWorx

We've streamlined the process of uploading and downloading documents to and from GruntWorx, making it easier to select and upload documents from one or many clients. From one window, you choose the clients, choose the documents, scan new documents, and transmit to GruntWorx. We've also made it easier to access GruntWorx, allowing you to begin the process from the **Data Entry Menu**.

For more on using GruntWorx, see Chapter 13, “Suite Products.”

## Online Resources

Resources included on the Drake CD (software manuals, practice returns, shipment letters, informational brochures, and IRS publications) are now available through the software. From the **Home** window in Drake, go to **Help > Online Resources**. (Internet access is required.)

## Upgrading from PPR

Pay Per Return customers who purchase 85 returns during the 2012 tax season are now switched automatically from the PPR package to the unlimited package without having to call Drake Support. PPR customers who purchase fewer than 85 returns can still update to the full package after the tax season ends.

## Data Entry/Calculation

This year's changes and enhancements include new data-entry and calculation features, screen changes, and improved letter functionality, EF messages, and notes.

## Screen Changes

Some of the screen changes and enhancements you'll see this year in Drake:

### Required Fields

Fields that require completion before a return is eligible for e-file are highlighted in blue. (Figure 1-1 on page 5) You can change the colors at **Setup > Colors**. and turn off the warnings at **Setup > Options > Data Entry** tab.

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] [blue 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

## 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.

## 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](http://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](http://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](http://www.irs.gov)).

## 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.

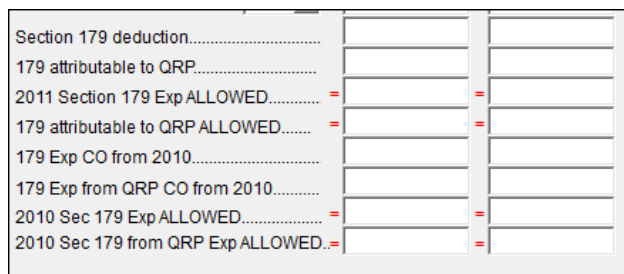
This year, the IRS reversed itself and removed those lines from Schedules C, E, and F of the 1040 and from the “Income” section of the business returns, and Drake removed those “Merchant Card and third-party payments from Form 1099-K” lines from screens **C**, **E**, and **F** in the 1040 package and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

No special reporting of this income is necessary.

## 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—has expired.

Corresponding references and data-entry fields in the software has been deleted. (Figure 1-2)



Section 179 deduction.....		
179 attributable to QRP.....		
2011 Section 179 Exp ALLOWED..... =		=
179 attributable to QRP ALLOWED..... =		=
179 Exp CO from 2010.....		
179 Exp from QRP CO from 2010.....		
2010 Sec 179 Exp ALLOWED..... =		=
2010 Sec 179 from QRP Exp ALLOWED..... =		=

**Figure 1-2:** Fields deleted from screen **K1P**

## 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](http://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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# 2 Installation & Setup

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Read this section before installing your 2012 Drake program. Setup procedures for stand-alone and network systems have been simplified, requiring different selections this year. (See “Single Workstations and Network Options” on page 16.)

The initial shipment of the software, sent in early December, includes:

- Drake Software CD with all federal packages (1040, 1120, 1120S, 1065, 1041, 990, 706, and 709)
- 2012 year-end update of Drake’s Client Write-Up (CWU) accounting, payroll, and accounts payable program. (The 2013 version is released in January.)
- Document Manager
- Shipment letter
- e-Filing software for sending test returns to Drake
- Practice returns (See “New for 2012” note below) and e-filing and banking practice files (PDF)
- *Drake Software User’s Manual: Tax Year 2012* (PDF)
- Various informational fliers

Software for state programs, e-filing, banking, the Tax Planner, city tax rates, and forms-based entry are included in a subsequent shipment in January. Federal and state programs are updated with each software release thereafter..

NEW FOR  
2012

Solutions to the practice returns are now kept online so that we can make adjustments when changes to the software affect the solutions. From the **Home** window menu bar in Drake go to **Help > Online Resources**. (Internet access is required.) The practice returns and solutions are kept in the “Practice” folder. You can also find the practice returns and the solutions at *DrakeETC.com* (**Drake Resources > Practice Returns**) and at *Support.DrakeSoftware.com* (**Training Tools > Practice Returns> Returns**).

## IMPORTANT

Your serial number and Drake customer account number are required for installing the software and subsequent updates. If you installed Drake Software from a CD, the number was included on your packing slip with the CD shipment.

## System Requirements

To run Drake Software, your computer operating system must be Windows 2000 or later and must meet or exceed the following system requirements:

- Windows 2000/NT/XP/ME/Vista/7 (Windows NT users must have Service Pack 4.0 or higher, available from [www.microsoft.com](http://www.microsoft.com).)
- Windows 2000 & XP: 300 MHz processor or higher, 128 MB of RAM.
- Windows Vista & Windows 7: 800 MHz processor or higher, 512 MB of RAM, Support for Super VGA graphics.
- All Windows Operating Systems: CD Drive, 100 MB of available hard drive space, plus 7 MB for each state program, Internet Explorer 6.0 or newer, Internet access, HP-compatible laser printer (strongly recommended), TWAIN-compliant scanner. Internet service is required for immediate updates.

## NOTE

If using Windows Vista or later, you may need to upgrade your Adobe Acrobat Reader to version 8.0 or later. Version 9.0 may be required if using the 64-bit version of Windows 7.

To take full advantage of the software's features, you must have:

- A Hewlett-Packard (HP)-compatible laser printer
- High-speed Internet access
- A backup media source (such as a USB drive, memory stick, floppy disk, etc.)
- A document-feed scanner (Drake supports all TWAIN-compliant flat-bed and document-feed scanners for use with the Document Manager.)

## NOTE

If you do not have Windows XP or 7 and want to back up your data on CD, you must use your CD burner software—not the Drake backup tool—to perform the backup.

## Installing from CD

*Using Windows Vista? A system administrator or user with OS access must install your tax software.*

Before installing your software, close all open programs on your computer. Table 2-1 on page 13 outlines the installation process for the first and subsequent CD shipments.

Note that the Document Manager is installed by default. If you don't want to install the Document Manager, clear the applicable check box in Step 4.

**Table 2-1: CD Installation**

<b>Step</b>	<b>First CD Shipment</b>	<b>Subsequent CDs</b>
1	Insert the 2012 Drake CD into the drive. Wait for the <b>Drake 2012 Software Programs</b> window to be opened.	Insert the 2012 Drake CD into the drive. Wait for the <b>Drake 2012 Software Programs</b> window to be opened.
2	Click <b>Install Drake 2012 Tax Software</b> .	Click <b>Install Drake 2012 Tax Software</b> .
3	Accept the Drake Software 2012 License Agreement. Click <b>Next</b> .	Accept the Drake Software 2012 License Agreement. Click <b>Next</b> .
4	Note that <b>Install 2012 Drake Tax Software</b> and <b>Install Drake Document Manager</b> are marked by default. (States are not available on this shipment.) Click <b>Next</b> .	(Optional: Select <b>Install State Tax Programs</b> .) Click <b>Next</b> .
5	Select a drive or select <b>New</b> to install to a new location. (Optional: Select <b>Install test returns</b> if you are going to test e-filing capabilities.)* Click <b>Next</b> .	Select a drive, or select <b>New</b> to install to a new location. Click <b>Next</b> .
6	Enter your account number and the serial number located on your software packing slip. Click <b>Next</b> .	Enter your account number and the serial number located on your software packing slip. Click <b>Next</b> .
7	If you chose <b>New</b> in step 5, select an installation drive and click <b>Next</b> .	Select an installation drive from the list of available drives. Click <b>Next</b> .
8	If you chose to install the Document Manager in Step 4, select the drive on which to install it and click <b>Next</b> .	Select states to install from the <b>States on CD</b> listing. Click <b>Next</b> .
9	Click <b>Install</b> and wait for the <b>Installation Complete</b> window to be displayed. Installation could take several minutes.	Click <b>Install</b> and wait for the <b>Installation Complete</b> window to be displayed. Installation could take several minutes.

If a previous version of Drake is detected on your system, the **Update Admin Preparer and Setup Information** window is displayed after installation. If you do not want to update now, click **Skip**; otherwise, click **Next**. Click **Finish** and **Exit** to close the **Drake 2012 Software Programs** window.

\* Test returns are installed automatically if you are installing to a new location. If a drive letter is not displayed in Step 5, the software has determined that there is not enough space on the drive.

## Downloading the Software

If you choose to download the software from the Drake Support site rather than installing it from the CD, follow these steps:

1. Go to *Support.DrakeSoftware.com*.

2. Enter your EFIN and Drake password.
3. From the **Resources Overview** page, click **Download Center** (or from the blue sidebar menu, select **Resources > Download Center**).
4. From the **Drake Software** list on the left side of the **Download Center** page, select **Drake Software 2012**.
5. Read and agree to the License Agreement.
6. Scroll to the bottom of the window and click the **Drake Software 2012** link.
7. When the **File Download - Security Warning** window is opened, select **Save** to save the software to your computer or server.
8. When the download is complete, double-click the **Drake12\_Federal.exe** icon, and then click **Run** and **Yes** to begin the installation process.
9. Follow the steps to install the software to the drive of your choice. You will need your account number and the serial number from your packing slip.

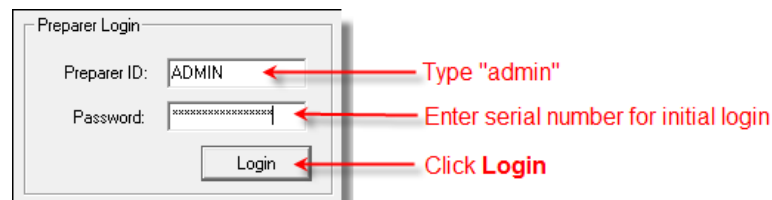
To download state programs, open Drake Software, go to **Tools > Install State Programs**, and choose the option to install states from the Internet.

## Initial Login

To open and log in to Drake for the first time:



1. Double-click the Drake Software 2012 icon on your desktop.
2. In the **Preparer ID** field of the **Login** window (see Figure 2-1), type ADMIN (not case-sensitive).
3. In the **Password** field, type your serial number (printed on your packing slip).
4. Click **Login**.

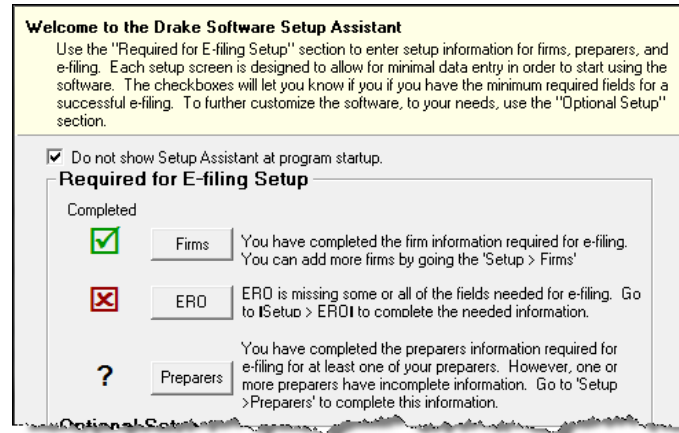


**Figure 2-1:** Logging in as ADMIN

The Setup Assistant is opened automatically the first time you log in to Drake.

## Setup Assistant

The Setup Assistant is opened automatically the first time you log in to Drake. Designed to guide you through the software setup screens, the Setup Assistant appears each time the program is opened until all required setup items are completed. A green check mark (see Figure 2-2 on page 15) indicates that a setup item is complete. A red "X" indicates or a question mark indicate an incomplete setup item.



**Figure 2-2:** A green check mark indicates a completed setup item, a red X indicates an incomplete setup item, and a question mark indicates a partially complete setup item.

You are not required to use the Setup Assistant. To keep it from opening at program startup, select **Do not show Setup Assistant at program startup**. (See Figure 2-2.) Go to **Help > Setup Assistant** to return to the Setup Assistant at any time.

## Running Drake on a Network

Your network's designated server should meet the following minimum specifications:

**NOTE** The following specifications are *minimum* requirements. For best results, Drake recommends upgrading your system above these requirements.

For Windows XP:

- 300 MHz processor
- 128 MB RAM

For Windows Vista and Windows 7:

- 800 MHz processor or higher
- 512 MB of RAM
- Support for Super VGA graphics

For all Windows operating systems:

- 200 MB of available hard drive space, plus 7 MB for each state program
- Internet Explorer 7 or higher
- CD drive
- Internet access (required for regular updates)

An HP-compatible laser printer and a TWAIN-compliant scanner are also recommended.

As computers are added to the network, RAM and processing speed of the server and the workstations should be upgraded to improve performance.

## NOTES

Your office's network must be properly configured for Drake to run correctly. Drake cannot provide technical support for the network itself. Consult an IT professional for network setup and support.

Drake can be installed on the server or can be installed to the server from a workstation. Be sure to select the correct server drive.

## Single Workstations and Network Options

New for 2012: Setting up Drake on stand-alone computers or on networks is easier and clearer. The software inspects your system and makes the best choice for you. Administrators have the option of changing the setup.

The three configurations are:

- **For stand-alone computers** — Drake searches your system for a network link (NWClient). If none is detected, the software selects the **Drake is installed on this computer** option for stand-alone computers. (See Figure 2-3 on page 18.)
- **For network servers** — Drake searches your system for a network link (NWClient). If the link is detected, the software selects the server-based network option. (The **Drake is installed on a network server** option is marked by default. See Figure 2-3 on page 18.)
- **For other network setups** — For setups where computers are not sharing Drake but do share certain files—such as on peer-to-peer networks where Drake is installed at all workstations but one station is designated for e-file transmissions—administrators can establish a “server” from among the workstations.

Table 2-2 shows a comparison of the two network options:

**Table 2-2:** Comparison of Network Options

<b>Server Only (Preferred Setup)</b>	<b>All Workstations</b>
For firms with a robust network setup	For firms without resources to use a single server
Simplified setup and updates	Updates must be installed to each computer
No need to “stagger” DCN counter	Could be necessary to “stagger” DCN counter

## Server Networks

Once Drake is installed on a server, complete the following steps at *each* workstation:

1. Click **Start > Run**. (Windows 7 users: Click the **Office** button.) (The Windows **Start** and **Office** buttons are located at the lower-left corner of your screen.)
2. Type `F : \DRAKE12\NWCLIENT\NWCLIENT.EXE` (substituting your server drive letter for F).
3. Click **OK**. (Windows 7 users: Press ENTER.)

4. Click **OK**. The server-only system is now in place.

Once this process has been completed at *each* workstation that will be using Drake, you will be able to access the Drake program from any of these workstations.

## Other Network Configurations

Some network setups—such as “peer-to-peer” networks—don’t work off an actual server. Each station runs Drake independently but one computer is used for transmitting returns. For such setups, follow the instructions in “Installing from CD” on page 12 to install Drake onto each workstation.

One workstation should then be designated as the “server.” To establish the “server”:

1. From the **Home** window in Drake, select **Setup > Data Locations** to open the **Data Locations** window. (See Figure 2-3 on page 18.)
2. In the **Network Setup** section, select the option: **on this computer**.
3. Click **OK**.

### NOTE

Each workstation must have access to the “server” workstation’s drive through a single drive letter. A network technician can map each workstation to the “server” using the same drive letter. All computers on the network must share the drive on which Drake is installed. Map to the “server’s” *drive*—not to the Drake12 *folder*.

Now that a computer is established as a “server,” the workstations must be set up.

To set up the workstations, complete the following steps from *each* of the other workstations:

1. From the **Home** window in Drake, select **Setup > Data Locations** to open the **Data Locations** window.
2. In the **Network Setup** section, select the third option: **on a network drive...** Other options are activated when you make this selection. (Circled in Figure 2-3 on page 18.)
3. Select the network drive letter of the “server” computer from the drop list.
4. To share the “server’s” firm and preparer setup configurations along with the same letters, pricing, notes, Scheduler, macros, and reports, mark the **Also use this network drive...** Otherwise, clear the check mark from the box and the workstation will use its own preparer setup configurations, letters, pricing, notes, Scheduler, macros, and reports.



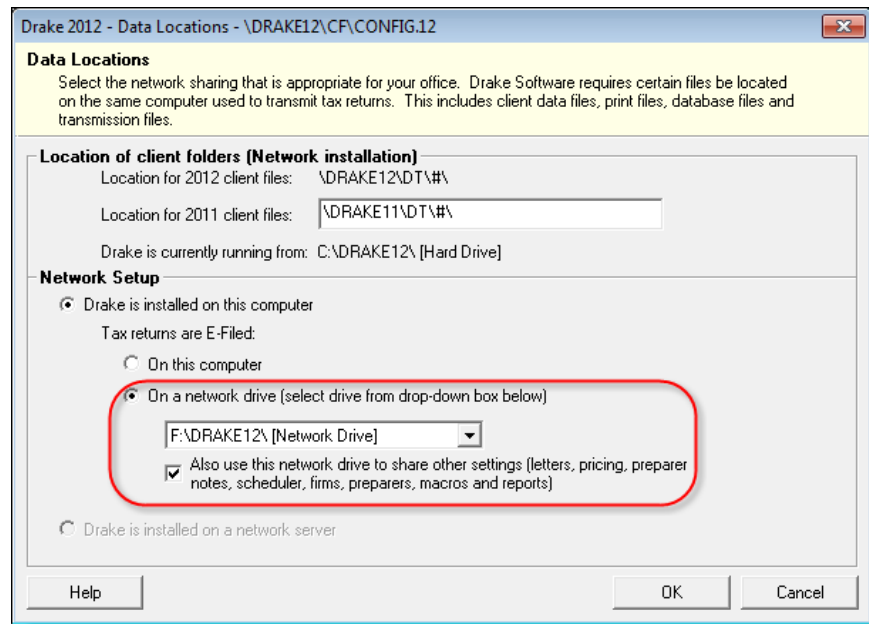


Figure 2-3: Installing Drake onto a “peer-to-peer” network workstation

5. Click **OK**.

## CAUTION

*Do not change the **Data Locations** settings during tax season! If a change is necessary, contact Drake Support.*

### Prior-Year Files

By default, Drake accesses the previous year's client files from the workstation's local drive. If your previous year's client files are stored elsewhere, enter the location in the **Location for 2011 client files** drop list at the top of the **Data Locations** window.

## Software Setup

Perform setup procedures *before* attempting to prepare or e-file returns. Some setup procedures are required; others are optional.

Table 2-3: Setup Procedures: Required and Optional

Required Setup Procedure	Optional Setup Procedures
Firm(s) (See “Firm Setup” on page 19.)	Options (See “Options Setup” on page 27.)
ERO (See “ERO Setup” on page 21.)	Pricing (See “Pricing Setup” on page 37.)
Preparer(s) (See “Preparer Setup” on page 22.)	Macros (See “Macros Setup” on page 38.)
Data Locations (See “Single Workstations and Network Options” on page 16.)	Letters (See “Letters Setup” on page 43.)
Pay Per Return (PPR clients only; see PPR manual on CD, from the <b>Home</b> window of the software at <b>Help &gt; Online Resources</b> , or from the Drake Support website.)	Colors (See “Color Setup” on page 46.)
	Printing (See “Printing Setup” on page 47.)

If you used Drake last year, you can bring forward most required program settings from your 2011 program. See “Updating Settings” on page 79 for details.

## Logging in as an Administrative User

Log in as ADMIN to enter setup information. The administrator can access the following features not available to non-administrative users:

- Preparer setup security features in **Setup > Preparer(s)**
- Additional features in **Setup > Firm(s)**
- Network options (**Setup > Data Locations**)
- The **Administrative Options** tab of **Setup > Options**
- Additional tracking information on the **ADMN** screen in data entry

### Setting an ADMIN Password

An ADMIN password is not required. If your firm chooses to have an ADMIN password, keep a record of the password. *Drake cannot retrieve lost or forgotten login passwords.*

To set a password for the ADMIN account (optional):

1. From the Drake **Home** window, select **Setup > Preparer(s)**.
2. Click the Administrator (**ADM**) row, and then click **Edit Preparer**.
3. Enter a password in the **Password** field under **Login Information**. A password can be up to eight characters (alphabetic and/or numeric) and is not case-sensitive.
4. Re-enter the password in the **Password (Repeated)** field.
5. Click **Save**, and then click **Exit**.

*Shortcut: Double-click the **ADM** row to edit it.*

### NOTE

If no PTIN has been entered, you will be asked if you want to exit the window without entering a PTIN. Click **Yes**, or click **No** and enter a PTIN before saving and exiting. (A PTIN is required for e-filing.)

## Firm Setup

Firm setup must be completed before preparing and e-filing returns. If data is inaccurate or missing, tax returns might be e-filed with incorrect information.

### NOTE

To ensure that all information needed for e-filing is entered for a firm, firms with incomplete information are highlighted in red in the **Setup > Firm(s)** grid. Fields required for e-filing are marked by red text.

With the click of a button, you can now import the information from your firm's bank application into the Drake program. (See “Banking Information,” below.)

### Adding a Firm

To add a firm in Firm Setup:

1. From the Drake **Home** window, go to **Setup > Firm(s)**.
2. Click **Add** to activate the bottom half of the **Firm Setup** window.
3. Enter your firm's general and banking information. Fields needed for e-filing are indicated by red text.



- **General Information** — Enter contact and identification information, including firm name, address, phone and fax numbers, contact name, e-mail address, Employer Identification Number (EIN), and Electronic Filer's Identification Number (EFIN). If the firm is not located in the U.S., enter the province or state, the country, and the postal code.
  - A **DCN serial number** is assigned to each return based on the firm's EFIN and DCN. If two returns have the same DCN, the IRS rejects one of the returns. To avoid duplications, DCNs are automatically advanced for each return calculated.

## NOTE

Offices that use multiple computers that are not networked must "stagger" DCNs to avoid duplication. DCNs should be staggered before creating any 2012 returns. For instructions on staggering DCNs, see "Staggering DCNs" on page 234.

- **Non-paid-prep** — If the firm is not a paid preparer, enter a non-paid code here. Acceptable codes are **VI** (VITA), **VT** (VITA-T), **TE** (TCE-X), **IP** (IRS-PREPARED), AND **IR** (IRS-REVIEWED).
  - **Banking Information** — Choose a bank and include add-on fees.
    - If you've completed your online Drake bank application through the Enterprise Office Manager (EOM), click **Retrieve** to import your banking information directly from the bank application. (For information on the EOM, see "Banking Application" on page 206.)
    - Select a bank and enter the applicable add-on fee and the name of the person or entity that will receive the add-on fee. (This name will appear on the client's "Bank Information Sheet," generated with the return.) For more on available options, see Table 7-4 on page 209. For more on individual bank selections, see Chapter 7, "Banking."
4. Click **Save**. The program assigns a number for each firm entered in **Firm Setup**.

## NOTES

To view a report of the revenue you've earned from the additional (add-on) fees for e-filing, log in to *Support.DrakeSoftware.com* and go to **My Account > Bank Application**. Log in to the EOM with your EFIN and Drake password, then, from the blue sidebar menu, click **Reporting**.

These fees are listed when the returns are *funded*, not as the returns are transmitted.

## Editing Firm Information

*Shortcut: Double-click a firm's row to edit firm data.*

To edit a firm's information:

1. From the Drake **Home** window, go to **Setup > Firm(s)**.
2. Select the firm to edit and click **Edit Firm** to activate the bottom half of the **Firm Setup** window.
3. Edit the firm information. (See "Adding a Firm" on page 19 for information on individual fields.)
4. Click **Save**, and then click **Exit** to close the **Firm Setup** window.

## Deleting a Firm

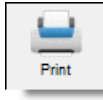
To delete a firm from Firm Setup:

1. From the Drake **Home** window, go to **Setup > Firm(s)**.



2. Select the firm to delete and click **Delete**.
3. Click **Yes**, and then click **Exit** to close the **Firm Setup** window.

## Printing a List of Firms



To print a list of firms entered in the program:

1. From the Drake **Home** window, go to **Setup > Firm(s)**.
2. Click **Print**. The Report Viewer displays the report on the screen.
3. Click **Print** to open the **Print 'Drake Report'** dialog box.
4. Change any print options necessary, and then click **Print** again.
5. Click **Exit**, and then click **Exit** again to close the **Firm Setup** window.

## ERO Setup

An Electronic Return Originator (ERO) must complete ERO Setup in order to e-file returns, use the Drake e-mail program, download software updates, and access the online e-filing database. Required fields for e-filers are marked in the program by red text.

To set up your firm as an ERO in Drake:

1. From the Drake **Home** window, go to **Setup > ERO** to open the **Electronic Filing Setup** dialog box.
2. In the **General Information** section, enter the account number, EFIN, Drake password, name, address, ZIP code, and EIN of the ERO. Fields required for e-filers are marked by red text. (See Figure 2-4.)

**Electronic Filing Setup**  
Enter Electronic Return Originator information below. All General Information fields, except Telephone Number, are needed for e-filing. Click help for Connection Settings information.

**General Information**

Account Number: 00000 EFIN: 000000  
Drake Password: \*\*\*\*\*

Serial Number:  Edit Serial

Transmitter Name: THE TAX DOOD

Transmitter Address: 1234 WEST MAIN STREET

City, State, Zip Code: FRANKLIN, NC 287341001

Federal EIN: 590000000

Telephone Number: (828)524-8888

**Connection Settings**  
Choose the appropriate settings below:  
If necessary, consult with your technician or contact Drake Support for assistance.

1.  Always use my existing Internet connection (DSL/Cable/LAN/Dial-up)
2.  Dial whenever an Internet connection is not present
3.  Not Recommended: Always launch a new dial-up connection

When dialing, use this connection:

**Franchise/Network Information (Admin only)**

Master EFIN:  Fee:  Name:

**Disclosure or Use of Tax Information by Preparers of Returns**  
Need consent to disclose tax return information to this franchisor/network:

Help Install Dialer OK Cancel

Figure 2-4: Setup > ERO

## NEW FOR 2012

Click the **Use Firm #1 Info** button (Figure 2-4 on page 21) to import the information for the first firm listed in **Setup > Firm(s)** directly into the **General Information** section of the **Electronic Filing Setup** window.

In the event you must edit your serial number, mark the **Serial Number** check box and enter the changes.

3. Under **Connection Settings**, make a new choice if you wish to change from the default setting (**Always use my existing Internet connection**) which works for most computers. Contact Drake Support if you have trouble connecting to Drake.)
4. If your firm is a franchise or network, complete the **Franchise/Network Information** fields. (See “Franchise/Network Requirements” on page 203.)
5. If applicable, enter in the **Disclosure or Use of Tax Information** field the name of the franchise or network to which tax information must be disclosed in order to apply for bank products. (The field facilitates compliance with IRS Regulation 7216; see “Taxpayer Requirements” on page 202.)
6. Click **OK**.

## IMPORTANT

New to e-file? Before transmitting live returns, your firm must apply to the IRS for an EFIN. If you have not yet received one, Drake assigns a temporary EFIN for testing e-file and accessing Drake's online customer-support resources. For more on applying for an EFIN, see “Applying for ERO Status” on page 228.

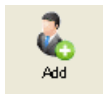
## Preparer Setup

Preparer Setup fields and preparer security must be completed before a preparer can begin preparing and e-filing returns. All preparers must be entered in Preparer Setup. Data entry operators can also be entered. Each time a name is added to Preparer Setup, a number is assigned to that name.

## TIP

Include data entry operators in Preparer Setup to (1) track data entry information and (2) easily set up Front Office preparers in the Scheduler. (See “Scheduler” on page 85.)

### Adding a Preparer



To apply for a PTIN, go online at [www.irs.gov/For-Tax-Pros](http://www.irs.gov/For-Tax-Pros) and click **Apply for PTIN**.

Information entered here determines what preparer information appears on the tax returns. To add a new preparer in Drake:

1. From the Drake **Home** window, go to **Setup > Preparer(s)**.
2. Click **Add** to activate the bottom half of the **Preparer Setup** window.
3. Enter **General Information**. Fields required for e-filers are indicated by red text. Note that a PTIN is required by the IRS.
4. Enter **Login Information**. Note that a login name is needed for e-filing and use of a password is optional.
5. If applicable, click **Registration** to enter your state registration ID (California, Maryland, New York, Oregon, and Virginia only). Click **OK** to save.
6. Indicate **Return Signature Options**.
  - **PIN Signature** — Enter the preparer's five-digit **PIN Signature**.

- **Use PIN for:**
  - **8879 PIN Signature** — Select to activate the 8879 PIN signature.
  - **Alternative Electronic Signature** — Select to automatically populate any field requiring electronic signature with the preparer's name.

## IMPORTANT

The alternative electronic signature is printed on the "Preparer's signature" at the bottom of returns that have not been e-filed and on returns where the preparer and ERO are different (for example, if an override field on screen **1** is used). To have the alternative electronic signature printed on a return that has been e-filed, you must re-enter this number in the **PIN for preparer's alternative e-signature** field on the **PRNT** screen for that return.

7. If applicable, enter the firm's **Republic Bank Identification Number (RBIN)**.
8. Enter **Power of Attorney** information (necessary for Form 2848, Power of Attorney and Declaration of Representative).
  - **Preparer Designation** — Select the designation under which the preparer is authorized to practice before the IRS.
  - **CAF Number** — Enter the preparer's Central Authorization File (CAF) number assigned by the IRS.
  - **Jurisdiction** — Enter the jurisdiction in which the preparer is authorized to practice before the IRS. If the preparer is an IRS Enrolled Agent (EA), enter the EA number here.
9. Enter **W-7 Acceptance Agent** information for the preparer, if applicable.

You are now ready to set up preparer security. If you click **Save** at this point, you will be reminded that security rights need to be set before the preparer can access any features in the program. If you select to close Preparer Setup now, be aware that you'll have to return at some point to set the preparer's security rights.

To proceed, go to Step 4 in the following section, "Setting Up Preparer Security."

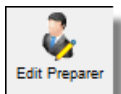
## Setting Up Preparer Security

This feature establishes security settings for an individual preparer. To assign the same security level to many preparers, the Group Security feature may be a better option. See "Setting Up Group Security" on page 24.

## NOTE

Only administrative users can set security rights. Settings must be established before a preparer can begin working in the software.

To customize security settings for a preparer:



1. From the Drake **Home** window, go to **Setup > Preparer(s)**.
2. Select a preparer and click **Edit Preparer**.
3. Select **Security > Custom Security**.
4. In the **Preparer Security Setup** window, select a menu, and then select the items to which the preparer should be allowed access. Items left blank will be inaccessible to the preparer. (See Figure 2-5 on page 24.)

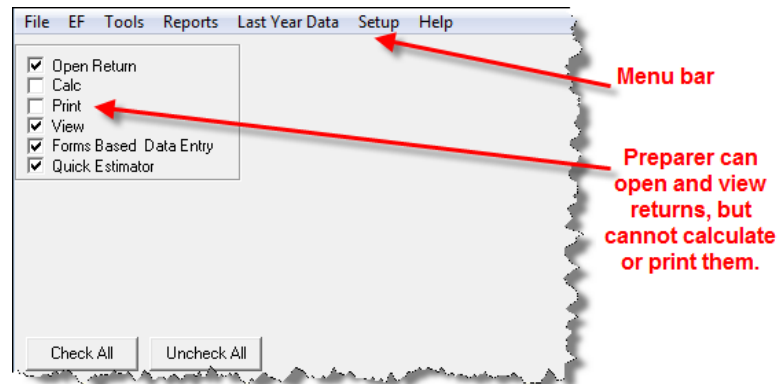


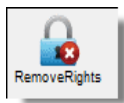
Figure 2-5: Security setup

5. Click **Save**. When prompted, click **OK**. Click **Exit** to close **Preparer Setup**.

Other options available under the **Security** button are shown in Table 2-4.

Table 2-4: Preparer Security Options

Security Option	Description
Set Security to Allow No Options	Employee cannot access any part of the program.
Set Security to Allow All Options	Employee can access all parts of the program, except for administrative-only features.
Set Security Equal to Existing Preparer	Employee is given security settings to match those of another preparer on the list.
Add Preparer to Security Group	Add preparer to a pre-established security group. (See "Setting Up Group Security," following.)
Front Office (Scheduling Only)	Employee can access the Scheduler only.
Administrator (Full ADMIN Rights)	Employee can access all parts of the program, including administrative-only features.



To remove security rights from *all* preparers (other than administrative users), go to **Setup > Preparers** and click **Remove Rights**. To remove rights for an individual employee, set that person's security to **Allow No Options**.

### Setting Up Group Security

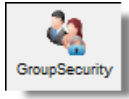
Only an administrative user can apply security settings to a group of preparers. You can create as many security groups as needed, but a preparer can belong to only one security group at a time.

### NOTE

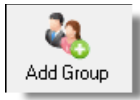
You cannot assign a preparer to more than one security group. If you try to do this, the preparer is removed from his or her current group and added to the new one.

To apply group security:

1. From the Drake **Home** window, go to **Setup > Preparers**.



2. Click **Group Security** to open the **Group Security** dialog box. Three security levels, listed below and shown in Figure 2-6, are available by default. If preparer data is brought forward from last year and there are preparers with any of these security levels, they are automatically added to the appropriate group.
  - **Admin** — Users with administrative rights; group cannot be deleted.
  - **Front Office** — Front Office rights for non-preparers (Scheduler access only)
  - **Full** — Users with full access to everything except administrative features
3. Choose one of the following options:



- To add a group, click **Add Group**. Under **Security Group General Information** (Figure 2-6), enter a **Group ID** and a **Group Description**.
- To add preparers to an existing group, double-click the group row near the top of the **Group Security** dialog box.

Group ID	Description
Admin	Group can access everything including special Admin only sections.
FRONT OFFICE	Front Office used for non-preparers.
FULL	Full access to everything except special Admin only sections.

**Security Group General Information**

Group ID:

Group Description:

**Security Settings** | Assign Preparers

File EF Tools Reports Last Year Data Setup Help

Open Return  
 Calc  
 Print  
 View  
 Forms Based Data Entry  
 Quick Estimator

**Custom Preparer Security**  
 Click the menu items to apply security. A checkmark indicates access is allowed. Remove the checkmark to disallow access.

**Figure 2-6: Security Group General Information** section of **Group Security** dialog box

4. Under **Security Settings**, click to mark the boxes representing the features to which the group should have access. (Accessible features cannot be edited for the Full or Admin groups.) Click **Check All** to mark all boxes shown in all menu categories.
5. Under the **Assign Preparers** tab, select the preparers to be assigned to the group. (To select a preparer, double-click a name or click the name and click **Select**. Selected preparers are listed in the **Preparers in Security Group** column.)
6. Click **Save**.

**NOTE** You do not have to assign preparers when creating a group. Assign preparers at any time by returning to the **Group Security** dialog box.

To edit group settings or members, select a group name and click **Edit Group**. To delete a group, select a group name and click **Delete Group**. Note that a group must be empty (must contain no preparers) in order to be deleted.

## Group Security Reports

The Group Security feature allows you to view and print two reports related to group security settings:



- **Group Security report** — Lists group security settings for each group. Groups are listed in order of creation, with default groups first.
- **Group Preparers report** — List all groups and their assigned preparers.

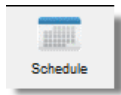


Reports are shown in the Report Viewer, which allows options for printing and exporting the reports. To access reports, click **Print** in the **Group Security** toolbar. The program displays the “Group Security” report first. To access the “Group Preparers” report, click **Exit** in the Report Viewer toolbar. Once the “Group Preparers” report is open, click **Exit** again to return to the **Group Security** dialog box.

## Other Features

Other features available under **Setup > Preparer(s)** include the ability to create a preparer's daily schedule, the ability to print a list of preparers, and the ability to run a search on preparers. To access these features, use the following procedures.

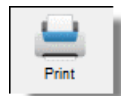
To create a preparer's daily schedule:



1. From the Drake **Home** window, go to **Setup > Preparer(s)**.
2. Select a preparer and click **Edit Preparer**.
3. Click **Schedule**.
4. Select day and “in” and “out” times.
5. Click **Apply**, and then click **Save** to save the schedule.

See “Scheduler” on page 85 for more information on using the Drake Scheduler.

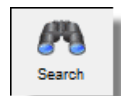
To print a list of preparers entered into the program:



1. From the Drake **Home** window, go to **Setup > Preparer(s)**.
2. Click **Print**. The Report Viewer displays the current preparer listing.
3. Click **Print**, and then click **Print** again.
4. Click **Exit** to close the Report Viewer. Click **Exit** again to close the **Preparer Setup** dialog box.

See “Report Viewer” on page 323 for more on using the Drake Report Viewer.

To search for preparers entered into the program:



1. From the Drake **Home** window, go to **Setup > Preparer(s)**.
2. Click **Search**.
3. Enter preparer information in the **Find Preparer Record** box. As you type, the software locates (and highlights) the record.
4. Click **Close**. Click **Exit** to close the **Preparer Setup** dialog box.

## Pay Per Return Setup (PPR Clients Only)

For information on setting up PPR, see *Drake Software User's Manual Supplement: Pay Per Return (PPR)*, available on your Drake CD, through the software (from the **Home** window in Drake, go to **Help > Online Resources**) and on the Drake Support site at <http://Support.DrakeSoftware.com> (**Training Tools > Manuals**).

## Data Locations Setup

Data location settings (formerly Directories/Paths settings), which manage the locations for data access and storage, is now configured when you install the program. To change your settings (ADMIN only), select **Setup > Data Locations** from the **Home** window. For more information, see “Single Workstations and Network Options” on page 16.

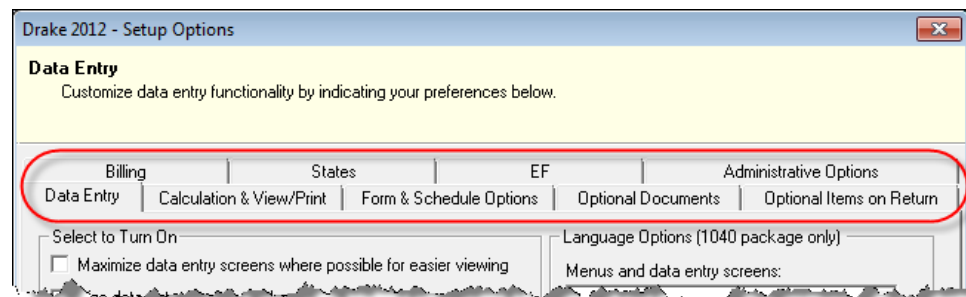
### CAUTION

Directory and path settings *should not be changed* during tax season. Changing a drive letter during tax season can cause problems in file storage and e-file processing. For details on setting network configurations, see “Single Workstations and Network Options” on page 16. For assistance, contact your office IT professional or Drake Support.

## Options Setup

*Options Setup is not required for completing or e-filing tax returns.*

The tax software is shipped with the most common preferences set as the defaults. Use Options Setup (accessible by clicking **Setup > Options** from the **Home** window) to view or change the defaults for the various options available. Options are categorized into tabs, as shown in Figure 2-7. (Only administrative users have the **Administrative Options** tab.)



**Figure 2-7:** Tabs in Options Setup

Table 2-5 through Table 2-12 describe the options available on each tab in Options Setup.

### Data Entry Options

Options under the **Data Entry** tab are described in Table 2-5.

**Table 2-5:** Options Setup: Data Entry

Option	Description
Maximize data entry screens where possible for easier viewing	Increase the size of the Drake screen to fill your monitor. Effective at all monitor resolutions.
Size data entry screens to show most fields without scrolling	Decrease the size of large Drake screens so they fit on your monitor. Effective only when monitor resolution is set to 1024x768 or smaller.
Disable sizing of data entry screens	Keep preparer from resizing screens. Effective usually for monitor resolution set to 800 x 600 or smaller.

Table 2-5: Options Setup: Data Entry

Option	Description
Tab to ZIP code field (skip city/state and use ZIP code database)	Press the TAB key while entering an address in data entry to bypass the <b>City</b> and <b>State</b> fields and go directly to the <b>ZIP</b> field. <b>City</b> and <b>State</b> fields are completed automatically based on the ZIP code entered.
Show notes/reminders to preparer when opening a return	Show all notes and reminders from the <b>NOTE</b> and <b>PAD</b> screens every time you open a client file that contains notes or reminders.
Verify SSN when creating new return	Require double entry of SSN or EIN, helping eliminate erroneous entries.
Enable Windows standard keystrokes	CTRL+X = cut; CTRL+C = copy; CTRL+V = paste; SHIFT+CTRL+X = autofill amended screen; SHIFT+CTRL+C = calculate return; SHIFT+CTRL+V = view return
Autofill preparer and firm number on new returns	Automatically enter the firm number and preparer number where required on data entry screens.
Magnify data entry	Enlarge the active field for easier reading.
Activate W-2 wage and federal withholding verification fields	To ensure accuracy of data entry, require wage and withholding amounts be entered twice on the <b>W2</b> screen.
Do not restrict minimum font size in 800x600	This is a sizing option for computers using an 800x600 resolution. If this option is selected, the program will not attempt a font substitution to retain readability. Text on screens will shrink to fit as needed.
Use grid data entry format on available screens	Allows you to type information into a spreadsheet environment, which can result in faster data entry. This feature is available for the <b>Dependents</b> , <b>INT</b> , <b>DIV</b> , <b>8949</b> , <b>D</b> , and <b>4562</b> screens.
Language Options (1040 package only)	Choose between English and Spanish for menus, data entry screens, field-specific help text, and error codes.
Letter case for data entry	Choose between all uppercase letters and mixed case.
Override field indicator	Format override fields in data entry; see "Override & Adjustment Fields" on page 72.
Adjustment field indicator	Format adjustment fields in data entry; see "Override & Adjustment Fields" on page 72.
Display warning for missing required fields	Choose to receive a warning: whenever a required field is empty; once per data-entry session; not at all.

### Calc & View/Print Options

Options under the **Calculation & View/Print** tab are described in Table 2-6.

Table 2-6: Options Setup: Calculation &amp; View/Print

Option	Description
Autocalculate tax return when exiting data entry	Returns are automatically calculated every time you exit the return.
Display client fee on Calculation screen	Allows the fees charged for return preparation to appear on the <b>Calculation Results</b> window.

**Table 2-6:** Options Setup: Calculation & View/Print

Option	Description
Print only one overflow statement per page	Each overflow statement is printed on a separate piece of paper.
Go directly to form when accessing View or data entry mode	Go from a data entry screen to the corresponding form in View mode when you go to View mode. When the <b>Data Entry</b> button is clicked in View mode, the program returns to the data entry screen.
Audible notification of calculation error messages	When calculating a return, the program produces a "beep" to indicate an error message.
Layout for depreciation schedule	Select <b>Portrait</b> to produce the depreciation schedule vertically using 8.5 x 11 paper; select <b>Landscape</b> to produce it horizontally.
Pause option for calculation	Choose the circumstances under which the <b>Calculation Results</b> window appears, allowing a review of calculation results before proceeding to View mode.
Number of days to store print files	Select to store print files from 1 to 9 days, or to have them removed once the return is selected for e-filing. If a return is needed after the print file is removed, recalculate the return to re-create the print file.
Print sort options for Interest/Dividends	Choose how items entered on the <b>INT</b> and <b>DIV</b> screens are sorted when printed on Schedule B: alphabetically, numerically, or not at all.

### Form & Schedule

Options under the **Form & Schedule Options** tab are described in Table 2-7.

**Table 2-7:** Options Setup: Form & Schedule

Option	Description
Print Schedule A only when required	Produce Schedule A only when taxpayer qualifies to itemize.
Print Schedule B only when required	Produce Schedule B only when taxpayer has enough interest income to require filing Schedule B.
Print Form 4562 only when required	Produce Form 4562, Depreciation and Amortization, only when the tax return requires it.
Print Form 6251 only when required	Produce Form 6251, Alternative Minimum Tax, only when the tax return requires it.
Next year depreciation schedule	Select this option to produce a depreciation schedule for next year in addition to the one for this year.
W-2/1099-R forms	Produce and display in View mode all W-2 forms with the return.
Print two W-2/1099-Rs per page	If return has more than one W-2 or 1099-R form, print two per page.
Carryover worksheet	Produce any carryover worksheets associated with the return.
Print page 2 of Schedule K-1 ...	Produce page 2 of Schedule K-1 for Forms 1120S, 1065, and 1041.
Form 8879 bank account options	Select bank account printing options on Form 8879.
1040A/EZ suppress	Automatically suppress Form 1040A or 1040EZ.
Form 1045 page 2 (NOL)	Automatically produce Form 1045, page 2, if the return has NOL.

**Table 2-7: Options Setup: Form & Schedule**

Option	Description
Select to Turn On ___ list if greater than...	Produce lists of these items (W-2, W-2G, 1099-M, 1099-R, dividends, interest, K-1) when the selected number in the drop list is exceeded.

**NOTE**

Many of these settings can be adjusted on a per-return basis. See "Making Changes on the Fly" on page 52.

**Optional Documents**

Options under the **Optional Documents** tab are described in Table 2-8.

**Table 2-8: Options Setup: Optional Documents**

Option	Description
Folder coversheet	This option generates a folder cover sheet containing the taxpayers' names and the name, address, and phone number of the preparer's firm.
Prior year(s) comparison form	Select this option to produce a comparison sheet containing data from the current and prior-year returns.
Return summary	Select this option to produce a return summary with every return prepared.
Bill summary	Select this option to produce a summary of the taxpayer's bill with each return.
Federal filing instructions	Displays detailed federal filing information, including the date to file, form to be filed, address to file, and payment amount. The instructions are listed as FILEINST.PG in View mode. Activated by default. Clear the check box to disable, or use the <b>PRNT</b> screen to activate or disable on a single return.
State filing instructions	Displays detailed state filing information, including the date to file, form to be filed, address to file, and payment amount. The instructions are listed as "STINST.PG" ("ST" refers to the state abbreviation; for example, OHINST.PG for Ohio instructions). Activated by default. Clear the check box to disable, or use the <b>PRNT</b> screen to activate or disable on a single return.
Labels	Select this option to print a sheet of "mail to" addresses on Avery 5160 labels
Envelope Sheet (address drop lists)	Choose the size of the envelope on which to print the addresses of the taxpayer, the IRS Service Center, the state tax department, the city tax office, and for Forms K-1.
Estimated payment coversheet	Select this option to print estimated coversheet payment addresses to envelope Nelco ENV500 dimensions for 1040 and 1041 returns with quarterly taxes.
NELCO hyperlink	Click this link to go to the NELCO website to order such Drake-compatible products as envelopes, IRS forms, and checks.
Letter Options (all packages)	Select the result letter templates to be used for each package.
Include privacy letter with returns	Select this option to print the privacy disclosure letter with every return.
Include engagement letter with returns	Select this option to print engagement letters for all packages when the return is calculated. At the end of the letter template are spaces for client and preparer signatures. Engagement letters can also be produced prior to completion of the return using <b>Tools &gt; Letters &gt; Letters</b> .

**Table 2-8:** Options Setup: Optional Documents

Option	Description
Include customized supplemental letter with returns	Print a customized letter that can be used for various purposes. (See Table 2-14 on page 43.)
Include K-1 letter with returns	Print the cover letter for individual K-1s (1065, 1120S, and 1041 packages).
Referral Coupons (3 per sheet)	Enter the number of sheets per return or the coupon amount.

**NOTE**

To override the default letter for an individual client, see "Overriding Letters Setup" on page 58.

**Optional Items on Return**

Options under the **Optional Items on Return** tab are described in Table 2-9.

**Table 2-9:** Options Setup: Optional Items on Return

Option	Description
Date on return	The default is the current date. To change this date, enter the required date on the <b>PRNT</b> screen. If desired, select to print dates for taxpayer and spouse signatures (excluding 1040).
Print dates for taxpayer and spouse signatures (excludes 1040)	Select this option to print the signature dates for taxpayer and spouse signatures on the return (excluding 1040).
Taxpayer phone number	Select this option to print the taxpayer's phone number entered on screen <b>1</b> .
Third party designee	Select the preparer number of the preparer designated as the third-party designee to be printed on the main form of the return.
Rounding amounts	Select <b>Dollar</b> or <b>Penny</b> rounding. Dollar rounding is required for e-filing. Penny rounding prints penny amounts on all forms.
Interest and Penalty Calculation	Calculate penalties and interest on returns filed after the due date based on interest rates entered. For more information, see "Penalty and Interest Calculation" on page 181.

**Billing**

Options under the **Billing** options tab are described in Table 2-10.

**Table 2-10:** Options Setup: Billing

Option	Description
Print taxpayer's SSN on the bill	Select this option to print the taxpayer's SSN on the bill.
Show preparer fees withheld from bank product	Select this option to print on the bill the preparer fees withheld from the bank product amount.
Print taxpayer's phone number on the bill	Select this option to have the taxpayer's phone number (entered on screen <b>1</b> ) printed on the bill.
Print taxpayer's e-mail address on the bill	Select this option to have the taxpayer's e-mail address (entered on screen <b>1</b> ) printed on the bill.

**Table 2-10: Options Setup: Billing**

<b>Option</b>	<b>Description</b>
Sales Tax	Enter the sales tax rate to add to each bill. Number must be greater than 1. For example, 4.5 would represent a sales tax rate of 4.5%.
Billing statement format	Select among seven formatting options, including: <ul style="list-style-type: none"> <li>- Billing by time (preparing bill based on time spent preparing return multiplied by preparer's hourly rate as defined in <b>Setup &gt; Preparers</b>)</li> <li>- Billing by form (preparing bill based on forms necessary to complete return by price entered in <b>Setup &gt; Pricing</b>); program prepares a bill summary along with the option selected here unless the <b>Bill Summary</b> option is cleared at <b>Setup &gt; Options, Optional Documents</b> tab.</li> </ul>
Header on bill	Select among options for the header to be printed on the bill.
Custom Paragraph	Choose to have a custom paragraph printed on the bill. Select a location, and then write the paragraph in the supplied text box.

**States** To select options for state returns, select the **States** tab, and then select a state abbreviation from the drop list. When the options are displayed, select to activate or disable them as desired and click **OK**. Available options depend on the chosen state. For more on specific states, see the **FAQ** screen for each state program.

**E-filing** Options under the **EF** tab are described in Table 2-11. Some can be adjusted for an individual return from the **EF** screen in data entry.

**Table 2-11: Options Setup: EF**

<b>Option</b>	<b>Description</b>
Auto-generate taxpayer(s) PIN	Have the software assign a randomly generated PIN. (1040 only)
Require 'Ready for EF' indicator on EF screen	Requires that the <b>Ready for EF</b> indicator on the <b>EF</b> screen be marked before a return can be selected for e-filing.
Lock client data file after EF acceptance	Locks the client's data file once it has been e-filed. Opening a locked file requires you to acknowledge a warning screen before you can edit the return. You can also access a locked file at <b>Tools &gt; File Maintenance &gt; Unlock Client Files</b> .
Print 9325 when eligible for EF	Prints Form 9325, Acknowledgment and General Information for Taxpayers Who File Returns Electronically, for every eligible return.
Suppress federal EF	Prevents e-filing of the federal return.
Print EF status page	Generates the <b>EF Status</b> page for any return that is eligible for e-file.
Alert preparer when bank product is not included	Alert the preparer via an EF message that a return does not include a bank product (To override, see "Overriding Bank-Product Alert" on page 238.)
Activate imperfect return election in data entry	Activates <b>Imperfect Return Election</b> check box on <b>EF</b> screen in data entry.

**Table 2-11:** Options Setup: EF

Option	Description
Allow selection for EF from the 'Calculation Results' screen	Allows preparer to send the currently active return directly from the <b>Calculations Results</b> window to the e-filing queue. (The return is then transmitted automatically the next time you e-file returns.)
Enable prompting before automatic transmission of 'Check Print Records'	Allows program to notify you before it transmits the Check Print Records.
E-mail 9325 Notice to Taxpayer (automatic from Drake Processing Center)	Form 9325, Acknowledgment and General Information for Taxpayers Who File Returns Electronically, is automatically e-mailed to taxpayer when return is accepted. (E-mail address must be present on screen 1.)
Default ERO	Choose a preparer number, <b>Paid Preparer</b> , or <b>None</b> to indicate the ERO name that should appear on return documents. This choice can be overridden on screen 1 and the <b>PREP</b> screen in data entry.
Check for e-mail during EF transmit/receive	The program checks for e-mail received every time you transmit returns or pick up acknowledgments.
Combine EF steps (Select, Transmit, Post Acks)	Combines all e-filing steps. Click <b>OK</b> or press ESC on selected returns to e-file, pick up any new acknowledgments, and process the acknowledgments in one step.
Transmit return data to Drake for multi-office web reports	Sends Client Status Manager (CSM) data sent automatically to the Multi-Office Manager (MOM) during the EF process.
State EF	Suppress e-filing of all state returns, or select states to suppress while other state returns remain eligible.
EF Selection Report Options	Customize EF selection reports by specifying which columns (such as SSN/EIN, client name, refund/balance due, etc.) should be included in the EF selection report.

**Admin. Options** To access the **Administrative Options** tab, a user must have administrative rights. Options under the **Administrative Options** tab are described in Table 2-12.

**Table 2-12:** Options Setup: Administrative Options

Option	Description
Use customized data entry selection menu	Mark the check box, click the top <b>Customize</b> box, and then select the package and package type to customize. Click <b>Load Menu</b> . When the data entry screen is opened, click (uncheck) items to disable them in the <b>Data Entry Menu</b> . Click <b>Save</b> . The selected (unchecked) items will not be visible or accessible to any user other than those with administrative rights. (See "Locking Screens" on page 34.)
Customize user-defined data entry fields	Create option lists for the <b>Miscellaneous Codes</b> fields on screen 1 and the <b>Adjustments</b> and <b>Payments</b> fields on the <b>BILL</b> screen. For step-by-step instructions on this feature, see "Customized Drop Lists" on page 35.
Use customized flagged fields on all returns	Select this box, click <b>Flag</b> , and select a package type. When the <b>Data Entry Menu</b> is opened, click the desired screen and click each field to flag. Click a field a second time to clear it. Press ESC to save your changes.  <b>Note:</b> This option is available for federal packages only.



**Table 2-12: Options Setup: Administrative Options**

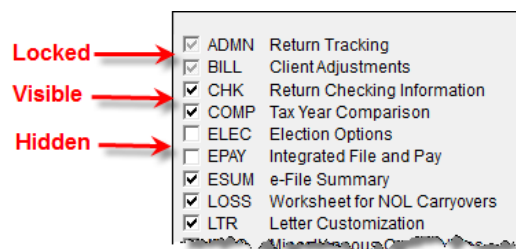
Option	Description
Apply current-year Admin flag settings when updating from prior year	Flags set globally in 2011 are set globally after updating data from <b>Last Year Data &gt; Update from 2011 to 2012</b> .
Print due diligence documents	Print due diligence documents generated from the <b>EIC1, EIC2, EIC3, and EIC4</b> screens.
Require applicable due diligence screens to be completed	Require that applicable fields on the <b>EIC1, EIC2, EIC3, EIC4</b> screens be completed before the return can be e-filed.
Enable logged in preparer's Personal Client Manager	Display the Personal Client Manager on the Drake <b>Home</b> window for the logged-in preparer (check box is marked by default).
Display program update availability to:	Select which preparer groups can view update availability. Selections are <b>Administrators</b> (users with administrative rights) and <b>All</b> preparers.
Bank Products - State laws regarding fees: Charge ALL taxpayers the same fees	Select this box to charge all clients the same supplementary fees (software, franchise/network, and additional fees), regardless of whether a bank product is included. For more information, click the <b>Program Help</b> link.
Drake PDF Printer Password Options	Choose to automatically password-protect any generated PDF documents. Passwords can be assigned to PDF documents that are sent using the Drake e-mail program. The default password format is the first four characters of the client's name plus the last five digits of the client's ID. The <b>Default password</b> drop list includes other format options. These settings can be overridden during printing from the <b>Print Selection</b> dialog box.
Return Status Notification Programs	<i>New for 2012:</i> Use this option to receive return status notification through TaxPoint or ABCvoice. Select to generate 7216 consent forms for the customer to sign. Select to require contact information (phone number and/or e-mail address on screen <b>1</b> , or on the <b>ABCV</b> screen (for ABCvoice) or on the <b>CALL</b> screen (for TaxPoint).

## Locking Screens

An administrative user can “lock” selected screens, making them inaccessible to other users.

1. Go to **Setup > Options, Administrative Options**.
2. Select **Use Customized data entry selection menu**.
3. Click **Customize**.

After loading a selected menu, click a screen's check box to lock the screen or to make it visible or hidden. (Default is “visible.”) Examples are shown in Figure 2-8 and described below the figure.



**Figure 2-8:** Locked, Visible, and Hidden screens

- **Locked** — Menu items with a *shaded check mark* are not visible or accessible.
  - **Visible** — Menu items with a *black check mark* are both visible and accessible.
  - **Hidden** — Menu items with *no check mark* are not visible but can be accessed using the selector field.
4. Click **Save** to save any changes or **Cancel** to close the menu with no changes saved.

Selections made here do not apply for users with administrative rights.

## Customized Drop Lists

Your firm can create drop lists for the **Miscellaneous Codes** on screen 1 and the **Adjustment** and **Payment** description fields on the **BILL** screen. Once you have created a drop list, it appears in the selected field. In Figure 2-9, a drop list has been created for **Miscellaneous Code 1** and **Code 2** on screen 1. As shown in the example, **Code 2** has the user-defined referral codes BUSREF (business reference) and WOMREF (word-of-mouth reference).

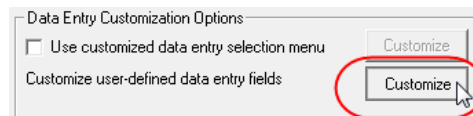


**Figure 2-9:** Screen 1 drop lists and user-defined miscellaneous codes

The instructions below explain how to create the drop list like the one in Figure 2-9.

To create a drop list:

1. From the **Home** window, select **Setup > Options** and click the **Administrative Options** tab.
2. Click the second **Customize** button (Figure 2-10).



**Figure 2-10:** Click **Customize** to customize user-defined data entry fields.

3. In the **Customizable Dropdowns in Data Entry** dialog box, double-click a field to customize, or select a field and click **Edit**. The **Edit Entries** dialog box is opened.
4. In the fields of the **Add Entry** section (Figure 2-11 on page 36), enter a **Code** (eight or fewer characters) and a **Description** (25 or fewer characters).

Selected Entry:

Code:

Description:

Save Cancel

Add Entry:

Code:

Description:

Add

**Figure 2-11:** Enter code and description in the **Add Entry** fields.

5. Click **Add**.
6. Repeat the previous two steps for additional drop list items. When added, items are displayed in the **Entry List** on the left side of the dialog box (Figure 2-12).

Entry List:

Code	Description
BUSREF	Business Referral
WDMREF	Word of mouth referral
NEWSREF	Newspaper ad
RADIOREF	Radio ad
CARDREF	Business Card handout

Edit

Remove

Move Up

Move Down

Sort Ascending

Sort Descending

**Figure 2-12:** Entry list of **Edit Entries** dialog box

7. Click **Save Changes** to close the **Edit Entries** dialog box.

Click **Exit** to return to the **Administrative Options** tab. The drop list is now available in data entry.

The **Edit Entries** dialog box also offers the following options:

- **Changing the order of a listed item** — Use the **Move Up**, **Move Down**, **Sort Ascending**, and **Sort Descending** buttons to change the order of items in the drop list. (See Figure 2-12.)
- **Removing a listed item** — Select an item and click **Remove**. (See Figure 2-12.)
- **Editing a listed item** — Double-click an item. The **Selected Entry** box (see Figure 2-11) is activated with the item properties. Make changes and click **Save**.

## NOTE

You can also create drop lists for the **Adjustments** and **Payments** field of the **BILL** screen.

When viewing a customized drop list in data entry, click F1 to see the item descriptions.

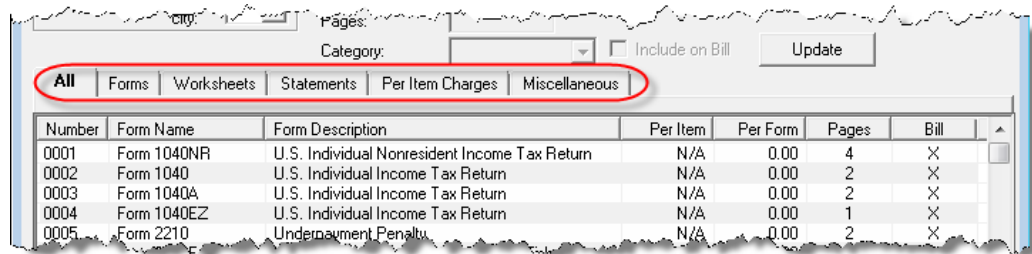
## Pricing Setup

Use Pricing Setup to enter prices and allow Drake to calculate charges and generate them on the client's bill. Prices can be defined for each form and, on some forms, for each item. You can also enter minimum and maximum charges for a completed return.

**NOTE** Bank-product fees are established in **Setup > Firm(s)**.

To set up pricing:

1. From the **Home** window, go to **Setup > Pricing**.
2. Select a package from the **Form** box of the **Pricing Setup** window. All forms for that package are displayed in the grid below. View items by category by clicking the tabs at the top of the grid (Figure 2-13).



**Figure 2-13:** Tabs allow you to view categories of documents that can be priced.

Use the scroll bar or arrow keys to find forms. Double-click a form to select it quickly.

3. Select a form in the grid and press ENTER (or double-click the form).
4. (Optional) Edit the **Form Description**. This description is printed on the client bill if **Include on Bill** is selected. *Do not edit the form name.*
5. Enter pricing information in the **Per Item** and **Per Form** fields.
  - When a **Per Item** entry is not applicable for a form, the field is unavailable.
  - If **Per Item** pricing is allowed, the price entered will apply to *all* instances of the selected form that are printed for a return. (To view all items for which per-item pricing is allowed, click the **Per Item Charges** tab; see Figure 2-13.)
6. Click **Update**, and then click **Save**.

Repeat these steps for each form, or set pricing for only the most commonly used forms. You can price other forms from within the individual returns that require them. (For more information, see “Overriding the Bill Amount” on page 56.)

### Fee Options

The program includes options to add a custom fee and a financial product assistance fee. Both fees are included in the “Forms” section of the bill.

- **Custom fee** — The custom fee is charged on all client returns. Use item 0387 in the **Pricing Setup** window to assign a fee name, description, and amount.
- **Financial product assistance fee** — Use this option (item 0212 in Pricing Setup) to add a charge to all returns that include a bank product. This fee is *not* included on the bill if any of the following are true:

- The firm state is Arkansas, Maryland, Maine, or New York (See Program Help link in **Setup > Options, Administrative Options** tab.)
- In **Setup > Options, Administrative Options** tab, the option to charge all taxpayers the same fees is marked
- In **Setup > Pricing**, the **Include on Bill** box is not marked for this fee

## Minimum & Maximum Fees

*Use the scroll bar or arrow keys to find forms.*

To set minimum and maximum fees to be charged for a return:

1. From the **Home** window, go to **Setup > Pricing** and select a package from the **Form** box. All forms for that package are displayed in the grid below.
2. Scroll down to Forms 0255 and 0256 (the minimum and maximum fee settings).
3. Double-click a row and enter the fee. Repeat for the other form, if desired.
4. Click **Update**, and then click **Save**.

## NOTE

If incorrect charges are generated on bills, check the minimum and maximum fees to see if the settings are affecting the totals.

## Macros Setup

Macros are a series of commands and functions that allow a combination of keys to accomplish tasks. Also called shortcut keys, some macros are already available in the program; for example, CTRL+V opens View mode. You can edit existing macros or create new ones to meet your office's needs.

You can also use macros for data that is used often by your office. For example, if many of your local clients use Small Town Bank, you can arrange for the program to enter "Small Town Bank" every time you press a particular shortcut key combination.

## NEW FOR 2012

The **Setup Macros** screen has changed slightly, making it easier to enter longer macros, and a new Record feature allows you to create new macros more quickly.

## Using Macros

To insert macro data, place the cursor in the field and press the applicable shortcut key (macro) combination. To view available macros, press CTRL+SHIFT+M from within a field to open the **Data Entry - Macros** window. To insert macro data from the list, select a macro and click **Execute** (or double-click the row). The **Data Entry - Macros** window is closed automatically.

## Creating New Macros

To set up your own macros in Drake:

1. From the Drake **Home** window, go to **Setup > Macros**. The **Setup Macros** dialog box shows the shortcut keys (**Hot Key** column) and their associated tasks (**Data** column).
2. Double-click a line to open the **Edit Macro** window and enter a new macro or edit an existing macro.

*To view a list of macros in data entry, press CTRL+SHIFT+M.*

3. In the **Edit Macro** pane, construct a simple formula or words and operators that will enter the data you choose. Symbols for non-character shortcuts are listed in Table 2-13.
4. Click **Save**.

For instance, if you wanted to create and use an address macro for 1234 Peachtree Street, Atlanta, GA 30331, Fulton County, using keys ATL+L for your macro:

1. From the Drake **Home** window, go to **Setup > Macros**.
2. In the **Setup Macros** window, double click an empty **Data** line line.
3. In the **Edit Macro** window, enter 1234 Peachtree Street>> Atlanta>Ga>30331>Fulton>>GA
4. Click **Save**.
5. Go to screen **1** in Drake.
6. Click in the **Street address** field and press ALT+L.

The macro enters 1234 Peachtree Street for the **Street address** line, jumps the **Apt #** field and enters Atlanta in the **City** field, enters GA in the **State** field, enters 30331 in the **ZIP code**, enters Fulton in the **County** field, then jumps ahead two fields and enters GA in the **Resident State** field.

**TIP**

If a single macro is to allow data entry in multiple fields, use heads-down mode and right angle brackets (>) to jump to a field.

Example: The macro EF>#25>X>#~ would open the EF screen (EF>), toggle heads-down data entry mode to ON (#), enter field 25 (25>), select the box to **Suppress Federal/State EF and all Bank Products** (X), toggle heads-down mode to OFF (#), and save the data and escape the EF screen (~).

**“Recording” Macros**

*New for 2012:* Click the **Record** button on the **Edit Macro** window and you can use key strokes to enter certain macro operators. For instance, click **Record** and:

- The ENTER key or the TAB key inserts the “field forward” (>) operator.
- SHIFT+ENTER or SHIFT+TAB inserts the “field back” (<) operator.
- ALT+D inserts the “date” ([D]) operator.
- ESC inserts the “escape from screen” (~) operator.
- CTRL+N inserts the “heads-down mode” (#) operator.

The following tables lists all the operators used in building macros:

**Table 2-13: Macro Symbols**

Symbol	Action
<	Move cursor back one field. If the (<) symbol is inserted <i>in front of</i> selected data in a macro, the program moves the cursor back one field from the active field before inserting the data. If inserted <i>after</i> the data, the program inserts the data in the active field then moves the cursor back a field.
>	Move cursor forward one field. If the (>) symbol is inserted <i>in front of</i> the selected data in a macro, the program jumps ahead one field from the active field before inserting the data. If inserted <i>after</i> the selected data, the program inserts the data first, and then moves the cursor forward a field.

Table 2-13: Macro Symbols

Symbol	Action
~	Escape. If the (~) symbol is inserted <i>after</i> the selected data in a macro, the program inserts the selected data, saves the data, and exits the screen.
[D]	Insert date. If [D] is part of a macro, the program enters the current date into the active field.
#	Launch heads-down data entry mode. If the (#) symbol is inserted <i>after</i> the selected data in a macro, the program enters the data then activates heads-down data entry. To have heads-down closed from the macro, add a second (#) symbol. (See "Heads-Down Data Entry" on page 75.)
*	Bypass the <b>Existing Forms List</b> when performing the task set by a macro. Enter an asterisk (*) only once in any macro, and place it at the beginning of the macro. (When you open a screen that has multiple records, an <b>Existing Forms List</b> is displayed, and you have the choice of selecting an existing record or creating a new one. To bypass the <b>New Record</b> option and open the first record listed, enter the (*) symbol in front of the macro. For example, *C opens the first Schedule C record. To open the second record, enter a 2 inside brackets ([2]), thus the macro *C[2] opens the second C screen, *C[3] opens the third, etc.)
[New]	Perform the assigned task on a new record. For example, *C[New] opens a new C screen. The asterisk (*) bypasses the <b>Existing Forms</b> list. It must be present for the [New] function to work properly.
[Home]	Return to first field on a screen. If [Home] is inserted into a macro, the cursor moves to the first field on the screen.
[End]	Move to last field on a screen. If [End] is inserted into a macro, the cursor moves to the last field on the screen.
[FF:#]	Cursor jumps ahead a prescribed number of fields. For instance, [FF:5] jumps the cursor ahead five fields. This macro is not compatible with macros that use, or are initiated in, heads-down mode.
[FB:#]	Cursor jumps back a prescribed number of fields. For instance, [FB:5] would jump the cursor back five fields.
[FJ:#]	Cursor jumps to the prescribed field number. For instance, [FJ:25] would jump the cursor to field # 25. (Obtain field numbers by viewing the screen in heads-down mode. This macro is not compatible with macros that use or are initiated in heads-down mode.
+	Prevents a macro from clearing a flagged field.
[PAGEDOWN]	Move to the next screen in a list. For instance, in a return with several W2s screens, Dependent screens, or 4562 detail screens, press the macro to move from one screen to the next.
[PAGEUP]	Move to the previous screen in a list. For instance, in a return with several W2s screens, Dependent screens, or 4562 detail screens, press the macro to move from one screen to the next.
[NEXTTAB]	Move from one linked screen to the next linked screen. For instance, for clients who receive a K-1 from a partnership, press the macro and go from the <b>1065 K1 13-20</b> screen to the <b>Basis Worksheet</b> screen.
[PREVTAB]	Move from a linked screen to the previous one. For instance, for clients who receive a K-1 from a partnership, press the macro and go from the <b>Basis Worksheet</b> screen to the <b>1065 K1 1-12</b> screen.

## Introduction to Letters in Drake

The letters program generates various types of client letters, from engagement letters to the return's cover letter. In some cases, letter content is automatically based on data from the tax return. For example, if a return with a federal *balance due* has been e-

filed and the client has opted to *mail a check* to the IRS, the accompanying result letter will state the *balance due amount*, provide the *e-filing information*, and give *instructions for mailing the check*.

Because so much of the letters program is automatic, you may not have to edit the letter templates at all. If you do need to make changes, Drake has provided numerous options for doing so.

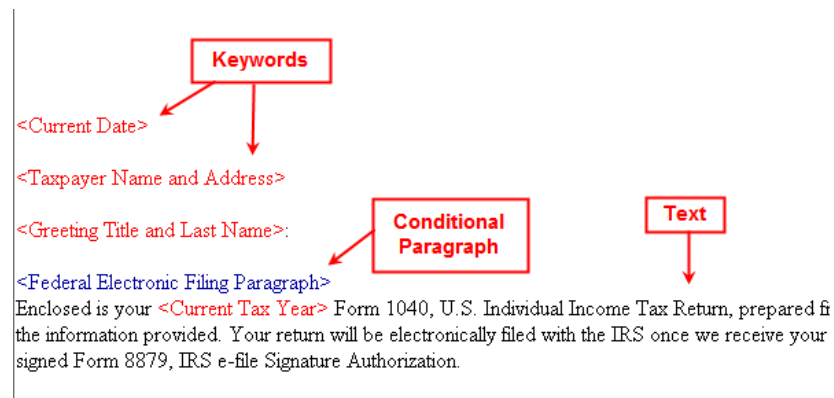
Before making changes, please continue reading this introduction to ensure that you understand how the templates and the Client Communications Editor are structured.

## NOTE

To view a list of Rich Text Format (RTF) keyboard shortcuts for letters, from the menu bar at the top of the **Home** window, select **Help > Drake Software Help** (or press CTRL+F1). In the **Contents** tab, double-click **Setup**, double-click **Letters**, then select **RTF Guide**.

### Parts of a Letter

A letter in the Client Communications Editor (accessed from **Setup > Letters**) contains three categories of letter elements: keywords, text, and conditional paragraphs.



**Figure 2-14:** A letter template consists of keywords, text, and conditional paragraphs.

*Keywords* appear as red text within angle brackets. A keyword is a description of the type of text to be generated and added to the letter. For example, the keyword “Current Date” is at the top of each letter. When a letter is generated, the “Current Date” keyword is replaced with the current date. (For more on keywords, see Appendix C.)

*Text* (in black text) is displayed exactly as it will be printed in the output of the letter.

*Conditional paragraphs*, like keywords, contain angle brackets. Each “paragraph” actually consists of a starting tag, the conditional text, and an <End Paragraph> tag. Note that both the starting and ending tags end with the word “Paragraph.”

The enclosed conditional text is printed *only if* a particular situation applies in that letter. For example, the conditional paragraph in Figure 2-15 on page 42 is generated only if the taxpayer, who has a balance due, is *paper-filing* and has selected *not* to pay by direct debit.



Text is generated only if this condition applies.

**<Federal No Dir Debit (Paper) Paragraph>**  
 Include your payment and Form 1040-V with your return. For faster processing and to prevent errors, make your check or money order payable to the "U.S. Treasury" and write your Social Security number and "<Current Tax Year> Form 1040" on the check or money order. If you want to review credit card and other payment options available, call (800) 2PAYTAX or (888) PAY-1040.  
 <End Paragraph>

Figure 2-15: Conditional paragraph

**Paragraph Nesting**

Many conditional paragraphs are nested within larger ones. Different nesting levels are indicated by different colors. In Figure 2-16, the **Federal No Dir Debit (Paper) Paragraph** from Figure 2-15 is nested inside the **Federal Balance Due Paragraph**. The green and purple text show where each paragraph begins and ends.

**<Federal Balance Due Paragraph>**  
 Your federal return reflects a balance due of \$<Federal Balance Due>.  
 <Federal No Dir Debit (Paper) Paragraph>  
 Include your payment and Form 1040-V with your return. For faster processing and to prevent errors, make your check or money order payable to the "U.S. Treasury" and write your Social Security number and "<Current Tax Year> Form 1040" on the check or money order. If you want to review credit card and other payment options available, call (800) 2PAYTAX or (888) PAY-1040.  
 <End Paragraph>  
 <End Paragraph>

Figure 2-16: Nested Conditional Paragraph

In this example, the **Federal No Dir Debit (Paper) Paragraph** is generated *only* if the **Federal Balance Due Paragraph** is generated, and only if applicable for a return.

**Client Communications Editor**

The Client Communications Editor, accessed from **Setup > Letters**, is where you can read, edit, re-write, print, and save the letters contained in the program. You can also add your company letterhead and logo to the letters. The right pane of the Editor displays the letter template. The left pane displays, in tree view, the applicable paragraphs and keywords by category (Figure 2-17). Click [+ ] to expand a category, or click [- ] to contract it. Hover your pointer over a keyword to view its description.

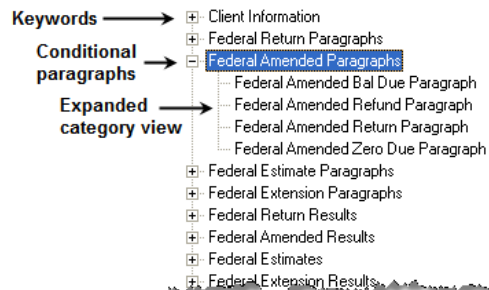


Figure 2-17: Category tree (left pane of Client Communications Editor)

While the result letters are designed with keywords inserted to handle most situations, additional keywords are available if you want to further customize the letter.

## Available Letters

Table 2-14 lists all available letter templates. All letters can be modified using the Client Communications Editor. Templates with an asterisk (\*) indicate letters that can be generated, individually or in batches, separately from the tax return. (See “Letters” on page 301.)

**Table 2-14:** Letter Templates Available in 2012

Letter Template	Description
Result Letter	Provides return results for the filed returns; gives info on bank products, estimates, due dates, mailing instructions, etc., as applicable.
Result - Template	Contains the same keywords and paragraph tags as the Result Letter, but no pre-written letter template is provided.
Extension Letter	Explains that an application for extension has been filed.
Amended Letter	Similar to the result letter, but for an amended return.
Estimate Payment Reminder*	Provides details for making a 2013 estimate payment; individual (1040) package only.
Scheduled Appointment Reminder*	Informs prior-year clients of this year's appointment date and gives instructions for preparing for the appointment; individual (1040) package only.
Referral Coupon	Offers client a discount for referring another client; individual (1040) package only.
Preseason Letter*	Reminder to 2011 clients that tax season is coming up; all applicable packages.
Post-season Letter*	Letter thanking 2012 clients for their business; available for all applicable packages.
Customized Supplemental Letter	Fully customizable template that can be used to create a customer survey, package or product offering sheet, generic letter, client coupon, etc.
Engagement Letter*	Standard engagement letter for tax services.
E-file Status Letter*	Provides 2012 clients with an acknowledgment summary of their e-filed returns; available for all applicable packages.
Privacy Policy	Generic privacy policy for clients.
K-1 Cover Letter	Cover letter for a shareholder, partner, or fiduciary receiving a Schedule K-1; S corp, partnership, and fiduciary packages only.
K-1 Amended Letter	Cover letter for a shareholder, partner, or fiduciary receiving a Schedule K-1 that has been amended; S corp, partnership, and fiduciary packages only.
Grantor Trust Statement	Cover letter for grantor trust statement; fiduciary package only.

## Letters Setup

Use the Client Communications Editor (**Setup > Letters**) to edit letter templates, set up the letterhead for letters and client bills, and preview letters.

### NOTE

Use the **Letter Outline** tab to find individual letter paragraphs quickly.

## Editing a Letter Template

*The Client Communications Editor opens to the last letter template viewed.*

*CTRL+X deletes a selected item.*

To edit a letter:

1. In the Client Communications Editor, click **Open** and select a package and letter to edit. The pane on the right displays the selected template.
  - *To edit the letter contents*, add, edit, or delete text as you would in a program like Microsoft Word. From the toolbar, specify font properties, typeface (bold, italic, underlined), and alignment; and copy, cut, and paste.
  - *To add a keyword or conditional paragraph* to the letter, place your cursor where you want the new item to go, and then locate and double-click a keyword or paragraph from the pane on the left. To delete a keyword or conditional paragraph, select it in the letter template and press DELETE.
2. Click **Save**.

## NOTE

The Client Communications Editor does not allow you to save any letter in which text within angle brackets (in other words, the names of keywords or conditional paragraphs) has been changed.

## Setting Up Letterhead

*You can also use the Client Communications Editor to set up letterhead for bills.*

Arrange to have your firm's information and logo generated on client bills and letters.

To set up your letterhead:

1. In the Client Communications Editor, go to **Setup > Letterhead and Margins**.
2. Select options from the **Letter/Bill Indicators** section.
3. Designate **Coordinates**. In the right column, number settings indicate the position of the firm information and logo. Settings for the default graphic are:
  - Left-most column for logo — 8
  - Top-most row for logo — 3
  - Left-most column for firm info — 25
  - Top-most row for firm Info — 4
4. Enter the path to the graphic in the **Path/Filename for Bitmap Logo** text box (or use the **Browse** button). The full path and filename are required. To use the simple default graphic, enter C:\Drake12\CF\LOGO.BMP. ("C" indicates the drive letter to which the Drake program is installed. Change if necessary.) Leave blank for no logo.
5. Click **OK**.

## Changing Letter Margins

The left margin of a letter can be changed to suit your printing needs. To change the left margin of the default letter:

1. In the Client Communications Editor, select **Setup > Letterhead and Margins**.
2. Enter a number under the **Left Margin Adjustment** box (Figure 2-18 on page 45).

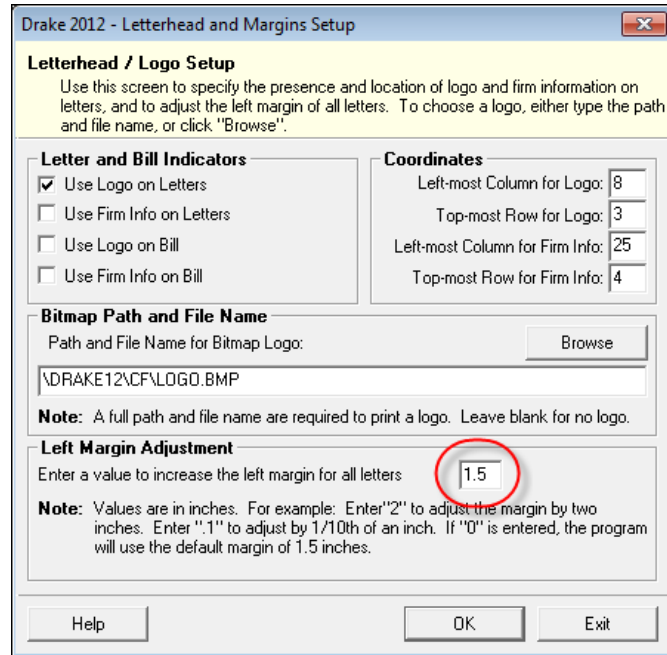


Figure 2-18: Left Margin Adjustment feature

Values are in inches. An entry of 1, for example, adjusts the margin one inch to the right, and an entry of 1.5 adjusts it an inch and a half. Values can also be entered in increments of one-tenth of an inch. For example, an entry of .1 adjusts the margin one-tenth of an inch to the right (see example in Figure 2-18).

3. Click **OK**.

The appearance of the margin in the letter template will not change; however, when a letter is generated with a return, you'll be able to see the margin change both in View mode and on the printed letter.

**NOTE** An entry of "0" applies the default margins. Drake does not accept negative numbers or numbers with two decimal values (such as 1.25).

### Naming a Template

Press **CTRL+N** to quickly access the **Rename Letter** dialog box.

Each template has a default name (see Table 2-14 on page 43). To assign a new name:

1. From the Client Communications Editor, click **Open** and select a letter template.
2. Click **Setup > Rename Letter**.
3. Enter a new name in the **Rename Letter** dialog box and click **OK**.

The new name is displayed in the **Client Communications Editor** title bar.

### Restoring a Template

To restore a template to its original (default) format, open the template and select **Setup > Restore Original Letter**.

## Viewing Letters for Sample Return

The preview feature allows you to open View mode and view a sample letter for one of 10 return types:

- An e-filed return with refund
- An e-filed return with balance due
- A paper-filed return with refund
- A paper-filed return with balance due
- An e-filed return with an extension
- An e-filed return with an extension and balance due
- A paper-filed return with a refund and an extension
- A paper-filed return with a balance due and an extension
- A paper-filed amended return with a refund
- A paper-filed amended return with a balance due

To access the preview feature, click the **Preview** button in the toolbar of the Client Communications Editor.

## Bringing Forward a Template

To replace a current-year template with a prior-year one:

1. From the Client Communications Editor, click **Open** and select the template to replace.
2. Go to **Setup > Update Prior Year Letter** and click **OK**.
3. Select the drive of the Drake program that contains the prior-year letter.
4. Select a prior-year letter.
5. Click **Continue**.
6. When prompted, click **Yes**.

Be sure to read through the replacement letter to ensure that the information is current.

## Color Setup

Use the Color Setup feature to tailor Drake screens to meet your firm's preferences.

### TIP

If you used Drake last year, consider customizing colors to make your 2012 program look different from your 2011 program. If you must open the 2011 program during tax season, customized colors will help you avoid entering data into the old program by mistake.

## Program Colors

To customize program colors:

1. From the Drake **Home** window, go to **Setup > Colors**.
2. Under **Program Colors**, choose one of the following options:
  - **Use Windows System Colors** — Program screens inherit the color scheme used by the operating system.
  - **Use Custom Created Colors** — The **Program text color** and **Program background color** boxes to the right become available. Click a box to view the Windows color palette and choose a color.

*Use Define Custom Colors to create a new color.*

3. Click **OK**.

### Data Entry Colors

To change the color of a specific area in data entry:

1. From the Drake **Home** window, go to **Setup > Colors**.
2. Click a color box in the **Data Entry Colors** box to open a Windows color palette.
3. Select a color and click **OK**.
4. Once all color selections are made, click **OK**.
5. To restore the original color settings in **Setup > Colors**, click **Restore**, and then click **OK**.

## Printing Setup

Use the Printer Setup to:

- Establish the printer to be used with Drake
- Install a “Print to PDF” option that allows you to create PDF files
- See if your printer is HP PCL-5e compliant

### NOTE

Your Windows default printer is designated as the Drake default printer when Drake is installed. You do not have to add or set up a printer in Drake if the printer is already set up in Windows. Printer settings are carried forward automatically each year.

### TIP

Watermarks can be added on the fly via the **Print Selection** dialog box (the box that is displayed when you click **Print** in Drake). You can opt to print a custom watermark that you specify (see “Watermark Text” in Table 2-15 on page 48) or to print “Client Set” or “Preparer Set” as a watermark.

### Editing Printer Settings

To edit settings for the printer used for printing tax returns:

1. From the Drake **Home** window, go to **Setup > Printing > Printer Setup**.
2. Enter setup changes as needed. Details on each tab are provided in Table 2-15 on page 48.
3. Click **Save**.

Table 2-15: Printing Setup

Tab	Field	Description
<b>(F5) General Setup</b> — displays the current default printer for <b>Tax Forms, Reports, Labels,</b> and <b>Checks</b> , and the default for the <b>Letterhead source tray</b> (which allows you to print letters from a tray other than the one used for tax returns).	Tray	Default is "Main Paper Source." Change the default if you have a multiple-tray printer and will not be printing from the main tray.
	# Copies	Number of copies to print (not available for labels or checks).
	Duplex	Directs printer to print duplex. <i>Only forms that are approved for duplex will be printed as duplex.</i>
	Staple	If the printer supports stapling after each print job, select this option to turn stapling on.
	Show dialog	Causes the <b>Print</b> dialog box to be opened before each print job.
<b>(F6) 'Sets' Setup</b> — displays the current default printer and the different types of sets that can be printed; see "Printing Printer Sets" on page 201.	Tray	Default is "Main Paper Source." Change the default if you have a multiple-tray printer and will not be printing from the main tray.
	Duplex	Directs printer to print duplex. <i>Only forms that are approved for duplex will be printed as duplex.</i>
	Duplex all	Directs printer to duplex-print all forms (approved or not). (Not available for sets to be mailed to the IRS or a state.)
	Staple	If the printer supports stapling after each print job, select this option to turn stapling on.
	Print set	Indicates which sets should be available for printing after a return is calculated.
	Watermark text	Watermarks to be displayed on the Client and Preparer copies, respectively. Defaults are "Client Copy" and "Preparer Copy."
<b>(F7) Options</b> — used to set up advanced printing options not related to a specific printer.	PCL soft font option	Many printers require soft fonts to be downloaded before tax forms can be printed. Select the desired downloading option.
	Classic print mode	For preparers who prefer Basic View (See "Viewing a Return (Enhanced Mode)" on page 197), Drake's "Classic Print" mode will be displayed when in Print mode.

**Table 2-15: Printing Setup**

<b>Tab</b>	<b>Field</b>	<b>Description</b>
<b>(F8) Edit Printer Settings</b> — used to edit print settings for a selected printer.	Select printer	Select the printer. For printers other than Drake PDF Printer, the fields listed below are activated. (If you select Drake PDF Printer, you'll be given the option to launch Adobe after printing to the Drake PDF Printer.)
	Printer type	Select the printer type from the drop list.
	DPI override	Change the dots per inch (DPI) setting.
	Adjust margin	Select this option if printed forms are running off the lower edge of the paper.
	Check adjustment - vertical	Use this field if text is being printed too high or low on checks. Enter whole numbers to adjust the printed text 1/4-inch at a time. Enter 1 to move the type 1/4 inch; 2 to move 1/2 inch, etc. Positive numbers move the placement down; negative numbers move the placement up.
	Print Method	PCL (Printer Control Language) is supported by most HP laser-jet printers. If your printer supports PCL, the remaining fields on the screen will be filled automatically. The Alternate Print Method (GDI) will produce a good print quality but may be slower under some conditions.)
	Test Printer	Click the <b>Test Printer</b> button to see if your printer is HP PCL-5e compliant. (See "Testing Your Printer" following)
	Main paper source	Select the tray that is to be the main paper source for the selected printer.
	Alternate paper source	Select the paper source to be used when the main paper source is not available.
	Opt. large paper source	Select the tray to be used as the optional large paper source.
Manual feed	Select the tray to be used for manual feed.	

### Testing Your Printer

While there has been a huge shift towards e-filing, there are still times when returns must be paper-filed. In an effort to process those paper returns "electronically," government agencies scan these returns, allowing them to more efficiently and accurately move the paper returns into the electronic processing system.

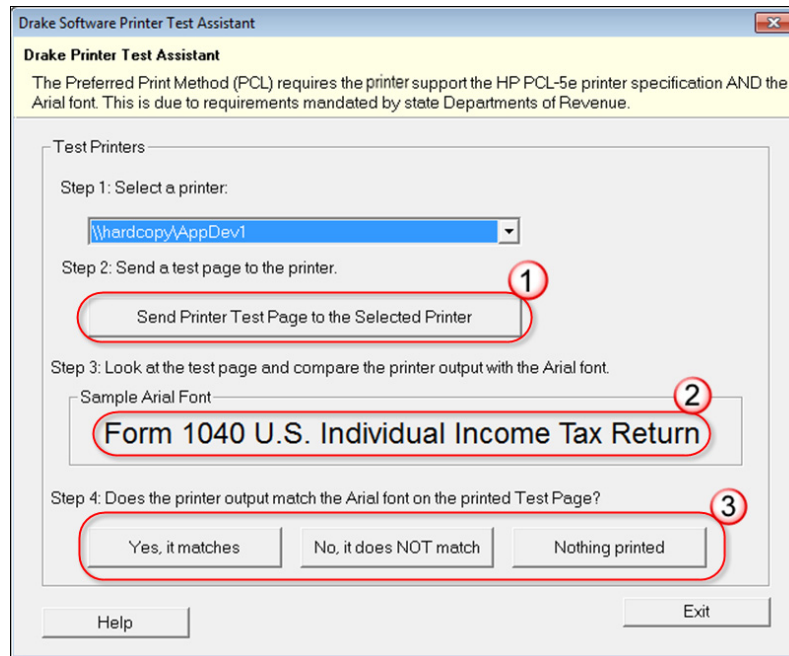
Drake has made changes to its print engine as a part of an ongoing effort to create nearly exact replicas of tax forms on the many different makes and models of printers that are used in tax offices today. Some of these changes are necessitated by the emergence of stricter requirements enforced by some government tax agencies for paper processing.

Drake has provided a way for you to print a test page in the preferred Printer Command Language (PCL) mode to see if your printer is compliant with these software changes.

To test your printer, take the following steps:



1. From the **Home** window of Drake, go to **Setup > Printing > Printer Setup**.
2. Click the **[F8] Edit Printer Settings** tab to open the **Printer Setup** dialog box.
3. Select your printer from the **Select printer** drop list. This activates the fields below.
4. On the right-center of the **Printer Setup** dialog box, click **Help Me Choose** to open the **Printer Test Assistant** dialog box.
5. From "Step 2" of the **Printer Test Assistant** dialog box, click **Send Printer Test Page to the Selected Printer** (item #1 in Figure 2-19).

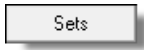


**Figure 2-19:** Click **Send Printer Test Page...** (item #1) to test a printer for PCL compliance

6. Compare the text of the printed page to the **Sample Arial Font** of the dialog box (item #2 of Figure 2-19).
7. Click the appropriate button (item #3 of Figure 2-19):
  - **Yes, it matches exactly** — Your printer is PCL-5e compliant and meets Arial font requirements. The software selects the PCL method automatically.
  - **No, it does *not* match** — Your printer doesn't appear to support Arial font and will use the Alternate Print Method (GDI) to produce acceptable results. (GDI will produce good print quality but may be slower under some conditions.) Drake recommends you call your printer manufacturer to determine if Arial font can be added.
  - **Nothing printed** — Some printers that are not PCL-5e compliant will not accept the test print. These printers will use the Alternate Print Method (GDI) to produce acceptable results.
8. Select another printer from the **Step 1: Select a printer** drop list and follow the same steps to test.
9. When finished, click **Exit** to close the **Printer Test Assistant**.
10. Click **Update** to save any printer changes. Click **Save** to exit **Printer Setup**.

## Printing Sets

The **Printing Sets** feature allows you to print multiple sets of returns for different purposes. To define printing sets:



1. From the Drake **Home** window, go to **Setup > Printing > Printer Setup**.
2. Click the **Sets** button to open the **Copies Per Set** dialog box.
3. Select a category from **Form Categories**. Your selection determines which forms are displayed in the grid below.
4. Double-click a form in the list. The default information for that form fills the text boxes above.
5. In the boxes under each set name, enter the number of copies of the form to be printed with each set. For example, to include three Schedule Cs with the **Client** set, enter 3 under **Client**.

Enter the number of copies per set below. Valid Copy amounts are (0 - 9).

Form Name: Schedule C

EF Signature: Est / Ext: 0 / 0    Client: 3    Preparer: 1    Federal: 1    K-1: 0     Main Form

Update

**Figure 2-20:** Example: Three copies of Schedule C for client

6. Click **Update**.
7. Click **Save**, and then click **OK**.

Repeat this procedure for other forms as needed.

## Changing Print Sets "On the Fly"

You can make **Sets** changes on the fly (in other words, without going to Printer Setup), but this will modify settings globally—not just for the active return. If you change your **Sets** settings on the fly, you change the settings for *all* returns.

To change or add print settings on the fly, complete the following steps while in Enhanced View mode for a return:

1. Select a form from the directory tree.
2. Select **Setup > Form Properties** from the toolbar.
3. In the **Number of Copies** section, edit settings and click **Save**.

## NOTES

Pricing can also be changed using this option; see "Pricing for a Single Return" on page 57.

If using Basic View, access this feature by right-clicking a form in Basic View and selecting **Properties**.

## Setting a Print Order

Use this option to view or change the order in which forms are printed.

1. From the Drake **Home** window, go to **Setup > Printing > Printer Setup**.
2. Click **Set Form Order** (at the bottom of the **Printer Setup** dialog box) to open the **Sort Form Order** window.
3. Select a package series and choose a set type. Forms are listed with their order number in parentheses to the left. **Normal (Default)** is the established IRS order.

4. To change the sequence in which the forms are printed, click and drag form names until the forms are listed in the desired order.
5. Click **Save**.

**NOTE** To back up the print order and restore it to another machine, choose to back up the setup files from **Tools > File Maintenance > Backup**.

### Document Manager Setup

For details on how to set up and use the Document Manager, see Chapter 13, "Suite Products."

## Making Changes on the Fly

When you make changes "on the fly," you override program calculations and defaults (set by either the program or by the preparer in Setup) for the open return. The rest of this chapter focuses on actions you can take *while in data entry* to "override" these global settings in an individual (1040) return. Comparable options for other packages (such as the business packages) are provided in the manual supplements for those packages, available at <http://Support.DrakeSoftware.com>.

## Suppressing/Forcing Documents

The **PRNT** screen allows you to indicate which forms should and should not be generated for a return, regardless of program calculations and established defaults.

### Suppressing Items from Being Generated

Table 2-16 lists items that can be suppressed using the **PRNT** screen.

**Table 2-16: Items That Can Be Suppressed from the PRNT Screen**

Item	Description
1040EZ	Prevents Form 1040EZ from being prepared; program prepares either Form 1040 or 1040A instead.
1040A and EZ	Prevents Forms 1040A and 1040EZ from being prepared; program prepares Form 1040 instead.
State short form	Forces state return to be printed on the state long form.
8801	Suppresses printing of Form 8801, Credit for Prior Year Minimum Tax - Individuals, Estates, and Trusts, if the form is not required. (This form is generated by default on certain returns that have a credit carryforward.)
WK_PAL	Prevents Passive Activity Deduction Worksheet from being prepared. This worksheet shows how much (if any) the taxpayer is taking in passive activity loss deductions this year and how much is being carried over.
WK_6251B	Suppresses exemption worksheet for Form 6251, Alternative Minimum Tax.
WK179LMT	Prevents section 179 Business Income Limit Worksheet from being prepared. This worksheet shows the amount (if any) of section 179 deductions taken this year and how much is being carried over.

**Table 2-16:** Items That Can Be Suppressed from the **PRNT** Screen

Item	Description
Proforma/organizer	Prevents proforma/organizer for next year from being generated. See "Organizers and Proformas" on page 80.

**NOTES**

The option to print or suppress the 1040A and 1040EZ for *all* returns (if applicable) is set at **Setup > Options, Form & Schedule Options**.

In the 1120S, 1065, and 1041 packages, if the option to print K-1 letters is selected at **Setup > Options**, you can go to the **PRNT** screen to suppress the printing of K-1 letters.

**Forcing Items to Be Generated**

Table 2-17 lists **PRNT** screen items that can be "forced," even if the program calculations and established defaults would otherwise not generate them.

**Table 2-17:** Items That Can Be Forced from the **PRNT** Screen

Item	Description
Schedule A	Schedule A, Itemized Deductions
Schedule B	Schedule B, Interest and Dividend Income
Form 4562	Form 4562, Depreciation and Amortization
Form 6198	Form 6198, At-Risk Limitations
Form 6251	Form 6251, Alternative Minimum Tax for Individuals
Form 8582	Form 8582, Passive Activity Loss Limitations
Summary	Individual Diagnostic Summary; appears as SUMMARY under <b>Miscellaneous</b> tab in View mode.
Compare	Tax return comparison; compares current-year return with returns from the two prior years and appears as COMPARE under <b>Miscellaneous</b> tab in View mode. (See "Comparing Data" on page 186 for more on creating a tax return comparison in Drake.)
WK_SSB	Social Security Benefits Worksheet provided by IRS for Forms 1040 and 1040A; allows taxpayer to see if any benefits are taxable.
Next-Year Depreciation List	Worksheet showing the depreciation to be carried forward to 2013.

**Overriding Other Setup Options****Envelope Coversheets**

When a return is generated, Drake prints envelope coversheets, if selected, for mailing with copies of the return to the taxpayer and tax authorities. Default settings for envelope coversheets are set in **Setup > Options, Optional Documents** tab. Use the **PRNT** screen to override coversheet options for a single return.

**Filing Instructions**

When a return is generated, Drake prints federal and state filing instructions. Default settings are established from **Setup > Options, Optional Documents** tab. Use the **PRNT** screen to override the default and force or suppress the filing instructions.

**Due Diligence Documents**

EIC due diligence information is entered on screens **EIC1, EIC2, EIC3, and EIC4**. The **PRNT** screen includes options to print EIC due-diligence documents with a selected return. (These options are set globally from the **Administrative Options** tab in **Setup > Options**.)

**Dates on the Return**

A default due date for filing is printed on returns and all letters and filing instructions generated with a return. Use the **PRNT** screen to override this default date. These changes cannot be set globally from Setup.

Override the default date by entering an alternate due date in the **Date to print on returns** or **Due date to print on letter and filing instructions** fields in the **Print Overrides** section of the **PRNT** screen.

**Return Indicators**

By default, the program displays certain indicators (such as "Hurricane Katrina") on applicable returns. Use the **PRNT** screen to force certain indicators to be displayed.

**NOTE**

If a return qualifies for special treatment due to a disaster, the required literal should be entered in the **Disaster designation** field. An entry here will be printed at the top of the main federal form and will be included in the transmission file for e-filed returns.

**Billing Format**

The following global setup options are set from **Setup > Options, Billing** tab, and can be changed on the fly by using the **BILL** screen in data entry:

**Table 2-18: Billing Options That Can Be Changed on the Fly**

Option	Choices
Billing Statement Format	Total only; Forms and total; Forms, prices, and total; Bill by time; Charge per form
Custom Paragraph	None; Top of bill; Bottom of bill

For more on the **BILL** screen, see "Overriding the Bill Amount" on page 56.

**NOTE**

Write the custom paragraph for the bill in the **Custom Paragraph** field at **Setup > Options, Billing** tab.

### Penalty & Interest Calculations

The following global setup options are for penalty and interest calculations on late-filed returns. These are set from **Setup > Options, Optional Items on Return** tab, and can be changed from within a return from the **LATE** screen on the **Taxes** tab:

**Table 2-19:** Penalty & Interest Options That Can Be Changed on the Fly

Global Setting	Available Overrides
Calculation of penalty and interest on all returns	If the global option is selected, it can be suppressed for a single return. If the global option is not selected, it can be forced for a single return.
Interest rates	Penalty and interest amounts can be entered manually for a single return to override program calculations based on updated or manually entered interest rates in <b>Setup &gt; Options</b> .

For more on the setting up the global option in Options Setup and on using the **LATE** screen, see “Features for Late-Filed Returns” on page 181.

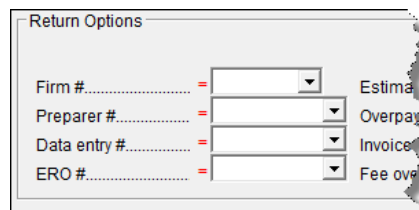
### Listing a Different Firm, Preparer, or ERO on a Return

By default, the program prints the information shown in Table 2-20 on the return.

**Table 2-20:** Firm, Preparer, and ERO Data That Can Be Changed on the Fly

Information	Description
Firm	Firm associated with Preparer #1 in <b>Setup &gt; Preparer(s)</b>
Preparer	Preparer #1 (as entered in <b>Setup &gt; Preparer(s)</b> )
ERO	ERO selected in <b>Setup &gt; Options, EF</b> tab (default is “Paid Preparer”)

To override any of these defaults for a return, go to screen **1** of the return and select a firm, preparer number or name, or ERO under **Return Options** (Figure 2-21).



**Figure 2-21:** Setup override fields on screen 1

Be aware of the following information when determining what information is to appear on the return:

- Because both the firm and ERO information is determined by the return’s preparer, a selection in the **Preparer #** drop list will cause both the firm and ERO information to be overridden with the corresponding information associated with the selected preparer.

- If, for **Preparer #** or **Firm #**, you select **NONE/Self-Prepared Return (No Paid Preparer)**, nothing will be printed on the applicable lines on the return. For ERO, the program uses the information entered on the **EF** tab in **Setup > Options**.
- Data entered on the **PREP (Preparer Information)** screen overrides the default data and the corresponding **Return Options** selections on screen **1**. ERO information is *not* affected by **PREP** screen entries. For more on the **PREP** screen, see “Overriding Other Preparer Information,” following.
- The **Data Entry #** field (shown in Figure 2-21 on page 55) is for tracking purposes only.
- A firm or preparer must be entered in **Setup > Firm(s)** or **Setup > Preparer(s)** in order to show up as an option in the override drop lists on screen **1**.

### Overriding Other Preparer Information

The **PREP** screen in data entry allows you to override the following data for a return:

- Third-party designee (See “Third-Party Designee” on page 162.)
- Federal preparer information (if the preparer is not set up in Preparer Setup)
- State preparer information (if the preparer is not set up in Preparer Setup)

If you make an entry in the **Federal Preparer Information** section of the **PREP** screen, the program requires that full override information for both the preparer and the firm also be entered in this section.

The **PREP** screen also includes an option not to print the preparer's information on the letter, bill, or summary.

### NOTE

You can now enter state preparer registration information for California, Maryland, Minnesota, New York, Oregon, and Virginia on the **PREP** screen. You can also enter a firm's foreign address information in both the federal and state preparer information sections.

## Overriding the Bill Amount

Standard rates must be established in Pricing Setup, but you can change the billing amount for a return, either by overriding the total or by adjusting individual amounts.

### Overriding the Total

To override the *total amount* on a client's bill, go to screen **1** and enter the desired amount in the **Fee Override** field (located in the **Return Options** box).

### Adjusting Individual Amounts

Use the **BILL** screen to adjust *individual amounts* on a client's bill. The following items are added to or subtracted from the bill using the **BILL** screen:

- Write-in **Adjustments**, such as for coupons and other discounts, and adjust amounts charged for these adjustments
- Balance due from prior years
- Scenario Planner fees
- Percentage increases and discounts
- Sales tax percentage
- Prior **Payments**

**NOTE** To create user-defined drop lists for the write-in **Adjustments** and **Payments** screens, see “Customized Drop Lists” on page 35.

You can also indicate the following adjustments from the **BILL** screen:

- To exclude a charge for the Filing Status Optimization Report. (See “About the MFJ/MFS Report” on page 74.)
- To adjust the bill as needed for a self-prepared or firm-prepared e-filed return

The **BILL** screen also allows you to override the date printed on the bill and add a short note (separate from the custom paragraph) to the bottom of the bill.

### Pricing for a Single Return

To override Pricing Setup and establish prices for a single return:

1. In data entry, click **View** to access View mode for the return.
2. Right-click a form in the left column and select **Setup > Form Properties**. The **Properties** dialog box is displayed (Figure 2-22).

**Figure 2-22:** Pricing on the fly section of the **Properties** dialog box

3. Edit the description of the form (if desired) and edit the price listed per form or per item.
4. Choose to **Apply to this return** or **Apply to all returns**. *Applying to all returns changes the pricing file globally (in other words, for all returns).*
5. Change number of copies if desired, and then click **Save**.

You must calculate the return before you can view your changes on the bill.



## Overriding Letters Setup

Letters options and defaults can be set from both **Setup > Options, Optional Documents** tab and **Setup > Letters**. Use the **LTR** screen, accessible from the **Other Forms** tab, to override global options on a per-return basis.

The **LTR** screen allows you to make the following changes to the letters in a return:

- Have a result letter other than the default printed with the return.
- Enter a personalized letter greeting.
- Add a custom paragraph.

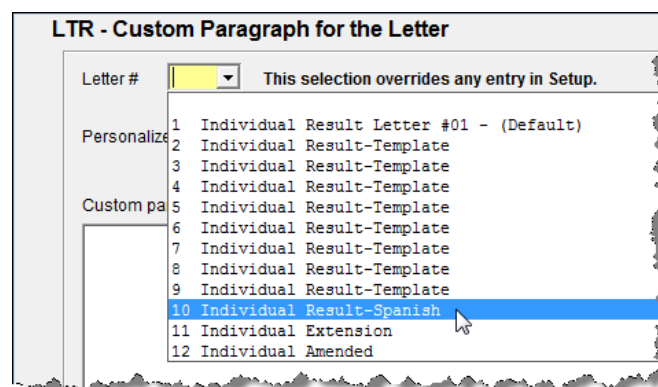
In addition, it provides the following options:

- Force-print a letter for a *paper-filed* return or extension application, even if the return/application is *eligible* for e-file.
- Force-print a letter for an *e-filed* return or extension application, even if the return/application is *ineligible* for e-file.
- Force (or suppress) a customized supplemental letter, engagement letter, or privacy policy letter.

### Default Result Letter

The result letter is the standard letter that is printed with a return. It tells the client that the return has been prepared from the information provided, states the amount of the refund or balance due, and provides instructions for mailing the return (if paper-filing). The program uses Result Letter #1 as the default.

To change the default letter for a return, go to the **LTR** screen and select a new letter from the **Letter #** drop list. In addition to other result letter templates, you can have the program generate a result letter in Spanish (Figure 2-23), an extension letter, or an amended return letter instead of the program default letter.



**Figure 2-23:** Selecting the Spanish letter as the default letter for a return (LTR screen)

### NOTE

To change the default letter for *all* returns, go to the **Optional Documents** tab in **Setup > Options** and select a template from the applicable package in the **Result Letter** section of the dialog box.

### Customized Greeting

The default greeting for all letters is set in Letters Setup. To override the greeting for a return, go to the **LTR** screen and enter a new greeting in the **Personalized letter greeting** text box.

### NOTE

To begin the greeting for the letter with one return with "Dear," enter the greeting, along with the name, in the **Personalized letter greeting** field. To have *all* letters for a package type begin with "Dear" (or another greeting of your choice), make the change in the actual template in **Setup > Letters**.

### Adding a Custom Paragraph

To add a custom paragraph to a letter, write the paragraph in the **Custom Paragraph** field of the **LTR** screen. By default, the paragraph is printed at the bottom of the letter.

To have a custom paragraph appear somewhere else within the letter:

1. From the Drake **Home** window, go to **Setup > Letters**.
2. Click **Open** and select the package and letter to be generated for the client.
3. Place the cursor on the line where you want the custom paragraph to appear.
4. Click the plus [+] sign next to **Miscellaneous** in the tree directory (left column of window).
5. Double-click the **<Paragraph from LTR screen>** keyword. The keyword appears in the letter template.
6. Click **Save**.

When the return is generated, the letter displays the custom paragraph as directed.

### E-filing or Paper-filing?

If a return has an EF message when calculated, the return is considered ineligible for e-file and the program generates a result letter for a *paper-filed* return. If the return is considered eligible for e-file, a letter for an *e-filed* return is generated. You can override these defaults for the federal and state tax returns and extension applications.

To override the defaults, go to the **LTR** screen and select **EF** or **Paper** for the selected returns (Figure 2-24). To indicate one or more state returns, select state abbreviations from the drop lists provided. In the Figure 2-24 example, the letter will be worded as if both the federal and Arizona returns are going to be e-filed—even if the return is not eligible for e-file.

Letter Paragraph Override		
1040	<input checked="" type="checkbox"/> EF	<input type="checkbox"/> Paper
Federal Extension	<input type="checkbox"/> EF	<input type="checkbox"/> Paper
Federal Amended	<input type="checkbox"/> EF	<input type="checkbox"/> Paper
AZ	<input checked="" type="checkbox"/> EF	<input type="checkbox"/> Paper
	<input type="checkbox"/> EF	<input type="checkbox"/> Paper
	<input type="checkbox"/> EF	<input type="checkbox"/> Paper
	<input type="checkbox"/> EF	<input type="checkbox"/> Paper

Setup Options Override	
Customized Supplemental Letter	
Engagement Letter	
Privacy Policy	

**Figure 2-24:** Select EF to force a letter to be printed *as if* the return is eligible for e-file.

### Printing Additional Letters

From **Setup > Options, Optional Documents** tab, you can select to have the customized supplemental letter, engagement letter, and privacy policy letter printed with all returns. To override the established defaults for a single return, go to the return's **LTR** screen and select **Yes** or **No** for the desired letter types. In Figure 2-24 on page 59, the user has selected *not* to have the engagement letter printed for the client.

### NOTE

In the 1120S, 1065, and 1041 packages, you can print K-1 letters for a return by entering the signing information on the **LTR** screen. This is necessary only if the global option to print K-1 letters is not selected in Options Setup.

## Overriding EF Setup

The **EF** screen in data entry allows you to suppress federal and state e-filing on a per-return basis. (The program default in **Setup > Options, EF** tab is that all eligible forms will be e-filed.) For more information on the **EF** screen, see “EF Override Options in Data Entry” on page 236.

# 3 Basics

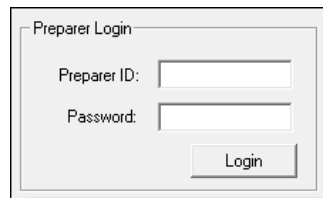
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To open the 2012 program, double-click the **Drake 2012** icon on your desktop. The **Login** window displays the **Preparer Login** box (Figure 3-1), system and drive information, and the current date.

## Logging In and Out

Log in using the **Preparer Login** box on the Drake **Login** window (Figure 3-1). Enter a **Preparer ID** and **Password** (if one has been designated) and click **Login** to open the Drake **Home** window (see Figure 3-2 on page 62).



**Figure 3-1: Preparer Login** box on Drake login window

### IMPORTANT

If logging in for the first time after installation, enter ADMIN (not case-sensitive) for **Preparer ID**. For **Password**, enter the serial number from your packing slip.

To log out without closing the program, click **File > Logout Preparer** from the **Home** window. To close the program, click **Exit**, then **Yes**.

## The Home Window

The Drake **Home** window (Figure 3-2 on page 62) has the following features:

- **Menu bar and toolbar** — (items 1 and 2 in Figure 3-2) These tools allow you to accomplish tasks in the program.
- **Recent Returns** — (item 3 in Figure 3-2) Lists the last nine returns opened in the program.
- **Appointments** — (item 4 in Figure 3-2) Shows the preparer's schedule and provides a link to turn appointment reminders on and off.
- **Notifications** — (item 5 in Figure 3-2) Lists e-mail messages that must be downloaded, updates that must be installed, and acknowledgments that must be processed; lets you know if your program is up to date.

NEW FOR  
2012

Information on pending and completed GruntWorx jobs will also appear in the **Notifications**.

- **Status bar** — (item 6 in Figure 3-2) Provides system information.
- **Personal Client Manager (PCM)** — (item 7 in Figure 3-2) personalized version of the Client Status Manager; see "Personal Client Manager" on page 63 for more information.
- **Enable Privacy** — Hides the recent return list, the PCM, and the preparer notes. (Click **Disable Privacy** to view the list again.)
- **Preparer Notes** — (item 8 in Figure 3-2) Use this section to write brief notes, reminders, to-do lists, etc. Notes are visible only to the preparer who wrote them. (In other words, one preparer's notes will not show up on another preparer's **Home** window.) Notes remain in this section until they are deleted.

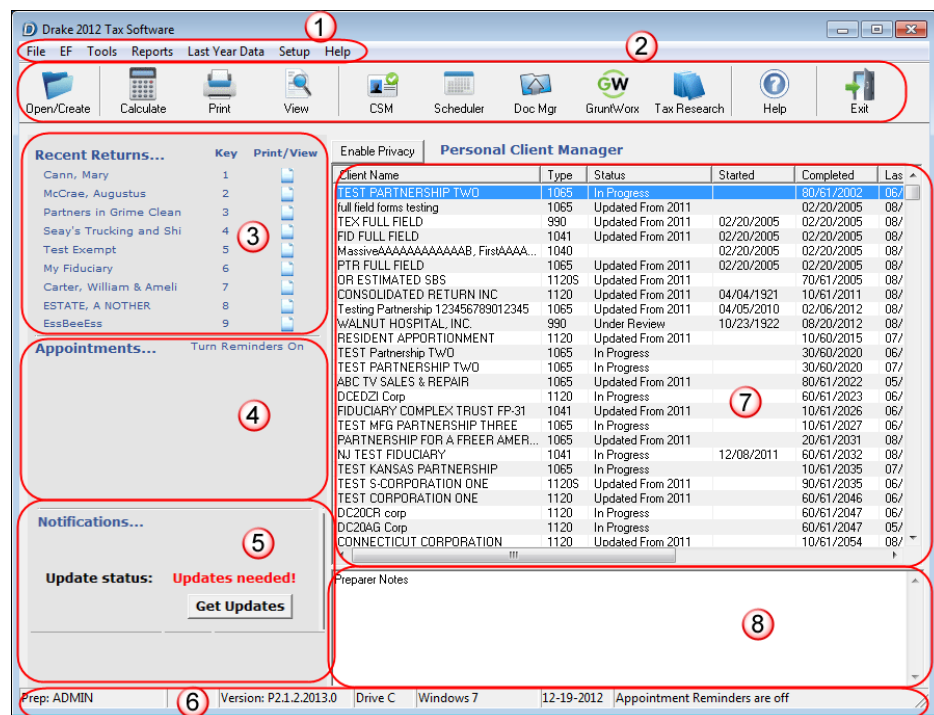


Figure 3-2: Drake Home window

## Personal Client Manager

The Personal Client Manager (PCM) allows a logged-in preparer to manage client returns more easily by providing a personalized version of the Client Status Manager (CSM). Client records can be sorted by name, return type, status, date the return was started or completed, date of last change, transmission date, acknowledgment code or date, and phone number. To sort records, click a column header.

**NOTE** The PCM operates much the same as the CSM. For specific instructions on using these tools, see Chapter 9, “Client Status Manager.”

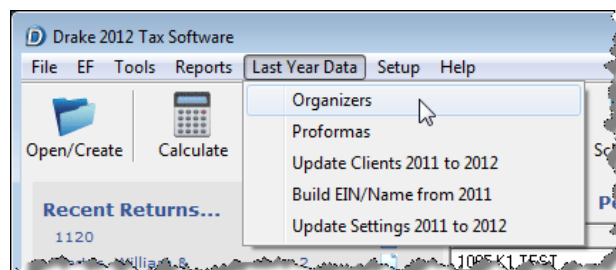
### Activating the PCM

To activate the PCM for logged-in preparers, an administrative user must go to **Setup > Options, Administrative Options** tab and select the **Enable logged in preparer's Personal Client Manager** box (located under **Main Dialog Options**).

## General Navigation

You can use both the mouse and the keyboard for navigating within the software.

- **Left button (mouse)** — Move the pointer over an item and click the left mouse button to select that item. When this manual instructs you to “click” or “double-click” an item on the screen, use the left button on the mouse.
- **Right button (mouse)** — While in data entry, right-click the mouse anywhere on the screen to display a menu of common program functions. Right-click a specific field to view the return in View mode, use macros, undo an entry, reset the field, cut, copy, paste, delete, add worksheets, use the calculator, view help for that field, or flag the field for later review.
- **Shortcut keys (keyboard)** — Use *shortcut keys* to accomplish tasks without using the mouse. Press ALT to display the underlined shortcut key and press the desired shortcut key. For example, from the **Home** window, you can press ALT, F, O (F for File, O for Open) to open the **Open/Create a New Return** dialog box, or ALT, L, O (L for Last Year Data, O for Open) to open the **Organizer Client Selection** dialog box. (Figure 3-3)



**Figure 3-3:** Underlined shortcut keys in menu bar of **Home** window

- **Key combinations** — Use *key combinations* as another way to accomplish tasks without using the mouse. They are written as two or more key names connected by a plus (+) sign. Press and hold down one key, and then press a second key. Key combinations are shown to the right of each menu item (Figure 3-4 on page 64).

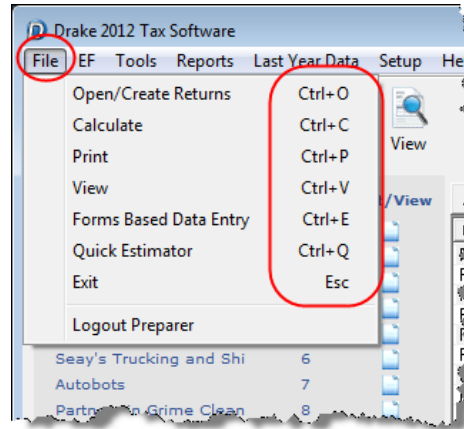


Figure 3-4: Key combinations

## Screen Hyperlinks

Hyperlinks in data entry allow easier, more concise data entry. Hyperlinks are available in all packages and fall into two categories: links and screen tabs.

**Links** Use links to move quickly from one screen to a related screen without having to return to the **Data Entry Menu**. The example in Figure 3-5 shows that **Foreign Employer Compensation** screen, the **INT** screen, the **DIV** screen, and the **1099-G** screen can be directly accessed from the **Income** screen (screen 3).

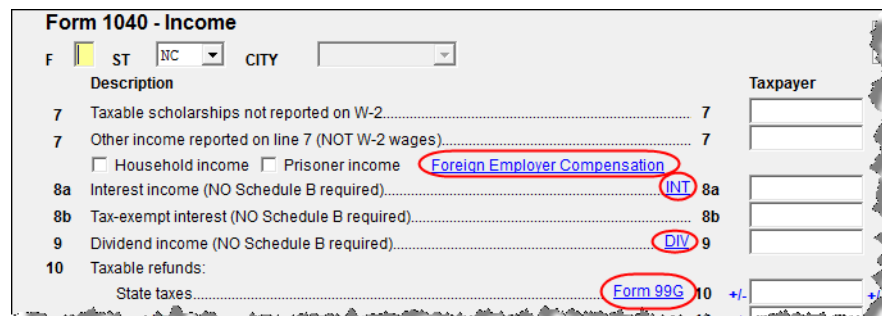


Figure 3-5: Links from the **Income** screen

Federal-to-state links serve as shortcuts to related state screens. For example, the state links on screen 2441 (**Child & Dependent Care Expenses**) are to those state screens for child and dependent care expenses. State links are located in a **State Information** section at the upper-right corner of a screen (Figure 3-6).

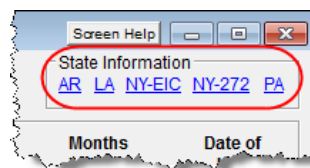


Figure 3-6: Example of a **State Information** section for federal-to-state links

**Screen Tabs** Screen tabs allow you to organize multiple instances of the same form and their associated worksheets. For instance, in Drake's 1040 package, the **K1P**, **K1S**, and **K1F** screens contain tabs to associate the K-1 screens (Schedule K-1 requires two screens in Drake), the two sections of the basis worksheet, and two 6198 at-risk limit worksheets with a particular K-1 issued to the taxpayer. For a new K-1, press PAGE DOWN.

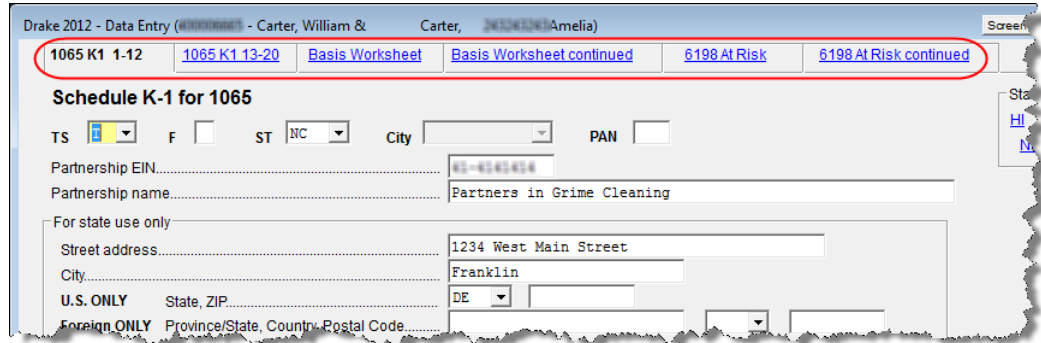


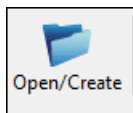
Figure 3-7: Tabs on the **K1P** screen for an individual (1040) return

## Creating and Opening Returns

When you enter an ID number (SSN or EIN), the software searches both current- and prior-year files. If it finds a client record in the prior-year files only, you are given the opportunity to update the record from the previous year into this year's program. (See "Updating Client Files" on page 78 to perform an update.)

### Creating a Return

To create a return in Drake:



1. From the **Home** window, click **Open/Create** (or ALT, F, O).
2. In the **Open/Create a New Return** box, enter the client's ID number.
3. Click **OK**.
4. Click **Yes** when asked if you want to create a new return.
5. In the **New Return** dialog box, select the return type.
6. Enter the client's name.
7. Click **OK**. Data entry screen **1** for the new return is displayed.

### NOTE

You may be required to verify the ID number for a new return. Verification is required for all Pay Per Return (PPR) clients.

### Opening a Return

*Recently accessed returns can be selected from the Recent Returns list in the Home window.*

To open an existing return in Drake:

1. From the **Home** window, click **Open/Create**. The **Open/Create a New Return** dialog box is displayed (Figure 3-8 on page 66).
2. Perform one of the following tasks:



- Enter the ID number of the return (item 1 in Figure 3-8).
- Select one of the last nine returns opened (item 2 in Figure 3-8). Click a row to select a return.
- Select a return type (item 3 in Figure 3-8). Returns are displayed in the grid to the left. Click a row to select a return.

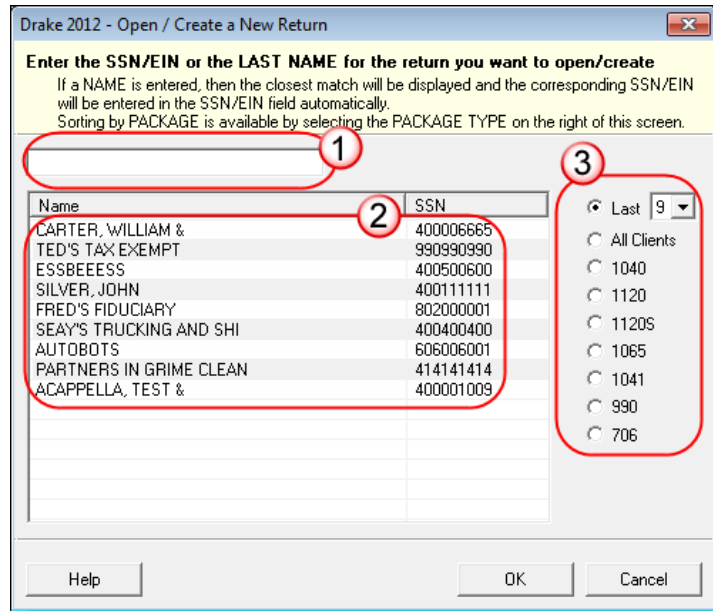


Figure 3-8: Open/Create a New Return dialog box

3. Click **OK**. The **Data Entry Menu** is opened for the selected return.

## Data Entry

Returns are prepared in data entry mode. Access data entry screens from the **Data Entry Menu**. (See Figure 3-9 on page 67.) When in data entry, press ESC to save your data, exit the open screen, and return to the **Data Entry Menu**. Pressing ESC from the **Data Entry Menu** returns you to the **Home** window (Figure 3-2 on page 62). Also in data entry, you can use the TAB key, the UP ARROW and DOWN ARROW keys, and the PAGE UP and PAGE DOWN keys to move from field to field, or from screen to screen.

## Data Entry Menu

The **Data Entry Menu** (Figure 3-9 on page 67) is displayed when you open a return. It consists of a toolbar, tabs, screen codes and names, the selector field, and the status bar.

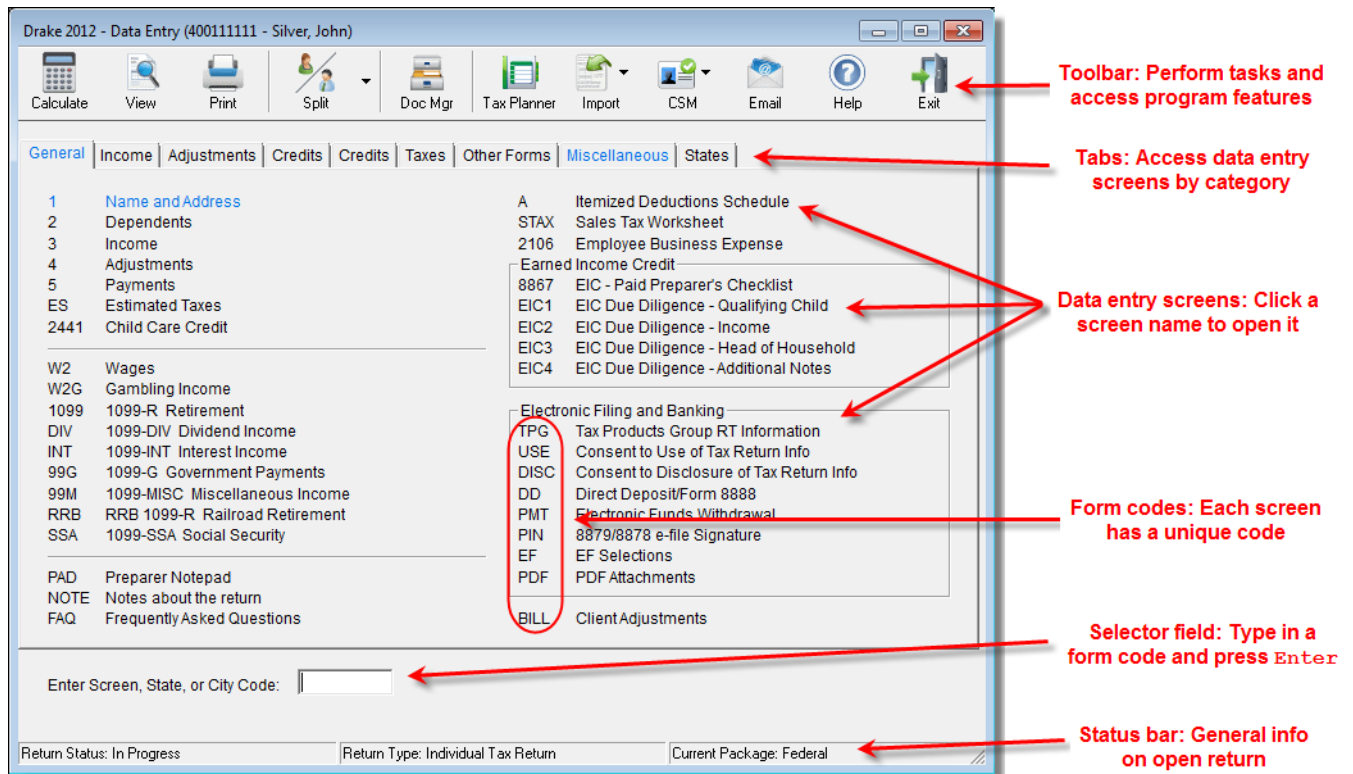


Figure 3-9: Data Entry Menu

## Working in a Tax Return

Prepare tax returns in Drake by entering pertinent information on specific data entry screens. Entries are used to calculate the federal, state, and city tax returns.

To open a screen, use one of the following methods:

- **Keyboard** — From any tab, type a form code in the selector field. Press ENTER.
- **Mouse** — Select a **Data Entry Menu** tab and click the screen name.

### Managing Screens

Use the following methods to exit, save, reset, and delete screens in Drake:

- Press ESC to save your changes and exit a screen.
- Press SHIFT+ESC to exit a screen without saving your changes.
- Press CTRL+U to reset a screen to the last save.
- Press CTRL+D to delete a screen. If multiple occurrences of a screen exist (for example, if a return has two 1099s), an **Existing Forms List** is opened. Select the screens to delete, and then click **Delete**. (See “Existing Forms List” on page 68.)

You can also use the right-click menu to take these actions.

### Navigating Fields

A blinking cursor and yellow shading indicate an active field. Click a field to activate it. Following are keyboard-only methods of moving from field to field:

- Press TAB to move the cursor forward one field.

- Press SHIFT+TAB to move the cursor back one field.
- Press CTRL+↓ or CTRL+↑ to move the cursor up or down one field, respectively.

## Grid Data Entry

Grid data entry allows faster data entry for the **Dependents**, **INT**, **DIV**, and **4562** screens. In grid data entry mode, click a field to activate it, and then type data directly into the field.

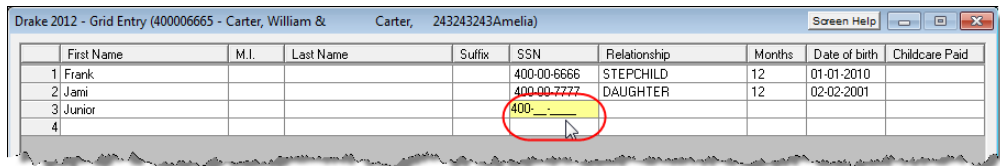


Figure 3-10: Entering data directly with grid data entry

To access grid data entry from full-screen mode, press F3. Press F3 again (or click **Item Detail**) to return to full-screen mode. To delete a row in grid data entry, select a row number and click **Delete** (or press CTRL+D). At the prompt, click **Yes**.

## Existing Forms List

The **Existing Forms List** is displayed if more than one instance of a screen has been saved in a return.

#	TSJ	Kind of Property	Address	Activity Type	Income
1	T	cabin in woods	555 End of the Road	A	
2	T	lake house	12 Trout Lane	A	
new	Ne...				

Figure 3-11: Existing Forms List

To open a screen from the list, double-click a row (or select it and click **Open**). To open a new, blank screen, select **New Record**.

## NOTE

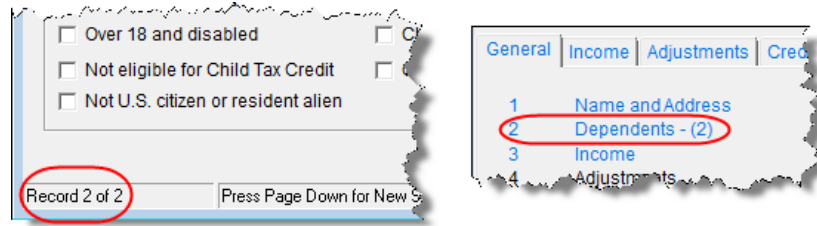
Grid data entry replaces an **Existing Forms List** if grid data is the established default in Options Setup. Disable the default from **Setup > Options > Data Entry** tab.

## Multiple Instances of a Form

Many clients require multiple instances of such forms as Form W-2. In most cases, press PAGE DOWN to open a new screen and enter data for a second form.

Some forms have more than one “page” or screen. If you are in a multiple-screen form, use the links provided to go to the next page. If no links are provided, press PAGE DOWN to move to the second “page” of the screen. Press CTRL+PAGE DOWN to open a new instance of the form.

Each time a new screen is produced, Drake indicates the record number on the status bar of the screen. The number of records is also shown on the **Data Entry Menu** (Figure 3-12 on page 69).



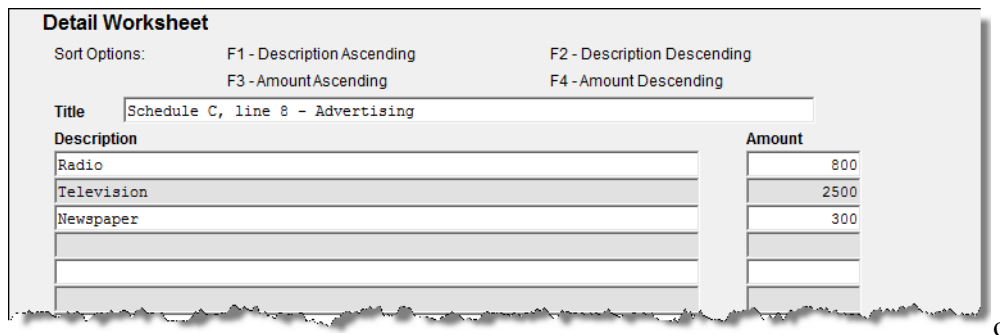
**Figure 3-12:** Multiple instances of a screen are shown in status bar and **Data Entry Menu**.

**Detail Worksheet**

Use detail worksheets to enter up to 30 items for a numeric field. Totals are calculated automatically.

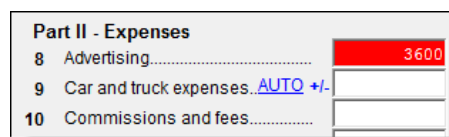
To use a detail worksheet:

1. Select the numeric field to which the worksheet will apply. Double-click the field, press CTRL+W, or right-click and select **Add Worksheet** to open a **Detail Worksheet**.



**Figure 3-13:** Detail worksheet with data entered

2. Enter or edit the worksheet **Title**.
3. Enter a **Description** and **Amount** for each item. Do not skip lines. As needed, use F1, F2, F3, and F4 to sort items in the list. (See Figure 3-13.)
4. Press ESC. Drake saves your work and displays the total in data entry. Note that the field is shaded to indicate a worksheet is present. (Default color is red; see Figure 3-14.)



**Figure 3-14:** Shaded worksheet field

## NOTES

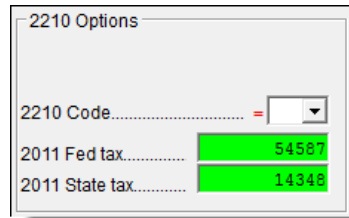
Detail worksheets are produced as overflow statements but are *not* e-filed with the return.

To print a description on a statement without a corresponding dollar amount, enter a slash ( / ) in front of the description.

If you press CTRL+W (or double-click) in a **Depreciation** field, the program opens the associated **4562 (Depreciation)** screen with the **For** and **Multi-Form Code** boxes completed. (See "Associating One Screen with Another" on page 73.)

**Field Flags** Use field flags to set certain fields apart for review. Flagged fields are shaded (default is green) and must be manually verified (cleared) prior to e-filing.

To flag a field, click the field to activate it, and then press F2. You can also do this by right-clicking in the field and selecting **Flag For Review**. The field is displayed with a shaded background (Figure 3-15).



**Figure 3-15:** Flagged fields are shaded. (Default is green.)

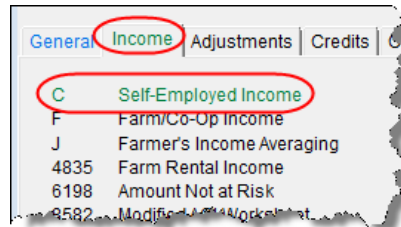
When a return with flagged fields is calculated, an EF message is generated. It must be removed (in other words, all flagged fields must be cleared) before the return can be e-filed.

To clear a flagged field, place the cursor in the field and press F4. To clear all flagged fields on an open screen, press CTRL+SHIFT+SPACE. To clear all flagged fields in the open return, go to the **Data Entry Menu** and press CTRL+SHIFT+SPACE.

**Global Flags** A user with administrative rights can designate certain fields to be flagged in all returns. When flags are set globally, they apply to all returns. Global flags can be for *screens*, or for *new returns*.

- **Screens** — The presence of an unverified flag produces an EF message *only if the screen exists for the return*. For example, if the **Employer ID #** field on screen **C** is flagged, an EF message for the unverified field is produced only if a Schedule C is present on the return and the **Employer ID #** field has not been verified. If there is no Schedule C, no verification is required.
- **New Returns** — When a field is flagged for all new returns, an unverified flag produces an EF message *whether or not the screen has been opened for the return*. In the above example, an EF message would be created even if no Schedule C was present in the new return. In effect, this type of global flagging would force the data entry operator to open screen **C**, even if only to clear the flag.

To prevent flagged fields from being overlooked, all new-return flags cause the corresponding screen and tab names to appear as the color of the field flag (Figure 3-16; default color is green). Once the field has been verified, the highlighted tab and screen names go back to their original colors.



**Figure 3-16:** Screen C under the **Income** tab has a flagged field.

### Flagging Fields Globally

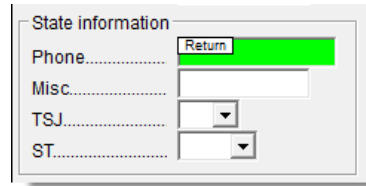
To flag one or more fields in all returns:

1. From the **Home** window, select **Setup > Options, Administrative Options**.
2. Select **Use Customized Flagged Fields on all Returns**.
3. Click **Flag** to open a dialog box with buttons for all Drake packages (Figure 3-17).



**Figure 3-17:** Flag Fields for Review dialog box

4. Click a package button. The **Flag Fields for Review** window for that package is opened. Note that this window resembles the **Data Entry Menu**.
5. Select a screen to open it.
6. Choose one of the following options:
  - **Flag a field for a screen** — Click the fields to flag. The field is flagged with the word “Screen.”
  - **Flag a field for all new returns** — Right-click a field and select **Flag For Review When Return is Created**. The field is flagged with the word “Return,” as shown in the example in Figure 3-18 on page 72.



**Figure 3-18:** Field has been flagged for all new returns.

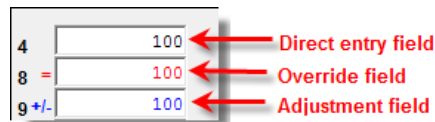
## NOTE

Click a field a second time to remove the flag.

7. Return to **Setup > Options**. (Press ESC to exit each window, press ESC again to exit the **Flag Fields for Review** window, and then click **Exit**.)
8. Click **OK**.

## Override & Adjustment Fields

By default, fields that allow overrides are preceded by an equal sign (=) and display red text. Data entered in these fields replaces, or overrides, program calculations.



**Figure 3-19:** Direct entry, override, and adjustment fields

Fields that allow adjustments are preceded by a plus/minus sign (+/-) and display blue text by default. Data in these fields adjust program calculations by the amount entered. A positive number increases the calculated amount; a negative number decreases it.

## ZIP Code Database

When a ZIP code is entered on a screen, the city and state fields are filled by default from the program's ZIP code database. There is no need to enter the city and state.

## EIN Database

When new employer data is entered on a screen, the program stores the EIN, business name, and business address in the EIN database. The next time the EIN is entered on a **W2, 1099, or 2441** screen, the business name and address automatically appear in the required fields.

## Bank Name Database

The program retains the names of all financial institutions when they are entered for the first time in data entry. The next time the first few letters of a saved name are entered, the program "auto-completes" the entry. To add, edit, or delete entries from the bank name database, place the cursor in a bank name field and press **CTRL+SHIFT+E** and follow the instructions that are displayed.

## Common Screen Fields

Many screens in Drake have fields labeled **TS**, **F**, **ST**, and **City**. These fields, shown in Figure 3-20 on page 73, are used to apply the data on the screen to the taxpayer or the spouse (or both), on federal, state, or city returns.

Schedule C - Profit or Loss from Business

TS  F  ST  City

**Figure 3-20:** Screen code examples for Schedule C

- **TS (or TSJ)** — Select **T** if a screen applies to the primary taxpayer, **S** if it applies to the spouse, or **J** if it applies to each spouse equally. (Default is **T**.)
- **F** — All data on a screen is automatically carried to the federal return as applicable. Select zero (0) from the **F** drop list to prevent a screen's data from being carried to the federal return.
- **ST** — Code indicates whether the screen data should be used in calculating a specific state return. If this field is blank, the software uses the resident state by default. The data is not carried to *any* state or city if a zero (0) is selected here.
- **City** — Code indicates the source of the income on city returns.

Press F1 in a screen field to view all acceptable codes for that field.

### Associating One Screen with Another

Drake allows you to associate one screen with another, such as when an asset on one screen should be associated with a Schedule C. For example, to associate an asset screen to a C screen, complete the **For** field and the **Multi-form Code** field (if applicable) at the top of the asset screen. For the **For** drop list, select the form to be associated with the open screen, as shown in Figure 3-21.

Form 4562

For:  (A, C, E, F, 2106, 4835, AUTO, 8829, K1P, K1S)

Multi-form code:  (1-999; 1 is assumed if left blank)

Description	Date Acquired	Cost / Basis

**Figure 3-21:** In this example, the 4562 screen is to be associated with the second Schedule C created in the return.

If a return has multiple instances of the selected form, enter the instance of the form in the **Multi-form code** field. For example, if there are two Schedule Cs and you want to associate an asset with the second Schedule C created in the return, you would enter a multi-form code of "2." (See Figure 3-21.)

### NOTE

For Schedule E rental properties, each property (in other words, each screen) has a separate multi-form code. The MFC number for a Schedule E should refer to the property, not the instance of the Schedule E. (Up to three properties are printed on a Schedule E.)

### Splitting a Joint Return

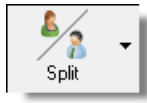
When you split a joint return in Drake, the program calculates three returns: one for married filing jointly (MFJ), and two for married filing separately (MFS).

Before splitting a joint return, ensure that data on all screens clearly applies to either the taxpayer (T) or spouse (S), and make sure **Ready for EF** is not marked on the **EF** screen. If this box is marked, all three returns will be marked eligible for e-file. (See "EF Override Options in Data Entry" on page 236.)



To split a joint return:

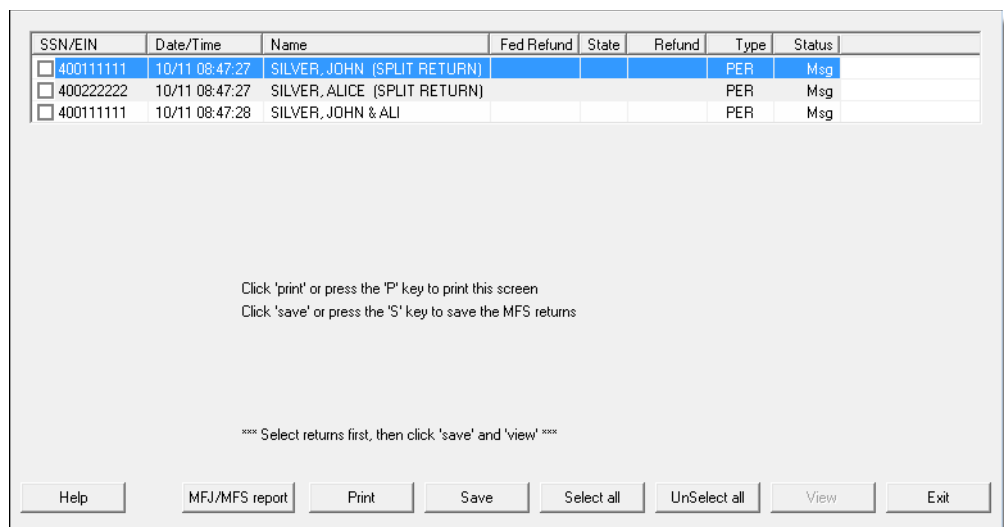
1. Open the return.
2. Choose one of the following options:
  - To compare returns for two individuals who lived together for the entire year, click the **Split** button or press CTRL+S.
  - To compare returns for two individuals who did *not* live together for the entire year, click the down arrow next to the **Split** button and select a category of MFS filing status.



## NOTE

At this point, if there is a Schedule A on the return and you have not specified on screen **A** whether to force itemized or standard deduction, you are prompted to select **Itemize**, **Standard**, or **Optimize** before proceeding. If you select **Optimize**, the program will determine which is the better treatment of the Schedule A deductions.

Results are displayed in the **Return Selector** (Figure 3-22). The **MFJ/MFS Report** button allows you to view a Filing Status Optimization Report for a selected return. (See “About the MFJ/MFS Report” following.)



**Figure 3-22:** Results for split return

3. Select files, and then click **MFJ/MFS Report**, **Print**, or **Save**, as applicable.
4. Click **Exit**.

## About the MFJ/MFS Report

To view the MFJ/MFS report, click the **MFJ/MFS Report** button. (See Figure 3-22.) The report is displayed with the MFS\_COMP (and OH\_COMP, for Ohio returns) reports visible in tree mode. Select a report for viewing or printing. The report appears in the pane to the right of the tree view. For more information on View mode, see “Viewing a Return (Enhanced Mode)” on page 197.

## NOTE

Currently, the state report feature is available for Ohio returns only.

The program saves the MFS data shown in the reports only if you save the split returns. If you are not planning to save the MFS versions of the returns but want to show the reports to your client later, print the reports now for your client's records.

If the MFS versions are saved, both the completed MFS\_COMP and OH\_COMP reports can be viewed after calculating the return. If they are not saved, only the "Joint" column will be completed on these reports.

## NOTE

Billing for this report is done through **Setup > Pricing** (use item 350). For more on setting up pricing in Drake, see "Pricing Setup" on page 37. To suppress the charge for an individual return, use the **BILL** screen. (See "Overriding the Bill Amount" on page 56.)

## Screen Captures

Screen captures can be taken in data entry and sent to the clipboard, a printer, or a file.

To capture a data entry screen:

1. Right-click any open screen (not within a field or text box).
2. Select **Screen Shot**. The program offers three choices for screen captures:
  - **To File** — Save the screen as a bitmap (.bmp) file to a location you select.
  - **To Printer** — Open the **Print** dialog box and print an image of the screen.
  - **To Clipboard** — Copy an image of the screen to your clipboard in order to paste it into another program, such as Microsoft Outlook.
3. Save, print, or copy the image as directed, according to your selection.

## Calculator

A calculator feature is available in every numeric field in data entry. To access it, press F10 from within a field. Once results are calculated, press F1 to insert those results into the field. When the calculator is active, the NUM-LOCK status is activated. NUM-LOCK is disabled when the calculator is closed.

## Macros

Macros are shortcuts that allow you to enter frequently used data entry items with minimal keystrokes. This feature is described in detail in the "Macros Setup" on page 38.

## Heads-Down Data Entry

Heads-down data entry provides an efficient method of data entry when working from a proforma interview sheet. Information on this method is provided in the "Heads-down Data Entry" section of Chapter 4, "Preseason Preparation."

## State Returns

When a return is prepared, Drake automatically generates state returns based on data entered for the federal return. Calculation is based on the state entered on screen **1** for

resident state and on the state codes indicated on other forms (W-2, Schedule C, 1099, Schedule B, etc.).

Click the **States** tab in data entry to view a list of states. Click any state from the list or enter the two-letter state code in the selector field to access the **Data Entry Menu** for that state. It is not necessary to return to the **States** tab to enter a new state code.

Access city screens by entering a city code into the selector field. Another option is to open a state menu, and then click the **Cities** tab (if available). Cities are listed with their two-letter codes.

## Practice Returns and Test Returns

Practice returns, test returns, and EF test returns are available on the Drake Support site and on the software CD:

- *Practice returns* help new Drake Software clients become more familiar with how data is entered in Drake. Practice preparing returns by completing data entry based on the practice scenarios provided. Practice returns can be found on the installation CD, through the software (from the Drake **Home** window, go to **Help > Online Resources**) and at *Support.DrakeSoftware.com > Training Tools > Practice Returns*.
- *Test returns* can be installed with Drake Software. The SSNs for these returns run from 400-00-1031 through 400-00-1040 and consist of various forms and schedules to show how different tax scenarios are prepared in Drake. You can also use the test returns to test e-filing before tax season begins by transmitting a test return.
- *EF-Banking practice returns* also allow you to practice e-filing returns in Drake Software. The returns will be either accepted or rejected. Correct the rejected returns and resend them to receive acknowledgements. Practice printing checks for the returns with a bank product. The SSNs for the test returns run from 500-00-1001 through 500-00-1008. EF practice returns can be found on the installation CD, through the software (from the Drake **Home** window, go to **Help > Online Resources**) and at *Support.DrakeSoftware.com > Training Tools > Practice Returns*.

For more information on how practice returns can help you, see “Practice Returns” on page 266.

# 4 Preseason Preparation

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This chapter provides instructions for bringing forward information from last year, printing proformas or organizers for clients, mailing preseason materials, and setting up schedules. See Appendix A, Preseason Checklist, for a convenient list of tasks to consider as you prepare for tax season.

## Prior-Year Updates

If your firm used Drake last year, you can save time by updating prior-year returns, settings, letters, and EIN data. Before updating, you should (1) back up your files, and (2) ensure that your program's 2011 data path points to your firm's 2011 data files.

By default, Drake accesses the previous year's client files from the workstation's local drive. If your prior-year files are stored elsewhere, enter the location at the bottom of the **Network Setup** window:

1. Log in to the program as a user with administrative rights.
2. From the **Home** window, select **Setup > Data Locations**.
3. Look at the **Location of 2011 client files** field (Figure 4-1).



**Figure 4-1:** Ensure that the **Path for 2011 Data** field is correct.

4. If the correct path is not displayed, enter the correct path and click **OK**.

NEW FOR  
2012

For more on Drake's updated Data Locations setup, see "Single Workstations and Network Options" on page 16.

## Updating Client Files

By default, the following information is brought forward from the prior year:

- names and addresses
- depreciation
- ages
- filing statuses
- occupations
- dependent names
- business names
- installment sales
- ID numbers

You have the option of selecting other data to bring forward when you update client files, as explained in the following sections.

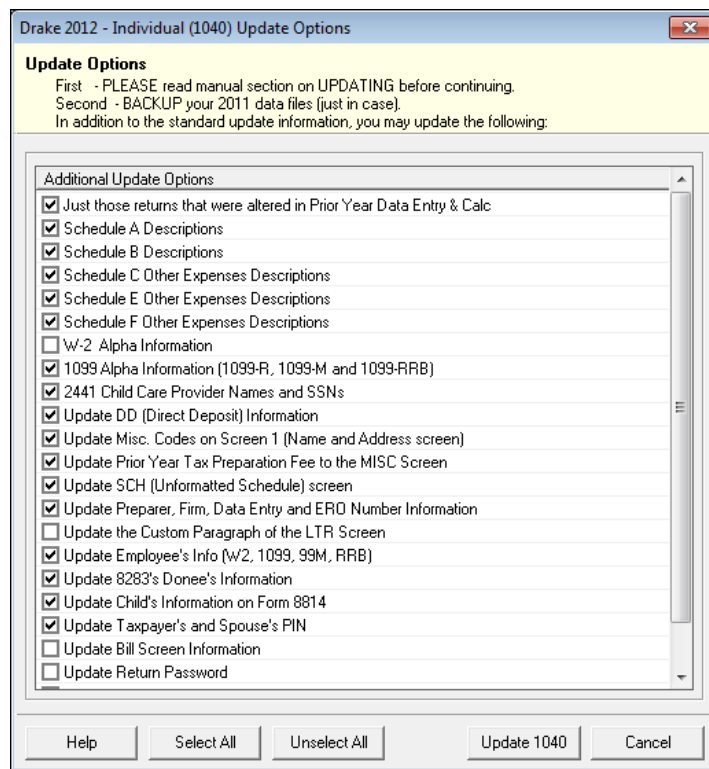
### NOTE

To ensure that files are updated according to your clients' needs, update returns individually as you meet with your clients. Drake does not recommend updating all returns in a package at once.

### Update Returns Individually

To update an individual return:

1. Open the return in Drake 2012. An **Individual Update Options** dialog box lists all options for updating (Figure 4-2).



**Figure 4-2: Individual Update Options box**

2. (optional) Select additional items to update. (Click **Select All** to choose all items.)
3. Click **Update 1040**.

Once updated, the return is shown in the **Data Entry Menu**.

## Update Returns Globally

To update all returns in a package (not recommended):

1. From the **Home** window, select **Last Year Data > Update 2011 to 2012**.
2. Click **Next**.
3. Select filters (optional), and then click **Continue**. The **Update Options** dialog box is displayed.
4. (optional) Select additional items to bring forward. (See Figure 4-2 on page 78.)
5. Click **Update 1040**. All returns are updated according to selections in the **Update Options** box.

## CAUTION

*Once returns have been updated, the updates cannot be reversed. To avoid oversights, update each return individually.*

Once the program has updated the returns, it displays a report listing the updated returns. Click **Exit** to close the Report Viewer.

## Building the EIN/Name Index

Each time an employer is entered on a screen for a Form W-2, W-2G, 1099-R, 1099-G, 8283, or 2441, that employer's name, EIN, and corresponding information is automatically added to the EIN database.

To update the EIN/name database from 2011:

1. In the 2012 version of the program, select **Last Year Data > Build EIN/Name from 2011**.
2. From the **Build EIN Database and Name Index** dialog box, select the indexes to update and click **Continue**.
3. Wait for the program to finish scanning the files. (This update takes about one minute for every 2,000 client files.)
4. Click **Exit**.

## Updating Settings

Apply your firm's 2011 software settings to the 2012 program to save preseason preparation time. Once the settings are brought forward for the year, they can be individually adjusted.

## CAUTION

*Selecting a previously updated item can cause a loss of current-year data.*

To update settings from 2011:

1. In the 2012 version of the program, go to **Last Year Data > Update Settings 2011 to 2012**. The **Update Settings** dialog box is displayed. (Figure 4-3 on page 80.)

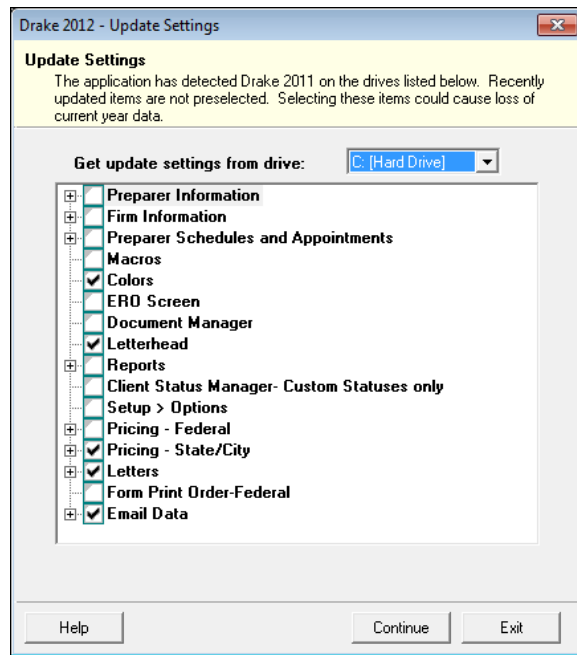


Figure 4-3: Update Settings dialog box

2. Select the drive that stores the 2011 data to bring forward.
3. Select the setting categories to bring forward. All items, except for previously updated items, are selected by default.

## NOTES

Click the plus sign in front of an item to expand it and view or select sub-items. If you select an item with sub-items, all sub-items are selected by default.

If updating **Pricing** setup, you will be prompted to enter a percentage increase to apply per item, per form, or both, and the option to round to the nearest dollar.

4. Click **Continue**, and then **Confirm** the selections to start the update process.
5. Click **Exit** when the status for each item is displayed as **Completed**.

## Organizers and Proformas

Available for the 1040 package, *organizers* help clients prepare for their tax appointments. Many organizer sheets feature two-column layouts, with one column containing prior-year data and the other intended for current-year data (Figure 4-4 on page 81).

### NEW FOR 2012

Organizers can now be sent directly to the Drake Document Manager or to your SecureFilePro™ portal. For details, see “Printing Organizers and Proformas for Clients” on page 82. For more on the Document Manager and SecureFilePro™, see Chapter 13, “Suite Products.”

Name: <b>William Carter</b>				SSN: <b>ON FILE</b>					
TS	T	Federal I.D. No.	52-5252525	Company Name	Wayne's Wonderful Widgets				
		State I.D. No.	1111111						
		Federal wages	2012	2011	13253	Federal tax	2012	2011	1324
NC		State wages	2012	2011	13253	State tax	2012	2011	1234
		Locality	2012	2011		Local tax	2012	2011	

Figure 4-4: Sample of Wages and Salaries page from an organizer

Available for individual and business packages, *proformas* have numbered fields corresponding to the fields on Drake data-entry screens (Figure 4-5). Proformas are designed to be internal documents and can be used during the interview process.

2012 Form W-2 - Wage and Tax Statement

TS	T	F	Special Tax Treatment	Employer's Fed ID Number	52-5252525	2011	2012					
Employer's name, address, city, state, ZIP code					1	Wages, Tips, etc.	13253	17				
Wayne's Wonderful Widgets					3	Soc Sec Wages	13253	19				
1234 Main Street					5	Medicare Wages	13253	21				
Franklin NC 28734					7	Soc Sec Tips		23				
Employee's name/address (if different)					11	Non-qual plans		27				
William Carter					40	Statutory Employee		41				
123 Main Franklin NC 28734					14	Other		45				
State					49	State ID #	2011 State wages	2012 State wages	2011 State tax	2012 State tax	2011 Local wages	2012 Local wages
NC 1111111					50		13253	51	1234	52		53

Figure 4-5: Sample of W-2 page from a proforma

Blank proformas and organizers can be viewed and printed from **Tools > Blank Forms**. See "Printing Organizers and Proformas for Clients" on page 82 for information on printing for selected clients.

### Entering Information from Proformas

Use proformas during the interview process, or have a data entry operator enter tax information from proformas following the interview.

Each sheet in a proforma has special codes printed on the left side of the page. For example, the red circle in Figure 4-5 shows that the proforma code for the **W2** screen is "2-6." As an alternative to the screen code of **W2**, the data entry operator or tax preparer can use the screen's proforma code (2-6).

To access a screen by entering its proforma code:

1. From the **Data Entry Menu**, press CTRL+I to change the selector field.



2. Enter the proforma code numbers, one in each text box. The Figure 4-6 example shows that a "2" and a "6" would be entered to access the **W2** screen.

Enter Interview Sheet Number and Section:

**Figure 4-6:** Example: Type 2 and 6 to access the **W2** screen.

3. Press ENTER. The applicable screen is displayed for data entry.

### Heads-down Data Entry

Combine the proforma codes and heads-down mode to move efficiently to the proper areas of a screen for data entry.

To work in heads-down mode:

1. Open a screen in data entry.
2. Press CTRL+N. Numbers appear beside each field, as shown in Figure 4-7.

1 Wages, tips	2 Federal tax w/h
23 54321	24 12345
3 Soc Sec wages	4 Soc Sec w/h
25 54321	26 54321
5 Medicare wages	6 Medicare tax w/h
27 54321	28
7 Soc Sec tips	8 Allocated tips

**Figure 4-7:** Numbered fields in heads-down mode

3. In the **Heads Down Mode** box at the top of the screen, enter a field number in the first text box and press ENTER.
4. Enter data for the field in the second text box and press ENTER. The data is placed in the proper field and the system returns you to the first text box.
5. Repeat for all other fields, pressing ENTER after the data for each field is entered.

To return to the **Data Entry Menu**, press ESC.

### TIP

Use CTRL+N to toggle between heads-down and data-entry modes.

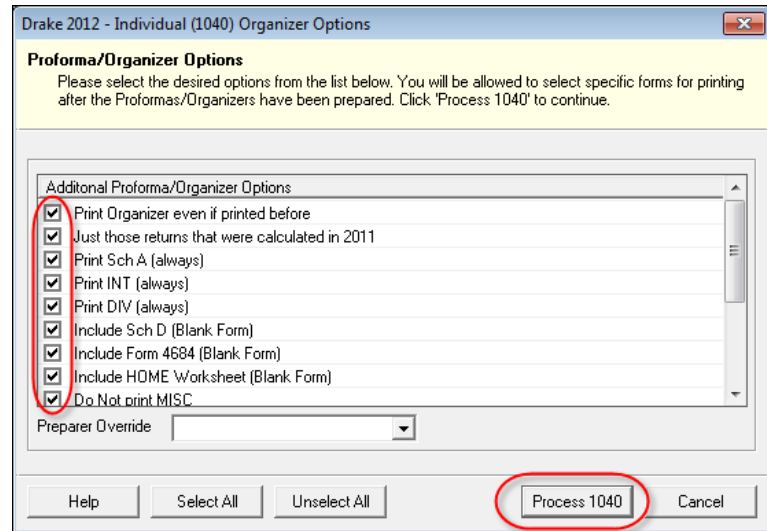
## Printing Organizers and Proformas for Clients

To print organizers or proformas for selected clients:

1. From the **Home** window, click **Last Year Data** and select either **Organizers** or **Proformas**.
2. Do one of the following tasks:
  - Enter the client's SSN or EIN and press **Add Client**. Repeat for additional clients, and then click **Next** and wait for the program to scan the client files.

See "Filter Manager" on page 319 for more on using filters.

- Click **Next** and select filtering and sorting options as desired. Click **Next** again and modify filtering criteria from the **Basic Search Conditions** dialog box. Click **Continue** and wait for the program to scan the client files.
3. When the **Proforma/Organizer Options** dialog box is opened, select the desired options (red circle on left in Figure 4-8).

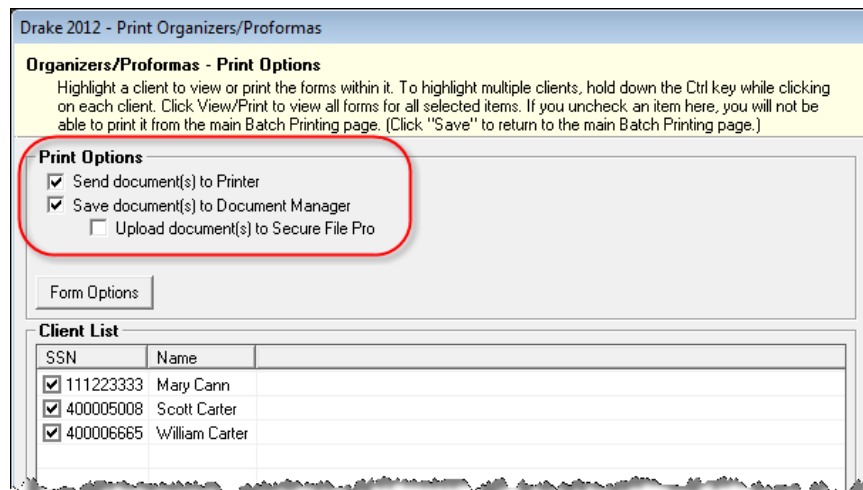


**Figure 4-8:** Organizers Options dialog box; includes **Process** button

## NOTE

To have a certain preparer's name appear on the preseason, engagement, and privacy policy letters, select a name from the **Preparer Override** drop list.

4. Click **Process** (Figure 4-8) to open the **Print Organizers/Proformas** dialog box (Figure 4-9).



**Figure 4-9:** Select print options from the **Print Organizers/Proformas** dialog box.

5. Select options from the **Print Options** section (red circle in Figure 4-9). You can choose send the proformas or organizers to the printer, to the Drake Document

Manager, or to the SecureFilePro™ portal. (For information on how to use the Drake Document Manager and SecureFilePro, see Chapter 13, “Suite Products.”)

## NEW FOR 2012

When sending organizers from multiple taxpayers to the Document Manager or SecureFilePro™ portal, Drake automatically sends the organizers or proformas to the correct client file or SecureFilePro™ portal.

6. (Optional) Click **Form Options** to go to the **Form Options** dialog box and change the forms to be included in the organizer or the proforma. When finished, click **Ok**.
7. (Optional) To view one of the organizers or proformas in View mode, click **View**. From View mode, you can print or e-mail the individual organizer or proforma. Click **Exit** to return to the **Print Organizers/Proformas** dialog box.
8. Click **Print**.
9. In the **Print Selections** dialog box, choose a printer and any other options desired.
10. Click **Print**, and then click **Print** again. (If printing a PDF document, click **Save**.)

## NOTES

If printing proformas for multiple return types, additional **Proforma Options** dialog boxes appear. Select additional options and click **Process** (1040, 1120, 1120S, 1065, etc.) to proceed.

Preseason letters can also be printed in batches, apart from proformas and organizers. See “Letters” on page 301.

## Print Options for Organizers

As noted above, you can choose send the proformas or organizers to a printer, to the Document Manager, or to the SecureFilePro™ portal. By sending it directly to your SecureFilePro™ portal, you save yourself several steps in getting an organizer into the hands of your client. Plus, SecureFilePro™ sends your client an e-mail, alerting him or her that the organizer is ready for download, and then sends you an e-mail when your client accesses your SecureFilePro™ portal.

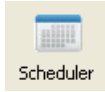
When the client completes the organizer, he or she can either mail it back, hand-deliver it, or scan it and upload it to the portal. SecureFilePro™ will alert you by e-mail when the uploaded organizer is ready for you to download.

For more on SecureFilePro™, see “SecureFilePro” on page 362.

## NOTE

You can also print organizers and proformas from the Scheduler. From the **Appointment Detail** toolbar in the Scheduler, click **Proforma** or **Organizer** and follow Step 3 through Step 10 in the procedure listed under “Printing Organizers and Proformas for Clients” on page 82. See “Scheduler,” following.

## Scheduler



The Drake Scheduler is used to set up appointments for preparers. You can set up schedules for individual preparers or for groups of preparers, generate batch appointments, and set up daily schedules for an entire office. There are tools for customizing schedules, and printing and exporting schedules.

Following are directions for setting up, accessing, and using the Scheduler.

### Scheduler Modes

The Scheduler offers two levels of access: *preparer mode* and *front office mode*.

#### Preparer Mode

Using preparer mode, a preparer has full access to his or her calendars. Preparers can make appointments, manage schedules, and share calendars with other preparers. Preparer mode is the default setting for Scheduler users and has three calendar types: **Calendar for (current date)**, **Weekly Calendar**, and **Preparer Calendars**.

#### Front Office Mode

Designed for the receptionist and others who manage appointments but do not prepare tax returns, front office mode allows the user to set up viewing options and manage appointments. Front office mode is the default setting for users with administrative rights, but it must be assigned manually to other personnel.

To assign front office mode to an employee:

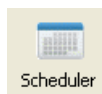
1. Log in to Drake as an administrative user and go to **Setup > Preparer(s)**.
2. Select a preparer and click **Edit Preparer**.
3. Click **Security > Front Office (Scheduling Only)**.
4. Click **Save**.



### IMPORTANT

Preparer logins and front office mode assignments must be established in Drake before the Scheduler can be used effectively.

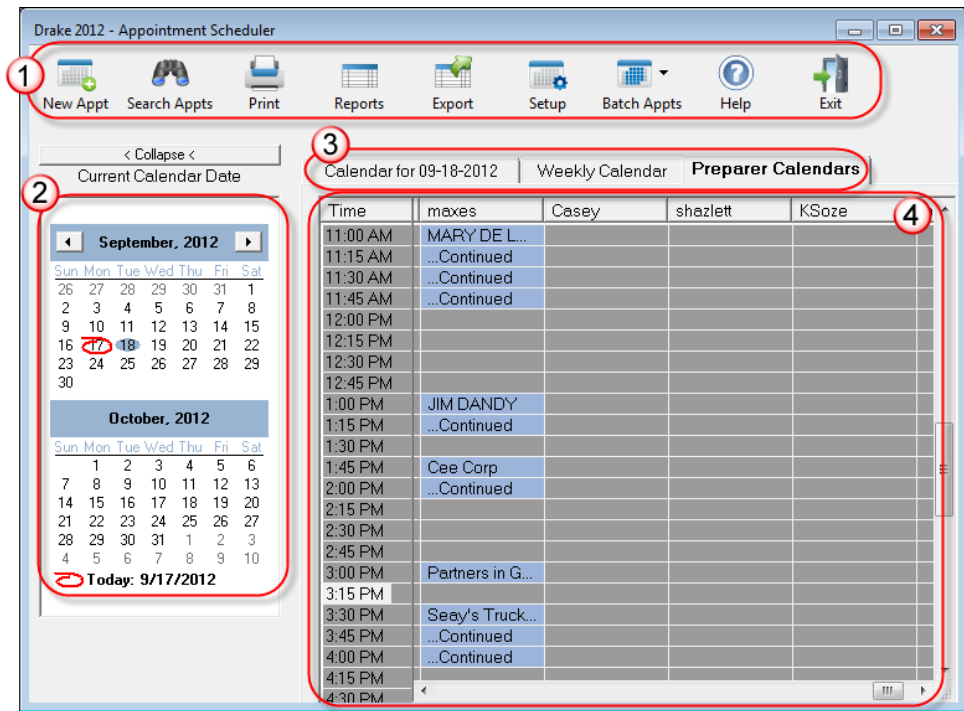
### Accessing the Scheduler



From the **Home** window, select **Tools > Scheduler**, or click the **Scheduler** icon. The **Appointment Scheduler** has four main sections (see Figure 4-10 on page 86):

- A toolbar across the top
- A calendar overview in the left column
- Tabs for selecting calendar types (not available for ADMIN login)
- The schedule grid, which shows scheduled appointments for each calendar type

Figure 4-10 on page 86 shows the **Appointment Scheduler** window in preparer mode.



**Figure 4-10:** The **Appointment Scheduler** features a toolbar (#1); a calendar overview (#2); calendar tabs (#3); and a scheduled appointment list (#4).

If the user is logged in as an administrative user, the **Batch Appts** button is displayed in the toolbar. (See “Batch Appointment Generator” on page 92.)

## Setting Up Scheduler Options

Use the Scheduler Setup feature to establish the logged-in preparer’s default settings for appointment durations, automatically filled data, and calendar views. Only the logged-in preparer’s calendar and view are affected by any changes.



Click the **Setup** icon in the Scheduler toolbar. The **Scheduler Setup** consists of two tabs: a **General** tab for default settings and a **Calendars** tab for setting viewing options for calendars. Options are described in Table 4-1.

**Table 4-1:** Scheduler Setup Options

<b>Tab</b>	<b>Setup Option</b>	<b>Description</b>
General	Appointment duration	Set the default appointment time displayed in the <b>Appointment Detail</b> dialog box. (See "Scheduling Appointments" on page 90.) Values are set in five-minute increments.
	Scheduler times	Set time intervals (15, 30, or 60 minutes) to be displayed on the calendar grid rows of the <b>Appointment Scheduler</b> (see Figure 4-10 on page 86).
	Appointment reminders	Activate the appointment reminder; establish how far in advance to receive a reminder of an upcoming appointment. You can also select this option on the fly when setting up a preparer's appointment.
	Open Setup Schedule for	Set up a preparer's general daily schedule (in/out times).
	ZIP code autofill for city and state information	Activate the ZIP code autofill feature, which automatically displays a client's city and state information once the ZIP code has been entered.
	Private appointment	Mark all future appointments as "private." Private appointment details are not visible to other preparers or to users with administrative rights. You can also select this option on the fly when setting up a preparer's appointment.
	Customer name autofill	Establish how client names are displayed in the calendar view.
	Email Notification Settings	Enter the words you want to appear in <b>Subject</b> line of your e-mail notifications.
Calendars	Preparers in View	From <b>Preparers not in my view</b> list, select which preparer schedules you want visible by default. Click the arrow to move the name to the <b>Preparers in my view</b> list on the right.
	Calendar view start time	Select the time to be displayed when the calendar is opened.
	Default calendar (tab displayed at login)	Select which calendar type will be displayed at login. (This choice not available to users with administrative rights.)
	Colors	Select screen colors for the calendar.

## Establishing Daily Schedules

The Scheduler allows you to view, at a glance, the planned daily schedules of selected preparers, including the times they are scheduled to be in the office.

To establish a preparer's daily schedule in the Scheduler:



1. Click **Setup**. The **Scheduler Setup** dialog box is displayed.
2. Select a preparer from the **Open setup schedule for** drop list. The **Setup Schedule** dialog box (Figure 4-11) is opened for the selected preparer.

Drake 2012 - Setup Schedule: dood

**Preparer Schedule Setup**  
Select a day(s) then the times. When the schedule has been set for the selected day(s), click 'Apply' to save the information to the schedule grid below. Continue to set schedule day and time combinations. Click 'Save' to save dood's schedule and exit the screen.

**Standard Schedule** | Detail Schedule |

Set up Times

1 Select day(s):  Mon  Tues  Wed  Thurs  Fri  Sat  Sun

2 In 8:00 AM In 1:00 PM In In In  
Out 12:00 PM Out 5:00 PM Out Out Out

3 Apply

Standard Schedule

Day	In	Out	In	Out	4	In	Out	In	Out
Monday	8:00 AM	12:00 PM	1:00 PM	5:00 PM					
Tuesday	8:00 AM	12:00 PM	1:00 PM	5:00 PM					
Wednesday	8:00 AM	12:00 PM	1:00 PM	5:00 PM					
Thursday	8:00 AM	12:00 PM	1:00 PM	5:00 PM					
Friday	8:00 AM	12:00 PM	1:00 PM	5:00 PM					
Saturday									
Sunday									

Help Clear All Save Cancel

Figure 4-11: Setup Scheduler dialog box for a preparer

3. Under the **Standard Schedule** tab, mark one or more boxes to select days preparer is in the office (item #1 in Figure 4-11). This activates the **In** and **Out** drop lists (item #2 in Figure 4-11).
4. Select the “in” and “out” times for the selected days (time preparer arrives at the office, goes to and returns from lunch, leaves for the day, etc.).
5. Click **Apply** (item #3 in Figure 4-11).

The preparer’s “in” and “out” times appear in the Standard Schedule grid. (item #4 of Figure 4-11.)

6. Click **Save**.

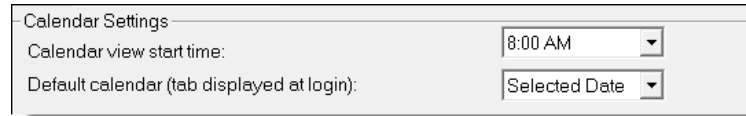
## NOTES

Use the **Detail Schedule** tab to indicate where the schedule changes for a certain time — for example, if a preparer is going to be out several hours on a particular morning to meet a client.

In the preparer’s **Appointment Scheduler** window, the rows indicating the preparer’s “out” times will be shaded a different color from the rows indicating the preparer’s “in” times

## Calendar Settings

Calendar viewing options are shown in the **Calendar Settings** section of the **Calendars** tab of the **Scheduler Setup** dialog box (Figure 4-12 on page 89).



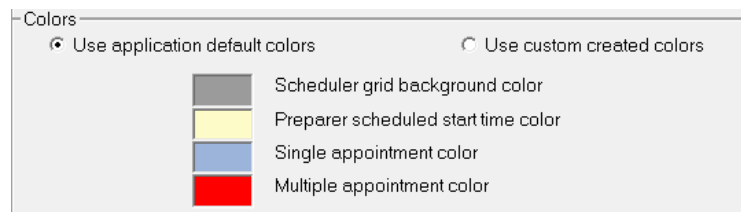
**Figure 4-12: Calendar Settings** section (under **Calendars** tab)

These features are described with the **Scheduler Setup** features in Table 4-1 on page 87. For more information, click the **Help** icon in the Scheduler.

## Calendar Colors

To change the default colors displayed in the Scheduler calendar:

1. In the **Scheduler Setup** dialog box, select the **Calendars** tab. Default colors are displayed under **Colors**.



**Figure 4-13: Colors** section under **Calendar** tab in **Scheduler Setup**.

2. Click a color to open the **Color** dialog box for that color.
3. Select a new color.
4. Click **OK**. When you change a color, note that the **Use custom created colors** button is marked automatically.

To reset the Scheduler to use the default colors, click **Use application default colors**.

## Printing and Exporting Preparer Schedules

Drake allows you to print or export (to an Excel file) preparer schedules for a specified time range for a specific date or week. Schedules are printed or exported for all preparers.

**NOTE** To print or export a schedule for a specified preparer, see "Creating Appointment Reports" on page 95.

**Printing** The **Print** feature prints the appointments for the selected date (shown under the **Current Calendar Date**). From the **Appointment Scheduler** toolbar, click **Print**, select the starting and ending times, and click **OK**. Results are displayed in the Report Viewer, from which you can print or export the data.

**NOTE** If the **Weekly Calendar** tab is selected, the Report Viewer displays all appointments for the week of the current date.

**Exporting** The **Export** feature sends the data for the selected tab to an Excel spreadsheet. To export schedule data directly from the Appointment Scheduler, click **Export**, select



the starting and ending times, and click **OK**. Results are displayed as a printable spreadsheet.

## Scheduling Appointments

Appointments can be scheduled for an individual preparer or a group of preparers.

### NOTE

Preparer schedules and appointments are carried forward each year. Go to **Last Year Data > Update Settings 2011 to 2012** and select **Preparer Schedules**.

### For an Individual

To schedule an appointment for a preparer:

1. From the **Appointment Scheduler** toolbar, click **New Appt**, or double-click an appointment time in the schedule grid. The **Appointment Detail** dialog box is displayed. (If you accessed the dialog box by double-clicking a time in the schedule grid, it is opened to that date and time (Figure 4-14)).

**Figure 4-14: Appointment Detail dialog box.**

2. Select the appointment **Date**, **Time**, and **Duration**.
3. Complete the applicable client-information fields.

If a client record already exists in Drake, enter the SSN/EIN and press TAB. Click **Yes** at the prompt and the program automatically completes the **Client type**, **Appointment type**, **Name**, **Address**, **Phone**, and **Email** fields. If you replace data in an auto-filled field in the Scheduler, this information is not overwritten in the client record in

Drake. You can also use the **Lookup** feature to access data for a client. For more on this feature, see “Finding a Client Record” on page 93.

## NOTES

To access the **Appointment Detail** dialog box from the **Data Entry Menu** within a return, right-click anywhere on the screen and select **Add Appointment** from the right-click menu. Click **Yes** on the **Autofill** prompt to complete contact information fields of the **Appointment Detail** dialog box.

4. Assign the appointment to a preparer by selecting a name under **Preparers**. (More than one preparer can be selected.) To clear a selection, click the name a second time.
5. (optional) Override selections made in **Scheduler Setup** by selecting (or clearing) the **Add Reminder**, **Private Appointment**, or **Recurring Appointment** boxes at the bottom of the **Appointment Detail** dialog box.
  - If **Add Reminder** is marked, the preparer will receive automatic alerts regarding the appointment when logged in.
  - If an appointment is marked “private,” the assigned preparer will be the only one allowed access to that appointment data.
  - If an appointment is marked “recurring,” you must provide information about the frequency (**Daily**, **Weekly**, or **Monthly**) and the end date of the recurring appointment. (The dialog box will expand to offer options.)
6. Click **Save**. The appointment will now be displayed on the schedule grid.

For a recurring appointment, you can edit a single occurrence or the series. You can also make a group meeting recurring.

## NOTES

To e-mail an appointment reminder to the client, click the **E-mail Notification** button. An e-mail address must be displayed in the **E-mail** field in order for this feature to work.

An appointment on a preparer's calendar can be changed by dragging and dropping it to another section of the calendar grid. (Recurring appointments must be changed on the **Appointment Detail** dialog box.)

### For a Group of Preparers

To schedule multiple preparers to meet with a client, follow the instructions provided in “For an Individual” on page 90. Instead of selecting only one preparer in Step 4, however, you can select up to 50. (Figure 4-15) There is no need to double-click a name or to press SHIFT or CTRL while selecting.



**Figure 4-15:** Multiple preparers selected for a group meeting.

To clear a selection, click the preparer's name a second time.

## IMPORTANT

In order to save the appointment, a client name must be entered.

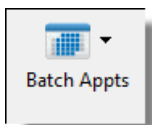
### Batch Appointment Generator

The batch appointment generator reviews client and recurring appointments from the previous tax year and creates new appointments in the current year's Scheduler. You can set workday and holiday information that will roll forward (or backward) to an available appointment date.

## NOTE

This feature is available for users with administrative rights. Appointments marked "private" (see "For an Individual" on page 90) are excluded from the batch process.

To set up appointments using the batch appointment generator:



1. From the **Appointment Scheduler** toolbar, click **Batch Appts** and select **Generate batch appointments**. The **Batch Appointment Generator** dialog box is displayed.
2. If necessary, select a location from the **Use last year's appointments found on drive** drop list.
3. Enter (or select from the calendar) a **Begin date** and an **End date**.
4. Select the days that should be available for appointments for this year.
5. Under **Dates Not Available for Appointments**, click **Add** to add any holidays or other days on which appointments should not be scheduled.

Dates Not Available for Appointments			
Create a list of holiday and other dates in which your office will be closed.			
Date	Day of Week	Holiday / Other	
January 21, 2013	Monday	M.L.K. Day	
February 18, 2013	Monday	Presidents Day	

**Figure 4-16:** Example of dates entered that are not available for appointments

To edit or delete an entered date, select the date and click **Edit** or **Delete**.

6. Select your preference for **Appointment Date Criteria**. Your preference applies when a rolled-forward appointment falls on a weekday or holiday. You can also select to keep the day of the week (for example, if a client wants a Monday appointment each year) or the date (for example, if a client wants to meet on the first day of a month).
7. Click **OK** to begin the batch appointment process.

The program creates appointments as defined by your specifications and preferences. Next, it displays the "Scheduler - Batch Created Appointments" report, which displays the following information:

- Summary of appointments that could not be generated (explanations provided)
- Number of appointments that had conflicts

- Number of new appointments generated successfully

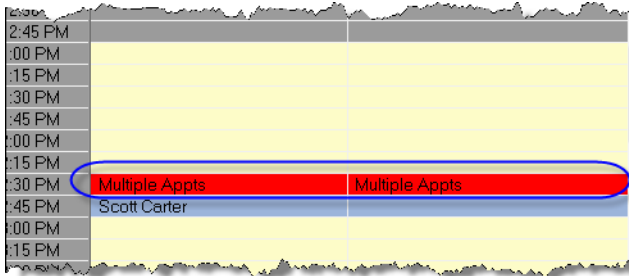
In addition, the report shows (1) which appointments had conflicts, along with the new times scheduled; and (2) the new times scheduled for all other appointments.

## NOTE

To undo batch-generated appointments, go to the **Appointment Scheduler**, select **Batch Appts > Undo Batch-generated Appointments**, and click **Yes**. The batch-generated appointments will be removed from the current year's schedule.

## Entering Overlapping Appts.

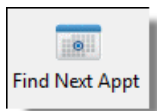
If an appointment conflicts with another, you are asked if you want to save it anyway. If **Yes**, the calendar displays a **Multiple Appts** note, as shown in Figure 4-17.



**Figure 4-17:** Notification of multiple appointments

To view the multiple appointments scheduled, double-click the **Multiple Appts** row. Appointments are shown in the **Open Appointment** grid. To view appointment details, double-click an appointment.

## Finding Next Available Appointment



To locate the next available appointment time in the Scheduler:

1. From the **Appointment Detail** dialog box, click **Find Next Appt**.
2. From the **Find Next Appointment** dialog box, choose a preparer from the **Preparer** drop list, or select **Any Preparer**.
3. Select starting and ending dates. The program searches all times within your date range.
4. (optional) Specify a day of the week and set a range of times to search. If you select a specific day of the week, that day must fall within the entered date range.
5. Click **Find**. Any available appointment times for the preparer are displayed.
6. **Choose** a date, time, and preparer and click **Select** to return to the **Appointment Detail** dialog box with that date and time entered and preparer selected.

## NOTE

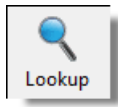
Preparers with no set schedules are excluded from the search.

To find a scheduled appointment, see “Find Scheduled Appointment” on page 94.

## Finding a Client Record

The **Lookup** feature allows you to find a client's record and insert the client information into an **Appointment Detail** dialog box.

To locate a client record:

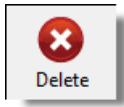


1. From the **Appointment Detail** dialog box, click **Lookup**.
2. Select the location from which to search from the **Select clients...** drop list.
3. Select a client name from the displayed list. Clients are listed in alphabetical order by last name or entity name.
4. Click **OK**. The list is closed and several fields are filled with client data. (Content is determined by what was entered on screen **1** in data entry.)

### Changing Appointment Details

To change the details of an appointment that has already been entered into the Scheduler, double-click the time slot of the appointment in the **Appointment Scheduler**. When the **Appointment Detail** dialog box for the selected appointment is opened, make any changes necessary. Click **Save**.

### Deleting an Appointment

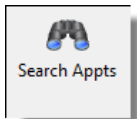


To delete an appointment from the Scheduler:

1. Double-click the appointment time slot in the **Appointment Scheduler**.
2. Click **Delete** in the **Appointment Detail** toolbar.
3. Click **Yes** to confirm the deletion.
4. Click **OK** to return to the **Appointment Scheduler**.

## Searching Appointments

### Find Scheduled Appointment



Find scheduled appointments by searching keywords from the **Appointment Details** information for all clients. To search for a client's appointment in the Scheduler:

1. Open the Scheduler and click **Search Appts** to open the **Scheduler Search**.
2. Enter one or more keywords in the **Enter Search Terms** field. The program will search all **Appointment Detail** information for these keywords.
3. Select a date from the **Start at this Date** drop list. The program searches for all appointments scheduled for that date and after.
4. Click **Search**. Results are displayed in the **Scheduler Search** window, as shown in the example in Figure 4-18.

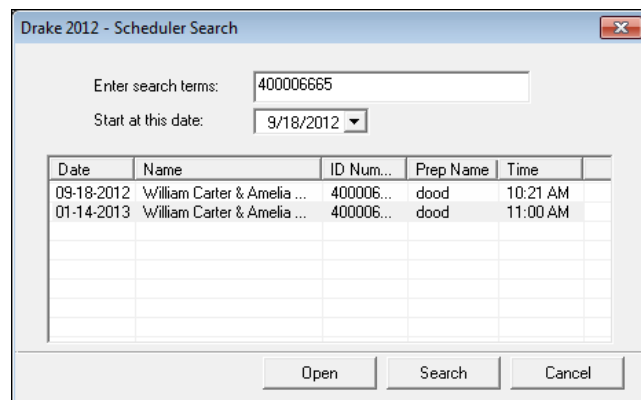
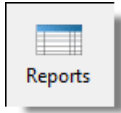


Figure 4-18: Scheduler search results

Double-click an appointment row to view appointment details.

## Creating Appointment Reports

The Scheduler works with the Reports feature in Drake to provide reports based on appointment data. To generate a Scheduler report:



1. Open the Scheduler and click **Reports**. The **Report Manager** is opened.
2. Expand the **Schedule Reports** and **Client Contact** menus to show the four types of reports that can be generated. These are listed in Table 4-2.

**Table 4-2:** Scheduler Report Types

Scheduler Report	Description
Call List for all Preparers	Lists the appointments scheduled for all preparers; data types include appointment time and date, client name, client SSN, duration of appointment, client phone, cell phone, new client indicator, preparer's name, and client's e-mail address.
New Client Appointments	Lists new clients entered for a selected preparer; data types include appointment time, start time, client name, client SSN, and client phone numbers.
Preparer Appointments	Lists the appointments for all preparers. Data types include preparer name, appointment date, state time, appointment time, client name and SSN, duration of appointment, client phone numbers, and new client indicator.
Preparer Call List	Lists the appointments for a preparer; select a preparer name from the drop list. Data types include preparer name, appointment date, start time, client name, SSN, and client phone numbers.

3. Click a report type to select it.
4. Click **View Report**. You will be asked if you want to create the report again using current data; click **Yes** to do so.
5. Make any desired changes to the **Basic Search Conditions** dialog box (in the "Call List for all Preparers" and "New Client Appointment" reports only).
6. Select the parameters to the report from the **Comparison** drop list (in the "Preparer Appointments" report only).
7. Set the report's date range by typing start and end dates in the **Value** fields (in the "New Client Appointments" report only).
8. Click **Continue**. The report is displayed in the Report Viewer. (For more information on reports, see Chapter 12, "Reports.")

Once you are in the Report Viewer, you can print or export the report output.

**NOTE**

The **New Client List** report does not pull data from other areas of Drake; it pulls data only from the Scheduler itself. To designate a client as a new client, select **New** from the **Client Type** drop list (in the middle of the **Appointment Detail** dialog box).

## **e-Filing Preparation**

For details regarding preseason tasks for e-filing, see Chapter 8, “e-File.”

# 5 Return Preparation

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This chapter focuses on using Drake to produce Form 1040 and the supplemental forms, schedules, and other documents that might be part of a tax return. It is not intended as a tax course but, rather, as a primer for using Drake Software to prepare a 1040 return. It assumes a fundamental knowledge of tax law and a basic understanding of Drake data entry. If you are not familiar with Drake data entry, read Chapter 3, “Basics,” before attempting to prepare a tax return in Drake.

Screens **1** through **5** of the program provide fields for entering data directly onto the 1040. Because many lines on the form require calculations from other forms and schedules, some of the fields in screens **3**, **4**, and **5** are treated as overrides or adjustments to program calculations from elsewhere in the program.

## Taxpayer Demographics

*Screen code: 1* Use screen **1 (Name and Address)**, accessible from the **General** tab, to enter data for the top section of a Form 1040, including the taxpayer’s name, mailing address, and filing status. Screen **1** also has fields to indicate contact information and other relevant details of the return.

## Selecting a Filing Status

Select a filing status from the **Filing Status** drop list at the top of screen **1**. Press F1 in the **Filing Status** field to view explanations for the available codes.

## Entering Taxpayer Information

The taxpayer’s name is entered when you create the return. Other important taxpayer data, such as date of birth, occupation, and contact information (phone numbers and e-mail address) for the taxpayer (and spouse, if applicable) is entered on screen **1**. Note that not all fields in the **Spouse** column are activated if the filing status is something other than “Married Filing Jointly;” fields that are activated should be completed.



e-File specifications require that no more than 35 characters of a taxpayer's name be transmitted on a tax return. In Drake, names of more than 35 characters (taxpayer and spouse named combined) are automatically shortened, and a note is generated. If, after the name is shortened, it is still too long, you will be directed in an EF message to shorten the name manually on screen **1**. Press F1 in the taxpayer's **First name** field on screen **1** for further instructions.

Below the **E-mail/text msg** field, indicate if a taxpayer is a dependent of another, is a full-time student, wants to donate to the Presidential Campaign Fund, or is blind.

## NOTES

If the taxpayer was a victim of identity theft, enter his or her IRS-assigned PIN in the **Identity Protection PIN** field on the **MISC** screen.

## Entering Residency Information

The **Mailing Address** section of screen **1** includes fields for both domestic and foreign addresses.

## NOTE

To indicate a stateside military address, mark the **Stateside military address** box on screen **1**. Enter combat and special processing code information on the **MISC** screen (accessible by clicking the **Combat Zone** link on screen **1**).

## State and Local Data

If the resident state differs from the state in the mailing address, select the appropriate state code from the first drop list in the **Resident state, City, School district** line near the bottom of screen **1**. If the taxpayer is a part-year (PY) resident of the state in the mailing address, select **PY** from the **Resident state** drop list. To suppress a state return from being calculated, select **0** from the **Resident state** drop list. The second drop list (for the resident city) is activated if a city return is required. School districts are available in the third drop list of the **Resident state, City, School district** line when needed.

## TIP

Press CTRL+SHIFT+S in the **Resident city** or **School dist** to search for options for those fields.

## Indicating a Deceased Taxpayer

If the primary taxpayer is deceased:

- 1.** Enter the date of death in the taxpayer's **Date of death** field on screen **1**.
- 2.** In the **In care of** field (just above the **Mailing Address** section), enter the name of someone (surviving spouse, child, legal representative, etc.) to whom all tax-related information should be addressed. (For MFJ returns, the name of the surviving spouse should be entered.)

## NOTE

If there is a name in the **In care of** field, all correspondence generated by the program (letters, bills, etc.) will be addressed to that person.

## Required Fields

*New for 2012:* Fields that require completion before a return is eligible for e-file are highlighted in blue (Figure 5-1).

The screenshot shows a mailing address form with the following fields and annotations:

- Fields required for e-file:** Street address, City, State, ZIP, County, and Apt# (all highlighted in blue).
- Foreign address fields locked:** Foreign ONLY, Province/State, Country, Postal Code, and a button labeled "<Click to Access>" (all in a greyed-out state).

**Figure 5-1:** Required fields and foreign address fields

Reminders appear when you try to escape from a screen on which required fields have not been completed. You can set up the software to remind you every time you leave a required field blank, to remind you only once per data-entry session, or not at all.

From the **Home** window, go to **Setup > Options > Data Entry** tab.

From the **Home** window, go to **Setup > Colors** to change the color of the required fields.

## Foreign Addresses

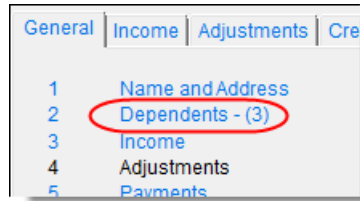
*New for 2012:* Fields for adding foreign address information have been included on many Drake data-entry screens. These fields are locked to keep incorrect address data from being entered in these fields. (Figure 5-1) Click the field to unlock foreign address fields throughout the return. Close the return and re-open it to re-engage the lock for unused screens.

To use the foreign address fields, enter in the first field the name of the foreign province or state, as appropriate. Select the appropriate foreign country from the drop list, and then enter the postal code, if appropriate.

## Exemptions

*Screen code:* 2

Use screen **2 (Dependents)**, accessible from the **General** tab, to complete the "Exemptions" section of Form 1040. Use a separate screen for each dependent, pressing PAGE DOWN to open each new screen. Data is saved automatically upon exiting a screen. The number of active **Dependents** screens is shown on the **Data Entry Menu**. (Figure 5-2 on page 100).



**Figure 5-2:** Number of **Dependents** screens that contain data

Enter the required data, including the dependent's *full date of birth*, at the top of screen 2. A dependent's age is displayed once a birth date is entered (Figure 5-3).

**Figure 5-3:** Calculated age is displayed once birth date is entered.

TIP

Figure 5-3 shows the default screen 2. Grid data entry can also be used for entering dependent information. To switch to grid data entry mode, press F3. See "Grid Data Entry" on page 68 for more information.

## Entering Dependent Last Names

By default, the primary taxpayer's last name is used for all dependents. Complete the **Last Name** field on screen 2 only if the dependent's last is *different*.

## Selecting "Months in Home"

By default, the program calculates the return as if a dependent lived with the taxpayer for the entire year. Complete the **Months in Home** field on screen 2 only if a dependent did *not* live with the taxpayer for all 12 months.

If "00" is selected for the months in the home for a *son* or *daughter*, the dependent is classified as one who did not live with the taxpayer due to divorce or separation. If "00" is selected for *another type of dependent* (parent, grandchild, etc.) the program applies the "Other Dependent" classification, regardless of the relationship. To override these classifications, select the applicable boxes in the **Additional Information** section at the bottom the screen. (See "Additional Dependent Information" on page 101)

## Claiming a Dependent (for Split Returns)

T = Taxpayer  
S = Spouse  
J = Joint

If taxpayers are married and want to split the return to see if filing separately would be more beneficial than filing jointly, use the **TSJ** drop list on screen **2** to assign the dependent information to the correct person. (See Figure 5-4 in the following section.)

A **TSJ** code should also be selected if the state has an MFS (Married Filing Separate) combined option. The program default is **T (Belongs to the Primary Taxpayer)**.

## Entering State Data for a Dependent

Select a state from the **State** drop list (Figure 5-4) to specify which state should receive the dependent data. This selection helps ensure that dependent credit information flows to the correct state return. This information is necessary in some situations (for example, if the parents of the dependent are MFS and reside in different states).

**Figure 5-4:** Fields for **TSJ**, **State** and **State codes**

Enter a state code (disabled, adopted, etc.) as applicable. To view all state codes, click inside the **State codes** field and press F1. Double-click a displayed code to select it.

## Additional Dependent Information

Screen **2** contains fields for other dependent-related data. Information on the below-listed fields is provided elsewhere in this document.

- **Childcare Expense Information** — See “Child and Dependent Care Expenses Credit” on page 142.
- **EIC Information** (and related due diligence questions) — See “Earned Income Credit (EIC)” on page 154.

It could be necessary to override or further clarify dependent information entered on screen **2**—for example, if a child is over 18 and disabled or is not a U.S. citizen. Use the **Additional Information** section of screen **2** for this kind of data.

NEW FOR  
2012

Drake has redesigned both the **Dependents** screen and screen **8863** to conform to new requirements for Form 8863, Education Credits. The **Education Expense Information** has been removed from the **Dependents** screen and moved to the redesigned **8863** screen. See “Education Expenses” on page 138.

## Personal Service Income (W-2, 1099-MISC)

Use the **W2** and **99M** screens, both accessible from the **General** tab, to enter personal service income data from a taxpayer's W-2 and 1099-MISC forms, respectively.

## W-2

Screen code: **W2**

The **W2** screen is designed to reflect the IRS Form W-2, Wage and Tax Statement. Data entered here must match the client's W-2 form. The following fields can be completed automatically by the program:

- **Names and Addresses** — If the employer's EIN is in your Drake database, the employer's information is filled automatically once you enter the EIN. The employee information is filled automatically once **T** or **S** is selected at the top of the screen. Nothing needs to be typed into these fields unless the information differs from what was previously entered in the program.
- **Wages and Withholding** — When wages are entered in box **1**, boxes 3–6 are filled automatically. These amounts should match those on the taxpayer's W-2.

### NOTES

If, after contacting (or attempting to contact) the employer, you suspect fraud, immediately contact the nearest IRS Criminal Investigation office or call the IRS's tax fraud hotline at (800) 829-0433.

### Links

Links are provided from the **W2** screen to screens **2441** (for entering Child and Dependent Care Expenses), screen **8880** (for entering data to calculate the Qualified Retirement Savings Contributions credit), and screen **SEHI** (for entering data to calculate the Self-Employed Health Insurance deduction).

### W-2 Verification

Verification fields (activated from **Setup > Options > Data Entry**) help ensure that wage and withholding amounts are correct by requiring re-entry of federal and state wage and withholding amounts at the bottom of screen **W2** (Figure 5-5).

**Figure 5-5:** Verification fields for federal and state wages and withholdings

An EF message is generated if a verification amount does not match the corresponding amount entered. Amounts must be corrected before the return can be e-filed.

### Foreign Employers

*New for 2012:* To indicate a foreign employer on screen **W2**, enter the city in the "city" field of the employer address, and in the **Foreign ONLY** section, enter the province or state, select a country from the **Country** drop list, and enter any relevant **Postal Code**. See example in Figure 5-6 on page 103.

**Figure 5-6:** Entering foreign employer information on **W2** screen

Screen code: **FEC**

If no W-2 was issued by the foreign employer, use the **Foreign Employer Compensation** screen, accessible from the **Income** tab, to enter employee, employer, and income information.

## NOTE

For information on the foreign income exclusion (Form 2555), see “Excluding Foreign Income” on page 134.

## Statutory Employees

Because all statutory employees must file Schedule C for expenses related to W-2 income, Schedule C is created for a statutory employee.

To indicate a statutory employee and generate Schedule C:

1. Open a **W2** screen for the employee, and select **Stat employee** (line 13).
2. From the **Special tax treatment** list (Figure 5-7), elect the associated Schedule C.

**Figure 5-7:** W-2 in this example is associated with the second (#2) Schedule C entered

The earnings amount from screen **W2** flows to Schedule C, line 1c.

## Corrected or Altered W-2

Near the bottom of the **W2** screen are check boxes to indicate that a W-2 was altered, handwritten (non-standard), or corrected. Select the applicable box to indicate that a W-2 has been changed.

## Do Not Update

*New for 2012:* The **Do not update** check box will affect the 2013 tax return. If you select this box, next year when you update your tax returns (**Last Year Data > Update Clients 2012 to 2013**) W-2 info from this year's return will not be carried into 2013's **W2** screen.

## ITIN on Screen 1

If a taxpayer has an ITIN for screen **1**, the taxpayer's TIN from Form W-2 *must* be entered in the field at the bottom of screen **W2**. The program does not automatically

use the ITIN entered on screen **1**, and a return with an ITIN cannot be e-filed unless this field on screen **W2** is completed.

### Substitute W-2, 1099-R

Form 4852 serves as a substitute for Form W-2, Form W-2c, or Form 1099-R when a taxpayer either did not receive one of these forms or an employer issued an incorrect one. Form 4852 is not generally filed before April 15.

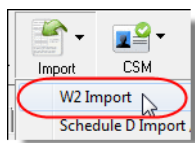
Screen code: **4852** Use the **4852** screen, accessible from the **Other Forms** tab, to fill out Form 4852.

**NOTE** The generated Form 4852 uses data entered on the corresponding **W2** or **1099** screen (for Form 1099-R).

### W-2 Import

If your client is an employee of a company that uses W-2 eXpress®, that client's W-2 can be downloaded directly into Drake. See the Drake Support site (**My Account > W-2 Block Purchase**) for information on purchasing W-2 downloads and a list of companies that supply employee W-2s using this service.

To import W-2 information:



1. From the **Data Entry Menu** of the client's return, click **Import > W2 Import**.
2. In the **W2 Download** dialog box, select **Taxpayer** or **Spouse** as applicable. The name and SSN of the selection is displayed below the **Taxpayer/Spouse** drop list.

 A dialog box titled 'Drake 2012 - W2 Download'. It contains a dropdown menu for 'Taxpayer/Spouse' with 'Taxpayer' selected. Below it, the name 'William Carter' and SSN '400006665' are displayed. A 'PIN:' label is followed by a text box containing '10203040'. A 'Download' button is at the bottom right. A 'Progress' bar is at the bottom.

**Figure 5-8:** Name and SSN appear in **W-2 Download** dialog box

3. Enter the client's PIN (supplied by the employer).

**NOTE** In some cases, the employer will provide the *format* for a PIN (for instance, if the company uses the last four digits of the employee's SSN), but will not provide the PIN itself.

4. Click **Download**, and then click **Yes** to continue.

5. When the “W2 Download Complete” message is displayed, click **OK**. The **W2** screen for the taxpayer now contains the downloaded information.

## NOTE

Purchase W-2 downloads in sets of 15 (\$25 per set). Each instance of a downloaded W-2 counts as one against your total (even if the same W-2 is downloaded twice). If, however, the client has W-2s from multiple employers and all W-2s are downloaded *in the same session*, it counts as only one download. If the W-2s are downloaded in *separate sessions*, each session counts as one against your total.

## 2D Barcode Scanning

For W-2 forms with a 2D barcodes, W-2 and K-1 data can be scanned into Drake (1040 package only). Open the program to the client's **Data Entry Menu** (*not* the **W2** or **K1** screen) to scan the barcode; the scanned information appears on the applicable screen. For example, if a W-2 is scanned, a **W2** screen is opened that contains the data from the W-2. Guidelines for scanning are provided below.

- When scanning the information, the program opens a new screen containing the information. It does not overwrite previously entered data on a **W2** or **K1** screen.
- The IRS issues guidelines for the 2D barcode. If the software producing the barcode follows these guidelines, the correct information will be entered on the Drake screen. If not, you will need to verify that the scanned data was correctly transferred to the screen.
- For Form W-2, the 2D barcode picks up only what is on the W-2. In the case of multiple city withholding (which is on a separate schedule that does not fit on the W-2), the extra information must be typed in after the barcode is scanned.
- Most barcode scanners can be used, but Drake recommends the Honeywell/Metrologic MS1690 Focus.

## 1099-MISC

Screen code: **99M**

Use the **99M** screen to enter data from Form 1099-MISC. Select from the **TS** drop list at the top of the **99M** screen to whom (taxpayer or spouse) this 1099 information belongs. To associate the **99M** information with a specific line or form within the return, make a selection from the **For** drop list. If associating it with one of multiple forms, enter a **Multi-form code**. (See “Associating One Screen with Another” on page 73.)

## Passive and Investment Income (1099-DIV, etc.)

This section covers interest and dividend income from both domestic and foreign sources. To enter rental income data in Drake, see “Supplemental Income” on page 121. To enter foreign earned income, see “Foreign Earned Income” on page 134.

## Interest and Dividends

The **INT** and **DIV** screens in Drake reflect the 1099-INT and 1099-DIV forms, respectively. Data from the **INT** and **DIV** screens is carried primarily to Schedule B, Interest and Dividends, and, when applicable, to Form 1116, Foreign Tax Credit.



**Income Less than \$1,500**

In general, no Schedule B is required if interest and dividend income does not exceed \$1,500; amounts can be entered instead directly on screen **3 (Income)** (Figure 5-9).

**Figure 5-9:** Interest and dividend fields on screen 3

The **Income** screen amounts are calculated and the results flow directly into Form 1040. Any interest or dividend income entered on the **INT** or **DIV** screens is *combined with* the screen **3** amounts when the return is calculated. Do not duplicate entries.

**Schedule B, Interest and Ordinary Dividends**

Schedule B is required if taxable interest or ordinary dividends exceed \$1,500. Use the **INT** and **DIV** screens to report interest and dividend income that exceeds this amount. Amounts are generated for Schedule B and flow into Form 1040.

**Reporting Portions of Dividends**

Certain portions of ordinary dividends (domestic dividends not taxable by a state and ordinary dividends that are U.S. Government dividends) can be expressed on the **DIV** screen as either amounts or percentages (Figure 5-10).

**Figure 5-10:** Enter portions of ordinary (line 1a) dividends as amounts or as percentages of the total.

**Schedule B, Part III**

Some taxpayers with bank or other financial accounts in foreign countries must file Schedule B, regardless of the income amount. This data, along with other Schedule B data, is entered in the **Schedule B Part III** section of the **INT** screen, (Figure 5-11 on page 107).

**NOTE**

This section has a field for indicating whether or not the taxpayer is required to file Form TD F 90.22.1, Report of Foreign Bank and Financial Accounts. If the **Schedule B Part III** section is being completed, a selection from this drop list is required.

Figure 5-11: Schedule B Part III fields on the INT screen

NOTES

The **...foreign financial account** and **...foreign trust** items *must* be answered. Both are **Yes/No** questions. If either is left blank, a NOTE is generated, alerting you to this fact.

If you *do not* have to file Form TD F 90-22-1, *do not* make a selection from the **...foreign country** drop list

NEW FOR 2012

For taxpayers with interest in more than one foreign account, or distributions from more than one foreign trust, you can now press PAGE DOWN and open a new screen for each country.

State-specific Information

The **State-specific information** section has a drop list to designate Maine, Massachusetts, Oklahoma, or Tennessee for bank interest; a field for state identification numbers for Michigan, Minnesota, New Hampshire, and Rhode Island returns; a field for entering the amount of state tax withheld; and choices for Illinois returns (Figure 5-12).

Figure 5-12: State-specific fields on INT screen

In the **IA taxable interest income** field on the **INT** screen, enter the amount of taxable interest income from Iowa. (Figure 5-12) The **DIV** screen differs slightly; enter the amount of taxable IA dividends.

1099-OID

Enter interest from Form 1099-OID, Original Issue Discount, on either screen **3** (if less than \$1,500) or the **INT** screen (if \$1,500 or more).

Foreign Interest and Dividends

Use the **INT** and **DIV** screens to report interest and dividend income from foreign accounts and trusts. As applicable, this data flows to Form 1116, Foreign Tax Credit. The following Form 1116 capabilities are included on the **INT** and **DIV** screens:

- A section for foreign tax credit information

- Ability to associate information from an **INT** or **DIV** screen to an **1116** screen
- Ability to suppress Form 1116 if it is not required for the return
- Ability to open the **1116** screen in the program via a **Form 1116** link

## Foreign Tax Credit Data

The **INT** and **DIV** screens include a section for **Form 1116/FTC information**. Figure 5-13 shows this section as it appears on the **DIV** screen.

**Figure 5-13:** Form 1116 section of **DIV** screen

If data is entered in this section of the **DIV** or **INT** screen, Form 1116 is generated automatically. Data entered here does not have to be re-entered on the **1116** screen. In fact, if amounts are entered on both screens, the program combines the two amounts and prints the total on the return.

## Associating Data with the 1116 Screen

Because the **INT/DIV** screens include the most commonly used Form 1116 fields, and because Form 1116 is generated if these fields contain data, it may not be necessary to enter anything onto screen **1116**. If, however, a return has a less-common foreign income factor, such as a carryover, you must enter that data on screen **1116**.

You can associate the **DIV** and **INT** screens with an **1116** screen so that the generated Form 1116 incorporates the applicable data from *all* applicable screens. To associate the Foreign Tax Credit information in a **DIV** or **INT** screen to an **1116** screen:

1. Complete the **Form 1116/FTC Information** section of the **DIV** or **INT** screen. (See Figure 5-13.)
2. Enter a number into the **FTC** field of this section. (See Figure 5-13.)
3. Open the **1116** screen to be associated with the **DIV** or **INT** screen.
4. Type the FTC number (from Step 2) into the **FTC** field (Figure 5-14).

Screen code: 1116

**Figure 5-14:** FTC field at top of **1116** screen

The program uses this “FTC number” to associate the **1116** screen with the other screens and calculate the correct information for Form 1116.

## Suppressing Form 1116

By default, Form 1116 is generated with the return if any data is entered into the **Form 1116/FTC Information** fields. If these fields include data but a Form 1116 is not

required and you don't want one generated, select **1116 NOT required**. (See Figure 5-13 on page 108 to view the check box as it appears on the **DIV** screen.)

For more on Form 1116 in Drake, see "General Business Credits" on page 144.

## Taxable Refunds

*Screen code: 99G* Enter state and local taxable refunds for the current year on the **99G** screen (Form 1099-G, Certain Government Payments). Taxable refund amounts are calculated and carried to the "Taxable refunds" line of Form 1040. Because the amount shown on this line can be affected by limitations computed from the Drake worksheets, the program allows you to adjust it.

*Screen code: 3* To adjust the taxable refund amount shown on the 1040, go to screen **3** and enter the amount of prior-year state or local refund the taxpayer received in the current year. Be aware that no calculations are done on the amount entered on screen **3**. Use the **99G** screen if you want the system to compute the taxable amount.

### NOTES

A flagged **Taxable refund** field indicates that the displayed amount was carried forward from a prior-year return. To clear the field, press F4 (if the amount is correct) or enter a new amount.

Screen **99G** is also called the **Unemployment Compensation** screen.

## Alimony

If the taxpayer *received* alimony, enter the amount on screen **3** in the **Alimony received** field. Enter *paid* alimony information on screen **4**.

## Self-Employment Income (Schedule C)

*Screen code: C* Screen **C**, **Self-Employed Income**, covers Schedule C, Profit or Loss from Business (Sole Proprietorship). Access screen **C** from the **Income** tab. Several screens in Drake (such as the **99M**, **AUTO**, and **4562** screens) can be associated with a Schedule C using the **For** and **Multi-form Code** boxes of those screens. (See "Associating One Screen with Another" on page 73.)

### NOTE

Enter data for Schedule C, Part IV, Information on Your Vehicle, on the **AUTO** screen.

## Program Defaults for Screen C

The program's default *accounting method* (item **F**) is *cash*. Select **Accrual** or **Other**, as applicable, for accounting methods other than cash. If **Other**, include a description.

The program's default position for *activity type* (item **G**) is that the activity is *not a passive activity* (option **D**). For more information on activity-type options, see "Activity Type Codes," following.

The program's default position for *investments* (item **32b**) is that all investments are *at risk*. If this is not true for your client, select **Some investment is NOT at risk**. (Note that item **32b** includes a link to screen **6198** for entering data to compute deductible losses for Form 6198, At-Risk Limitations.)

The program's default inventory valuation method (item **33**) is *cost*. If the valuation method is not *cost*, select the correct method under **Part III - Cost of Goods Sold**.

## Activity Type Codes

Screen **C** offers two options for *activity type* (item **G**) and shows where on Form 8582, Passive Activity Loss Limitations, the calculation flows, if applicable:

- Option B: Other passive activity (Form 8582, line 3, All Other Passive Activities)
- Option D: Not a passive activity (Default; does not flow to Form 8582)

The program default is option **D**, **Not a passive activity**. Select **D** or leave this field blank if this is not a passive activity. Select option **B** to indicate a passive activity.

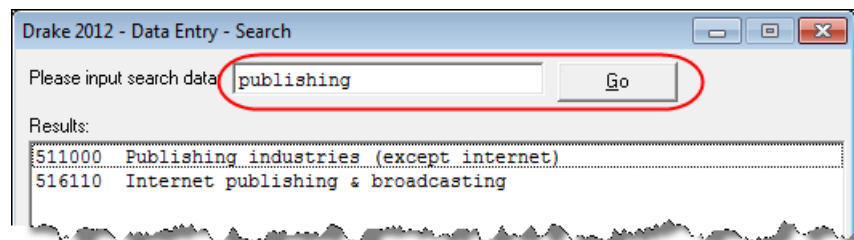
## NOTE

This drop list does not contain an option A or an option C.

## Business Codes

Press  
CTRL+SHIFT+S to  
search codes.

To locate a specific business code, place the cursor in the **Business Code** box (field **B**) and press CTRL+SHIFT+S. Enter a search term and click **Go**. All codes that include the search term are displayed as shown in the example in Figure 5-15.



**Figure 5-15:** Example of a business-code search on screen C

Double-click the desired code or select one and click **OK** or press ENTER.

## Tax Treatment Codes

Screen **C** contains a **Special tax treatment code** drop list (Figure 5-16 on page 111).

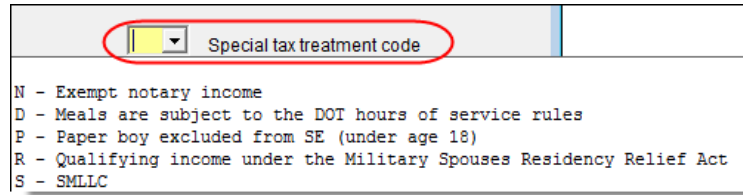


Figure 5-16: Special tax treatment code drop list on screen C

## Depreciation

Use the **Depreciation Detail (4562)** screen to enter depreciable assets for Schedule C. Note that on screen C, the **Depreciation** field is an *adjustment* field, and that an amount entered there adjusts the calculated amount from the **4562** screen that flows to the “Depreciation and section 179 expense deduction” field of Schedule C.

For more on entering depreciation in Drake, see “Depreciation” on page 165.

## Loss on Schedule C

If Schedule C shows a loss and all investment is *not* at risk, the program produces Form 6198, At-Risk Limitations. If part of a loss may be disallowed, enter the required data on screen **6198**. If the taxpayer does not materially participate, the loss could be limited by Form 8582, Passive Activity Loss Limitations. This is computed automatically.

## e-Filing Schedules C and C-EZ

Only one Schedule C-EZ can be e-filed per return, but up to eight Schedule C forms can be e-filed per taxpayer. If necessary to allow e-filing, keep the short form (EZ) from being generated by selecting the **Suppress EZ path** box on screen C.

## Sales of Assets

Screens for entering gains, losses, and sales of assets are listed in Table 5-1. These screens can all be accessed from the **Income** tab of the **Data Entry Menu**.

Table 5-1: Screens for Entering Gains and Losses

Screen	Screen or Form Name
8949	Form 8949, Sales and Other Dispositions of Capital Assets (This screen also covers Schedule D and Form 1099-B and can be accessed from the selector field by using the 8949, D, or 99B codes.)
D2	Loss Carryovers and Other Entries (not an IRS form)
2439	Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains
4255	Form 4255, Recapture of Investment Credit
4684	Form 4684, Casualties and Thefts

**Table 5-1:** Screens for Entering Gains and Losses

Screen	Screen or Form Name
4797	Form 4797, Sales of Business Property
6252	Form 6252, Installment Sale Income
6781	Form 6781, Gains and Losses From Section 1256 Contracts and Straddles
8824	Form 8824, Like-Kind Exchanges
HOME	Worksheet for Sale of Residence (not an IRS form)
99C	Form 1099-C, Cancellation of Debt

When forms require identical data (such as when amounts from the **4684** and **6252** screens must be carried to Form 4797), Drake prints the data on the appropriate forms.

## Capital Asset Reporting

Screen codes  
**8949, D2**

Capital gains and losses from stocks, bonds, mutual funds, and other investments are to be listed on the Form 8949, Sales and Other Dispositions of Capital Assets, and summarized on Schedule D. Information for these forms is entered on screens **8949** and **D2**. These screens are available under the **Income** tab of the **Data Entry Menu**.

### NOTE

Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, reports individual transaction information and contains cost basis fields for brokers who are required to supply such information. Enter 1099-B data on screen **8949**.

### Form 8949, Schedule D, Form 1099-B

Screen **8949** has fields for Form 8949, Schedule D, and Form 1099-B data. Following are some guidelines for data entry on this screen, first for 1099-B information, and then for 8949-specific information.

- **Date of Sale or Exchange** — If a single date does not apply, type *Bankrupt*, *Worthless*, or *Expired*, as applicable. Select **S** or **L** from the **Type of gain or loss** drop list to have it treated as short-term or long-term. (If *Expired* is entered, the return must be paper-filed.)
- **Date of Acquisition** — Enter the date acquired as an eight-digit number using MMDDYYYY format. This date is used to determine whether the sale is short-term or long-term. Enter *VARIOUS*, *INHERIT*, or *INH2010*, as applicable. (Only “Various,” “Inherit,” and “Inh2010” are acceptable for e-filing.) Select **S** or **L** from the **Type of gain or loss** drop list to have it treated as short-term or long-term.
- **Type of gain or loss** — Select from the drop list to describe the gain or loss as long term or short term.
- **Stock or other symbol** — Enter the stock or other symbol for the security sold.
- **Quantity sold** — Enter the quantity of securities sold.
- **Proceeds from sale...** — Enter the sale amount. If only the gain amount is available, enter the gain amount and leave the **Cost or other basis** field blank.



- **Cost or other basis** — Enter the cost or basis. If only the loss amount is available, enter the loss amount and leave the **Proceeds from sale...** field blank.
- **Federal tax withheld** — Enter the amount of federal tax withheld from the proceeds of a sale.
- **Wash sale loss disallowed** — Enter amount of wash sale loss that is disallowed.
- **Description** — Enter description of capital gain or loss item using stock ticker symbols or abbreviations. In the past, Drake supported 32 characters but only the first 15 were transmitted with an e-filed return. By default, the first 15 characters were displayed in black text on the screen; additional characters were displayed in red. With Modernize e-File (MeF) all characters are now transmitted and all characters are displayed in black text on the screen.
- **Basis not reported...** — If the asset being entered is not being taken from a Form 1099-B, indicate why by selecting an option from the drop list.
- **Adjustments** — Up to three adjustments per screen are permitted. For each adjustment, select the applicable code from the drop list and enter the amount of adjustment (and AMT adjustment, if applicable) to the gain or loss.
- **AMT** — Several AMT-related fields are included on screen **8949**:
  - The Capital Gains and Losses worksheet (D\_AMT) will use the same number as the regular Schedule D unless entries are made in the **AMT Adjustment to gain or loss** and **AMT Cost Basis** fields on screen **8949**.
  - If the **U.S. Real Property sold by a nonresident** box is marked, the program might have to do a special calculation for line 30 of Form 6251 (AMT — Individuals); see Form 6251 instructions for more information.
  - **Amount of gain or loss subject...** — Enter amount of gain or loss subject to 28% rate.
- **State Use Only** — Check with your state for required codes.

### Screen D2, Carryovers & Other Entries

Screen **D2** has fields for short-term gains/losses from other sources, long-term gains/losses from other sources, loss carryovers from the prior year, capital gain tax computation, and federal withholding. If Drake was used for the taxpayer last year, the gains/losses and carryover fields are updated automatically.

If amounts to be entered on screen **D2** differ due to AMT, enter them under the **AMT if Different** column. For information on override fields, press F1 in a selected field.

## Schedule D Imports

Use the Schedule D Import tool to import capital gain and loss transaction data from an Excel or other worksheet into Drake.

### Create a Worksheet

Before you can use this feature, you must have a worksheet containing the transaction data. This worksheet should be saved as a Microsoft Excel, TAB, or CSV file, with each column labeled (in order) for a field on screen **8949**. Part of a worksheet is shown in Figure 5-17 on page 114. Suggested labels are shown in Table 5-2 on page 114.



	A	B	C	D	E	F	G
1	TSJ	F	State	City	Date of Sale	Date of Acquisition	Proceeds from sale
2	TSJ	F	NC	Franklin	1/1/2012	2/2/2002	15
3							

**Figure 5-17:** Screen 8949 fields as columns in Excel worksheet

Columns must be in the same order as the fields on screen 8949. When looking at Table 5-2, which shows the field/column order, note that the column names do not have to match the field names exactly.

**Table 5-2:** Spreadsheet Columns for Schedule D Import

Spreadsheet Column	Associated Field on Screen 8949
A	TSJ
B	F
C	State
D	City
E	Date of Sale or Exchange
F	Date of Acquisition
G	Proceeds from sale of stocks, bonds, or other capital assets
H	Cost or other basis
I	Federal tax withheld
J	Wash sale disallowed
K	Type of gain or loss
L	Description
M	Loss not allowed based on amount in box 2 ( <b>Note:</b> To have a check mark appear in this field, enter any character into the spreadsheet column.)
N	Basis not reported/Form 1099-B not received
O	Form 8949 Adjustment #1 Code
P	Adjustment #1 Amount
Q	Adjustment #1 AMT
R	Form 8949 Adjustment #2 Code
S	Adjustment #2 Amount
T	Adjustment #2 AMT
U	Form 8949 Adjustment #3 Code
V	Adjustment #3 Amount
W	Adjustment #3 AMT

**Table 5-2: Spreadsheet Columns for Schedule D Import**

Spreadsheet Column	Associated Field on Screen 8949
X	AMT Cost Basis
Y	US Real Property ( <b>Note:</b> To have a check mark appear in this field, enter any character into the spreadsheet column.)

### Importing Saved Data

To import the information:

1. Open the client's file to the **Data Entry Menu** and click **Import > Schedule D Import/GruntWorx Trades** from the toolbar. The **Schedule D Import/GruntWorx Trades** instructions are displayed.
2. Click **Next** to open the **Step 1** dialog box.
3. Click **Browse** (to the right of the **1. Import File Name** field) to locate the file to be imported.
4. Once you have selected the file to be imported, click **Open**. The data path and file name will be displayed, with the transactions shown in the **Schedule D Transaction Information** grid below it.
5. From the **Start import at** field, select the line at which to start the import. For example, if the **Item 1** row in the transaction list is column header information, choose to begin import at line **2**.
6. Click **Next**.
7. After verifying that the information is correct, click **Import**.

An **8949** screen is opened or, if more than one **8949** screen exists, an **Existing Forms List** is displayed, showing all transactions imported. Double-click a row to view the **8949** screen for a particular transaction.

## Sales of Assets

To enter non-recaptured losses, use the **Part IV, Recapture Amounts when business use drops...** section of screen **4797**. For sold property listed on Form 4797, depreciation sometimes must be recaptured as ordinary income. (For more on depreciating sold assets in Drake, see "Depreciating Sold Assets" on page 170.)

### 1099-S Transactions

Enter data from Form 1099-S, Proceeds from Real Estate Transactions, on the **4797** screen. Mark the **1099-S transaction** box, located near the top of screen **4797**.

## Installment Sales

The steps for entering an installment sale vary depending on the use of the **4562** screen. If the **4562** screen is *not* used, (1) complete the **4797** screen for the sold asset, (2) indicate with a "Y" on this screen that the sale is also reported on Form 6252, and (3) follow the procedure below, starting with Step 3.

To enter an installment sale using the **4562** screen:

- Screen code: **4562** **1.** For the sold asset, open screen **4562** and complete the **Date sold** field in the **If sold** section on the right side of the screen. This causes the program to stop calculating depreciation.
- Screen code: **4797** **2.** Select as **Property type** “IN” (for §1245 property) or “IS” (for §1250 property).
- Screen code: **6252** **3.** View the return, checking to see if there is an amount on Form 4797, line 31. If line 31 contains an amount, proceed to Step 4 below. If it doesn't, proceed to Step 5.
- 4.** Enter the amount from Form 4797, line 31, on screen **6252**, line **12 (Depreciation to recapture)**.
- 5.** Complete screen **6252** by entering all other installment sale information. Listed below are specific instructions and explanations for completing the separate parts of screen **6252**.
- **Lines 1-15** (Part I of Form 6252) — Complete these lines for the year of sale only. Lines 1-15 must also be completed in subsequent years in order to have the gross profit percentage carry through to subsequent years.

## TIP

As an alternative, and only if the current year is not the year of sale, you can enter the **Gross Profit Percentage** on the **6252** screen. Use a whole number, not the decimal equivalent. For example, enter 62% as 62, not as .62.

- **Line 19 and Receipt category** section (Part II of Form 6252) — Complete line 19 (use a whole number, not a decimal equivalent) and the **Receipt category** fields for the year of sale and for any year in which a payment or debt must be treated as a payment on installment options.
  - **Part III (Related Party Sale Income)** — Complete **Part III** if (a) the sale was made to a related party, and (b) the income is *not* from the final payment in the current tax year.
  - **Unrecaptured Section 1250 Gain** — If unrecaptured §1250 gain is present, enter the gain amount in the **Unrecaptured Section 1250 Gain** field (to the right of line 19). The taxable amount is calculated on the WK\_1250 worksheet and is carried to Schedule D, line 19 based on these calculations.
- 6.** View the return. See line 31 of Form 4797 for the recapture amount (if any).

## Like-Kind Exchanges

If an asset has been traded and requires continued depreciation and there is an increase in basis that must be depreciated, you can link like-kind exchange information to the appropriate depreciation details.

To enter an asset as a like-kind exchange:

- Screen code: **4562** **1.** Open the **4562 (Depreciation Detail)** screen for the asset that the taxpayer traded (or gave up).
- 2.** Make an on-screen notation to indicate that the asset was traded (for example, type an A before the description in the **Description** field).
- Screen code: **8824** **3.** Open the **8824 (Like-Kind Exchanges)** screen and complete the fields for the like-kind exchange.

4. Calculate the return. In View mode, view Form 8824 and note the amount calculated for the "Basis of like-kind property received" line. (Generally, this amount becomes the adjusted basis of the new asset, unless an additional amount was incurred in obtaining it.)

Screen code: **4562**

5. Open the **4562** screen for the new asset. In the **Description** field, make a notation to indicate that the asset was traded (such as an A before the description). (As an example, if a Ford 150 is traded for a Chevy Blazer, the descriptions on the **4562** screens might be "A-Ford F150" and "A-Chevy Blazer." This notation makes the traded assets easier to identify.)
6. Enter any increase in basis as the beginning cost.

The depreciation on the old asset continues over the remaining life, and depreciation for the new asset starts, using the 8824 basis for the correct number of years.

## Basis of Primary Residence

Screen code:  
**HOME**

Use the **HOME** screen to accomplish the following tasks:

- Report the sale of a primary residence
- Enter data to determine the taxpayer's basis in the primary residence and calculate the tax implications of the transaction
- Allow the program to reduce the maximum exclusion if the taxpayer is eligible for part, but not all, of the gain exclusion
- Apply the appropriate treatment for the gain (loss) on the transaction
- Indicate that a surviving spouse is taking the MFJ exclusion for gain on the sale
- Enter data to calculate the amount of recapture in a year of sale if the First-Time Homebuyer Credit (Form 5405) was taken on the home
- Enter data for Form 5405, Part III (Disposition or Change in Use of Main Home for Which the Credit Was Claimed) and Part IV (Repayment of Credit Claimed for 2008 or 2009)

### Related Worksheets

A Primary Residence Calculations worksheet (WK\_2119) is generated with the return when the **HOME** screen is used. It consists of up to three pages:

- Worksheet 1: Adjusted Basis of Home Sold
- Worksheet 2: Gain (or Loss), Exclusion, and Taxable Gain on Sale of Home
- Worksheet 3: Reduced Maximum Exclusion

These pages are for informational purposes only to allow the basis in the home to be tracked. If no date of sale is entered, only Worksheet 1 contains data when generated with the return.

### Updating from the Prior Year

Data entered in the **Date home was purchased**, **Basis of Home**, and **Form 5405** fields are included in the Drake update routine. These fields are updated as long as there is not a date in the **Date home was sold** field. Once the home is sold, there is no need to continue tracking the basis.

- Schedule D** The home sale flows to Schedule D only if the gain on the sale exceeds the exclusion amount. If Schedule D is generated, both the gain on the home and the Section 121 exclusion (if applicable) appears on Schedule D. The WK\_2119 is still generated, but Schedule D is added to report the taxable gain on the sale.
- Section 121 Calculation** The software calculates the section 121 exclusion using the number of days during the last five years that the taxpayer used the home and the number of days the home was owned during the past five years. Enter this information in the **Calculate Section 121 Exclusion** section of the **HOME** screen.
- Conversion to Business Use** If a home was lived in and then converted entirely to rental or business use and subsequently sold, the transaction must be shown on Form 4797. Mark the **Carry taxable gain to 4797** box (in the **Miscellaneous** section) to have the applicable **HOME** screen information flow to the 4797.
- Exclusion for Surviving Spouse** For two years after the death of a taxpayer, a spouse is permitted to take the MFJ exclusion for gain on the sale of a principal residence, assuming the normal requirements for the exclusion are met. To indicate that the surviving spouse is taking the exclusion, mark the **Recently widowed taxpayer eligible for MFJ exclusion** box in the **Miscellaneous** section of the **HOME** screen.
- First-Time Homebuyer Credit** If the First-Time Homebuyer Credit was taken for the residence in 2008 or 2009 and there has been a disposition or change in the use of the residence *or* the credit is now being repaid, complete the applicable fields in the **Form 5405 Repayment Information** section of the **HOME** screen.

## Retirement Income

Use the **1099**, **8606**, and **ROTH** screens to enter most retirement income data. Screens **3** and **4** include fields for entering retirement data directly into the generated 1040. Amounts entered in these fields are combined with any corresponding calculations from the **1099**, **8606**, and **ROTH** screens.

### 1099-R

Use the **1099** screen to enter data, including distribution amounts, from Form 1099-R.

The **1099** screen consists of two screens: **1099-R** and **Special Tax Treatments**. The **Special Tax Treatments** screen has fields for the Simplified General Rule Worksheet, qualified charitable distributions, HSA funding distributions, and public safety officers. To access the **Special Tax Treatments** screen from the **1099** screen, click the **Special Tax Treatments** tab at the top of the screen.

#### Items Not Reported on 1099-R

Use screen **3** for IRA and pension distribution amounts that were *not* reported on a 1099-R. Enter total and taxable portions of these amounts (Figure 5-18 on page 119).

**Figure 5-18:** Adjustment fields for IRA and pension distributions (screen 3)

These amounts are calculated with the corresponding amounts from the **1099** and **8606** screens and carried to the “IRA distributions” and “Pensions and annuities” lines of Form 1040. Do not duplicate entries made on the **1099** or **8606** screens.

**NOTES**

Mark the applicable check box on this screen to have the program calculate the penalty early distribution of the taxable portion of IRA distributions (line 15b) or pensions (line 16b) entered.

If the taxpayer did not receive a 1099-R for a pension, annuity, or IRA distribution, the return cannot be e-filed.

**Substitute 1099-R**

To file a substitute 1099-R (Form 4852), refer to “Substitute W-2, 1099-R” on page 104.

**Rollover of Pensions/Annuities**

If a 1099-R distribution should be excluded from income because it was rolled over into another qualified plan, indicate this using the **Exclude from income** drop list on the **1099** screen (under the **Rollover Information** heading; see Figure 5-19).

**Figure 5-19:** Selections for rolled-over 1099-R distribution

Select **S** if the distribution was rolled over into the same type of account. Select **X** if it was rolled over into another plan. If **S** is selected, the word “ROLLOVER” is displayed on “Pensions and annuities” line of Form 1040.

**501(c)(18) Contributions**

Enter contributions to a 501(c)(18) pension plan on screen **4**, but do not include amounts that have been assigned Code H (“elective deferrals to a section 501(c)(18)(D) tax-exempt organization plan”) in box 12 of the W-2. Those amounts are carried automatically from the **W2** screen to Form 1040.

**IRA Contributions**

For *traditional* IRA contributions, use the **8606** screen, which addresses Part I of Form 8606, Nondeductible IRAs. For *Roth* IRA contributions, use the **ROTH** screen, which addresses Parts II and III of Form 8606.

Deductible IRA contributions are calculated from the **8606** screen and displayed on the "IRA deduction" line of Form 1040. If an amount is entered into the **Deductible IRA** field on screen **4**, it is combined with the amount from the **8606** screen.

If a taxpayer is covered by a pension plan, use the **8606** screen instead of screen **4**. If the program determines that the contribution amount exceeds the maximum allowed, it generates a NOTES page with the return.

**TIP**

If Form 8606 is not required but you want to generate it anyway, go to the **8606** screen and select **Print Form 8606 even if not needed**.

### Converting to a Roth IRA

To report the transfer of an amount from a traditional IRA to a Roth IRA, enter the amount on the **ROTH** screen (Figure 5-20).

**Figure 5-20: ROTH** screen field for amount to be transferred to a Roth IRA

This amount is carried to the appropriate line of Form 8606.

## IRA Penalty Computations

IRA penalties are calculated using data entered on the **5329** screen (Form 5329, Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts).

### Carrying 1099-R Data to Form 5329

It might not be necessary to enter data directly onto the **5329** screen. If a distribution code of "1" (Early (premature) distribution, no known exception) has been entered as **Dist. code** (box 7) of the **1099** screen, you can force the distribution amount from a 1099-R to flow to Form 5329 and have the taxable amount of the distribution subject to the 10% penalty. To do so, go to the desired **1099** screen and select the applicable box under **Additional Information for this Distribution** (Figure 5-21).

**Figure 5-21:** Select box to carry 1099-R data to Form 5329



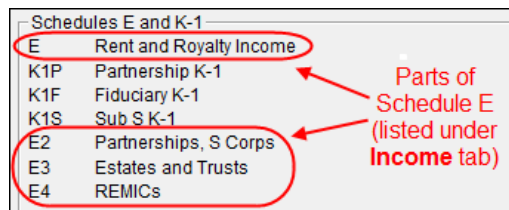
To access the **5329** screen directly from the **1099** screen, click the **Form 5329** link shown in Figure 5-21 on page 120.

**Exception Numbers**

On the **5329** screen, exception numbers 01 and 06 (Part I, line 2) apply only to distributions from qualified employee plans—not to those from IRAs, annuities, or modified endowment contracts. To view full descriptions of each exception number, click inside the **Exception number** field and press F1.

**Supplemental Income**

Links for Schedule E and K-1 screens are located in the **Schedules E and K-1** section of the **Income** tab.



**Figure 5-22:** Screens for entering Schedule E data

**Schedule E**

Screen code: *E*

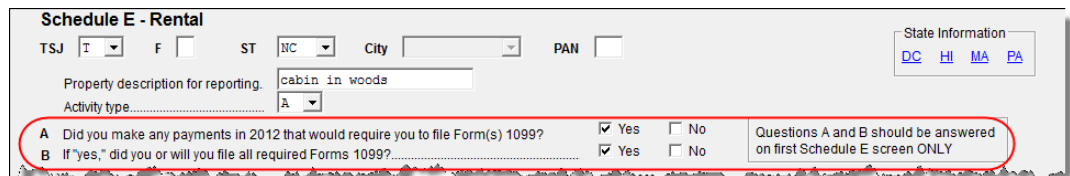
Use screen **E** to complete page 1 of Schedule E (Part I: Income or Loss From Rental Real Estate and Royalties). Page 2 of Schedule E (Parts II through V) is calculated from K-1 schedules. The corresponding screens in Drake (**E2**, **E3**, and **E4**) primarily contain override fields; data entered here overrides amounts that would otherwise flow from the K-1.

**IMPORTANT**

Use screens **E2**, **E3**, and **E4** only if transcribing the information from a previously calculated Schedule E.

**Form 1099 Reporting**

Screen **E** includes check boxes for indicating (1) if any Forms 1099 were required to be filed, and (2) whether the required Forms 1099 were filed.



**Figure 5-23:** 1099 check boxes on screen **E**

**NOTE**

If more than one Schedule E is required, questions A and B (above) should be answered only on the first screen **E**.



## General Property Information

Information entered in the **Property description for reporting** field at the top of the screen (shown in Figure 5-23 on page 121) appears in the headings of all generated worksheets associated with the activity.

The following general-information fields are also located at the top of screen **E**:

- **Activity type** — If option **D** (“Not a passive activity”) is selected and EIC is involved, the program prints “NPA” on the appropriate line of Schedule E. For more on selecting activity types, see “Activity Types” on page 124.
- **Address and Type of Property** — Enter the property address in the fields provided, and select the property type from the options below those fields. If **Other**, type a brief (20 characters or fewer) description of the property type.
- **Some investment is NOT at risk** — Mark this box if portions of the real-estate investment are not at risk. To enter data for computing deductible profit or loss from at-risk activities, click the **Form 6198** link to open the **6198** screen (for Form 6198, At-Risk Limitations). When you exit the **6198** screen, the program returns you to screen **E**.
- **Property was 100% disposed of in 2012** — Mark this box if the property was sold or otherwise disposed of in the current tax year.
- **Property is an SMLLC** — Mark this box if the property is a Single Member Limited Liability Company (state use only).

## NOTE

If the property was 100% disposed of and a **4562** screen has been completed, the software automatically determines if the disposal was at an overall loss or gain and prepares Form 8582, Passive Activity Loss Limitations, and its worksheets accordingly.

## Property Usage

Item **2** of screen **E** contains fields for indicating how much of a property was used for fair rental and personal purposes, and a check box to indicate that a taxpayer owned a property as a member of a qualified joint venture that is reporting rental income not subject to self-employment tax.

The screenshot shows a software interface for Item 2 of screen E. It contains the following fields and options:

- 2** Fair rental days....  Personal use days....  Qualified Joint Venture
- If multi-dwelling unit and taxpayer occupies part, enter % occupied by taxpayer.....
- To use Tax Court method to allocate interest and taxes, check box and enter number of days owned if not 365.....  =
- This is your main home or second home

**Figure 5-24:** Item 2 of screen **E**

Other property-usage fields are:

- **If multi-dwelling unit...** — If the taxpayer lives in one unit of a multi-dwelling property while renting out the others, enter the percentage occupied by the taxpayer. An entry here causes the software to take indirect expenses into account when calculating the return (see “Direct and Indirect Expenses” on page 123).
- **To use Tax Court...** — Mark the applicable check box (see Figure 5-24), and enter the number of days owned in the text box next to it. (If the text box is left blank, the program uses 365 as the default.)

- **This is your main home, or second home** — Select this box if the property is the taxpayer's main or second home. If personal use is indicated and this box is marked, mortgage interest is carried to Schedule A.

The program uses the percentages entered when calculating the business percentage of expenses and taking deductions. The remaining percentage of taxes entered is carried to Schedule A.

## NOTES

A taxpayer with more than 10% use of a rental can take expenses up to the amount gained, regardless of percent use. With 50% use, for example, the system does not calculate 50% of expenses; it instead calculates the gain and takes expenses up to that gain.

If the **If multi-dwelling unit...** box is marked, a worksheet is produced for each property that lists expense types and divides expense amounts into personal, rental, and total amounts.

## Direct and Indirect Expenses

The program can take both direct and indirect expenses into account when calculating a return for a taxpayer who occupies one unit of a multi-dwelling property while renting out the others.

## NOTE

*Direct* expenses are those that affect only the rental units. *Indirect* expenses are those that affect both the rental units and the taxpayer's dwelling. Indirect expenses can also be personal expenses.

Enter expense amounts using the columns on screen **E** (Figure 5-25).

	Direct Expenses	Indirect Expenses
5 Advertising.....	<input type="text"/>	
6 Auto & travel..... <a href="#">AUTO+/-</a>	<input type="text"/>	
7 Cleaning & maintenance.....	<input type="text"/>	<input type="text"/>
8 Commissions.....	<input type="text"/>	
9 Insurance.....	<input type="text"/>	<input type="text"/>

**Figure 5-25:** Columns for **Direct Expenses** and **Indirect Expenses**

## IMPORTANT

If the **If multi-dwelling unit...** box is not marked, the program ignores any figures entered in the **Indirect Expenses** column.

## Sale of Property

If a property was sold and Schedule E must be associated with data from a **4797** screen (Form 4797, Sales of Assets), use a passive activity number (PAN) code to tie them together. To do so, enter a number in the **PAN** box on screen **E**, and then enter the same number in the **PAN** box of the applicable **4797** screen.

## PMI

To indicate that insurance includes Private Mortgage Insurance (PMI), mark the check box under item **9** on screen **E**. The program will display "PMI" on line 9 of the printed Schedule E (Figure 5-26 on page 124).

7	Cleaning and maintenance . . . . .	7
8	Commissions . . . . .	8
9	Insurance . . . . . <b>PMI</b> . . . . .	9
10	Legal and other professional fees . . .	10
11	Management fees . . . . .	11

**Figure 5-26:** If the **PMI** box on line 9 of screen **E** is marked, the program displays a “PMI” indicator on the Schedule E.

**Operating Expenses Carryover**

Screen **E** includes a field for entering the carryover of operating expenses. This field is located in the lower-right quadrant of the screen. An entry in this field flows to the Rental Limitation on Deductions worksheet (WK\_E\_\_\_\_).

**Rental of Personal Property**

Enter income from “casual” rental on personal property on screen **3**. Enter expenses (if any) on screen **4**, in the **Expenses from casual rental of personal property** field under line 36. Do not use screen **E**. If you do have a Schedule E with the return, enter this “casual” rental income on screen **E** and not on screen **3**.

**Schedule K-1**

Screen codes: **K1, K1F, K1S**

Screens for Schedule K-1 are accessible from the **Income** tab. The program contains three types of **K1** screens: **K1P** for partnership income; **K1S** for S corporation income; and **K1F** for fiduciary income. Enter information directly into a **K1** screen, or export K-1 information from a pass-through entity into an individual return.

**NOTE**

The **K1P** and **K1S** screens include **6198 At Risk** tabs for tracking partner or shareholder basis for at-risk activities. For more information on using these tabs, see “Tracking At-Risk Basis” on page 129.

**Accessing K-1 Data Fields**

Two screens are used to complete the lines on a Schedule K-1 (see Figure 5-27). From the **Data Entry Menu**, the first page of the selected **K1** screen is displayed.

**Figure 5-27:** In this example, the program is opened to the first “page” of the **K1P** screen.

In Figure 5-27, you would click **1065 K1 13-20** to complete lines 13 through 20.

**Activity Types**

The **K1P, K1F, K1S, E,** and **4835** screens feature an **Activity Type** drop list for designating an activity as passive or nonpassive. A selection from this list controls what

income data, if any, goes to Form 8582, Passive Activity Loss Limitations. Available activity types are described in Table 5-3.

**Table 5-3:** Activity Type Selections, for **K1P**, **K1F**, **K1s**, **E**, and **4835** screens

Activity Type	Description
A - Active rental real estate	Activity is a rental real estate activity with active participation. Calculation flows to the "Rental Real Estate Activities With Active Participation" section in Part I of Form 8582 and to the WKS 1 worksheet. (This is the default for screen <b>4835</b> .)
B - Other passive activity	Activity is a passive activity but is not a rental real estate activity. Calculation flows to the "All Other Passive Activities" section in Part I of Form 8582 and to the WKS 3 worksheet.
C - Real estate professional	Activity is that of a real estate professional and does not flow to Form 8582.
D - Not a passive activity	Activity is not a passive activity. Because it is nonpassive, the calculations from this screen do <i>not</i> flow to Form 8582. (Option available on screens <b>K1</b> and <b>E</b> only.)

If **A** or **B** is selected, the activity is considered a currently passive activity because "A" is rental real estate and "B" is other passive activity.

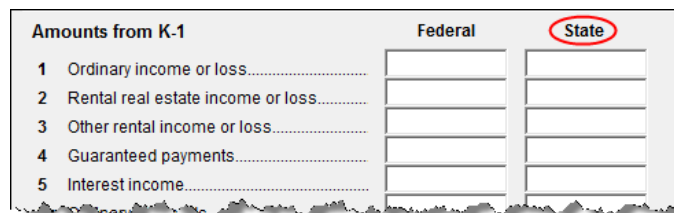
**NOTE**

If the **General partner** box is marked on the **K1P** screen, self-employment income is automatically reduced by any amount entered in the **Section 179 deduction** field. The unreimbursed partnership expense flows to a separate line on Part II of Schedule E.

**State K-1 Amounts (If Different)**

In cases where the state K-1 amounts differ from federal K-1 amounts (such as when a state does not take the federal limits on depreciation), indicate the difference in the software so the correct K-1 amounts will flow to the correct federal and state forms.

By default, the program uses the federal K-1 amounts for both federal and state calculations. If the state K-1 amounts differ from the federal, enter the state amounts in the **State** column fields of a **K1** screen (Figure 5-28).



**Figure 5-28:** Some of the **Federal** and **State** K-1 columns from screen **K1S**

**Multiple States**

In some cases, an entity will issue Schedule K-1 forms for multiple states, requiring the preparer to enter two or more amounts for the same state K-1 items.

To enter federal and state K-1 information where multiple state K-1s are issued:

1. Enter all information for federal and the first state on the **K1** screen. (Enter data in the **State** column only if the state amount differs from the federal).
2. From the first “page” of the screen, press PAGE DOWN to start a new screen.
3. In the **F** text box at the top of the screen, type 0 (zero) to exclude the information on this screen from the federal return. (See Figure 5-29.)
4. Select a state from the **ST** drop list. In Figure 5-29 below, North Carolina has been selected.

The screenshot shows the 'Schedule K-1 for 1120S' form. At the top, there are tabs for '1120S K1 1-11', '1120S K1 12-17', 'Basis Worksheet', and 'Basis Wo'. Below the tabs, the form has several input fields: 'TS' with a dropdown menu showing 'T', 'F' with a text box containing '0', 'ST' with a dropdown menu showing 'NC', and 'City' with a dropdown menu. Below these are fields for 'S corporation ID number' (40-050060) and 'S corporation name' (EssBeeEs). There is also a section for 'For state use only'.

**Figure 5-29:** Enter “0” in the **F** text box and select a state from the **ST** drop list.

5. Complete all applicable fields. Basic information, such as ID number and name, must be re-entered. Because the program does not use the entries on this screen for federal purposes, it is not necessary to enter the federal amounts; however, all applicable state amounts are required, even if they are identical to the federal amounts entered on the previous screen.
6. Click the linked tab at the top of the screen for the next “page” (see Figure 5-27 on page 124) and continue entering state amounts.
7. (if applicable) Complete the **For State Use Only** fields on the second “page.”

To enter data for another state, repeat Step 2 through Step 7 above.

## K-1 Exports

K-1 data can be exported from an 1120S, 1065, or 1041 return in Drake to an individual return in Drake. To export K-1 data, you must first have the following items:

- An 1120S, 1065, or 1041 return, completed in Drake
- An individual return in Drake for the shareholder, partner, or beneficiary listed in the 1120S, 1065, or 1041 return

To export K-1 data into an individual return:

1. Open the 1120S, 1065, or 1041 return that contains the data to be exported.
2. Click **View** to calculate the return and open View mode.
3. Click the **K1 Export** button in the View mode toolbar. The **Export K1s** screen lists all taxpayer SSNs for exporting. All rows are selected by default.
4. (optional) Click a row to clear it if you do not wish to export K-1 data to all individuals listed.



5. Click **Export**. When the **Export complete** dialog box is displayed, click **OK**. The transferred data is highlighted in the **K1** screen of each personal return that received the data.

## IMPORTANT

Once the export is complete, any state K-1 amounts, if different from the federal, must be entered manually. See "State K-1 Amounts (If Different)" on page 125).

### Tracking Adjusted Basis

Drake takes current-year basis limitations into account when calculating K-1 amounts and tracks the adjusted basis for a K-1 from a pass-through entity (partnership or S corp). The program also limits any losses based on the basis calculation and carries forward to subsequent years the adjusted basis and any disallowed losses.

When a return with adjusted basis data is calculated, the amounts entered on the **K1P** and **K1S** screens undergo the basis limitation calculation. The limited amounts are then used in at-risk and passive loss limitation calculations, if applicable. Because amounts flow from both the **K1** and **Basis Worksheet** screens to determine the amount of basis the taxpayer has for deducting losses from the K-1, it is necessary to enter all basis data on the **Basis Worksheet** screens. These are accessed from either the **K1P** or **K1S** screen. (Tabs are shown in Figure 5-27 on page 124.)

## NOTE

If you calculate a return with K-1 information but have not entered anything on the **Basis Worksheet** screens, the program generates a note advising you to do so.

### How the Calculation is Applied

Once it is able to calculate the adjusted basis, the program takes steps based on calculation results:

- **Adjusted Basis More than Zero** — If the adjusted basis is greater than zero based on current- and prior-year entries, amounts flow to the return and the software tracks and updates the adjusted basis amounts going forward.
- **Adjusted Basis Zero or Less** — If the adjusted basis is zero or less based on current- and prior-year entries, amounts flow to page 2 of the printed Adjusted Basis Worksheet (see "Printed Worksheets" on page 129) to determine how much loss is allowed in the current year. Disallowed amounts are stored and updated to the next year.

### Adjusted Basis

The first **Basis Worksheet** screen contains fields that are necessary to properly calculate adjusted basis for the 1040 return. Figure 5-30 on page 128 shows the adjusted basis fields for a partnership.

Partner Basis		
1	Adjusted basis from 2011.....	<input type="text"/>
2a	Gain recognized on contribution of property.....	<input type="text"/>
b	Additional capital contribution and other current year increases.....	<input type="text"/>
c	Adjusted basis of property contributed.....	<input type="text"/>
d	Partnership interest acquired other than by cash or property.....	<input type="text"/>
3j	Increase for excess depletion adjustment.....	<input type="text"/>
3l	Gain from Section 179 asset disposition.....	<input type="text"/>
Debt Basis		
4 & 7		
A	Partner's share of partnership liabilities.....	<input type="text"/>
B	Partner's share of partnership liabilities from prior year.....	<input type="text"/>
6	Withdrawals/distributions.....	<input type="text"/> = <input type="text"/>

**Figure 5-30: Partner Basis fields on Basis Worksheet screen**

The fields in the **Partner Basis** (or **Stock Basis** for an S corporation) and **Debt Basis** sections for the current year must be completed manually.

## NOTE

Data flows directly from the two **K1** screens into the **Current-year losses and deductions** column (shown in Figure 5-31 on page 129). Data entry for this column begins on the first **Basis Worksheet** screen and continues to the **Basis Worksheet continued** screen.

## Calculating Loss Allocation

Loss allocation percentage is calculated by:

- Taking the total losses and deductions allowed
- Dividing them by the total losses and deductions to figure the loss allocation percentage
- Multiplying the loss allocation percentage by each category of loss applicable to the return

Once these calculations are complete:

- The product flows to column (D), **Allowed Losses and Deductions in Current Year**, of the Adjusted Basis Worksheet.
- The difference between the total losses and deductions and the allowed losses and deductions flows to column (E), **Disallowed Losses and Deductions in Current Year**, of the Adjusted Basis Worksheet.

## NOTE

The Shareholder's Adjusted Basis Worksheet (WK\_ISBAS) and the Partner's Adjusted Basis Worksheet (WK\_IPBAS) are generated when the return is calculated.

## Prior-Year Unallowed Losses

Enter prior-year unallowed losses in the **Prior-year carryover losses and deductions** column, which spans the **Basis Worksheet** screen (see Figure 5-31 on page 129) and **Basis Worksheet continued** screens. The program automatically updates prior-year unallowed losses entered in the 2011 program.



Losses and Deductions		Prior-year carryover losses and deductions	Current-year losses and deductions	Allowable losses and deductions in current year
		(a)	(b)	(d)
10 a	Ordinary losses from trade or business.....			=
b	Net losses from rental real estate activities.....			=
c	Net losses from other rental activities.....			=
d	Net short-term capital losses.....			=
d	Net long-term capital losses.....			=
e	Other portfolio losses.....		=	=
f	Net losses under Section 1231.....			=
g	Net losses under Section 1256.....			=
g	Net short-term capital losses (not portfolio).....			=
g	Net long-term capital losses (not portfolio).....			=
g	Losses to Form 4797, line 10.....			=
g	Other losses.....		=	=

**Figure 5-31:** Some of the fields for shareholder’s prior-year unallowed losses (Basis Worksheet screen)

**Printed Worksheets**

Basis worksheets are generated when the return is calculated. A worksheet actually consists of two pages: page 1 shows the adjusted basis calculations; page 2 shows the losses and deductions calculations.

**TIP**

You can force page 2 to be printed, even if it does not contain data. To do so, mark the **Force page 2...** box at the bottom of the **Basis Worksheet continued** screen in data entry.

**Updating to Next Year**

The following basis information will be updated to the next year’s software:

- Adjusted basis amount at the end of the year
- Amounts in the “Disallowed Losses” column of the printed Adjusted Basis Worksheet, page 2

**Tracking At-Risk Basis**

At-Risk Limit Worksheets can help track shareholder and partner basis for at-risk activities. Worksheets (WK\_IPRSK for partnerships and WK\_ISRSK for shareholders) are produced for each Schedule K-1 for both regular tax and AMT. Use the **6198 At-Risk** tabs on **K1P** and **K1S** screens to enter data for these worksheets. (Tabs are shown in Figure 5-27 on page 124.)

The top half of the **6198 At Risk** tab has the following groups of fields:

- **Part I, Profit (Loss) from the Activity** — If the basis worksheet was used, the amount entered there for “Gain from Section 179 asset disposition” will flow to line 2b of Form 6198. If that worksheet was not used, then this field on the **6198 At-Risk** tab must be used. (If data is entered in both places, then the amount on the **6198 At-Risk** tab will be used.)
- **Part II/III Simplified/Detailed Computations** — If the **Part III Detailed Computation** fields (located in the following section on the screen) are used, then the program uses Part III to calculate the amount at risk for these fields. If amounts are entered in this section only, then Part II is used.



- **Part III Detailed Computation** — Use this section to complete lines 15, 16, and 18 of Form 6198. If data is entered here, the program uses Part III to calculate the amount at risk for these fields.

The lower portion of the screen has fields for entering prior-year carryover and current-year losses and deductions. Use these fields for the following types of amounts:

- Prior-year losses that were not deductible due to the at-risk limitations
- Current-year amounts to override either (a) the equivalent fields on other **K1** screens or (b) the at-risk calculation

**NOTE** Most of the entries on the **6198 At-Risk** tabs are used for calculating Form 6198, line 4, "Other deductions and losses..."

### At-Risk Limit Worksheets

When applicable, the program produces At-Risk Limit Worksheets with the calculated return. In View mode, the worksheets are listed as WK\_IPRSK (for partnerships) and WK\_ISRSK (for shareholders). Two copies of the worksheet are printed for each Schedule K-1: one for regular tax and one for the alternative minimum tax (AMT). Use the scroll bar in View mode to see both copies.

**NOTE** To force the software to print the At-Risk Limit Worksheets even when they are not needed, mark the check box at the bottom of the **6198 At Risk continued** tab.

## Farm Income

Entry fields for the following farm-related forms are located under the **Income** tab:

Screen codes:  
F, J, 4835

- Schedule F, Profit or Loss From Farming (can also be used with a 1065 return)
- Schedule J, Income Averaging for Farmers and Fishermen
- Form 4835, Farm Rental Income and Expenses

### NOTES

Enter crop insurance and disaster payments for Schedule F and Form 4835 on the **Crop Insurance and Disaster Payments (CIDP)** screen. The Auto Expense Worksheet (**AUTO**) screen can be applied to the **F** and **4835** screens. See "Auto Expenses" on page 171.

## Schedule F, Profit or Loss From Farming

Screen code: F

Use screen **F**, accessible from the **Income** tab, to enter data for Schedule F, Profit or Loss From Farming.

### Screen F Defaults

The program's default *accounting method* (item **C**) is *cash*. Select **Accrual** if the taxpayer's accounting method is not *cash*.

The default position for *material participation* (item **E**) is that the taxpayer "materially participated" in the current year. If the taxpayer did *not* materially participate, select **Did NOT materially participate** option.

The default position for *investments* (in Part II, Expenses) is that all investments are at risk. If this is not true for your client, select **Some investment is NOT at risk**.

**1099-PATR** Enter the distribution amount from Form 1099-PATR, Taxable Distributions Received from Cooperatives, in the **Co-op total distributions** field on screen **F**.

## Form 4835, Farm Rental Income and Expenses

*Screen code: 4835* Use screen **4835** to enter data for Form 4835, Farm Rental Income and Expenses. Note that this form is for individual (1040) returns only; estates and trusts must file Schedule E, Part I, to report rental income and expenses from crop and livestock shares.

## Farm Asset Depreciation

Use screen **4562 (Depreciation Detail)** to create depreciation schedules for Schedule F and Form 4835. From the **For** drop list on screen **4562**, select either **F** or **4835**, as applicable. For more on entering depreciation data, see "Depreciation" on page 165.

## Unemployment Compensation

Unemployment compensation amounts should be entered, as applicable, in the fields described in Table 5-4.

**Table 5-4:** Entering Unemployment Compensation in Drake

<b>Unemployment Compensation</b>	<b>Where to Enter in Drake</b>
Information from 1099-G	Screen: <b>99G</b> Fields: As applicable
Any prior-year amounts, repaid; to claim repayments (See Pub. 17 for guidance)	Screen: <b>A</b> Field: <b>Other not subject to 2% limit</b> ; (choose <b>Claim Repayment</b> )
Prior-year supplemental (employer-provided) amounts, repaid	Screen: <b>4</b> Field: <b>Repaid sub-pay previously reported</b> (Enter the repaid amount.)
Current year, total	Screen: <b>3</b> Field: <b>Unemployment compensation</b> (adjustment field; added to <b>99G</b> amount)
Current year, repaid	Screen: <b>3</b> Field: <b>Portion of above unemployment repaid in 2012</b>

Note that the **Unemployment compensation** field on screen **3** is an adjustment field. Any amount entered in this field is added to the amounts from the **99G** screen and carried to the "Unemployment compensation" line of Form 1040. Do not duplicate the **99G** entries on screen **3**.

## Social Security and Railroad Benefits

**Screen code: SSA** Use the **SSA** screen to enter data from Form SSA-1099. If this form was not distributed, use screen **3** to enter the following Social Security (or equivalent) benefit amounts (see Figure 5-32):

- Social Security benefits that apply for the current year
- Lump-sum benefits from prior years (total received and taxable portion)
- Railroad Tier 1 benefits for the current year

Field Label	Code	Input Box 1	Input Box 2
Net Social Security benefits received for 2012	20a		
Lump-sum benefits earlier years - TOTAL received	20a		
Lump-sum benefits earlier years - TAXABLE portion	20a		
Net railroad Social Security equivalent Tier 1 benefits received for 2012	20a		

Note: Program will ignore taxable portion of 2012 SSA benefits

**Figure 5-32:** Screen **3** fields for Social Security benefit amounts

These figures are combined with any Social Security or equivalent benefit amounts from the **SSA** screen, calculated, and displayed on the “Social security benefits” line of Form 1040.

**NEW FOR  
2012**

To treat Medicare premiums as self-employed health insurance, mark the **Treat Medicare premiums...** box on the **SSA** screen to have the Medicare premiums flow to the Self-Employed Health Insurance Deduction Worksheet (WK\_SEHID) instead of Schedule A.

**Screen code: RRB** To enter data from the federal RRB-1099R form, use the **RRB** screen. This screen reflects the federal form.

**NOTE**

Railroad Retirement Board payments should be reported on the **SSA** screen.

## Other Income

The **Other income** fields on screen **3** are available for reporting taxable income not reported elsewhere on the return. Amounts entered here are produced on line 21 of Form 1040, and descriptions are listed in a statement.

Several screens are available in Drake for entering other types of income, as described in the following sections.

## Taxable Distributions

**1099-Q** If the amount on Form 1099-Q, Payments From Qualified Education Programs, exceeds the amount of education expenses, compute the taxable amount of the distributions and enter it on screen **5329** (Part II, line 5) and on screen **3**, line 21.

## Medical & Health Savings Accounts

Enter distributions from Medical Savings Accounts (MSAs) on the **8853** screen (Form 8853, Archer MSAs and Long-Term Care Insurance Contracts). Enter distributions from Health Savings Accounts (HSAs) on the **8889** screen (Form 8889, Health Savings Accounts (HSAs)). Taxable amounts from these screens flow to Form 1040.

### IMPORTANT

Lines 1 (coverage indication) and 2 (HSA contributions for the year) of the **8889** screen are required if Form 8889 is to be e-filed with the return.

## Gambling Income & Loss

*Screen code: W2G* Use the **W2G** screen, accessible from the **General** tab, to enter gambling income and loss information from Form W2-G. Data from the **W2G** screen is carried to line 21 (and line 22, if applicable) of Form 1040.

### NOTE

The **W2G** screen has check boxes for **Lottery Winnings** and **Electronic Games of Skill**. Not all states tax the gambling winnings from lotteries and electronic games. Select boxes as applicable, but first press F1 in a field to access further information on each item.

Other gambling winnings can be entered in the **Gambling winnings** field near the bottom of screen **3**.

## Cancellation of Debt

*Screen code: 99C* Use the **99C** screen, accessible from the **Income** tab, to enter data from Form 1099-C, Cancellation of Debt. From the **For** drop list at the top of the **99C** screen, select **1040** to indicate a non-business debt. Select one of the other available choices, as applicable, to indicate a business debt. The selections, along with the line on the tax return where the cancelled debt amount flows, are shown in Table 5-5.

**Table 5-5:** Cancellation of Debt

<b>"For" Field Item</b>	<b>Where Flows on Tax Return</b>
1040	Form 1040, "Other income" line
C	Schedule C, "Other income" line
E	Schedule E, "Payments not reported" line
F	Schedule F, "Other income not reported..." line
4835	Form 4835, "Other income" line
982	Form 982, "Total amount of discharged indebtedness excluded from gross income" line

## Foreign Earned Income

Enter foreign earned income amounts on the applicable income screen (**W2, C, FEC**, etc.; see "Foreign Employers" on page 102). Foreign earned income is calculated into the "total income" line of Form 1040.

### Excluding Foreign Income

If the taxpayer qualifies for the foreign earned income exclusion, use the **2555** screen (accessible from the **Other Forms** tab) to complete Form 2555, Foreign Earned Income. The income amount from this screen flows to the 1040 *as a negative number*; in other words, it is subtracted (excluded) from the total income shown Form 1040.

### NOTES

Foreign income must be *included* in total income (via a W-2, Schedule C, etc.) before it is *excluded* from total income using Form 2555.

The **2555** screen consists of five screens or "pages," accessible by clicking the links at the top of the screen. To create a new, second **2555** screen, press PAGE DOWN.

## Educator Expenses

Screen code: **4** Enter educator expenses in the **Educator expenses** field on screen **4**.

## Employee Business Expenses

Screen code: **2106** Use the **2106** screen, accessible from the **General** tab, to enter data for Form 2106, Employee Business Expenses.

### NOTE

The **2106** screen expense flows to the **Job Expenses and Certain Miscellaneous Deductions** section of Schedule A. It does not flow directly to Form 1040.

## Meals and Entertainment

Department of Transportation (DOT) workers are allowed to claim 80% (rather than the standard 50%) of the costs of meals as a business expense. To calculate the allowed amount properly, enter the total expense in the **Meals/entertainment** field of the **2106** screen and enter the amount attributable to DOT hours of service rules for meals in the **DOT meals subject to 80% limit** field (Figure 5-33).

The image shows a screenshot of a software interface with a list of expense categories and input fields. The categories are: 3a Travel away from home, 4a Other business expense (with a link to Form 8829), 5b Meals/entertainment, and DOT meals subject to 80% limit. A red oval highlights the 5b and DOT meals subject to 80% limit fields.

Figure 5-33: On the **2106** screen, use both the **Meals/entertainment** and **DOT meals subject to 80% limit** fields as appropriate.

## Multiple 2106 Forms

If **2106** screens are established for both taxpayer and spouse, the primary taxpayer's **2106** screen must be entered first (because the taxpayer is listed first on the return), or the return will receive a reject code after it is transmitted.

## Clergy Expenses

If the taxpayer is a member of the clergy, mark the **Pastor** check box, located near the bottom of the right-hand column of the **2106** screen. The program carries the employee business expenses to the clergy worksheets (WK\_CLGY1, WK\_CLGY2) when the return is generated. See "Ministerial Income Allocation" on page 140 for more on data entry for clergy.

## Directing Data Entry to Form 2106

To associate the data from a **2106** screen to that of another screen (such as the **4562** screen for depreciation), select **2106** from the **For** drop list at the top of the other screen. Use the **Multi-form code** field as needed. (See "Associating One Screen with Another" on page 73 for more on multi-form codes.) See **Screen Help** on the **2106** screen for more assistance in directing data entry to Form 2106.

**NOTE** Be sure that either **T** (for taxpayer) or **S** (for spouse) is selected, as applicable, on the **2106** screen.

## Health Savings Account (HSA) Deduction

*Screen codes:*  
**8889, HSA**

Use the **8889** screen, accessible from the **Adjustments** tab, to enter HSA data for Form 8889, Health Savings Accounts. Fields **1** (coverage indications) and **2** (HSA contributions for the year) of this screen are required in order to e-file Form 8889.

## Qualified HSA Distribution

An amount in the **Qualified HSA distribution** field of the **8889** screen flows to the "Other Taxes" section of Form 1040 and is marked with a notation of "HDHP."

## Form 1099-H

Payment amounts from Form 1099-H, Health Coverage Tax Credit (HCTC) Advance Payments, can be entered on the **8889** screen.

## Moving Expenses

*Screen code:* **3903** Use the **3903** screen, accessible from the **Adjustments** tab, to enter data for Form 3903, Moving Expenses.

## Form 3903 Qualification

If the mileage is less than 50, and the **Mileage test does not apply to this move** box is marked on screen **3903**, Form 3903 will not be generated. As the preparer, you must determine if the taxpayer qualifies for the moving-expense deduction. See IRS Pub. 521 for details.

## Multiple Moves

If there are multiple qualifying moves within a single year, use a separate **3903** screen for each move. Press PAGE DOWN for additional screens.

## Self-Employment Adjustments

Table 5-6 lists screens in Drake for entering adjustments to self-employment income.

**Table 5-6:** Self-Employment Adjustment Screens

Screen	Purpose
<b>SE</b> (Self-Employment Adjustment)	Schedule SE
<b>SEHI</b> (SE Health Insurance)	Self-Employed Health Insurance Deduction
<b>4</b> (Adjustments)	Adjustments to SE SEP, SIMPLE, and Qualified Plans

Screen codes:  
**SE, SEHI**

The **SE** and **SEHI** screens are located under the **Adjustments** tab. Screen **4** is located under the **General** tab.

## Self-Employment Tax (Schedule SE)

Schedule SE is required if net earnings from self-employment exceed \$400 (\$108.28 for church employees). If these conditions are not met, the program does not produce Schedule SE with the return. To force Schedule SE to be printed, select the applicable **Force Schedule SE** box on the **SE** screen.

Data from Schedules C and F, along with any self-employment income from partnerships, flow to Schedule SE of the return. All other self-employment income should be entered directly on the **SE** screen.

### Short or Long SE

Depending upon the employment terms, the taxpayer must complete a short (Schedule SE, page 1) or long (Schedule SE, page 2) Schedule SE. Drake determines the form required and processes it accordingly. To force the long form, select an applicable **Force Schedule SE** box in the middle of the **SE** screen. (Figure 5-34 on page 137.)

Force Schedule SE, page 2 instead of page 1.....	<input type="checkbox"/>	<input type="checkbox"/>
Force Schedule SE to be printed.....	<input type="checkbox"/>	<input type="checkbox"/>

**Figure 5-34:** Override SE printing for taxpayer (left box) or spouse (right box).

NEW FOR  
2012

A new section, **Statement for Partner Expenses...** at the bottom of the **SE** screen is for entering certain items that are deducted from self-employed income that don't normally flow to the "Schedule SE - Partner's Allowable Expense" statement. Enter these deductions in the fields at the bottom of the **SE** screen to have them appear on the statement.

### Church Income

Code church income as **C** or **P** on screen **W2**. (Select the correct code from the **Special tax treatment** drop list at the top of the screen.) Any income entered in the **Wages of church employee...** field of the **SE** screen will be *added* to the W-2 amount. (For more information on entering data for clergy, see "Clergy Expenses" on page 135 and "Ministerial Income Allocation" on page 140.)

## SE Health Insurance Deduction

Enter insurance deductions for a self-employed taxpayer in one of four places:

- Screen **C** or screen **F**, **Family Health Coverage** field
- **SEHI** screen, line 1 (An entry here overrides system calculations from screen **C** or **F**; an entry might be required on line 4 to effect correct system calculations.)
- Screen **4**, **Self-employed health insurance deduction** field (An entry here overrides system calculations from the screens listed above.)

Be aware that the **SEHI** and screen **4** fields are overrides. Do not duplicate entries.

### SEHID Worksheet

The top half of the **SEHI** screen incorporates the Self-Employed Health Insurance Deduction Worksheet (WK\_SEHID in Drake) from the 1040 instructions.

If entering an override on screen **4**, type the deduction allowed—not the total premium paid. To have the software calculate the WK\_SEHID, leave the screen **4** field blank and enter the total insurance premium paid on the **C** or **F** screen as applicable.

### NOTE

Self-employed health insurance deduction information is entered on the same screen as self-employed pension (SEP) information. This screen can be accessed using either the **SEHI** or **SEP** screen code.

## Self-Employment Pensions

Screen code: **SEP**

**SEP** screen data flows to the WK\_SEP worksheet for Self-Employed Rate and Deduction. To have the program calculate the maximum SEP contribution, enter the plan contribution rate as a decimal number on the **SEP** screen.



## Adjustments to SEP, SIMPLE, and Qualified Plans

Self-employed health insurance deduction information entered on the **SEHI** or **SEP** screen will be adjusted by any entries made in the **SEP and/or SIMPLE** and **KEOGH** contribution fields on screen 4.

## Penalties

This section of the manual covers penalties on *withdrawals*. Penalties on *estimated taxes* are covered in “Estimated Tax Penalty” on page 154.

### Early Withdrawal Penalty

If the taxpayer is subject to the penalty for early withdrawal of savings, enter the penalty amount on screen 4. Do not duplicate entries in this field on the **INT** screen; the 1099-INT form asks for the interest or principal that was *forfeited* due to early withdrawal, while screen 4 asks for the *actual amount* of the penalty.

### IRA Withdrawal Penalty

*Screen code: 5329* Use the **5329** screen to calculate what penalties apply regarding IRA withdrawals.

#### NOTE

Exception numbers 01 and 06 (Part I, line 2) apply only to distributions from qualified employee plans—not to those from IRAs, annuities, or modified endowment contracts.

See also “IRA Penalty Computations” on page 120.

### Alimony Paid

Enter details about alimony paid in the **Alimony** fields on screen 4.

### IRA Adjustments

To enter IRA adjustments, see “Retirement Income” on page 118.

### Student Loan Interest Deduction

Enter student loan interest deduction amounts (Form 1098-E, Student Loan Interest Statement) into the **Student loan interest deduction** field on screen 4.

### Education Expenses

*Screen codes: 8917, 8863*

Entry fields for Forms 8863 (Education Credits) and 8917 (Tuition and Fees Deduction) are located on the same screen. The **8863/8917** screen should be used to enter information about the student and the educational institution the student attended.

In the past, screen **8863** was used if the *taxpayer* or *spouse* was a student; if a *dependent* was a student, the education expenses were entered on the **Dependents** screen

(screen 2). Now, regardless of whether the student is the taxpayer, the spouse, or the dependent, all education expenses are entered on the **8863** screen.

## NOTES

If a dependent does not qualify for an education credit, the software does not apply this information when calculating the federal return.

### Student and School Info

Enter the SSN and the name of the student and the qualifying expenses in the top section of the **8863** screen. If more than one **8863** screen must be used (for families with more than one student), enter the information on lines 23-26 and the qualifying expenses only on the first screen. In the lower section of the **8863** screen, enter the information about the schools the student attended.

### Form 1098-T

If the amounts of qualifying expenses came from a Form 1098-T, Tuition Payments Statement, supplied by the educational institution, enter the amount of qualifying expenses, then mark the proper check boxes in the lower section of screen **8863**. For an amount received from any taxable scholarship that was not reported on a Form W-2, enter the amounts on screen 3.

## Domestic Production Activities Deduction

*Screen code: 8903* Use the **8903** screen, accessible from the **Adjustments** tab, for Form 8903, Domestic Production Activities Deduction.

### Entering Data from Multiple 8903 Forms

Only one Form 8903 can be attached to a taxpayer's e-filed return. To e-file data from multiple 8903 forms on a return, calculate the total for each of the 8903 items and enter the combined totals onto the **8903** screen.

## Other Adjustments

Other adjustment-related screens in Drake are listed in Table 5-7. These screens are all available from the **Adjustments** tab.

**Table 5-7: Other Adjustment Screens Available from Adjustments Tab**

Screen	Form or Worksheet	Notes
<b>CLGY</b>	Ministerial Income Allocation	See "Ministerial Income Allocation," following.
<b>8082</b>	Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request	
<b>MFS</b>	Community Property Allocation	Use for MFS in a community property state
<b>8873</b>	Form 8873, Extraterritorial Income Exclusion	

## Ministerial Income Allocation

Use the **CLGY** screen for taxpayers with housing allowance in the form of a parsonage or rental, or a parsonage allowance from the church (generally reported on the W-2, box 14). The **CLGY** screen allows the following items to be calculated:

- Percentage of tax-free income to be applied to Schedule C expenses marked with business code 813000
- Percentage of tax-free income to be applied to Form 2106 expenses (The **Pastor - Carry 2106 amount to CLGY worksheet** check box must be marked on screen **2106**.)
- Appropriate self-employment income to flow to the Schedule SE

### Rental/ Parsonage Allowance

If the church provides a rental or parsonage allowance (but no parsonage), enter the **Parsonage or rental allowance** and the **Actual expenses for parsonage**. If a separate utility allowance is provided, enter the amount of the allowance in the **Utility allowance** field and the actual utility expenses in the **Actual expenses for utilities** field. Finally, enter the **Fair Rental Value** of the housing used.

### Parsonage

If a parsonage is provided, enter its **Fair Rental Value**. If a separate utility allowance is provided, enter the amount of the allowance in the **Utility allowance** field and the actual utility expenses in the **Actual expenses for utilities** field.

## Standard and Itemized Deductions

Based on its calculations, the program determines whether to apply the standard deduction or to generate Schedule A, Itemized Deductions for a taxpayer. If your client is itemizing deductions, enter descriptions and amounts on one of the following screens, as applicable:

Screen codes:  
A, 4952, 8283

- Screen **A** (for Schedule A, Itemized Deductions)
- **4952** screen (for Form 4952, Investment Interest Expense Deduction)
- **8283** screen (for Form 8283, Noncash Charitable Contributions)

Access screen **A** from the **General** tab. Access screens **4952** and **8283** from the **Additional Itemized Deductions** section of the **Adjustments** tab.

### NOTE

The program includes self-employment losses when calculating the standard deduction. To override this default per the Briggs court case, go to the **MISC** screen and select **Standard deduction by Briggs case method**, located in the **Dependent filer special situation** box.

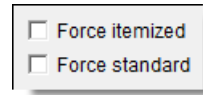
## Schedule A

Screen code: A

Use screen **A** to enter data for Schedule A, Itemized Deductions.

### Generating Schedule A

If screen **A** has been completed for a return, the software determines which is more advantageous for the taxpayer—itemizing, or taking the standard deduction. To select one or the other, mark the applicable **Force** box at the top of screen **A** (Figure 5-35 on page 141).



**Figure 5-35:** Boxes at the top of screen A

If screen A has been completed for a return, Schedule A will be generated—even if the standard deduction is being taken. You can set up the option to have the software generate Schedule A only when it is required. To do so, go to **Setup > Options > Form & Schedule Options** tab and select **Print Schedule A only when required**.

### Mortgage Interest Paid

Use the **Interest You Paid** section of screen A to enter mortgage interest *not* reported on Form 1098, Mortgage Interest Statement. For mortgage interest that *is* reported on Form 1098, use the **1098** screen.

### IMPORTANT

If using the **1098** screen to report interest from Form 1098, do not enter an amount in the **Home mortgage interest and points reported on Form 1098** field on screen A.

### Form 1098-C

Enter amounts from Form 1098-C, Contribution of Motor Vehicles, Boats, & Airplanes, on either screen A (if *less than* \$500) or screen **8283** (if *more than* \$500).

## Additional Itemized Deductions

Screen codes:  
4952, 8283

Use the **4952** screen to enter data for Form 4952, Investment Interest Expense Deduction. Use the **8283** screen to enter data for Form 8283, Noncash Charitable Contributions. Calculations from the **8283** screen flow to the “Gifts by cash or check” line of Schedule A. There is also a direct entry field for this line on screen A. Do not enter duplicate amounts.

### NOTE

When a **Donee ID** number is entered on the **8283** screen, the program automatically stores the number in the EIN database.

## Alternative Minimum Tax

Screen code: **6251** Use the **6251** screen, accessible from the **Taxes** tab, to enter information for Form 6251, Alternative Minimum Tax.

### Forcing Form 6251

Although Form 6251 amounts are computed on all returns, the form itself is generated with a return only when required. You can force this form to be generated for a single return, or you can force it to be generated with all returns.

#### For a Single Return

To force Form 6251 for a single return, go to the **PRNT** screen of the return and select the **Print 6251** box in the **Items to Print** section of the screen.

#### For All Returns

To have the program print Form 6251 for *all* returns, go to **Setup > Options > Form & Schedule Options** and clear the **Print Form 6251 only when required** check box.

## Foreign Tax Credit

If the amount of foreign tax credit (FTC) is less than \$300 (\$600 for MFJ) and no Form 1116 is required, you can enter this amount directly into the **Foreign Tax Credit** field on screen 5. (See Figure 5-36.)

Credits:	
47	Foreign Tax Credit (No 1116 required)..... 47
53c	Other credits..... Form
Other Taxes:	
57	RRTA tax on unreported RRTA tip income..... 57
60	Excess Golden Parachute payments..... 60

**Figure 5-36:** Use screen 5 to enter FTC if totals are less than \$300 (\$600 for MFJ).

For greater amounts, use the **FTC** sections of the **INT** and **DIV** screens to enter data regarding foreign interests and dividends, respectively, or use the **1116** screen.

## FTC Code

If an **1116** screen is to be linked with an **INT** or **DIV** screen (for foreign interest or dividends), enter a number into the **FTC** box of the **1116** screen. Enter this same number on the **INT** or **DIV** screen. For more on entering foreign interests and dividends, see “Foreign Interest and Dividends” on page 107.

## Required Statements

A statement may be required with Form 1116. Use the **SCH** screen to attach a required statement. On the **SCH** screen, select the applicable 1116 item from the **Type of Attachment/statement number and title** drop list

If the return receives reject code 0973 on Form 1116, a statement must be entered as statement number 98, 99, or 100 on the **SCH** screen. This statement must indicate how the foreign currency was converted into U.S. dollars. For information on adding unformatted statements in Drake, see “Unformatted Schedules” on page 189.

## Child and Dependent Care Expenses Credit

*Screen code: 2441* Use the **2441** screen, accessible from the **General** tab, for Form 2441, Child and Dependent Care Expenses.

## Where to Enter Data

Enter data on *both* the **2441** screen and on screen **2** for each dependent for whom expenses were incurred.

## No Income for Spouse

To qualify for the childcare credit, parents must have earned income, be full-time students, or be disabled. If a spouse does not have income but is disabled or a student, then enter \$250 (one child) or \$500 (two or more children) for each month the spouse

was a student or disabled. This information is entered on the **2441** screen in the **Earned income for 2441 purposes ONLY** field (Figure 5-37).

	Taxpayer	Spouse
12 Employer-provided dependent care benefits received in 2012.....	=	=
13 Amount carried over from 2011 and used in 2012 during the grace period.....		
14 Amount forfeited, if any.....		
16 Amount of qualifying expenses incurred in 2012.....	=	=
<b>4, 5, 18, 19</b> Earned income for 2441 purposes ONLY.....	+/-	+/-
22 Amount of line 14 that is from your sole proprietorship or partnership.....		

**Figure 5-37:** Earned income fields on **2441** screen

An entry in these fields affects Form 2441 amounts only and must be at least as great as the childcare expenses.

## Employer-Provided Dependent Care Benefits

Dependent care benefits provided by the employer (box **10** on the **W2** screen) adjust the credit by the amount provided. Any amounts above the allowed credit appears on the “Wages, salaries, tips, etc.” line of Form 1040 with the notation “DCB.”

## Ineligible Filing Statuses

A taxpayer with a filing status of **3** (Married Filing Separately), **8** (MFS – Claiming spouse’s exemption did not live with spouse one day of the year), or **A** (Claiming non-resident alien (NRA) spouse’s exemption) on screen **1** is not eligible for the child and dependent care credit.

## Carryover from Prior Year

For a carryover of dependent care credit from the prior year, enter the amounts and create a statement listing the circumstances and amounts. Use statement number 108 on the **SCH** screen. For more information on adding an unformatted statement in Drake, see “Unformatted Schedules” on page 189.

## Elderly/Disabled Credit

*Screen code: R* Use screen **R**, accessible from the first **Credits** tab, for Schedule R, Credit for the Elderly or the Disabled.

**TIP**

If the credit does not show up in the calculated return, make sure the taxpayer’s AGI is not too high to qualify for the credit.

## Home Energy Credits

*Screen code: 5695* Use the **5695** screen, accessible from the first **Credits** tab, for Form 5695, Residential Energy Credits. To learn more about the federal tax credits for energy efficiency and the products that qualify, visit the U.S. Department of Energy’s website. A link to this site is available on the **5695** screen.

## General Business Credits

Use screen **3800** to fill out Form 3800, General Business Credit. This screen consists mostly of override fields for passive activity credits (see “Passive Activity Credits,” following); data should be entered in the override fields only to override the program’s calculated amounts from Form 3800, Part III, General Business Credits or Eligible Small Business Credits.

### NOTE

Part III was added to the form to reflect all the general business credits reported on Form 3800 and to identify the type of credit being reported: General Business Credits (GBC) or Eligible Small Business Credits (ESBC).

The **GBC** screen is used for reporting the following types of information:

- Data for current-year credits reported on forms Drake does not support (To enter data for a credit programmed into Drake, use the credit’s screen. For example, use the **8820** screen for Form 8820, Orphan Drug Credit.)
- GBC and ESBC carryforwards and carrybacks

## Passive Activity Credits

The **Passive Activity Credit Carryover (PACR)** screen allows you to enter passive activity credit amounts in a central location in the software, rather than on individual credit screens, thus streamlining data entry and increasing the number of passive credit carryforward amounts that can be updated from year to year.

## Entering Credit Carryforward Amounts

To enter credit carryforward amounts:

Screen code:  
**PACR**

1. Open the **PACR** screen (Figure 5-38), accessible from the first **Credits** tab.

Figure 5-38: PACR screen

- After making **TSJ** and **ST** selections as applicable, select a screen from the **For** list to indicate the screen with which the credit carryforward should be associated.

**NOTE**

If the return has multiple screens for the form selected in the **For** drop list, use the multi-form code (**MFC**) text box. (See "Associating One Screen with Another" on page 73.)

- Select a credit form from the **Form** drop list.
- Enter the carryforward amount for the selected credit.

When the return is calculated, the carryforward amounts flow to lines 3b and 4b (and 1b, if applicable) of Form 8582-CR and to the corresponding worksheets, and the allowed credit amounts flow to Part III of Form 3800.

**NOTE**

Amounts on lines 3a and 4a (credits from Worksheets 3 and 4) flow from the screen (**K1P**, **K1S**, etc.) associated with the **PACR** screen.

**Worksheets 3 and 4**

When a carryforward amount is linked from the **PACR** screen to another screen, the program produces one of two worksheets for the following lines of Form 8582-CR:

- Lines 3a and 3b (for low-income housing credits for property placed in service after 1989)
- Lines 4a and 4b (for all other passive activity credits)

**NOTE**

In View mode, these worksheets are WK\_CR3 and WK\_CR4.

Each worksheet shows the name of the activity (partnership, S corporation, etc.), the associated form, the current- and prior-year credits, and the total credits. Figure 5-39 shows an example from Worksheet 3 for lines 3a and 3b.

WORKSHEET 3 For Form 8582-CR, Lines 3a and 3b (keep for your records)				
Name <b>ELLA T SAMPLE</b>			Social Security No. <b>400-00-1001</b>	
Name of Activity	Form Form	Current Year Credits	Prior Year Unallowed Credits	Total Credits
		(a) Credit line 3a	(b) Credit line 3b	(c) Add cols. (a) and (b)
<b>E &amp; S PARTNERSHIP</b>	<b>8586 I</b>	<b>1,500</b>	<b>617</b>	<b>2,117</b>

**Figure 5-39:** Drake displays the name of the entity (such as partnership or S corporation) with which the credit is associated in data entry.

## Form 8582-CR, Passive Activity Credit Limitations

Form 8582-CR is calculated using the credit carryforward amounts from the **PACR** screen rather than from individual credit screens. Use screen **CR** in Drake to access other fields for Form 8582-CR, Passive Activity Credit Limitations.



## Child Tax Credit

The Child Tax Credit is calculated automatically in the program. See “Additional Child Tax Credit and Combat Pay” on page 157.

## Retirement Savings Contributions Credit

*Screen code: 8880* Use the **8880** screen, accessible from the second **Credits** tab, for Form 8880, Credit for Qualified Retirement Savings Contributions.

### NOTE

When this credit can apply, Form 8880 is generated automatically, and a note is produced stating that retirement plan contributions have been carried to Form 8880. The note also provides instructions for preventing Form 8880 from being generated.

## Other Credits

Table 5-8 lists all credit forms not mentioned previously for which Drake provides screens. If you need a form for which no screen is available, most forms can be found at **Tools > Blank Forms**.

**Table 5-8:** Other Credits Calculated in Drake

Screen	Form and Credit
4136	Form 4136, Credit for Federal Tax Paid on Fuels
3468	Form 3468, Investment Credit
5884	Form 5884, Work Opportunity Credit
6478	Form 6478, Credit for Alcohol Used as Fuel
6765	Form 6765, Credit for Increasing Research Activities
8396	Form 8396, Mortgage Interest Credit
8609	Form 8609, Low-Income Housing Credit Allocation and Certification
8801	Form 8801, Credit for Prior Year Minimum Tax - Individuals, Estates, and Trusts
8820	Form 8820, Orphan Drug Credit
8826	Form 8826, Disabled Access Credit
8834	Form 8834, Qualified Electric Vehicle Credit
8835	Form 8835, Renewable Electricity, Refined Coal, and Indian Coal Production Credit
8839	Form 8839, Qualified Adoption Expenses
8844	Form 8844, Empowerment Zone and Renewal Community Employment Credit
8845	Form 8845, Indian Employment Credit
8846	Form 8846, Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips

**Table 5-8: Other Credits Calculated in Drake**

Screen	Form and Credit
8859	Form 8859, D.C. First-Time Homebuyer Credit (This credit expired in 2009. The <b>8859</b> screen in Drake contains TSJ and carryforward fields only.)
8864	Form 8864, Bio-diesel and Renewable Diesel Fuels Credit
8874	Form 8874, New Markets Credit
8881	Form 8881, Credit for Small Employer Pension Plan Startup Costs
8882	Form 8882, Credit for Employer-Provided Childcare Facilities and Services
8885	Form 8885, Health Coverage Tax Credit
8896	Form 8896, Low Sulfur Diesel Fuel Production Credit
8907	Form 8907, Nonconventional Source Fuel Credit
8908	Form 8908, Energy Efficient Home Credit
8909	Form 8909, Energy Efficient Appliance Credit
8910	Form 8910, Alternative Motor Vehicle Credit
8911	Form 8911, Alternative Fuel Vehicle Refueling Property Credit
8912	Form 8912, Credit for Clean Renewable Energy and Gulf Tax Credit Bonds
8936	Form 8936, Qualified Plug-in Electric Drive Motor Vehicle Credit
8941	Form 8941, Small Employer Health Insurance Credit

## Unreported Social Security and Medicare Tax

In Drake, use the **4137/8919** screen for Form 4137, Social Security and Medicare Tax on Unreported Tip Income, and Form 8919, Uncollected Social Security and Medicare Tax on Wages.

## Additional Tax on Qualified Plans, etc.

Drake's tax software automatically calculates the taxable income from Qualified Tuition Program (QTP) and Coverdell Education Savings Account (ESA) distributions. The calculated amount flows to the following places in the tax return:

- Form 1040, line 21 (Other income)
- Form 5329 (Additional Taxes on Qualified Plans (including IRAs) and Other Tax-Favored Accounts), line 5 (Distributions included in income from Coverdell ESAs and QTPs)

Enter qualified education expenses and contributions to and distributions from a QTP or ESA in the **QTP/ESA Taxable Distributions** section of screen **5329** (Figure 5-40 on page 148).

**Figure 5-40: QTP/ESA Taxable Distributions** section of screen **5329**

The program uses information entered in these fields to calculate the taxable portion of distributions and to generate the calculated amounts on the return. Table 5-9 shows which fields are required in order to ensure correct calculations.

**Table 5-9: Required Information for Accurate Calculation of Distribution Income**

To Calculate Income from an ESA Distribution	To Calculate Income from a QTP Distribution
Adjusted qualified education expenses - 2012	Adjusted qualified education expenses - 2012
Gross distribution from Coverdell ESA	Gross distribution from QTP
Basis in Coverdell ESA as of 12/31/2011	Portion of QTP distribution that is earnings
Education account type	Education account type
2012 contributions for this ESA	
Value of Coverdell ESA on last day of 2012 (entered at top of screen <b>5329</b> )	

Along with the automatic calculation, the program produces the worksheet QTP\_ESA, which shows how the taxable amount was calculated.

**NOTE** The penalty is calculated and includes any amount that is income from a Coverdell ESA or QTP.

## Household Employment Taxes

Screen code: **H** Use screen **H**, under the **Taxes** tab, for Schedule H, Household Employment Taxes.

## Other Taxes

Screens for the following other forms are available under the **Taxes** tab in Drake:

**Table 5-10:** Other Tax Forms That Can Be Calculated in Drake

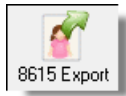
Screen/ Form	Form and Tax
4137	Form 4137, Tax on Tips
4970	Form 4970, Tax on Accumulation Distribution of Trusts
4972	Form 4972, Tax on Lump Sum Distributions
8611	Form 8611, Recapture of Low-Income Housing Credit
8615*	Form 8615, "Kiddie Tax" *
8814	Form 8814, Parents' Election to Report Child's Income
8828	Form 8828, Recapture of Federal Mortgage Subsidy

\*If both parents are deceased, go to the **MISC** screen and select **Both parents deceased** in the **Dependent filer special situation** section.

### NOTE

To enter the amount of COBRA premium assistance received in 2012, go to screen **5** and enter the amount in the **COBRA premium assistance received in 2012** line of item 60.

## Exporting Data for Kiddie Tax

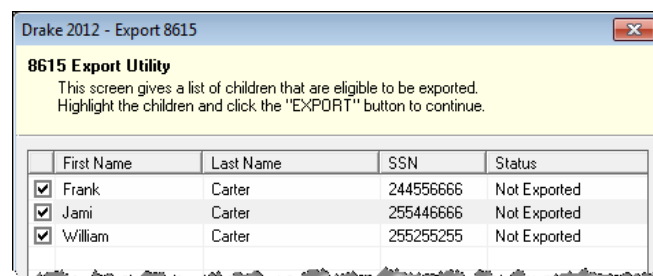


The **8615 Export** feature allows exporting of parent data to a child's Form 8615. This process consists of two main steps: (1) exporting the data from the parents' return, and (2) importing the data into the dependent's return.

### Exporting Parent Information

To export a taxpayer's information into a Form 8615 for the dependent:

1. Go to View mode for the taxpayer's (parent's) return.
2. From the toolbar, click the **8615 Export** button. The **Export 8615** dialog box lists the dependent names, SSNs, and export statuses for the return (Figure 5-41).



**Figure 5-41:** Dependents entered on return

3. Mark the applicable boxes. If a row is selected, the parent's data is exported to that dependent's tax return in Drake.
4. Click **Export**.
5. Click **OK**.

Click **Exit** to close the **Export 8615** dialog box. The parent information is now ready to be imported into the dependent's return.

### Importing Parent Information

After the 8615 data has been exported from the parent's return, you will be prompted to import the data the next time you open (or when you create) the dependent return.

To import parent data into a dependent return:

1. From the **Home** window, click **Open/New**.
2. Enter or select the dependent's SSN and click **OK**. You are asked if you want to import the return data.
3. Click **Yes**. The return is opened to the **General** tab of the **Data Entry Menu**.

When you open the **8615** screen, you will see that the parent information has been entered into all of the applicable fields, as shown in the Figure 5-42 example.

Field	Value
Parent's First Name	William
Last Name	Carter
Parent's SSN	400-00-6665
Parent's filing status	2
Parent's taxable income	109876
Parent's tax	30425
Parent's tax computed using either Schedule D or J	<input type="checkbox"/>
Parent's net capital gain	
State Information	HI

**Figure 5-42:** Parent information has been imported into dependent's **8615** screen.

## Estimated Taxes

This section focuses on the following information in Drake:

- Estimated taxes paid in 2012
- Estimated payments for 2013
- Estimated tax adjustments
- Applying 2012 overpayment to 2013
- Underpayment of estimated tax
- Estimated tax penalty

### Estimated Taxes Paid in 2012

Use the **ES** screen to enter, by quarter, the 2011 overpayment and the estimated taxes paid in 2012. The program applies the standard estimate payment dates. If any of these dates are different, enter the correct date in the applicable override field.

Figure 5-43: Entering estimated taxes paid in 2012

## Estimated Payments for 2013

Estimated payments for 2013 are shown on the payment vouchers in View mode.

### NOTES

Make estimated tax payments by debit card or credit card using the Drake e-Payment Center at [www.1040paytax.com](http://www.1040paytax.com).

E-mail reminders can also be set up for the taxpayer on this website.

### Printing Estimate Vouchers

Drake calculates the balance due and generates this year's payment vouchers (Form 1040-V), but it does not generate *estimate* vouchers for next year's payments by default. To have the program print estimate vouchers, you must indicate this manually. You can do this in one of two ways:

- Select an estimate (ES) code on the **ES** screen (shown at left)
- Select an ES code at the bottom of screen **1** (Figure 5-44)

Figure 5-44: Estimated Tax (ES) code overrides on screen 1

Note in Figure 5-44 that the screen **1** fields are overrides. If selections are made on both screens, the program disregards the **ES** screen selection and uses screen **1**.

### Estimate (ES) Codes

ES codes are shown in Table 5-11.

Table 5-11: Estimate Codes in Drake

ES Code	Description
B	Does not generate estimate vouchers (in screen 1 drop list only)
P	Generates estimate vouchers with no dollar amounts
X	Generates estimate vouchers with payments rounded to nearest \$5

**Table 5-11:** Estimate Codes in Drake

ES Code	Description
T	Generates estimate vouchers with payments rounded to nearest \$10
F	Generates estimate vouchers with payments rounded to nearest \$25
H	Generates estimate vouchers with payments rounded to nearest \$100

All vouchers include the taxpayer's SSN, name, and address.

**Overriding Voucher Amounts**

The program divides the estimate amounts equally among the four vouchers. To have different payment amounts displayed on the vouchers, you must enter the amounts manually in the **Estimate Amt** fields of the **ES** screen (shown in Figure 5-45).

**NOTE**

Use the **ETA** screen to enter estimate adjustments (rather than overrides); see "Estimated Tax Adjustments," following.

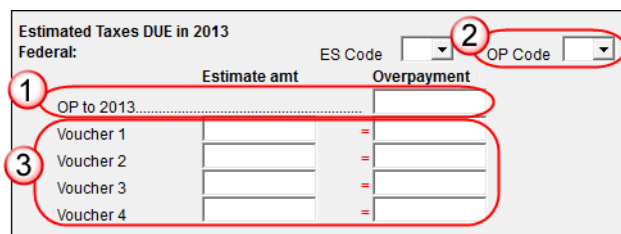
**Estimated Tax Adjustments**

Screen code: **ETA**

Use the **Estimated Tax Adjustments** screen if the taxpayer expects a significant change in income the following year. If entries are made on this screen, the program generates an estimated tax worksheet (WK\_ES) that shows the calculated estimates. See the **ETA** screen help for more information.

**Applying 2012 Overpayment to 2013**

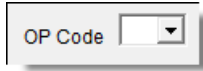
To apply part of a 2012 overpayment to the 2013 estimate, enter the total overpayment to apply to all estimates (item 1 in Figure 5-45) on the **ES** screen. The program applies the overpayment according to the overpayment (OP) code selected (item 2 in Figure 5-45; see "OP Codes," following). To override the OP code selection, enter amounts to be applied into the **Overpayment** fields for each voucher (item # 3 in Figure 5-45).



**Figure 5-45:** Entering overpayment amounts

**OP Codes** If applying an overpayment to the 2013 estimated tax, it is necessary to indicate how that overpayment should be applied on the estimate vouchers. Do this by selecting an overpayment code on either the **ES** screen or screen **1** (see Figure 5-44 on page 151).

**NOTE** If a code is selected on both the **ES** screen and screen **1**, the program uses the override code from screen **1**.



Overpayment codes are described in Table 5-12. Code descriptions can also be viewed clicking in an overpayment code field and pressing F1.

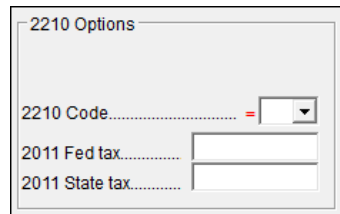
**Table 5-12:** Overpayment Codes in Drake

OP Code	Description
(blank)	Does not apply overpayment to 2013; refund entirely
A	Applies the overpayment to the vouchers in order until it is completely applied
R	Applies overpayment to first voucher and refunds the remainder
E	Makes the estimate equal to the overpayment
O	Applies the overpayment to the 2013 estimate but does not print any vouchers
4	Applies the overpayment to all four vouchers equally

## Underpayment of Estimated Tax

By default, the software calculates the estimated tax penalty and generates Form 2210 if there is an underpayment and the form is required. If Form 2210 is required, mark the reason for the requirement in the upper-left corner of the **2210** screen.

This default setting can be changed for a single return in the **2210 Options** section of screen **1** (Figure 5-46).



**Figure 5-46:** 2210 Options section of screen 1



**2210 Codes** To print or suppress Form 2210 (or Form 2210F) for a return, select one of the following from the **2210 Code** drop list:

**Table 5-13:** 2210 Codes in Drake

<b>2210 Code</b>	<b>Program Action</b>
X	Calculates the estimated penalty; produces Form 2210 if necessary.
P	Calculates the estimated penalty; produces Form 2210 even if not required.
F	Calculates the estimated penalty; produces Form 2210F if necessary.
G	Calculates the estimated penalty; produces Form 2210F even if not required.
N	Does not calculate the estimated penalty. (If this option is chosen, no form for underpayment of estimated tax is generated with the return.)

**Prior-Year Tax** If a return is updated from the previous year, the program displays the prior-year tax by default in the **Fed tax** and **State tax** fields of screen **1** (Figure 5-46 on page 153). To override an amount shown, enter a new amount. Based on this amount, program calculations determine whether the taxpayer should receive the underpayment penalty.

### Estimated Tax Penalty

The program automatically calculates an estimated tax penalty and displays the calculation on the “Estimated tax penalty” line of Form 1040. To override the system calculation, use the **Estimated tax penalty** field at the bottom of screen **5**.

**NOTE** For information on calculating interest and penalty amounts for future years, see “Penalty and Interest Calculation” on page 181.

### Earned Income Credit (EIC)

The IRS requires that certain questions be addressed on a tax return for a taxpayer to receive EIC. These questions are located in the following locations within Drake:

- **EIC Information** section of screen **2** (must be completed for each qualifying dependent)
- **EIC** screen for Form 8867, Paid Preparer’s EIC Checklist (must be completed for the taxpayer claiming EIC)

The **EIC Due Diligence** screens also provide supplemental questions to help ensure a comprehensive interview with each taxpayer. While the IRS does not require answers to these supplemental questions to be submitted with the return, these screens provide a means for collecting valuable supporting documentation in case of a due diligence audit.

## EIC Information for Dependent

If the taxpayer has EIC with qualifying dependents, the **EIC Information** section of screen **2** *must* be completed for *each* qualifying dependent. If item **13a** is answered **No**, items **13b** and **13c** can be left blank, as shown in the Figure 5-47 example.

EIC Information		Yes	No	Don't know
<b>NOTE:</b> Upon completion of the EIC Information section on all applicable dependent screens, go to the <a href="#">8867</a> screen and complete Parts I & IV. Part III might also be required if no dependents have a qualifying-child status.				
<input type="checkbox"/> Not eligible for EIC				
<b>10</b>	Is either of the following true? The child is unmarried, OR The child is married, can be claimed as the taxpayer's dependent, and is not filing a joint return (except to claim a refund)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<b>11</b>	Did the child live with the taxpayer in the U.S. for more than half of the year?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<b>13a</b>	Could another person qualify to claim this child?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
<b>13b</b>	Child's relationship to the other person			
<b>13c</b>	If the tiebreaker rules apply, would the child be treated as the taxpayer's qualifying child?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Figure 5-47:** One example of a completed **EIC Information** section (screen **2**)

If a child is *not* eligible for EIC, this ineligibility *must be specified* by selecting the **Not eligible for EIC** box above item 10 (Figure 5-47). Questions 10, 11, and 13 can be left blank if this box is selected.

## EIC Preparer Checklist

IRS due diligence rules require that all paid preparers complete an EIC Checklist (Form 8867) for each prepared return claiming EIC. Form 8867 has four parts:

- Part I: All Taxpayers
- Part II: Taxpayers With a Child
- Part III: Taxpayers Without a Qualifying Child
- Part IV: Due Diligence Requirements

In Drake, Part II of this checklist is addressed on screen **2**. Fields for Parts I, III, and IV are located on the **8867** screen.

**NOTE** The **8867** screen allows preparers to electronically track data related to IRS due diligence requirements for Form 8867. In the event of a due diligence audit, it provides an electronic record corresponding to the printed Form 8867.

Screen codes:  
**EIC, 8867**

To complete Form 8867 for a return, go to the **8867** screen, accessible from the **General** tab, and mark all required boxes.

## EIC Due Diligence Screens

Screen codes:  
**EIC1, EIC2, EIC3, EIC4**

Because a thorough interview is necessary to ensure that all information is gathered about income, deductions, credits, etc., a comprehensive interview process should be part of a tax preparer's office operating procedures. This same logic extends to EIC due diligence requirements. Since individual tax scenarios change from year to year,

all clients—including returning clients—should be interviewed in order to obtain a clear picture for the current-year tax return.

The **EIC Due Diligence** screens can be used as a tool for retaining the inquiries made of taxpayers to ensure that they meet EIC eligibility requirements. Described in Table 5-14, these screens contain interview questions and fields that must be completed (if required by a selection made at **Setup > Options > Administrative Options** tab) regarding EIC.

**Table 5-14:** EIC Due Diligence Screens

Screen Code	Screen Name	Description
<b>EIC1</b>	EIC Due Diligence - Qualifying Child	Screen contains questions pertaining to the age, relationship, and residency tests for up to three qualifying children.
<b>EIC2</b>	EIC Due Diligence - Income	Screen contains questions concerning the taxpayer's reported earned income (including income earned from a legitimate business).
<b>EIC3</b>	EIC Due Diligence - Head of Household	Screen contains questions pertaining to the tests for marriage, qualifying person, and cost of keeping up a home for Head of Household filing status.
<b>EIC4</b>	EIC Due Diligence - Additional Notes	Screen contains space to record data about other inquiries made in verifying the taxpayer's information.

These screens are supplemental to the required EIC Preparer Checklist (**8867** screen). At **Setup > Options > Administrative Options** tab, you can select the option to require that the screens be filled out. You can also select to print these due diligence documents. See “Options Setup” on page 27.

See Screen Help, FAQs, and online help for further information and links to IRS documents and other resources relating to EIC.

## NOTE

EIC due diligence requirements must be customized for each client based on the taxpayer's scenario. The complexity of the law surrounding EIC prevents due diligence requirements from being standardized, so a tax preparer must have a thorough understanding of EIC law in order to comply with these requirements. Software can help provide guidance on fulfilling these requirements, but *it cannot replace the knowledge a preparer applies to each taxpayer's situation.*

## EIC and Combat Pay

You can override the amount of combat pay from the W-2 that is included in the EIC calculation. You can also select to include combat pay in the calculation of EIC.

*Screen code: 8812* To modify how combat pay is calculated for EIC, open the return and click **Add'l Child Tax Credit/Combat Pay** under the first **Credits** tab. Enter a **Combat pay**

amount to override the W-2 amount. To force combat pay to be included in calculating EIC, select **Include combat pay in EIC calculation**.

## NOTE

Combat pay entered on the **W2** screen, Box **12**, with a code of "Q" ("nontaxable combat pay") is automatically accounted for in the program calculation. If you enter a combat pay amount on the **8812** screen, this amount overrides the **W2** amount.

## Blocking EIC Calculations

In some cases, a taxpayer may not be eligible for EIC, even though the information on the tax return indicates otherwise. To block the program from calculating EIC, type **NO** into the **EIC Blocker** on the **EIC** screen.

## Additional Child Tax Credit and Combat Pay

The **8812** screen contains override fields for the following items:

- Combat pay that is applicable to Additional Child Tax Credit and EIC
- Total earned income for Form 8812, Additional Child Tax Credit

The program automatically calculates the amount for earned income. If Form 8812 applies, the program makes the calculations and generates the form. Use the **Additional Child Tax Credit** section on the **8812** screen only if you must override the calculation for total earned income. See "EIC and Combat Pay" on page 156.

## Other Payments

Use the following screens to enter other payments from credits.

**Table 5-15:** Other Payments from Credits

Screen	Name of Form
<b>2439</b>	Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains
<b>4136</b>	Form 4136, Credit for Federal Tax Paid on Fuels
<b>8801</b>	Form 8801, Credit for Prior Year Minimum Tax - Individuals, Estates, and Trusts
<b>8885</b>	Form 8885, Health Coverage Tax Credit

With the exception of the Form 4136 amount, these amounts flow to the "Credits from Form:" line of Form 1040. The amount from Form 4136 flows to the "Credit for federal tax on fuels" line.

## NOTE

Use the **Other payments** field on screen **5** to force an amount to flow to the "Credits from Form:" line of Form 1040. Be aware that no documentation justifying the forced amount is included with the return when using this field.

## First-Time Homebuyer Credit

Screen code:  
**HOME**

Taxpayers who bought a home in 2008 and took advantage of the first-time homebuyers credit must repay the amount in 15 equal installments, beginning with the 2010 return. If you have prepared the client's tax returns using Drake Software, the **Home** screen keeps track of the amount repaid every year.

If you didn't prepare this taxpayer's return previously using Drake, go to the **Home** screen, and in the **Form 5405 Repayment Information** section on the right side of the screen, enter the required information. If the taxpayer no longer used the house as his or her main home, enter the **Date home ceased to be main home if not sold** field.

For more information, click **Screen Help** for the **Home** screen (or select **Screen Help** from the right-click menu.)

## Direct Deposit

Screen codes: **DD**,  
**8888**

Use the **DD** screen, accessible from the **General** tab, to indicate that a refund is to be deposited directly into the taxpayer's account.

### NOTES

The **DD** screen contains fields for completing IRS Form 8888, Direct Deposit of Refund to More Than One Account.

This section refers to refunds that are *not* in the form of bank products. Enter account information for bank products on the applicable bank screen. See "Additional Disbursement Methods" on page 211.

## Required Information

The name of the financial institution, the bank's routing number (RTN), the client's account number, and the type of account (checking or savings) are required. The **RTN**, **Account number**, and **Type of account** information must be entered twice (Figure 5-48) or an EF message is generated and the return cannot be e-filed.

Name of financial institution	RTN	Account number	Type of account	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/> Checking	<input type="checkbox"/> Savings
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/> Checking	<input type="checkbox"/> Savings

Repeat account information

Figure 5-48: Repeat account information for RTN, account number, and type of account

## Direct Deposit of Federal Refund

If a single account is entered on the **DD** screen, the information flows to the "Refund" section of Form 1040. If multiple accounts are entered, the program produces Form 8888. You can enter up to three accounts.

### Form 8888 Conditions

The following conditions *must* apply for the taxpayer to file Form 8888:

- The taxpayer cannot choose to get any part of the refund as a check.
- The account indicated for the refund deposit is a checking, savings, or other account such as an IRA, MSA, etc.

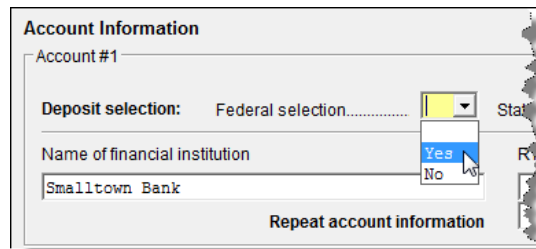
- The account is in the taxpayer's name.

Multiple accounts are not allowed if filing Form 8279, Injured Spouse Allocation.

**NOTE** A taxpayer cannot request a refund deposit to an account that is in the name of someone else (such as the tax preparer).

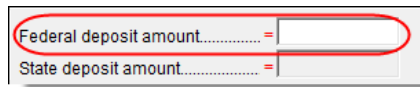
**Multiple Accounts**

By default, the program directs the federal refund to the first account entered on the **DD** screen. If depositing funds into multiple accounts, complete the **Federal selection** field to indicate whether the first account entered should be used for the federal refund (Figure 5-49). The default selection is **Yes**.



**Figure 5-49:** Select **No** if federal refund is *not* to go to the account listed.

To indicate that a refund should be distributed into multiple accounts, enter the portions for each account in the appropriate **Federal deposit amount** fields on the **DD** screen (Figure 5-50). An amount entered here overrides the calculated refund amount.



**Figure 5-50:** An amount entered in the **Federal deposit amount** field overrides the calculated refund amount.

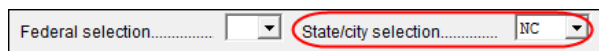
**NOTE** Because not all states support multi-account direct deposit, the **State deposit amount** field (Figure 5-50) is inactive by default.

**Series I Savings Bonds**

To indicate that a taxpayer wishes to make a Series I Savings Bond purchase from the tax refund, press PAGE DOWN from the **DD** screen and fill out the **BOND** screen. If the taxpayer wishes to receive the remainder of the refund disbursed as a paper check, mark the applicable box on the **BOND** screen.

**Direct Deposit of State or City Refund**

To have a state or city refund deposited into an account, select the state abbreviation from the **State/city selection** field for the account. If this field is left blank, no state refund will be deposited into the account.



**Figure 5-51:** State/City selection drop list

### Multiple State Refunds

If the taxpayer receives refunds for more than one state or city return and wants to deposit refunds into separate accounts, indicate this on the **DD** screen by choosing a code from the **State/city selection** drop list for each account (Figure 5-51 on page 159). To have the refunds from all eligible state returns deposited into one account, select **A** from the **State/city selection** drop list.

### GA, ME, OH Refunds

Georgia, Maine, and Ohio have unique requirements for direct deposit. Note the section near at the bottom of the **DD** screen if e-filing a return for one of these states.

### Foreign Accounts

(State purposes only) To indicate that an account entered is a foreign account, mark the applicable box in the **Foreign Account** section at the bottom of the **DD** screen.

## Electronic Payment Options

Electronic payments can be made by credit card, debit card, or electronic funds withdrawal (“direct debit”).

### Pay Balance Due with Credit or Debit Card

Drake offers two options for paying a balance due with a credit or debit card (MasterCard<sup>®</sup>, Visa<sup>®</sup>, American Express<sup>®</sup>, or Discover<sup>®</sup>):

- **Integrated File and Pay (IFP)** — The preparer enters the taxpayer’s credit card information and has the payment authorized prior to e-filing the return. Once the e-filed return is accepted by the IRS, the debit or credit card is charged.
- **Drake e-Payment Center** — Taxpayers can use the Drake e-Payment Center, located at [www.1040paytax.com](http://www.1040paytax.com), to pay a balance due by debit or credit card after the return has been filed.

### Using the EPAY Screen

Use the **EPAY** screen (accessible from the **Miscellaneous** tab) to pay a balance due with IFP. Use this screen after the return is completed but before e-filing it.

## IMPORTANT

In order to use IFP, the taxpayer’s first and last name, SSN, full address, phone number including area code, and e-mail address *must* be entered on screen 1.

A return must be e-filed and accepted within 21 days of card authorization in order to complete the payment transaction. If a return is not accepted (or is rejected) within 21 days, the authorization is, in effect, cancelled. Reauthorization would be required.

Screen codes:  
**EPAY** or **IFP**

On the **EPAY** screen, indicate the form being e-filed (**1040** or **4868** extension), *recalculate the return*, then return to the **EPAY** screen and click the **Authorize Credit Card** button. You will be directed to a website where you can enter the taxpayer’s credit card information and authorize a hold on the card.

To have the client letter refer to the payment method used, enter the credit card type and the last four digits of the credit card number in **Optional Letter Information** sec-



tion of the **EPAY** screen. The client letter will then reference the amount that will be charged to the credit card, and the card's last four digits.

**NOTE** A website, [www.integratedfileandpay.com/status](http://www.integratedfileandpay.com/status), is available for checking payment statuses. See the **EPAY** screen help for more details.

## Electronic Funds Withdrawal (Direct Debit)

*Screen code: PMT* Use the **PMT** screen, accessible from the **General** tab, to indicate that the balance due funds are to be electronically withdrawn (direct-debited) from the taxpayer's account.

### Program Defaults and Overrides

By default, the program indicates that the entire balance due (the "Amount You Owe" section of Form 1040) is to be electronically withdrawn on the return due date, unless otherwise indicated using the override fields for each account entered. (See **Federal** override fields in Figure 5-52.) If the return is e-filed on or before April 15, the requested payment date cannot be later than April 15. If the return is transmitted after April 15, the requested payment date cannot be later than the current date.

### Required Information

A **Withdrawal selection** (item 1 in Figure 5-52) is required if the program is to direct tax authorities to electronically withdraw funds from the taxpayer's account.

The screenshot shows the PMT screen with several fields highlighted for required information:

- Item 1:** Account #1, Withdrawal selection (dropdown), Federal selection (dropdown), and State/city selection (dropdown).
- Item 2:** Name of financial institution, RTN, Account number, and Type of account (Checking/Savings) fields. A "Repeat account information" label is present below these fields.
- Item 3:** Federal payment amount, Requested payment date, and Payment is for (1040, 4868, 2350) fields.

**Figure 5-52:** Required fields on **PMT** screen: withdrawal selection (1); account information (2); specified return (3)

The name of the financial institution, the bank's routing number (RTN), the client's account number, and the type of account (checking or savings) are required. As with the **DD** screen, the **RTN**, **Account number**, and **Type of account** must be entered twice (item 2 in Figure 5-52).

Finally, the **PMT** screen must indicate the return to which the payment data applies (item 3 in Figure 5-52). Mark the box of the applicable return type.

### Withdrawal from Multiple Accounts

Neither state nor federal balances can be paid by direct debit of funds from more than one account. To have a state balance due electronically withdrawn from an account other than the account indicated for federal, complete the fields in the **Account #2** sec-



tion of the **PMT** screen. (To have a balance due from another state withdrawn from a third account, complete **Account #3**.)

### Direct Debit of Estimates

To indicate direct debit of estimate payments only, select **Estimates Only** from the **Federal selection** drop list. By default, the estimate payment amounts and dates (see Figure 5-52 on page 161) are calculated from the information entered on the **ES** screen or in the override fields in screen **1**. Use the fields on the **PMT** screen to override that data.

## Third-Party Designee

To set up a preparer as a third-party designee, the preparer's PIN must first be entered in Preparer Setup. A default third-party designee can be set up for all returns. You can override the default for a single return as needed.

### For All Returns (Default)

To set up the third-party designee for all returns, go to **Setup > Options > Optional Items on Return** tab and make a selection from the **Third party designee** drop list. Options are shown in Table 5-16, along with descriptions of how the options affect the "Third Party Designee" section on page 2 of Form 1040.

**Table 5-16:** Setup Options for Third-Party Designee

Selection	"Third Party Designee" Section of Form 1040
None	Blank; "No" box is marked. (This default can be overridden from the <b>PREP</b> screen; see "For a Single Return (Override)," below.)
Preparer (1-9)*	Designated preparer (for preparer numbers, see list in <b>Preparer Setup</b> ); "Yes" box is marked.
Return Preparer*	Preparer who prepared the return; "Yes" box is marked.
ERO*	Preparer indicated at <b>Setup &gt; Options &gt; EF</b> tab as <b>Default ERO</b> ; "Yes" box is marked.

\*If a preparer or ERO is selected, a PIN *must* be entered for that preparer; otherwise, no preparer name shows up as the third-party designee on Form 1040.

### For a Single Return (Override)

Screen code:  
**PREP**

Use the **PREP** screen to override the setup options for third-party designee for a single return. Enter the designee's name, phone, and PIN in the fields provided. (E-mail address is optional.)

The screenshot shows a form titled "Third Party Designee". At the top, there is a dropdown menu with the text "Allow another person to discuss this return with IRS." Below this, there are five input fields: "First name", "Last name", "E-mail", "Phone", and "PIN". The "Phone" and "PIN" fields are positioned to the right of the "First name" and "Last name" fields respectively.

**Figure 5-53:** Third-party designee fields on **PREP** screen

For more on how to use the **PREP** screen to override preparer information, see “Overriding Other Preparer Information” on page 56.

## No Third-Party Designee

To indicate that no one other than the taxpayer is allowed to discuss the return with the IRS, go to the **PREP** screen and select **No** from the drop list in the **Third Party Designee** section. (See Figure 5-53.)

### NOTES

If no third-party designee is indicated in **Setup > Options**, the “No” box is marked on the third-party designee line of Form 1040.

If you select **Yes** on the **PREP** screen, the **PREP** screen entries override any third-party information in Setup. If you select **Yes** but leave the other fields blank, the third-party section of Form 1040 will be blank.

## Signing the Return

An e-filed tax return must contain electronic signatures of both the taxpayer and the ERO in order to be accepted. Electronic signatures are produced using PINs.

## Form 8879

Form 8879, an electronic signature document used to authorize e-filing, allows taxpayers to select a PIN signature (or have the software choose a random number for them). It also authorizes the ERO to enter the taxpayers’ PIN signatures authorizing electronic withdrawal of funds for tax payments.

### NOTE

The signed Form 8879 does not have to be mailed to the IRS. It must instead be retained by the ERO for three years. See Form 8879 instructions for more information.

Screen codes:  
8879, PIN

Use the **PIN** screen, accessible from the **General** tab, to complete Form 8879. The generated return uses both the taxpayer’s PIN and the ERO’s Practitioner PIN.

### IMPORTANT

The PIN entered must match either the PIN of the **Default ERO** (selected at **Setup > Options > EF** tab) or the PIN of the preparer specified in the **Preparer #** override field on screen 1.

### Signature Date

A PIN signature date is required at the top of the **PIN** screen. If no date is entered, an EF message is generated and the return cannot be e-filed.

### Obtaining Client PIN Signatures

Ideally, the client signs Form 8879 in your office. If the client is not available to sign, you can e-mail Form 8879 as a PDF file to the client and have the client sign the form and return it to you.

The taxpayer can select his or her own PIN (any five-digit number except 00000). On the **PIN** screen, have your client enter his or her PIN, and then indicate either **Taxpayer entered** or **Spouse entered**. If the client is not available and you enter the PIN signatures, leave the check boxes blank.

### NOTE

The taxpayer can elect to use the PIN generated by the software. To turn off the option to generate PINs, go to **Setup > Options > EF** tab and clear the check mark from **Auto-generate taxpayer(s) PIN (1040 Only)** option.

### Direct Debit Consent

If there will be a direct debit from the client's bank account to make a tax payment, selecting **Direct Debit Consent** on the **PIN** screen indicates that the taxpayer authorizes funds to be electronically withdrawn from his or her account.

## PIN Signatures for Forms Other than the 1040

By default, Form 8879 is printed with Form 1040. If an electronic signature form is to be printed with any of the following other forms, indicate this by selecting the applicable box in the **Select Form** section of the **PIN** screen:

- Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return (with payment)
- Form 2350, Application for Extension of Time to File U.S. Income Tax Return
- Form 9465, Installment Agreement Request
- Form 56, Notice Concerning Fiduciary Relationship

Note that the electronic signature form is required with Form 4868 only if making a payment. For Forms 4868 and 2350, the program produces Form 8878, IRS e-file Signature Authorization for Form 4868 or Form 2350.

### NOTE

Prior-year AGI amounts are required to e-file Forms 2350, 9465, and 56. Enter this data in the **Prior year AGI** section of the **PIN** screen.

## Special Conditions

### Power of Attorney

If the return is being signed by someone with Power of Attorney for the taxpayer, indicate this information on the **MISC** screen and complete the Power of Attorney section (mark the check box and enter the name of the person signing). Because Form 2848 is not e-filable, a transmittal (Form 8453) is produced with the paper-document indicator marked for Form 2848.

### IMPORTANT

Form 2848 itself is not printed automatically; it must be completed on the **2848** screen in order to be generated with the return. Form 2848 must then be printed and mailed or faxed to the IRS.

**Taxpayer  
Signing for  
Spouse**

If the taxpayer is signing the return for the spouse, mark the box in the **Signing for Spouse** section of the **MISC** screen and provide an explanation using the **SCH** screen, code 013. (See “Unformatted Schedules” on page 189.)

**Depreciation**

Form 4562, Depreciation and Amortization, is used to claim deductions for depreciation and amortization, to elect to expense certain property under section 179, and to indicate automobile and other listed property use for business/investment purposes.

**Where the Information Flows**

Data entered on the **4562** screen flows to the applicable sections of Form 4562. The information is also used to calculate data for other related forms and schedules.

**Form 4562**

Because the data entered into the **4562** screen flows to Form 4562, you should not have to use screens **6**, **7**, **8**, and **9** (4562 Parts 1 through 5c) *unless* entering a pre-prepared return with no supporting documentation. Data also flows, as applicable, from the **4562** screen to Form 4797 (Sales of Business Assets) and Form 3468 (Investment Tax Credit).

**Depreciation  
Schedules**

Screen **4562** is used to create depreciation or amortization schedules for Schedules A, C, E, and F; for Forms 2106, 4835, and 8829; and for tax returns of partners in a partnership and shareholders in an S corporation.

Depreciation data is also used for the Auto Expense Worksheets for Schedules C, E, and F, and Form 4835. To create an auto worksheet, see “Auto Expenses” on page 171. To associate a depreciable asset with another screen in Drake, see “Associating One Screen with Another” on page 73.

**TIP**

Click the **Form 4562** link or press CTRL+W inside the **Depreciation** field of a supporting schedule's screen (such as Schedule E) to access the associated **4562** screen (or to begin a new **4562** screen).

**Entering Depreciable Assets**

*Screen code: 4562* Use the **4562** screen, accessible from the **Income** tab, to enter depreciation data. Enter each asset on a separate **4562** screen. (To open a new screen, press PAGE DOWN.)

**TIP**

Grid data entry can be used for the **4562** screen. Press F3 to switch to and from grid data. See “Grid Data Entry” on page 68.

**Required Fields**

Required fields on the **4562** screen are described in Table 5-17.

**Table 5-17: Required Fields on 4562 screen**

Field	Description
<b>For</b>	Used for associating an asset with a form or schedule; see "Associating One Screen with Another" on page 73.
<b>Description</b>	Description of asset. This field supports 42 characters. Per IRS regulations, only the first 24 characters are transmitted in e-filed returns. Additional characters are displayed in red on the screen.
<b>Date Acquired</b>	Date the asset was placed in service
<b>Cost/Basis</b>	Depreciable basis of the asset (press F1 for further details)
<b>Method</b>	Depreciation method
<b>Life</b>	Class life; press F1 for a recovery-period listing.

**NOTE**

If **EXP** (section 179) is selected as the depreciation method, the useful life/recovery period entered in the **Life** field is used to calculate depreciation adjustments for Form 6251 (AMT). See "Section 179 Expensing," following, for more on section 179.

**Business % Use**

The default business percent use is 100%. Enter a number in this field only if business percent use for the asset is not 100%.

If business use dropped to 50% or less, complete the **Business % use** field and select the **Recapture** box under **Other Information**. The program recaptures any excess section 179 or depreciation and carries it to Form 4797 Part IV and to the "Other income" line on the form being associated with the **4562** screen.

**IMPORTANT**

**EXP** cannot be the selected method if the **Recapture** box is marked. The **Method** field must contain an acceptable IRS method for the recapture to be calculated correctly.

**Listed Property Type**

A selection in the **Listed Prop Type** field is required for an asset that could be used for personal, entertainment, recreation, or amusement purposes. An entry here lists the asset as "Listed property" on Form 4562. Depreciation limitations could apply.

**Prior Depreciation**

The amount in the **Prior depreciation** field is carried from the previous year (if the information is available). Otherwise, enter this information directly.

**Section 179 Expensing**

Drake calculates the amount up to the established current-year limit for all properties expensed under the section 179 deduction. If section 179 (**EXP** in the **Method** drop list) is selected as the depreciation method on more than one **4562** screen, the program expenses the initially entered items first, regardless of which schedule lists the asset.

The limitation occurs when the total of the expensed assets reaches the established limit for the current year (again regardless of schedule).

## NOTE

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—has expired.

To conform with IRS mandates, Drake reports section 179 expense on the first Form 4562 generated with the return. If multiple activities have section 179 expensing, a section 179 summary is produced on the first Form 4562. (All additional 4562 forms produced have only the “Section 179 expense deduction” lines completed.)

## NOTE

Section 179 expense cannot be claimed on assets related to a passive activity.

### Indicating Sec. 179 Expensing

Indicate section 179 expensing on the **4562** screen. In most cases, you do not have to use screen **6**, which contains override fields for Form 4562, Part I, Election to Expense (Section 179). If screen **6** contains a section 179 expense override, clear that field and enter the amount on the **4562** screen. The entry appears on Form 4562.

To expense the *entire* amount of an asset under section 179, select **EXP** as the depreciation method. To expense only a *portion* of the tangible property under section 179, enter all information as if depreciating the full amount, then enter the amount to expense in the **179 expense elected this year** field (Figure 5-54). An amount in this field overrides system calculations.

The screenshot shows a software interface for entering depreciation information. The 'Method' dropdown menu is set to 'EXP' and is circled with a red '1'. Below it, the '179 expense elected this year' field is circled with a red '2'. Other fields include Life, Prior depreciation, Salvage value, Override regular depreciation, 179 expense allowed this year, 179 expense elected in prior years, 179 expense allowed in prior years, Bonus depreciation (with a link to 'Additional Depr Elections'), and Prior bonus depreciation (with a 'Safe Harbor' dropdown).

**Figure 5-54:** On the **4562** screen, select **EXP** (1) to expense entire amount under section 179. Use the **179 Expense** fields (2) if expensing only a portion of the amount.

If the amount must be carried to a listed property, make an entry in the **Listed Prop Type** field in the upper-right section of the **4562** screen. (See “Listed Property Type” on page 166.)

## IMPORTANT

For returns being prepared in Drake for the first time, the prior section 179 expense must be entered manually for the depreciation to be calculated correctly. In the future, the **179 expense allowed in prior years** field (see Figure 5-54 on page 167) will be updated based on system calculations.

### Indicating Prior-Year Sec. 179 Expensing

If you enter an amount in the first “179 expense *elected* in prior years,” (Figure 5-55) you must also enter an amount in the “179 expense *allowed* in prior years” field. If your taxpayer was *allowed* the whole amount *elected*, the entry in the fields should be the same; if the taxpayer was not allowed all the 179 expense elected, enter the amount elected on the “179 expense allowed in prior years” field.

179 expense elected this year.....	=	
179 expense allowed this year.....	=	
179 expense elected in prior years.....		2432
179 expense allowed in prior years.....		2432
Bonus depreciation	<a href="#">Additional Depr Elections</a>	
Prior bonus depreciation. Safe Harbor.	<input type="button" value="v"/>	

**Figure 5-55:** Prior-year 179 expenses “elected” and “allowed”

If the taxpayer expenses assets using section 179, the program produces a WK\_I179L worksheet, “Section 179 Business Income Limit,” with the return.

For the 2012 tax year:

## NOTE

- Assets placed in service in 2012 — 50% bonus depreciation
- Assets placed in service after 2012 — 0 bonus depreciation

## Investment Credit Codes

If an investment credit code is required, select the code from the **Investment credit code** drop list on the **4562** screen.

## Asset & Department Numbers

The **Asset number**, **Department number**, and **Asset Category** fields on the **4562** screen are for tracking purposes in the Fixed Asset Manager (see “Fixed Asset Manager” on page 324) and can be used in reports.

## NOTE

Select asset categories from the **Asset Category** drop list in order to group items by asset category in the Fixed Asset Manager.

## Land Cost

Use the **Land cost** field to enter cost/basis of the land. An amount entered here should *not* be included in the cost/basis of the asset. For example, if the purchase price including the land was \$100,000 and the cost of the land was \$10,000, you would enter \$10,000 for **Land cost** field and \$90,000 for **Cost/Basis** at the top of the screen.

## Depreciating Home Used for Business

If a **4562** screen is to be associated with a Form 8829, Business Use of Home, select **8829** from the **For** drop list at the top of the screen. If the home was the taxpayer's main home, mark **Main home for Form 8829** (in the **Other Information** section on the left side of the **4562** screen).

## Amortization

Enter amortization codes in the **Amortization code section** field on the **4562** screen under **Amortization Information**. To allow the extra \$5,000 deduction in the first year of amortization, select **Elect additional first-year deduction**.

## State-specific Depreciation Information

**All States** For state-specific depreciation information, complete the applicable fields under **State-Specific Information** section (near the bottom of the left column), ensuring that all state rules and guidelines are followed. Note that **State basis (if different)** is an override field. The default basis is the **Cost/Basis** from the top of the **4562** screen.

**FL, KY, and PA** State-specific fields for Florida, Kentucky, and Pennsylvania returns are located on screen **4562**.

- **Occurrence of Schedule** field: Choose the occurrence of the state form or schedule to which the asset relates (default is "1"). For PA entries, this field applies only when the asset is sold.
- **Schedule form data flow** list: Select the state form or schedule to which the asset data should flow. For PA, this field applies only when the asset is sold.
- **Removal Method** field (FL only): Press F1 to view valid entries. If left blank and a 2012 **Date sold** is entered, the program uses the default "02 - FL Sold."

## Placed in Service (Overrides)

The **4562** screen has the following placed-in-service override fields:

- **Force convention** — MQ (mid-quarter) or HY (half-year). If MQ is selected, the program calculates which quarter to use.
- **Do not use MACRS % tables** — Options include **Qualified Indian Reservation Property**.



## Stopping Depreciation on an Asset

To stop depreciation on an asset that was *not sold*, enter the asset's remaining basis in the **Salvage Value** field (fourth item on the left side of the **4562** screen). The asset will be updated to next year. No additional depreciation will be taken since the accumulated depreciation equals the depreciable basis.

## Depreciating Sold Assets

To indicate the sale of an asset for depreciation purposes, complete the applicable fields in the **If sold** section of the **4562** screen. (See Figure 5-56.)

**Group Sales** To enter group sales in Drake:

1. Open a **4562** screen for the first asset of the group sale.
2. Complete the applicable fields for the asset, including **Date sold** and **Property type** fields, and all fields under **Group Sale Information** (Figure 5-56).

**Figure 5-56:** Screen **4562** fields to complete for the first asset of a group sale

3. Open a **4562** screen for the next asset in the group sale.
4. Complete the applicable fields for the asset. In the **If sold** section, only the **Date sold**, **Property type**, and **Group sale number** fields are required.
5. Repeat steps 3 and 4 for all assets in the group sale.

### NOTE

Complete the **Date sold**, **Property type**, and **Group sale number** fields for all assets in a group sale. The **Group sales price** and **Group expense of sale** are required for *only the first asset* listed.

The sales price and the expenses will be pro-rated among the assets based on the cost/basis of the assets and will flow to Form 4797, Sales of Assets.

### Form 4797, Sales of Assets

If data is entered for **Date sold** and **Property type**, the asset data flows to Form 4797, Sales of Assets. If only the **Date sold** field contains data, nothing flows to Form 4797.

For a Section 1250 property, an entry in the **Form 4797, line 26d depreciation** field flows to that line of Form 4797. An entry in the **Form 4797, other Part III depreciation** field flows to the appropriate line of Form 4797, depending on the property type.

**Installment Sales** Unlike Form 4797, Form 6252, Installment Sales, is not generated automatically if the **If sold** fields are completed. For information on entering installment sales, see "Installment Sales" on page 115.

## Depreciation Elections

Two screens are used for indicating depreciation elections. Use screen **10, Additional Depreciation Elections**, to elect out of 50% bonus depreciation for some or all of the assets placed in service in 2012. You can access this screen for an asset by clicking the **Additional Depreciation Elections** link on screen **4562** for that asset. Use the **ELEC** screen for other Form 4562 elections (listed under the Form 4562 heading on that screen). For more on the **ELEC** screen, see "Election Options" on page 175.

## Qualified Real Property

The provision for additional section 179 allowance for Qualified Real Property expired December 31, 2011. The **Type** drop list on the **4562** screen stills contains selects **A, B, and C**:

- Selection **A** will qualify the property for 50% bonus depreciation.
- Selections **B** and **C** have no affect on assets placed in service after December 31, 2011, but the codes will be retained for the preparer's reference.

## Federally Declared Disaster

If the **Disaster assistance property** box in the **Federal declared disaster area** is marked, the property will qualify for additional Section 179 deduction and also for 50% bonus depreciation. A selection here will increase the section 179 limits on Form 4562, lines 1 and 3 accordingly.

Marking the **GO Zone Extension property** check box will not change any 2012 calculations in Drake. The box remains on the screen to alert the preparer if the asset is sold and anything must be recaptured due to additional GO Zone deductions in a prior year. All federal GO Zone provisions have expired.

## Auto Expenses

Screen code:  
**AUTO**

The Auto Expense Worksheet (**AUTO** screen), accessible from the **Adjustments** tab, is used for calculating automobile expenses related to certain types of income. The program calculates the mileage rate automatically.

### NOTE

Enter data for Schedule C, Part IV, Information on Your Vehicle, on the **AUTO** screen (click the **AUTO** link on screen C). Use the **For** and **MFC** fields to associate the **AUTO** screen with the correct **C** screen.

## Applying Auto Expenses to a Form

**AUTO** screens can be applied to Schedules C, E, and F, and Form 4835. Use a separate **AUTO** screen for each vehicle. A WK\_AUTO worksheet is generated for each **AUTO** screen created.

To apply an **AUTO** screen to a specific form, select the form type from the **For** menu. Use the multi-form code (**MFC**) box as necessary; see “Associating One Screen with Another” on page 73 for more on using the **For** and **Multi-form code** boxes in Drake.

## Business Mileage

The 2012 standard business mileage deduction rate for the 2012 tax year was 55.5 cents per mile. Use the applicable field on the **AUTO** screen to enter business miles driven in 2012.

## Prior-Years Mileage

The **Prior Years Mileage** fields allow you to keep a running total of the mileage covered by the vehicle since being placed in service. The total amount is used to calculate the cumulative business percentage for the life of the vehicle. It is also used to calculate the business cost and sales price when the vehicle is sold.

Prior-year mileage data is updated each year when you update your system.

### IMPORTANT

The business mileage fields must be completed to compute business use percentage for depreciation (Form 4562).

## Office in Home

*Screen code: 8829* Enter information for Form 8829, Expenses for Business Use of Your Home, on the **8829** screen, accessible from the **Adjustments** tab.

## Applying 8829 Data to a Form

The **8829** screen can be applied to Schedules C and F, Form 2106, and Schedule K-1 for Partnership. Select the form type from the **For** menu at the top of the **8829** screen. Use the **Multi-form code** box as needed (default is “1”). (See “Associating One Screen with Another” on page 73.)

### Special Conditions: Form 2106

The multi-form code information must be modified slightly if the **8829** screen is being associated with a Form 2106 (Employee Business Expenses) and the spouse has a 2106 form. The program numbers all *primary taxpayer* 2106 forms before numbering the *spouse* 2106 forms, as shown in Table 5-18.

**Table 5-18:** Screen **8829** Multi-form Codes for Form 2106

If the 2106 is for ...	Enter this code:
Primary taxpayer	1
Primary taxpayer (and it is the primary taxpayer's <i>second</i> 2106)	2
Spouse (and the primary taxpayer does <i>not</i> have a 2106)	1
Spouse (and the primary taxpayer <i>does</i> have a 2106)	2

**Table 5-18:** Screen 8829 Multi-form Codes for Form 2106

If the 2106 is for ...	Enter this code:
Spouse (and the taxpayer has <i>two</i> 2106 forms)	3

## Depreciation of Home

Generally, home depreciation data should be entered under Part III of the **8829** screen. If the home was placed into service *during the current tax year*, however, leave Part III blank, start a **4562** screen for the home, and enter the data shown in Table 5-19:

**Table 5-19:** Screen 4562 Fields to Complete for First-Year 8829

Screen	8829 Information or Text to be Entered
<b>For</b>	Select <b>8829</b> .
<b>Multi-form code</b>	Enter the instance of Form 8829 to be associated with this <b>4562</b> screen. (See "Associating One Screen with Another" on page 73.)
<b>Description</b>	Enter a description of the asset.
<b>Date Acquired</b>	Enter the date the home was placed in service.
<b>Cost/Basis</b>	Enter the smaller amount — the cost/basis or the fair market value. (This amount would normally be entered in Part III of the <b>8829</b> screen.) Do not include the cost of the land.
<b>Business % Use</b>	Leave this field blank; default is 100%.
<b>Method (Federal column)</b>	Select <b>SL - Straight Line</b> .
<b>Life (Federal column)</b>	Enter the number 39.
<b>Land cost</b>	Enter the cost of the land only. This amount should not be included in <b>Cost/Basis</b> above. (This amount would normally be entered in Part III of the <b>8829</b> screen.)
<b>Main Home for 8829</b>	Select this box if the asset was the main home. This information is posted to the bottom of Form 8829 when the return is generated.

## Net Operating Losses

This section explains how to enter carrybacks and carryforwards of net operating losses (NOLs) in Drake.

### Carrybacks from Future Years

Screen code: 3

Enter NOL carryback amounts from future years on screen **3** in the **NOL** field (Figure 5-57 on page 174). This field can also be used to amend the current-year amount or to adjust carryback amounts calculated from the **LOSS** screen.

Note: Program will figure taxable portion of 2012 SS benefits.

21	Other income		<input type="checkbox"/> Form 8615 investment income 21		
			<input type="checkbox"/> Form 8615 investment income 21		
			<input type="checkbox"/> Form 8615 investment income 21		
			NOL carryforward/carryback..... <a href="#">LOSS</a>	=	=
			Real estate tax recovery.....		
			Personal property rental income.....		
			Gambling winnings.....		
			Alaska Permanent Fund.....		

Figure 5-57: NOL carryback field on screen 3

An amount entered here flows to the “Other income” line of Form 1040. Click the **LOSS** link as needed to access the **LOSS** screen.

### Carryforwards from Prior Years

Screen code:  
**LOSS**

Use the **LOSS** screen to enter NOL carryforward amounts from prior years. Enter amounts for each year using the **Amount available from carryforward, Used prior to 2012**, and **Used in 2012** columns on this screen.

#### NOTES

Never add a **LOSS** screen for a current-year NOL. The program carries forward any current-year NOL and displays the carryforward on the WK\_CARRY worksheet. The results of your data entry are reflected on the WK\_NOL worksheet.

To have the program calculate whether there is a NOL for the current year, go to the **NOL** screen and select **Calculate 1045 page 2 ONLY**. (See “NOL Carryovers on Form 1045,” following.)

### NOL Carryovers on Form 1045

Screen code: **NOL**

Form 1045, Application for Tentative Refund, includes Schedule A (NOL) and Schedule B (NOL Carryover). Use the **NOL** screen, accessible from the **Other Forms** tab, to enter amounts for these schedules into Drake.

#### NOTES

The Schedule A fields are override fields. Entries override system calculations for Schedule A.

To calculate only page 2 of Form 1045, select **Calculate 1045 page 2 ONLY** at the top of the **NOL** screen.

#### NOL Carryforward Only

To indicate that the taxpayer elects to carry a NOL forward and not back, go to the **NOL** screen and select **Election to carry forward ONLY**. When the return is generated, it includes an ELECTIONS statement, stating that the taxpayer is electing under Section 172(b)(3) to relinquish the entire carryback period.

#### Figuring AMT NOL

Use the right-hand column of the **NOL** screen to enter data for figuring Alternative Minimum Tax NOL. When the return is generated, the AMT\_NOL worksheet shows the current year AMT NOL.

## Election Options

The **ELEC** screen has check boxes to indicate “elections” from the IRS code. If any boxes on this screen are marked, a note listing the elections is generated with the return. To attach an additional statement detailing an election, go to the **SCH** screen and select **E – Election Explanation** for the type of schedule. Both the list of elections and any designated election explanations are visible as **ELECTION** pages in View mode. (For more on unformatted schedules, see “Unformatted Schedules” on page 189.)

## Special Returns

This section explains how to complete the following return types in Drake:

- Form 1040X, Amended U.S. Individual Income Tax Return
- Extension Applications:
  - Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return
  - Form 2350, Application for Extension of Time To File U.S. Income Tax Return For U.S. Citizens and Resident Aliens Abroad Who Expect To Qualify for Special Tax Treatment
- Form 1040NR, U.S. Nonresident Alien Income Tax Return
- Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return

### NOTE

Amended returns cannot be e-filed. An electronic signature is required for all other returns and applications for extensions. See “Signing the Return” on page 163 for more on electronic signatures.

## Amended Returns

A return must be established in Drake before the amended version can be created. If the original return was created using a different program, you must create the return in Drake and enter basic taxpayer information (filing status, address, etc.) before amending the return.

### NOTE

Make sure you have a backup copy of a return before you change any data. You can create both a PDF copy and a backup client file in the Document Manager if you archive the return. (See “Archive Manager” on page 207.)

To create an amended return in Drake:

1. Open the return to be amended.
2. From the **Other Forms** tab, click **X, 1040X Amended Return**.
3. To have the program autofill the **1040X** screen with data from the original return, click **Yes**. To leave the fields blank, click **No**.
4. Enter all applicable data in the **1040X** screen.
5. Revise any other sections of the original return as needed.

Screen code: X

The **1040X** screen contains the following sections:

- **Amounts as on ORIGINAL return** — These amounts can be autofilled by the program. A manual entry in any of these fields overrides program calculations for the original return.
- **Part I - Exemptions** — These numbers can be autofilled by the program. A manual entry in any of these fields overrides program calculations for the original return.
- **Amounts and information for the AMENDED return** — These fields must be completed manually as applicable.
- **Part II - Presidential Election Campaign** — If the taxpayer or spouse did not want \$3 to go to the Presidential Election Campaign Fund but does now, mark the appropriate box.
- **Part III - Explanation of Changes** — Type an explanation of the changes in this text box.

Any additional changes in income will be incorporated into the amended return.

## Extensions

To apply for an extension using Drake:

Screen code: **EXT**

1. Open the return for which an extension application is being filed.
2. From the **Other Forms** tab, click **EXT, Extension Forms 4868 & 2350**.
3. Make the applicable selection from the **4868** drop list (if filing Form 4868) or the **2350** drop list (if filing Form 2350). Selections are described in Table 5-20.

**Table 5-20: Extension Forms** Screen Selections for Forms 4868 and 2350

Code	Description
X	Produces Form 4868 or Form 2350, whichever is selected.
A	Produces Form 2350. Firm information (rather than taxpayer information) is printed on the return label section.
B	Produces Form 2350. Taxpayer's name and address are printed at the bottom of the form.
P	Produces Form 2350. Taxpayer's name, preparer's name, and firm address are printed at the bottom.

4. Enter all applicable information.

For further instructions, see the Screen Help for the **EXT** screen.

### e-Filing an Extension

If e-filing an extension application, complete the **EXT** screen, and then select the applicable form number on the **EF** screen (accessible from the **General** tab). For more information on the **EF** screen, see "EF Override Options in Data Entry" on page 236.

**ETD Messages** When e-filing a 1040 extension, it is necessary to clear all of the errors shown on the ETD\_MSG page. Because you are not sending the actual return, it is not necessary to address other EF messages. *Only the ETD\_MSG page needs to be addressed.*

**Payments** Use the **EXT** screen to indicate the amount being paid with the extension. If a voucher is needed, mark the **Produce 1040-V for extension** box, and use the **Amount to print on 1040-V** override field if the amount differs from the automatically calculated amount.

Mark the **Taxpayer is paying the entire amount of tax due** box (see Figure 5-58) if the entire amount of tax is being paid with the extension.

The screenshot shows a portion of the EXT screen with a red oval highlighting several fields and checkboxes. The fields include 'Amount paid with extension' and 'Amount to print on 1040-V'. The checkboxes are 'Produce 1040-V for extension', 'Taxpayer is paying the entire amount of tax due.', and 'Taxpayer has paper-filed the extension and is now ready to file a regular return.' The text 'If a fiscal year, Form 1040 tax year beginning..... and ending.....' is visible at the top of the highlighted area.

**Figure 5-58:** Payment-related fields on the EXT screen

**Filing the Return** Before filing the actual return, go to the **EXT** screen and mark the box labeled **Taxpayer has paper-filed the extension and is now ready to file a regular return.**

## Nonresident Alien Returns

*Screen code: NR* Use the **NR** screen, accessible from the **Taxes** tab, to enter data for Form 1040NR, U.S. Nonresident Alien Income Tax Return. The 1040NR in Drake consists of three screens. Press PAGE UP or PAGE DOWN to move from screen to screen.

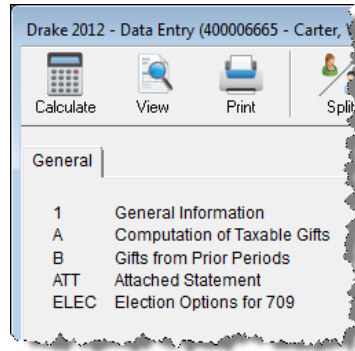
### NOTE

Data from Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, should be entered on either the **2555** screen, the **NR** screen, or in the **Other income** field on screen **3**.

## Gift Tax Returns

*Screen code: 709* Form 709, U.S. Gift Tax Return, consists of several parts and schedules, all located on the **709** menu, accessible from the **Taxes** tab. (See Figure 5-59 on page 178.)





**Figure 5-59:** Menu for Form 709, Gift Tax

Click an item to open it, or type its code into the selector field and press ENTER.

**NOTE** Forms 709 and 8892 cannot be e-filed. They must be paper-filed.

**Pricing for Form 709** To set up pricing for Form 709, go to the **Home** window and select **Setup > Pricing**. By default, the pricing list is for individual (1040 package) forms. From the **State/City** drop list, select **GF - Gift Tax (709)** to display a list of the gift tax forms. Double-click a form name to adjust the pricing.

**Attached Statements** If Form 709 requires an attachment (for example, if an election option requires the amounts in question to be identified), use the **ATT** screen on the 709 menu.

**709 Election Options** The **ELEC** screen (**Election Options for 709**) provides a series of check boxes for electing certain optional ways of treating some income and exclusion amounts.

**Extension Request for Form 709** Form 4868 covers extension requests for both a 1040 and a 709 return. No separate extension request is required. For more information, see “Extensions” on page 176.

To request an extension for Form 709 *only*, complete Form 8892. This form is not available in Drake but can be accessed from the IRS website. See IRS instructions for more on submitting a 709 extension request to the IRS.

## Requests, Claims, and Other Forms

The screens described in this section are all available from the **Other Forms** tab of the **Data Entry Menu**. Most forms listed here are e-filable unless otherwise specified, and most can be obtained in Drake from **Tools > Blank Forms**.

## Applications and Requests

Table 5-21 lists additional screens for application and request forms.

**Table 5-21:** Application and Request Forms Available from **Other Forms** Tab in Drake

Screen	Form	Notes
970	Form 970, Application to Use LIFO Inventory Method	Use the <b>SCH</b> screen for required attachments; select the appropriate code on that screen.
1045	Form 1045, Application for Tentative Refund	Press PAGE DOWN to access the <b>NOL</b> screen. This form is not e-filable. See "Net Operating Losses" on page 173 for more on the <b>NOL</b> screen.
4506	Form 4506, Request for Copy of Tax Return	To request a transcript of a tax return, use Form 4506-T (available in Drake at <b>Tools &gt; Blank Forms</b> ) or call (800) 829-1040.
8857	Form 8857, Request for Innocent Spouse Relief	If question 3 on this screen is answered "Yes," do not file Form 8857. File Form 8379 instead. For question 23, use the <b>SCH</b> screen, code 209, to submit information about assets.
9465	Form 9465, Installment Agreement Request	Form 9465 is e-filable if the taxpayer uses direct debit to pay. Otherwise, this form must be paper-filed. If e-filing, a PIN is required; indicate Form 9465 and enter prior-year AGI on the <b>PIN</b> screen.
W7	Form W-7, Application for IRS Individual Taxpayer Identification Number (ITIN)	This form is not e-filable.

## Statements and Claims

Table 5-22 lists additional screens for statement and claim forms.

**Table 5-22:** Statement and Claim Forms Available from **Other Forms** Tab in Drake

Screen	Form	Notes
2120; 8332	Form 2120, Multiple Support Declaration Form 8332, Release of Claim to Exemption for Child of Divorced or Separated Parents	The rules for multiple support agreements still apply to claiming an exemption for a qualifying relative, but they no longer apply to claiming an exemption for a qualifying child. For the definitions of "qualifying relative" and "qualifying child," see your tax return instruction booklet.
1310	Form 1310, Statement of Person Claiming Refund Due a Deceased Taxpayer	If anything other than box <b>C</b> is selected in Part I of the screen, or if box <b>2a</b> is selected in Part II, the return cannot be e-filed.
2848	Form 2848, Power of Attorney and Declaration of Representative	This form is not e-filable.
8275	Form 8275, Disclosure Statement Form 8275-R, Regulation Disclosure Statement	To print Form 8275-R, select <b>8275-R</b> at the top of the screen.
8379	Form 8379, Injured Spouse Allocation	By filing Form 8379, the injured spouse may be able to get back his or her share of the joint refund.

**Table 5-22:** Statement and Claim Forms Available from **Other Forms** Tab in Drake

Screen	Form	Notes
8594	Form 8594, Asset Acquisition Statement Under Section 1060	If this form is being amended, state the reasons for the change in the field provided.
8862	Form 8862, Information to Claim Earned Income Credit After Disallowance	To enter data for additional qualifying children, press PAGE DOWN to start a new screen <b>8862</b> .

**NOTE**

To claim tax forgiveness for death in a combat zone or as a result of a terrorist or military action, go to the **MISC** screen and select the applicable code for **Combat Zone/Terrorist/Military Action Tax Forgiveness**. Press F1 in that field for more information.

**Other Forms**

Table 5-23 lists screens for other forms available under the **Other Forms** tab.

**Table 5-23:** Other Forms Available from **Other Forms** Tab in Drake

Screen	Form	Notes
W4	Form W-4, Employee's Withholding Allowance Certificate	
56	Form 56, Notice Concerning Fiduciary Relationship	PIN and prior-year AGI required; enter this data, and indicate Form 56, on the <b>PIN</b> screen.
982	Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness	
8815	Form 8815, Exclusion of Interest from Series EE and I U.S. Savings Bonds Issued After 1989	
8822	Form 8822, Change of Address	This form is not e-filable.
8866	Form 8866, Interest Computation Under the Look-Back Method ...	
9022	Form 90-22.1, Report of Foreign Accounts	See "Report of Foreign Accounts," following.

**Report of Foreign Accounts**

Use screen **9022** to complete Form T%D 90-22.1, Report on Foreign Bank and Financial Accounts. The **9022** screen consists of four sections:

- **Filer Information** — Complete once for each filer reporting a foreign account. Use a separate **9022** screen for each account. If necessary, select either **T** or **S** at the top of the screen to indicate which filer should report the account (default is **T**). Once a filer's data is entered on a **9022** screen, this section can be left blank in subsequent **9022** screens for that filer.
- **For Parts II, III, IV, V** — Complete this section for each **9022** screen used. Choose one of the boxes at the top of this section to indicate the nature of the account. Options are shown in Figure 5-60 on page 181.

**Figure 5-60:** Select one box to indicate the nature of the account

- **For Part III only** — This section must be completed only if **Owned Jointly (III)** was selected. (See Figure 5-60.)
- **For Part IV, V only** — This section must be completed only if item **IV** or **V** was selected. (See Figure 5-60.)

The program generates only those pages of the form that are applicable. For example, if **Owned Jointly (III)** is selected, only pages 1 and 3 of the form are printed, since page 2 covers only accounts that are owned separately (selection **II** in Figure 5-60), and page 3 covers only jointly owned accounts. (Page 1 contains taxpayer data.)

## NOTE

Section 4 applies to either “signature but no financial interest” (IV) or “consolidated report” (V). If **IV** is selected and a **First name** is entered on line 36, the nine-digit **Account owner ID number** from line 35 will be printed as an SSN. If **V** is selected, or if **IV** is selected and line 36 is blank, the **Account owner ID number** will be printed as an EIN.

## Features for Late-Filed Returns

Drake calculates the late-filing penalty, late payment of tax penalty, and interest on late-filed 1040 returns. You can manually enter interest rates as needed and override certain components (such as interest owed) that affect system calculations of penalty and interest.

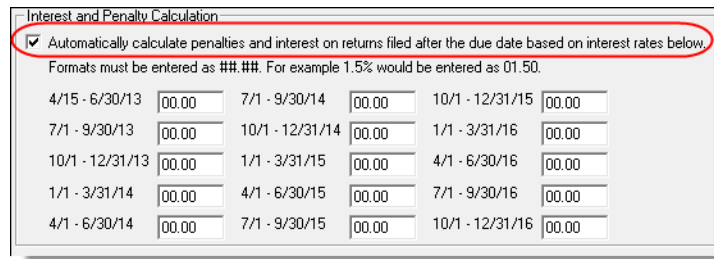
## Penalty and Interest Calculation

You can set up the program to calculate penalties and interest for all late-filed returns, or you can have penalties and interest calculated on a per-return (“on-the-fly”) basis.

### Global Option

To have the program calculate penalties and interest for all late-filing clients based on the filing dates:

1. From the **Home** window, go to **Setup > Options > Optional Items on Return**.
2. Ensure that the **Automatically calculate...** box is marked (Figure 5-61 on page 182).



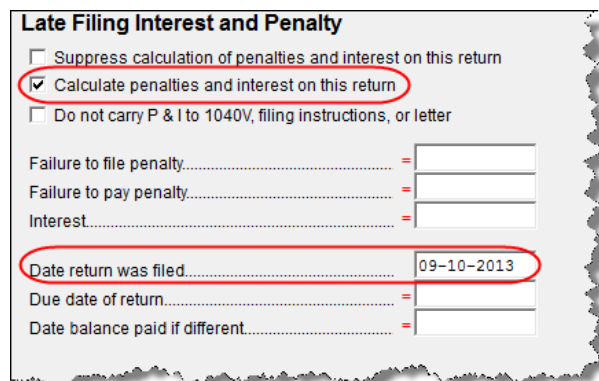
**Figure 5-61: Interest and Penalty Calculation section  
(Setup > Options > Optional Items on Return)**

3. Click **OK**. The program will now calculate penalties and interest on all late returns calculated.

### “On the Fly” Option

The per-return option can be used if the global option shown in Figure 5-61 is not selected. To have the program calculate penalties and interest for a single return:

1. Open the client's file in Drake and go to the **LATE** screen (accessible from the **Taxes** tab).
2. Mark the **Calculate penalties and interest on this return** box (Figure 5-62).
3. Complete the **Date return was filed** text box (Figure 5-62). If this field is blank, the program uses the **Date balance paid** entry from the **2210** screen by default.



**Figure 5-62: The LATE screen (accessible from the Taxes tab)**

### Other LATE Screen Features

You can also use the **LATE** screen to override these additional default settings:

- **Including calculated amounts elsewhere** — By default, the calculated amounts are incorporated into the payment voucher, filing instructions, and client result letter for the return. To override this default, go to the **LATE** screen and mark the **Do not carry P&I** box (Figure 5-62).
- **Suppressing calculation “on the fly”** — If the option to calculate penalties and interest for all late returns is selected in **Setup > Options > Optional Items on Return** tab, and you want to suppress the calculation for a single return, mark the **Suppress calculation...** box at the top of the **LATE** screen (Figure 5-62) for that return.
- **Due date of return** — An entry here overrides the default of April 15 of the year the return is due. (An override would be necessary for a special circumstance,

such as for returns affected by disasters or other IRS–extended due date occurrences.)

- **Date balance paid if different** — An entry overrides the calculated balance due.

## Interest Rates

If the global option is selected at **Setup > Options > Optional Items on Return** tab, the program bases its penalty-and-interest calculations on the interest rate for the quarter. You can override program calculations by manually entering penalty or interest amounts on the **LATE** screen. You can also manually enter interest rates at **Setup > Options > Optional Items on Return** tab.

### Manually Entering Rates

Drake automatically updates quarterly interest rates for the current and following year as they are announced by the IRS. For tax year 2012, for example, interest rates will be updated for 2012 and 2013. After 2013, quarterly rates must be manually entered in the 2012 program for late returns for tax year 2012.

To enter quarterly rates manually:

1. From the **Home** window, select **Setup > Options > Optional Items on Return**.
2. Enter the available rates for each applicable quarter (shown in Figure 5-61 on page 182). Percentages should be entered using four digits, with the last two digits coming after the decimal (for example, you would enter 1.5% as 01.50).
3. Click **OK** to exit the screen and save the settings.

If the **Automatically calculate...** box is marked, the program applies the rates to all late-filed returns. If it is not marked, the program applies the rates *only* if the **LATE** screen is used for a return.

### NOTES

If an interest rate is entered for a quarter that has received (or will receive) an automatic update, the entry overrides the updated rate. Updated rates are not visible in **Setup > Options > Optional Items on Return** tab; all rates appear as 00.00 unless a new rate is entered.

### Overriding Program Calculations

The **LATE** screen has the following fields for overriding penalty and interest amounts that would otherwise be calculated by the program:

- **Failure to file penalty** — Enter the penalty amount for failing to file on time.
- **Failure to pay penalty** — Enter the penalty amount for failing to pay.
- **Interest** — Enter the amount of interest incurred.

## Other Special Features in Data Entry

Special features are available to help tax preparers transmit certain documents with returns, and compare and review information more effectively, include all required details on a return, and track a return's progress.

## Binary Attachments

Binary, or PDF, files can be attached to certain tax forms. These attachments are generally signature or third-party documents such as a copy of a divorce decree, bankruptcy papers, signed lease, or a signed appraisal statement, transmitted with the return to support or explain an entry in the return. In either case, a PDF must be available to be attached to the return in order to be e-filed with the return.

Attach files through the **PDF Attachments** screen, accessible from the **Electronic Filing** section on the **General** tab of the **Data Entry Menu**.

### The PDF Attachment Process

Three main steps are involved in the PDF attachment process in Drake:

1. Creating a PDF file to be attached
2. Informing the program that a PDF file will be sent with the return
3. Attaching the PDF file for e-filing

These steps are described in the following sections.

#### Creating a PDF File

To create a PDF file:

1. Scan the document to be attached to the return as a PDF.

#### TIP

It's a good idea to use the Document Manager scanning feature for this step.

2. Save the document to your client's Document Manager, to your computer's desktop, or anywhere you can readily find it.

#### NOTE

Many types of documents (for instance, documents created in Microsoft Word) can be printed or "saved" as PDF files if you have a PDF printer (such as Adobe Reader) installed.

#### Adding PDF Files

To indicate in the software that a PDF file will be sent with the return:

1. Go to the **PDF Attachments** screen in data entry.
2. Fill out the columns on the screen. See Table 5-24 for examples.

**Table 5-24: PDF Attachment Window Columns**

Column	Description	Examples
<b>Reference Source</b>	Name or number of regulation, publication, or form instruction that makes attachments necessary	- IRS Pub xxx-1.4 - Form Instructions for 8332
<b>Description</b>	Description of form or document to be attached	- Divorce decree - Bonus depreciation worksheet

**Table 5-24: PDF Attachment Window Columns**

Column	Description	Examples
File name	Distinctive, easily recognizable file name, followed by “.pdf”	- JohnsonDivorce.pdf - SmithInsolvency.pdf

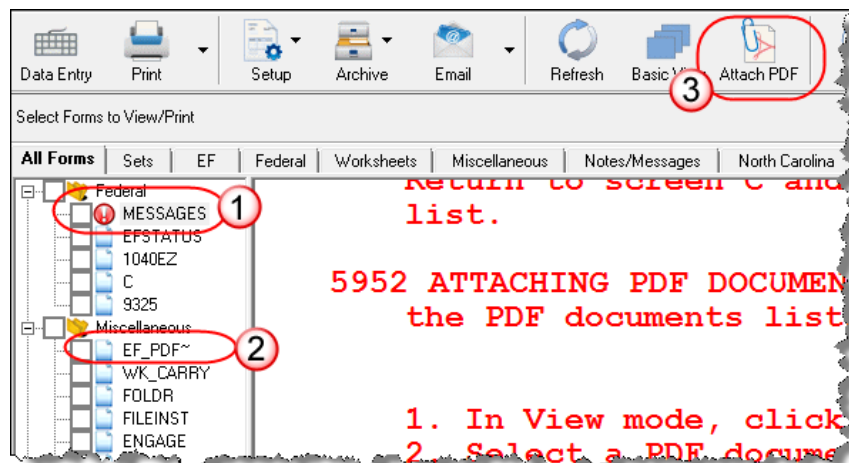
**3.** Exit the **PDF** screen.

Because you've indicated that a PDF file is attached, the program generates an EF message regarding the attachment when the return is calculated.

**Attaching Documents to the Return**

To attach a PDF file to a return:

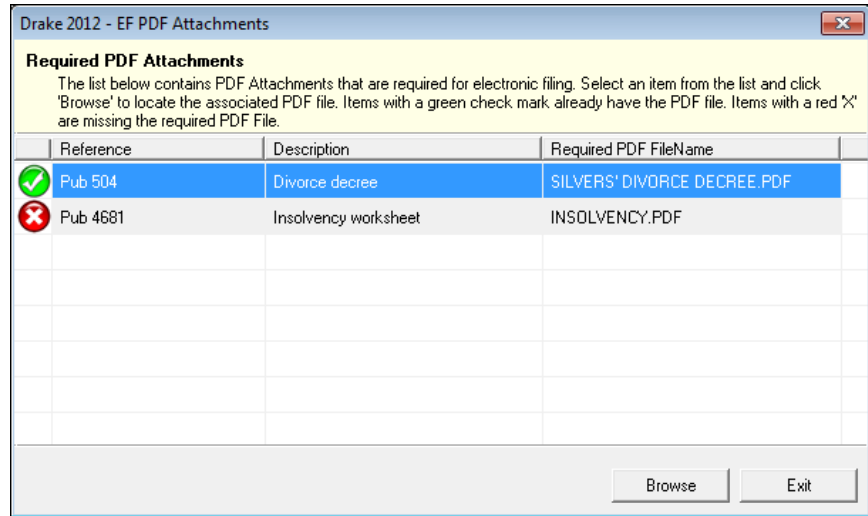
- From the return, click **View**. If anything was entered on the **PDF** screen (see “Adding PDF Files” on page 184), there will be three PDF-related items in the **View/Print** window:
  - A **MESSAGES** alert (see item 1 in Figure 5-63)
  - An **EF\_PDF~** worksheet that lists all items entered on the PDF screen and any required attachments determined by the program (see item 2 in Figure 5-63)
  - An **Attach PDF** button on the toolbar (item 3 in Figure 5-63)



**Figure 5-63: Attaching PDF documents to a return**

- Click **MESSAGES** file to view EF messages, which provide information on how to attach the required documents to the return.
- Click the **Attach PDF** button in the toolbar at the top of the window. The **EF PDF Attachments** window displays the information entered on the **PDF Attachments** window in data entry. A red **X** means the document has not yet been attached; a green check mark indicates an attached document.





**Figure 5-64:** A green check mark indicates the PDF document has been attached; a red “X” indicates the PDF document has not been attached

4. Click the row of a document to attach.
5. Click **Browse**.
6. Browse to the proper folder (where you saved the PDF document), select the PDF file to attach, and click **Open** (or double-click the file name).

Repeat for all documents with a red **X**. When all documents have been attached to a completed return, recalculate the return to make sure all EF messages have been cleared. If so, the return is ready to be e-filed.

## Comparing Data

In Drake, you can compare data between two versions of the same tax return. You can also produce a tax return comparison worksheet that shows data for a client's returns for the current year and the two prior years.

### Cross-checking Drake Calculations

The **Checking Information** screen allows you to cross-check Drake calculations with amounts from a previously prepared return. Any discrepancies between the Drake return and the previously prepared return are shown in an EF message (Figure 5-65 on page 187).

To compare a Drake return with a previously prepared return:

Screen code: **CHK**

1. Open the return to be compared, and go to the **CHK** screen.
2. Enter the information from the previously prepared return regarding income, taxes, credits, deductions, banking, etc.
3. Exit the **CHK** screen and calculate the return.
4. In View mode, view the EF message page (Figure 5-65 on page 187), which shows where discrepancies occurred.

ELECTRONIC FILING MESSAGES	
MUST be corrected before electronic filing is allowed.	
Name(s)	Your social security number
TEST O MAPLE	400-00-1005
5152 Info on CHK screen : WAGES	- did not match the return.
5162 Info on CHK screen : TAX	- did not match the return.

**Figure 5-65:** EF message showing that **CHK** screen amounts do not match those in Drake

**NOTE** If pre-prepared data entry was used, the **CHK** screen already contains data.

## Comparing Tax Returns

The **Tax Return Comparison** screen is used for comparing a current-year tax return with data from the two prior tax years. The screen itself has parallel columns of data entry fields—one column for the prior year, and one for the year before that.

Screen code:  
**COMP**

If a return was updated from the prior year, the **COMP** screen already contains data. If not, the screen must be completed manually for an accurate comparison. When a return is generated, the COMPARE worksheet displays the data comparisons.

## Miscellaneous Codes

The **Miscellaneous Codes** fields on screen **1** are for use in tracking returns and creating customized reports. For example, you might decide to use **Misc Code 1** to track the different ways that clients learned of your service. For each return, you might enter “Ad,” “Flyer,” “Referral,” etc. (whichever is applicable) into the **Code 1** field.

Later, when designing a report of all clients in the Report Manager, you would select **Misc Code 1** as one of the columns. The report displays the information from the **Misc Code 1** field on screen **1** for each client, and you would be able to see, at a glance, which clients were referred, which responded to an advertisement or flyer, etc.

**NOTE** To create customized drop lists for miscellaneous code fields, see “Customized Drop Lists” on page 35.

## Notes about the Return

Screen code:  
**NOTE**

Use the **NOTE** screen to ensure that specific reminders (in the forms of notes and EF messages) appear for specific returns. By default, all notes from the **NOTE** screen are printed on the NOTES page generated with the return.

### Entering a Note

To include a note with a return, go to the **NOTE** screen and enter all relevant information in the fields provided at the top of the screen (item #1 in Figure 5-66 on page 188). The screen includes fields for names, dates, and any screen or form to which the note refers.

Date	Screen/Form	Note taken by	Date completed	Completed by	
11-17-2012	Schedule A	T. Smith			<input type="checkbox"/> Hold EF
Note: These notes appear in "NOTES" in View mode (and when you open the return unless you enter "Date Completed" above).					
					<input type="checkbox"/> Hold EF
Note:					
					<input type="checkbox"/> Hold EF
Note:					
					<input type="checkbox"/> Hold EF
Note:					
<b>Miscellaneous Notes (These will be updated to next year.)</b>					
These are the notes you see when opening a return and that will be updated every year.					
<input type="checkbox"/> Don't show					
<input type="checkbox"/> Hold EF					
<input type="checkbox"/> Print on Organizer					

Figure 5-66: NOTE screen fields

The maximum number of characters for the **Note** field is 120. Up to four notes can be entered on a single **NOTE** screen. For additional screens, press PAGE DOWN.

## NOTE

In the **Date Completed** field, enter the date that the note should be discontinued. The note will no longer appear when the return is opened but will still appear in NOTES in View mode.

## Delaying E-filing

In Drake, the presence of an EF message prevents a return from being e-filed. A return cannot be e-filed until all EF messages are eliminated.

The **NOTE** screen can be used to delay the e-filing of a prepared return, even if the return is eligible for e-file. To have a note delay e-filing, select **Hold EF** (see Figure 5-66) for the note, and the note shows up as an EF message. When you are ready to e-file the return, return to the **NOTE** screen and clear the **Hold EF** box.

## Notes to be Updated

Notes in the top section of the **NOTE** screen apply for the current year only. The **Miscellaneous Notes** (item #2 in Figure 5-66) at the bottom of the **NOTE** screen are updated each year when the return is updated. The **Miscellaneous Notes** also appear when the return is opened to data entry. (See TIP, following.)

## TIP

To have notes appear when a return is opened, go to **Setup > Options > Data Entry** tab and select **Show notes/reminders to preparer when opening a return**.

## Preparer Notepad

Screen code: **PAD**

The **Preparer Notepad (PAD)** screen, accessible from the **General** tab, offers an area for keeping more extensive notes and other pertinent return information. The contents of this screen are brought forward each year when the return is updated, and appear

when the return is opened to data entry (provided that option is selected at **Setup > Options > Data Entry** tab. See TIP, above.).

You can also access the **PAD** screen in the following ways:

- By pressing CTRL+SHIFT+N
- By right-clicking anywhere on a screen and selecting **Preparer Notepad**.

Press PAGE DOWN for additional **PAD** screens.

## Unformatted Schedules

*Screen code: SCH* The **SCH** screen, accessible from the **Miscellaneous** tab and via links from certain screens, is available for adding statements and explanations not supported elsewhere in the return. Not all unformatted schedules can be e-filed. Amounts entered on **SCH** screens do not flow to any other form or schedule.

For *required* attachments, select the attachment information (title and statement number) from the **Type of attachment/statement number and title** drop list on the **SCH** screen. For *optional* attachments, use the **Title** and **Statement number** fields below the explanation pane and make a selection from the **Type of attachment/statement number and title** drop list based on the information in Table 5-25.

### Optional Attachments

If an attachment is optional, select the applicable category from the **Type of attachment/statement number and title** drop list. Categories are described in Table 5-25.

**Table 5-25:** Attachment Types and How They Appear in View mode

Type	Description	View/Print
X	Preparer's EFT note; use for including voluntary information that is related to the tax return but (unlike a statement) is not required	EF_NOTE
E	Explanation for certain IRS code elections where no official IRS form is designed for that purpose	ELECTION
R	Explanation for certain regulatory elections where no official IRS form is designed for that purpose	REG_NOTE
(blank)	Statement to be added to the return	STATEMENT

Note that a title is required for each unformatted statement to be attached to the return, and that each statement should have a unique number. Statement numbers can be a maximum of three characters. Note that some statements are generated automatically, with the number already assigned. Verify this by reviewing the calculated return.

The program numbers required statements in the order in which you create them and provides a reference where applicable on the printed return (Figure 5-67 on page 190).

Statement # 1

c  Other (attach explanation)

ing and closing inventory?  Yes  No

Explanation . . . . .	35	400,000
. . . . .	36	1,000

**Figure 5-67:** The attached explanation (see item c) is Statement #1.

Even if you have not created a required statement yet, the program prints a reference to the statement. For example, in Figure 5-67, the “Statement #1” label is triggered by marking **Other** for item **c** of **Part III** (on screen **C**)—not by creating the statement on the **SCH** screen. View a created statement by clicking the “**STATEMENT**” label in View mode.

## Return Tracking

Screen codes:  
**ADMN, ESUM**

Use the **Administrative Tracking (ADMN)** and **EF Summary (ESUM)** screens to track the progress of each return. The **ADMN** screen shows, at a glance, who did the work, who reviewed it, and how much time was spent on the return. It also shows bank product information. The **ESUM** screen provides an e-file summary of the return. You can also review e-filing and bank product information.

Use the **ADMN** screen to track the data shown in Table 5-26:

**Table 5-26: ADMN and ESUM Screen Information**

Type of Information	Description
Fee and Payments ( <b>ADMN</b> )	Amounts are updated from prior year.
First came in, interview ( <b>ADMN</b> )	Used in timed billing. (optional feature)
Preparer Contribution ( <b>ADMN</b> )	Used to track which preparers made contributions to the return. (preparer entry)
Reviewer Contribution ( <b>ADMN</b> )	Used to track which preparers reviewed the return. (preparer entry)
Approved, Copy/assemble, Client contact, Client pickup, Date promised, Date completed ( <b>ADMN</b> )	Used to track the various stages of return completion. (preparer entry)
Prior-year bank product data ( <b>ADMN</b> )	Dates and amounts are retained from prior year; fields are completed automatically.
Data entry stats for the return (admin. users only) ( <b>ADMN</b> )	These fields are completed automatically

**Table 5-26: ADMN and ESUM Screen Information**

Type of Information	Description
EF transmission data (admin. users only) <b>(ESUM)</b>	These fields are completed automatically
Non-traditional return types (admin. users only) <b>(ESUM)</b>	These fields are completed automatically (PA and NY only)
Current-year bank product data <b>(ADMN)</b>	Number and amount of check are completed automatically; preparer must enter the date the check is picked up.
Bank code (admin. users only) <b>(ADMN)</b>	This field is completed automatically.

Note that some **ADMN** screen fields are automatically filled with data from elsewhere, while other fields require direct entries. Note also that some fields are “admin-only” and are not visible to users who do not have administrative rights.

**NOTE** Some data from these screens can be incorporated into Report Manager and Client Status Manager (CSM) reports.

### **ADMN Screen Reports**

Two reports can now be generated directly from the **ADMN** screen:

- **Return Preparation Data** — Consists of data entered by preparers in the **Return Preparation Data** section of the **ADMN** screen
- **ADMIN ONLY Return Data** — Consists of information generated by the software and displayed in the **ADMIN ONLY** side of the **ADMN** screen. (The **ADMIN ONLY** fields can be viewed only by users with administrative rights.)

To generate a report, go to the **ADMN** screen and mark the applicable check box:

- The **Generate Return Preparation Data Report** box is located in the **Return Preparation Data** section of the **ADMN** screen.
- The **Generate ADMIN ONLY Return Data Report** box in the **ADMIN ONLY** section of the **ADMN** screen.

**ADMN** screen reports are generated when the return is calculated and appear as “TRAC” and “TRACADM” with the federal forms in View mode.

## **Sales Tax Worksheet**

Screen code:  
**STAX**

The software uses data entered into the **State & Local General Sales Tax Deduction Worksheet** (the **STAX** screen, accessible from the **General** tab) to determine which tax is better to take: the state sales tax or the income tax. Lines **1** and **4** of this screen are calculated by the software, but you can enter overrides as necessary. As applicable, lines **2**, **3**, and **7** should be completed in order to calculate the maximum deduction.

More information on the **STAX** screen is available by clicking F1 in the individual fields.

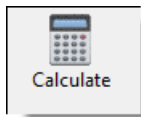
**NOTE**

The **STAX** screen includes a link to an IRS website where you can find information and guidance for understanding sales tax deduction, and a sale tax deduction calculator. From the **STAX** screen, click **Sales Tax Calculator**.

# 6 Return Results

This chapter covers calculating, viewing, and printing returns. A return must be calculated before it can be viewed, printed, or e-filed. Calculate returns as often as needed.

## Calculating a Return



To calculate a return from data entry, click **Calculate**. By default, results are displayed in the **Calculation Results** window. (See Figure 6-2 on page 194.)

To calculate one or more returns from the **Home** window (without using data entry):

1. Click **Calculate**. The **Batch Calculation** dialog box (Figure 6-1) displays the last nine returns calculated. Each return is indicated by a function (“F”) key.

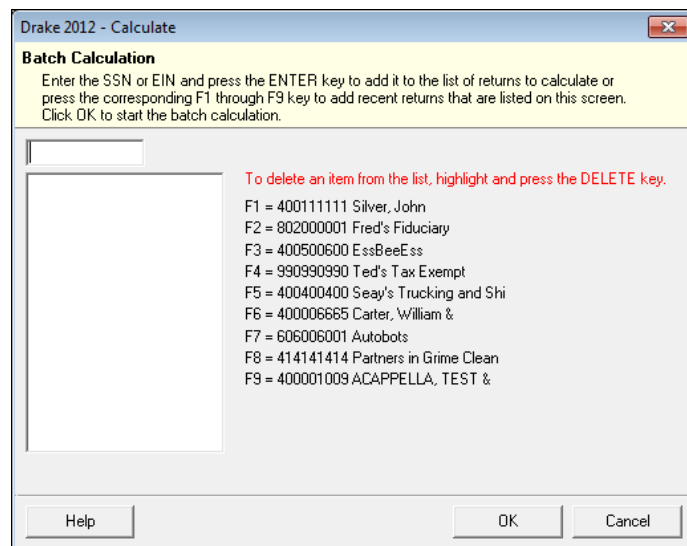


Figure 6-1: Batch Calculation dialog box



2. Using one of the following methods, indicate the returns to calculate:
  - Press the function key of a return to calculate. The return's identification number (SSN/EIN) appears in the field to the left of the list.
  - Type the SSN/EIN of a return into the top field and press ENTER.
3. Repeat the previous step until all returns are indicated.
4. Click **OK**. The program calculates the returns.

## Calculation Results

When you calculate a return from data entry, the **Calculation Results** window (Figure 6-2) is displayed by default. You can also choose to display the **Calculation Results** window when you **View** a return or calculate a return outside of data entry (for instance, from the **Calculate** button of the **Home** window of Drake).

**NOTE**

The "pause" option in **Setup > Options > Calculation & View/Print** tab, must be selected for the calculation results to be displayed when you click **View** or calculate outside of the return. For more information, see Table 2-6 on page 28.

## Calculation Summary

The **Summary** tab, shown in Figure 6-2, has four main sections: the calculation summary; **EF Messages**; **Return Notes**; and **Fee Type and Amount**.

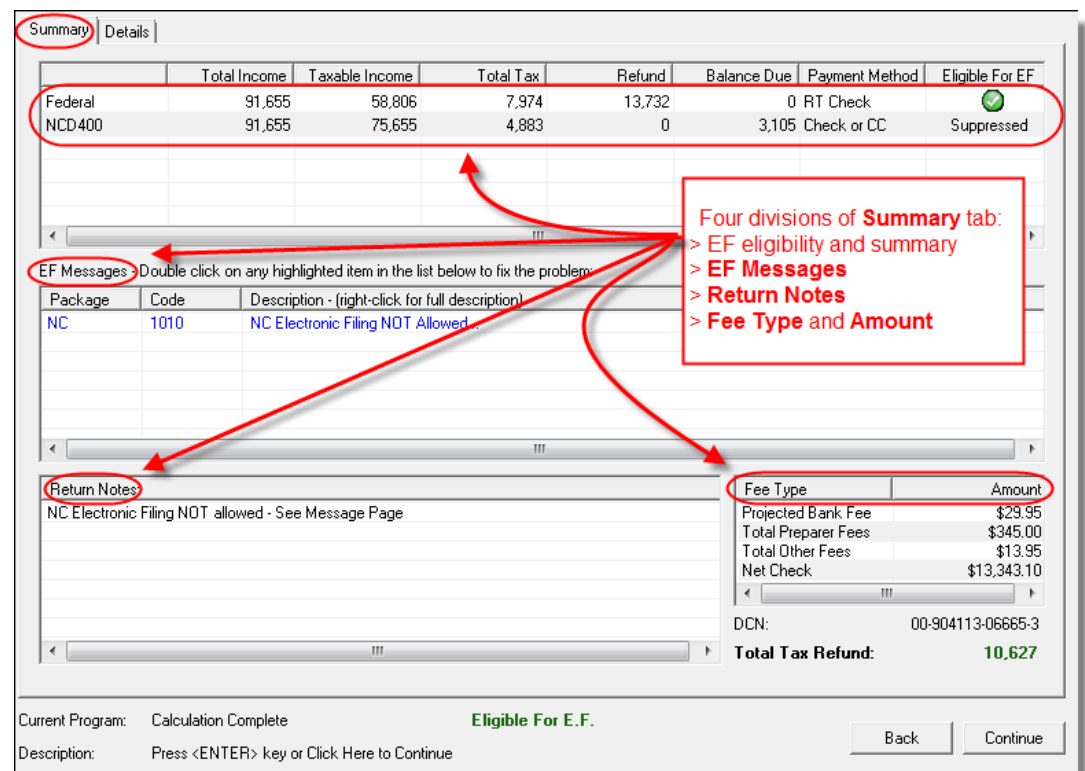


Figure 6-2: Calculation Results window

The **Summary** shows total income, taxable income, total tax, refund amount, balance due, payment method, and e-filing eligibility. If the return is eligible for e-file, a green check mark is displayed. If a portion of the return is ineligible for e-file, a red **X** is displayed and a message appears in **EF Messages** (Figure 6-3).

	Total Income	Taxable Income	Total Tax	Refund	Balance Due	Payment Method	Eligible For EF
Federal	0	0	0	0	0		✘
NCD400	0	-5,500	0	0	0		✘

Package	Code	Description - (right-click for full description)
Federal	192	Form 1040/1040A/1040EZ - At least one of the following fields must be...
Federal	5350	A PIN signature is required for all returns to be e-filed. A PIN has...
NC	4	Invalid county or no county name....

**Figure 6-3:** Return in this example is ineligible for e-file.

## EF Messages

The **EF Messages** section lists e-file message codes and descriptions by package. EF messages pinpoint the reason a return is ineligible for e-file. Identified issues must be corrected for a return to be eligible for e-file.

- **Accessing full messages** — Some messages do not fit in the **Description** row. To view a full message, right-click a row and select **View Full Text Of EF Message**.
- **Accessing message links** — If an EF message is blue, double-clicking it opens the data entry screen that contains the error. If applicable, the field that caused the EF message is activated.

## NOTE

If you double-click an EF message in black text, a window with the full EF message is displayed. Only messages in blue text link to screens within the return.

EF messages appear as red MESSAGES in View mode. For more information on viewing and eliminating EF messages, see “E-filing a Return” on page 229.

## Return Notes

The **Return Notes** section (see Figure 6-2 on page 194) displays informational notes about the return. These notes provide details about the return, but they do not require that changes be made, and they do not prevent e-filing. They appear as NOTES in View mode.

## Fee Type, Amount

The **Fee Type** and **Amount** columns (see Figure 6-2 on page 194) list the preparation fees, and when bank products are present, the bank fees and the net amount of any refund check (or the total of all fees charged if the return has a balance due). (To have the fee type and amount displayed here, the **Display client fee on Calculation screen** option must be selected from **Setup > Options, Calculation & View/Print** tab.) Fee breakdowns appear on the bank product information page in View mode when bank products are present.

## Calculation Details

The **Details** tab displays return amounts in an easy-to-read format (Figure 6-4).

Summary Details	
<b>Federal</b>	
Wages.....	109876
Sch C.....	-44
Rental.....	-1567
Rental.....	-7697
AGI.....	91655
Charitable.....	0
Item Ded.....	18049
TAX.....	7974
AMT.....	0
3800.....	0
4136.....	0
Refund.....	13732
<b>NCD400</b>	
Adjusted Gross Income.....	91655
Income Allocable to the State.....	75655
Tax.....	4883
Balance Due.....	3105
Penalty Amount Due.....	46
<b>Fees</b>	
Projected Bank Fee.....	30
Total Preparer Fees.....	345
Add On Fee.....	0
Software Fee.....	14

Figure 6-4: Calculation Details tab

Click **Print** (at the bottom of the **Details** window) to print the details displayed.

## Viewing and Printing a Return

View or print a return from either the **Home** window (without opening a return), or from within a return. To view or print from the **Home** window or from the **Data Entry Menu**, click **View** or **Print**. To view or print a return from a data entry screen, press CTRL+V (to view) or CTRL+P (to print), or right-click the screen and select **View Return** or **Print Return**. If results are first displayed in **Calculation Results**, click **Continue** to proceed.

To view or print one or more returns from the **Home** window:

*Shortcut: Press  
Ctrl+V or Ctrl+P.*

1. Click the **View** or **Print** icon, or select **File > View** (or **File > Print**) from the menu bar. The **Return Selector** lists all recently calculated returns available for viewing or printing.
2. Click the boxes to the left to select one or more returns.
3. Click **View** (or **Print**). If the **Calculation Results** window is displayed at this point (it depends upon your set options), click **Continue**.

Returns can be viewed in either Enhanced mode or Basic mode; these modes are described in detail in the following sections. In Enhanced mode, expand the tree view as needed and click the name of a form to view it. In Basic mode, view a form by double-clicking the label in the cascade of forms.

## Viewing a Return (Enhanced Mode)

Enhanced mode, the default view/print mode, consists of five main components:

- A *toolbar* has icons for performing actions regarding the return. (See item 1 in Figure 6-5; see also Table 6-1.)
- A *viewing tool* allows zooming and scrolling. (See item 2 in Figure 6-5.)
- *Category tabs* group documents within a return; select a tab to view all documents within a category. (See item 3 in Figure 6-5.)
- A *tree view* showing all documents in a return can be expanded or collapsed. (See item 4 in Figure 6-5.)
- A *viewing panel* displays the selected document. (See item 5 in Figure 6-5.)

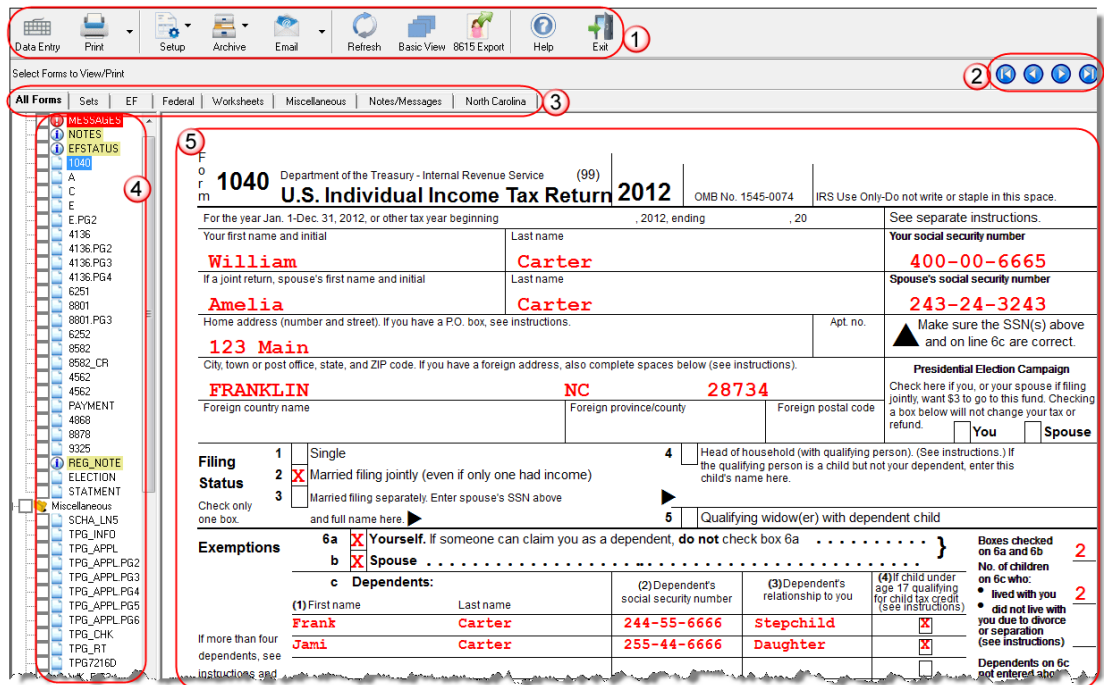



Figure 6-5: Enhanced Mode

These five components are described in the following sections.

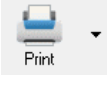

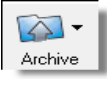


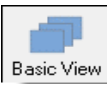
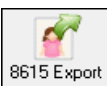

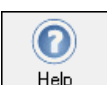

**NOTE** “Basic” mode (the View and Print screens used prior to 2008) is available for those who prefer it; see Table 6-1.

**Toolbar** The Enhanced mode viewing toolbar consists of the buttons described in Table 6-1.

Table 6-1: Enhanced mode Toolbar

Button	Description
 Data Entry	Leave View mode and return to data entry.

**Table 6-1:** Enhanced mode Toolbar

Button	Description
	Send selected forms to printer; send selected forms to Drake PDF printer (includes option to password-protect PDF file); e-mail selected forms; “quick print” only the form open in the viewer.
	Set up form properties, color, and order. Access other setup options available in the program.
	Access archiving features, including the Document Manager
	E-mail the return to a selected recipient.
	Update the viewed return to reflect any changes made by another preparer working in the open return.
	Switch to the cascade view (the exclusive Drake view before 2008).
	Export parent information into child's Form 8615 (“Kiddie Tax”); this button is visible only for Individual (1040) returns with qualifying dependents. (See “Exporting Data for Kiddie Tax” on page 149.)
	Open the K-1 Export tool. This button is visible only for certain business returns.
	Access Drake online help.
	Exit View mode.

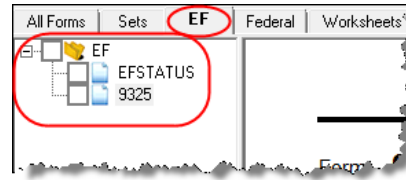
**Viewing Tool** Use the arrows and zoom icon (Figure 6-6) when viewing in Enhanced mode.



**Figure 6-6:** Click arrows to move through the return; click zoom icon to zoom in or out.

### Category Tabs

Labeled tabs allow you to view sections of the return according to selected categories. For example, if you click the **EF** tab, only the documents directly related to e-filing are displayed in the tree view.



**Figure 6-7:** If the **EF** tab is selected, only the EF-specific documents are shown in tree view.

Category tabs and descriptions are provided in Table 6-2.

**Table 6-2:** Category Tabs and Descriptions

Tab	Items Shown in Tree View
All Forms	Every form generated during production of the return
Sets	Forms as distributed into the printer sets selected in <b>Setup &gt; Printing &gt; Printer Setup</b>
EF	All forms for e-filing, in addition to any EF messages
Federal	All forms for filing the federal tax return
Worksheets	All worksheets produced with the return
Miscellaneous	Such items as W-2 forms, letters, overflow statements, depreciation lists, bill summary, direct deposit summary, notes, etc.
Notes/Messages	Notes and EF messages only
State	All forms for filing the state tax return
Gift tax	Form 709 documents, if applicable

### Tree View Directory

A tree view directory of all forms, worksheets, and other documents in a return allows you to view, at a glance, the components of a return. Expand or collapse the tree as necessary for your viewing needs.

### Viewing Panel

The viewing panel (item #5 in Figure 6-5 on page 197) provides a preview of a selected document within the return. To preview a document, click the document name in the tree view.

## Printing a Return

You can print selected forms, selected sets of forms, or individual forms in a return. The instructions in this section refer to Enhanced mode. If you are using Basic mode, see the F1-Help resource in the program for printing instructions.

### TIP

As explained in the procedure that follows, you can opt to open Adobe when the PDF is created. This option prevents your having to go to the Document Manager to locate the new PDF for viewing.

## Printing Forms in a Return

To print tax return forms and other documents:

1. Open Enhanced mode for a return. The **All Forms** tab is shown by default.
2. Collapse or expand the tree view as needed, and select the forms to be printed by marking the check box to the left of each form. (See item #4 in Figure 6-5 on page 197.) To print all forms in a set, select all of the boxes in the tree view under **All Forms**.

## NOTE

If the main box of a set is selected, all sub-boxes are automatically selected.

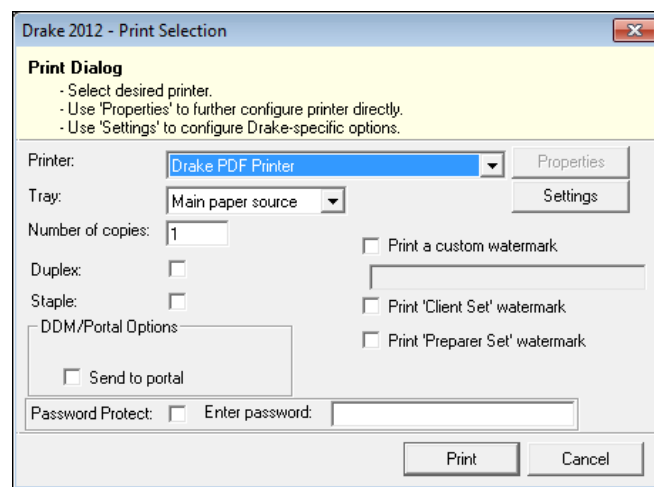
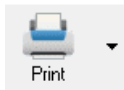
*Shortcut: Press CTRL+P for the Print Selection option.*

3. Click **Print** to open the **Print Selection** dialog box. (If you click the arrow next to the **Print** icon, select **Print Selected Forms**.)
4. (optional) Select any printing options shown in the **Print** dialog box.
5. Click **Print** again. All of the selected items are printed using the printer selected from the **Printer** dialog box.

## Printing to Drake PDF

To print tax return forms and other documents as PDF documents:

1. Open Enhanced mode for a return. The **All Forms** tab is shown by default.
2. Select the forms to be printed. To print all forms in a set, select all of the boxes in the tree view under **All Forms**.
3. Click the arrow next to the print icon and select **Print Selected Forms to PDF Document**. The **Print Selection** dialog box is displayed with the Drake PDF Printer selected.



**Figure 6-8: Print Selection** dialog box for Drake PDF Printer

4. (optional) The program is set up to password-protect the PDF document. By default, the software uses the first four letters of the client's last name and the last five numbers of the taxpayer's SSN/EIN as the password. (An administrative user can change this default in **Setup > Options, Administrative Options** tab.) To print the PDF document without having to enter the password, clear the check mark from the **Password Protect** box.

5. (optional) To have the program open Adobe once the PDF document is created, click **Settings** and mark **Launch Adobe after creating a 'Drake PDF.'**
6. Select any other options, as desired, from the **Print Selection** dialog box.

## NOTES

Among the options in the **Print** dialog box is the **DDM/Portal Options** for sending a PDF copy of the printed forms to the SecureFilePro™ portal. For more, see Chapter 13, "Suite Products."

If you are using a PDF printer besides the Drake PDF Printer, you also will have the option storing the PDF document in the Document Manager.

7. Click **Print** to open the **Save As** dialog box.
8. If necessary, assign a filename and select a location for the document (the default location is the current-year folder in the Document Manager).
9. Click **Save**.

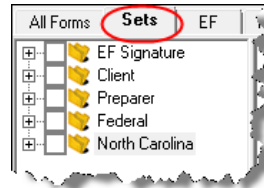
If you password-protected the PDF document, the password will be required for anyone, inside or outside of Drake, who tries to open the file.

## Printing Printer Sets

Default printer sets are established in Printer Setup (see "Printing Sets" on page 51) but you can override the defaults from Enhanced mode.

To print specific sets of a return from Enhanced mode:

1. Select the **Sets** tab. All sets in the return are shown in the tree view (Figure 6-9).



**Figure 6-9:** Example of a return that has five printer sets

2. Select the sets to print.
3. Click **Print** to open the **Print Sets** dialog box. (If you click the arrow next to the **Print** icon, select **Print Selected Forms**.)
4. (optional) Select any printing options shown in the **Print Sets** dialog box.
5. To change the number of forms to be printed, click **Sets Setup** to open the **Copies Per Set** dialog box. (A change here changes the number globally (for all returns). For more information see "Printing Sets" on page 51.) Click **Save**.
6. Click **Print** again. All of the selected items are printed.

## Quick-Printing a Single Form

Enhanced mode allows you to print the document currently in view. Printing a single form in this manner is referred to as *quick printing*.

To quick-print a single form from Enhanced mode:

1. Click a form or document name to display it in the viewer pane. In the example in Figure 6-10 on page 202, the 1040 form is selected for viewing.



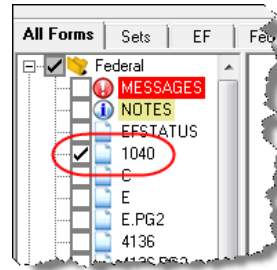


Figure 6-10: Click the form to view.

*Shortcut: Click CTRL+Q to print the form in view.*

2. Click the arrow next to the **Print** icon, and then click the **Quick Print** selection (or press CTRL+Q).

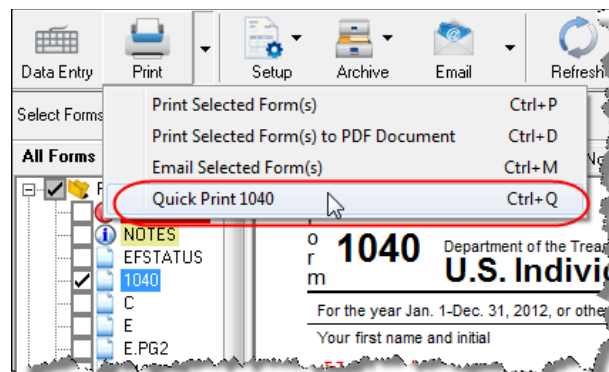


Figure 6-11: Click the arrow next to the **Print** icon to see print options.

3. (optional) Select any printing options shown in the **Print Selection** dialog box.
4. Click **Print** again.

## E-Mailing from View/Print

You can e-mail tax returns directly from both Basic and Enhanced modes. Before e-mailing returns this way, set up View/Print e-mail preferences.

### Setting Up Preferences

Use **E-mail Setup** in View/Print to indicate the e-mail method you want to use and specify default settings.

**IMPORTANT** Even though you must open a specific return to indicate your settings, those settings will apply for *all* e-mailed returns.

The steps below are optional; you may not need to make any changes if you are happy with the program defaults. To set up your e-mail program for sending returns:

1. Go to View mode of any return.



2. Click the arrow on the **Email** button and select **Email Setup**.
3. In the **Email Setup** dialog box, select your preferred e-mail program (the e-mail program you normally use or the Drake program) from the **Select Email Method** drop list. (This default will be applied whenever you click the **Email** button, not when you click the arrow next to the **Email** button.)
4. To include a default **Cc** or **Bcc** address (one to which all e-mailed returns will be sent), type the address in the applicable field under **Email Default Settings**. If entering multiple addresses, use a semicolon (;) as a separator between addresses.

## CAUTION

It is not recommended that you enter a default **To** address. If an address is entered in the **To** field, *every return e-mailed through View mode* will be sent to that address.

5. Make any changes to the default message.
6. Click **Save**.

Your default settings will be applied for *all* e-mailed returns.

## Sending a Return to a Client

To send a return to a client from Enhanced mode:

1. Open the return.
2. Click **View** or **Print** to access View mode.
3. Select the forms to be included in the e-mail. (In Enhanced mode, select forms from the Forms tree; in Basic Print mode, click a form and choose **Select Form** from the right-click menu.)
4. Click **Email** to use the default e-mail method, or click the arrow next to the **Email** button to choose a method. The **Password Protect** dialog box is opened, showing the password (Figure 6-12); see “About Passwords” on page 204, for more information on passwords.



**Figure 6-12: Password Protect PDF Attachment** dialog box

5. Click **OK**. The e-mail message is opened in the desired e-mail program, with the selected return documents attached. The client and spouse e-mail addresses are automatically shown in the **To** field if the addresses were entered on screen 1. (Any address you added in **Email > Setup** will also be in the **To** field; see “Setting Up Preferences” on page 202).

- If no further changes to the message are needed, click **Send**.

## About Passwords

A client must know his or her return's password in order to open the return.

The default format for passwords is the first four letters of the client's last name (or the first four letters of the entity's name) followed by the last five numbers of the SSN for individual returns or the last five numbers of the EIN for entity returns. (See Figure 6-12 on page 203 for an example.) An administrative user can change the password format at **Setup > Options, Administrative Options** tab.)

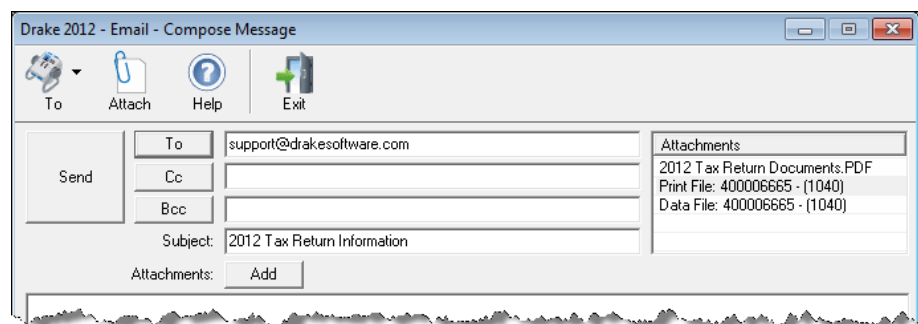
*Drake cannot recover a lost password.* If you opt to replace a password with a new one in the **Password Protect** dialog box, be sure to write down the new password and keep it in a secure location in case you forget it.

## Sending Client Files to Drake Support

When you send an e-mail to Drake Support from View mode, the program automatically sends both the print file and the data file. (These files allow the Customer Support Representative to open the return in data entry.) When working in Enhanced mode, you have the option of including PDF attachments with the e-mail.

To send files to Drake Support from Enhanced mode:

- Go to View mode of the return.
- (optional) Select any forms to be included as PDF documents in the e-mail.
- Click the arrow on the **Email** button and select **Email to Drake Support**. If you selected any forms in Step 2, the **Password Protect** dialog box is opened; click **OK** if not changing the password. The **Compose Message** window is opened, showing the attached files in the **Attachments** list (Figure 6-13).



**Figure 6-13:** Attachments shown in **Attachments** list of the **Compose Message** dialog box.

- Click the **To** button (shown in Figure 6-13) and double-click an e-mail address from the Drake Software Support Address Book. Click **OK**.
- Click **Send**.

## NOTE

You have the option of attaching additional files. See "Attaching Files" on page 277.

**IMPORTANT**

If you changed the password for e-mailing a PDF document, Drake Support will need that password in order to open the file.

## Setting Up View/Print Options

In addition to setting up options for form properties, colors, and printing order, you can access other utilities within Drake using the **Setup** feature.

### Setting Form Properties

The **Form Properties** setup function allows you to change the form description, pricing information, and numbers of copies to print for a form within a return. To access this feature in Enhanced mode, select a document and click **Setup > Form Properties**.

### Setting Form Colors

Colors can be customized in both Basic and Enhanced modes.

#### Enhanced Mode

The **Form Color**, **Background Color**, and **Text (Data) Color** can each be changed in Enhanced mode. Drake default colors for these three items, as shown in Figure 6-14, are black, white, and red, respectively.

**Figure 6-14:** Customizable colors in Enhanced mode

To change colors in Enhanced mode, select **Setup > Form Colors**. In the **View Mode Color Selection** dialog box, click a color. After selecting a basic or custom color from the color palette, click **OK**. To revert to the Drake default colors, click **Reset** in the **View Mode Color Selection** dialog box.

#### Basic Mode

Because Basic mode uses the multicolor cascade of forms, it offers more opportunity for color configuration on the screen. In addition to changing the form, background, and text (data) colors, you can customize the following items in Basic mode:

- View Mode (View mode only)
- Print Mode (Print mode only)
- EF message page
- Notes page

To change the colors shown in the cascade of forms in Basic mode:

1. Select **Setup > Color Configuration**. The **View/Print Mode Color Configuration** dialog box displays the default colors for Basic mode.
2. Click a color box and select a new color from the **Color** palette. You can also click **Define Custom Colors** to create any desired color.
3. Click **OK**. The corresponding color box changes to the color you selected.

To restore the default color palette, click **Restore Colors**.

**NOTE** If the form, background, or text (data) colors are changed in one mode, the changes apply in both Enhanced and Basic modes.

## Setting Form Order

To change the order in which the documents of a return are printed:

1. In Enhanced mode, elect **Setup > Form Order** to open the **Sort Form Order** dialog box (Figure 6-15).

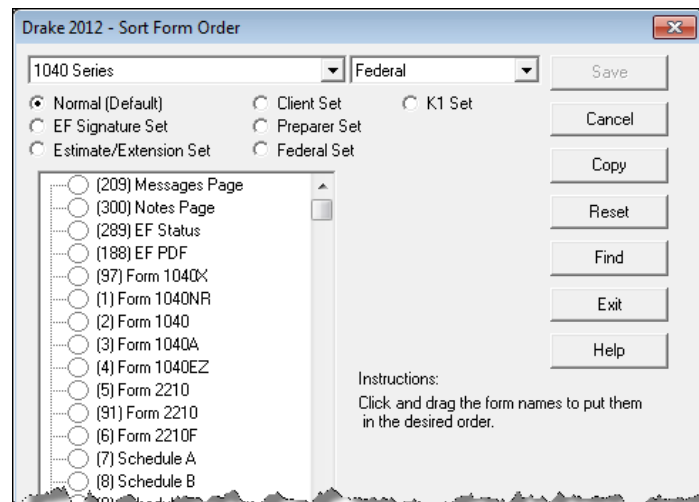


Figure 6-15: Sort Form Order dialog box

2. Select a printing set. (Default is **Normal**.)
3. Click and drag the form names to put them in the desired order. The document at the top of the list, if it has been generated with the return, will be printed first.
4. Click **Save**.

To restore the default settings, click **Reset** in the **Sort Form Order** dialog box.

## Setting Up Drag/Drop Ordering

Drag-and-drop ordering is available in Enhanced mode. This feature allows you to “drag” a form in the directory tree to another area of the tree and “drop” it into the new location. To “drag” a form, press and hold the mouse button on the form to be moved,

and then move the form up or down the tree. To “drop” the form into the new location, release the mouse button. To activate drag-and-drop ordering while in Enhanced mode, select **Setup > Allow Drag/Drop Ordering**.

## Other Setup Options

The following programs and setup options are also available in both Basic and Enhanced modes:

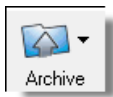
- Pricing setup (See “Pricing Setup” on page 37.)
- Printing setup (See “Printing Setup” on page 47.)
- Printing sets setup (See “Printing Setup” on page 47.)

## Archive Manager

Use the Archive Manager to archive returns and to review, restore, or delete the archived returns. This means you can save various versions of a return, such as the amended return *and* the original return prior to amending. The Archive Manager is accessible from both Basic and Enhanced modes.

### Creating an Archive

To create an archive of an open return:



1. From View mode, select **Archive > Archive Client Return** (or select **Archive > Archive Manager** and click the **Archive** icon in the **Archive Manager** toolbar).
2. In the **Archive Client Return** dialog box, enter a description of the archived file (Figure 6-16), and click **OK**.

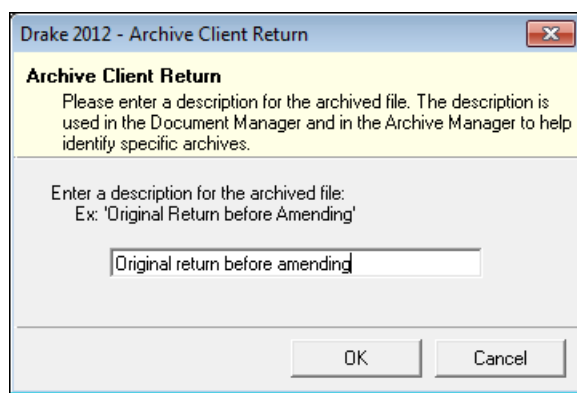


Figure 6-16: Archive Client Return dialog box

3. After the program has created the archive, click **OK** again. The program adds the archived return to the **Archive Manager** list.

### NOTE

The archived return is also saved to the client's file in Drake and to the client's Document Manager. Reach the Document Manager from View mode by going to **Archive > Document Manager**.

## Restoring an Archived Return

When you restore an archive, you replace the open version of a return with an archived version. Drake recommends that you preserve the existing client data before restoring an older version of a return. A built-in prompt will suggest that you archive the latest version of a return before restoring an older version.

To restore an archive:



1. From View mode of the return, select **Archive > Archive Manager**.
2. Click the row of the archive to restore.
3. Click **Restore**. A program prompt suggests that you create a new archive of the current version of the return before restoring the older version.
  - To create a new archive, click **Yes**. The **Archive Client Return** dialog box is opened so you can name and save the new archive.
  - To proceed without creating a new archive, click **No**. A final warning is displayed; click **OK** to proceed.
4. When the archive has been created, click **OK**.

## Deleting an Return from the Archive Manager

To delete an archive of a return from the Archive Manager:



1. From View mode of the return, select **Archive > Archive Manager**.
2. Click the row of the archive to delete.
3. Click **Delete**. You are prompted to confirm the deletion.
4. Click **Yes** to delete the file from the archive.

Once deleted, the previously archived file cannot be recovered.

# 7 Banking

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For tax year 2012, Drake is working in conjunction with the banks listed in Table 7-1 to provide taxpayers access to bank products.

**Table 7-1:** Drake Banking Partners

<b>Bank</b>	<b>Phone</b>	<b>Website</b>
Advent Financial	(866) 655-2340	<a href="http://adventtax.com">http://adventtax.com</a>
EPS Financial	(877) 801-4411	<a href="http://epsfinancial.net">http://epsfinancial.net</a>
Republic Bank & Trust	(866) 491-1040	<a href="http://republicrefund.com">http://republicrefund.com</a>
River City Bank	(888) 820-7848	<a href="http://rcbral.com">http://rcbral.com</a>
Tax Products Group	(800) 779-7228	<a href="http://cisc.sbtpg.com">http://cisc.sbtpg.com</a>

This chapter covers requirements for you and your clients, processes for setting up your software for offering various banking options, and data entry for these products. It also explains what these products are and provides valuable information you will want to review in addition to the information already provided by Drake and your banking partner.

## Tax Preparer Requirements

IRS Regulation 7216 provides guidance to tax preparers regarding the use and disclosure of their clients' tax information to parties outside of the tax preparer's firm. The *Consent to Use of Tax Information* must be signed and dated by the taxpayer (and spouse, if married filing jointly) before the return is prepared. The *Consent to Disclosure of Tax Information* must be signed and dated by the taxpayers before the return is e-filed and the information submitted to a third party.



Drake offers several options for making these forms available to your clients, including printing forms in batches and having clients provide their signatures electronically. These methods are described in the following sections.

## Consent to Use of Tax Return Information

The Consent to Use of Tax Return Information explains the IRS Regulation 7216 requirement to the taxpayer. It must be signed *before* the return is prepared.

- **Paper Forms** — To generate paper forms, log in to the Drake Support site (*Support.DrakeSoftware.com*), and from the blue sidebar menu, go to **Resources > 7216 Sample Letters**. Click to open the generic **Consent to Use of Tax Return Information** or any of the bank consent forms, in English or Spanish. Print or save to your computer desktop. Be sure to enter your firm's name at the top of the page. Clients must sign and date this form manually. Forms are also available in the software at **Tools > Blank Forms**.

Screen code: **USE**

- **Electronic Signatures** — To obtain electronic consent, the taxpayer (and spouse, if married filing jointly) must enter their names and the date onto the **USE** screen. (See Figure 7-1.)

By signing below, you (including each of you if there is more than one taxpayer) authorize us to use the information you provided to us during the preparation of your 2012 tax return to determine whether to present you with the opportunity to apply for these products and services.

Electronic signature(s)	
Name of taxpayer (must be entered by the taxpayer)	Date
William Carter	05-10-2013
Name of joint taxpayer (must be entered by the taxpayer)	Date
Amelia Carter	05-10-2013

**Figure 7-1:** Names and the date as entered by clients on the USE screen

Once the appropriate fields on the applicable screen are completed, the Consent to Use of Tax Return Information will be generated with the return.

## Consent to Disclosure of Tax Return Information

The Consent to Disclosure of Tax Return Information contains banking-option information and explains the IRS Regulation 7216 requirement to the taxpayer. It must be signed *before* the return is e-filed.

- **Paper Forms** — Paper forms can be accessed by several means:
  - The software generates the disclosure form as part of the return. The wording of the form reflects the banking option your firm has selected. This form can be signed with other signature documents prior to e-filing.
  - Log in to the Drake Support site (*Support.DrakeSoftware.com*), and from the blue menu bar, go to **Resources > 7216 Sample Letters**. Click to open the generic **Consent to Disclosure of Tax Return Information** or any of the bank consent forms, in English or Spanish. Print or save to your computer desktop. Be sure to choose the correct form for your firm's selected bank. Enter your firm's name at the top of the form before printing it.

Screen code:  
**DISC**

- Consent to Disclose forms are also available in the software at **Tools > Blank Forms**.

- **Electronic Signatures** — To obtain electronic consent, the taxpayer (and spouse, if married filing jointly) must enter his or her name and the date onto the **DISC** screen in Drake. Once the required fields on the applicable screen are completed, the Consent to Disclosure of Tax Return Information will be generated with the return.

## NOTE

If using ABCvoice, go to the **ABCV** screen in data entry to indicate whether the taxpayer has signed the Consent to Disclosure of Tax Return Information.

## Consent to Disclosure: Franchises/Networks

The Consent to Disclosure of Tax Return Information to franchises or networks (formerly, service bureaus) is required for *all* returns (not just bank-product returns) prepared by firms that are part of a franchise or network. The form is similar to the disclosure form for banks described previously and must be signed *before* the return is e-filed.

- **Paper Forms** — Log in to the Drake Support site (*Support.DrakeSoftware.com*), and from the blue menu bar, go to **Resources > 7216 Sample Letters**. Click **Consent to Use of Tax Return Information** in English or Spanish. Enter the firm and franchise or network name or print the documents and enter the names manually. The taxpayer (and spouse, if applicable) must sign and date the form prior to e-filing.

Next, in the software, go to screen **CONS** (accessible from the **Miscellaneous** tab) and select the first box in the **Paper Consent** section (Figure 7-2).

**Paper Consent of Disclosure to Franchise/Network**

Consent to Disclosure of Tax Return Information to franchise/network has been signed by the taxpayer (and joint taxpayer if applicable)

Consent to Disclosure of Tax Return Information to franchise/network has NOT been signed by the taxpayer (and joint taxpayer if applicable)

**Figure 7-2:** Check boxes on **CONS** screen for disclosure to franchise/networks

Screen code:  
**CONS**

- **Electronic Signatures** — To obtain electronic consent, the taxpayer (and spouse, if married filing jointly) must enter their names and the date onto the **CONS**

screen. The Consent to Disclosure of Tax Return Information is generated with the return and includes the name of the franchise or network from **Setup > ERO**.

## IMPORTANT

If your firm uses a franchise or network, the **CONS** screen *must* be used—even if the client refuses to sign the form. If the client declines to give consent, select the second box in the **Paper Consent** section of the **CONS** screen. (See Figure 7-2 on page 211.) A franchise or network EFIN must be entered in **Setup > ERO** in order to produce the correct letter from the **CONS** screen and ensure that consent can be obtained for every return. See “ERO Setup” on page 21.

## Taxpayer Requirements

For a taxpayer to be eligible for one of the banking options offered, the return must be eligible for e-file. In most cases, the taxpayer must be 18 or older. If married filing jointly, both taxpayers must be 18 or older. Check with your banking partner for state-specific age requirements.

## Application Forms

Both preparer and client must complete *all* parts of the appropriate application form. Form names vary by bank. If a bank is selected in **Setup > Firm(s)** and a bank product is indicated in the return's bank screen, the appropriate application is included in the forms produced with the return.

Blank application forms for Advent, EPS, River City, and Tax Products Group are available at **Tools > Blank Forms**. (Select the **Federal** tab, and then choose the desired bank application.) Note that applications are multiple pages, as shown in Table 7-2.

**Table 7-2:** Application Forms for Banking Options Available in Drake

Bank	Application Form
Advent	AD_APPL.PG through AD_APPL.PG4 (6 pages)
EPS	EPS_APP.PG through EPS_APP.PG8 (8 pages)
River City	RCB_APPL.PG through RCB_APPL.PG5 (1 page)
Tax Products Group	TPG_APPL.PG through TPG_APPL.PG5 (6 pages)

Banks typically have specific minimum and maximum refund requirements. For more information, consult the bank application.

## NOTE

Do not confuse the applications listed above with the bank application that an ERO must fill out online for Drake. For more on the Drake bank application, see “Preparing to Offer Bank Products” on page 216.

## Franchise/Network Requirements

If your firm collects tax returns for e-filing from outside companies or individuals, it might be considered part of franchise or network (formerly, a service bureau). Franchises and networks can be required to provide additional information when applying for banking services.

A preparer or firm can be considered a franchise or network if:

- The preparer accepts returns from other businesses that the preparer does not own
- A preparer issues Form 1099 for contract labor at other locations
- A preparer contracts with another to provide e-filing and banking options
- A preparer issues W-2s to a non-employee who performs functions as a preparer

Your firm is *not* a franchise or network if it issues W-2s to employees who are under direct control of the firm and collect returns at the other locations.

## Bank Products

Bank products allow taxpayers a way to pay their preparation fees from their refund rather than having to pay their fees up front. They also give taxpayers without bank accounts an alternate way to receive their refund proceeds.

To provide any bank product, the bank sets up a temporary account for direct deposit of the taxpayer's refund. Once the IRS deposits the refund into the temporary account, the bank deducts applicable fees and issues the remaining funds to the taxpayer.

### NOTES

The taxpayer *must* understand that a bank product is *not* a loan. The disbursement reflects the *actual deposited refund amount*, with the bank, transmitter, and preparer fees deducted.

Banks provide certain products for state refunds. Check with your bank for a list of eligible states.

## Distribution Methods

Bank products include refund checks printed in your office, refunds directly deposited in your clients' bank account, and refund deposited onto prepaid debit cards. All of Drake's banking partners offer variations of these products. Show your client all bank documents, explain all costs, and check client ID to verify identity before offering banking services.

## Bank Product Costs

Fees are charged for each method of bank product disbursement. Notify your client that the following fees can be subtracted from the refund amount:

- Tax preparation fees
- Additional fees (formerly "Add-on transmission fees")
- Bank fees

- Software fee
- Franchise/network fee

For specific details regarding each bank product, go to the Drake Support site (*Support.DrakeSoftware.com*) and select **Partner Programs > Bank Partners**.

## NOTE

A bank-product option cannot be added once the IRS has acknowledged the return.

## Direct Deposit

Most bank products include a *direct-deposit* option. If a taxpayer has a checking or savings account, funds can be deposited directly into the taxpayer's account, bypassing a trip back to the tax office to pick up a paper check.

## Cashier's Check

The most frequently used method of bank-product delivery is a *cashier's check* printed in the tax preparer's office. (See "Printing Checks for Bank Products" on page 222.)

## Debit Card

Drake's bank partners provide the option of delivering bank products via debit card. These are listed on Table 7-3:

**Table 7-3:** Bank Partners' Debit Cards

Bank	Card Name
Advent	Get It! Prepaid MasterCard®
EPS Financial	E1 Visa® Prepaid Card
Republic	Money Clip Prepaid Visa®
River City	Futura Refund Access Card
Tax Product Group	Diamond Plus Prepaid Visa®

The steps to select a debit card for your clients are similar on most bank screens in Drake, but the **ECOL** screen, used to sign up for the E1 Visa® Prepaid Card ("E1 Card"), also contains an E1 activation procedure. The E1 Card is described in the following section.

## E1 Visa® Prepaid Card Program

If you're offering the E1 Card, you provide your client with the card at the time of tax preparation. Once funds have been released, your client can receive notification by e-mail or text message. The refund amount must be larger than the sum of the preparer

fees, franchise/network fees, and any Drake fees. A minimum first-time load amount of \$10 applies.

This card can be used year-round, and clients can reload it at any time using one of the following methods:

- By direct deposit of their payroll
- By direct deposit of government benefits
- Through an approved E1 Card reload network partner

As with e-Collect, the E1 Card is available to certain taxpayers who are 18 or older. For more information on qualifying for the E1 Card, visit *epsfinancial.net*. Information on entering the required information for the E1 Card is provided in “The ECOL Screen,” following.

## IMPORTANT

The E1 Visa<sup>®</sup> Prepaid Card is issued by The Bancorp Bank pursuant to a license from U.S.A. Inc. It can be used wherever debit cards are accepted. The Bancorp Bank; Member FDIC.

Obtaining Your Card: The USA PATRIOT Act is a federal law that requires all financial institutions to obtain, verify, and record information that identifies each person who opens a Card Account. What this means for you: When you open a Card Account, we will ask for your name, address, date of birth, and other information that will allow us to reasonably identify you. We may also ask to see your driver's license or other identifying documents at any time.

## The ECOL Screen

Use the **ECOL** screen to apply for the E1 Visa<sup>®</sup> Prepaid Card or any of the e-Collect bank products.

### 7216 Signature

All 7216 forms must be signed by the taxpayer (and spouse, if applicable) before applying for the E1 Card or any e-Collect bank product. If the paper option has been used to obtain the taxpayer signatures, mark the box provided on the **ECOL** screen. To have the required forms signed electronically, click the links provided on the screen.

### Security Information

The **Security Information** section of this screen contains questions intended for the preparer's clients to answer. The taxpayer will have to be able to answer these same questions if he or she wants to log in to the EPS Financial website (*epsfinancial.net*) and set up an online account.

### Deposit Notification

The purpose of the **Step 5: Disbursement Method** section is to establish how your client should be notified when funds have been loaded onto the E1 Card. From the first drop list of this section, select the notification method for contacting the taxpayer. If you select **SMS** (text messaging), you'll also need to select the cell phone carrier from the **Cell phone carrier** drop list. (Be aware that charge may apply when using

the SMS method.) The program uses the e-mail address and cell phone number provided on screen **1**.

## IMPORTANT

An entry for e-mail or cell phone is *necessary* for a client to be notified when funds are loaded. If no e-mail address or cell phone number can be found, the taxpayer will not be notified automatically when funds are loaded.

### E1 Payment Reference Number (PRN)

As Step 5 of the process, enter the 12-digit PRN as shown in the window of the E1 Card envelope. Re-enter it for verification purposes.

## Apply for E1 Card

As the final step in the E1 Card application process, click the **Activate Card** button. The data retrieved allows Drake to know whether the card has been approved.

If the application is declined or rejected, an explanation is displayed in the text box at the bottom of the **ECOL** screen. After reviewing the explanation, make any required modifications to the application and click **Activate Card** again to reapply.

### e-Collect Options

If you're using EPS Financial as your bank and the taxpayer opts for a check or direct deposit (*not* the E1 Card), take these steps to get approval from EPS:

1. Open the **ECOL** screen.
2. In Step 5, select either **Check** or **Direct Deposit**.
3. Enter the taxpayer's banking information. Note that the **RTN**, **Account number**, and **Type of account** must be entered twice for verification

## Preparing to Offer Bank Products

To offer bank products, you must set up your system with both Drake and the bank of your choice. Your firm must also submit an online bank application through Drake each year. This application is separate from the application discussed in "Application Forms" on page 212.

## Banking Application

To offer a banking option through Drake, you must submit a banking application annually. Drake transmits the application to your selected bank for review. Bank information is managed using the Enterprise Office Manager (EOM).

## IMPORTANT

Multi-offices must sign in with the Master EFIN and complete the required settings before the sub-offices can log in and access the EOM information.

## TIP

Click **Help** on the EOM website to view the EOM tutorial or download the EOM manual. These resources provide information on managing your accounts, applications, sub-offices, fee overrides, and other options available through the EOM.

### Applying for a Bank

In the procedure that follows, note that completing bank applications for single-office sites is slightly different from the procedure for multi-office sites.

To access and complete a banking application:

1. Access the EOM website in one of two ways:
  - On the Drake Support website (*Support.DrakeSoftware.com*), select **My Account > Bank Application**.
  - Go directly to the EOM website (*eom.1040.com*).
2. Enter your EFIN and Drake password and click **Sign In**.

## NOTE

If you are a single-office site and this is your first visit, select **Account Information** from the menu, complete the **Company Information** fields, and click **Save** before proceeding. It's a good idea to review this information each time you log in to the EOM.

3. (multi-office sites only) Follow the instructions on the “Recommended First Steps” page that is displayed, clicking one of the gray boxes to complete each step. When finished, mark the **I've completed all relevant steps** check box and click **Continue**. (This page is not displayed for single-office sites.)
4. Select **Bank Application** from the menu of the EOM home page. A **Bank Application** drop list appears.
5. Select a bank from the drop list. The application for that bank is displayed.
6. Complete the application. (If you're unable to complete the application in a single sitting, or if you want to come back and review the application later before submitting it, you can click **Save and Finish Later**.)
7. Click **Submit Completed Application**. Once you have submitted the application, Drake forwards it to the appropriate bank.

To import your banking information directly from your Drake bank application, see “Firm Setup” on page 12.

## NOTES

If offering e-Collect or the E1 Card program, go to *epsfinancial.net* to access and download additional information. Program participants must complete compliance training through the EPS website.

Republic Bank also requires compliance training through its website (*republicrefund.com*).

### Checking Application Status

To check the status of your application, log in to the EOM website and select **Bank Application** from the menu. The **Application Status** appears in the box at the top of the page.

## CAUTION

Making changes to an application and resubmitting it can change its status.



Application statuses are listed below.

- A = Accepted
- B = Accepted, post-acceptance changes rejected
- C = Accepted, post-acceptance changes pending
- D = Declined (Call the selected bank to resolve any issues.)
- E = Accepted, awaiting bank account information
- G = Approved pending state registration
- I = Incomplete
- N = Needs compliance training
- P = Pending
- R = Rejected (available for correction and resubmission)
- S = Suspended; contact the bank
- W = Withdrawn

Most status updates are available within hours of submitting the application. Once your application has been approved, contact the bank to order check stock and complete any additional agreements.

## Banking Options

Once you have chosen your banking solution, activate your selection in Drake data entry so the correct screens are accessible from the **General** tab.

### Setting Up Banking Options

1. From the **Home** window, select **Setup > Firm(s)**.
2. Double-click the firm (or select a row and click **Edit Firm**).
3. Under **Banking Information**, select your chosen banking option and enter additional information as necessary. Options are described in Table 7-4. Click **Save**.

**Table 7-4: Options under Banking Information in Setup > Firm(s)**

Item in Setup	Description
Retrieve banking information	Import banking information from your completed bank application in the EOM into Firm Setup.
Additional Fee (Add-on)	These fees are deducted from the taxpayer's refund and held for you by Drake in a separate bank account. The balance of this account will be distributed directly back to you on a monthly basis during tax season, and in mid-November for after-season balances.
Add-On Fee Recipient	Use this field to have a name other than your firm's name printed on the Bank Information Sheet line labeled "Additional Fee withheld on behalf of"

**Table 7-4:** Options under **Banking Information** in **Setup > Firm(s)**

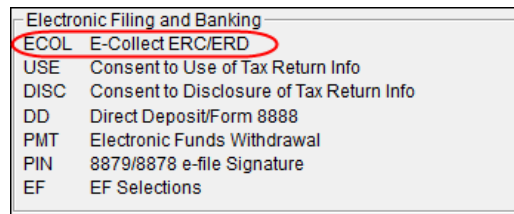
Item in Setup	Description
Waive add-on fee (e-Collect only)	Mark this box to waive the add-on fees for customers choosing the E1 card as their disbursement method. For information on waving fees in restricted states, go to <b>Setup &gt; Options &gt; Administrative Options</b> tab and click <b>Program Help</b> .
e-Collect Basic (e-Collect only)	Mark this box if offering direct deposit disbursement only)
e-Collect Basic Plus (e-Collect only)	Mark this box if offering E1 card and direct deposit disbursements
e-Collect Deluxe (e-Collect only)	Mark this box if offering paper check and direct deposit disbursements
e-Collect Elite (e-Collect only)	Mark this box if offering the E1 Card, paper check, and direct deposit disbursements

**NOTE**

Check with your bank for limitations on fees before setting up a new firm. Once an amount is set and a bank application has been created, the amount should never be changed. The banks closely monitor the amounts charged for application fees.

**Viewing in Data Entry**

Once a banking option is selected and saved, you can access it from data entry. In the **Electronic Filing and Banking** section of the **General** tab, click the bank's name (Figure 7-3).

**Figure 7-3:** **Electronic Filing and Banking** section of **General** tab in data entry**Taxpayer Application**

Complete an application/agreement for every taxpayer applying for one of the banking options available (see "Taxpayer Requirements" on page 212). Some banks require original applications to be mailed on a weekly basis. Consult your bank for requirements.

**Check and Card Stock**

Obtain all check and card stock from your bank. All stock must be verified and secured upon receipt. Read and retain all information included with the checks or cards.

## Using Bank Screens in Data Entry

The Drake program has a separate screen for each of Drake's banking partners. While the bank screens have certain fields in common, each bank screen is unique. Become familiar with the screen for the bank you are using. Use the available help resources to ensure that all required information is entered for each taxpayer with bank products. Described here are the fields that are found on most bank screens in Drake, and vary from bank to bank.

### Select Product

If a bank offers multiple products, the screen for that bank includes a product selection section in the upper-left corner. Click a product box to select it. If adding a state bank product, select the state.

### Identification

Each screen has one or more sections for entering and verifying the taxpayer's identification. The address fields are overrides; if an address is entered on screen **1**, you do not have to enter it again on the bank screen. Some fields require the taxpayer and spouse to produce one or more forms of ID (driver's license, passport, etc.), and the preparer to enter information from these IDs on the screen. Identification information is required and must be entered before the return can be transmitted and bank product accepted.

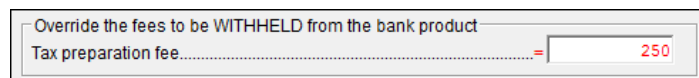
#### NOTES

If the taxpayer's address differs from the one entered on screen **1**, or if the screen **1** address is a P.O. box, enter a physical address on the bank screen to help avoid delays in processing the application.

(To scan copies of the IDs into the Drake Document Manager, see "Working With Files in the DDM" on page 309.)

### Prep Fee Override Field

Tax preparation fees are calculated from fees established in **Setup > Pricing** and can be overridden from both screen **1** and the **BILL** screen. Use the **Tax preparation fees** override field on your bank screen to override the fee amount that is to be withheld from the bank product. (Figure 7-4)



The screenshot shows a window titled "Override the fees to be WITHHELD from the bank product". Inside the window, there is a label "Tax preparation fee....." followed by an equals sign and a text input field containing the number "250".

Figure 7-4: Overriding the **Tax preparation fees** from the bank screen.

### Additional Disbursement Methods

Each Drake bank partner offers more than one disbursement method or product offering, and those selections are reflected on the various bank screens. If a taxpayer wishes to have the proceeds of the bank product deposited into an account rather than distributed as a check or card, enter the banking information in the proper section of

the bank screen. Note that the **RTN**, **Account number**, and **Type of account** must be entered twice for verification.

## Application Signing Date

Most bank screens include a field to indicate when the bank application was signed. By default, the current date is used in this field. Enter a different date if necessary; otherwise, leave this field blank.

## Bank Product Transmission

Several transmissions occur when you e-file the tax return with bank information using Drake:

- Drake transmits the tax return to the IRS and the appropriate bank.
- The IRS sends an acknowledgment (“ack”) to Drake. If the return has been accepted, Drake transmits the bank information to the bank.
- The bank sends an acknowledgment back to Drake.

The bank also posts a “Fees to ACH” (Automated Clearing House) acknowledgment when applicable to inform preparers that their fees have been distributed to their direct deposit account. It is normally posted on the Thursday of the following week, if the return is sent by noon Thursday.

Your system picks up any new bank acks whenever you initiate a connection (transmit or receive from **EF > Transmit/Receive**) with Drake.

## Processing the Check

The following process is necessary for firms that print checks in-house. (If your firm does not print the checks, post the bank-acceptance acks to the EF database so your database will always reflect the most current client status.)

## Testing Check Print

Before printing checks, you might want to run a test-print to ensure that checks will be printed correctly. One test check for each bank is loaded into Drake; when you test-print a check, the program uses the test check matching the bank that is set up for “Firm 1” in **Setup > Firm(s)**.

To print the test check:

1. Ensure that paper for printing has been loaded into the printer. (Drake recommends using a blank sheet of paper.)
2. From the **Home** window, select **EF > Check Print**. If no checks are ready, a message prompts you to reprint any previous checks. Click **Yes**.
3. At the bottom of the **Reprint Checks** dialog box, click **Test**.
4. Click **Print** in the **Print** dialog box.

## Printing Checks for Bank Products

Before you print checks:

- Be aware that you *cannot print checks* until the appropriate IRS and bank acknowledgments are received.
- Make sure the computer for EF transmissions has the correct date.
- Make sure the check number on the computer matches the check number on the next available physical check.

### CAUTION

*Do not transmit from more than one computer* unless the program is on a dedicated server. Transmitting and receiving from more than one computer can affect your ability to print checks correctly.

To print a check for a bank product:

1. From the **Home** window, select **EF > Check Print** to open the **Bank Product Selection** box.
2. Choose to print checks or to print the Truth In Lending Agreement (TILA) disclosures for non-check bank products (such as debit cards and direct deposit).
3. Click **Continue**. The **Selection** window for checks (or TILA) shows the items available for printing.
4. Select the items to be printed or use **Select All** or **Unselect All**.
5. Click **Continue**. The **Check Print Options** dialog box displays the client's name, ID number, check amount, and check number.
6. Choose from the available options, listed in Table 7-5.

**Table 7-5:** Check Printing Options

Option	Description
<b>Print this check on #___</b>	Prints the check on the displayed check number.
<b>Delete this Client's check</b>	Deletes the check from the system. The check will not be displayed for printing again.
<b>Skip this Client's check for now</b>	Excludes the check from the current print job.
<b>Print ALL selected checks starting on #___</b>	Prints all previously selected checks starting at the displayed check number.

### IMPORTANT

The first time you print checks, you must set up a check range. Click **Setup Checks** to choose a bank and set up the check range. You can also use **Setup Checks** to change the check number if necessary.

7. Click **Continue**, and then click **Print**.

Immediately after the checks are printed, your system should initiate the process to transmit the check register to Drake. When the bank receives the check register, preparer fees are usually deposited on the next business day

## IMPORTANT

The check register *must be transmitted to Drake* before you can receive fees from the bank. Drake recommends running **EF > Transmit/Receive** after printing large batches of checks.

## Reprinting Checks

To reprint a check:

1. From the **Home** window, select **EF > Check Print**.
  - If no new checks are ready for printing, you are prompted to reprint checks. Click **Yes** to open the **Reprint Checks** dialog box.
  - If new checks are ready, the **Select Checks** dialog box is displayed. Click **Exit**, and then click **Yes** to open the **Reprint Checks** dialog box.
2. Type an SSN and press ENTER. The **Reprint Checks** dialog box displays any previous taxpayer and check information.
3. Click **Print**. The program automatically voids the prior check number.

## NOTE

You must write "VOID" on the face of the check that is no longer valid. Follow your bank's guidelines for disposition of voided checks.

## Check Register

To access a detailed register of checks printed by your office:

1. From the **Home** window, select **EF > Check Register**.
2. In the **Check Register** dialog box, select the **Starting Date**, **Ending Date**, and **EFIN/Firm Name**.
3. Click **Continue**. The Report Viewer displays the check number, date, amount, EFIN, sequence number, client ID, and client name for all checks within the parameters.
4. (optional) Print or export the register as needed. (See "Report Viewer" on page 293 for more on using these features in the Report Viewer.)
5. Click **Exit** to close the Report Viewer.

## Resetting Check Numbers

Occasionally, you might have to reset the check range. Follow the process outlined in "Printing Checks for Bank Products" on page 222. When you get to the **Check Print Options** dialog box, click **Setup Checks** to access the feature for resetting check range.

## Lost or Stolen Checks

If you do not physically possess a check that must be reissued (for example, if a check is lost, missing, or stolen), follow your bank's procedures for a lost or stolen check. *Do not reprint the check.*

## Troubleshooting Check Printing

Listed below are some common issues that preparers encounter when printing checks. Please read the following information before contacting Drake Software Support.

### Checks Aren't Being Printed

There are many reasons that a check is not being printed. Before contacting Drake Support, review the following questions to ensure that the necessary conditions for printing checks have been met:

- Is the correct printer selected? (Go to **Setup > Printing > Printer Setup**, and look in the **Checks** field of the **(F5) General Setup** tab. Select another printer from the drop list if necessary.)
- Are you using the same computer from which the return was transmitted?
- Have you received the bank acceptance acknowledgment for this taxpayer?
- Has the correct SSN been entered (if reprinting)?

### Text Won't Line Up

If the text is not lining up correctly on the check, you may have to modify the adjustment settings for the printer. To adjust these settings:

1. From the **Home** window, go to **Setup > Printing > Printer Setup**.
2. Select the **(F8) Edit Printer Settings** tab.
3. Select the printer being used to print the checks. Once a printer is selected, all other fields are activated.
4. Enter a number in the **Check Adjustment - Vertical** field. Each whole number represents a fourth of a line. Enter a positive number ("1") to move the check *down* a fourth of a line (text will show up higher on the check). Enter a negative number ("-1") to move the check *up* a fourth of a line (text will show up lower on the check). Remember to click **Update** before closing the **Edit Printer Settings** window.

If the text is showing up too far to the left or right, you may have to adjust the printer itself. Consult the user manual for your printer.

### Program Won't Allow Reprinting

If trying to reprint a check that was printed before the current date, you will get a **Reprint Not Allowed** message like the one shown in Figure 7-5.



**Figure 7-5:** Reprint Not Allowed

If this happens, click **OK**, and then press F5. You will be asked if you have the prior check in hand. *A prior check must be physically in your possession in order for you to reprint a check.* If you have the check, select **Yes**.

If the check has already cleared, there will be a date in the **Clear Date** field. You cannot reprint this check. Contact your bank for additional assistance.

## Misfeeds and Paper Jams

If a check is damaged and rendered unusable during printing, write “VOID” on the face of the check and reprint using a new check. (See “Reprinting Checks” on page 223.) If you accidentally print a check on something other than the check stock (such as a blank sheet of paper), print the check again, then guarantee that the original check cannot be cashed.

If the check is still usable, you can reload and reprint it. In the **Check Print Options** dialog box, the check number displayed should match the number on the next check to be printed. If it doesn't, see “Resetting Check Numbers” on page 223.

## Post-Season Procedures

Required post-season procedures vary from bank to bank. Refer to your bank's operating procedures to determine the proper method of storing or returning taxpayer bank applications and the proper handling of excess check stock.

If your office is closing for any extended period between April and October, notify Drake and your bank so the bank can print any late checks, if the service is available.



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# 8

## e-File

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This chapter provides an overview of the e-filing process and outlines procedures for:

- Setting up an e-filing account
- Testing your e-filing system
- e-Filing federal and state tax returns
- Reading acknowledgment codes
- Using the EF database and online EF database

Drake tax software incorporates IRS regulations where feasible to ensure that returns are e-filed correctly; however, as a tax preparer, you should be well-versed in the IRS rules and processes. Before tax season begins, all tax preparers should:

- **Read relevant IRS publications** — IRS Pubs 1345 and 1346 have information on the processes, laws, regulations, and specifications for e-filing tax returns.
- **Register for a PTIN** — New preparer regulations require that all tax return preparers must register for a PTIN and pay a \$64.25 annual fee. (See “Preparer Regulations” on page 7 for details.)
- **Obtain Circular 230** — All tax preparers must comply with the standards of conduct set by Treasury Department Circular 230. See “Contact the IRS” in Appendix A for details.
- **Know the applicable banking requirements** — In addition to consulting your bank’s handbooks and brochures, see Chapter 7, “Banking.”)

### NOTE

A detailed flow chart showing the e-filing process as it occurs for most tax preparers is included in Appendix B.

## Preparing to e-File

In order to e-file tax returns, your firm or office must be an Electronic Return Originator (ERO), have an Electronic Filing Identification Number (EFIN), and be an authorized IRS e-Services provider. ERO and EFIN information must be entered in ERO Setup before a return can be transmitted.

## Applying for ERO Status

The IRS accepts ERO applications throughout the year. All new EROs must apply to the IRS to become an e-Services provider in order to receive an EFIN. If you are a new ERO and are not a CPA, EA, attorney, banking official, or officer of a publicly held company, you must also submit a fingerprint card.

An established ERO must make changes to its e-file application only if the information in its original application has changed. Changes should be made online.

### IMPORTANT

If you plan to e-file business returns this year after filing only 1040 returns in the past, you must update your e-file application online, or your e-filed returns will be rejected by the IRS.

To register as an e-Services provider online through the IRS website:

1. Go to *www.irs.gov*
2. Click the **For Tax Pros** tab.
3. In the **Getting Started** section, click **Become an Authorized e-file Provider**.
4. Follow the directions on your screen.

Be aware that processing can take up to 45 days.

To request federal e-file program fingerprint cards, contact Drake's Education Department at [education@DrakeSoftware.com](mailto:education@DrakeSoftware.com), call Drake at (828) 524-8020, or contact the IRS e-Help Desk at (866) 255-0654.

Once your application is processed, the IRS assigns you an EFIN. If your firm has applied for an EFIN but does not have one yet, Drake will assign you a temporary EFIN. Your temporary EFIN cannot be used to e-file returns, but it does allow you to transmit Drake test returns.

When you receive your EFIN or make changes to the ERO status, forward a copy of the response letter from the IRS to [accounting@DrakeSoftware.com](mailto:accounting@DrakeSoftware.com) so we can update your Drake customer account.

## Testing Transmission

Once you have an EFIN, Drake strongly recommends that you run an initial transmission test to become familiar with the e-filing process and ensure that your system is working properly. Open a test return and calculate it before testing transmission.

**NOTE** Your account number must be entered in ERO Setup in order to transmit returns. See “ERO Setup” on page 13.

To test system transmission:

*Shortcut: CTRL+S*

1. From the **Home** window, select **EF > Select Returns for EF**.
2. From the **EF Return Selector**, select the test returns to transmit.

**CAUTION** Select only the returns in the 400-00 or 500-00 series provided in the software. All other returns are processed as actual (“live”) tax returns and can result in a charge of filing fraudulent returns.

*Shortcut: CTRL+T*

3. Click **Continue**. The Report Viewer displays the selected returns.
4. Click **Exit** to close the Report Viewer.
5. From the **Home** window, select **EF > Transmit/Receive**.
6. Click **Send/Receive** in the **Transmit/Receive** dialog box that is opened.

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A green progress bar appears, assuring you that the transmission is proceeding normally during the transmittal of large files.

7. When the process is complete, return to the **Home** window and select **EF > Process Acks** to view acknowledgments.

An IRS acknowledgment of “T” indicates a successful test transmission.

**NOTE** Transmission unsuccessful? Go to **Setup > ERO** and add or correct your ERO information as needed and re-transmit. If transmission is still unsuccessful, make sure your Internet connection is working properly.

**TIP**

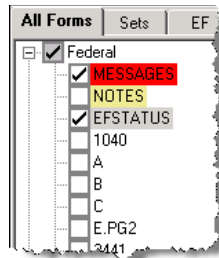
You can save time—and mouse clicks—by combining the previous seven steps into one. From the **Home** window, go to **Setup > Options, EF** tab. In the **Session Options** section, select **Combine EF Steps (Select, Transmit, Post Acks)**. You can still view the reports by going to **Reports > Reports Viewer** from the **Home** window.

## E-filing a Return

The e-filing process can be said to consist of up to five main steps, starting with return calculation and ending with the processing of bank products.

## Step 1: Calculate the Return

Calculate the return to determine if it is ready to be e-filed. (See “Calculating a Return” on page 179 for instructions on calculating returns in Drake.) Drake generates an EF status document and, if necessary, EF message pages, shown in the Figure 8-1 directory tree and described in the following list:



**Figure 8-1:** EF-related documents include EF messages and an EF status page

- **MESSAGES** — EF messages are generated only if issues within the return cause it to be ineligible for e-file. Messages include error codes, descriptions of the issues, and identification of fields that must be verified.
- **EFSTATUS** — The EF status page shows which federal and state returns will be transmitted and which returns have been suppressed and will not be transmitted. It also states whether any federal EF messages were generated.

**NOTE** Error codes above 5000 are Drake error codes. All other codes are federal or state error codes.

### Eliminating EF Messages

All EF messages must be eliminated before a return can be e-filed. To eliminate an EF message:

1. Open the return and click **View** to calculate it and go to View mode.
2. Under the **All Forms** or **EF** tab in the left column, click the MESSAGES page to view.
  - EF messages are displayed in red and are listed by error code.
  - Unverified fields are identified at the end of the EF message page.

**NOTE** It's easiest to view all EF messages from View mode, but individual issues can be viewed, and in some cases accessed, from the **Calculation Results** window. See “Calculation Results” on page 180.

3. Return to data entry and correct the issues that are preventing e-filing.
4. Re-calculate the return.

Repeat the above steps until all federal and state EF messages are eliminated.

## Step 2: Prepare the Transmission File

**TIP**

To bypass this step, select the return directly from the **Calculation Results** screen. (See Figure 8-3 on page 232.)

To prepare the transmission file:

*Shortcut: CTRL+S*

1. From the Drake **Home** window, select **EF > Select Returns for EF**. The **EF Return Selector** displays a list of recently calculated returns. Those eligible for e-file are indicated by a check box (Figure 8-2).

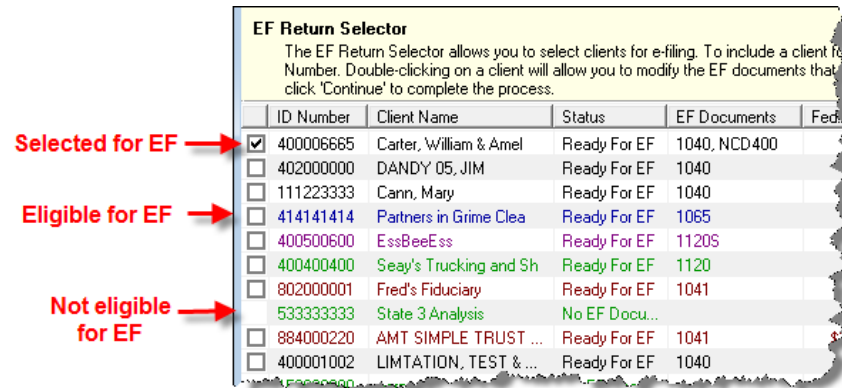


Figure 8-2: Eligible returns are indicated by boxes

2. Select the boxes of the returns to transmit. Use the **Select All** or **Unselect All** buttons as needed.

**TIP**

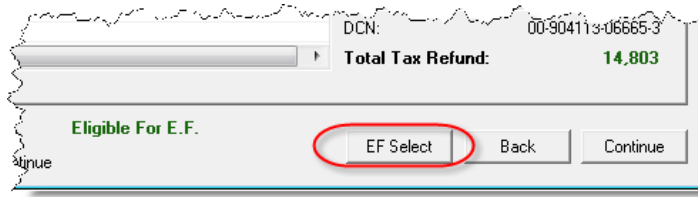
Click column headers to sort returns by column.

3. (optional) Double-click a return to open an **EF Transmission Detail** box for the return. This box displays the client name, ID number, EF status, and federal and state forms to be filed and allows you to finalize the specific returns (1040, 4868, 1120, etc.) to be transmitted. Click **Save** to retain any changes you make.
4. Click **Continue**. The Report Viewer shows the **EF Selection Report**, which lists all returns that are awaiting transmission. See “Report Viewer” on page 293 for details on Report Viewer features.
5. Click **Exit** to close the Report Viewer.

The selected returns are now in the “send” queue and are ready for transmission.

### EF Select Button

The **EF Select** button is available in all packages and is located at the bottom of the **Calculation Results** window. By default, the button is activated if the calculated return is eligible for e-file (Figure 8-3 on page 232).



**Figure 8-3: EF Select button at bottom of Calculation Results window**

By clicking **EF Select**, you can send federal and state returns directly to the e-file queue.

## NOTE

The option to pause at the **Calculations Results** window must be selected in **Setup > Options, Calculation & View Print** tab. You also must go to **Setup > Options, EF** tab and select **Allow selection for EF from the 'Calculation Results'** screen.

## Troubleshooting Return Selection

If a return is not in the **EF Return Selector**, consider these troubleshooting actions:

- Recalculate the return.
- Eliminate EF messages. Remember to check for both federal and state messages.
- From the **Home** window, go to **Setup > Options** and select the **EF** tab to see if **Require 'Ready for EF' Indicator on EF screen** is selected. If it is, go to the **EF** screen in the return. In the **Ready for EF** box at the top, select **X – Ready for EF**.
- Check to see if the return contains forms that are not e-filable.

## Step 3: Transmit Return

## CAUTION

Never transmit from more than one computer unless the software is installed on a dedicated server. Calculating from more than one computer can lead to "duplicate DCN" rejections. This can affect the ability to print checks and can prevent IRS acks from showing up in your EF database.

To transmit a return:

1. Ensure that the Internet connection is working properly and that the returns are selected for e-filing. (See "Step 2: Prepare the Transmission File" on page 231.)
2. From the **Home** window, select **EF > Transmit/Receive** to open the **Transmit/Receive** dialog box, which displays the types of returns to be e-filed.
3. (optional) To review and, if necessary, eliminate files from the "send" queue, select a file from the **File for EF** pane and click **Review**. The **Transmit File Editor** lists individual returns. To remove a return from the queue, select it and click **Remove**.
4. Click **Send/Receive**. The Report Viewer displays the **EF Transmission Record**.
5. Click **Exit**.

*Shortcut: Press CTRL+T to open the **Transmit/Receive** dialog box*

## NOTE

The **EF Transmission Record** lists returns that are *planned* for transmission. Because transmittal can be interrupted or a return denied, this list is *not* suitable as a record of transmitted files.

The program immediately logs in to Drake and performs the following tasks:

- Checks for new acknowledgments
- Transmits files to Drake
- Retrieves pending acknowledgments of the transmitted files (if available)
- Checks for Drake e-mail (if this option is selected; see following note)
- Logs out of Drake

Transmission notes appear in the **Communications** box of the **Transmit/Receive** window as transmission progresses. When transmission is complete, all returns transmitted through Drake are forwarded to the correct IRS processing center.

6. Click **Exit** to close the **Transmit/Receive** box.

## TIP

To have the system check for Drake e-mail during transmission, go to **Setup > Options, EF** tab and select **Check for e-mail during EF transmit/receive**.

## Receiving “Acks Only”

To check for acknowledgments without transmitting any files to Drake, go to **EF > Transmit/Receive** and click **Acks Only**. The program checks for federal and state acknowledgments, bank-product acknowledgments, and check authorizations. See “Step 4: Process Acknowledgments,” following, for more on acknowledgments.

## Step 4: Process Acknowledgments

When Drake receives a transmission, it immediately returns a one-letter acknowledgment, or “ack.” When the IRS Submission Processing Center receives the return, it sends an ack to Drake, which you can “pick up” by logging in to Drake.

## Ack Processing

To process acks, go to the **Home** window and select **EF > Process Acks**. The **Process Acknowledgments** box displays progress. This data is copied to the EF database for later access. (See “EF Database” on page 239.) If no new acknowledgments are found, Drake asks if you want to review old ones. After you read the acknowledgment file, an **Acknowledgment Report** shows the acknowledgment code and batch ID.

## Ack Codes

Drake codes are shown in Table 8-1. Re-send any return that receives a “B” ack.

**Table 8-1:** Drake Acknowledgment Codes

Code	Description
P	Tax return transmitted successfully to Drake. Return is being processed.
T	TEST return transmitted successfully to Drake.
B	Bad transmission

## NOTE

A “B” ack received for a return sent in a batch with other returns means only that return received the “B” ack; the other returns in the transmission will still be processed if they each generated a “P” ack.



IRS acknowledgment codes are shown in Table 8-2. IRS acknowledgments are usually processed within 24 hours.

**Table 8-2: IRS Acknowledgment Codes**

Code	Description
A	Tax return has been accepted by the IRS.
R	Tax return has been rejected by the IRS.
D	Tax return is a duplicate of a previously filed return or DCN; rejected by IRS.
E	Imperfect return; see "Imperfect Returns" on page 236.

Bank acknowledgments, listed in Table 8-3, are usually processed within hours of IRS acknowledgments, depending on volume.

**Table 8-3: Bank Acknowledgment Codes**

Code	Description
Bank Product Accepted	Bank product application has been approved.
Bank Product Declined	Bank product application has been declined.
Check Print	Checks are available for printing.
Prep Fees Deposited	Preparer fees have been deposited.

State acknowledgment codes are not listed here, as codes and processing times vary.

### Troubleshooting Acks

Described below are some troubleshooting steps for commonly received acks.

- **B** — A "B" ack can occur for several reasons. The reason (for instance, if program updates are missing) is included with the acknowledgment. If you receive a "B" ack, correct the described problem, recalculate the return, and re-transmit.
- **R** — An "R" ack indicates that the return has been rejected by the IRS. A reject code showing the reason for the rejection is provided. Look up reject codes in the EF database (see "Reject Code Lookup" on page 240), address the issue, and re-transmit. Be sure to download and install the latest Drake updates (see "Update Manager" on page 261) and check your Drake e-mail for new tax developments.
- **D** — A "D" ack occurs if a submitted return is a duplicate of a previously filed SSN or DCN. Check the EF database to see if the return has been transmitted more than once. If it was accepted previously, you do not have to re-transmit it.

### NOTE

"D" acks can be caused by calculating on multiple computers from a peer-to-peer network (no dedicated server), or if DCNs are not sufficiently staggered. (See "Staggering DCNs," following.)

### Staggering DCNs

Each computer assigns a Declaration Control Number (DCN) to every calculated return. Each return created after the first return is assigned a DCN in sequential order, starting with 01001 (01001, 01002, 01003, etc.). If an office is not networked and uses

multiple workstations for data entry, each workstation must adjust (“stagger”) its DCN counter.

**IMPORTANT** Stagger the starting DCNs *before* creating 2012 returns.

To stagger the DCNs, complete the following steps on *each* workstation:

1. From the **Home** window, go to **Setup > Firm(s)**.
2. Double-click the firm, or select it and click **Edit Firm**. The bottom half of **Firm Setup** becomes active.
3. Change the **DCN serial number** (Figure 8-4). Drake suggests choosing starting DCNs that are at least 2,000 numbers apart.

Federal EIN	123456789	
State ID number		
EFIN	123456	
DCN serial number	05000	Non-paid-prep

**Figure 8-4: DCN Serial Number** field in Firm Setup

4. Click **Save** to save changes, or click **Cancel** to exit without saving changes.

Depending on the amount chosen to stagger the numbers, each workstation now produces DCNs based on a different starting number. For example, if you chose to stagger by 2,000 with the first computer starting at 01000, the second computer would start at 03000, the third at 05000, and so on. In this case, each computer can process 2,000 returns before duplicating a DCN.

**CAUTION** Be careful if changing DCNs after tax season begins and returns have already been transmitted. If DCN staggering is done improperly, returns might be processed with duplicate DCNs, causing e-file rejections.

### Changing a DCN

When a return receives an IRS rejection because the same DCN was assigned to more than one taxpayer, the DCN must be changed before you can re-transmit the return.

To change the DCN of a tax return:

1. In data entry for the return, press CTRL+M and wait while the program assigns a new DCN.
2. Click **View** to go to View mode, where you can check Form 8879 to verify that the DCN has been changed.



Department of the Treasury Internal Revenue Service		Keep this form for your records. See instructions.	
Declaration Control Number (DCN)		00-777777-066658	
Taxpayer's name	WILLIAM CARTER	Social Security number	400-
Spouse's name	AMELIA CARTER	Spouse's Social Security number	256-
<b>Part I</b> Tax Return Information - Tax Year Ending		<b>Declaration Control Number (DCN)</b>	
1 Adjusted gross income (Form 1040, line 38; Form 1040A, line 22; Form 1040EZ, line 4)			
2 Total tax (Form 1040, line 63; Form 1040A, line 37; Form 1040EZ, line 10)			

Figure 8-5: DCN on Form 8879 in View mode

Once the DCN has been changed, the return can be re-transmitted.

### Imperfect Returns

Two common error codes (listed below) for IRS rejection of 1040 returns relate to “name” and “SSN” mismatches on either Form 1040 or Schedule EIC:

- **Error Code 0501** — A dependent’s SSN or name on Schedule EIC does not match the SSN or name in the IRS master file.
- **Error Code 0504** — A dependent’s SSN or name on Form 1040 does not match the SSN or name on the IRS master file.

The IRS will accept such returns with these error codes (as “imperfect” returns), but you must set up the program for e-filing them.

To set up your program:

1. From the **Home** window, go to **Setup > Options, EF** tab.
2. Select **Activate imperfect return election in data entry**.

To e-file an imperfect return:

1. Open the return and go to the **EF** screen in data entry.
2. Under **Additional Options**, select **Imperfect return election**.
3. Calculate the return.

When you view the return, Drake displays a NOTES page indicating the return is imperfect. When you e-file the return, the IRS will accept it (provided there are no other, unrelated issues), but with an “E” ack. Processing of an imperfect return can take up to six weeks.

### NOTES

Because IRS acceptance is not guaranteed for an imperfect return, no bank products can be e-filed with the return.

Any refund amount could be adjusted as the return goes through exception processing if an exemption claimed is deemed invalid.

## EF Override Options in Data Entry

By default, the program designates all eligible federal and state forms for e-file. Use the **EF** screen to override program defaults on a per-return basis.

## Marking “Ready for EF”

At the top of the **EF** screen is a **Ready for EF** drop list. If the option is selected in Setup, you must select **Ready for EF** before the return is put into the “send” queue for e-file—even if it is otherwise ready to go. Because you must manually indicate that each return is ready to be e-filed, selecting this option can help prevent accidental e-filing of returns. To choose this option, go to **Setup > Options, EF** tab and select **Require ‘Ready for EF’ indicator on EF screen**.

## Suppressing e-File

To suppress a return that is otherwise eligible for e-file:

1. Open the return and go to the **EF** screen, accessible from the **General** tab.
2. Select one of the following check boxes, as appropriate:
  - **Do NOT send Federal** (suppresses e-file of federal return; see Figure 8-6)
  - **Do NOT send any states** (suppresses e-file of all state returns)
  - **Suppress federal/state EF and all bank products** (suppresses e-file of both the federal and state returns, plus any bank products)

The selected returns are not e-filed until the check boxes are cleared.

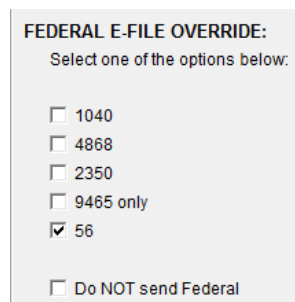
## e-Filing Special Returns and Forms

The **EF** screen includes the options to e-file the following forms *only* (without e-filing any other forms):

- Extensions (Forms 4868 and 2350)
- Form 9465, Installment Agreement Request
- Form 56, Notice Concerning Fiduciary Relationship

To e-file one of these types of forms:

1. Open the return and go to the **EF** screen, accessible from the **General** tab.
2. Under **Federal E-file Override** (Figure 8-6), select the forms to e-file.



FEDERAL E-FILE OVERRIDE:  
Select one of the options below:

- 1040
- 4868
- 2350
- 9465 only
- 56
- Do NOT send Federal

**Figure 8-6: Federal E-file Override** options; in this example, Form 56 will be e-filed.

Be aware that, if the **9465 screen** is completed, Form 9465 will be transmitted *with* the 1040, but if the **9465 only box** is marked on the **EF** screen, only Form 9465 will be transmitted; the 1040 will *not* be transmitted. Similarly, by selecting the check boxes

for **4868**, **2350**, or **56**, you are indicating that the program should transmit *only* the form you've selected; no other forms will be transmitted.

## IMPORTANT

Leaving the **1040** box blank does *not* prevent the 1040 from being transmitted if it is otherwise ready to be e-filed. It *will not* be transmitted, however, if you've marked one of the other check boxes in the **Federal EF Override** section of the **EF** screen.

If you're filing an extension, the applicable box (**4868** or **2350**) *must* be selected on the **EF** screen in order for the program to transmit it.

## Suppressing State Returns

By default, all eligible returns are transmitted—unless you indicate otherwise on the **EF** screen. To suppress one state or city return while e-filing others, select the states or cities *you want to e-file* from the **Select the states/cities to e-file** drop lists. The selected states will be e-filed, but no other state returns will be transmitted, even if those other returns are eligible.

## NOTE

If nothing is selected from the **Select the states/cities to e-file** drop lists, or no check mark is placed in the **Do NOT send any states** check box, the program sends all eligible state returns.

## Overriding Bank-Product Alert

Under the **EF** tab of **Setup > Options** is an option to alert the preparer via an EF message if no bank screen (for a bank product) has been completed for a return. There are two ways to eliminate this EF message: complete a bank screen for the return, or, if the taxpayer is ineligible for a bank product, go to the **EF** screen and mark the **Return not eligible for a bank product** check box, located under **Additional Options**.

## Paper-Filing Forms and Supporting Documentation (Form 8453)

A return can be e-filed even if it contains certain forms that must be paper-filed. The IRS requires that Form 8453, U.S. Individual Income Tax Transmittal for an IRS e-file Return, be e-filed in lieu of these required paper documents, and that these required documents be mailed. Form 8453 must indicate which forms are being mailed separately.

To produce Form 8453 for the paper documents to be mailed:

1. Open the return and go to the **EF** screen, accessible from the **General** tab.
2. Select the appropriate forms in the **Form 8453 Paper Document Indicators** box (Figure 8-7 on page 239).

Form 8453 Paper Document Indicators		
<input type="checkbox"/> Appendix A	<input type="checkbox"/> Form 8283	Select all paper document indicators that apply. For more information on the paper document indicators, click the Screen Help button at the top of the screen.  To mark the Power of Attorney PDI, go to the MISC screen and fill in the Power of Attorney .
<input type="checkbox"/> Form 1098-C	<input type="checkbox"/> Form 8332	
<input type="checkbox"/> Form 3115	<input type="checkbox"/> Form 8858	
<input type="checkbox"/> Form 3468	<input type="checkbox"/> Form 8864	
<input type="checkbox"/> Form 4136	<input type="checkbox"/> Form 8885	
<input type="checkbox"/> Form 5713	<input type="checkbox"/> Form 8949	

**Figure 8-7:** Form 8453 section of EF screen

When the return is generated, Form 8453 shows which forms are to be mailed.

## NOTES

To mark the Power of Attorney as a PDI on Form 8453, go to the **MISC** screen and complete the **Power of Attorney** section (mark the check box and enter the name of the person functioning under the power of attorney).

For more information on Form 8453, go to **Screen Help** for the **EF** screen.

## EF Database

The EF database is a searchable database that displays information about all returns your office has e-filed for the current tax year.

To search the EF database:

1. From the **Home** window, click **EF > Search EF Database**.
2. Enter an SSN, EIN, or name in the **SSN/EIN/Name To Search For** field of the **Search EF Database** window (Figure 8-8). To browse all records, leave this field blank.

**Figure 8-8:** Search EF Database window



3. Click **Go**. To scroll through the records for that taxpayer, use the arrows at the bottom of the screen or press PAGE UP or PAGE DOWN on your keyboard.

To close the EF database, click **Exit**.

## Database Content

The EF database stores data about the return and the associated bank products, fees, and reject codes. Different types of data are stored under tabs. (See Figure 8-8.)

### General Information

The **F1-General Information** tab displays basic taxpayer information along with:

- **IRS acknowledgments** — Federal code and date, transmission date, filing status, and refund amount or balance due are displayed in the left column. This data is from the federal “accepted” record; otherwise, the most recent transmission record for the client file is displayed.

**NOTE** The **Where is my refund?** hyperlink connects you with the IRS “Refund Status” Web page.

- **State acknowledgments** — The **State** column displays the state code and date, filing status, and refund amount or balance due. This data is from the federal “accepted” record; otherwise, the most recent transmission record for the client file is displayed.
- **Reject Codes** — On the right side of the window are fields for the reject code, form ID, form number, and sequence number. Double-click a reject code to jump to the **F4 Reject Code Lookup** tab. (See “Reject Code Lookup,” following.)

### Bank/Direct Deposit Info

The **F2 - Bank/Direct Deposit** tab contains detailed data about any bank products.

- Bank product information is located on the left side of the window.
- Direct-deposit information is located on the right side of the window. This information includes amounts paid to the bank, amounts paid to the preparer, and the dates of the payments.
- Account information be found at the bottom of the window. Account type and number are displayed for each type of direct deposit.

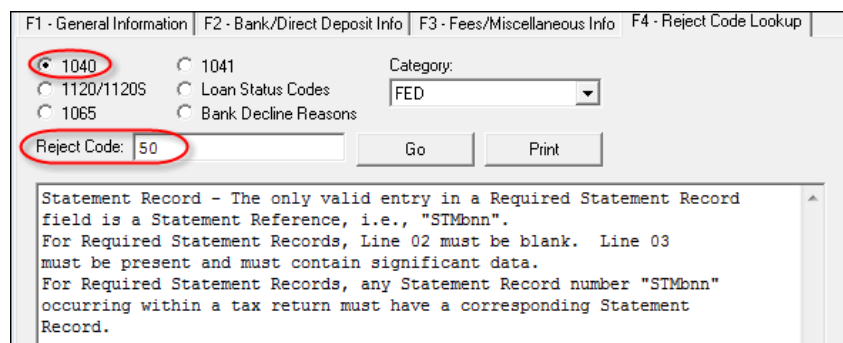
### Fees/Misc Info

The **F3 - Fees/Miscellaneous Info** tab contains general return information about the taxpayer, the firm, and fees distribution.

### Reject Code Lookup

The **F4 - Reject Code Lookup** tab is a search tool for accessing and understanding IRS reject codes. To look up an IRS reject code for a federal return:

1. Select a federal return type (1040, 1120/1120S, 1065, or 1041; see Figure 8-9).
2. Enter the reject code in the **Reject Code** field.
3. Click **Go**. The IRS explanation of the code is displayed in the lower box (Figure 8-9).



The screenshot shows the 'F4 - Reject Code Lookup' tab. It features a form with the following elements:
 

- Radio buttons for return types: 1040 (selected), 1041, 1120/1120S, 1065, Loan Status Codes, and Bank Decline Reasons.
- A 'Category' dropdown menu set to 'FED'.
- A 'Reject Code' text field containing the value '50'.
- 'Go' and 'Print' buttons.
- A text area at the bottom displaying the IRS explanation for reject code 1040: "Statement Record - The only valid entry in a Required Statement Record field is a Statement Reference, i.e., "STMbnn". For Required Statement Records, Line 02 must be blank. Line 03 must be present and must contain significant data. For Required Statement Records, any Statement Record number "STMbnn" occurring within a tax return must have a corresponding Statement Record."

**Figure 8-9:** Looking up 1040 reject code on **Reject Code Lookup** tab

4. (optional) Click **Print** to print the code explanation.

To search for a state reject code for an individual return, select **1040**, and then select the state from the **Category** drop list before entering the reject code.

To view bank product status, select **Bank Codes** (wording varies by bank). Explanations are displayed in the lower box.

To view **Bank Decline Reasons**, select that option, and then choose a bank from the drop list. Explanations are displayed in the lower box. (Not all bank have codes listed.)

## Leaving the EF Database

Take one of the following actions to close the EF database or access another application from within it.

- To close the EF database and return to the Drake **Home** window, click **Exit**.
- To open the **Online EF Database** (an Internet connection is required), click **F10 - Online DB** (or press F10). The EF database in Drake remains open.
- To close the EF database and access data entry for a selected return, click **F5 - Data Entry** (or press F5).

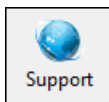
### IMPORTANT

Peer-to-peer networks only: For non-transmitting workstations to view the EF database, you must select the drive letter of the transmitting machine from the **Select a network drive for Drake 2012** drop list on the **Setup > Directories and Paths** window. See "Directories and Paths Setup" on page 18.

## Online EF Database

The online EF database displays real-time data on e-filed returns. You can run reports on returns bank products, and checks; search for e-filing information for a single SSN or EIN; access the Multi-Office Manager (MOM); view CSM data for one or multiple offices; and check the status of each IRS Service Center.

To access your online EF database from within the software:



1. From the **Home** window, click **Support**. (If you are already in the EF database, click **F10 - Online DB**.)
2. Enter your EFIN and password and click **Log In**.
3. Go to **My Account > EF Database**.

By default, the database displays information for the current tax year. To view another tax year, select the year from the **Tax Year** drop list under the blue sidebar menu on the left side of the page.



Below the tax year drop list is the **SSN/Last Name Search** field. To find information on a specific return, enter the SSN or last name in this field and click the blue arrow.

**TIP**

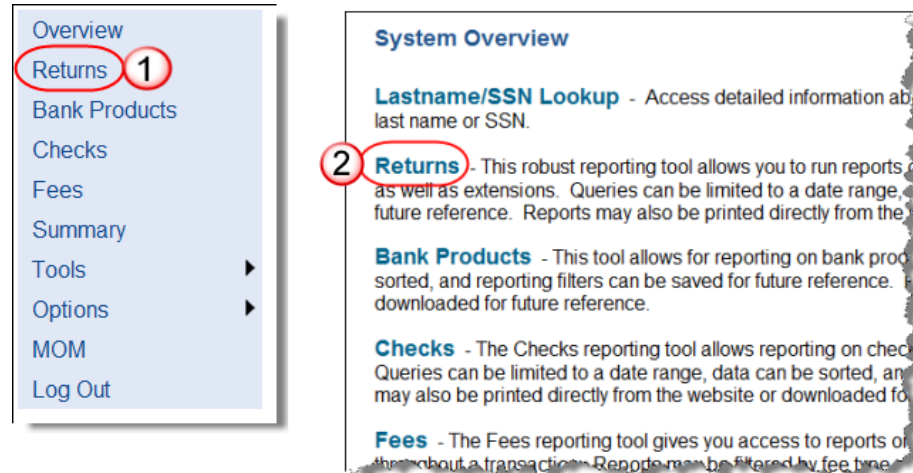
Any available checks and outstanding acknowledgments appear on the opening window of the online EF database every time you open it.

Most of the options in the blue sidebar menu of the online EF database screen are for viewing and running reports. You can also access these options by scrolling down the screen and clicking the blue headings. Reports available are listed in Table 8-4.

**Table 8-4:** Reports Options Available from Online EF Database

<b>Category</b>	<b>Description</b>
Returns	Filtered by: type, status, date, with and without bank products, EFIN
Bank Products	Filtered by: type, status, date, EFIN
Checks	Filtered by: Disbursement, status, date, EFIN
Fees	Filtered by: status, date, EFIN, preparer (and as summary)
Summary	Filtered by type (EF, preparer, Zip code, returns, returns by Ack date) and by date
Tools	94x reports (for Client Write-Up users; see "94x Reports" on page 244); manage suppressed returns; download ABCvoice Files, generate client contact information lists
Options	Configure report security, manage check suppression, manage saved reports
MOM (Multi-Office Manager)	Multiple office reports; see "Multi-Office Manager (MOM)" on page 245.

To select a report category, click one of the report categories from the blue sidebar menu (item #1 in Figure 8-10 on page 243) or scroll down the **Overview** page and click a blue heading (item #2 in Figure 8-10 on page 243):



**Figure 8-10:** Two methods of selecting “Returns” from the Online EF database report categories

### Viewing a Report

To view a report:

1. Click a category option to select a report category (Figure 8-10).
2. Enter a **Return Type**, **Return Status**, **Date Range**, **Disbursement Method**, or **Report Options**. These criteria vary by report type. The report pulls information from only those returns with records that fall within the date range and based on the criteria selected.
3. (optional; for multiple-EFIN offices only) Select **Restrict to** and choose an EFIN to filter the report by returns for a particular EFIN.
4. Click **Run Report**.

Click **Download** and **Print**, respectively, to export a report in spreadsheet format (suitable for Microsoft Excel) or to print the report.

### Saving Report Criteria

To save a set of report criteria for future use:

1. Click a category to select a report category (Figure 8-10).
2. Enter the report criteria.
3. Click **Save Report**.
4. Type a report name in the **Save Report As** field.
5. Click **OK**.

In the future, when you want to view reports that meet those criteria, select the report name from the **Saved Reports** drop list.

### Deleting Reports

When you are ready to delete a saved report, select **Options** from the blue sidebar menu and click **Manage Saved Reports**. Reports are displayed in columns on the **Saved Report** page. Select a report and click **Delete**. Sort reports by clicking column headers.

## Using the Database for Multiple EFINs

If your company has multiple EFINs, you can provide different levels of access to the online EF database for different EFINs.

### NOTE

Hierarchies are built and maintained through the Enterprise Office Manager (EOM). Access the EOM through the Drake Support webpage (*Support.DrakeSoftware.com*) by selecting **My Account > Bank Application** from the toolbar. An EOM manual and video tutorial are available; on the opening window of the EOM website, click **Help**.

## Setting Security Levels

Security settings allow you to password-protect reports in the online EF database. To define security settings:

1. Log in to the online EF database. (See “Online EF Database” on page 241.)
2. Click **Options**.
3. Click **Configure Report Security**.
4. Enter an e-mail address and password and click **Add/Update Security Password**.
  - From the **Tab Security** section, click **False** or **True** for a whole report category. (**False** leaves the report unprotected; **True** requires the password for access.)
  - From the **Report Security** section, click **False** or **True** as desired for a specific saved report.

To exit the report security screen, choose another report option from the blue sidebar menu.

## Tools

Four functions are available from the **Tools** option: **Run 94x Report**; **Manage Suppressed Returns**; **Download ABC Voice**; and **Generate Contact List**.

### 94x Reports

If you use Drake's Client Write Up to e-file 940, 941, and 944 reports and returns, the online EF database allows you to run reports on those clients. To run a report:

1. From the online EF database sidebar menu, click **Tools > 94x Report**.
2. Choose the **Return Type** and **Date Range**.
3. Select a **Status**. The available statuses are:
  - **A** — Include only returns with “A” (accepted) acks
  - **P** — Include only returns with “P” (pending) acks
  - **R** — Include only returns with “R” (rejected) acks
  - **S** — This status not active for these reports
4. Click **Run Report**.

## Manage Suppressed Returns

When running **Returns** reports, you are offered the option of hiding rejected returns. (See Figure 8-11)

Records Returned: 170		Page: 1 2 3 4 ... 9				Lines per Page	
EFIN	Name	Last 4 SSN	Ack Date	Ack Code	Hide	Tran Date	Type
777777	JONES, SAMPLE A	2222	01/13/2012	Rejected	hide	01/12/2012	1040
777777	SANDERS, CLYDE	1004	01/21/2012	Rejected	hide	01/21/2012	1040
777777	SANDERS, CLYDE	1004	01/21/2012	Rejected	hide	01/21/2012	1040

**Figure 8-11:** Click **hide** to delete rejected returns from a **Returns** report

To return the rejected returns to the report, go to **Tools > Manage Suppressed Returns** and click **Show**. (See Figure 8-12)

Records Returned: 2		Page: 1		Lines per Page: 20	
EFIN	Name	Last 4 SSN	Ack Date	Show	
777777	JONES, SAMPLE A	2222		Show	
777777	JONES, SAMPLE A	2222	01/13/2012	Show	

Report created on 5/14/2012 2:52:39 PM Page 1 of 1

**Figure 8-12:** Click **Show** to restore hidden returns to a **Returns** report

## ABCvoice Files

Also in **Tools**, the option to **Download ABC Voice** applies to preparers using the ABCvoice File tool. For more information, call Versicom at (937) 438-3700.

## NOTE

If using ABCvoice, go to the **ABCV** screen to indicate whether the taxpayer has signed the Consent to Disclosure of Tax Return Information.

## Generate Contact Lists

To build lists containing contact information for your clients:

1. From the online EF database toolbar, click **Tools**.
2. Click **Generate Contact List**.
3. Enter report criteria by selecting or clearing the check boxes.
4. To further restrict the results, enter start and end dates to search.
5. Click **Run Report**.
6. (optional) To export the report into a spreadsheet, click **Download**. You are asked whether you want to open or save the file. Click **Open** or **Save** as desired. If you click **Open**, you will have another opportunity to save the report from within Excel.



## Multi-Office Manager (MOM)

The Multi-Office Manager (MOM) is the online version of the Client Status Manager (CSM). (See Chapter 9, "Client Status Manager.") Designed for the multi-office environment, MOM allows you to track workflow of multiple offices, providing a snapshot of your entire business. Reports and statistics on demographics, return status, return type, bank, payments, fees, and billing information are available.

## Transferring Data to MOM

For CSM data to be transferred to MOM, the software must be configured to send CSM data to Drake during the e-filing process. Each Level-1 and Level-2 EFIN office in a multi-office environment must complete the following steps:

1. From the **Home** window of Drake Software, go to **Setup > Options, EF** tab.
2. Under **Session Options**, select **Transmit return data to Drake for multi-office web reports**.
3. Click **OK**.

Any changes made in CSM will be transmitted to MOM during e-file transmissions.

## Running a MOM Report

To run a MOM report:

1. In the online EF database sidebar menu, click **MOM** to view filters. (Figure 8-13).

Figure 8-13: Multi-Office Manager (MOM) filters

2. Select an option from each filter and click **Run Report**.

The report displays all of the data columns available in the CSM. Scroll down or across the report screen to view all the available data.

If a report contains more than a specified number of rows (default is 25), it is paginated. Page numbers appear in the upper- and lower-left corners. The number of rows displayed per page can be changed via the **Rows Per Page** drop list above the report.



- To *print the report*, click **Print**. Only the data on the report is printed.
- To *sort data* based on the column selected, click a column header.
- To *view e-filing details* for a particular return, click the record's **ID number**.



- To *export the report* into a spreadsheet, click the **Download**. You are asked whether you want to open or save the file. Click **Open** or **Save** as desired. If you click **Open**, you will have another opportunity to save it from within Excel.

All data for the given report criteria is saved—not just the data shown on the current page. Once the report is exported and saved as a worksheet, access it from either Excel or Access.

## Copying EF Data

Firms with multiple computers but no network might have to copy data from computer to computer using a disc, USB flash drive, or other memory storage device.

### IMPORTANT

For firms that use a network, copying EF data from one computer to another is not recommended.

## Copying to Another Location

To copy EF data from a computer to a memory storage device:

1. From the **Home** window of the software, select **EF > Copy EF Returns to Disk** and select the returns to copy. Click **Select All** or **Unselect All** as needed.

### TIP

Click column headers to sort in ascending or descending order.

2. Click **Continue**.
3. Select the output drive from the **Select Drive** drop list.
4. Click **Copy Files** (Figure 8-14).

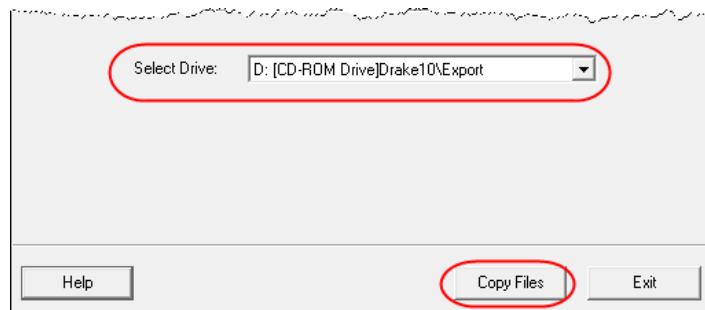


Figure 8-14: Copying files to CD

5. Click **OK** after files are copied.

## Copying From a Storage Device

To copy EF information from a data storage device to a computer:

1. From the **Home** window of the software, select **EF > Copy EF Returns from Disk**.
2. In the **Copy EF Return from Disk** dialog box, select the drive to copy files from.
3. Click **Copy Files**.
4. Click **OK** to copy each file. Click **Exit** to close.

## About State e-Filing

Most states accept e-filed returns and some require it—or have regulations that determine at what point a tax professional can or must begin to e-file. (Mandates don't apply to taxpayers who e-file their own returns.) Some states with mandates have their own application process for EROs and tax preparers who offer bank products. These processes and the rules and regulations pertaining to e-file vary from state to state.

The state FAQ screens in data entry includes links to state e-file information. Information on individual state requirements is available at *Support.DrakeSoftware.com* and in Appendix E: State e-File Mandates.

# 9 Client Status Manager

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Use the Client Status Manager (CSM) for tracking workflow within an office. The CSM can show you, with just a glance, the status of all returns in their various stages of completion: when a return was begun, when it was completed, who worked on it, and the current filing status and payment status, to name of few of many available statuses.

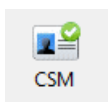
The CSM can display various other types of data, including client name, ID number, and client name, and phone number, return type, balance due, preparer name, client status, bank deposits, client payments, and the starting and completion dates for each return. The CSM can be used for searching, viewing, organizing, and printing data.

## NOTE

The logged-in preparer can see his or her CSM data upon login using the Personal Client Manager (PCM). Much of this chapter applies to the PCM and the CSM; see notes throughout these pages.

## Accessing the CSM

Choose one of the following methods to open the CSM:



- From the Drake **Home** window, click the **CSM** icon in the toolbar.
- From the Drake **Home** window, select **Reports > Client Status Manager**.
- Press CTRL+L on your keyboard.

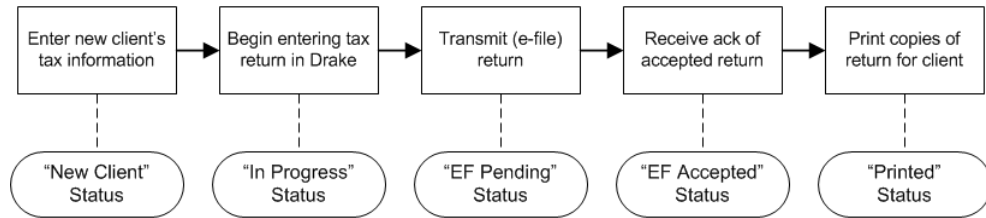
You cannot access the CSM from data entry, but you can change the client's status. To do so, click the CSM icon in the **Data Entry Menu** toolbar and select a new status.

## About Client Statuses

The CSM categorizes clients by status. A *client status* is the stage of a return in the return-preparation cycle. The CSM's predefined client statuses can be set automati-



cally as the return progresses through the cycle (Figure 9-1), or manually as needed. You can also define new statuses.



**Figure 9-1:** Some statuses are set automatically as the return is processed.

## Predefined Statuses

Table 9-1 displays the predefined statuses in the CSM. Note that some are set automatically while others must be set manually.

**Table 9-1:** Predefined Statuses in the CSM

Set Automatically			Set Manually		
New Client	EF Pending	Printed	Complete	On Hold	Signed
In Progress	EF Accepted		Under Extension	Under Review	Delivered

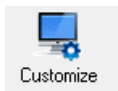
Set statuses manually as appropriate. Note that the program never automatically assigns a return a status of **Complete**.

**NOTE** When a status changes in the CSM, it also changes in the PCM.

## Custom Statuses

Define as many as ten custom statuses. Custom statuses must be set and changed manually. We recommend creating custom statuses before tax season begins.

To define a custom status in the CSM:



1. Click **Customize**. The **Customize Display** dialog box is opened.
2. Under the **Status Settings** tab, select a status description to rename (Figure 9-2 on page 251). Five of the custom statuses have suggested descriptions that can be changed.

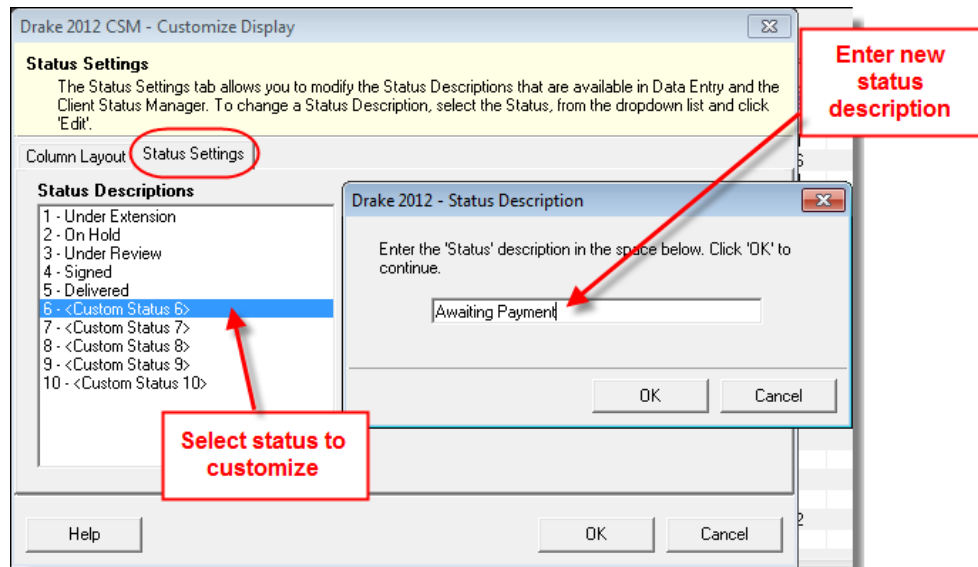


Figure 9-2: Creating custom statuses

3. Click **Edit**.
4. Enter a status description in the **Status Description** text box (Figure 9-2) and click **OK**.

To restore all original statuses, click **Reset**.

**NOTE** When a custom status is changed or created in the CSM, it is also changed or created in the PCM.

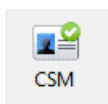
## Setting Statuses

Set return statuses at any time during the return-preparation cycle. A status can be set from within the CSM or from data entry. For consistent and valid CSM status reports, set statuses for each stage of a return.

**TIP** You can ensure that the CSM **Status** column is always correct. From the Drake **Home** window, go to **Setup > Options**. Under the **Calculation & View/Print** tab, select **Auto-calculate tax return when exiting data entry**. When the return is calculated upon exit, the **Status** column will be automatically updated.

## Setting a Status from the CSM

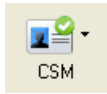
To set the status of a return from within the CSM:



1. Right-click a return record in the **Client Status Manager** list.
2. Select **Set Client Status**. A status list is displayed.
3. Select a return status from the list.

The status is updated in the **Status** column.

## Setting a Status from Data Entry



To set the status of a return from within data entry, click the **CSM** button from the **Data Entry Menu** toolbar to display a status list, and then select a return status from the list. The status is automatically updated in the CSM.

## Adding a Client to the CSM

If your client has a data file in Drake, he or she will have a record in the CSM. New client records can be added to the CSM in two ways:

- From the **Home** window, click **Last Year Data > Update 2011 to 2012** and update the return. The client's record goes into the 2012 version of the CSM.
- Create the return using the **File > Open** menu from the Drake **Home** window.

## Opening a Return from the CSM

Returns can be opened or created from the CSM.

*Shortcut: Press CTRL+O to open a return in data entry.*

To *open* a return from within the CSM, highlight a client record from the list and click **Open** (or double-click the record to open in **Client Quick View**, and then click **Open**. See "Quick View" on page 238.) The return is opened to the **General** tab in data entry. When you exit the return, you are brought back to the CSM.

To *create* a return from within the CSM:

*Shortcut: Press CTRL+N to open the Open Client File dialog box.*

1. Click the arrow next to the **Open** button and select **New Client**.
2. Enter the SSN or EIN for the return in the **Open Client File** dialog box.
3. Press **Open**, and then click **Yes**.

When prompted, you can begin entering data for the new return.

## Customizing the Display

Because custom views are saved and displayed according to the logged-in preparer, each preparer can set his or her own display.

### NOTE

Changing the custom view in the CSM does not change the custom view in the PCM. To change the PCM's custom view, right-click within the PCM window and select **Customize Display** from the right-click menu. This action opens the **Customize Display** dialog box. This dialog box is also used for the CSM, as described in the following steps.

To customize the CSM display:

*Shortcut: Press CTRL+D to open the Customize Display dialog box.*

1. Click **Customize**. In the **Column Layout** tab of the **Customize Display** dialog box, **Available Columns** are listed in the left pane, and **Columns in Current View** are listed in the right. (Figure 9-3 on page 253.)

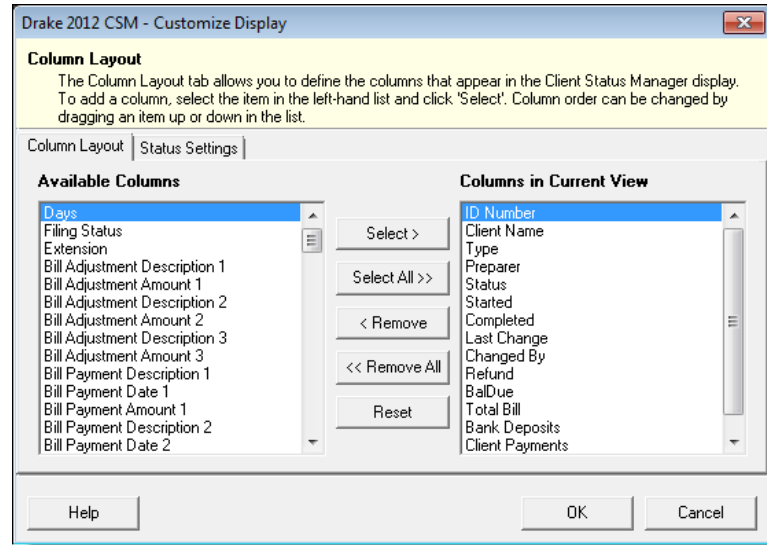


Figure 9-3: Column Layout tab

- To *add* a column, select an item in the left pane and click **Select** to move it to the right pane. To add all items, click **Select All**.
  - To *remove* a column, select an item in the right pane and click **Remove** to move it to the left pane. To remove all items, click **Remove All**.
  - To *change* the column order, drag items up or down the list in the right pane.
  - To *reset* columns to the default view, click **Reset**.
2. Click **OK** to save your changes.

## Other Ways to Customize the Display

Other ways to customize the column display are listed below:

- **Sort** — Click a column header to sort records in ascending or descending order.
- **Adjust widths** — Drag the edge of a column to the desired width.
- **Size to fit** — Double-click a column header's right border.
- **Change column order** — Click and hold a column header, drag it left or right, and release to reposition the column. (This new order is saved upon exit and is automatically updated in the **Customize Display** dialog box (Figure 9-3)).

## Searching, Updating, and Filtering, and Viewing

The following tools will help you find and use data stored within the CSM.

### Searching the CSM



To find a return in the CSM, click **Search**, or press CTRL+F to open the **Find Client Record** text box. As you type the client name or ID, the CSM searches for and highlights the matching record. Click **Close** to exit.

## Updating the CSM

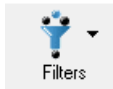


To incorporate the latest return updates when the CSM is open, either click the **Refresh** button or press F5 on your keyboard.

### NOTE

CSM data is updated automatically through different components of the application. Processes affecting CSM data include data entry changes, return printing, e-filing, and check-printing functions.

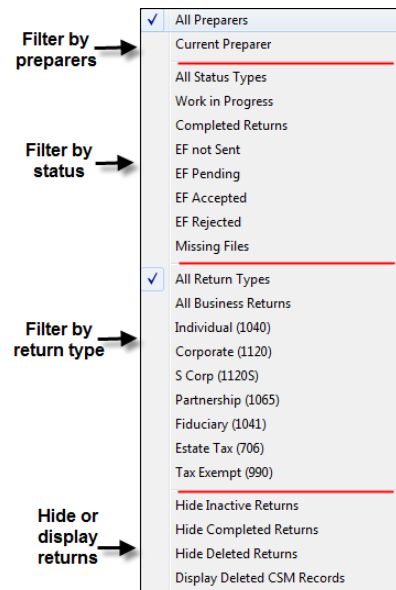
## Filtering Data in the CSM



Filters allow you to control which records are shown in the CSM. To select filters:

1. From the **Home** window, click **CSM**.
2. Click **Filters**. The filter list is divided into four sections, as shown in Figure 9-4.

*Shortcut: Press CTRL+L to view the filter list.*



**Figure 9-4:** CSM filter list

3. Select filters. You can select one filter from each of the first three lists, and any or all of the filters in the bottom list. A selected filter is indicated by a check mark.

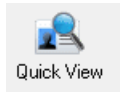
The CSM displays the files that fall within the selected filters.

### NOTES

In the **Status** column, a red **File Not Found** message indicates a deleted return. Records of deleted return files stay in the CSM for tracking purposes.

Filters are also available in the PCM; select **Filter Client List** from the PCM's right-click menu.

## Quick View



The **Client Quick View** window summarizes the CSM data for a selected record. To open this window for a client in the CSM, select a client row and click **Quick View** or double-click the line. Displayed is client information, preparer and firm information, e-file information and acknowledgements, significant dates and actions regarding the return, and the amount of the refund or balance due.

From the **Client Quick View** window, click **Print** to print the data or click **Open** to open the return in data entry. Click **Exit** to close the **Client Quick View** window.

**NOTE** To access Quick View from the PCM, select a record and choose **Quick View** from the PCM's right click menu (or press CTRL+Q).

## CSM Reports

Seven predefined status and financial reports (Table 9-2) are available in the CSM.

**Table 9-2:** CSM reports

Report Title	Description
CSM Data	Report is based solely on the data in the CSM current view.
Cash Receipts	Report lists cash amounts from bank deposits (resulting from bank products) and client payments from the <b>BILL</b> screen in data entry.
Cash Receipts - Bank Deposits	Report lists cash amounts received from bank deposits only. The data in this report is pulled from the EF database.
Cash Receipts - Client Payments	Report lists amounts entered on the <b>BILL</b> screen in data entry.
Completed Returns	Report lists SSN/EINs and client names of returns with a <b>Complete</b> status. The program pulls the date completed from the <b>ADMN</b> screen, which is automatically set when you select a status of <b>Complete</b> . (An administrative user can manually set the completion date by completing the <b>Date complete</b> field on the <b>ADMN</b> screen.)
Problem Returns - 'Old' Returns	Report lists returns that have taken longer than a specified number of days to complete.
Problem Returns - 'Missing' Files	For this report, the CSM scans client files for <b>File Deleted</b> and <b>File Not Found</b> statuses.

Many reports rely on data entry for accuracy. To take full advantage of the CSM's reporting features, you must use the data entry screens mentioned in Table 9-2.

## Generating a CSM Report

To generate a report from the CSM:



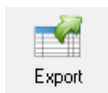
1. Select **Reports**.
2. Select a report from the **Select Report** drop list in the **CSM Reports** dialog box and enter the requested data.
3. Click **Report**. The report data is displayed in the Report Viewer.

You can print the report, export it into another program, or customize the display. For information on using the Report Viewer, see “Report Viewer” on page 323.

## NOTE

To access the **CSM Reports** dialog box from the **Home** window, select **Reports > Report Manager**. Next, under **Other Report Options**, double-click **Client Status Manager Reports**.

## Exporting CSM Data



To export CSM data into Notepad or CSV format (suitable for Microsoft Excel and Microsoft Access), click **Export** in the CSM toolbar. A worksheet of the data is opened automatically.

## Admin-only Features

Users with administrative rights can delete records from the CSM display, restore CSM data, and remove duplicate entries.

### Deleting a Record from the CSM Display

When a record is deleted from the CSM display, it is no longer visible in the CSM. It still exists in the software, however. To delete a record from the CSM display, right-click the record and select **Delete CSM Record (This Client)**. To view a deleted record, click **Filters > Display Deleted CSM Records**.

## NOTE

To delete a client file from Drake, see “Deleting Files from the Program” on page 297. A record cannot be deleted from within the PCM.

### Restoring Data

When restoring data, the CSM scans a client file, calculates the return, searches the EF database, and updates the data. To restore data from the CSM, right-click a record and select **Restore CSM Data (This Client)**. Click **OK**.

### Removing Duplicates

To remove a duplicate entry in the CSM, right-click a record and select **Remove Duplicate Entries (Entire Database)**.

## NOTE

Duplicate CSM (and PCM) entries must be removed from *within the CSM*; they cannot be removed from within the PCM.

# 10 Resources and Support

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Drake Software offers a wide range of support resources. In addition to our unparalleled telephone support, Drake has a variety of online and software help resources to give you 24-hour access to the latest information.

Help resources are available to assist you in making the most of your tax preparation software and using it successfully. We do not, however, provide tax law advice. Support is provided as an aid to tax return completion only. Preparers are responsible for knowing tax preparation and for the accuracy of returns filed with the IRS and state tax authorities.

## Drake Software Manual

Your *Drake Software User's Manual: Tax Year 2012* is an electronic document with a comprehensive index to help you quickly find the information you want. You can save the manual to your desktop or print your own copy. It is available from three locations:

- **Drake Home window** — Select **Help > Online Resources**.
- **Software CD** — The latest version of the manual is shipped with each CD.
- **Support website** — *Support.DrakeSoftware.com > Training Tools > Manuals*.

To purchase a printed copy of the manual (\$25 plus tax and shipping), go to *Support.DrakeSoftware.com* (**Training Tools > Manuals**).

### IMPORTANT

If you use a printed copy, be aware that it must be updated manually throughout tax season. (Addenda pages are included on each Drake CD.) Because Drake continually updates the online manual throughout the season, your best bet for always having the most current version is to use the online manual.



## Online Support

Drake's Support website (*Support.DrakeSoftware.com*) offers a wealth of resources that are available 24 hours a day. In addition to current tax information, it provides the online support options discussed here. A reliable Internet connection is necessary to take full advantage of Drake's online resources.

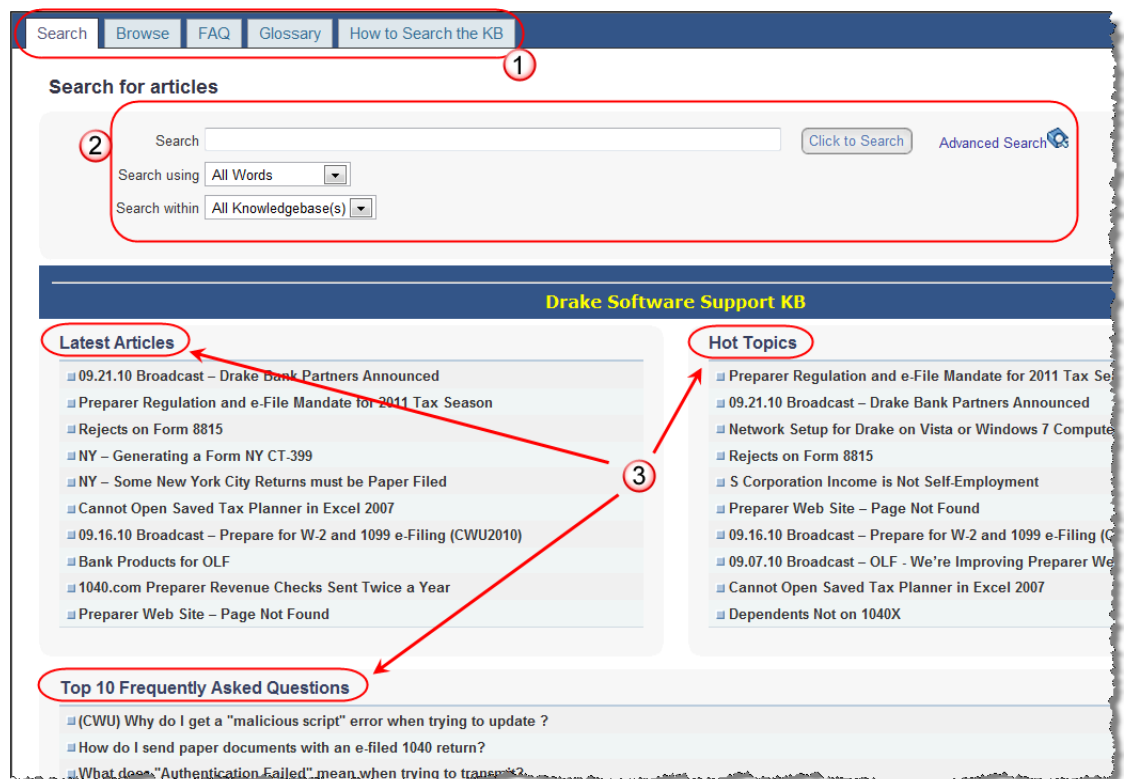
## Knowledge Base

The Knowledge Base (KB) is a searchable database of articles submitted by clients, programmers, the IRS, and state revenue departments covering most of the topics that generate support questions. There are more than 1,800 articles covering such topics as Drake's tax and Client Write-Up software, changes in state and federal tax laws, tax-return troubleshooting, bank products, tax-law research, and other topics related to your tax practice.

To access the KB, go to the Drake Support site and select **Resources > Knowledge Bases**. From the list displayed, click the KB you want to view:

- **Drake Software Support** — Articles covering both Drake Software and Client Write-Up)
- **Client Write-Up** — Article covering just CWU and CWU update notes

When you open a KB, the **Search** tab for that KB is displayed (Figure 10-1).



**Figure 10-1:** KB tabs (item 1); search fields (item 2); and suggested articles (item 3)

NEW FOR  
2012

Drake has added a GruntWorx Knowledge Base to the list of available Knowledge Bases. New articles are being added. To search the GruntWorx KB, from the **Search for articles** section, select **GruntWorx KB** from the **Search within** drop list. See item #2 in Figure 10-1 on page 258. For more on GruntWorx, see Chapter 13, "Suite Products."

Begin your queries by viewing the **Latest Articles** (those most recently published or changed), **Hot Topics** (those most viewed in the past month), and **Top 10 Frequently Asked Questions**. (See item 3 in Figure 10-1 on page 258.) Next, search for specific articles, questions, or terms using the five tabs listed in Table 10-1.

**Table 10-1:** KB Tabs (See item 1 in Figure 10-1)

Tab	Description
Search	Search for articles using word searches. Enter search criteria under <b>Search for articles</b> . (See item 2 in Figure 10-1 on page 258; see also "Searching the KB," following.)
Browse	Open folders containing all articles on a selected subject. Choose from more than two dozen folders of tax software topics and 18 folders of Client Write Up topics.
FAQ	View articles we believe to be most pertinent. These change frequently, so check back often.
Solution Finder	Helps you diagnose, identify, and resolve data-path problems.
Glossary	View a list of relevant tax and Drake Software terms.
How to Search the KB	View detailed instructions on how to use the KB search features to quickly find relevant articles.
Category List	View all categories of topics in the Drake and CWU Knowledge Bases.

## Searching the KB

To search for a topic or article in the KB:

1. Under the **Search** tab (Figure 10-1 on page 258), enter a keyword in the **Search** field.
2. (optional) Direct your search by selecting options from the **Search Using** and **Search Within** drop lists. **Search Using** options are described in Table 10-2.

**Table 10-2:** Options in KB **Search Using** Drop List (See item 2 in Figure 10-1.)

Search Option	Description
All Words	Searches for articles containing all search terms entered.
Any Word	Searches for articles containing any one of the search terms.
Boolean	Allows connector words to be used in conjunction with keywords to aid in searching. Use <i>and</i> , <i>not</i> , and <i>or</i> .
Exact Phrase	Searches for articles containing the exact phrase entered.

**Table 10-2:** Options in KB Search Using Drop List (See item 2 in Figure 10-1.)

Search Option	Description
Natural Language	Allows you to enter a sentence in the <b>Search</b> field. The KB pulls out matches to any words in the sentence.

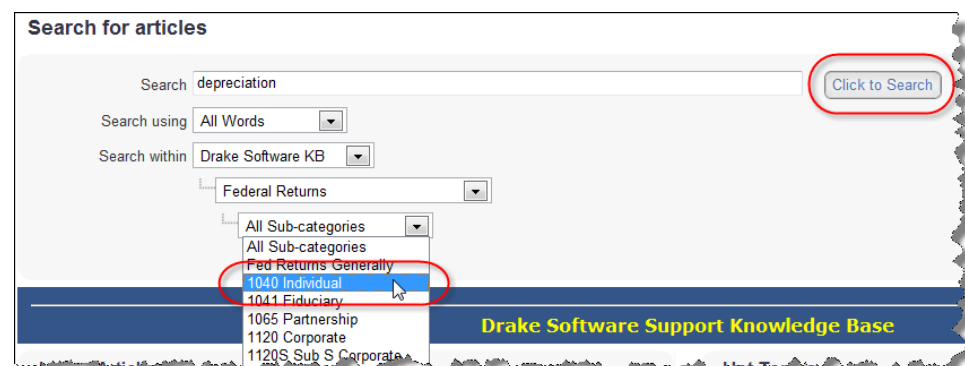
3. Select **Click to Search**. Related articles appear in order of relevance, with the most relevant first. From the **Sort by** drop list, articles can also be sorted by the date the articles were modified, by the article rating, or by the article titles. Click a title to open the article. If only one article meets the search criteria, the KB opens that article. Matches to your keywords are highlighted.

Be sure to click the **How to Search the KB** tab for additional instructions on setting up article searches.

### Search Within

Use the new **Search Within** feature (Figure 10-2) to narrow a search to specific article categories within specific databases and find pertinent articles more quickly. For example, to get information on reporting depreciation for a federal 1040 return in Drake's tax software, you might take the following steps:

1. Type **depreciation** into the **Search** text box. (Figure 10-2)

**Figure 10-2:** Narrow your search with Search Within

2. From the **Search using** drop list, make a selection. (See Table 10-2 on page 259 for the list of selections.)
3. From the **Select within** drop list, select **Drake Software KB**.
4. From the new drop list that appears below, select **Federal Returns**.
5. From the new drop list that appears, select **1040 Individual**.
6. Select the **Click to Search** button at the top of the screen. (See Figure 10-2)

### Browsing the KB

The **Browse** tab lists all available topics as folders, with all articles on each topic stored within the folders. Select **Client Write-Up** or **Drake Software**, click a folder to see a list of articles, and click an article to open it (Figure 10-3 on page 261).



**Figure 10-3:** Some folders and articles within the **Browse** tab

### Navigation Icons

From within each KB article, you can use the icons at the upper-right corner of the window to return to the previous article, print or e-mail the article, save the article to a browser's "Favorites" folder, save it to another location, or copy it for pasting into another application (such as a Word document).

### Related Articles

A **Related Articles** link at the lower-left corner of an article window takes you to a list of other articles related to the one you queried.

### Attachments

Some articles have an **Attachments** link that takes you to a list of attached documents that you can download and view. The attached documents provide additional detail beyond that provided in the text of the article.

### Feedback

Drake encourages you to respond to any article you read in the KB. Your suggestions are used to improve the KB's content for other clients. In the lower-left corner of an article window, click **Feedback** to open the feedback window. Enter your feedback and click **Submit**.

## Drake's e-Training Center (ETC)

Drake ETC is a convenient resource for training your office staff and earning continuing professional education (CPE) credits through the use of tutorials, practice returns, videos, webinars, and interactive tax courses. ETC also provides tracking tools and interactive testing so individuals and group administrators can monitor their personal and collective progress. To access Drake ETC, go to the Drake Support site and select **Training Tools > Drake ETC**, or go to *DrakeETC.com*.

The new ETC Welcome page includes news and information on what's happening in Drake ETC (Figure 10-4 on page 262).

### IMPORTANT

For information on the IRS's continuing education upload system, and how Drake reports CE credits for Registered Tax Return Preparers (RTRPs) and Enrolled Agents (EAs), click the **Important!** link available on ETC **Home** page, the **Administration** setup page, or when editing a student account.

**Welcome to Drake e-Training Center**  
CPE-accredited tax and software training for your entire staff

**RTRP Exam Prep**

Drake ETC offers two courses to help you get ready for the Registered Tax Return Preparer exam:

**RTRP Study Course**

- Interactive study of all domains on IRS exam
- Study guides, quizzes, practice test
- Take the course as many times as needed

**10 CPE**

**Test Overview and Tips**

- Overview of IRS exam
- Tips on how study and what to expect
- Tips for handling test anxiety

**2 CPE**

**Webinars**

Keep up to date with Drake ETC's webinars. CPE Credits available for select topics.

**Current & Upcoming Topics**

- **Kiddie Tax** – Sep 18, 2012, 11 a.m. • [CPE Details](#)
- **Drake 101 - Data Entry** – Sep 19, 2012, 11 a.m. • [CPE Details](#)
- **Federal Tax Law Update: 3rd Quarter 2012** – Sep 19, 2012, 2 p.m. • [CPE Details](#)
- **CWU: Payroll & Beyond** – Sep 20, 2012, 11 a.m. • [CPE Details](#)

[See the full schedule and sign up](#)

Figure 10-4: The new ETC Welcome page

## Creating an ETC Admin Account

Before you can log in to ETC, your office must have an ETC administrator (Admin) account. Once the account is established, you can create student accounts and begin tracking student progress. With their own user names and passwords, students can log in to ETC on their own.

Admin accounts are created using the **Need to sign up?** section (Figure 10-5).

**Need to sign up?**

It's easy to get started with Drake ETC. We'll begin by creating your account.

First, are you a Drake customer?

Yes  No

**Submit**

Figure 10-5: Need to sign up? section of ETC Welcome page

To create an Admin account:

1. In the **Need to sign up?** section, Drake customers select **Yes** and click **Submit**.
2. Enter your EFIN and Drake password (from your packing slip) and click **Submit**.
3. In the **Welcome** window, complete all applicable fields.
4. To earn CPE credit for completing ETC courses, select **Yes** from the **CPE Credits** drop list.
5. Preparers registered in California, Oregon, Texas, or Pennsylvania should mark their respective boxes in order to receive CPE credits in those states.
6. Enrolled Agents and Registered Tax Return Preparers should mark those boxes.
7. Enter your PTIN.
8. Click **Save Information**. When the system has saved your data, click **Next**.

**Creating an ETC Student Account**

To create a student account, log in to ETC (See “Logging In,” following), click the **Administration** link, and click **Add New Student**. After completing all applicable fields (see steps 4-7 in the “Admin account” setup above), click **Save Information**.

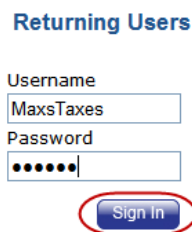
**NOTE**

When creating a Drake ETC student account, each student must enter a unique e-mail address, even if all students are part of the same administrative account.

**Logging In**

To log in to ETC:

1. Go to the Drake Support site and select **Training Tools > Drake ETC**, or go to *DrakeETC.com*.
2. In the **Returning Users** section, enter a **Username** and **Password** (Figure 10-6).



**Figure 10-6:** Logging in as a returning user

3. Click **Sign In**.

Once you're logged in, the ETC **Home** page is opened. On the left side of this page is a blue sidebar menu (Figure 10-7).



**Figure 10-7:** Sidebar menu for all ETC selections

The sidebar menu lists the available resources within ETC, as described in Table 10-3.

**Table 10-3:** Drake ETC Resources

Item	Description
Drake Resources > Tax Courses	Interactive tax courses explore IRS tax law and terminology and how they apply to Drake data entry. CPE credits are available. Current courses include 1040, 1065, 1120, and 1120S.

**Table 10-3: Drake ETC Resources**

Item	Description
Drake Resources > Tutorials	Instructional slide shows teach the basics of Drake Software. Topics include tax and CWU subjects. Many topics are available in Spanish.
Drake Resources > Practice Returns	Hands-on data entry and e-file training.
Drake Resources > Videos and Recorded Webinars	Recorded webinars cover such subjects as Drake setup and tools, data entry, and e-filing. Some topics from previous years include Drake installation, required setup, data entry, View/Print, e-filing, letters and bills, bank products, and split, extension, and amended returns. Past-years' videos for Client Write-Up include such subjects such as spreadsheet importation and end-of-year e-filing.administration.
Webinars > Available Webinars	Covers such topics as: Drake 101, "Kiddie" tax, federal tax law update, IRAs, filing statuses, EITC due diligence, and continuing education requirements. More webinars are added each month. Panelists are available to answer your questions. CPE credits are available (no test required). Also keeps track of webinars you're attended through <b>Webinars &gt; My Webinars</b> .
RTRP Study	Study courses to help preparers pass the IRS's Registered Tax Return Preparers competency test.
Report Card	Track students' progress in the tutorials and in the tax courses, including dates of completion, quiz results, and CPE credits earned.
Administration	Available only when logged in with an Admin account, this section allows you to create student accounts and view student report cards.

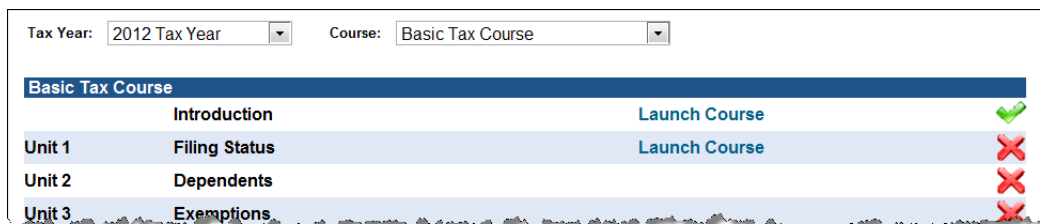


When a course unit, tutorial, practice return, recorded webinar, or video has been viewed, a green check mark replaces the red "X" next to the completed item. (See Figure 10-8.)

### Tax Courses

ETC offers basic return preparation courses for forms 1040, 1120, 1120S, and 1065. An intermediate 1040 course is also available. CPE credits are available for the successful completion of each course. There is a fee for printing the completion certificate. Check the Drake ETC website (*DrakeETC.com*) for details and pricing.

For a list of available courses and units, from the sidebar menu, click **Tax Courses**. The **Tax Courses** page displays the units of the **Basic Tax Course** (Figure 10-8).



**Figure 10-8: Units of the Basic Tax Course**



To view units for a different tax year or course, select an option from the **Tax Year** and **Course** drop lists.

## IMPORTANT

Click **System Requirements** on the **Tax Courses** page to ensure that your system supports the tax course programs. Make sure your speaker volume is turned on in order to hear the audio.

To open a unit:

1. Click **Launch Course** for the selected unit. (See Figure 10-8 on page 264.) The unit is opened in a browser window.
2. Use the navigation buttons in the upper-right corner to move through the course. Use the sound buttons at the bottom of the window to stop, pause, or replay audio.
3. When you finish a unit, click **Exit** to return to the **Tax Courses** page.

Completed units can be viewed again at any time. Once all course units are completed, the **Launch Exam** button will become available. Click it to begin the test. Submit your score upon completion of the test.

## CPE Credits

To earn CPE credits for taking a tax course in Drake ETC, you must score 80% or higher on the course exam and submit a course evaluation. Review the CPE details (click the word “**here**” at the end of the first paragraph of directions) to determine CPE eligibility. The CPE eligibility is also available from the main Support page, under **Training Tools > CPE**.

After completing all units of a course, click **Launch Exam** on the **Tax Courses** page for that course. After passing the exam with a score of 80% or higher, click **Launch Evaluation**. Once you have completed and submitted the evaluation, you will be able to print a CPE certificate.

## NOTES

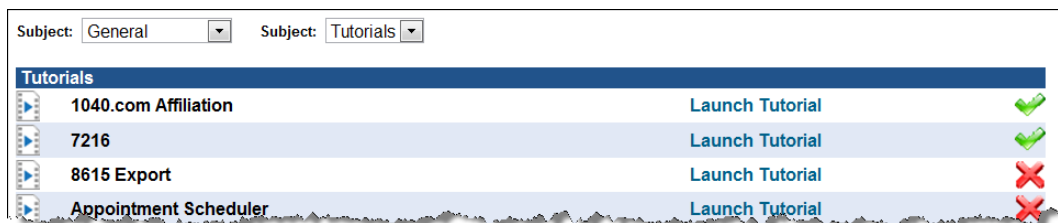
To reprint a CPE certificate, click **Report Card** in the Drake ETC sidebar menu. Scroll to the bottom of the **Report Card** window to the **CPE Credits** list, and click **Print** for the desired certificate.

To access information on all the ways to earn CPE credits from Drake without logging in to ETC, go to *Support.DrakeSoftware.com* and select **Training Tools > CPE**.

## Tutorials

Tutorials teach the basics of Drake Software through text, sound, and animation. For a list of available tutorials in ETC, click **Drake Resources > Tutorials** from the blue sidebar menu. The **Tutorials and Quizzes** page displays a list of Drake tutorials, (Figure 10-9 on page 266), with green check marks indicating tutorials completed and red **Xs** indicating tutorials not yet begun.





Tutorials		
1040.com Affiliation	Launch Tutorial	✓
7216	Launch Tutorial	✓
8615 Export	Launch Tutorial	✗
Appointment Scheduler	Launch Tutorial	✗

Figure 10-9: Tutorial list

Click **Launch Tutorial** for the desired tutorial. (Tutorials do not have to be completed in the order listed.)

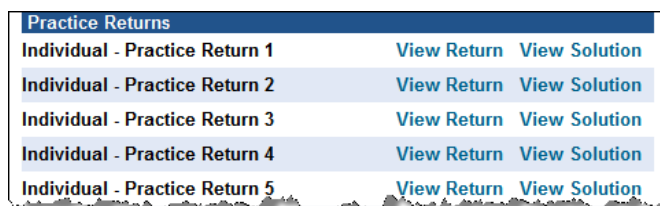
Each tutorial has its own quiz. Quizzes test the student's knowledge of the subject and, if you're an administrator, can help track student progress. To access a quiz, select **Quizzes** from the **Subject** drop list and click **Launch Quiz** for the desired quiz.

## NOTE

Tutorials are added throughout the season, so check for new tutorials often. To view tutorials for Drake CWU, select **Client Write-Up** from the **Subject** drop list (shown in Figure 10-9).

## Practice Returns

Practice returns have been designed to help your firm become familiar with the basics of data entry and e-filing in Drake Software. To access practice returns in ETC, click **Drake Resources > Practice Returns**. The **Practice Returns** page displays instructions and a list of available practice returns (Figure 10-10).



Practice Returns		
Individual - Practice Return 1	View Return	View Solution
Individual - Practice Return 2	View Return	View Solution
Individual - Practice Return 3	View Return	View Solution
Individual - Practice Return 4	View Return	View Solution
Individual - Practice Return 5	View Return	View Solution

Figure 10-10: List of practice returns on the **Practice Returns** page

Click **View Return** to view the basic return scenario in a PDF file. Open Drake's tax software and prepare the return according to the scenario. Once you've calculated the return, go back to the **Practice Returns** page and click **View Solution** to compare your return to the solution return.

Drake ETC offers 10 basic and intermediate practice returns for the 1040 package and one practice return each for the 1120, 1120S, and 1065 packages. To practice e-filing and working with bank products, scroll to **EF Banking** and click **View Return**. Follow the instructions located in the PDF file.

## NOTE

Tutorials and practice returns are also available outside of ETC. To see the tutorials, or to work on the practice returns without signing on to ETC, go to the Support website and click either **Training Tools > Practice Returns** or **Training Tools > Tutorials**. Practice returns are also available on your Drake CD and through the software (**Help > Online Resources**).

## Recorded Webinars

Some of our live webinars have been recorded and can be viewed at any time. Although these recorded webinars do not earn you CPE credits, they can help familiarize you with such topics as “Program Setup and Tools,” “Data Entry,” and “e-Filing” for Drake tax software users and “Spreadsheet Importing” and “End of Year e-Filing” for Client Write-Up users.

To view a recorded webinar:

1. From the sidebar menu at the left of the Drake ETC window, select **Drake Resources > Videos and Recorded Webinars**.
2. Select from the **Tax Year** and **Course** drop lists.
3. Click **Launch Recorded Webinar**.

The first time you view a webinar, the WebEx Manager is automatically downloaded to your computer. For help with WebEx Manager, call WebEx Support at (866) 229-3239.

## NOTE

Drake ETC also offers videos (CDs and DVDs) of our annual Update Schools. To order, from the sidebar menu of the main Support website, go to **Resources > Supplemental Resources**. (If you're logged in to ETC, return to the main Support website by clicking **Support Login** in the upper-right corner of the window.)

## Webinars

Drake ETC provides live webinars on various topics with new webinars added every month. The live webinars are presented with panelists available to answer viewers' questions during the event. CPE credits are available (no test required; see NOTES below). You or your account administrator can keep track of completed webinars and CPE credits earned through the ETC site.

## NOTES

Review the CPE details provided with each Drake webinar to determine CPE eligibility. Our webinars cover various topics and are presented with panelists available to answer viewers' questions during the event.

Attendees must respond to several polls offered during the webinars, and complete a short evaluation after the webinar to qualify for CPE credits.

A fee is required for most webinars.

Please join webinars at least 10 minutes before the scheduled starting time. Speakers or headphones are required.

## Registration for Webinars

To register for a webinar from DrakeETC:

1. From the sidebar menu, go to **Webinars > Available Webinars**. (See “Logging In” on page 263 for details on logging in to DrakeETC.)
2. From the list of **Available Webinars**, click **Register** on the right side of the window for the webinar you wish to attend. (See Figure 10-11 on page 268.)

Available Webinars (go to My Webinars)					
Date/Time	Title	CPE Details	Cost		
08/22/2012 2:00 p.m. EST	Avoid Ethical Violations [details]		\$29.00	Register	
08/23/2012 11:00 a.m. EST	ETC Due Diligence [details]		\$15.00	Register	
08/24/2012 2:00 p.m. EST	Federal Tax Law Update: 3rd Quarter 2012 [details]		\$15.00	Register	
08/28/2012 11:00 a.m. EST	IRAs [details]		\$15.00	Register	
08/28/2012 3:00 p.m. EST	Federal Tax Law Update: 3rd Quarter 2012 [details]		\$15.00	Register	
08/29/2012 3:00 p.m. EST	Filing Statuses [details]		\$15.00	Register	
08/30/2012 10:00 a.m. EST	Continuing Education Requirements [details]		\$0.00	Register	
08/30/2012 11:00 a.m. EST	CWU: Getting Started [details]		\$15.00	Register	
09/04/2012 11:00 a.m. EST	Continuing Education Requirements [details]		\$0.00	Register	

Figure 10-11: Signing up for webinars on the ETC webpage

- Complete the information requested on the **Webinar Registration** window. Note that a unique e-mail address (one not already used by someone else) must be provided.
- Click the blue **Register** button.
- Complete the credit card information on the **Webinar Payment** window and click **Submit**.

After your registration is processed, you will receive:

- A confirmation e-mail message containing details of the upcoming webinar and a link you must click in order to join the webinar.
- A calendar reminder you can save to your Microsoft Outlook e-mail account
- Reminder e-mail one day before the event and one hour before the event.

### Attending Webinars

To join the webinar, click the link provided in the confirmation e-mail and follow the included instructions, or from the sidebar menu of the Drake ETC website, go to **Webinars > My Webinars** and click **Launch**.

### CPE Credits

To earn CPE credits, attendees must respond to a series of polls conducted during the webinar (attendees must respond to at least 75 percent of the polls to be eligible for the credits) and complete a short evaluation after the event.

Webinar attendees will receive an e-mail notification when the CPE credits are made available (usually within 48 hours). After receiving the notification e-mail, follow these steps to complete the CPE process:

- From the sidebar menu, go to **Webinars > My Webinars**. A list of completed webinars is displayed.
- Click **Evaluation** on the line of the webinar you completed.
- Complete the short evaluation and click **Submit**.
- When the certificates are posted (24–48 hours after submission of the evaluation), return to **My Webinars**. On the line of the webinar completed, click **Print CPE**.

More information on hardware and software requirements, registration, pricing, refunds, CPE details, and other webinar-related topics are available on the **Available Webinars** and **My Webinars** windows.

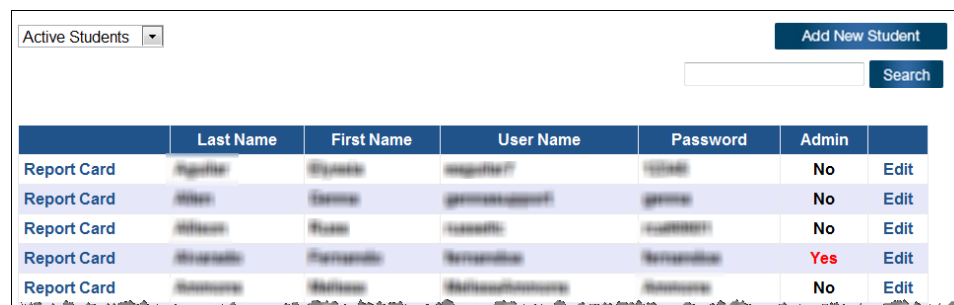
**RTRP Study** Registers tax return preparers must take and pass a Registered Tax Return Preparer (RTRP) competency test, as mandated by the U.S. Congress. The test focuses on the ethical responsibilities of federal tax return preparers and on the preparer's ability to complete Form 1040 and related schedules and forms.

To help prepare you to take this test, Drake is offering two study courses: the RTRP Test Study Course, and the RTRP Test Overview and Tips. You earn CPE credits for taking either course, credits that apply toward your annual CPE requirements.

For details on the two Drake courses, or to register for either course, from the sidebar menu of the DrakeETC window, click **RTRP Study**.

**Report Card** Click **Report Card** from an ETC sidebar menu to view training progress, test and quiz results, and CPE credits earned for a selected year. To reprint a CPE certificate, scroll down to the **CPE Credits** section and click **Print** for the desired certificate.

**Admin** The **Administration** page is available only for users logged in as Admin. To access this ETC page, click **Administration**. Displayed are a list of students, buttons for adding and searching student records, and a drop list for displaying **Active Students**, **Inactive Students**, or **All Students**. (Figure 10-12).



	Last Name	First Name	User Name	Password	Admin	
Report Card	Agarwal	Shyam	agarwal77	77777	No	Edit
Report Card	Allen	Thomas	allen1234567	genius	No	Edit
Report Card	Alford	Frank	alford123	alford123	No	Edit
Report Card	Alvarado	Francisco	alvarado123	alvarado123	Yes	Edit
Report Card	Anderson	William	anderson123	anderson	No	Edit

**Figure 10-12:** Admin page displays list for student information

Click to view a student's **Report Card**, or click **Edit** to view and edit a student's information. (Click **Save** to save it.)

**Logging Out** To log out of Drake ETC, click **Sign Out**. You are returned to the ETC login page.

## IMPORTANT

For information on the IRS's continuing education upload system, and how Drake reports CE credits for Registered Tax Return Preparers (RTRPs) and Enrolled Agents (EAs), click the **Important!** link available on ETC **Home** page, the **Administration** setup page, or when editing a student account.

## Other Resources at Drake Support

The Drake Support site offers a wealth of additional resources, such as information about webinars, trade shows, live training sessions, preparer regulations, state and federal tax laws, *1040.com* e-mail and webpage account, update schools, GruntWorx, SecureFilePro™, and CWU. You can also view helpful publications and download prior-year Drake programs, prior-year release notes, and software for converting data

files from other tax software programs into Drake, and order marketing kits, checks, and printed forms.

Some of these resources are available from the sidebar menu on the left side of the **Support** Web page and others by scrolling down the **Resources Overview** page.

Here are just a few of the many resources available:

## Federal/State Facts

The **Federal/State Facts** pages have federal data on and lists of forms eligible for e-file, and state data on e-filing, state tax forms, state payments and deposits, state due dates, penalties, and extensions. You can also access state shipment letters, form instructions, and update notes (Figure 10-13). As EF packages are approved, that information is added to the state pages. The pages also include links to the Drake Forums (see “Drake Forums,” following) and state taxing authority websites.

The screenshot shows the Drake Software Support website interface. At the top, there is a navigation bar with links for Home, Products, Training, Support, and About Us. Below this is a dark blue header with the text 'Drake Software Support'. The main content area is divided into a sidebar on the left and a main table on the right. The sidebar contains a menu titled 'Select a link on this site' with various options like 'E-file Packages Available', 'E-file Requirements', etc. A red circle highlights the 'Penalties' link, labeled as item 1. The main table is titled 'Products available for Electronic Filing' and has columns for Tax Type, Available for 2012, Residency Exclusion, Status, and Date Approved (with sub-columns for Direct, Piggyback/State Only, and On-Line). The table lists several tax types (1040, 1120, 1120S, 1065, LLC) all marked as 'Approved'. A red circle highlights the 'California Franchise Tax Board' link at the bottom of the table, labeled as item 2. The page also shows filters for Year (2012) and State (California).

Tax Type	Available for 2012	Residency Exclusion	Status	Date Approved		
				Direct	Piggyback/ State Only	On-Line
1040	Yes		Approved			
1120	Yes		Approved			
1120S	Yes		Approved			
1065	Yes		Approved			
LLC	Yes		Approved			
Website	California Franchise Tax Board					

**Figure 10-13:** Link selections (item 1) on the CA page; link to the state taxing authority (#2)

State pages offer a list of available topics (item 1 in Figure 10-13) from which to choose. Click the state taxing authority link (item 2 in Figure 10-13) to go to that state's website.

## Drake Forums

The online Drake Forums allow you to interact with other Drake clients. Participation in Drake Forums is strictly voluntary. To access Drake Forums from the Drake Support site, select **Resources > Forums** or from the sidebar menu on any of the state pages of the **Federal/State Facts** page.

First-time users must register before participating; read the text on the **Forums** page regarding registration requirements, and then select **Click here to Register**. Follow the instructions provided on your screen.

Once registered for the Forums, select **Click here to Login** on the **Forums** page. After logging in, click **FAQ** for further instructions. Click **User CP** to set up a user profile.

**NOTE** The Drake Software Forums are strictly voluntary and should not be used as a substitute for obtaining help from Drake Support.

### Drake Software Downloads

The Download Center is available from **Resources > Download Center**. The **Download Center** page displays the software packages and the education and training materials available for download. Click an item to download it.

### SecureFilePro

SecureFilePro™ provides secure client file exchange portals for your practice, so you and your clients can exchange confidential tax documents securely and conveniently. Send and receive client documents on your own secure site, anytime, from anywhere. All transmissions are secured with 256-bit SSL encryption, and files are encrypted at rest on the server. Clients can view and access only their own documents.

Explanations and prices are on the window at **Resources > SecureFilePro**, as are links to sign up for a free trial or to purchase any of the regular SecureFilePro™ packages.

### Supplemental Resources

Purchase Drake's software manual, the Client Write-Up manual, Update School videos, or a subscription to The TaxBook WebLibrary. (See "Tax Book" on page 275 for more information.)

### Broadcast Center

Keep abreast of all the important tax and software information with Drake broadcasts. The broadcast e-mail messages that Drake sends out during the tax season are compiled and saved in the Broadcast Center. These broadcasts are grouped by categories; choose from the **Select a category to display** drop list.

### Prior-Year State Programs

Drake's prior-year software packages for state programs (1998–2009) are available for installation.

- **Tax years 2007 and after** — Use **Tools > Install State Programs** in your Drake program. Once state programs are installed, update them using **Tools > Install Updates** (for 2007 and 2008) or **Tools > Update Manager** (for 2009).
- **Tax years 2003–2006** — First download the state tax packages from the Download Center (From **Resources > Download Center** on the Drake Support site, select a year then any states you need), and then install the updates within Drake Software (**Tools > Install Updates**).
- **Tax years 1998–2002** — Go to **Resources > Prior Year States** on the Drake Support site, click the appropriate year, select the state to download, and then follow the instructions on your screen.

### Release Notes

Software release notes from prior years are available on the Drake Support site. (Scroll down the **Resources Overview** page to **Release Notes**.) Select a year and update category to view the list of releases and release dates. Click a note link to view the release note.



**Conversions** To download software to convert data files from other tax programs into Drake format, go to the Drake Support site and select **Resources > Conversions**. Choose a tax year and a brand of software. Read the instructions (available for downloading and printing) before running the conversion.

**Publications** From the Drake Support site, select **Training Tools > Publications** to download some commonly accessed IRS publications. At the bottom of the publications list is a **Search 1040.com for more publications** link, which takes you to the 1040.com website. From this site, you can search for federal and state tax forms, instructions, and news; get tax tips; download tax tables; find federal tax estimators and financial calculators; and get information all professional tax preparers need.

**Marketing Kits** Advertise your business using the newspaper ads, posters, banners, and radio spots available at the Drake Support site. Select **Training Tools > Marketing Kits** to access and order these resources, visit links to other marketing resources, and pick up free marketing kits from the IRS.

**Partner Programs** From the sidebar menu, click **Partner Programs** to access information on Drake's partner companies that provide solutions for banking, forms and checks, budgeting, business planning, Internet services, and electronic tax payments.

**Business Planning Group** Drake clients have exclusive use of the Business Planning Group (BPG). This group consists of retirement specialists, advanced underwriters, and attorneys who can help your firm assist your clients in minimizing tax on Social Security benefits, estate tax planning and reduction, retirement planning, and business continuation and restructuring.

When you work with BPG, it serves as an extension of your practice. Once you've identified a need for services (for example, noticing that your client is paying taxes on Social Security), you can begin the process of working with BPG. For you as a preparer, this process has three main steps:

- **Complete and submit questionnaire** — You and your client submit a simple questionnaire to BPG for review. Based on that information, BPG's professionals develop a plan and recommendations, which they will discuss at length with you, clarifying details, answering questions, and generally reviewing the facts to finalize a course of action for your client.
- **Present a plan to your client** — Once the plan is approved, you present it to your client. If requested, BPG's professionals can participate in the presentation, but this is not required.
- **Implement the plan** — Although you and your client are responsible for implementing the plan, BPG is available throughout implementation and will continue to be available for follow-up.

In addition to helping you guide your clients, BPG can be a significant revenue source for your business because you can charge consulting fees for both your work and the time BPG spends on each case (generally four to 10 times the number of hours as an accounting firm).

For more information on how BPG works, and how you can work with its experts to benefit your clients, you can either:

- Call (828) 488-1950, extension 203
- Go to *DrakeSoftware.com*, and from the blue sidebar menu bar, select **Partner Program > Business Planning Group**. When the **Business Planning Group** window is opened, from the right side of the window, click **Business Planning Group**.

**Blank Forms** Several blank banking and checking forms are available through Drake Support, including state-specific bank disclosures, cancellation requests, lost check affidavits, check registers, and voided check lists.

**Beyond 415™** Beyond 415, an automated system of managing such post-filing issues as IRS notices, letters, audits, account balances, and unpaid balances, is available through the Drake.

The Beyond 415 technology is designed to help tax practitioners understand, handle, and settle IRS issues quickly. The system includes step-by-step instructions and provides images of the specific IRS letter for download. The system allows tax professionals to customize their responses to IRS issues, and automatically fills in applicable IRS forms, customized cover letters, worksheets, cover sheets, and document request forms, all in the IRS's accepted formats.

Drake customers can get a free trial and access to some of the features in Beyond 415.

For more information, see the Beyond 415 website at <https://www.beyond415.com>, or from the Drake Support website, click **Resources > Download Center**, and on the right side of the **Download Center** window, in the **Product Developments** section, click **Beyond 415™**.

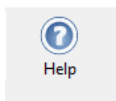
## Software Support In Drake's Tax Software

Several support resources are available from within the Drake program itself. Access Frequently Asked Questions, searchable help, data entry help, and broadcast e-mails.

### Frequently Asked Questions (FAQs)

An **FAQ** screen is included with each tax software package in Drake Software, accessible from any tab on the **Data Entry Menu** or by typing **FAQ** into the selector field and pressing **ENTER**. **FAQ** screen content varies by state and package.

### Searchable Help



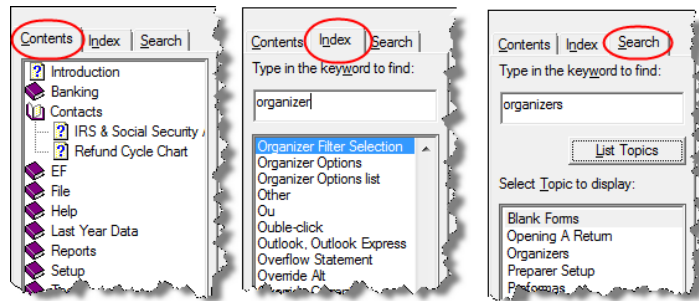
All Drake windows (except the data entry screens) have a clickable **Help** icon or button for accessing the Drake Help System—a searchable “Drake encyclopedia,” arranged in “books” and an index. The Help System answers many of the most commonly asked questions about the software.



When you access the Help System, it is opened for the window you are in. For example, if you are in pricing setup (**Setup > Pricing**) and click **Help**, you are shown the Help information for pricing setup. To print a topic, click the **Print** icon in the toolbar.

**NOTE** If you encounter an error accessing the Help System, run X:\Drake12\Help\FixHelp.exe on each workstation. (Replace 'X' with the letter of the drive where Drake is installed.)

Access Help System items by using the **Contents**, **Index**, and **Search** tabs.



**Figure 10-14: Contents, Index, and Search tabs**

**Contents** Arranged in a “Table of Contents” style, the **Contents** tab (Figure 10-14) lists all available Help topics. Topics are organized into “books,” which contain the Help files for a specific topic. Double-click a book to see a list of topics contained in that book. To see the Help screen for a topic, click the topic.

**Index** The **Index** tab (Figure 10-14) allows you to access the Help index by keyword. As you type a keyword into the search field, the matching index term is displayed in the lower box. To see the Help screen for a matching term, double-click the topic or select the topic and click **Display**. Use the UP ARROW and DOWN ARROW on your keyboard to move from term to term.

**Search** The **Search** tab (Figure 10-14) allows you to search the Help topics by keyword. Enter a search term and click **List Topics** (or press ENTER). From the topics displayed, double-click a topic to view (or single-click it and press ENTER). You can also use the UP ARROW and DOWN ARROW on your keyboard to move from topic to topic.

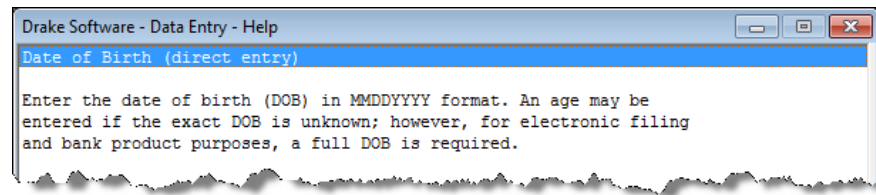
## Data Entry Help

Two types of help are available in data entry: field help and screen help.

**Field-Level Help** Field help provides information about a selected field. There are three ways to access field help:

- Click inside a field and press F1
- Select **View Help** from the right-click menu
- Press SHIFT+?

The help for the selected field is displayed as shown in the example in Figure 10-15.

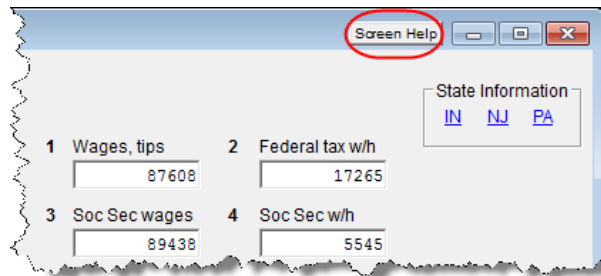


**Figure 10-15:** Example of field help

Each help window indicates whether the field is a direct entry, adjustment, or override field. To close a help window, click the **X** in the upper-right corner or press ESC.

## Screen Help

Screen help provides information about an open screen in data entry. To access screen help, click the **Screen Help** button at the upper-right corner of the screen (Figure 10-16; this button may not be visible for all Windows 7 users), press CTRL+ALT+?, or select **Screen Help** from the right-click menu.



**Figure 10-16:** Screen Help button for W2 screen

In most cases, a window similar to the field help window displays the screen help. Some screen helps include links to form instructions and The TaxBook WebLibrary. (See “Tax Book” following.)

## Tax Book

The TaxBook WebLibrary is an independent tool for advanced research by tax professionals. To subscribe to The TaxBook WebLibrary, go to the Drake Support website (*Support.DrakeSoftware.com*), and from the blue sidebar menu, select **Resources > Supplemental Resources**. A subscription to The TaxBook WebLibrary is \$89 for the 2012 tax year.

Once your subscription is processed, you can go to the **Home** window of Drake, click the **Tax Research** button or select **Help > Tax Research**, and to go to the The Tax-Book WebLibrary website.

## Broadcast E-Mail

Broadcast e-mail messages announce the latest developments in the industry, including banking news, IRS or state alerts, software issues, educational issues, and important information about new products or programs. These e-mail messages are sent during tax season to your 1040.com e-mail address (*your EFIN@1040.com*) and during the summer to the address you used when you registered with Drake for your account. Access these broadcast e-mail messages through Drake at **Help > E-Mail**.

All broadcasts are also posted at the Drake Support site (**Resources > Broadcast Center**).

## Interactive Support

Drake provides interactive support via e-mail, phone, and fax.

### E-Mail Program

The Drake e-mail program allows you to send and receive messages using a 1040.com e-mail address. Use this program to send questions to Drake Support or to e-mail your clients. You can also use it as your everyday e-mail program. To access Drake e-mail, open the tax software, and from the menu bar of the **Home** window, select **Help > E-Mail**. From data entry, click the **Email** icon.

**NOTE** E-mail addresses for Drake Support are listed in "Contacting Drake Support" on page xii of the Quick Reference chapter.

**E-Mail Setup** Use the **Setup** menu to select a method of sending and receiving e-mail, change your reply-to address and display name, and suppress notification messages. To view the **Setup** menu, select **Help > E-Mail** from the *menu bar* of the **Home** window. From the **Email - Inbox** dialog box, go to the menu bar and select **Setup > Options** to open the **Email - Options** dialog box.

Select from the options listed below, and click **Save** when finished.

- **Sending Method** — Two methods are available: the *default* method, compatible with most Internet Service Providers (ISPs), and the *alternate* method, to use if the default method does not work for your office.
- **Alternate Reply-to Address** — Select **Use Alternate Reply-to Address** to replace your 1040.com address. This address appears as the sender and reply-to address on e-mail messages you send.
- **Display Name** — Enter the name you want displayed on your e-mail messages. (The program uses your **Preparer Login** name by default.)
- **Notification Message Options** — Two options are available:
  - To keep the **Report Complete** window from opening when compiling a **Report Generated Recipient List**, select the **Hide report results message for report generated recipient list**.
  - To suppress the **Open Attachment** warning when you open a message that contains an attachment, select the **Hide attachment open warning** check box.

**NOTE** Setup options are not available if you access the e-mail program from within data entry.

## Checking for E-mail

Once you have selected **Help > E-mail** from the **Home** window, you have three ways to check your Drake e-mail: select **File > Check Mail** from the menu bar, click **Send/Receive**, or press CTRL+M.

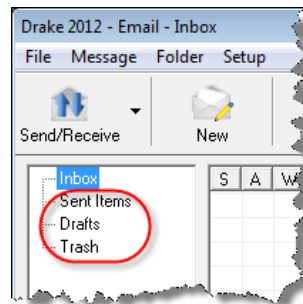
## NOTES

To check only the status of your mailbox, click **File > Check Mailbox Status** or press CTRL+S.

Messages are downloaded only once per EFIN. If multiple computers are using the same EFIN, consider designating one person to download Drake e-mail and forward it accordingly.

## Message Storage

Downloaded messages appear in the **Inbox**; double-click a message to open it. Your mailbox includes a **Sent Item** box, a **Drafts** box, and a **Trash** box (Figure 10-17).



**Figure 10-17: Sent Items, Drafts, and Trash boxes**

Click a box to open it. Boxes are described below.

- **Sent Items** — Messages appear here after they have been sent.
- **Drafts** — If you attempt to close a message before sending it, you are prompted to save a draft of the message in your **Drafts** folder to be completed later. To accept, click **Yes**. To discard the message, click **No**.
- **Trash** — Deleted messages are stored in **Trash**. To permanently delete a message, select it from **Trash** and click **Delete**. Messages deleted from **Trash** cannot be recovered.

## Basic E-Mail Tasks

To *compose* a new message, click **New**. Enter an address in the **To** field, a subject in the **Subject** field (required), and a message in the text box at the bottom (optional).

To *reply* to a message, click the message, and then click **Reply** (or, with the message open, click **Reply**). The original message is included in the reply message.

To *forward* a message, click the message, and then click **Forward** (or, with the message open, click **Forward**).

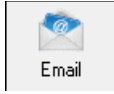
To *send* a message, click **Send**.

To *delete* a message, click the message and click **Delete** (or, with the message open, click **Delete**). Deleted messages go to the **Trash** box.

## Attaching Files

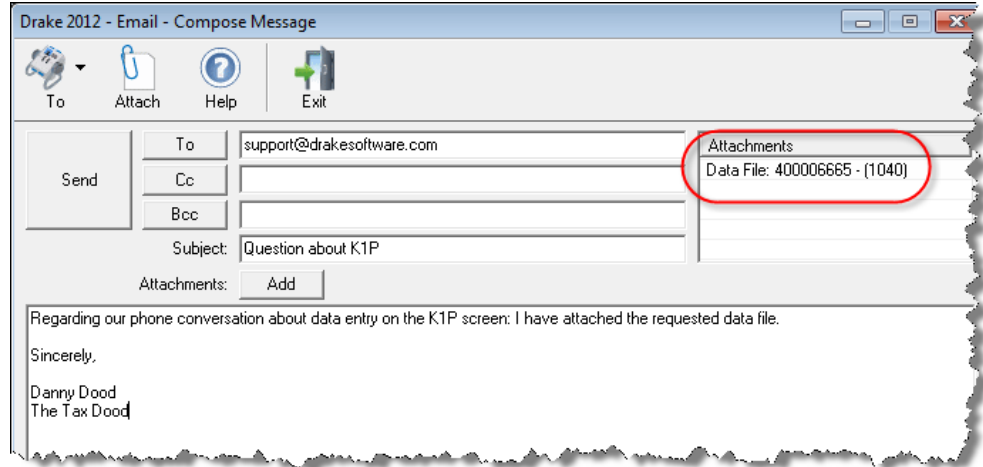
When contacting Drake Support with an issue, you might be asked to send, via e-mail, a client's data file (a return), a file stored in your Document Manager file, Drake Software program file, or other kind of file. Entire folders cannot be attached.

## From Data Entry



To e-mail a client data file directly from data entry:

1. In Drake, open the return you want to transmit.
2. Click **Email**. The **Compose Message** window shows the client's data file attached to the message (Figure 10-18).



**Figure 10-18: Email - Compose Message** window with data file attached

3. Complete the **To** and **Subject** fields (required), and compose your message.
4. Click **Send**. The e-mail with the client data file attachment is sent to the recipient.

## NOTE

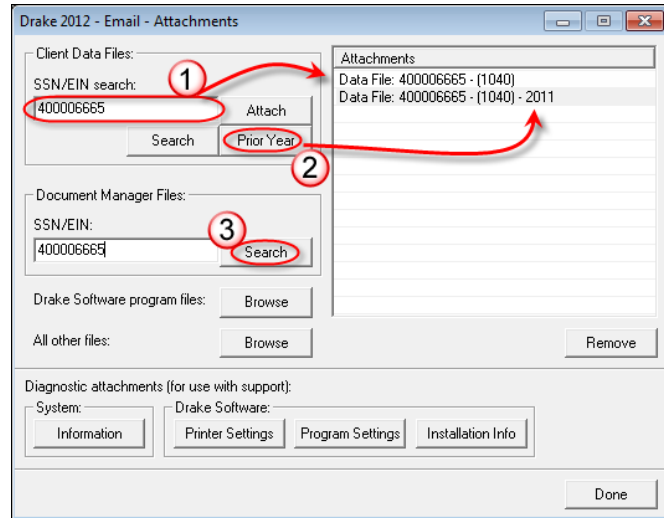
You can add other attachments to the e-mail using the **Add** button (or the **Attach** icon) in the **Compose Message** window. For more information, see "From the Home Window" following.

## From the Home Window



To e-mail a client data file from the **Home** window:

1. From the menu bar, select **Help > E-Mail**. The **Inbox** window is displayed.
2. Click **New** to open a blank **Compose Message** window.
3. Click **Add** to open the **Email – Attachments** dialog box (Figure 10-19 on page 279).
4. In the **SSN/EIN Search** text box of the **Client Data Files** section, enter the SSN or EIN of the file to send (item #1 in Figure 10-19 on page 279).



**Figure 10-19:** Enter an SSN or EIN and click **Attach** to attach tax returns (item #1).  
Use **Prior Year** to attach prior-year returns (item #2).  
Use **Document Manager Files** to attach a PDF copy of a saved file (item #3).

5. Click **Attach** (or press ENTER). The file appears in the **Attachments** pane to the right.
6. Click **Done**. You are returned to the **Compose Message** window with the file attached. (See Figure 10-18 on page 278.)
7. Complete the **To** and **Subject** fields and compose your message.
8. Click **Send**. The message and attachment are sent to the recipient.

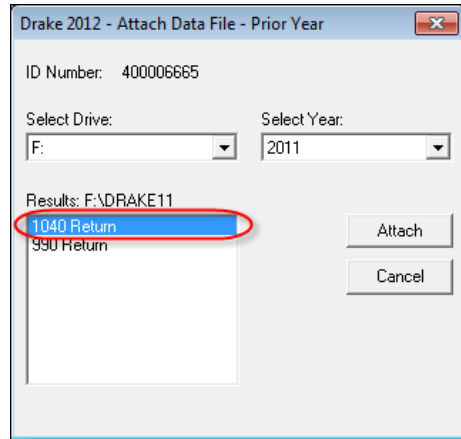
## NOTE

Enter a partial SSN or EIN in the **SSN/EIN Search** text box and click **Search** for a list of returns beginning with those numbers. Double-click a return on the list to attach it to the e-mail.

### Attaching Prior-Year Returns

*New for 2012:* Because of Drake's more stringent password formatting, it is no longer possible to e-mail returns through past Drake programs. To attach returns from prior years through Drake12, follow these steps:

1. From the menu bar, select **Help > E-Mail**. The **Inbox** window is displayed.
2. Click **New** to open a blank **Compose Message** window.
3. Click **Add** to open the **Email – Attachments** dialog box (item #2 in Figure 10-19).
4. In the **SSN/EIN Search** text box of the **Client Data Files** section, enter the SSN or EIN of the file to send.
5. Click **Prior Year** to open the **Prior Year** dialog box (Figure 10-20 on page 280)



**Figure 10-20:** Attaching prior-year returns

6. Select the drive where your prior-year Drake files are kept.
7. Select a tax year.
8. Click a return (circled in Figure 10-20).
9. Click **Attach**. The prior-year return appears in the **Attachments** pane to the right side of the **Email - Attachments** dialog box.

### Attaching Other Types of Files

Other file types can be attached to an e-mail message from the **Attachments** dialog box in the Drake e-mail program. (See Step 3 of prior procedure and Figure 10-19 on page 279.)

- To attach Document Manager files, enter an SSN or EIN in the **Document Manager Files** fields of the **Email – Attachments** dialog box. Click **Search** to open the **Add Attachment - Document Manager** window. Select a file and click **Open**. File is shown in the **Attachments** pane of the **Email – Attachments** dialog box. Click **Done**.
- To attach a Drake program file, click **Browse** for **Drake Software program files**. Locate the file in the **Attach File** window, and then double-click it (or select the file and click **Open**). The file is shown in the **Attachments** pane of the **Email – Attachments** dialog box. Click **Done**.
- To attach a file other than the types described above, click **Browse** for **All other files**. Locate the file in the **Attach File** window, and then double-click it (or select the file and click **Open**). The file is shown in the **Attachments** pane of the **Email – Attachments** dialog box. Click **Done**.

### Removing an Attached File

To remove an attached file, select it in the **Attachments** list (see Figure 10-19 on page 279) and select **Remove** from the right-click menu.

### Diagnostic Attachments

Use these only at the direction of Drake Support.

### Address Books

You have several options for storing e-mail addresses in an address book. To access these options, click **New** to open the **Compose Message** window and click the **To** button on the tool bar (Figure 10-21 on page 281) or click the **To** button to the right of the **Send** button. Address books are shown the **Address Book** drop list.

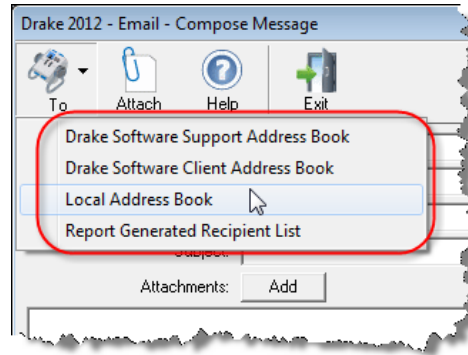


Figure 10-21: Address Book drop list

### Support Address Book

The **Drake Software Support Address Book** displays general, federal, and state support addresses at Drake. To insert an address into the **To** field of your message, double-click an e-mail address and click **OK**.

### NOTE

Questions sent to Support via e-mail are generally answered with e-mail responses.

### Client Address Book

If a client's e-mail address is entered on screen **1** of the return (1040 package only), it can be accessed from the Drake Software Client Address Book. To fill this address book for the first time, you'll need to repair the index files first (see "Repair Index Files" on page 291). Next, return to the e-mail program, click **New**, click **To**, and then select **Drake Software Client Address Book**. Double-click a line to add the client's e-mail address to the **To** field for recipients of the e-mail message. When finished adding addresses, click **OK**.

### Local Address Book

The Local Address Book can be filled with e-mail addresses of your choice. (Option not available when accessing the e-mail program from data entry.) To add an address:



1. From the **Email - Inbox** window, click the **Address Book** button to open the **Edit Address Book** dialog box.
2. Click **Add** to open the **Email Address Book** dialog box.
3. Enter first name, last name, and e-mail address. Click **Save**.
4. Click **Done**.

### Importing Addresses

You can also import addresses from a spreadsheet into your **Local Address Book**. Your spreadsheet must have the proper headings before you can run the import.

To create a file to be imported into the e-mail program:

1. Using a spreadsheet program (such as Microsoft Excel), create three columns: **Last Name**, **First Name**, and **E-mail Address** (Figure 10-22 on page 282).



A	B	C
Last Name	First Name	E-Mail Address
Sample	Junior	BR549@dnet.net
Regard	Beau	Beau@dnet.net
Philbin	Regis	Star@hollywood.com
Dillon	Marshall	Sixshooter@Gunsmoke.com
Shakespear	William	BillyShakes@literary.com

**Figure 10-22:** Row headings must be **Last Name**, **First Name**, and **Email Address**.

2. Enter last names, first names, and e-mail addresses of all clients to be imported.
3. Click **File > Save As**. (Window Vista or Windows 7 users click the **Office** button at the top-left corner and select **Save As**.)
4. Choose a location to save the file.
5. Assign a file name.
6. From the **Save as type** drop list, select **CSV (Comma delimited) (\*.csv)**.
7. Click **Save**.

To import the file into your Local Address Book:

1. From the **Email - Inbox** window, click the **Address Book** button to open the **Edit Address Book** dialog box.
2. Click **Import**.
3. From the **Import Address Book File** window, browse to the address book file and double-click it (or select it and click **Open**).
4. Click **OK**.



## NOTE

To delete an address from the Local Address Book, select it and click **Delete**.

## Report-Generated Recipient List

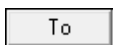
The **Report Generated Recipient List** option allows you to run a customized report from your client, EF, and Scheduler data to generate a list of e-mail addresses. The keywords selected during the query are then used to create an e-mail message. Keywords inserted into the body of the message are replaced with the client's information.

## NOTE

You can access Scheduler data to send appointment reminders to groups of clients. To do so, select a **Scheduler** report in Step 3 of the following procedure.

To create a report-generated recipient list:

1. From the Drake **Home** window, click **Help > E-Mail**.
2. Click **New** to open a blank **Compose Message** window.
3. Do either of the following to open the **Report Manager** window:
  - Click **To** in the **New Message** window and click the **Create Report Generated Recipient List** link.



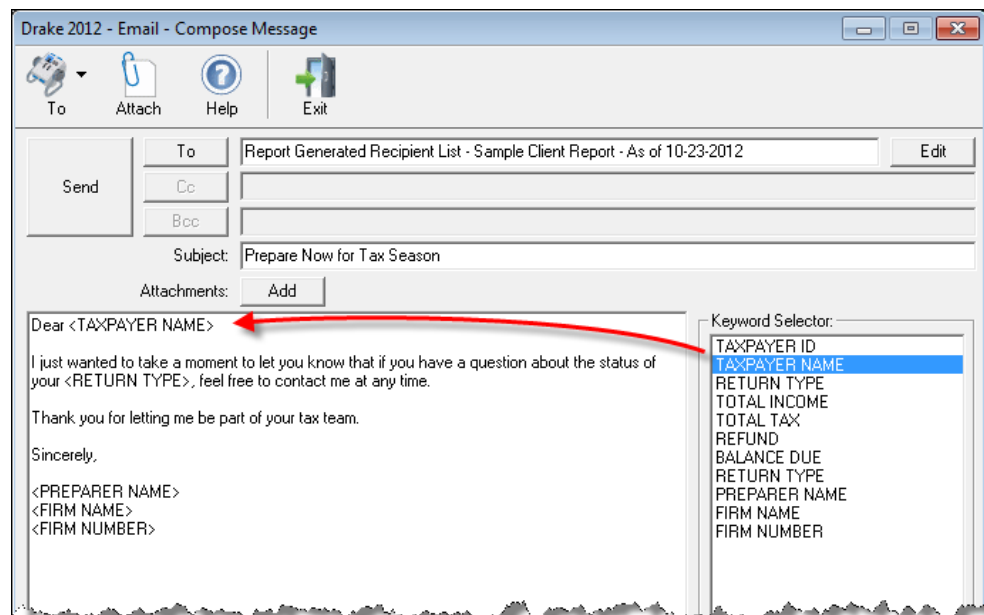


- Click the arrow next to the **To** icon and select **Report Generated List**. The **Report Manager** window is displayed.
4. Select (or create) a report that includes only those clients who fit the criteria for the e-mail list. (For example, to include only those clients who have filed an extension application, you would create an “Extensions” report.)
  5. Click **View Report**. A message states the number of matching e-mail addresses found. Click **OK** to close the message window.

Your recipient list has been generated. When you click **Send**, the e-mail message will go to all e-mail addresses in the list. To view the addresses, click the **Edit** button (see Figure 10-23). To remove a name from the address list, select it and click **Remove**.

## E-Mail Keywords

Any keywords that were available to the report are now in the **Keyword Selector** pane of the **Compose Message** window (Figure 10-23.) You can double-click a keyword to add it to the body of the e-mail. In the Figure 10-23 example, the preparer has begun the letter with the greeting “Dear <TAXPAYER NAME>.”



**Figure 10-23:** Selecting from available keywords for e-mail message

Click your pointer anywhere within the body of the e-mail before double-clicking the keyword to have the keyword entered in that location. Once keywords are added, edit the e-mail message, add a subject line, and add any attachments before clicking **Send**. The message is sent to all selected recipients.

## NOTES

Recipients will be unable to see other addresses in the recipient list; they will be unaware that others are receiving the same e-mail.

To delete the recipient list, click **Cancel Query** at the bottom of the **Compose Message** dialog box.

If you close the completed message before sending it, you will be prompted to save it in the **Drafts** folder. If you click **Yes**, the e-mail message is saved, along with the generated report list and keywords.

**Alternative  
Reply  
Address**

The e-mail program uses your 1040.com e-mail address (*your EFIN@1040.com*; for example, *777777@1040.com*). This address is used for both your sender and reply address. To change this address:

1. From the Drake **Home** window, go to **Help > E-Mail**.
2. From the menu bar within the e-mail program, select **Setup > Options**.
3. Select **Use alternative reply-to address**.
4. Enter an **Alternate address**. This address replaces your 1040.com address, appearing as the sender and reply addresses on e-mail messages you send.
5. Enter a **Display name** if desired. (If none is entered here, the preparer's login name will be used as a display name on all e-mails.) Click **Save**.

**Phone**

Work one-on-one with a Drake customer service representative (CSR) to resolve software issues. CSRs are trained year-round on Drake Software topics such as connections, conversions, networking, and other customer-service needs. To reach any department, call (828) 524-8020 or fax (828) 349-5718. For additional phone numbers and contact information, see "Contacting Drake Support" on page xii of the Quick Reference chapter.

**Fax**

Get answers to software questions using the fax cover letter provided on the following page. Drake replies to faxes with faxes, not phone calls.

## Fax Cover Letter for Support

Name:

Company Name:

EFIN:

Phone number:

Fax Number:

To (department or individual):

Computer Operating System (select one):

Windows 2000    Windows Vista    Windows NT

Windows ME    Windows XP    Windows 7

Are you working on a network?

Windows 8

Yes

No

If this fax is concerning a prior-year Drake program, what year?

Program Year  
\_\_\_\_\_

**Give us a brief description of the situation:**

This page intentionally left blank.

# 11 Tools

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This chapter covers the various tools available on the **Tools** menu of the software and online at *DrakeSupport.com*.

## Update Manager

Regular updates to the program are critical to ensure that your software is performing efficiently. The program will alert you when updates to the program are available (see “Notification of Updates” on page 289), or you can use the Update Manager to obtain and install files manually or automatically. Updates include modifications to both the federal and state packages to reflect the most recent changes in the tax law.

### NOTES

Program updates include updates to the Document Manager’s “Working Cabinet,” but not to the “Archive Cabinet.” (For details on backing up and restoring the Archive Cabinet, see “Backing Up, Restoring, and Updating the Archive Cabinet” on page 344).

If the system finds updates are available, you will be alerted to update your software.

## Downloading and Installing Updates Manually

To download and install updates manually:

1. From the **Home** window, select **Tools > Update Manager**. The **Update Manager** dialog box is displayed (Figure 11-1 on page 288). Updates are shown in tabbed format, with tabs representing the program packages and one representing all state updates and one for the Drake Tax Planner. Click column headers to sort data in ascending or descending order.

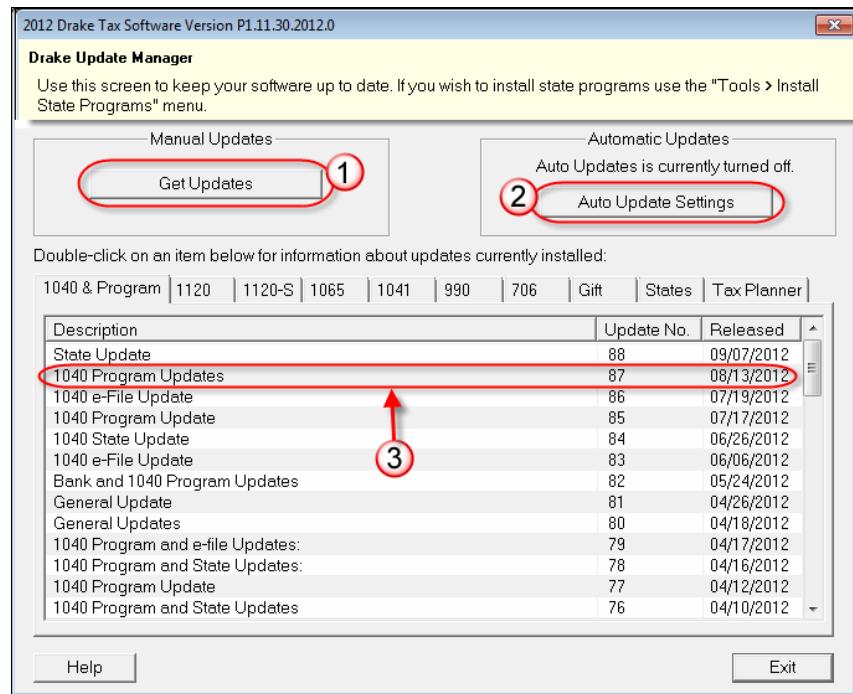


Figure 11-1: Update Manager dialog box

2. Click **Get Updates** (item #1 in Figure 11-1) and wait while the program checks for updates.
  - If no updates are found, click **Exit** to return to the **Update Manager** dialog box.
  - If updates are found, you will be prompted to install them. Proceed to Step 3.
3. Click **Yes**, and then click **Yes** again to close the software. The program contacts the server and displays a list of updates to be installed.
4. Click **Install**.

When installation is complete, click **Exit** to return to the Drake login window.

### Viewing Release Notes

When updates are installed manually, the program creates an installation log showing the file name, release date, and number of the update. To view a release note, double-click the desired row in the **Update Manager** dialog box (item #3 in Figure 11-1). Notes are displayed in the Report Viewer, where you can print or export the notes as desired. (For more information on the Report Viewer, see “Report Viewer” on page 323.)

## Automatic Updates

Program updates can be performed automatically based on the update options selected. With automatic updates, you can indicate what time of day you want the updates to occur. Automatic updates are not set by default; you must set up the software to receive updates automatically.

To view or change your automatic-update settings:

1. From the **Home** window, select **Tools > Update Manager**. The **Update Manager** dialog box is displayed (Figure 11-1 on page 288).
2. Click **Auto Update Settings** (item #2 in Figure 11-1 on page 288). The **Automatic Update Manager** dialog box is displayed.
3. Choose one of the following options:
  - Select **On** to turn on automatic updates. If you select this option, specify the hour, minute, and second each day that you want the program to check for updates. The **Status** section alerts you to the last time the program checked for updates and the last time it downloaded updates.
  - Select **Off** to turn automatic updates off.
4. Exit the **Automatic Update Manager** dialog box by clicking either **Hide** (if you turned automatic updates on) or **Exit** (if you turned them off).

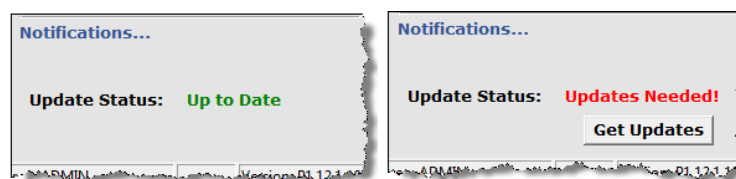
If you clicked **Hide**, a message informs you that the Update Manager will be hidden from view but that automatic updates will continue to operate normally. Click **OK** to close the message and return to the **Update Manager** dialog box. If you clicked **Exit**, a message informs you that no update operation was set. Click **Yes** to return to the **Update Manager** dialog box.

## Notification of Updates

When you log in to the program, you can see, in the **Notifications** section of the **Home** window, if program updates are available and ready for download—even if automatic updates are not activated. This feature can be accessed if all of the following conditions are met:

- The program detects that the machine is connected to the Internet.
- You have security rights to install patches. (See “Setting Up Preparer Security” on page 23.)
- You have permission to see the message regarding the updates ready for download. (You must be an administrator or have the **Display program update availability** drop box at **Setup > Options > Administrative Options** tab set to **All w/ Update Rights**. See Table 2-12 on page 33 for more information.)
- Your system needs the updates.

If no updates are needed, an “Up to Date” message is displayed in the **Notification** section of the **Home** window. When your system needs updates, you are informed that updates are available; click the **Get Updates** button to begin updating. (Figure 11-2)



**Figure 11-2:** (L) System is up to date; (R) updates are needed.



**NEW FOR  
2012**

For users of GruntWorx, notifications of GruntWorx jobs completed and ready for uploading will also appear in the **Notifications** sections. For more on GruntWorx, see Chapter 13, "Suite Products."

## Download Fonts

Special software-based fonts, or *soft fonts*, are required for printing tax forms. Because most laser printers do not come with these fonts installed, you might have to download them to the printer's memory each time the printer is turned on. Drake includes downloadable software fonts that work with HP-compatible laser printers and allow preparers to produce federal and state tax forms. By default, fonts are downloaded with each print job. If the printer is turned off, however, the fonts must be downloaded manually whenever the printer is turned back on.

To manually download fonts:

1. From the **Home** window, go to **Tools > Download Fonts**.
2. Click **Download** to open the **Download Soft Fonts** dialog box.
3. Choose a printer from the **Printer** drop list.
4. Click **Download**. As downloading proceeds, the font download status is shown.
5. Click **Exit** when the download is complete.

**NOTES**

When choosing a printer from the **Printer** drop list, be sure to select the printer that needs the fonts.

To set up options for downloading fonts, go to **Setup > Printing > Printer Setup**. Under the **(F7) Options** tab, select an option from the **PCL Soft Font Option** drop list.

## Blank Forms

All forms and worksheets supported by the program are available as blank forms in **Tools > Blank Forms**. If a state prohibits printing blank state forms, contact the state revenue office to obtain them.

To view or print a blank form in Drake:

1. From the **Home** window, go to **Tools > Blank Forms**. The **Blank Forms** window (Figure 11-3 on page 291) displays form categories, names, and descriptions for each package.

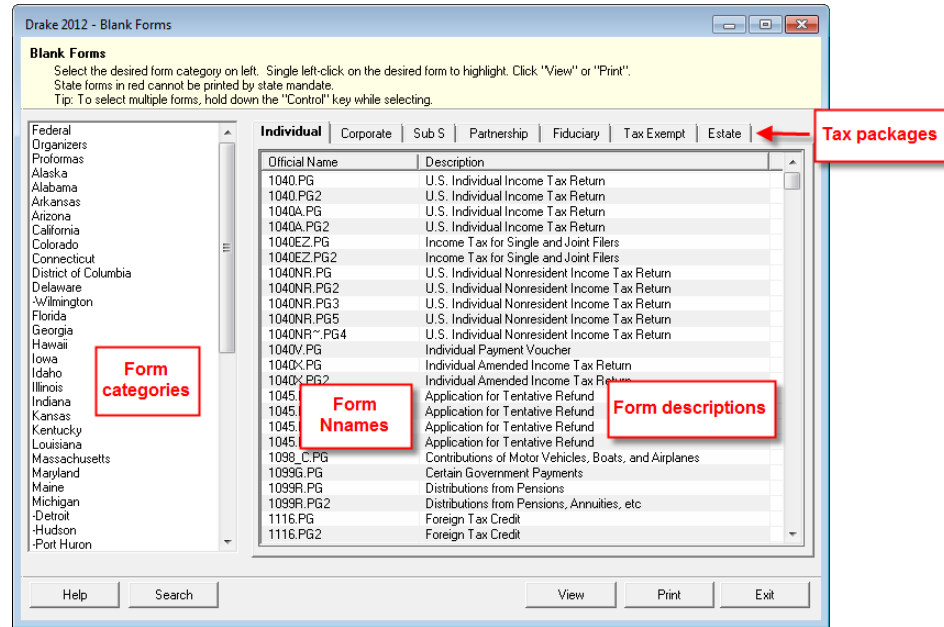


Figure 11-3: Blank Forms window

Click a column header to sort forms in ascending or descending order.

2. Pick a form category (default is **Federal**) and tax package (default is **Individual**.)
3. Scroll through the form list to locate a form.
4. Select a form and click **View** or **Print**.

**NOTE**

IRS Rev Proc 96-48 requires the Paperwork Reduction Act Notice to be distributed with federal forms. When providing a blank copy of a federal form, you must include a copy of the notice. Access it from **Tools > Blank Forms > Federal**. Under **Individual**, select **PAPERWRK.PG**.

## Repair Index Files

An index file is a comprehensive list of data on the client files in Drake. Keep index files current by repairing them regularly as part of your general file maintenance routine. Table 11-1 lists specific instances that could require repair of index files.

Table 11-1: Situations that Might Require Repairing of Index Files

Situation	What To Repair
Files were restored using <b>Tools &gt; File Maintenance &gt; Restore</b> .	Name Index
A client record was deleted through <b>Tools &gt; File Maintenance &gt; Delete Client Files</b> .	Name Index
The <b>EF &gt; Search EF Database</b> function does not seem to work properly.	EF Index
Records were added to the EIN database.	EIN Index
The Client Status Manager (CSM) index was updated.	CSM Index

To repair index files:

*Shortcut: Press CTRL+R to open the **Repair Index Files** window.*

1. From the **Home** window, go to **Tools > Repair Index Files**.
2. Select the index files to repair. To repair all types of index files, click **Repair All**.
3. Click **Continue**.
4. Click **OK**. (If **Name Index** was selected, select a **Name Index Option** first.)
5. When the file repair is completed, click **Exit** to return to the **Home** window.

## NOTE

Repairing the name index takes about a minute for every 2,000 names.

## File Maintenance

The File Maintenance menu provides access to the following functions:

- Backing up and restoring files (including copying data and configuration files to other computers or for use as backups)
- Importing, exporting, changing, deleting, unlocking, and password-protecting files

## Backing Up and Restoring Files

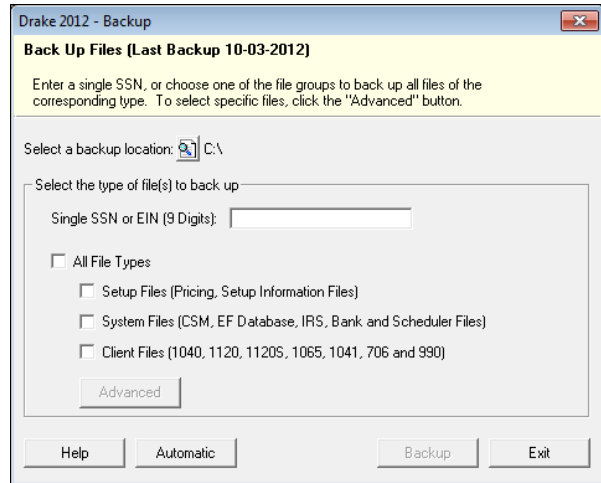
Use the **Backup** and **Restore** tools to prevent loss of client data or to move client files to another machine. Files backed up to other locations can be used to restore lost data. If multiple machines are used for tax preparation in one office, files can be moved to other computers and uploaded to a single machine to create a master file.

## TIP

Back up your files often and store them at an off-site location.

**Backup** To back up your files from the hard drive:

1. From the Drake **Home** window, select **Tools > File Maintenance > Backup**.
2. Click **Select a backup location** and browse to the file-storage location.
3. Click **OK** to return to the **Backup** window (Figure 11-4 on page 293).



**Figure 11-4: Backup window**

4. Select the file or file types to back up by entering the SSN or EIN, or by selecting **All File Types**, **Setup Files**, **System Files**, or **Client Files**.
5. If you marked a box, click **Advanced**. The **Advanced Backup** dialog box lists all files of the selected type. Filter or sort files as needed using the date and type filters on the right side of the **Advanced Backup** window.

## NOTE

The files listed contain only the file types selected. For example, if the **Client Files** group is not selected, no client files (1040, 1120, 1120S, 1065, 1041, or 990) are displayed.

6. Click **Backup**. Files are backed up to a folder at the root of the selected drive or subdirectory. In the 2012 Drake program, the folder name always starts with **DS2012** and is followed by the eight-digit date (MMDDYYYY format), a hyphen, and the number of the backup for the day. For example, the second backup file of January 28, 2013, would be titled DS201201282013-02.

**Restore** Use the **Restore** tool to copy data files from a media storage device to a computer. Use this feature, along with the **Backup** tool, to transfer files from one computer to another or to restore lost files.

To restore Drake files:

1. From the **Home** window, select **Tools > File Maintenance > Restore**.
2. Click the **Location to restore files from** button and browse to the desired location. Once you have made a selection, the **Select folder to restore from** drop list displays all of the subdirectories created during backup. Folder directories are displayed in the format described previously.
3. Choose to **Restore All Files in Folder** or **Restore Select Files in Folder**.
4. Click **Restore**. (This button is not activated until a restore location is entered.)

5. Click **Exit** when restoration is complete.

## IMPORTANT

If you do not have Windows XP, Windows Vista, or Windows 7 and want to back up your data on CD, you *must* use your CD burner software—not the Drake **Backup** tool—to perform the backup.

## Automated Backup

Use the automated backup feature to have the program automatically back up client, setup, and system files at a specified time each day. Two types of backups are available: a *full* backup backs up all selected files, and an *incremental* backup backs up only those files that have changed since the last backup.

To activate automatic backup:

1. From the **Home** window, select **Tools > File Maintenance > Backup**.
2. Click **Automatic** at the bottom of the **Backup** dialog box (shown in Figure 11-4 on page 293.) The **Automatic Backup Settings** dialog box is displayed (Figure 11-5).

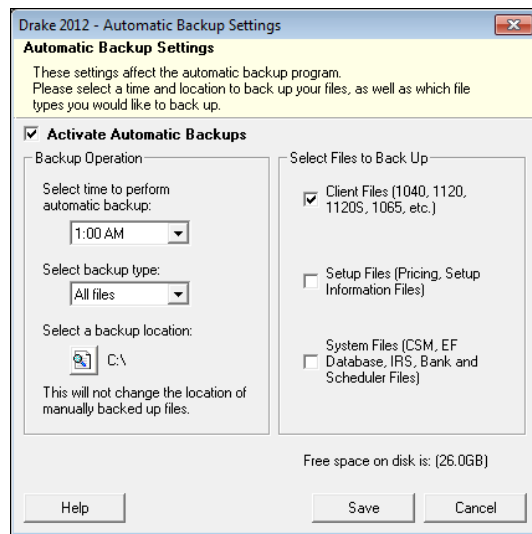


Figure 11-5: Automatic Backup Settings dialog box

3. Place a check mark in the **Activate Automatic Backups** box.
4. In the **Backup Operation** box, choose a time, type, and location for your backup.
  - **Time** — Select a time from the **Select time to perform automatic backup** drop list.
  - **Type** — Select a type from the **Select backup type** drop list. Choose **All Files** for a full backup; choose **Only changed files** to back up only those files changed since the last backup.
  - **Location** — Click the backup location icon and browse to a desired location.
5. In **Select Files to Back Up**, choose the files to be automatically backed up.
  - **Client Files** — Client files located in the Drake12\DT folder

- **Setup Files** — Pricing and setup information files
  - **System Files** — CSM, EF database, IRS, bank, and Scheduler files
6. Click **Save**. Click **Exit** to close the **Backup** dialog box.

**NOTE**

The amount of free disk space is indicated in the lower-right section of the **Automated Backup Settings** dialog box. If an attempt at automatic backup is unsuccessful due to lack of disk space, the backup is stopped and you receive a message stating that disk space is insufficient.

Once automatic backup is activated, the backup icon is added to the system tray at the bottom of your screen. You can click this icon to view the latest backup information. The automated backup program is also added to the Startup menu and will continue to be in operation after the machine is rebooted.

**Disabling Automated Backup**

There are two ways to turn off automatic backup:

- Go to **Tools > File Maintenance > Backup**, click the **Automatic** button, and clear the **Activate Automatic Backups** check box.
- Click the icon in the system tray, click **Stop**, and click **OK**.

**Changing a Client's ID Number**

Changing a client's SSN or EIN in the program requires more than simply making the change in data entry. To change a client's SSN or EIN in the software:

1. From the **Home** window, go to **Tools > File Maintenance > Change SSNs on Return**.
2. In the **Incorrect SSN/EIN** box, enter the ID number that is currently in the system.
3. In the **Correct SSN/EIN** box, enter the new ID number.
4. Click **Continue**.
5. Click **Exit** (or click **Continue** again to change another SSN or EIN).
6. As directed in the program, repair the index files. (See "Repair Index Files" on page 291.)

**CAUTION**

PPR clients: If you change an SSN or EIN – even on a practice return – you will be charged for another return.

**Clearing Drake Update Files**

Use the **Clear BBS Files** feature in File Maintenance to delete Drake update files after they have been downloaded to the computer. To delete update files:

1. From the **Home** window, select **Tools > File Maintenance > Clear BBS Files**.
2. Click **Continue**.
3. When the deletion process is complete, click **Exit**.

## Exporting Data from Drake

The exporting tool allows you to transfer client data and the EF database files to either a text file or a CSV (spreadsheet format) file. You can then import that information into other programs, such as Microsoft Word, Excel, or Access.

To export data files:

1. From the **Home** window, go to **Tools > File Maintenance > Export Client/EF Data**. The **Export Client/EF Data** box provides several choices (Figure 11-6).

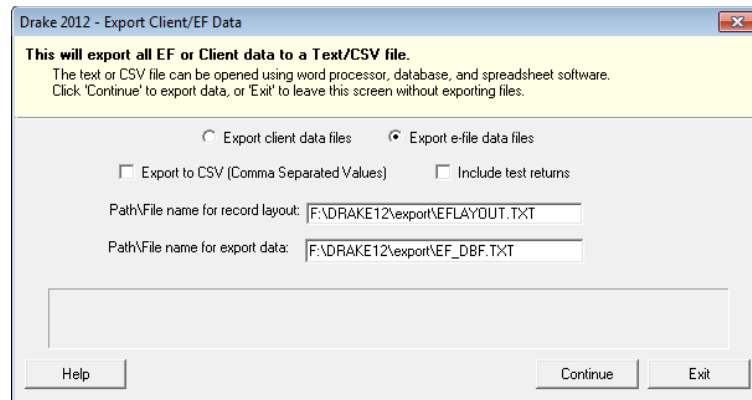


Figure 11-6: Export Client/EF Data dialog box

2. Select to either **Export client data files** or **Export e-file data files**.
  - If you choose **Export client data files**, the path to the location of the exported client data files is displayed. Change the default path as needed.
  - If you choose **Export e-file data files**, the path to the location of the exported e-file data files is displayed. Change the default path as needed.
3. (optional) Click **Export to CSV (Comma Separated Values)** if you want to export the data to a spreadsheet.
4. (optional) Click **Include test returns** if you want to include Drake test returns in the export.
5. Click **Continue**.
6. Click **Exit** when the export is complete.

## Password-Protecting Client Files

The **Password Protect** tool protects files from unauthorized access. A protected file cannot be opened in data entry until it is unlocked with a password.

To password-protect a file:

1. From the **Home** window, go to **Tools > File Maintenance > Password Protect Files**.
2. In the **Password Protect Client Data Files** dialog box (Figure 11-7 on page 297), enter the SSN or EIN of the client file to password-protect.

**Figure 11-7:** Enter the SSN, and then enter the eight-character password twice.

3. Enter an eight-character password in the **Enter Password** field. Passwords are case-sensitive and can consist of any combination of letters and numbers.
4. Enter the password in the next field to confirm it.
5. Click **Continue**.
6. Click **Yes** to confirm that you want to password-protect the file.
7. Click **Exit**.

If a password has already been entered for an SSN or EIN, the **Current Password** field (Figure 11-7) is activated. Once you've entered the correct password, you can change or remove it using the bottom two text boxes on the screen.

## Unlocking Client Files

If files are automatically locked upon e-file acceptance, they can be viewed but not changed after e-filing. (The option to lock files automatically is available in Options Setup; see "E-filing" on page 32.)

To unlock a client file that has been locked:

1. From the **Home** window, go to **Tools > File Maintenance > Unlock Client Files**.
2. Enter the SSN or EIN of the return.
3. Click **Continue**. The file can now be modified in data entry.

## Deleting Files from the Program

A *client file* is created when a return is prepared. A *print file* is a temporary file that is created when a return is calculated. Print files are used for e-filing and are automatically removed from the system after the designated number of days. (See Table 2-6 on page 28 to view or change the number of days to store print files.)

### Deleting Print Files

To manually delete print files:



1. From the **Home** window, select **Tools > File Maintenance > Delete Print Files** and wait for the program to scan the day's files. Print files are listed in the **Return Selector**.
2. Select the file to delete. To delete all files, click **Select All**.
3. Click **Delete**.
4. Click **Yes** to continue.
5. Click **OK** to return to the **Home** window.

**TIP**

Since print files appear on the EF transmission selection list, you may want to delete print files for returns that are not ready for e-file.

**Deleting Client Files**

To manually delete a client file from the database:

1. From the **Home** window, select **Tools > File Maintenance > Delete Client Files**.
2. Enter the SSN or EIN of the client file to delete.
3. Click **Continue**.
4. Click **Yes** to continue.
5. Click **OK**.
6. Click **Exit** to return to the **Home** window.

**NOTE**

If you are not accessing files on a network, the deleted files go to the recycle bin.

## Changing Return Types

A return can be changed to another file type without your having to create a new file. When a return type is changed, the following information is transferred:

- Name, address (including county), and telephone number
- Fiscal year
- All depreciation data, including screens **6, 7, 8, 9, and 10**

When a corporation return is converted to an S corporation return, the balance sheet and Schedule A information are also transferred.

**IMPORTANT**

Not all data is transferred. Before using **Change File Type**, back up the original file. (See "Backup" on page 292.)

To change a return type:

1. From the **Home** window, select **Tools > File Maintenance > Change File Type**.
2. Enter the SSN or EIN of the file to convert, and click **Continue**.
3. Select the new file type (**Individual, Corporate, Sub-S Corp, Fiduciary, Partnership, Tax Exempt, Estate, or Heir**) (See Figure 11-8 on page 299).
4. Click **Continue**.

- When the conversion is complete, click **OK**.

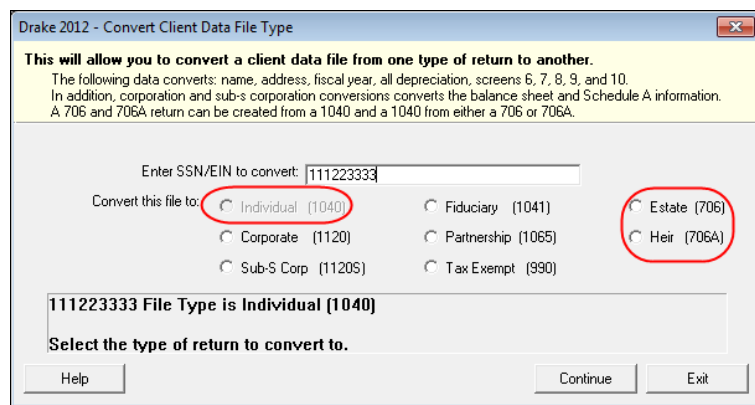
## Estate and Qualified Heir Returns

You can use a single SSN for two return types when a taxpayer requires a Form 1040 and one of the two return types listed below:

- Form 706, U.S. Estate (and Generation-Skipping Transfer) Tax Return
- Form 706-A, U.S. Additional Estate Tax Return

An SSN must already be associated with a return in the software before it can be assigned to a second return type. To assign a single SSN to multiple returns:

- From the **Home** window, select **Tools > File Maintenance > Change File Type** to open the **Convert Client Data File Type** dialog box.
- In the **Enter SSN/EIN to convert** field, enter the SSN to be assigned to a new return type and click **Continue**.
- The available return types are displayed. In Figure 11-8, the selected return is a 1040, so that option is disabled. Note that the 706 and 706-A options are in the right-hand column.



**Figure 11-8:** Available return types are displayed.

- Click an option to select it, and then click **Continue**.
- When asked if you want to keep the original return in addition to the new return, click **Yes**.
- Click **OK**.

The SSN is now applied to both the original return and the new return. In the future, when you enter the SSN to open a return, you will be asked which return you wish to open. When you use other features of the program where SSNs are entered, you will be prompted to indicate which return the program should use.

## Importing Data from QuickBooks

Two main steps must be taken to import client data from QuickBooks into Drake: (1) preparing the QuickBooks file, and (2) performing the import. Always back up Drake files (see “Backup” on page 292) and the QuickBooks files before importing client files.

## Preparing a QuickBooks File

Before you can import QuickBooks files into Drake Software, you must first place the QuickBooks files into an import file inside QuickBooks.

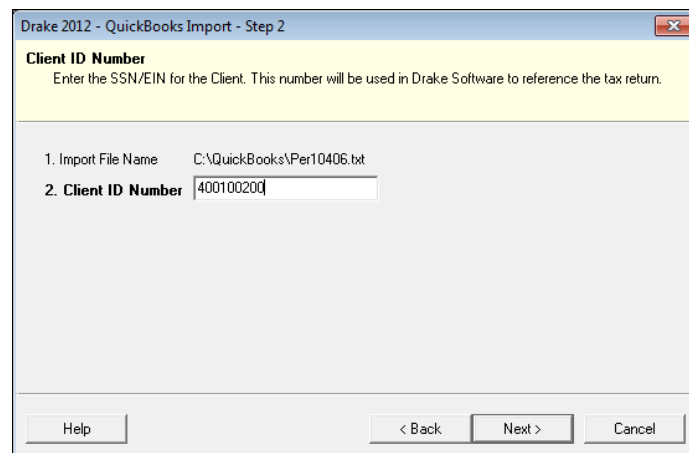
To create the import file from inside QuickBooks:

1. Select **Report > Accountant & Taxes > Income Tax Summary**.
2. Click **Print** to open the **Print** dialog box.
3. Select the option button to the left of **FILE**.
4. Select **ASCII text file**.
5. Press **Print**.
6. Enter a file name of eight characters or fewer with no spaces.

## Importing QuickBooks Data

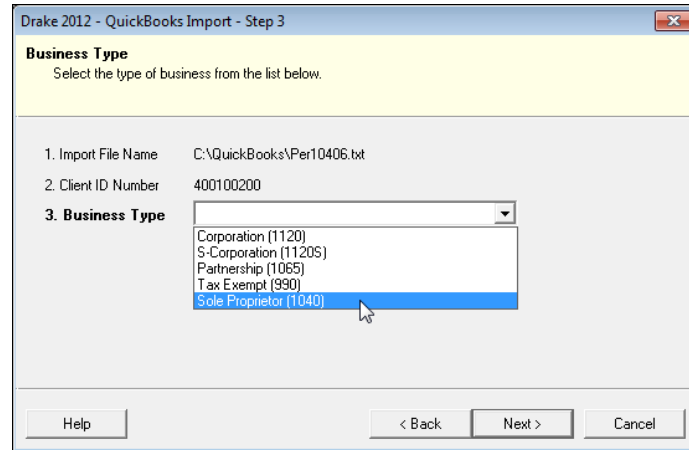
To import data from a QuickBooks import file into Drake Software:

1. From the **Home** window, select **Tools > File Maintenance > QuickBooks Import**.
2. Click **Next**.
3. In step 1, enter the name of the import file created from QuickBooks or click the button to the right of the text box and browse to the QuickBooks file. The file extension is .txt. Drake searches the local hard drive for the import file.
4. In step 2, enter a **Client ID Number** (SSN or EIN) and click **Next**.



**Figure 11-9:** Step 2. Enter SSN or EIN

5. The program searches for a Drake file with the same EIN/SSN.
  - If no Drake file is found, you are prompted to choose a **Business Type**. Make your selection from the drop list (Figure 11-10 on page 301), and click **Next**.



**Figure 11-10:** Step 3: Choose one of the business types listed.

- If a Drake file is found, you're asked to confirm the business type. Click **Yes** to proceed.

**6.** Click **Finish** to import the QuickBooks file into the Drake file.

After importing the QuickBooks files, enter **Inventory** amounts and details for **Other Deductions** and items requiring details on the return.

## NOTE

If the QuickBooks file type does not match the one in Drake, you are prompted to convert the QuickBooks file while importing (for example, if there is an S corporation file to import into the Drake 1120 package).

## Letters

The Letters tool allows you to print batches of certain client letters at a time. These letters, listed in Table 11-2, are those that do not typically accompany a tax return.

**Table 11-2:** Letters Available from **Tools > Letters > Letters**

Type of Letter	Suggested Purpose of Letter
Post-season letter	Thank clients for their business; remind them that you are available for additional tax-preparation assistance.
Preseason letter	Make contact with last year's clients; encourage clients to use organizers.
Estimate payment reminder	Remind current-year clients that estimate payments are due; provide instructions for sending payments.
Appointment letter/ email notifications	Send appointment reminder letters to selected clients via letter or e-mail.
EF status letter	Provide acknowledgment status of e-filed return.
Engagement letter	Enter into contract with clients to prepare their tax return.

You can also use the **Letters** tool to print batches of pre-addressed mailing labels, envelopes, and postcards.

## NOTES

The information provided here applies to letters that can be printed in batches. For more information on the other types of letters available in Drake, see "Introduction to Letters in Drake" on page 40.

If printing an engagement letter for a taxpayer who has not been entered into the system, you are prompted to provide the person's name and address information and type of return. This action does *not* create a client file in Drake; the information is used for the engagement letter only.

## Printing Letters

To print one or more letters:

1. From the **Home** window, go to **Tools > Letters > Letters**.
2. From the **Client Letters** dialog box, select a letter type (Figure 11-11).



**Figure 11-11:** Letter choices in **Client Letters** dialog box

3. Click **Next** to open the **Client Selection** dialog box.
4. Complete one of the following:
  - **Print a letter for specific clients** — Enter a client's SSN/EIN and click **Add Client**. Repeat for additional clients. Click **Next**.
  - **Print a batch of letters** — Click **Next** to open **Client Letters Filters Selection**. Select filtering and sorting options. If a more complex filter is needed, click **Edit Filters**. (See "Filter Manager" on page 319.) Click **Next** for **Basic Search Conditions**. Click **Continue** to **Scan Client Files**.
5. Click **Print**.

## Mailing Labels

You can print mailing labels to a label printer. To print mailing labels:

1. Ensure that label sheets are loaded correctly into the printer.
2. From the **Home** window, go to **Tools > Letters > Mailing Labels**.

3. Select a label type from the **Select Label** list. Label selections are described in Table 11-3. Items with an asterisk (\*) may require filtering of data before printing.

**Table 11-3:** Label Selections Available in Drake

<b>Label</b>	<b>Description</b>
Client addresses*	Print a batch of client address labels.
Single client address	Print a label for a single client address.
Birthday addresses	Print a batch of address labels for clients whose birthdays fall within a specified range.
Firm address	Print one or more address labels for a firm.
EF service centers	Print address labels for e-filing service centers.
IRS 'mail to' address	Print labels for IRS mailing addresses.
State 'mail to' address	Print labels for state mailing addresses.
User defined	Print user-defined mailing labels.
Labels for folders*	Print labels for folders.
Prior year clients*	Print address labels of prior-year client addresses.

4. Enter the requested information (if necessary), and then click **Next**.
5. (If the **Filter Selection** dialog box is opened) Set desired filters and click **Next**. (See "Filter Manager" on page 319 for more on filtering.) Select any **Basic Search Options** and click **Continue**. (For more on search conditions, see "Search Conditions" on page 319.)
6. Position the mailing labels as needed. Options are described below.
- **Print to a label printer** — Select to print to a label printer.
  - **Number of copies of this label** (This option is available only when printing a single label.) — Number of labels to be printed. For example, if you enter a "5," five labels will be printed.
  - **Position of the first available label** — Position of first label on the available sheet. If the first label is missing, you can enter "2" to have printing begin in the position of the second label.
  - **Vertical adjustment** — Enter a positive number. Each number refers to a row. If you enter "2," printing will begin two rows into the label.
  - **Horizontal adjustment** — Enter a positive number. Each number refers to a column. If you enter "2," printing will begin two columns into the label.
  - **Name format** — From the drop list, select the name format to use.
7. Click **Finish**. The **Client Labels** dialog box is opened if you selected **Print to a label maker** in Step 6. If so, make the following selections:
- Choose the clients from the list on the left whose labels will be printed. Click to highlight one name, press CTRL and then click names to choose multiple clients, or click **Select All**.
  - In the **Other Selections** section, choose to:

*Recommended labels are three across and ten down (Avery 5160 or 8160)*

- Print labels with **IRS “Mail To” Addresses** for individual and business returns with and without payments
  - Print labels with **State “Mail To” Addresses** for various individual and business returns
  - Print labels for mailings to **IRS Service Centers**
  - Build a **Custom Label**.
  - **Options** allows you to change the order of the clients' names on the label, to hide the **Label Preview** (which appears when you choose one of the other options in the **Other Selections** section or when you choose **Single client address** in Step 2), and to use a custom printer dialog box.
- 8. Click Print.**

**NOTE** The Mailing Labels tool can also be used to run reports. See Chapter 12, “Reports.”

### Printing a Client Label From Data Entry

Drake provides a convenient way to print a mailing or folder label from data entry. To print a single label from data entry:

- 1.** Ensure that the label printer is installed properly per the manufacturer's instructions and that the label sheet is properly loaded.
- 2.** In data entry, go to screen **1** of the return.
- 3.** Right-click on the screen (not a field) and select **Client Labels > Name Format** from the right-click menu.
- 4.** Select the name format (**LastName, FirstName** or **FirstName LastName**).
- 5.** Right click on the screen (not a field) again and select **Client Labels**.
- 6.** Choose from the following label types:
  - Mailing Label
  - Folder Label (**SSN/EIN, Name** or **Name** only)

**NOTE** Unless you chose to hide the **Preview Label Window** in step 7 of the previous procedure (see “Mailing Labels” on page 302), you will see the **Preview Label** window. Click **Continue**.

- 7.** Select the label printer from the **Print** dialog box.
- 8.** Click **OK** to print the label.

**NOTE** This option is designed for use with a dedicated label maker such as the DYMO LabelWriter 400 Label Printer. Data can be printed on any label size, but DYMO Label Writer labels, size 30252, are recommended because they work well for folder and mailing labels. Size 30252 labels are included in the DYMO printer starter kit.

**TIP**

You can also choose to print individual address and folder labels for a client, or print labels for mailings to the IRS and state taxing authorities, and design custom labels from the **Data Entry Menu**. Right-click the menu and select **Client Labels** to open the **Client Labels** dialog box. See step 7 of “Mailing Labels” on page 302 for more information on the options.

## Envelopes

To print addresses on envelopes:

1. Ensure that envelopes are loaded properly into the printer.
2. From the **Home** window, go to **Tools > Letters > Envelopes**.
3. Select filtering and sorting options from the **Envelopes Filter Selection** box. If you need a more complex filter, click **Edit Filters**. (See “Filter Manager” on page 319.)
4. Click **Next**.
5. Modify the **Basic Search Conditions** as needed, and then click **Continue**. (For more on Basic Search Conditions, see “Search Conditions” on page 319.)
6. In the **Envelopes** dialog box, update the envelope formatting as needed. Click **Help** for more on individual fields.
7. Click **Finish**.
8. Set printer options in the **Print** dialog box as needed, and then click **Print**.

**NOTE**

Not all printers are capable of printing envelopes. Verify that your printer has this capability before using this function in the program. Always test-print an envelope before printing an entire batch.

## Postcards

To print addresses on postcards:

1. Ensure that the postcards are loaded properly into the printer.
2. From the **Home** window, go to **Tools > Letters > Postcards**.
3. Select filtering and sorting options from the **Postcard Filter Selection** box. If a more complex filter is needed, click **Edit Filters**. (See “Filter Manager” on page 319.)
4. Click **Next**.
5. Modify the **Basic Search Conditions** as needed, and click **Continue**. (For more on basic search conditions, see “Search Conditions” on page 319.)
6. From the **Postcards** dialog box, update the postcard formatting as needed. Click **Help** for more on individual fields.
7. Click **Finish**.
8. Set printer options in the **Print** dialog box as needed, and then click **Print**.



## Amortization

The **Amortization** tool prepares loan repayment schedules for various loan scenarios. To prepare a loan repayment schedule:

1. From the **Home** window, select **Tools > Amortization**.
2. Enter a **Schedule Title** to be displayed at the top of the amortization schedule.
3. Complete all other applicable fields. Fields are described in Table 11-4.
4. Click **Calculate**. The program creates the amortization schedule.



To print the schedule, click **Print**.

To save it for later viewing (using **Reports > Report Viewer**), click **Save**.

**Table 11-4:** Amortization Schedule Fields and Descriptions

<b>Amortization Schedule Field</b>	<b>Description</b>
Loan Amount	The original amount of the loan.
Amortization Periods	The number of payments to be made over the life of the loan. (Example: If the loan is for two years and monthly payments are required, you would enter 24 (2 years = 24 months).)
Payments Per Year	The number of payments to be made each calendar year.
Annual Interest	The annual interest amount for the loan. This amount is calculated automatically. If the interest is unknown but the payment amount is known, leave this field blank.
Payment Amount	The amount of the payment. In most cases, this amount is calculated automatically based on the other information entered. If this field is left blank and the interest amount is entered in the <b>Annual Interest</b> field, the program displays the calculated payment here.
Payment Type	The payment type. Select one of two types of payments: <b>Fixed Payment</b> or <b>Fixed Principal</b> . (The default is <b>Fixed Payment</b> .)
Date of First Payment	Due date of the first payment. This entry is used to determine the dates for subsequent payments.

To show only the payments from certain dates, enter those dates in the **Filter Schedule Payments** fields and click **Apply**.

To clear the screen, click **Reset**.

To get information on balloon payments, click the **How do I make a balloon payment?** link.

To send the schedule to the printer, click **Print**. To save it for viewing through **Reports > Report Viewer**, click **Save**, designate a file name, and click **Save**.

## EIN Database

The program stores all EINs and related data in the EIN database for later retrieval. Use the **Edit EIN Database** tool to add, edit, or delete an employer's information.

### Adding or Editing Employer Information

To add or edit an employer's EIN database information:

1. From the **Home** window, go to **Tools > Edit EIN Database**.
2. (If editing) Enter or select the EIN to edit, or begin typing the name of the employer and select it when it appears in the list below.
3. Click **New** (if adding) or **Edit** (if editing).
4. Modify or complete the fields in the **Edit EIN/Employer Listing** dialog box.
5. Click **Save**.

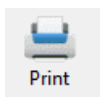
### Deleting Employer Information

To delete employer data from the EIN database:

1. From the **Home** window, go to **Tools > Edit EIN Database**.
2. Enter or select the EIN to delete, or begin typing the name of the employer and select it when it appears in the list below.
3. Click **Delete**.
4. Click **Yes** when prompted to confirm the deletion.
5. Click **Exit** to close the **EIN/Employer Database** dialog box. (Depending on your changes, it might take several seconds to close as the database is updated.)

### Printing a List of EINs

To print a list of EINs from the EIN database:



1. From the **Home** window, go to **Tools > Edit EIN Database**.
2. Click **Print**. The **Print EIN/Employer Listing** dialog box displays sorting options.
3. Select to sort the list by **EIN**, **Company Name**, **City**, **State**, or **Zip Code**.
4. Click **OK**. A preview of the list is displayed in the Report Viewer.
5. Click **Print** to open the **Print 'Drake Report'** dialog box.
6. Click **Print**.

#### NOTE

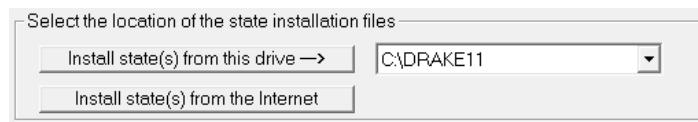
Export EIN data to another program if desired. From the Report Viewer, click the arrow on the **Export** icon and select a format. If you click the **Export** icon (not the arrow), the program automatically exports the data into Excel.

## Install State Programs

Use **Install State Programs** to install or repair state program files. This can be done by accessing the Internet, the latest CD, or any drive location that has the needed program files. For networked offices sharing information, all users must close Drake before installing state programs.

To install state programs:

1. From the **Home** window, select **Tools > Install State Programs**. The **Install State Programs** dialog box is displayed.
2. Choose to install state programs from a drive or from the Internet. If a selected location has state files available, the files are displayed in the **States Available...** panel on left. (If the **States Available** panel stays empty, select another location.)



**Figure 11-12:** Install state programs from computer, CD, or Internet.

3. Choose the states to be installed and click **Select** (or **Select All**). States selected appear in the **States Selected for Installation** pane on the right.
4. Click **Install**. The progress bar identifies the states being retrieved and installed. (Only installed states are updated.)
5. To remove any states from the **Installation** pane, highlight the state in the **Installation** pane and click **Unselect** (or **Unselect All**).
6. To remove any state program from Drake, click **Uninstall State(s)**, and from the **Remove States** dialog box, select the states currently installed, click **Select** (or **Select All**) and click **Uninstall**.

### TIP

Check for updates (**Tools > Update Manager**) after installing state programs to ensure that you have the most up-to-date information.

## Repairing State Program Files

If the state program files on your computer or server are more recent than the state program files most recently installed, the current files will not be replaced. If you must overwrite the current state files, contact Drake Support or click the **Help** button of the **Install State Programs** dialog box for more information.

## Scheduler

The Scheduler tool is used for scheduling and maintaining client appointments. For information on using this tool, see “Scheduler” on page 85.

## Tax Rates for Ohio and Pennsylvania Cities

Use the **City Tax Rate Editor** to edit and add tax rates, credits, and addresses to be used when creating city returns for the states of Ohio and Pennsylvania. Always verify tax rates as they are subject to change.

To view and edit city tax details for these states:

1. From the **Home** window, go to **Tools > City Tax Rates** and select a state. The **City Tax Rate Editor** for the selected state is displayed.
2. Select a city or municipality from the drop list. The city's details automatically fill the text boxes, which you can edit as needed.
3. Click **Update** to save any changes.
4. Click **OK**.

### About PA Cities

The PA editor is designed for local city forms not including Philadelphia tax forms.

The default address from the database is the "Zero Due" address listed on Pennsylvania's Municipal Tax Information website. "Balance Due" and "Refund" addresses can be obtained from this site or from the paper form if provided by the municipality.

To find a tax rate or other county or municipality tax information, click the **Find Tax Rate and Address** link.

If penny rounding is required for a specific municipality a Pennsylvania return:

1. In data entry, enter the desired amount, rounding to the penny (example: 810.33).
2. Press CTRL+F.

The CTRL+F action forces the program to allow penny-rounding for that field only and for that return only. Otherwise, the program automatically rounds all numbers entered.

### NOTE

Penny-rounding can be set globally from **Setup > Options > Optional Items on Return**. Note that amounts on federal returns must be rounded to the nearest dollar in order to be eligible for e-file.

## Forms-Based Data Entry

Forms-based data entry allows you to enter a previously prepared 1040 return into the tax software. To enter a forms-based return in Drake:

1. From the **Home** window, go to **File > Forms Based Data Entry**.
2. Enter or select the desired return.
3. Click a link to open the screen for a particular line. Repeat for other lines.

4. Once you've filled in all return data, click **Exit** to close the form.

## NOTES

If "NONE" is selected for **Preparer #** on screen **1**, the program applies the same designation for **Firm #**, and nothing is shown on the corresponding lines of the printed return unless corresponding entries are made on the **PREP** screen. In addition, the program will print as the ERO the preparer selected as the **Default ERO** (on the **EF** tab under **Setup > Options**).

If the **Preparer #** field is left blank, the program will use the corresponding information from **Setup > Preparer(s)**, respectively.

Note that the same toolbar from data entry is available in forms-based data entry.

## Quick Estimator

Use the Quick Estimator to quickly calculate results for an individual (1040) return.

## CAUTION

Do not e-file or mail the return generated in the **Quick Estimator** to the IRS, or an amended return will be required.

PPR clients: A return created in the **Quick Estimator** counts as one PPR return.

To use the Quick Estimator:

*Shortcut: Press CTRL+Q to open Quick Estimator.*

1. From the **Home** window, select **File > Quick Estimator**.
2. Enter or select an SSN. If an existing return is selected, the Quick Estimator will not override previous entries.
3. Enter all applicable information for the return. Press F1 in an individual field for help on that field.
4. Press ESC to save the data, exit the screen, and view the return. Depending upon your setup options, you may be able to click CTRL+C to calculate, or CTRL+V to calculate and view.

Please note the following points when using the Quick Estimator:

- Because the total of interest, dividends, and other income are entered in one field (**Interest/dividends/Other income**), the bank-product and preparer fees might not be accurately reflected on the bill. The income could be overestimated or underestimated.
- The Quick Estimator produces only one return if calculating a **Married Filing Separately** return. A separate return must be generated for the other spouse.
- Because the names of dependents are not entered in the Quick Estimator, the individual names are not shown on the return. The appropriate credit amounts are indicated if all applicable fields are completed in the Quick Estimator.
- Select ERC if the taxpayer would want an Electronic Refund Check when the IRS deposits the refund.
- A **Preparation fees withheld from Bank Product** entry overrides the **Tax preparation fee** field on the **BANK** screen.

NOTE

Remember, the Quick Estimator should be used only for estimating taxes. A full return should be prepared later. Data from the **Quick Estimator** flows to the full tax program and might need adjusting.

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# 12 Reports

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The Reports function allows you to create printable reports based on data entered into the program via data entry, the CSM, or the Scheduler.

## Report Manager

Use the Report Manager to create a variety of pre-defined and customized printable reports. To access the Report Manager from the Drake **Home** window, select **Reports > Report Manager**.

## Report Categories

Five report categories are provided in the Report Manager:

**Table 12-1:** Report Categories

<b>Report Category</b>	<b>Description</b>
Client Reports	Criteria for these reports consist of client contact data, preparer and revenue data, return details, status and tracking data, and summary data.
EF/Bank Reports	Criteria for these reports consist of data related to e-filing and banking, including bank-product status, tracking, check, and summary data; and EF status, tracking, and summary data.
Scheduler Reports	Reports are based on data entered in the Scheduler and include reports on new clients, preparer call lists, and appointments.
My Reports	Reports that you create, either by editing one of the pre-defined reports or by starting with a blank report, are automatically stored in <b>My Reports</b> .
Other Report Options	This category gives you access to the reporting capabilities of the CSM and the Fixed Asset Manager, and allows you to compile depreciation lists and hash totals.



As shown in Figure 12-1, the Report Manager uses a standard tree format. Click [+] to expand a category list; click [-] to collapse the list and hide the reports in the category.

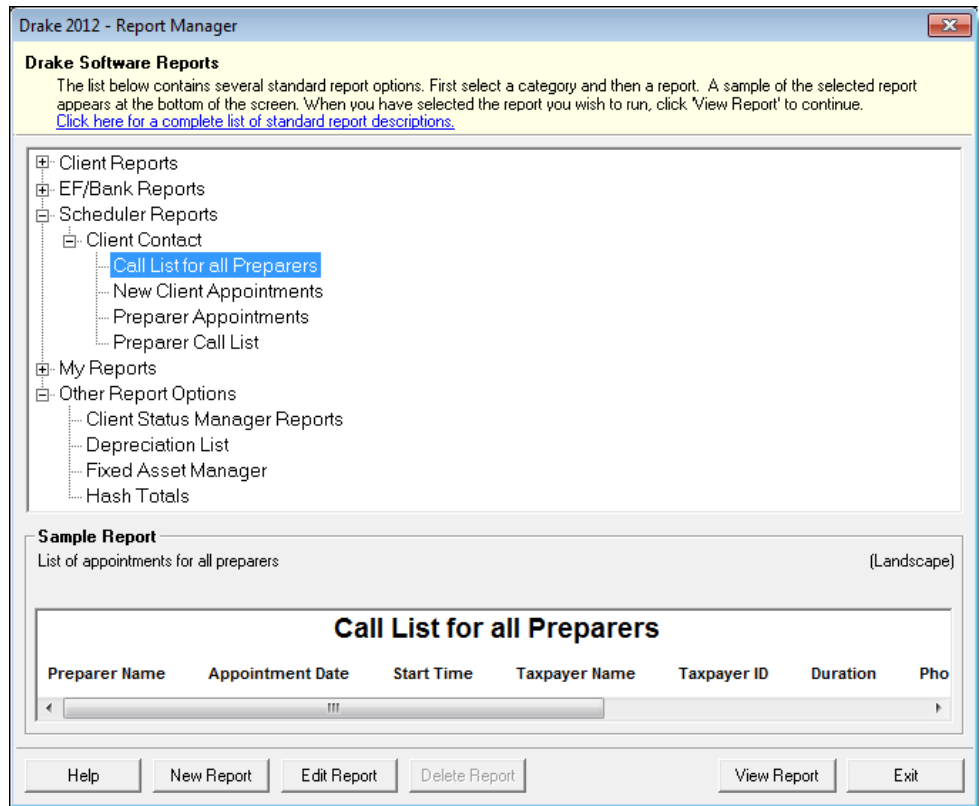


Figure 12-1: Tree view of Report Manager

Only those reports in **My Reports** can be deleted. To delete a report, select it and click **Delete Report** (or choose **Delete Report** from the right-click menu).

## NOTE

Drake 2012 Help includes descriptions of all standard reports in the **Report Manager**. Click the link at the top of the **Report Manager** window to see the complete list. (You can also click **Help** on the **Report Manager** window, or, from the Drake **Home** window toolbar, click **Help** and search for “Report Descriptions.”)

## Sample Report Window

Before generating a report, you can preview the report title and column headers to see how the report will fit on the printed page. The report preview is displayed in the **Sample Report** window at the bottom of the Report Manager. (See Figure 12-1.) Also included is a brief description (if available) of the selected report.

To preview a report in the Report Manager, click the title of the report to preview. As shown in Figure 12-1, the report title and column headings are displayed. The display reflects changes as report details are updated.

The **Sample Report** box also indicates a report layout of **Portrait**, **Landscape**, or **Potentially too wide**. A layout of **Potentially too wide** means that some data could be

cut off in the printed report due to the number of columns. A report that is **Potentially too wide** can still be exported as a .CVS file or to Excel, where it is possible to widen columns, change font size, or increase margins and be able to print reports that are potentially too wide to be printed directly from the Drake Report Manager.

Regardless of width, the report can still be viewed in the Report Viewer using scroll bars.

## Setting Up a Report

When planning reports for your office, consider beginning with one of Drake's pre-defined reports, which may already include most of the information you want. You can create a new report if none of the predefined reports meet your needs. The steps for these procedures are similar, but it may be easier to learn how to create reports by working first from a pre-defined report.

Several tasks, some of them optional, are involved in creating a report. These tasks are described in the following sections.

## Assigning a Title and Description

The **Report Title** is displayed on the actual report; the **Report Description** is for informational purposes and is displayed in the Report Manager's **Sample Report** box.

To assign a new title and description to a report in the Report Manager:

1. Select the report to use as a template.
2. Click **Edit Report**. The **Report Editor - Step 1** window is opened (Figure 12-2).

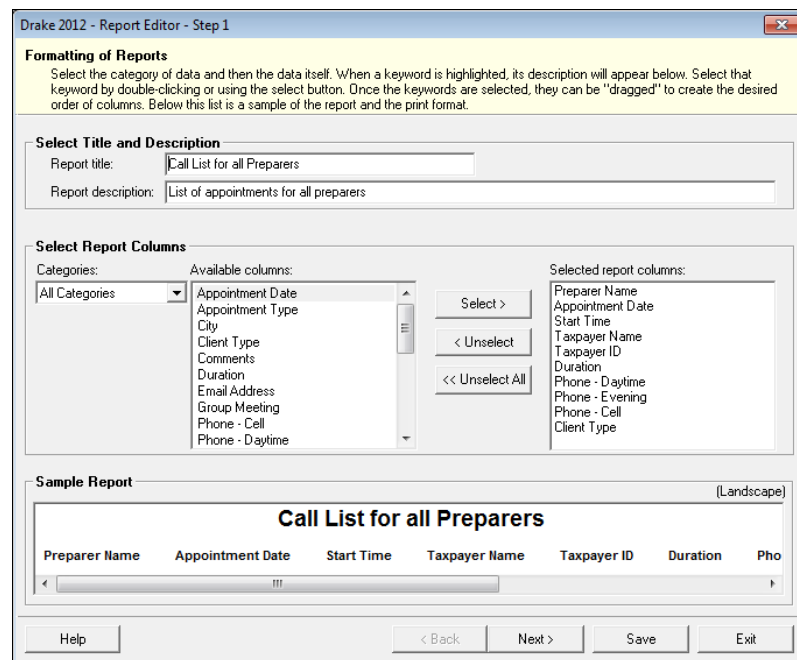


Figure 12-2: Report Editor - Step 1 window for formatting reports

3. Revise the **Report title** and **Report description** as needed. (The **Report description** text box is limited to 70 characters.) Note that the new data appears in the **Sample Report** box as you type.
4. Click **Save** or proceed to “Assigning Columns,” following.

The program stores the report with the new title under **My Reports**.

## Assigning Columns

The various columns that make up your report are represented by keywords. Select the columns and the order in which they are shown by choosing and ordering the keywords. Columns are established from the **Report Editor - Step 1** window. Note that the columns currently appearing in the selected report are listed in the **Selected report columns** box on the right. (See Figure 12-2 on page 315.)

To establish the columns shown in a report:

1. From the **Report Editor - Step 1** window, select a category from the **Categories** drop list. The available columns for that category are represented by the keywords in the **Available columns** field.

### TIP

Place the mouse pointer over an **Available columns** keyword to display a tooltip description of the item.

2. From the **Available Columns** list, double-click a keyword, or single-click it and choose **Select**. The keyword (column heading) moves to the **Selected report columns** field. Note that the new column heading appears in the **Sample Report** box.

(To remove a column heading from the **Selected report columns** field, click it then click **Unselect**. Click **Unselect All** to remove all column headings.)

3. Click **Save** or **Next** to proceed to “Assigning Filters,” following, to assign report filters.

The program stores the modified report under **My Reports**.

### NOTE

New reports overwrite existing reports of identical names in the **Report View/Print Utility**. To have multiple versions of one report, you must rename the newer report.

## Assigning Filters

Filtering limits the information to be included in a report by screening out unwanted data. With the many filters available, and the ability to create filters and add conditions to each filter, you have a variety of output options for reports.

Choose a filter from one of Drake's many pre-defined filter choices. You can edit an existing filter to meet other selected criteria.

### Existing Filters

To assign a filter to a report:

1. From the **Report Editor - Step 1** window (see Figure 12-2 on page 315), click **Next**. The **Report Editor - Step 2** window is opened (Figure 12-3).

Figure 12-3: Report Editor - Step 2 window (top half)

2. Select a pre-defined or custom filter from the **Select a Report Filter** drop list. Note the **Filter Description** displayed when a filter is selected. (Figure 12-3).
3. Click **Save**.

## Customized Filters

Use a pre-defined filter as a template for creating a customized filter. Be aware that *changing a pre-defined filter affects every report in the program that uses that filter*. We recommend making a custom filter (or copying a filter and giving it a unique name), and then editing it to your specifications.

## IMPORTANT

Before a change is made to a filter, the program indicates which reports will be affected and offers the option of editing the existing filter or editing a copy of it. If you edit a copy, the original filter and associated reports remain unchanged; only the current report is affected.

To customize a filter to assign to a report:

1. After making changes in the **Step 1** window (Figure 12-2 on page 315), click **Next** to open the **Report Editor - Step 2** window (Figure 12-3).
2. Select a filter from the **Select a Report Filter** drop list.
3. Click **Edit Filters** to open the **Filter Manager** window (Figure 12-4 on page 318). The filter you selected is highlighted.

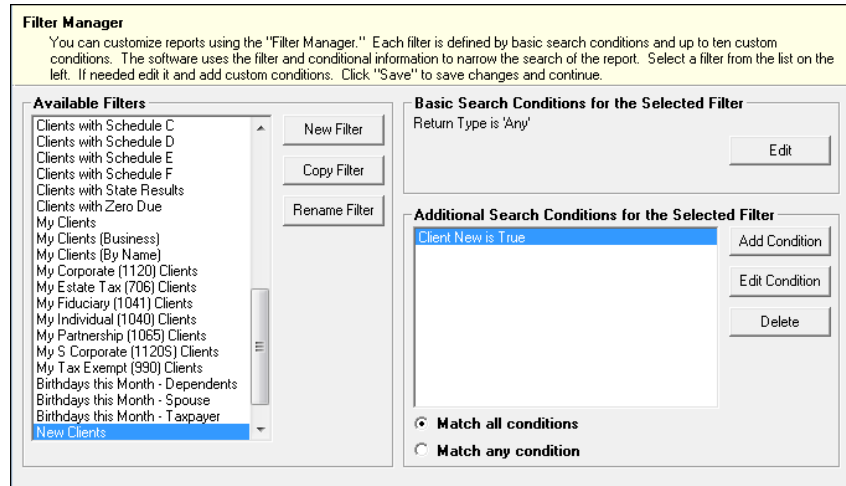


Figure 12-4: Filter Manager window

4. Click **Copy Filter**. Name the filter and click **OK**. The new filter is highlighted.
5. Modify the **Basic Search Conditions** and the **Additional Search Conditions** for your filter, as appropriate; there is a limit of 10 additional search conditions per filter. (See “Search Conditions” on page 319.)
6. Click **Save**. The program returns to the **Report Editor - Step 2** window.
7. Click **Save** again to save the report. To close the Report Manager, click **Exit**.

## Selecting Additional Report Options

Additional options for sorting data, calculating numeric data, using prior-year data, and assigning an output file name are available from the **Report Editor - Step 2** window (Figure 12-3 on page 317).

### Sort/ Summary Order

Under **Additional Report Options**, choose a keyword by which to sort reports. For example, to build a report on “Clients,” with results sorted by the last name, select **Taxpayer Last Name** from the drop list. This list includes all the keywords in the report, plus various others (depending on the report selected): Client type, DCNs of client tax returns, the start time and duration of scheduled meetings, the firm’s ID number, the preparer’s ID number, the taxpayers’ names, ID numbers, phones numbers, and ZIP code, the client type.

### Data Calculations

Select the **Summarize the Report Data** box to have the program calculate and total each column. Not all reports benefit from summarizing. Edit your report and add such keywords as **Count**, **Average**, and **Percentage** to enhance the summary.

### Prior-Year Data

The program queries current-year data by default. To have a report run prior-year data, select the **Use Data from 2011** box. (This option is available only with **Client Reports**.)

### Output File Name

An output file name consisting of the first eight letters of the **Report title** (Step 3 in “Assigning a Title and Description” on page 315) is entered automatically in the **Report output file name** field. Changing this name is optional. A new name must be

fewer than nine characters. You will use this name to locate the report in the Report Viewer. (See “Report Viewer” on page 323.)

## Creating a New Report

To create a new report (not starting with a pre-defined report) in the Report Manager:

1. Click the **New Report** button (at the bottom of the **Report Manager** window).
2. Select one of the following report types:
  - **E-Filing and Banking** — For a report based on the EF database
  - **Tax return data** — For a report based on data entry information
  - **Scheduler** — For a report based on schedules set up in the Scheduler.
3. Click **OK** to open the **Report Editor - Step 1** window.
4. Using the instructions in “Setting Up a Report” on page 315 as a guideline, enter the report formatting and filtering information, and then click **Save**.

## Deleting a Report

Only a report in **My Reports** can be deleted. To delete a report, from the **Report Manager** dialog box, select (single-click) the report to delete, click **Delete Report**, and then click **Yes** to confirm the deletion. If you have run the report, you are asked if you want to delete the report from the Report Viewer. Click **Yes** or **No** as applicable.

## Filter Manager

The Filter Manager is used primarily in reports but is also used for letters, mailing labels, envelopes (see “Letters” on page 301), for Proformas and Organizers (see “Organizers and Proformas” on page 80) and the Fixed Asset Manager (see “Fixed Asset Manager” on page 324). Access the Filter Manager from a **Filter Selection** box, which is opened when you might have to narrow a selection of records. (See Figure 12-3 on page 317.) To access the Filter Manager from a **Filter Selection** box, click **Edit Filters**. (See “Customized Filters” on page 317.)

## Search Conditions

Use the Filter Manager to set up search conditions. There are two levels of search conditions: **Basic Search Conditions** and **Additional Search Conditions**.

Figure 12-5: Basic and Additional Search Conditions boxes

## Basic Search Conditions

Basic search conditions, described in Table 12-2, refer to the most common filtering criteria: **Return Type(s)**, **Return Result**, **Activity**, and **Preparer and Firm**.

Table 12-2: Basic Search Conditions: Categories

Category	Description
Return Type(s)	Return types to include in the report. To include all return types, select <b>All Return Types</b> . Select <b>Allow MFS 1040 Returns</b> to include returns with a status of Married Filing Separate.
Return Result	Result types of the returns to include in the report. Example: If <b>Balance Due</b> is selected, only those returns with a balance due will be included. Select <b>Any Result</b> to include all results.
Activity	Status of returns to include in the report. To include both active and inactive returns, select <b>Any Status Type</b> .
Preparer and Firm	Preparer and firm of returns to include in the report. To include only those returns handled by a specific preparer or firm in the report, select a preparer or firm name as applicable.

To edit basic search conditions:

1. Click **Edit** in the **Basic Search Conditions for the Selected Filter** box.

## CAUTION

If you're changing a filter that is used in other reports, the **Filter Changes** window is opened, describing these reports and informing you that changes to the filter will affect these reports. Click **Edit** to continue to edit the filter, or (recommended) click **Copy** to make a copy of the filter and change the copy so as not to affect other reports.

2. When the **Basic Search Conditions** dialog box is opened, select items within the main categories.
3. (optional) To include applicable test/sample returns (for example, Drake returns that begin with 400-00) in the report, select **Allow Test/Sample Returns**.

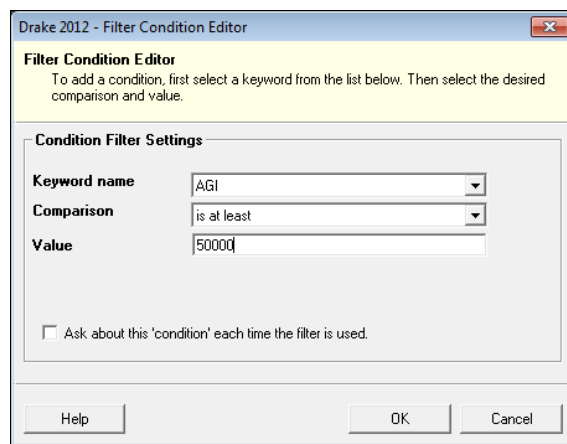
4. (optional) To allow a user to modify conditions when running a report, select **Ask about the 'Basic Search Conditions' each time the Filter is used.**
5. Click **OK** to save the changes to the basic search conditions.

### Additional Search Conditions

You can add as many as 10 additional search conditions. Use the **Additional Search Conditions** feature to further specify the types of data to include in the report.

To add a new search condition in the Filter Manager:

1. Click **Add Condition**. (See Figure 12-5 on page 320.)
2. If you're changing a filter that is used in other reports, the **Filter Changes** window is opened. (See "Caution" note on previous page.)
3. In the **Filter Condition Editor** dialog box, select a **Keyword Name**.
4. Select a **Comparison** option and a **Value** (if required) (Figure 12-6).



**Figure 12-6: Comparison** (“is at least”) and **Value** (50000) selected for AGI keyword

If a value is required, the **Value** field appears. A value can be alphabetic or numeric. For example, if **AGI** is selected with a comparison of **is at least**, the value must be numeric. (Do not use commas when entering numbers.) If **Taxpayer's Last Name** is selected with a comparison of **starts with**, the value must be alphabetic.

5. (optional) To allow a user to modify this condition when running a report, select **Ask about this 'Condition' each time the Filter is used.**
6. Click **OK**. The new condition is displayed in the Filter Manager (Figure 12-7 on page 322).



The screenshot shows a dialog box titled "Basic Search Conditions for the Selected Filter" with a sub-header "Return Type is '1040'". Below this is an "Edit" button. The main section is titled "Additional Search Conditions for the Selected Filter" and contains a list box with two items: "Schedule C is present" and "AGI is at least '50000'". The second item is selected. To the right of the list box are three buttons: "Add Condition", "Edit Condition", and "Delete". At the bottom of the dialog are two radio buttons: "Match All Conditions" (which is selected) and "Match Any Condition".

**Figure 12-7:** New condition (“AGI is at least ‘50000’”) is displayed.

7. (optional) Repeat the previous steps to add more conditions as needed.
8. Select **Match All Conditions** (for narrower results) or **Match Any Condition** (for broader results) as applicable.
9. Click **Save**.

## NOTE

To *edit* a search condition, select the condition and click **Edit Condition**. Make changes and click **OK**. To *delete* a search condition, select the condition and click **Delete**. When prompted, click **Yes**.

## Available Filters List

The **Available Filters** list in the Filter Manager (Figure 12-4 on page 318) can be modified as needed. Create new filters, edit existing ones, or rename filters.

### Creating a Filter

To create a new filter in the Filter Manager:

1. Click **New Filter**.
2. Enter a unique filter name.
3. Click **OK**.
4. Modify the search conditions as needed. (See “Search Conditions” on page 319.)
5. Click **OK**. The new filter is added to the **Available Filters** and can be edited.
6. Click **Save** at the bottom of the **Filter Manager** window.

### Modifying a Filter

To create a filter in the Filter Manager using an existing filter as a template:

1. Select a filter to use as a template.
2. Click **Copy Filter**.
3. Enter a unique name for the new filter.
4. Click **OK**.
5. Modify the search conditions as needed. (See “Search Conditions” on page 319.)
6. Click **OK**. The new filter is added to the **Available Filters** and can be edited.
7. Click **Save** at the bottom of the **Filter Manager** window.

## Renaming a Filter

To rename a filter in the Filter Manager:

1. Select a filter to use as a template.
2. Click **Rename Filter**.
3. Enter a new name for the filter.
4. Click **OK**. The renamed filter shows in the **Available Filters** and can be edited.
5. Click **Save** at the bottom of the **Filter Manager** window.

## Viewing a Report from the Report Manager

To view a report from the Report Manager:

1. Locate and select the report in the report tree.
2. Click **View Report**. If a **Basic Search Conditions** box appears, make any desired changes and click **Continue**. If a previously saved version of the report is detected, you are prompted to:
  - Click **Yes** to re-create the report using the most current data.
  - Click **No** to open the previously saved report.If you clicked **Yes**, a **Basic Search Condition** box might appear. Make any desired changes and click **Continue**.
3. Wait for the program to search the records for data matching the report criteria.

The report is displayed in the Report Viewer.

## Report Viewer

All reports in Drake are accessible through the Report Viewer. To access the Report Viewer, from the **Home** window select **Reports > Report Viewer**.

To view a report, select the report to view and click **View**. From this point, you can print the report, export it, or change the font. You can also scroll through multiple-page reports by using the arrow keys at the top of the viewer. To perform a task, click the applicable icon.

### NOTE

It's best to save reports where they're easily found. Drake has a suggested location: **Drake12\Reports**. Select a location by browsing from the **Save CSV file** window.

## Depreciation List

The **Depreciation List** is a report that displays depreciation information for selected clients. There are two methods for creating depreciation lists in Drake: manually entering client SSN/EINs to be listed, and filtering the client database for clients that meet specified criteria.

To create a depreciation list for one or more clients:

1. From the **Home** window, select **Reports > Depreciation List**. The **Depreciation List Client Selection** dialog box is displayed.
2. Choose one of the following methods:
  - a. **Create a list** — Enter the SSN/EIN and click **Add Client**. Repeat for additional clients until all the desired clients are entered, and click **Next**.
  - b. **Filter the client database** — Click **Next** to open the **Basic Search Conditions** dialog box. Edit settings as desired (see “Search Conditions” on page 319), and then click **Continue**.
3. Choose to **Print** the depreciation list or to **Export to File**.
  - **Print** — Send the list to the printer. In the **Print** dialog box, click **Print**.
  - **Export to File** — Depreciation lists exported to file are stored in Drake12\Reports as CSV files. Click **OK**.

## Fixed Asset Manager

Use the **Fixed Asset Manager** (from the **Home** window, go to **Reports > Fixed Asset Manager**) to run reports based on client assets. Nine report types, shown in Table 12-3, are available.

**Table 12-3:** Fixed Asset Manager Report Types

Report Type	Report Description	Items on Report
Depreciation Schedules	Depreciation list sorted by asset number (assigned asset number and department number separated by a decimal; example of asset number: 122.01)	Asset Number, Description, Date in Service, Method and Recovery Period, Basis, Prior Depreciation (Prior and Current), Salvage Value, and Current Year Section 179 expense
Listings	Depreciation list sorted by asset number (assigned asset number and department number separated by a decimal; example of asset number: 122.01)	Asset Number, Description, Date in Service, Method & Recovery Period, Business Percentage, Cost, Federal Basis, Current Year Sec 179, Prior Year Depreciation, State Depreciation, Amt Depreciation, Book Depreciation, Tax Schedule, Code, Date Disposed
Section 179 Assets	Asset list of items expensed during the current year	Asset Number, Department Number, Description, and Date Placed in Service, Cost, Section 179 Expense, Prior Year Carryover, Current Year Sec 179 deduction
Dispositions	Asset list of items disposed of within the current year	Asset Number, Descriptions, Date Acquired, Date Sold, Gross Sales Price, Depreciation Amount, Cost or Other Basis, Loss or Gain
Department Summary	Asset summary report sorted by department or schedule	Department Number, Description, Cost, Federal Basis, Current Section 179 expense, Federal Depreciation, State Depreciation, Alternate Depreciation, Book Depreciation

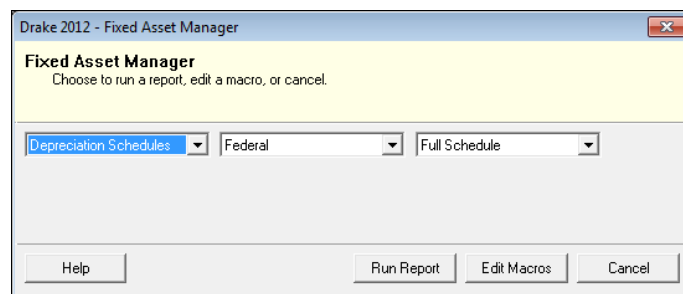
**Table 12-3:** Fixed Asset Manager Report Types

Report Type	Report Description	Items on Report
Year Summary	Summary report of assets on a yearly basis, grouped by department. Each department has a summary line for each year up to 10 years prior. Also totals depreciation for 11 years and prior. Sorted by department then year.	Year Acquired, Cost, Prior Federal Depreciation, Current Federal Depreciation, Total Federal Depreciation, State Prior Depreciation, State Current Depreciation, and Total State Depreciation.
Asset Category Summary	Summary report of asset categories (as set on <b>4562</b> screens).	Asset Category, Cost, Federal Basis, Current Section 179, Federal Depreciation, State Depreciation, Alternate Depreciation, Book Depreciation
Preference Report	List of assets placed in service after 1986	Asset Number, Description, Date in Service, Method & Recovery Period, Basis, Current Depreciation, Alternate Depreciation, Preference Amount.
Auto Code Print	Report based on the macro setup for each client selected. Reports can comprise any of the described reports and any valid options associated with them. See "Using Fixed Asset Manager Macros" on page 326.)	

## Running a Fixed Asset Manager Report

To run a report using the Fixed Asset Manager:

1. From the **Home** window, select **Reports > Fixed Asset Manager**. The **Fixed Asset Manager** dialog box has drop lists for report types, reporting options, and sorting options (Figure 12-8).



**Figure 12-8:** Fixed Asset Manager dialog box

2. Select a report type. (See Table 12-3 for available report types.)
3. Select a tracking format. Options are:
  - **Federal** — Tracks federal depreciation methods
  - **State** — Tracks state depreciation methods
  - **Alternative** — Tracks alternative depreciation methods
  - **Book** — Tracks depreciation using book method

4. Select a sorting option from the drop list on the right. Choose to print a **Full Schedule**, to sort **By Department**, to sort by **Form/Schedule**, or to sort by **Asset Category**. (Not all of these sorting options are available for every tracking format.)
5. Click **Run Report**.
6. In the **Asset Manager Client Selection** dialog box, create a report for one or more specific clients or create a filtered report based on all clients.
  - **One or more clients** — Enter SSN/EIN in the blank field and click **Add Client**. Repeat for all desired clients then click **Next**.
  - **Filtered report** — Click **Next** to open the **Asset Manager Filter Selection** dialog box. Select a filter or sort option then click **Next** to open the **Basic Search Conditions** dialog box. Edit settings as desired (see “Search Conditions” on page 319) and click **Continue**.
7. Select an option for displaying the depreciation list.
  - **Print** — Send the list to the printer. When the **Print** dialog box is opened, choose a printer and click **Print**.
  - **Export to File** — Save the report as a .CSV file. To open the saved file, go to your Drake12\Reports folder. Click **OK**.

## Using Fixed Asset Manager Macros

Use the Fixed Asset Manager macros to run a set of standard reports at one time.

To set up a macro in the Fixed Asset Manager:

1. From the **Home** window, select **Reports > Fixed Asset Manager**.
2. Click **Edit Macros** to open the **Fixed Asset Manager Macros** dialog box. This box has three columns of drop lists: one for type of **Report**, one for **Depreciation** method, and one for **Style**.
3. Select a report type, depreciation method, and style for each report to be printed under the macro.
4. Click **Save** to save your changes and return to the **Fixed Asset Manager** dialog box (Figure 12-8 on page 325).

To run the macro, select **Auto Code Print** as the report type (in the left-most drop list) and click **Run Report**.

## Client Status Manager (CSM) Reports

For information on running CSM reports, see Chapter 9, “Client Status Manager.”

## Hash Totals

The Hash Totals report displays the number of forms and schedules generated on a selected return. By consulting these totals, the data entry operator can be reasonably sure that the correct values have been entered into the fields.

To generate a report of hash totals:

1. From the **Home** window, select **Reports > Hash Totals**.
2. Enter the SSN or EIN of a return.
3. Click **Continue**. The report is displayed in the Report Viewer.
4. Click **Exit** to return to the **Home** window.

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# 13 Suite Products

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Take advantage of these Drake tools that can be integrated with the tax software to make your office run more efficiently. The Drake Document Manager (DDM) and Client Write-Up (CWU) programs can be installed from your Drake Software CD or from Drake Support website (*Support.DrakeSoftware.com* > **Download Center**.) The Tax Planner is installed with the software.

**NOTE** These products are included with the full Drake program. Pay-Per-Return users must pay an additional fee for CWU.

Two other products—GruntWorx and SecureFilePro™—can, for an additional cost, also integrate with Drake products to make document mobility and usage a lot easier.

Through GruntWorx, you can:

- Organize multiple scanned, imported, or created documents into one PDF file
- Extract data from certain forms and import that data directly to Drake data-entry screens
- Import information from certain 1099s and stand-alone 1099-Bs from an Excel file directly into Drake through a process similar to Drake's Schedule D Import function.

**NEW FOR 2012** Access GruntWorx from the **Home** window, from the Working Cabinet of the Drake Document Manager, or from a desktop shortcut. See "Shortcut to GruntWorx" on page 338 and "GruntWorx" on page 357 for details.

Through SecureFilePro™, you can upload organizers, proformas, and any other document to your online portal, from which your clients can download the documents and upload their own for you to access, saving you paperwork and postage.



## Changes to Suite Products in 2012

Drake has made significant enhancements to both the Document Manager and the Tax Planner for tax season 2012. Read the following sections carefully to be able to take full advantage of the new versions of these two tools.

This chapter focuses on the two Suite Products—Document Manager and Tax Planner—and on the two additional products—GruntWorx and SecureFilePro™. For CWU instruction, the *Client Write-Up Manual* is available on the Drake CD, through the tax software (from the **Home** window, go to **Help > Online Resources**) and from *Support.DrakeSoftware.com*.

### Drake Document Manager

Document Manager users have two storage options or “sources” to choose from: the “Archive Cabinet” and the “Working Cabinet.” The Archive Cabinet stores documents for all clients from multiple years in a central location outside of Drake Software; the Working Cabinet allows individual-year storage in the same location where the Drake program is located.

Which DDM “source” you choose will depend on how you want to handle your document storage.

Archive Cabinet files are stored outside of the tax software, are backed up and restored separately from the tax software, and any updates to the Archive Cabinet are downloaded separately from the tax software’s updates. All documents from all years for all clients are stored in the Archive Cabinet, in alphabetically arranged “cabinets,” “drawers,” and “folders.” If you choose the Archive Cabinet as your source, see “Setting up the Archive Cabinet” on page 339.

Use the Working Cabinet as your source if you prefer more integration with the tax software. Working Cabinet source files are stored inside the tax software, saved documents are backed up or restored whenever the tax software is backed or restored, and all DDM updates are downloaded together with the tax software’s updates. You access Working Cabinet documents from within the Drake tax program for whichever year you are interested in: 2012 documents in the 2012 software, 2013 documents in the 2013 software, etc. If you choose the Working Cabinet as your source, see “Setting up the Working Cabinet” on page 332.

#### IMPORTANT

If you choose the Working Cabinet as your source, you can easily send your saved documents into the Archive Cabinet with just a few mouse clicks. See “Sending Files to Archive Cabinet” on page 336 for details.

### New Tax Planner

The redesigned Tax Planner tool still helps you assist your clients in making financial decisions. Clients can see how events such as marriage, the birth of a child, a divorce, buying or selling a house, or taking a new job will affect their short- and long-term finances and tax liability.

The biggest change in the Tax Planner is that you now use the same Drake **Data Entry Menu** and data-entry screens you're familiar with to set up the various scenarios.

For more information, see "Tax Planner" on page 353.

## Drake's Document Manager

**NOTE** Instructions in this chapter will apply to both the Working Cabinet and the Archive Cabinet unless otherwise noted.



Use the Document Manager to store and organize electronic documents such as PDF copies of tax returns, scanned Forms 8879 and 1099-B, and scanned copies of driver's licenses, Social Security cards, and other forms of ID. Think of the Document Manager's file structure as a virtual filing cabinet where files are saved within folders.

Use the Document Manager to:

- **Store your clients' documents** — Scanned documents and copies of your clients' returns are stored in electronic "folders."
- **Copy files to CD** — Copy Document Manager files directly to a CD.
- **Password protect** — Protect your clients' documents with passwords.
- **Assemble documents sent to GruntWorx** — See "GruntWorx" on page 357 for more information on this product.
- **Access SecureFilePro™** — See "SecureFilePro" on page 362 for more information of this product.

Document Manager makes storing and moving documents easy:

- When you create a new return in Drake, a corresponding folder is opened in the Document Manager.
- When you archive a return in View mode of the tax software, a copy of the archived return is automatically saved in the Document Manager. (See "Archive Manager" on page 207 for details.)
- You can click the **Doc Mgr** button in *data entry* to open the Document Manager directly to the client's folder.
- Files saved in the Document Manager can easily be attached to e-mail messages through the Drake e-mail program or e-filed with a return as a PDF attachment.

## Backing up, Restoring, Updating

The Working Cabinet files are automatically backed up or restored whenever Drake files are backed up or restored. (See "Backing Up and Restoring Files" on page 292.) Any updates needed for the Working Cabinet will be downloaded automatically whenever Drake's tax software updates are downloaded.

The Archive Cabinet files are backed up, restored, and updated through the Archive Cabinet toolbar. See "Backing Up, Restoring, and Updating the Archive Cabinet" on page 344 for more information.

Document Manager is not available to users of pre-Windows XP computer systems. Those users will have to update to Windows XP, Windows Server 2003, Windows Vista, Windows Server 2008, or Windows 7.

## IMPORTANT

If you run Windows Server 2003, Windows Server 2008, Windows Vista, Windows XP, or Windows 7 but (1) *have not* kept up with regular Windows updates and (2) have an older version of .NET Framework, you will automatically be directed to the Microsoft website, where you can download (at no charge) the newest version of .NET. If your system runs Microsoft's .NET Framework v3.5 or later, a newer version is not necessary, and no further steps are needed.

## Setting up Your Document Manager

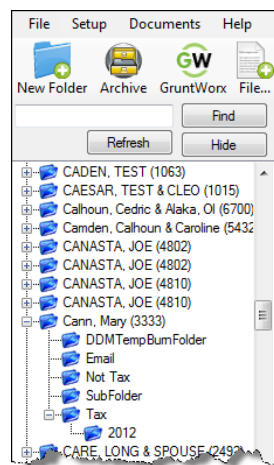
For the sake of clarity, this part of the manual includes distinct sections for setting up the two sources of the Document Manager, and for using certain tools to add cabinets and drawers, and to back up, restore, and update the Archive Cabinet that aren't relevant to the Working Cabinet. Users opting for the Working Cabinet, see "Setting up the Working Cabinet," following. For information on using the Archive Cabinet, see "Shortcut to GruntWorx" on page 338.

## Setting up the Working Cabinet

Everything in this section will pertain to the use of the Working Cabinet.

### File Structure

The Document Manager stores documents in Drake's tax software, but the documents in those folders are displayed alphabetically in a "tree" in the **Working Cabinet** window (Figure 13-1).



**Figure 13-1:** Working Cabinet files are stored in alphabetically arranged client folders

You can use the default Document Manager file structure or customize it as needed.

To implement the Document Manager file structure:

1. From the **Home** window of Drake, go to **Setup > Printing > Document Manager** to open the **Drake Document Manager Integration Options** dialog box.
2. In the **General Options** section, select **Use Working Cabinet**.
3. Select **Allow Drake to set up Document Manager client folders (Recommended)**. If this box is not marked, you will have to specify the location where the Working Cabinet should store any scanned documents or returns printed through the PDF “printer.” (See “Printing to Drake PDF” on page 200.)
4. (optional) In the **Working Cabinet** section is the option to add folders to the default Document Manager file structure. To do so:
  - Click **Add**.
  - Enter a custom folder name.
  - Click **OK**. The new folder will be inserted one level below the selected folder.
  - Mark the **Apply this layout...** check box if you want to insert the new folder into existing *and* new client files; otherwise, the new folder will be inserted only into new client files.
  - To change the name of the new folder, select the folder and click **Edit**. To delete the new folder, select the folder and click **Remove**.
5. Click **Save**, and then click **OK**.

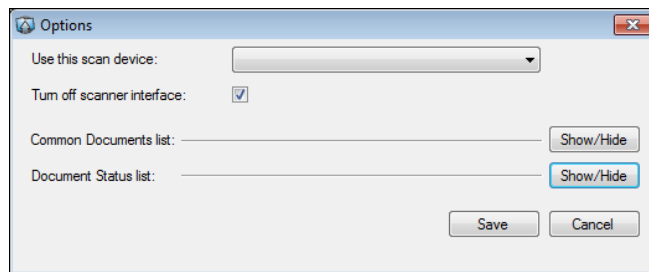
## TIP

To avoid later restructuring, determine the type of file structure you want to use before you begin storing items in the Document Manager.

## Configuring Working Cabinet

To set configurations for the Working Cabinet:

1. Click the **Doc Mgr** icon from the toolbar of either the **Home** window or the **Data Entry Menu**.
2. From the **Working Cabinet** menu bar, choose **Setup > Options** to open the **Options** dialog box (Figure 13-2). Options are listed in Table 13-1 on page 334.



**Figure 13-2:** Document Manager **Options** dialog box

**Table 13-1:** Working Cabinet Setup Options

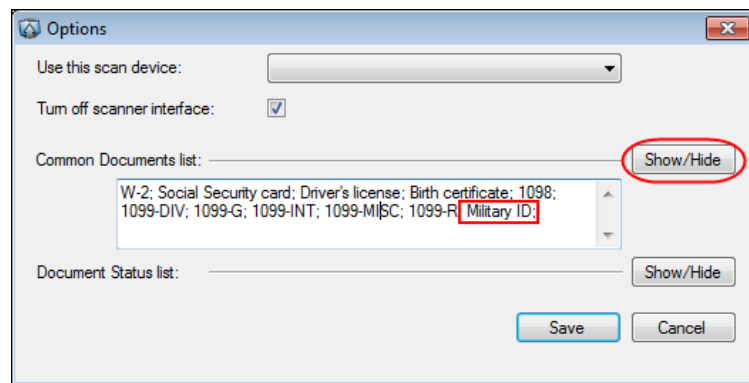
Option	Description
Use this scan device	By default, the Document Manager chooses a scanner. To choose a different scanner, select it from the list.
Turn off scanner interface	The software automatically uses the default scanner's settings. To change those settings, click this box, and when the scanner control box is opened, make changes to the color, dpi, size or shape options.
Common Documents list	Click <b>Show/Hide</b> to edit names assigned to commonly scanned document types. For more information, see "Setting Up Common Documents" (following this table).
Document Status list	Click <b>Show/Hide</b> to see the status of documents in the Document Manager. You can add statuses here, then apply them to the document. For details, see "Setting Document Status" on page 350.

### Setting Up Common Documents

The "Common Documents" feature is available to help your office save time while maintaining its naming convention. Customizable default descriptions allow you to eliminate the step of typing a description by selecting pre-established descriptions.

To set up default descriptions in the Working Cabinet:

1. From the **Working Cabinet** menu bar, click **Setup > Options**. The **Options** dialog box is opened (Figure 13-3).



**Figure 13-3:** Options for commonly scanned documents

2. Click the Common Documents **Show/Hide** button. The common document names are shown in a small window of the dialog box.
3. In the example in Figure 13-3, the user has added "Military ID" to the list.
4. Add or edit names as desired.
5. To save changes, click **Save**.

Whenever you scan a document into the Document Manager, you have the option of selecting one of the descriptions entered as a common document. (See “Scanning a File” on page 348.)

## Working Cabinet Window



The **Document Manager Working Cabinet** window consists of the folder “tree” on the left side, a list of files contained within the selected folder on the right, and a menu bar and toolbar at the top (Figure 13-4).

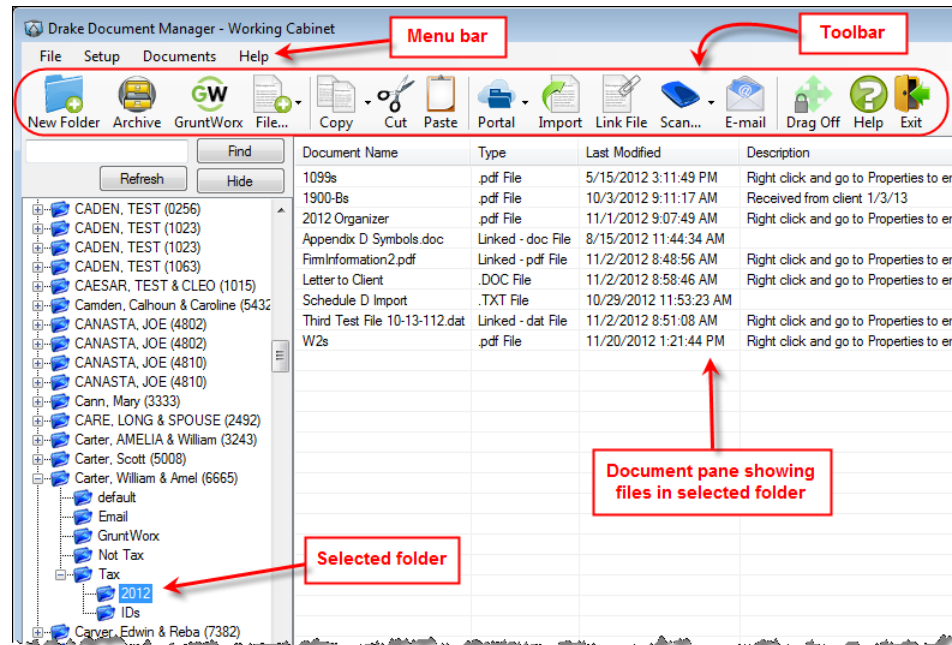


Figure 13-4: Part of the Document Manager interface

Folders are listed alphabetically, on the left side of the window (Figure 13-4), based on the individual clients' last names or the business clients' first names. Subfolders are stored within each client's folder. Click [+] to expand a portion of the tree; click [-] to collapse it. Or with a folder selected, press the [+] or [-] keys on the numbers pad of your keyboard.

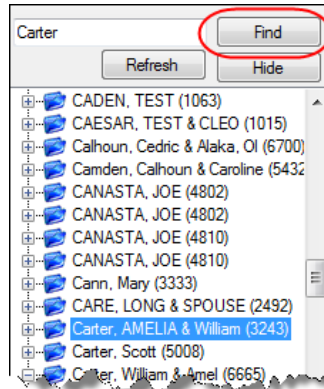
### Navigating

Click to open a folder to view a list of its files. In the document pane the Document Manager displays document names, types, dates modified, descriptions, and status. Click column headers to sort by columns.

Like other Drake windows, the Document Manager has a menu bar and a toolbar. If a shortcut key (such as F1 for help) exists for a menu item, it is listed to the right of the menu item. You can also access toolbar selections from the menu bar. Each toolbar button activates a different function.

### Searching

To find a particular folder in the Document Manager, enter part of the name in the **Find** text box and click **Find**. The file location is highlighted in the tree (Figure 13-5 on page 336).



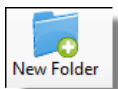
**Figure 13-5:** Click **Find** to locate files that match a search term.

To find the next instance of the search term, click **Find** again. Repeat as needed until you find the folder you are looking for.

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2012

Click **Hide** (Figure 13-5) to hide all folders except the one you were searching for. Click **Show** to restore the complete list. Click **Refresh** to refresh the screen.

### Adding Individual Subfolders



More subfolders can be added to the Drake-integrated file structure. To create additional subfolders to the Working Cabinet for individual client folders:

1. Highlight the folder in the “tree” that will contain the new subfolder.
2. Click **New Folder**.
3. Enter a folder name in the **New Folder** dialog box.
4. Click **OK**. The new subfolder appears in the left pane.

Repeat these steps as needed to create more subfolders.

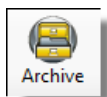
Delete subfolders by selecting them, right-clicking, and then selecting **Delete Sub-Folder** from the menu.

TIP

To add a subfolder to every client's file, see “File Structure” on page 332.

## Sending Files to Archive Cabinet

To send the documents saved during the 2012 tax season from the Working Cabinet to the Archive Cabinet, take the following steps:



1. From the **Working Cabinet** toolbar, select **Archive** to open the **DDM Cabinet Utility** window.
2. Select the boxes to the left of the client folders you wish to archive (or click **Select All**).
3. Click **OK**.

- When the process is complete, click **Close**.

**NOTE** If you open the DDM from within a return, only that client's file will be offered for transfer to the Archive Cabinet.

**Other Tasks** Other tasks that can be performed in the Document Manager are listed in Table 13-2. With the exception of the **GruntWorx** button, the following buttons are available on both the Working Cabinet and Archive Cabinet toolbars. Other buttons and their functions are explained in the section “Working With Document Manager Files” on page 348.

**Table 13-2:** Other Working Cabinet Tasks


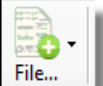
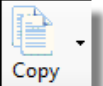


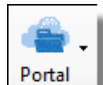

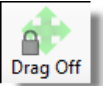


Task	Description
	(Working Cabinet only): Open GruntWorx. See “GruntWorx” on page 357 for details.
	Click the <b>File</b> button and select <b>Open</b> , <b>Rename</b> , or <b>Delete</b> in order to open, rename, or delete a file, respectively.
	Select a file in the Document Manager document list, and click <b>Copy</b> . Choose to copy to the clipboard, copy to a location, or copy to a CD. If copying to the clipboard, use the Document Manager's <b>Paste</b> button to paste the document into another folder. If copying to a location, choose a location for storing the copied file, and then click <b>Save</b> . If copying to a CD, follow the instructions provided on your screen.
	Use the <b>Cut</b> and <b>Paste</b> buttons to move documents from one folder to another. To copy a folder to another document, use the <b>Copy</b> button.
	Use the <b>Cut</b> and <b>Paste</b> buttons to move documents from one folder to another. To copy a folder to another document, use the <b>Copy</b> button.
	Access your SecureFilePro™ portal and options to <b>Upload</b> or <b>Download</b> files to the portal. See “SecureFilePro” on page 362 for details.
	Select a file in the DDM document list (or select multiple files using the SHIFT or CTRL keys), and click <b>E-mail</b> . Your default e-mail program is opened with the document added as an attachment.
	Activate “drag-and-drop” navigation, which allows cabinets, drawers, folders, and files to be “dragged” and “dropped” within the Document Manager. Right-click an item and drag the selected item to the new location. Click <b>Drag On</b> or <b>Drag Off</b> to turn this feature off and on



Table 13-2: Other Working Cabinet Tasks

Task	Description
	Access Help.
	Exit the DDM.

## Restricting Access to the Working Cabinet

To restrict access to the Working Cabinet for individual preparers:

1. From the **Home** window of Drake, go to **Setup > Preparer(s)** to open the **Preparer Setup** window.
2. Double-click a preparer's name, click the **Security** button, and select **Custom Security** from the menu to open the **Preparer Security Setup** window.
3. From the menu bar, select **Tools**.
4. Remove the check mark from the **Document Manager** check box.
5. Click **Save**, **OK**, and **Save**.

To restrict access to the Working Cabinet for groups of preparers:

1. From the **Home** window of Drake, go to **Setup > Preparer(s)** to open the **Preparer Setup** window.
2. Click the **Group Security** button.
3. From the list at the top of the window, double-click to choose security group to edit.
4. From the menu bar, select **Tools**.
5. Remove the check mark from the **Document Manager** check box.
6. Click **Save**.

### NOTE

Individual restrictions are not available for security groups **ADMIN** and **FULL**. The **FRONT OFFICE** security group and any security groups you've added can be restricted. For details on setting up security groups, "Setting Up Group Security" on page 24.

### Shortcut to GruntWorx

If you have office personnel who regular work with GruntWorx but who do not have access to Drake Software, you can create a desktop shortcut to GruntWorx. To do so:

1. Browse to the drive where Drake is installed and double-click "Drake12."
2. Double-click the folder named "DDM."
3. Right-click the file named "GruntWorx.exe."
4. From the right-click menu, select **Send To > Desktop (create shortcut)**.

For more information on using GruntWorx, see “GruntWorx” on page 357.

## Setting up the Archive Cabinet

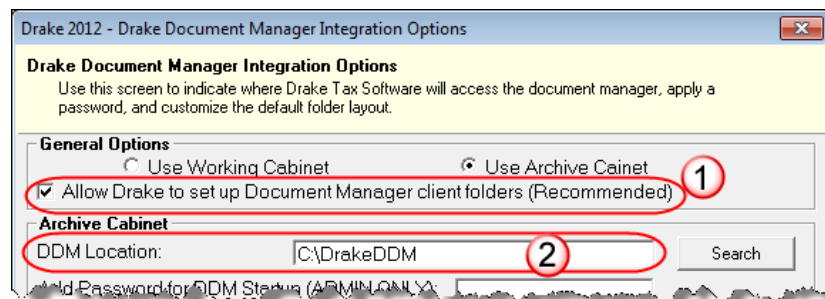
Everything in this section will pertain to the use of the Archive Cabinet.

The Archive Cabinet is source to use for storing forms and documents accumulated over years for all your clients. The files are saved in “folders,” “drawers,” and “cabinets” to help make search and retrieval easy and fast. And because the files are stored outside of Drake, the Archive Cabinet can also be used as a stand-alone document manager.

### Integrating with Drake

To integrate the Archive Cabinet with Drake Software, take the following steps:

1. From the **Home** window of Drake Software, go to **Setup > Printing > Document Manager** to open the **Drake Document Manager Integration Options** dialog box (Figure 13-6).
2. In the **General Options** section, select **Use Archive Cabinet**.
3. Also in the **General Options** section, mark the **Allow Drake to set up Document Manager client folders** check box (item #1 in Figure 13-6) to use the default file structure for the Archive Cabinet.
4. (Optional) Change the default location for saving documents in the **DDM Location** field (item #2 in Figure 13-6) if you desire. Click **Search** to chose a new location.



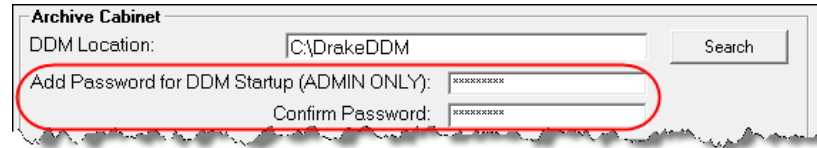
**Figure 13-6:** Integrating the Archive Cabinet with the Working Cabinet

### Optional Password Protection

Establish, change, or remove a password required to open the Archive Cabinet. Setting up and requiring a password is optional. (You can also use password protection for each individual file. See “Document Security” on page 351 for details.)

To require a password to open the Archive Cabinet:

1. From the **Home** window of Drake, go to **Setup > Printing > Document Manager** to open the **Drake Document Manager Integration Options** dialog box.
2. In the **Archive Cabinet** section, enter a password in the top text box of the **Add Password for DDM Startup** text box (Figure 13-7 on page 340). Passwords are case-sensitive.
3. Re-enter the password in the **Confirm Password** text box to confirm it.
4. Click **Save**.



**Figure 13-7:** Protecting Archive Cabinet with optional password

With a password in place, users must enter the password in order to open the Document Manager's Archive Cabinet.

- *To change a password*, repeat the steps described previously. In the **Add Password for DDM Startup** text box and the **Confirm Password** text box (see Figure 13-7), enter the new password and click **Save**, then click **OK**.
- *To remove a password*, delete the passwords from the **Add Password for DDM Startup** and **Confirm Password** text boxes (see Figure 13-7) and click **Save**, then click **OK**. (To delete, select a password and press DELETE.)

## NOTE

For information on password-protecting individual files in the Archive Cabinet, see "Document Security" on page 351.

## Adding Folders

You can use the default Document Manager file structure or customize it as needed.

To implement the Document Manager file structure:

1. From the **Home** window of Drake, go to **Setup > Printing > Document Manager** to open the **Drake Document Manager Integration Options** dialog box.
2. Select **Allow Drake to set up Document Manager client folders (Recommended)**. If this box is not marked, you will have to specify the location where the Archive Cabinet should store any scanned documents or returns printed through the PDF "printer." (See "Printing to Drake PDF" on page 200.)
3. (optional) In the **Archive Cabinet** section is the option of adding folders to the default Document Manager file structure. To do so:
  - Choose a folder level where you want the new folder placed.
  - Click **Add**.
  - Enter a custom folder name.
  - Click **OK**. The new folder will be inserted one level below the selected folder level.
  - Mark the **Apply this layout...** check box if you want to insert the new folder into existing *and* new client files; otherwise, the new folder will be inserted only into new client files.
  - To change the name of the new folder, select the folder and click **Edit**. To delete the new folder, select the folder and click **Remove**.
4. Click **Save**, and then click **OK**.

## TIP

To avoid later restructuring, determine the type of file structure you want to use before you begin storing items in the Document Manager.

## Configuring Archive Cabinet

Because the Archive Cabinet operates outside of Drake Software, there are a few settings you'll need to enter in order to use it.

1. Click the **Doc Mgr** button from the toolbar of either the **Home** window or the **Data Entry Menu**.
2. From the **Archive Cabinet** menu bar, go to **Setup > Options** to open the **Document Manager Options** dialog box.

The options are explained in Table 13-3.

**Table 13-3:** Setting up Archive Cabinet Options

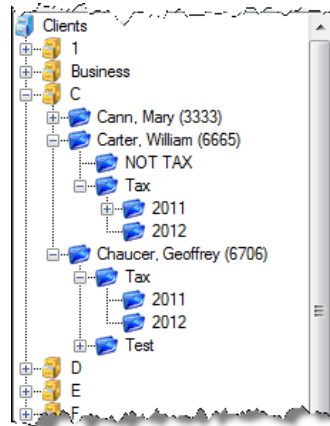
Option	Description
Document Manager Data Path	To store data in a location other than the default location, enter the data path here or click <b>Browse</b> to map to a new location.
Use this scan device	By default, the Document Manager chooses a scanner. To choose a different scanner, select it from the list.
Turn off scanner interface	The software automatically uses the default scanner's settings. To change those settings, click this box, and when the scanner control box is opened, make changes to the color, dpi, size or shape options.
Common Documents list	Click <b>Show/Hide</b> to edit names assigned to commonly scanned document types. For more information, see "Setting Up Common Documents" on page 334.
Document Status list	Click <b>Show/Hide</b> to see the status of documents in the Working Cabinet. You can add statuses here, then apply them to the document. (Right-click the document and select <b>Status</b> from the menu.) The status appears on the right side of the document pane of the dialog box. See "Setting Document Status" on page 350.
Secure customer folder names...	Client files used to be stored in the Document Manager based on the client's nine-digit ID number (SSN or EIN). These files are now stored based on the client's last name and the last four digits of the ID. (For instance, documents for William Carter, SSN 400006665, are now stored in a folder named, "Carter 6665.") Older files in your Document Manager might still be stored using the nine-digit tag. To truncate all IDs to match the new system, click <b>Secure IDs</b> .
Account #, EFIN, Password	Enter your Drake account number, your EFIN, and your Drake password.

### Technical Requirements

The Archive Cabinet takes up very little disk space, but more space may be required for storing office files. The storage drive for an average-sized office needs approximately 1GB of space for each year. Most new computers have at least a 20GB hard drive, so if you own a new computer, storage should not be an issue.

## Archive Cabinet File Structure

The Archive Cabinet stores files in a file structure consisting of virtual “cabinets,” “drawers,” and “folders,” and displays them alphabetically in a “tree” (Figure 13-8).



**Figure 13-8:** Each “cabinet” contains “drawers,” which contain client “folders”

If you’re building your own file structure, map it out by hand before creating it in the Archive Cabinet. More cabinets, drawers, and folders can be added to a Drake-integrated file structure.

## NOTE

Be aware that while long file names can be used, this naming convention might not function properly on older systems that limit file names to eight or fewer characters.

## Customizing File Structure

You can use the default Archive Cabinet’s file structure or customize it as needed with new cabinets, drawers, folders, and subfolders.

To add to individual subfolders to the Archive Cabinet’s document file structure:

1. Open the Archive Cabinet by clicking the **Doc Mgr** button from the **Home** window of Drake or from the **Data Entry Menu** within a return.
2. From the **Archive Cabinet** menu bar, go to **Setup > Custom Folders** to open the **Setup Custom Folders** dialog box.
3. Click one of the blue folders in the window to indicate where you want a new folder to appear. Click **Add**.
4. Enter a name for the new folder and click **OK**. The new folder will be inserted one level below the existing folder. Add subfolders to any existing folder in the same manner.
  - Mark the **Add custom folders to each client now...** check box if you want to insert the new folder or subfolder into all existing *and* new client files; otherwise, the new subfolder will be inserted only into new client files.

## NOTE

If you mark the **Add custom folders to each client now...** check box and click **Save**, the custom folder is automatically added to all clients. If later you decide to edit or delete the custom folder, you will have to edit or delete the folder one client at a time.

- To change the name of the new folder, select the folder and click **Edit**. To delete the new folder, select the folder and click **Remove**.
- Click **Save** (You will have to collapse the client's folder or close the Archive Cabinet and reopen it for the new file structure to take effect.)

## NOTES

Be aware that while long file names can be used, this naming convention might not function properly on older systems that limit file names to eight or fewer characters.

To avoid later restructuring, determine the type of file structure you want to use before you begin storing items in the Document Manager.

### Adding Clients

To add new clients to the existing file structure without going through Drake, follow these steps:

1. Open the Archive Cabinet by clicking the **Doc Mgr** button from the **Home** window of Drake or from the **Data Entry Menu** within a return.
2. Click the **Add Client** button from the **Archive Cabinet** toolbar to open the **Add Client** dialog box.
3. Enter the name of the new client in the **First name** and **Last name** fields for individual clients or the name of a business or estate in the **Business/Estate name** field.
4. Enter the last four digits of the client's SSN (or EIN) in the **Last 4 digits of ID** number field.
5. Click **Add**.

## NOTE

Adding a client to the Archive Cabinet does not add the client to Drake Software or to the Working Cabinet.

### Adding Cabinets

Cabinets are the top level of the filing structure. The Drake filing system creates a **Clients** cabinet, but you can separate clients by return types and have an **Individual** and a **Business** cabinet instead. Regardless of the structure you choose, cabinets are required for storing drawers and folders.

To create a cabinet in the Archive Cabinet, follow these steps. (You must be on the Cabinet level to add a cabinet.)

1. Open the Archive Cabinet by clicking the **Doc Mgr** button from the **Home** window of Drake or from the **Data Entry Menu** within a return
2. Click **New Cabinet**.
3. Enter a name in the **New Cabinet** dialog box.
4. Click **OK**. The new cabinet appears in the left pane.

Repeat these steps as needed to create more cabinets.

## NOTE

File cabinets cannot be stored inside other file cabinets. Each cabinet is for Level-1 storage. Drawers are for Level-2 storage, and folders are for Level-3 storage.

### Adding Drawers

Add drawers to cabinets for file storage. The Drake filing system lists these drawers by the first character of the name on the return. To add a drawer to a cabinet:

1. Open the Archive Cabinet by clicking the **Doc Mgr** button from the **Home** window of Drake or from the **Data Entry Menu** within a return
2. Highlight the cabinet you want to add a drawer to.
3. Click **New Drawer**.
4. Enter a drawer name in the **New Drawer** dialog box.
5. Click **OK**. The new drawer appears in the left pane.

Repeat these steps as needed to create more drawers.

### Adding Folders

Documents are stored in folders, listed in alphabetical order by the clients' last names (individual returns) or first names (business returns). When you create a return in the tax software, Drake automatically creates the client folder with subfolders labeled **Tax** and subfolders for tax year 2012.

To create additional folders:

1. Highlight the drawer or folder that will contain the new folder.
2. Click **New Folder**.
3. Enter a folder name in the **New Folder** dialog box.
4. Click **OK**. The new folder appears in the left pane.

Repeat these steps as needed to create more folders.

## Backing Up, Restoring, and Updating the Archive Cabinet

The backup/restore feature is used to copy files to a local, networked, CD/DVD, or USB drive. You can back up and restore the entire Archive Cabinet structure or a specific cabinet, drawer, or folder.

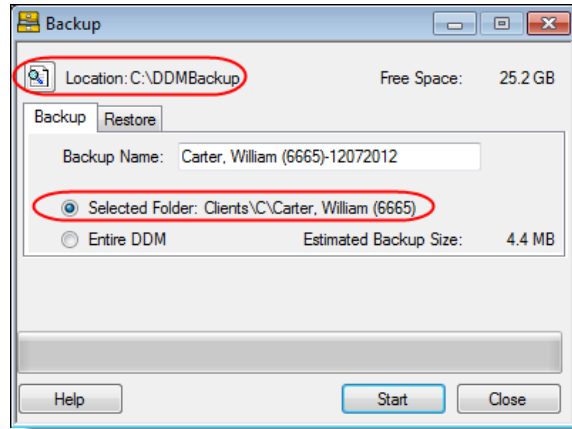
To back up *individual* documents:

1. Select a document from the document pane of the Archive Cabinet.
2. Click the arrow beside the **Copy** button.
3. Choose to copy to the clipboard, copy to a location, or copy to a CD. If copying to the clipboard, use the Working Cabinet's **Paste** button to paste the document into another folder. If copying to a location, choose a location for storing the copied file, and then click **Save**. If copying to a CD, follow the instructions provided on your screen.

### Backing Up Contents

To back up cabinets, drawers, folders, or the entire contents of the Archive Cabinet:

1. Open the Archive Cabinet.
2. Select a specific cabinet, drawer, or folder to back up.
3. Click the **Backup** button on the **Archive Cabinet** toolbar. The **Backup** dialog box is displayed (Figure 13-9 on page 345). Note that the **Selected Folder** is marked as the default cabinet, drawer, or folder to back up.



**Figure 13-9:** Backup dialog box for Archive Cabinet

4. (optional) If you do not want to use the default location to store your backup, click the **Location** button in the upper-left corner and specify a new location.
5. (optional) If you do not want to use the default **Backup Name**, enter a new name. The default name uses the cabinet, drawer, or folder name and the current date. If more than one backup of the same selection is done on the same day, the system incorporates a sequential identifier by default.
6. Click **Start** to begin the backup process.

**NOTE** To back up the entire Archive Cabinet, select **Entire DDM** in the **Backup** dialog box before clicking **Start**.

Because a backup may take several minutes, you can minimize the dialog box and continue working. You will be notified when the process is complete, at which point you should click **Close** to return to the Archive Cabinet.

**TIP** Use the **Copy** function or the **Backup** tool to back up and restore files from one computer to another or to store data off-site as part of a disaster recovery plan.

### Estimated Backup Size & Free Space

As shown in Figure 13-9, the **Backup** dialog box provides **Estimated Backup Size** and **Free Space** information for the selected location. If there is not enough free space, you will be prompted to select another location. The **Free Space** information is not available if backing up to a CD/DVD drive, so you need to determine the amount of free space by manually checking the available space on the disk.

### Restoring Contents

To restore backed-up contents to the Archive Cabinet:

1. Click the **Backup** button on the **Archive Cabinet** toolbar. The **Backup** dialog box is displayed. (See Figure 13-9)
2. Click the **Restore** tab.
3. If necessary, click the **Location** button to browse to the location of the files you want to restore.
4. From the **Select a Backup to Restore** drop list, click a file to restore.



5. Click **Start** to begin the restore process.

## NOTE

If you see a “**No Backups were found at...**” message, you may have selected an incorrect location to fill the **Select a Backup to Restore** drop list. Check your information and try again.

You will be notified when the process is complete, at which point you should click **Close** to return to the Archive Cabinet.

## Updating the Archive Cabinet

The DDM Update Manager allows you to check for, download, and install DDM updates in a few simple steps.

To get and install Archive Cabinet updates:

1. From the **Archive Cabinet** menu bar, select **File > Update Manager**. The **DDM-Update Manager** dialog box is displayed.
2. Click **Update** to initiate the connection to Drake and check for needed updates.
3. Once the program has located any available updates, click **Get Updates**.
4. When updates have been downloaded, click **Install**.

The Archive Cabinet is closed while updates are downloaded. It is reopened once the download is complete.

## NOTE

If an error or unexpected occurrence keeps you from installing found updates, contact Drake Support at (828) 524-8020 for assistance.

To have your computer automatically update the Archive Cabinet:

1. From the Archive Cabinet menu bar, select **File > Update Manager**. The **DDM-Update Manager** dialog box is displayed.
2. Click **Automatic** to open the **Automatic Update** dialog box.
3. Enter a time for the Document Manager to automatically search for Archive Cabinet updates and install them.
4. To stop the Document Manager from searching for Archive Cabinet updates whenever Windows is restarted, mark the check box on the bottom of the **Automatic Update** dialog box.
5. If you wish to update the Archive Cabinet as you set up an automatic update time, click **Update Now**.
6. Click **Hide**.

The Automatic Update manager is minimized and hidden in the task tray of the task bar at the bottom of your computer screen. To stop the Update Manager from automatically searching for and installing updates, click task tray to restore the Automatic Update manager. At the prompt, click **Yes**.

## Archive Cabinet Window

The Archive Cabinet window displays the file structure “tree” on the left side, a list of files contained within the selected folder on the right, and a menu bar and toolbar at the top. (Figure 13-10.)

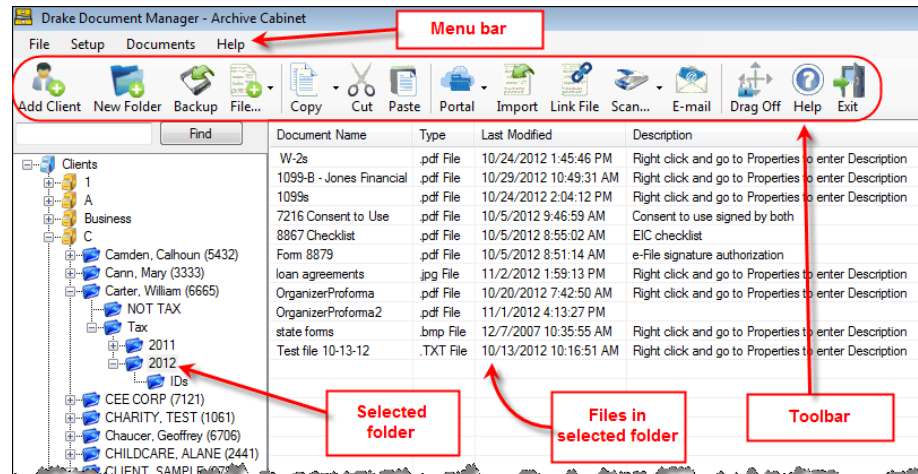


Figure 13-10: Parts of the Archive Cabinet interface

“Folders” are organized in “drawers” of “cabinets” in standard tree format. Click [+] to expand a portion of the tree; click [-] to collapse it. Or with a folder selected, press the [+] or [-] keys on the numbers pad of your keyboard.

### Navigating

Click to open a cabinet, a drawer, then a folder to view a list of its files. In the document pane the Archive Cabinet displays document names, types, dates modified, descriptions, and status. Click column headers to sort by columns.

Like other Drake windows, the Archive Cabinet has a menu bar and a toolbar. If a shortcut key (such as F2) exists for a menu item, it is listed to the right of the menu item. You can also access toolbar selections from the menu bar. Each toolbar button activates a different function, and different buttons are available at different levels of the Archive Cabinet. For example, from the Cabinet level, you can add only drawers and cabinets, so only these buttons are available; from the Drawer level, you can add new folders; from the Folder level, you can add folders, back up and restore, create files, import files, scan, copy, rename, delete, drag, send e-mail, and link to other files.

### Searching

To find a cabinet, drawer, or folder in the Archive Cabinet, enter part of the name in the **Find** text box and click **Find**. The file location is highlighted in the tree (Figure 13-10).

## Archive Cabinet Toolbar

Most of the features located on the Archive Cabinet toolbar function the same as in the Working Cabinet. For details, see Table 13-2 on page 337 and “Working With Document Manager Files,” following.

## Working With Document Manager Files

Once the Document Manager (Working Cabinet or Archive Cabinet) folders and any subfolders are established, you can begin adding files. The Document Manager supports many file types and allows you to import or scan files into the Document Manager or link to a file outside of the Document Manager. Once added to a folder, files are listed in the right pane of the Document Manager window (Figure 13-10 on page 347).

**NOTE** Files can be added to the Document Manager from the toolbar or through the menu bar (**Documents**).

### Printing Returns

When you print a completed tax form or tax return in Drake, you have the option of also saving an electronic copy of the form or return in the Document Manager, and sending it to the SecureFilePro™ portal. For details, see “Printing to Drake PDF” on page 200.

### Importing a File

You can import a PDF copy or scanned image from another application or program located elsewhere in your computer or network into the client's Document Manager folder. To import a file into the Document Manager:



1. Select the folder where the document will be stored.
2. From the toolbar, click **Import** to open the **Import File** dialog box.
3. Browse to and select the desired document.
4. Click **Open**. The Document Manager copies the document into the selected folder.

### Scanning a File

Scan documents into the Document Manager using a flat-bed or document-feed scanner. A flat-bed scanner scans one page at a time, creating a separate PDF for each page. A document-feed scanner scans multiple pages and makes one document of many pages.

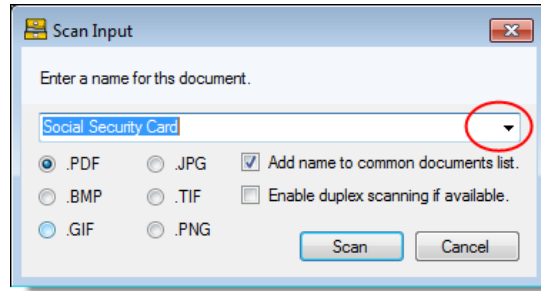
**NOTE** Document-feeder scanners are recommended. See “Compatible Scanners” on page 349 for scanners that have been reviewed and found to be compatible with the 2012 Document Manager release.

When you scan a document using the Document Manager, the program automatically locates and uses your system's default scanner. A **Scanner Cannot be Located** message implies that the scanner is not TWAIN compliant or has been improperly installed.

To scan a document into the Document Manager:



1. Select the folder where the file will be stored.
2. From the toolbar, click **Scan**, and select **Use Scanner Bed** or **Use Document Feeder**.
3. From the **Scan Input** dialog box, select a file type (Figure 13-11 on page 349).



**Figure 13-11:** Scan input dialog boxes for Document Manager

4. Enter a name for the scanned document or choose a default name from the drop list by clicking the arrow at the right end of the name input field. In the Figure 13-11 example, “Social Security Card” has been selected.
5. Click **Scan**.

## TIP

To ease search and retrieval of Document Manager files, use a consistent naming convention. The **Common Documents** feature can help you to do this. See “Setting Up Common Documents” on page 334.

## Compatible Scanners

Drake has reviewed the following scanners and found them compatible with the Document Manager 2012 release. This list does not represent product endorsement or preference by our company.

- Fujitsu fi-6130
- HP Scanjet 5000
- Fujitsu fi-6140
- HP Scanjet 7000

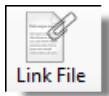
More details on these scanners are provided in Drake’s online help. Many TWAIN-compliant scanners will work with the Document Manager. Always review scanner specifications before purchasing a scanner.

## Linking a File

Create a link between a Document Manager file and a document outside the Document Manager. The Document Manager maintains the link to the external document so that if the document is updated, the link remains and you do not have to replace the document in the Document Manager.

To create a link to a file in the Document Manager:

1. Select a folder in which to store the link.
2. Click the **Link File** button from the Document Manager toolbar.
3. Browse to and select the document to be linked and click **Open**. The link is indicated in the **Type** column of the Document Manager (Figure 13-12 on page 350).



Document Name	Type	Last Modified
Outline.docx	Linked - doc File	9/10/2012 1:42:39 PM

**Figure 13-12:** Link is indicated in **Type** column of Document Manager.

Double-click the line in the document pane to open and review the linked file.

### Using the Audit Log

Each time an action occurs to a file, the Document Manager makes note of it in an audit log. An *action* includes importing, linking, exporting, copying, moving, opening, and renaming. The audit log records the action, the date the action was taken, and the user who performed the action. It also shows the document name and path and has a field for entering a document description.

To access the Document Manager Audit Log, select a file from the Document Manager document list and choose **Properties** from the right-click menu (or click F9).

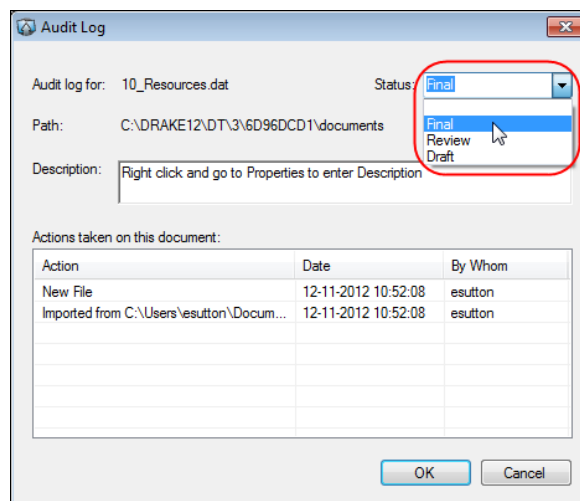
If desired, enter a description of the document in the Audit Log's **Description** field.

### Setting Document Status

You can choose a status for any document in your filing system. The status will be listed in the **Status** column in the Document Manager window.

To change the status of a document:

1. Select a document from the document list and choose **Properties** from the right-click menu (or click a document and press F9.) The **Audit Log** is displayed.
2. From the **Status** drop list, choose **Final**, **Review**, or **Draft** (Figure 13-13).



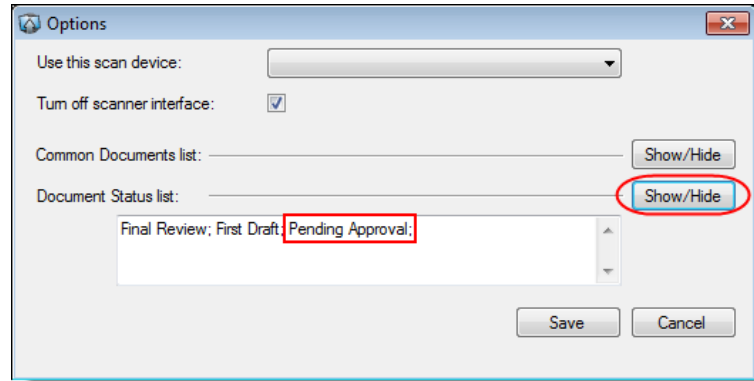
**Figure 13-13:** Choosing a document

3. Click **OK**.

### Adding Statuses

To add new statuses:

1. From the **Document Manager** menu bar, click **Setup > Options**. The **Options** dialog box is opened (Figure 13-14 on page 351).

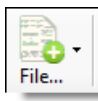


**Figure 13-14:** Options for commonly scanned documents

2. Click the Document Status **Show/Hide** button. The list of document statuses is shown in a small window of the dialog box.
3. In the example in Figure 13-14, the user has added “Pending Approval” to the list.
4. Add or edit names as desired.
5. To save changes, click **Save**.

## **.txt, .doc, .xls**

Your computer must have Word and Excel installed in order to use the Document Manager to create new text (.txt), Word (.doc), and Excel (.xls) files. To create a new text, Word, or Excel file:



1. From the Document Manager toolbar, click **File**.
2. In the menu that is displayed, select **New Text File**, **New Word Document**, or **New Excel Spreadsheet**.
3. Enter a name for the new document or spreadsheet.
4. Click **OK**.

The applicable program is opened when you click a selection. You can open, rename, or delete folders from the **File** button.

## **Document Security**

When a DDM document is password-protected, a password must be entered before the document can be accessed. (This is separate from the optional password you can use to restrict entry into the Document Manager’s Archive Cabinet. See “Optional Password Protection” on page 339 for more information.) The use of a password is optional.

## **IMPORTANT**

If you choose to password protect documents, be sure to write the password down and save it to a secure location. Drake cannot retrieve Document Manager passwords.

*To assign a password to a document:* from the Document Manager menu bar, select **Documents > Password Protection** (or right-click a file and select **Password Protection**). In the **Password Protection** window, enter the password twice and click **Save**.

*To open a password-protected document:* double-click the file (or select the file and click **Open**). Enter the password and click **OK**.

*To remove a password:* right-click the file, select **Password Protection**, and in the **Password Protection** window, enter the password in the **Enter OLD Password** field and click **Save**. (Leave both **NEW Password** fields blank.)

*To change a password:* right-click the file, select **Password Protection**, and in the **Password Protection** window, enter the old password in the **Enter OLD Password** field. Enter a new password twice. Click **Save**.

**NOTE** Document Manager passwords have an eight-character limit and are case-sensitive.

## Sharing Documents

To share documents in a client's folder, from the Document Manager menu bar, select **Documents > Share Document**. From the menu, choose any of the functions:

- Copy to Location
  - Select a document in the document pane to share.
  - From the menu bar, go to **Documents > Share Document > Copy to Location**.
  - From the drop list at the top of the **Select Location to Copy Files To** window, browse to the location where you wish to save the file.
  - Click **Save**.

**NOTE** You can also select a document, then click the arrow next to the **Copy** button on the toolbar, and choose **Copy to Location**.

- Attach to Email
  - Select a document in the document pane to e-mail.
  - From the menu bar, go to **Documents > Share Document > Attach to Email**.
  - In the **Untitled - Message** window, enter the addressee, subject, and any text to e-mail body.
  - Click **Send**.

**NOTE** You can also select a document and then click the **E-mail** button from the toolbar.

- Upload to Portal
  - Select a document in the document pane to upload to SecureFilePro.
  - From the menu bar, go to **Documents > Share Document > Upload to Portal**.
  - In the **Portal Login** window, enter the **Portal username** and **Portal password**.

- Click **OK**. (For details on using SecureFilePro™, see “SecureFilePro” on page 362.)

## NOTE

You can also select a document and then click the **Portal** button from the toolbar.

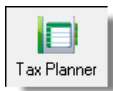
## Tax Planner

The Drake Tax Planner helps you assist your clients in planning for the future. By comparing the client's current tax situation to different scenarios that could occur—such as marriage, the birth of a child, buying or selling a house, change in income—clients can see how these changes can affect their finances and tax liability. Because the different scenarios are set up using the same Drake **Data Entry Menu** and data-entry screens you're already familiar with, building your different scenarios is quick and easy.

The Tax Planner is installed when you install Drake.

## Opening the Tax Planner

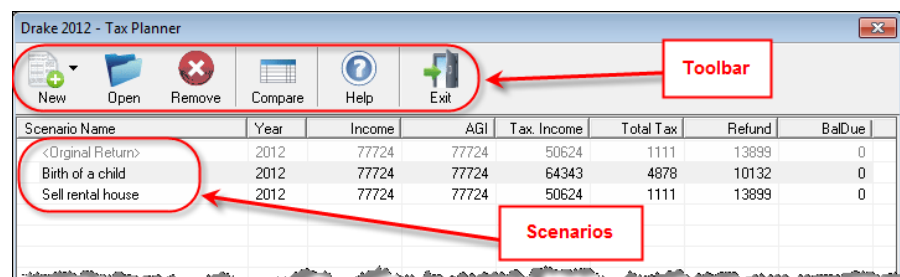
Open the Tax Planner from data entry:



1. Open a client's return.
2. Click the **Tax Planner** icon from the **Data Entry Menu** toolbar.

## Tax Planner Window

The **Tax Planner** window is opened, displaying a toolbar, the original return, and any planners (or “scenarios”) you create (Figure 13-15).



**Figure 13-15:** Tax Planner toolbar and scenario pane

The items on the toolbar are explained in Table 13-4.

**Table 13-4:** Toolbar of the Tax Planner

Tool button	Function
<b>New</b>	Click <b>New</b> to begin new scenarios for different tax years, or to plan a new scenario based on a previous scenario



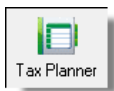
**Table 13-4:** Toolbar of the Tax Planner

Tool button	Function
<b>Open</b>	Click <b>Open</b> to open data-entry screens to set up various scenarios, or to open the client's original return
<b>Remove</b>	Select a scenario from the scenario pane and click <b>Remove</b> to delete the scenario.
<b>Compare</b>	Click <b>Compare</b> , select up to three scenarios, and click <b>Compare</b> again to compare the chosen scenarios to the client's current tax situation based on the original return.
<b>Help</b>	Click <b>Help</b> to get explanations and direction for using the planner
<b>Exit</b>	Click <b>Exit</b> to close the planner and return to Drake data entry.

## Working in the Tax Planner

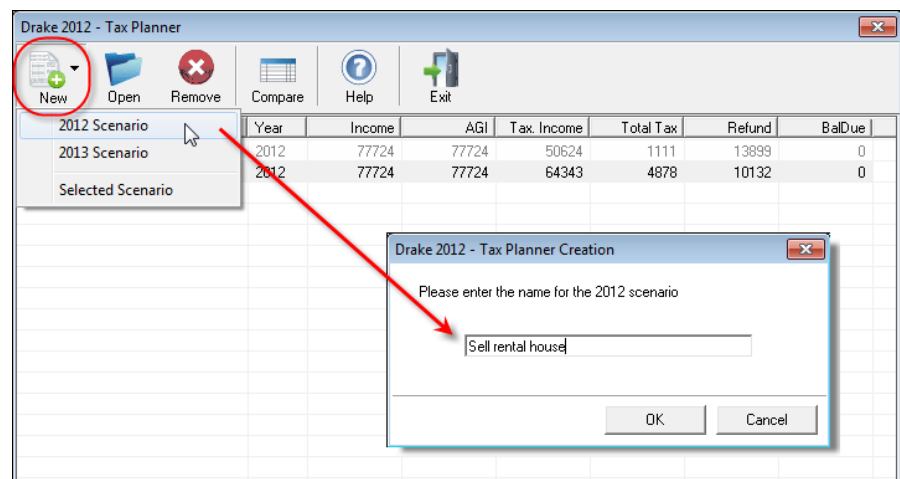
The first step in working with the Tax Planner is to create various scenarios. After you've created the scenarios, you make changes to the scenarios (such as in marital status, number of dependents, amount of income, etc.), then compare them to taxpayer's original return to see what effect the projected changes would make to the taxpayer's current financial and tax situation.

### Creating Scenarios



To begin creating scenarios to compare to the original return, follow these steps:

1. Open a client's return in Drake.
2. Click the **Tax Planner** button on the **Data Entry Menu** toolbar to open the **Tax Planner** dialog box.
3. Click **New** from the **Tax Planner** toolbar and choose a tax year (Figure 13-16).
4. In the **Tax Planner Creation** window, enter a name for the scenario and click **OK**. Create as many scenarios as you wish.



**Figure 13-16:** Click **New**, choose a tax year, and then name the scenario

### Varying Scenarios

You can make different versions of a scenario. For instance, you might make a scenario in which the taxpayer has a child. You could make another version of that same scenario in which the taxpayer has two children, or has a child and buys a house or has a change in income.

To make various versions of already-created scenarios:

1. Select a scenario from the scenario pane.
2. Click the **New** button, and from the drop list, click **Selected Scenario**.
3. Enter a name for the new scenarios and click **OK**. This makes a copy of the original scenario that you can adjust. See “Setting up Scenarios,” following.

### Setting up Scenarios

After you've created as many scenarios as you like, it's time to set up the scenarios by changing, adding, or removing data from screens likely to have an impact on the customer's tax situation. For example, for the birth of a child, you would most likely fill out or add to screen **2 (Dependents)** in Drake, maybe screen **2441 (Child Care Credit)**, and possibly screen **A (Itemized Deductions)**.

To set up a scenario, follow these steps:

1. From the **Tax Planner** window, click a scenario then click **Open**.

### NOTE

A reminder that you are in a Tax Planner scenario and not the original return appears in the lower-right corner of the **Data Entry Menu**.

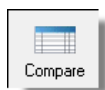
2. From the **Data Entry Menu**, choose the screens you want to add or change.
3. When you're finished setting up the scenario, calculate the scenario (click **Calculate** from the toolbar).
4. Close the **Calculation Results** window.
5. Click the **Tax Planner** button to return to the **Tax Planner** window.

### NOTE

If you are in a scenario and want to go to the original return, click **Tax Planner**, select **Original Return** from the **Tax Planner** window, and click **Open**.

### Comparing Scenarios

When you have finished creating and setting up different scenarios and you want to compare them to the taxpayer's original return, follow these steps:



1. Click **Compare** from the **Tax Planner** toolbar.
2. In the **Scenario Comparison Selector**, choose up to three scenarios to be compared to the original return.
3. Click **Compare** to open the Tax Scenario Planning Comparison worksheet in View mode (Figure 13-17 on page 356). Print the worksheet, e-mail it, or send it to the Document Manager from View mode.

Tax Scenario Planning Comparison				
NAME: AS shown on report <b>William Carter</b>				
	2012	Scenario Name 2	Scenario Name 3	Scenario Name 4
	<b>Original Return</b>	<b>Birth</b>	<b>Sell house</b>	
Filing Status	2	2	2	
Number of Exemptions	4	5	4	
<b>Income:</b>				
Wages, salaries, tips, etc	108,866	108,866	108,866	
Taxable interest and dividends		5,432		
Business income (loss)	3,501	3,501	3,501	
Gains (losses)	-152	-152	110,959	
Pension and IRA distributions				
Rental, Pass-through income (loss)	45,408	45,408	45,408	
Farm income (loss)				
Taxable Social Security income				
Other income				
Total income	157,623	163,055	269,734	
<b>Adjustments to income:</b>				
Self-Employment Tax Adjustment	247	247	247	
IRA deduction				
Other Adjustments				
<b>Adjusted Gross Income</b>	157,376	162,808	269,487	
Itemized or Standard Deduction	11,900	11,900	52,765	
Exemption Amount	15,200	15,000	15,200	
<b>Taxable income</b>	130,276	131,908	200,522	
<b>Tax and Credits:</b>				
Tax	24,629	25,037	31,098	
Credits	2,971	1,613	2,480	
Self-employment tax	430	430	430	
Other taxes			500	
Total Tax	28,030	27,080	34,508	
<b>Payments:</b>				
Withholdings	68,778	68,778	68,778	
Estimated Tax Payments				
Refundable credits, other payments				
Total Payments	68,778	68,778	68,778	
<b>Refund</b>	46,690	44,924	39,230	
<b>Balance Due</b>				
Marginal Tax Rate	25	25	29	
Effective Tax Rate	18.91	18.98	15.51	
<b>States</b>				
Resident Tax	5737	5964	10674	
Total Tax	5737	5964	10674	

Figure 13-17: Comparing scenarios to original return

**NOTE**

For 2013 scenarios, the calculations are adjusted based on the 2013 inflation indexed numbers.

**Client Write-Up**

Client Write-Up (CWU) is free to Drake clients (Pay Per Return clients must pay an extra fee for CWU) and is shipped on every release of Drake Software. You can use CWU to prepare and print both live and after-the-fact payroll, and such forms as W-2, 1099, 940, 941, 943, 944, 941SS, and 944SS. A number of reports, including multi-column profit and loss reports, pre-posted reports, comparative or single-column balance sheets, and payroll reports are also available. Templates are included to allow easy creation of a Chart of Accounts, and there is an export function to carry this information into Drake Software.

Install CWU from your Drake Software CD or from the Drake Support website. (*Support.DrakeSoftware.com*. From the blue sidebar menu, go to **Resources > Download Center**.) A manual is also available on the CD, through the software (from the **Home** window in Drake, go to **Help > Online Resources**), or for download from the Drake Support site. (Go to **Training Tools > Manuals**. Scroll down to the **Client Write-Up Manuals** section and select a year.)

## Additional Products

GruntWorx and SecureFilePro are separate programs designed to integrate with Drake Software to make storing, accessing, and manipulating large numbers of documents easier.

### GruntWorx

Use GruntWorx to organize your clients' supporting documents in a single bookmarked PDF file. You can also import data from certain federal forms directly into Drake's tax software.

NEW FOR  
2012

Drake has added a GruntWorx Knowledge Base to the list of available Knowledge Bases. New articles are being added. To search the GruntWorx KB, go to *Drake.Support.com*, select **Resources > Knowledge Bases**, select **Drake Software Support Knowledge Base**, and from the **Search within** drop list of the **Search for articles** section, select **GruntWorx KB**.

GruntWorx offers three products to handle these tasks: *Organize*, *Populate*, and *Trades*.

- **Organize** — With *Organize*, you scan or import all documents from one client, send the documents to GruntWorx, and receive a PDF with those documents classified, organized, and bookmarked. For clients with multiple federal tax forms (such as W-2s, W-2-Gs, 1099s, K-1s), this feature can save time shuffling papers and organizing these documents yourself. You can also scan receipts, logs, and handwritten notes in the GruntWorx PDF file. IRS documents are saved in the PDF in the following order:
  - “Income” documents
  - “Adjustments” documents
  - “Deductions” documents
  - “Credits” documents
  - “Supporting” documents (not otherwise classified)
  - “Poor Quality/Handwritten Notes”
- **Populate** — With *Populate*, the data contained in certain Drake-supported federal tax forms can be extracted from the forms and imported directly into Drake Software, saving you data entry time and expense. (From the **Data Entry Menu** tool-

bar in Drake Software, click **Import > GruntWorx Populate Job.**) The forms available for this service include:

W-2	1099-B	1099-SSN
W-2G	1099-G	1120S K-1
1099-MISC	1099-K	1165 K-1
1099-INT	1099-R	1041 K-1
1099-DIV	1099-RRB	1098

**NOTE** Unreadable or handwritten data on a supported form will not be imported.

- **Trades** — With *Trades*, brokerage information from consolidated 1099s and stand-alone 1099-Bs can be extracted, put into an Excel file, and imported into Drake Software through a process similar to Drake's Schedule D Import function. (From the **Data Entry Menu** toolbar in Drake Software, click **Import > Schedule D Import/GruntWorx Trades.**)

## GruntWorx Payment

Payment for GruntWorx is through the use of tokens. Each use of a GruntWorx product costs one token. For instance, it costs one token to organize a client's documents using *Organize*, and it costs another token to add *Populate* for the same client. Adding *Trades* to import brokerage data costs one additional token for every 50 trades.

To purchase tokens, go to *Support.DrakeSoftware.com*, (or click **Support** from the **Home** window of Drake's tax software). From the blue sidebar menu on the **Support** page, select **My Account > GruntWorx Integration**. Scroll down to **Token Pricing**. The retail price is \$5 per token (sold in multiples of 10 only) with the per-token price decreasing for larger purchases. (See Table 13-5 on page 359.)

**Table 13-5:** GruntWorx Tokens and Drake's Discounted Costs

Tokens	Retail	Discount Cost	Per Token
10	\$50	\$50.00	\$5
50	\$250	\$200.00	\$4
100	\$500	\$350.00	\$3.50
150	\$750	\$487.50	\$3.25
250	\$1,250	\$750.00	\$3
500	\$2,500	\$1,250.00	\$2.50

## NOTES

Tokens expire December 31 of the year following the upcoming tax season. For example, tokens purchased January 2013 expire December 31, 2014. Tokens purchased in different years are spent in a "first in, first out" order, meaning the older tokens are automatically used first.

Master EFINs can purchase tokens for their sub-EFINs or allow the sub-EFINs to purchase their own tokens.

## GruntWorx Process

### IMPORTANT

Add all the necessary documents before submitting a job to GruntWorx. You cannot amend, or submit an addition to, an already submitted file; instead, you would have to resubmit the entire file as a new job and pay the appropriate amount in tokens.

### Uploading Files

You can upload documents from a single client or do "batch" uploads—submitting documents from several clients at once. Select documents from the various clients' files or Working Cabinet document pane, or scan new documents not previously saved.

### NOTE

Document-feeder scanners are recommended for use with GruntWorx. For special pricing on Fujitsu scanners for Gruntworx customers, go to [www.1st-in-scanners.com/gruntworx](http://www.1st-in-scanners.com/gruntworx).

### Selecting Documents

To select documents for uploading to GruntWorx, take the following steps:

1. Open GruntWorx by clicking the icon on toolbar of the **Home** window, from the Working Cabinet toolbar, or from your desktop. (See "Shortcut to GruntWorx" on page 338.) The **GruntWorx** window is opened. (See Figure 13-18 on page 360.)
2. At the top of the **Submit Jobs** tab, select a client from the **Step 1--Job For** drop list. (You can scroll down the drop list or begin typing an individual client's last name or a business's first name in the **Job For** field.)



3. In the **Step 2–Job Options** section, select **Populate** and/or **Trades**. (Each job automatically includes the Organize option and costs one token. Populate and Trades each cost an additional token.)
4. In the **Step 3–Files to Submit with job** section, click **Add Files** and browse to the location of the files you wish to upload. Select a document and click **Open**. Select as many documents as you wish.
5. For documents not already saved to your computer, put the documents in your scanner and click **Scan**. (Select **Duplex Scanning** if your scanner offers that option.) The scanned document is also saved to the client's "GruntWorx" folder.
6. To remove a document from the **Files to submit with job** pane, select the document and click **Remove**.
7. To have GruntWorx notify you when the jobs (Organize, Populate, or Trades) are complete, mark the **Step 4 (Optional)** check box and enter your e-mail address.
8. When all documents have been selected, click the **Step 5 Ready** button.

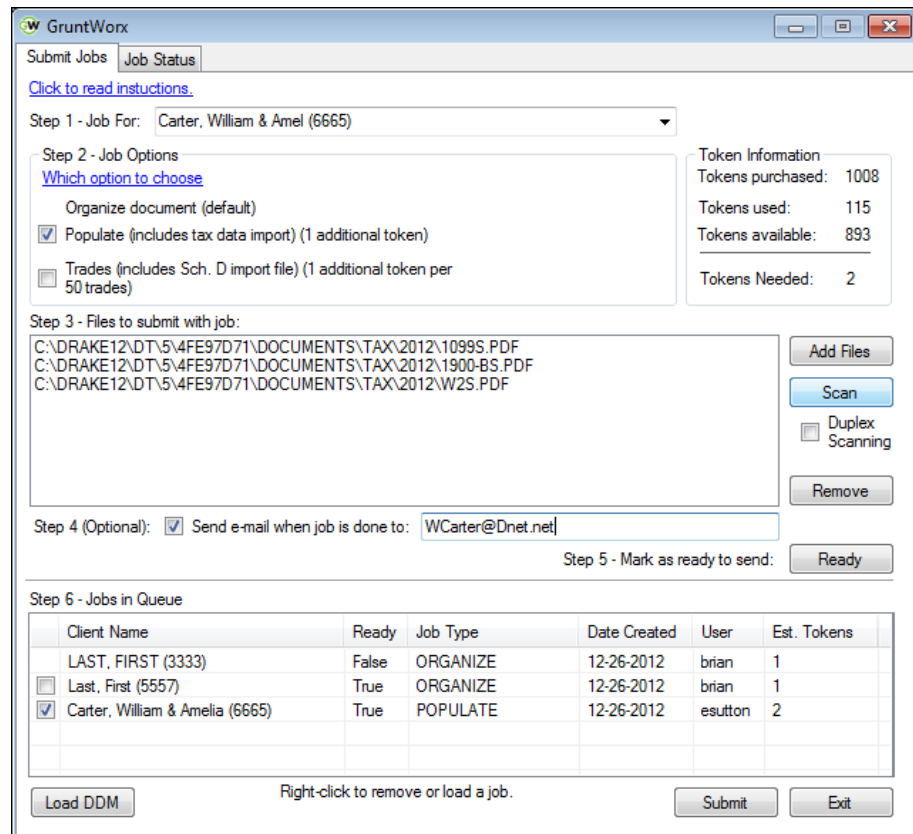


Figure 13-18: GruntWorx window for submitting jobs

To upload documents for another client, repeat steps 2-8.

## NOTE

If you opened GruntWorx from the **Home** window and wish to open your DDM, click the **Load DDM** button on the lower left corner of the **Submit Jobs** tab. (See Figure 13-18.)

## Submitting Jobs

To submit jobs to GruntWorx:

1. In the **Step 6–Jobs in Queue** list at the bottom of the **Submit Jobs** tab, place a check mark in the box to the left of the name of all client jobs to submit.
2. Click **Submit**.

Other items of note on the **GruntWorx** window:

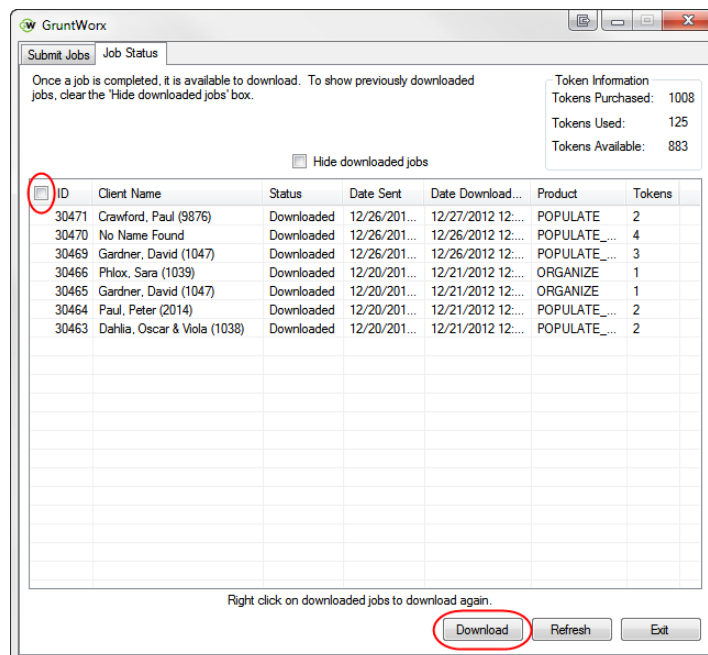
- The **Click to read instructions** link near the top of the window offers instructions on how to select and upload files.
- The **Which option to choose** link in the **Step 2–Job Options** section offers help in selecting **Populate** or **Trades**.
- The number of tokens you have purchased, used, have available, and that you're spending on the current job are listed to the right side of the window in the **Token Information** section. Amounts are adjusted after each job and with each purchase of new tokens from *Support.DrakeSupport.com*.

## NOTE

Only PDF documents may be uploaded.

## Job Status

The amount of time it takes to upload documents can range from a few minutes to several hours, depending on the number of documents you're uploading. To check on the progress of the upload, click the **GruntWorx** button, and from the GruntWorx window, select the **Job Status** tab. (Figure 13-19)



**Figure 13-19:** Checking on status of uploaded job

In the **Status** column of the **GruntWorx Status** dialog box, one of these statuses is listed:



- **Failed** — A transmission failure stopped the download.
- **Pending** — The upload to GruntWorx is still in progress.
- **Completed** — The upload to GruntWorx is complete but you have yet to download the completed job back to your computer.
- **Downloaded** — The job has been downloaded to your computer and the job is complete.

When the **Status** is **Completed**, select the job to download by marking the check box on the left of the client's name, and click **Download**. (Circled in Figure 13-19 on page 361.) You can click the check box at the top of the **ID** column to select all listed jobs for download

Click **Refresh** to update the window.

Note that in the upper-right corner of the **GruntWorx Status** dialog box is a running tally of the number of tokens purchased, the number used, and the number remaining.

## SecureFilePro

Available to users of either the Working Cabinet or the Archive Cabinet, SecureFilePro™ is an HTTPS file-sharing site that allows you to send and receive documents on your own secure web portal. Think of it as a document exchange site for you and your clients. You can upload to SecureFilePro™ any documents that you have saved, imported, scanned, and stored in your Drake files, and your clients can go to the SecureFilePro™ website to view or download those documents. Your clients can also upload files to the portal for you to retrieve.

Other features of SecureFilePro™ include:

- An activity report that shows, at a glance, who has accessed which accounts and what has been uploaded and downloaded from the site
- Automatic alerts e-mailed to your clients when their documents (such as their tax returns) are available for viewing or downloading
- Automatic alerts when you are reaching the limit of your file-storage capacity

## New for 2012: Folder Management

Among the changes and enhancements made to SecureFilePro™:

- E-mail customization will allow clients to:
  - Change certain text within the automatic e-mails
  - Add/remove a logo
  - Customize instructional paragraph for new and existing clients
  - Add additional paragraphs, and add footer information to e-mails
- Administrators and preparers can now add folders and upload files to “Documents to Preparers.”
- Users with access can rename and delete added folders. The default folders still cannot be changed or deleted.

- Site Branding: Logos can now be placed left or right of the Firm Name.
- File expiration settings will allow our clients to set a date to expire all files.
- Move/Copy feature has been added so clients can move or copy to a new target location.
- There have been behind-the-scenes changes to make PDF file sizes smaller. This will help with storage in SecureFilePro and with decreasing lag time in creating, copying, and moving PDF files.
- A download indicator was added. When a file has been downloaded, the date and time the download was completed will show in the file information.
- Other changes:
  - Unlimited number of files is now allowed in these folders:
    - “Document to Clients”
    - “Documents to Preparers”
    - “Private” (administrator and preparers only)
    - “Public”

## SecureFilePro Sign-up and Costs

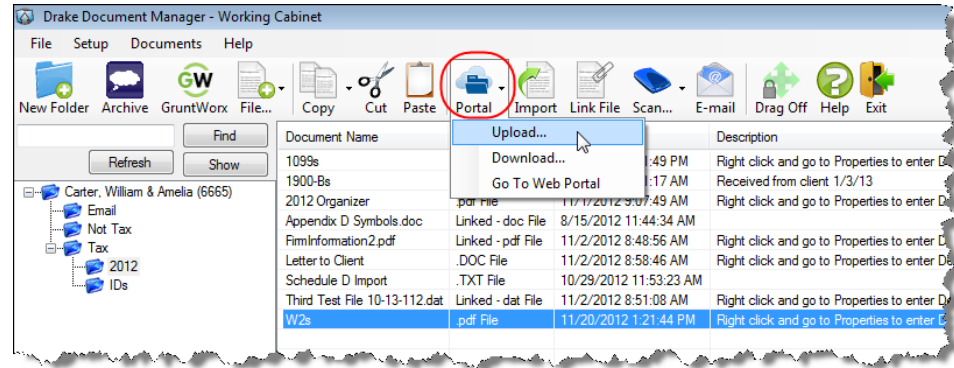
Sign up for SecureFilePro™ from the Drake Support website (*Support.DrakeSoftware.com*) or click **Support** from the Drake Software **Home** window). From the blue menu box to the left side of the Support web page, select **Resources > SecureFilePro**. Follow the onscreen directions to set up an administrative account and to add employees and clients who will have access to the site.

The cost of using SecureFilePro™ is determined by the number and size of the documents you upload and save there. Prices are as follows:

- \$9.95 monthly (\$99.95 annually) for a 250-Mb portal
- \$19.95/\$199.95 for a 1-Gb portal
- \$29.95/\$299.95 for a 5-Gb portal

## Accessing SecureFilePro

Once your account has been set up and made accessible, you and your clients can access your clients' information from the SecureFilePro™ website (*www.securefilepro.com*). You and your staff can also access SecureFilePro™ through the Document Manager by clicking the **Portal** button from the Document Manager toolbar. (Figure 13-20 on page 364).



**Figure 13-20:** Click **Portal** to upload or download documents to and from the SecureFilePro™ portal.

## Uploading and Downloading Files

Before you can upload and download files using SecureFilePro™, you must set up both your portal and your system. To set up your portal, go to [www.securefilepro.com](http://www.securefilepro.com) (or from your Document Manager toolbar, click **Portal**, and from the **Portal Login** window, click **Sign Up**.) Follow the directions for setting up your folders and your clients' folders, login and password options, and e-mail addresses.

### IMPORTANT

(Archive Cabinet only) To set up your system, from the Document Manager menu bar, go to **Setup > Options**, and at the bottom of the **Document Manager Options** dialog box, enter your Drake account number, EFIN, and Drake password.

### Uploading Files

To upload files from the Document Manager to SecureFilePro™:

1. Open the Document Manager. (Click the **Doc Mgr** icon from the **Home** window, any **Data Entry Menu** toolbar, or your desktop.)
2. From the client tree, open a client's folder.
3. From the **Document** pane, select the files to be uploaded.
4. Click the **Portal** button from the toolbar and select **Upload**.
5. Enter the **Portal username** and **Portal password** you set up with *Secure-FilePro.com*. Click **OK**.
6. When the **Folder List For (client name)** window is opened, select a folder to receive the uploaded file and click **Upload**.
7. When the **Portal Upload Result** window is opened, click **OK**.

### Downloading Files

To download files from a client:

1. From the Document Manager toolbar, click **Portal** and select **Download**.
2. Enter the **Portal username** and **Portal password** you set up with *Secure-FilePro.com*. Click **OK**.
3. In the **Folder List for (client name)** window, select the item to be downloaded and click **Download**.

The file is downloaded to that client's Document Manager folder.

### Uploading Private Files

A *private* file is one that SecureFilePro™ makes available to *all preparers* in your firm. To make a file available to all preparers in SecureFilePro™:

1. Open the Working Cabinet from the **Home** window of Drake.
2. Select the **General** folder from the document tree on the left side of the window.
3. Select a file from document pane.
4. Select **Portal > Private > Upload**. The **Private Folder List** is displayed.
5. Select a folder from this list to receive the uploaded document.
6. Click **Upload**.

### Uploading Public Files

A *public* file is one that SecureFilePro™ makes available to *all clients*. To make a file available to all clients in SecureFilePro™:

1. Open the Working Cabinet from the **Home** window of Drake.
2. Select the **General** folder from the document tree on the left side of the window.
3. Select a file from document pane.
4. Select **Portal > Public > Upload**. The **Public Folder List** is displayed.
5. Select a folder from this list to receive the uploaded document.
6. Click **Upload**. Click **OK** to verify you want to upload the document.
7. When the **Portal Upload Result** dialog box is opened, click **OK**.

## NOTE

Only documents saved in the **General** folder in the Working Cabinet are eligible for upload or download as "Public" and "Private" files.

## CAUTION

Any document uploaded to the **Public** folder is available to *all* your clients. Be *very* careful about which documents you upload to this folder.

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# 14 New Features in Other Packages

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This chapter lists some of the new features you'll see in Drake's corporation (1120), S corporation (1120S), partnership (1065), tax-exempt (990), fiduciary (1041) and estate (706) packages. Details for using these packages will appear in the supplemental manuals, to be published early in 2013.

## Individual Entity Packages

The following enhancements have been made to one or more (but not all) of the entity packages:

### Changes in Reporting of Capital Assets

*Screen codes  
8949, D2, D*

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**, or **D2**. These screens are available under the **Assets-Sales-Recapture** tab of the **Data Entry Menu**.

#### NOTE

Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, now reports individual transaction information and contains cost basis fields for brokers who are required to supply such information. Enter 1099-B data on screen **8949**.

#### **Form 8949, Schedule D, Form 1099-B**

Screen **8949** has fields for Form 8949, Schedule D, and Form 1099-B data. Following are some guidelines for data entry on this screen, first for 1099-B information, and then for 8949-specific information.

- **Date of Sale or Exchange** — If a single date does not apply, type *Bankrupt*, *Worthless*, or *Expired*, as applicable. Select **S** or **L** from the **Type of gain**

**or loss** drop list to have it treated as short-term or long-term. (If `Expired` is entered, the return must be paper-filed.)

- **Date of Acquisition** — Enter the date acquired as an eight-digit number using MMDDYYYY format. This date is used to determine whether the sale is short-term or long-term. Enter `VARIOUS`, `INHERIT`, or `INH2010`, as applicable. (Only “Various,” “Inherit,” and “Inh2010” are acceptable for e-filing.) Select **S** or **L** from the **Type of gain or loss** drop list to have it treated as short-term or long-term.
- **Type of gain or loss** — Select from the drop list to describe the gain or loss as long term or short term.
- **Stock or other symbol** — Enter the stock or other symbol for the security sold.
- **Quantity sold** — Enter the quantity of securities sold.
- **Proceeds from sale ...** — Enter the sale amount. If only the gain amount is available, enter the gain amount and leave the **Cost or other basis** field blank.
- **Cost or other basis** — Enter the cost or basis. If only the loss amount is available, enter the loss amount and leave the **the Proceeds from sale... field** blank.
- **Federal tax withheld** — Enter the amount of federal tax withheld from the proceeds of a sale.
- **Wash sale loss disallowed** — Enter amount of wash sale loss that is disallowed.
- **Description** — Enter description of capital gain or loss item using stock ticker symbols or abbreviations. In the past, Drake supported 32 characters but only the first 15 were transmitted with an e-filed return. By default, the first 15 characters were displayed in black text on the screen; additional characters were displayed in red. With Modernize e-File (MeF) all characters are now transmitted and all characters are displayed in black text on the screen.
- **Basis not reported ...** — If the asset being entered is not being taken from a Form 1099-B, indicate why by selecting an option from the drop list.
- **Adjustments** — Up to three adjustments per screen are permitted. For each adjustment, select the applicable code from the drop list and enter the amount of adjustment (and AMT adjustment, if applicable) to the gain or loss.
- **AMT** — Several AMT-related fields are included on screen **8949**:
  - Form 4626 will use amount in the **AMT Adjustment to gain or loss** fields on screen **8949** (1120 package only).
  - **Amount of gain or loss subject...** — Enter amount of gain or loss subject to 28% rate.
- **State Use Only** — Check with your state for required codes.

## 8825 Rental Property Attachment

Because the IRS is requiring preparers to provide taxpayers with more detail about income from rental property, Drake now generates attachment `K1_8825.LD` explaining the “Net rental real estate income (loss)” as it appears on line 2 of each shareholder’s or partner’s Schedule K-1. (Figure 14-1 on page 369)

Part III Partner's Share of Deductions, Credits, and Other Income		
1	Ordinary business income (loss)	(407)
2	Net rental real estate income (loss)	5,597
3	Other net rental income (loss)	
4	Guaranteed payments	

**Figure 14-1:** Line 2, “Net rental real estate income (loss)” of Schedule K-1

The amount on line 2 of Schedules K-1 is the shareholder’s or partner’s pro-rated share of the totals from line 21 of Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation. The resulting attachment, “K-1 Rental Real Estate Activity” (listed as “K1\_8825” in View mode), includes the shareholder’s or partner’s name, ownership percentage, address of the property, the property “type” (as selected from the **Type of Property** drop list on screen **8825** in Drake; see Figure 14-2), and the total from line 17 of Form 8825 (the resulting net income or loss).

**Form 8825 - Rental Real Estate**

Property Information

Type of property: Land

Other (describe):

Address:

City:

U.S.: State, ZIP:

Foreign: Province/State, Country, Postal Code:

Fair rental days:

Personal use days:

Mark this box to include in self-employment:

Property disposed of during 2012:

**Figure 14-2:** Selecting **Land** as property type on screen **8825**

Preparers should be aware:

- Attachment K1\_8825 is generated automatically whenever Form 8825 is generated.
- If the property type selected from the **Type of Property** drop list on screen **8825** (Figure 14-2) is **Land** (type “5”) or **Self-Rental** (type “7”), this type of property is “recharacterized” by the IRS as “active” income if there is a net profit. (Net losses are subject to passive limitations.) The preparer must use this K-1 information when completing the individual shareholder’s or partner’s return.
- Columns for “Line 19, 4797” and “Line 20s, Pass-thru” appear on the attachment, but only a total will be included for those columns. No other details will appear.
- To explain details of the totals from the “Line 19” and “Line 20a” columns of the “K-1 Rental Real Estate Activity” attachment (lines 19 and 20a of Form 8825) to the shareholders or partners, open Drake, go to the **K1** screen, click the **Supplemental Info** tab, and enter the information from the attachment. (Figure 14-3 on page 370)



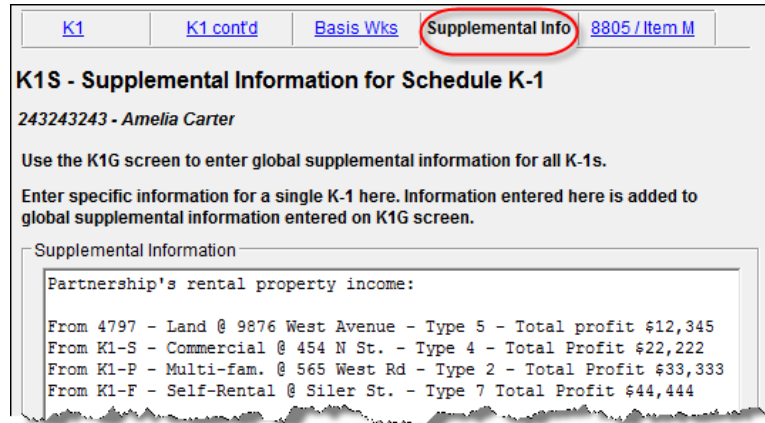


Figure 14-3: Supply details to shareholders or partners on **Supplemental Info** tab

**IMPORTANT**

The “K-1 Rental Real Estate Activity” attachment (K1\_8825) is not transmitted when the return is e-filed. Preparers should present this attachment to each shareholder or partner who receives a Schedule K-1.

**Fields Added to “Name/Address” Information**

“Doing Business As” and “In care of” lines have been given separate data-entry fields in the business packages to allow this info to flow to state forms. (Figure 14-4)

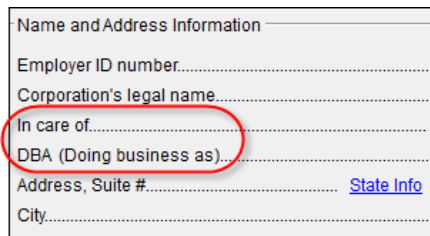


Figure 14-4: “C/O” and “DBA” lines split in business packages

**Bonus Depreciation**

For the 2012 tax year:

- Assets placed in service in 2012 — 50% bonus depreciation
- Assets placed in service in 2012 - 0 bonus depreciation

**Data Entry Field Enhancements**

On screens in the 1120, 1120S, and 1065 packages, where “Doing business as” and “In care of” fields were combined in the past, these are now separate lines to allow this information to flow through to certain state packages.

## Fiduciary Package (1041)

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.

## Estate Package (706)

Because the IRS added a fourth page to Form 706 for the Deceased Spouse Unused Exclusion (DSUE), Drake has added a new **DSUE** screen.

This new section allows taxpayers to opt out of electing to transfer any DSUE amount to a surviving spouse, and allows taxpayers to calculate the amount of DSUE that can be transferred in the event of an election, and to account for any DSUE amount received from each predeceased spouse.

There is also a Schedule PC—Protective Claim for Refund—added to the Form 706 and a corresponding new Drake screen (screen **PC**). Schedule PC can be used for 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.

Drake has also added a new **Recapitulation Overrides** screen (screen **5**).

More details will appear in the estate (706) supplemental manual, to be published early in 2013.

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## Appendix A: Preseason Checklist

Efficient preseason planning can reduce or eliminate many problems for tax preparers. Take time now to prepare for the months ahead and ensure that your office is ready before the first client arrives. The needs of each office vary in the months before tax season, but your preparations might include the actions listed here. Several refer to the Drake Support site, which is located at *Support.DrakeSoftware.com*.

### Contact the IRS

- Register for PTIN** — All tax return preparers must register for a Preparer Tax Identification Number (PTIN) and pay a \$64.25 initial fee. Preparers who already have a PTIN must renew their PTINs and pay a \$63 renewal fee. Attorneys, CPAs, and EAs are not exempt. Sign up for a PTIN online through the IRS website (*www.irs.gov*). Click the **For Tax Pros** tab and from the **Getting Started** section, click **Apply for a PTIN**. The IRS has a special toll-free telephone number, (877) 613-PTIN (7846), that tax professionals can call for technical support related to the online registration system.
- Pass RTRP Competency Test** — Paid tax return preparers with a PTIN have until the end of 2013 to take and pass the Registered Tax Return Preparer (RTRP) Competency Test. To schedule a time for taking the exam, from the IRS website (*www.irs.gov*), go to the **For Tax Pros** tab and go to the **Testing & Credentials** section. You can also call 855-IRS-EXAM (3926).
- PTIN Test Study and Prep** — Drake Software offers two online, self-paced courses to assist you in preparing for the required RTRP Test and earn some required CPE credits. The **RTRP Test Study Course** offers an interactive way to study for the RTRP exam by covering the seven domain areas specified by the IRS as the content of the test. Drake Software customers receive a discounted price of \$99. This price includes 10 hours of continuing education on federal tax law that applies towards the annual RTRP requirement, plus: study guides, examples, quizzes, and a practice test. The **RTRP Test Overview And Tips** course provides an overview of the RTRP test and tips for success. Course costs \$19 and includes two hours of continuing education and includes information on test specifications, ways to study and prepare, what to expect on test day, and tips on handling test anxiety.
- Get Required CPE Credits** — PTIN holders are required to obtain 15 hours of continuing education annually, including two hours of ethics, three hours of federal tax-law updates, and 10 hours of federal tax-law topics. To view a Drake webinar on continuing education requirements, log in to *DrakeETC.com* and from the blue menu sidebar, select **Webinars > Available Webinars**, and from the list of webinars, select **Continuing Education Requirements**. (Click **Details** or **Register**.)
- Apply for Electronic Filer's Identification Number (EFIN)** — All new EROs must apply to the IRS to become an e-Services provider in order to receive an EFIN. If you are a new ERO and are not a CPA, EA, attorney, banking official, or officer of a publicly held company, you must also submit a fingerprint card. Register as an e-Services provider online through the IRS website (*www.irs.gov*). Click the **For Tax Pros** tab and from the **Getting Started** section, click **Become an Authorized e-file Provider**.

- Obtain Circular 230** — Beginning January 1, 2011, all tax preparers must comply with the standards of conduct set by Treasury Department Circular 230 (revised October, 2010). Under these standards, current regulations that apply to attorneys, CPAs, EAs, and other specified tax professionals now apply to all tax preparers, including unenrolled preparers. This circular is available on the Drake CD and at [www.irs.gov/pub/irs-pdf/pcir230.pdf](http://www.irs.gov/pub/irs-pdf/pcir230.pdf)
- Obtain Other IRS publications** — Order from the IRS or print from [www.irs.com](http://www.irs.com).

## Contact the States

- Obtain state applications** — Some states require e-file applications and many states now enforce e-file mandates. Contact those states early to apply. State data is available on the **Federal/State Facts** page at the Drake Support site.
- Check state requirements for bank products** — Check with your state for special applications to offer bank products. Contact applicable states that could require different forms.
- Check for state e-filing mandates** — Mandates vary from state to state; see Appendix E.
- Check state requirements for business returns** — E-filing requirements vary.

## Contact Drake

- Notify Drake of changes** — Inform us of changes to your firm's EFIN, phone number, address, contact person, e-mail address, etc. e-Mail [accounting@drakesoftware.com](mailto:accounting@drakesoftware.com), call (828) 349-5900, or make changes online at the Drake Support site.

## Prepare to Offer Banking Options

- Choose your bank** — Complete a bank application at the Drake Support site.
- Decide which disbursement methods to use** — For example, EPS Financial offers e-Collect Basic, Deluxe, and Elite. Also, the E1 Visa® Prepaid Card can be used in conjunction with banks other than EPS.
- Complete other required applications** — Complete any application or contract that your chosen bank may require in addition to the bank application at the Drake Support site.
- Order check and/or card stock.**
- Test-print check** — After installing the software, test-print a check.
- Set bank fees and complete Firm Setup in the software.**

## Review Equipment/Staff Needs

- Learn about tax law changes** — Do online research; visit and study the IRS Web site and state tax departments sites.

- Learn new phaseout limits** — Be prepared to explain to your clients why they no longer receive benefits they've received in the past.
- Review or learn EIC rules** — Prepare for EIC due diligence interviews.
- Review staffing needs** — Set staff software security levels.
- Train your staff** — Make sure everyone understands his or her duties and is familiar with the software. Train your staff through Drake ETC.
- Upgrade computers as needed** — Ensure that your computers comply with system requirements.
- Test printers and modems to be used with Drake Software.**
- Check phone cords and connections to be used during tax season.**
- Check scanner** — Review Drake-recommended scanners. If necessary, purchase a scanner to use with the Drake Document Manager. For a Drake recommendation, see “Compatible Scanners” on page 349.
- Purchase office supplies** — These include folders, envelopes, paper, and toner.

## Install and Set Up Software

- Review system requirements for installation** — See “System Requirements” on page 12.
- Install the 2012 Drake Software CD** — Refer to your shipment letter, or see “Installing from CD” on page 12.
- Customize program settings** — Complete required and optional program settings. Check the packing slip to verify your EFIN. Enter your new password and account number at **Setup > ERO**. (Keep your packing slip, which contains your serial number and account number, in a safe place.)
- Perform database updates** — Update the EIN Database from the prior year.
- Set up your office's network** — See “Running Drake on a Network” on page 15.
- Perform configuration updates** — Update configurations for firm information, macros, etc., from the prior year.
- Establish billing amounts** — Save time later by setting your billable amounts now.

## Help Clients Prepare for Tax Season

- Prepare proformas and organizers for prior-year clients** — Note that reports, organizers, proformas, and returns can be stored and e-mailed as PDF files.
- Prepare preseason letters and coupons** to send with organizers.

- Begin preseason scheduling** — Get a jump-start on tax season. Schedule clients who are eager to file early.
- Order mailers** from Nelco if necessary.

## Update and Configure Data

- Choose the backup media type** that best suits your needs.
- Familiarize yourself with the Update Manager features** — See “Update Manager” on page 287.
- Update and back up settings** — Run the update routine (see “Prior-Year Updates” on page 77), and make a backup copy of the software setup (see “Backing Up and Restoring Files” on page 292).

## Take Advantage of Drake Resources

- e-Training Center (ETC)** — For tax courses, tutorials, videos, and testing, go to *DrakeSoftware.com/ETC*.
- Tutorials** — The 2012 tutorials can be accessed through the Help menu or from the Drake Support site (**Training Tools > Tutorials**).
- Drake User's Manual** — Familiarize yourself with this manual and use it as a resource for learning how to use the software and prepare individual returns.
- Business Planning Group** — Learn more about the Business Planning Group, which can help you help your clients with tax reduction, business continuation and restructuring, and retirement planning. See “Business Planning Group” on page 271.
- Practice returns** — Use our practice returns to learn program navigation and data entry.
- Drake Website** — Add *Support.DrakeSoftware.com* and the Drake Software blog (*blog.DrakeSoftware.com*) to your “Favorites” list.
- Drake Knowledge Base** — Practice using the Knowledge Base at the Drake Support site.
- Drake Forums** — Sign up for the Drake Forums at the Drake Support site.
- Online EF database** — Review and practice using the online EF database.
- Execute your marketing plan** — Consider running radio spots, hanging posters or banners, and encouraging word-of-mouth marketing. Drake Software offers marketing ideas online. Go to the Support page (*Support.DrakeSoftware.com*) and from the blue menu bar, go to **Resources > Marketing Kits**, or go to *DrakeSoftware.com/marketing*.

## **Prepare for e-Filing**

- Research and verify e-file requirements** — Review any state e-file mandates. (See Appendix E.)
- Complete settings** — Certain **Preparer**, **Firm**, and **EF** (e-filing) settings in Drake are required.
- Send test transmissions to Drake.**
- Use Practice Returns** — Access practice returns on the Drake Support site (**Training Tools > Practice Returns**).

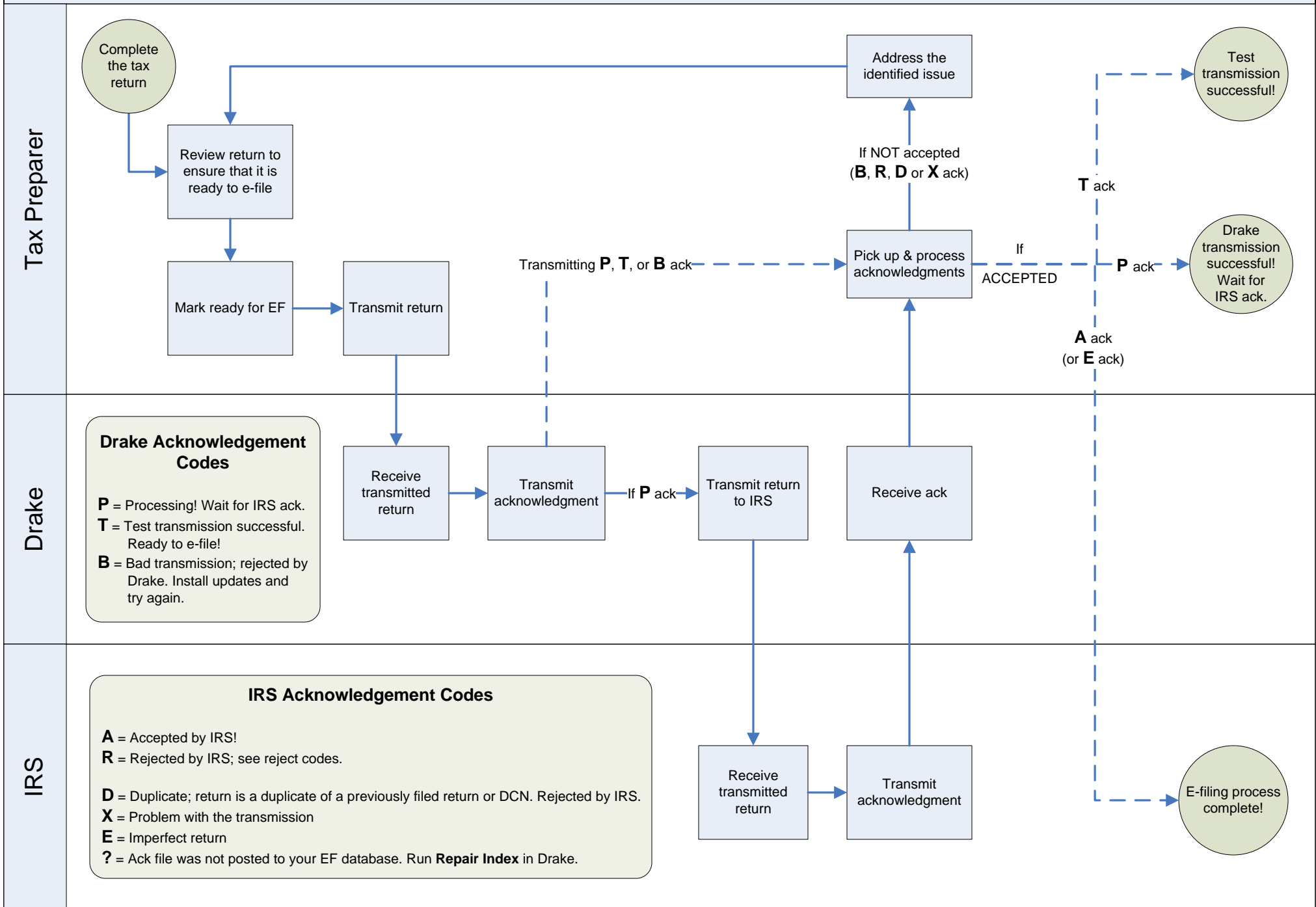


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## **Appendix B: E-filing Overview**

The flow chart on the following page shows an overview of the e-filing process for most Drake preparers. Included are definitions of acknowledgment codes (“acks”).

# PROCESS: E-FILING FEDERAL RETURNS



# Appendix C: Keywords

Keywords are used in the Reports and Letters programs in Drake.

## Report Keywords

Report keywords appear as columns in reports (Figure C-1 on page C-1). Reports are generated from the Report Manager.

Return Type	Total Income	Total Tax	Refund	Balance Due	Return Type
990					990
1040					1040
1040A	\$500.00				1040A
1041					1041
1040	\$55,100.00	\$8,227.00		\$5,835.00	1040
1040	\$40,000.00	\$3,714.00		\$1,233.00	1040

Figure C-1: Report keywords appear as column headers in reports.

To view report keywords, select **Reports > Report Manager** from the **Home** window and choose to either open a new report or edit an existing report. The **Select Report Columns** section of the **Report Editor - Step 1** dialog box lists the available and selected keywords for each column category. Figure C-2 on page C-1 shows the keywords for the **Return Results** category.

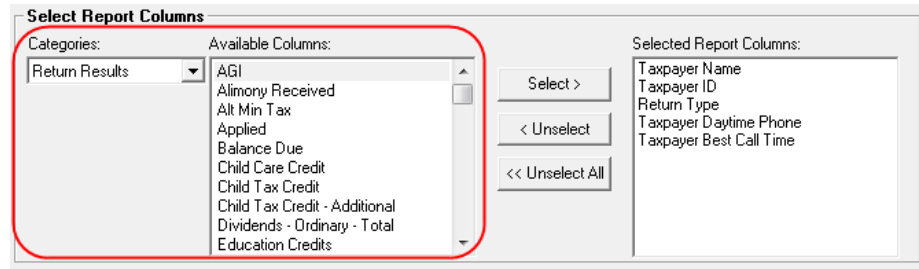
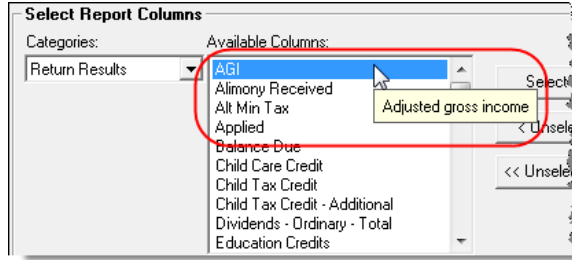


Figure C-2: Keywords are listed under available columns.

To view a keyword description, hold the mouse pointer over a selected keyword (Figure C-3 on page C-2).

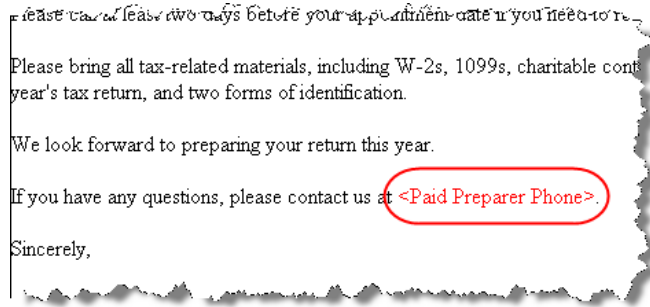


**Figure C-3:** Place mouse pointer over a selected keyword to see the description.

For instructions on creating and editing reports, see Chapter 12, “Reports.”

## Letter Keywords

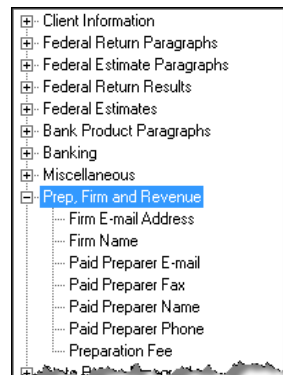
Letter keywords appear as bracketed phrases within the letter templates of the Client Communications Editor (Figure C-4 on page C-2).



**Figure C-4:** Keywords from letter template

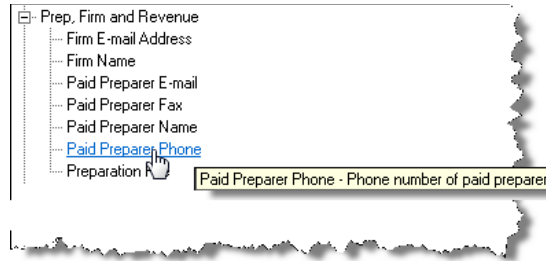
To view available letter keywords, select **Setup > Letters** from the **Home** window and select any template to view.

The tree view of the Client Communications Editor lists the keyword categories. Click [+] to view specific keywords within a category. In the example in Figure C-5 on page C-2, the **Preparer, Firm, and Revenue** category has been expanded.



**Figure C-5:** Prep, Firm and Revenue keywords

To view a keyword description, hold the mouse pointer over a selected keyword (Figure C-6 on page C-3).

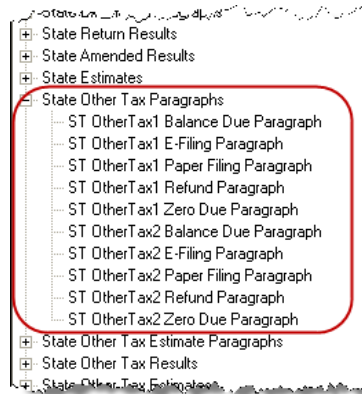


**Figure C-6:** Place mouse pointer over a selected keyword to see the description.

Instructions for adding and editing report columns are provided in “Introduction to Letters in Drake” on page 40.

### “OtherTax” Keywords in Letters

The result letters in the Client Communications Editor include keywords for other tax types for state and city returns, as shown in the example in Figure C-7 on page C-3. These “Other Tax” types generally refer to tax types other than income tax (franchise tax, composite tax, etc.) that are required by certain states and cities.



**Figure C-7:** Examples of “OtherTax” paragraph keywords

Table C-1 lists the “Other Tax” types indicated by specific letter keywords for state and city returns in the Drake tax packages.

**Table C-1: Letter Keywords: Other Tax Types for State Packages**

State or City	Package	Tax Type	Description
Alabama	S corporation	OtherTax1	Composite
		OtherTax2	Privilege Tax and Annual Report
	Partnership	OtherTax1	Composite
		OtherTax2	Privilege Tax and Annual Report
	Individual	OtherTax2	Privilege Tax and Annual Report
	Fiduciary	OtherTax2	Privilege Tax and Annual Report
Corporation	OtherTax2	Privilege Tax and Annual Report	
Arkansas	Individual	OtherTax1	LLC Franchise
	Corporation	OtherTax1	LLC Franchise
		OtherTax2	Franchise
	S Corporation	OtherTax1	NR Composite
		OtherTax2	Franchise
	Partnership	OtherTax1	NR Composite
OtherTax2		Franchise	
Fiduciary	OtherTax1	NR Composite	
	OtherTax2	Franchise	
Colorado	Individual	OtherTax1	Severance Tax
	Corporate	OtherTax1	Severance Tax
	S Corporation	OtherTax1	Severance Tax
	Partnership	OtherTax1	Severance Tax
	Fiduciary	OtherTax1	Severance Tax
Connecticut	Individual	OtherTax1	Gift Tax
		OtherTax2	Business Entity Tax
	S corporation	OtherTax2	Business Entity Tax
	Partnership	OtherTax2	Business Entity Tax
Delaware	S Corporation	OtherTax1	Composite
	Partnership	OtherTax1	Composite
District of Columbia	Partnership	OtherTax1	Franchise
	Individual	OtherTax1	Franchise
	Fiduciary	OtherTax1	Franchise

**Table C-1: Letter Keywords: Other Tax Types for State Packages**

<b>State or City</b>	<b>Package</b>	<b>Tax Type</b>	<b>Description</b>
Florida	Individual	OtherTax1	FL 405
	Corporation	OtherTax1	FL 405
	S Corporation	OtherTax1	FL 405
	Partnership	OtherTax1	FL 405
	Fiduciary	OtherTax1	FL 405
Georgia	S Corporation	OtherTax1	Composite
	Partnership	OtherTax1	Composite
Kansas	Individual	OtherTax1	Franchise
		OtherTax2	Homestead
	Corporation	OtherTax1	Franchise
		OtherTax2	Unitary
	S Corporation	OtherTax1	Franchise
		OtherTax2	Unitary
	Partnership	OtherTax1	Franchise
	Fiduciary	OtherTax1	Franchise
Estate	OtherTax2	Estate	
Massachusetts	Corporation	OtherTax1	Unitary
		OtherTax2	Annual Report
	S corporation	OtherTax1	Unitary
		OtherTax2	Nonresident Composite
	Partnership	OtherTax2	Nonresident Composite
Fiduciary	OtherTax2	Nonresident Composite	
Michigan	Individual	OtherTax1	Michigan Business Tax
		OtherTax2	Homestead Property Tax Credit/Home Heating Credit
Minnesota	Individual	OtherTax1	Property Tax Credit



**Table C-1: Letter Keywords: Other Tax Types for State Packages**

<b>State or City</b>	<b>Package</b>	<b>Tax Type</b>	<b>Description</b>	
Missouri	Individual	OtherTax1	Kansas City	
		OtherTax2	St. Louis	
	Corporation	OtherTax1	Kansas City	
		OtherTax2	St. Louis	
	S Corporation	OtherTax1	Kansas City	
		OtherTax2	St. Louis	
	Partnership	OtherTax1	Kansas City	
		OtherTax2	St. Louis	
	Fiduciary	OtherTax1	Kansas City	
		OtherTax2	St. Louis	
	New Hampshire	Individual	OtherTax1	Business Tax
			OtherTax2	Interest and Dividends
Corporation		OtherTax1	Business Tax	
S corporation		OtherTax1	Business Tax	
Partnership		OtherTax1	Business Tax	
		OtherTax2	Interest and Dividends	
Fiduciary		OtherTax1	Business Tax	
		OtherTax2	Interest and Dividends	
New Jersey	S corporation	OtherTax1	Composite	
	Partnership	OtherTax1	NJ 1065	
		OtherTax2	Composite	
	Fiduciary	OtherTax1	Composite	
	New York	Individual	OtherTax1	IT-204-LL
OtherTax2			MTA-6 (MCTMT)	
Corporation		OtherTax1	CT3M/4M	
Partnership		OtherTax1	IT-204-LL	
New York City		Individual	OtherTax1	NYC 1127 NYC Employment

**Table C-1: Letter Keywords: Other Tax Types for State Packages**

<b>State or City</b>	<b>Package</b>	<b>Tax Type</b>	<b>Description</b>
Ohio	Individual	OtherTax1	School District
		OtherTax2	Commercial Activity Tax
	Corporation	OtherTax2	Commercial Activity Tax
	S Corporation	OtherTax1	Composite
		OtherTax2	Pass-through Entity & Trust Withholding
	Partnership	OtherTax1	Composite
		OtherTax2	Pass-through Entity & Trust Withholding
Fiduciary	OtherTax2	Commercial Activity Tax	
Pennsylvania	Individual	OtherTax1	Property Tax Rebate
		OtherTax2	RCT-101 (SMLLCs)
	Partnership	OtherTax1	20S65
		OtherTax2	NR Composite
	S corporation	OtherTax1	20S65
		OtherTax2	NR Composite
Philadelphia	Individual	OtherTax1	Business Profits Tax
		OtherTax2	Net Profits Tax
	Corporation	OtherTax1	Franchise
	S Corporation	OtherTax1	Business Profits Tax
	Partnership	OtherTax1	Business Profits Tax
	Fiduciary	OtherTax1	Franchise
Rhode Island	S Corporation	OtherTax1	Composite
	Partnership	OtherTax1	Composite
	Fiduciary	OtherTax1	Composite
South Carolina	S Corporation	OtherTax1	Withholding Tax - Nonresident Income

**Table C-1: Letter Keywords: Other Tax Types for State Packages**

<b>State or City</b>	<b>Package</b>	<b>Tax Type</b>	<b>Description</b>
Tennessee	Individual	OtherTax1	Franchise and Excise Tax
		OtherTax2	Interest and Dividends
	Corporation	OtherTax1	Franchise and Excise Tax
	S corporation	OtherTax1	Franchise and Excise Tax
	Partnership	OtherTax1	Franchise and Excise Tax
		OtherTax2	Interest and Dividends
	Fiduciary	OtherTax2	Interest and Dividends
	Estate	OtherTax1	Estate Tax
Texas	S corporation	OtherTax1	Franchise
	Partnership	OtherTax1	Franchise
	Individual	OtherTax1	Franchise
	Corporation	OtherTax1	Franchise
	Fiduciary	OtherTax1	Franchise
	Tax-Exempt	OtherTax1	Franchise

## Appendix D: Acronyms & Abbreviations

This appendix lists and defines many of the acronyms and abbreviations you may encounter when using Drake tax software.

- “A” ack** Accepted transmission.
- ack** Acknowledgment. A report generated by the IRS and by Drake to a transmitter that indicates receipt of transmissions.
- ACH** Automated Clearing House. A system that administers electronic funds transfers (EFTs) among participating financial institutions.
- ACRS** Accelerated Cost Recovery System.
- AGI** Adjusted Gross Income
- AMT** Alternative Minimum Tax
- ATIN** Adoption Taxpayer Identification Number. A tax processing number issued by the IRS as a temporary taxpayer identification number for a child in the domestic adoption process who is not yet eligible for a Social Security Number (SSN).
- “B” ack** Bad transmission
- CAF** Centralized Authorization File; number issued to a preparer by the IRS.
- CSM** Client Status Manager. a tool for tracking workflow within a preparer's office.
- COGS** Cost of Goods Sold
- CWU** Client Write-Up
- “D” ack** Duplicate of previously filed return. Rejected.
- DAN** Depositor Account Number. The financial institution account to which a direct deposit refund is to be routed.
- DCN** Declaration Control Number. A unique 14-digit number assigned by the ERO (or, in the case of online filing, by the transmitter) to each e-filed tax return.
- DD** Direct Deposit
- DDM** Drake Document Manager
- .doc** File extension for Microsoft Word files
- .DTP** File extension for Scenario Planner files

<b>EA</b>	Enrolled Agent
<b>“E” ack</b>	IRS acknowledgment for an imperfect return
<b>EF</b>	Electronic Filing
<b>EFIN</b>	Electronic Filer's Identification Number
<b>EFT</b>	Electronic Funds Transfer. The process through which direct deposit refunds are transmitted from the government to the taxpayer's account at a financial institution.
<b>EFTPS</b>	Electronic Federal Tax Payment System. A free service from the U.S. Treasury through which federal taxes may be paid via the Internet, by phone, or through a service provider.
<b>EFW</b>	Electronic Funds Withdrawal. A payment method which allows taxpayers to authorize the U.S. Treasury to electronically withdrawal funds from their checking or savings accounts. Also known as “direct debit.”
<b>EIC, EITC</b>	Earned Income Credit, Earned Income Tax Credit. A refundable individual income tax credit for certain persons who work.
<b>EIN</b>	Employer Identification Number
<b>ERC</b>	Electronic Refund Check (bank product)
<b>ERD</b>	Electronic Refund Deposit (bank product)
<b>ERO</b>	Electronic Return Originator. An authorized IRS e-file provider that originates the electronic submission of returns to the IRS.
<b>ETA</b>	Electronic Tax Administration. The office within the IRS with management oversight of the IRS' electronic commerce initiatives.
<b>ETC</b>	Electronic Training Center. Drake's online training center featuring tax courses, tutorials, and practice returns.
<b>ETD</b>	Electronically Transmitted Documents
<b>ETIN</b>	Electronic Transmitter Identification Number. An ID number assigned by the IRS to a participant in the e-file program.
<b>F</b>	Federal code; generally a drop list at the top of an applicable screen.
<b>FMS</b>	Financial Management Service. The agency of the Department of the Treasury through which payments to and from the government, such as direct deposits of refunds, are processed.
<b>HOH</b>	Head of Household
<b>IRC</b>	Internal Revenue Code
<b>IRS</b>	Internal Revenue Service

<b>ITIN</b>	Individual Taxpayer Identification Number. A tax processing number for certain non-resident and resident aliens who cannot obtain a Social Security Number (SSN).
<b>KB</b>	Knowledge Base. The Drake Software Knowledge Base is a comprehensive searchable database consisting of support solutions and articles of interest, providing support around the clock.
<b>LLC</b>	Limited Liability Company
<b>MACRS</b>	Modified Accelerated Cost Recovery System
<b>MB</b>	Megabytes
<b>MeF</b>	Modernized e-File
<b>MFC</b>	Multi-form code; text box on certain screens that allows you to indicate the instance of a form with which the screen's data should be associated
<b>MFJ</b>	Married, Filing Jointly
<b>MFS</b>	Married, Filing Separately
<b>MOM</b>	Multi-Office Manager
<b>NOL</b>	Net Operating Loss
<b>“P” ack</b>	Processing a successful transmission
<b>PAN</b>	Passive Activity Number
<b>PCM</b>	Personal Client Manager
<b>PDF and .pdf</b>	Portable Document Format
<b>PIN</b>	Personal Identification Number
<b>PRN</b>	Payment Reference Number
<b>PPR</b>	Pay Per Return
<b>PTIN</b>	Preparer Tax Identification Number
<b>“R” ack</b>	Reject transmission
<b>RET</b>	Refund Electronic Transfer (bank product)
<b>RT</b>	Refund Transfer (bank product)
<b>RTN</b>	Routing Transit Number. A number assigned by the Federal Reserve to each financial institution.
<b>SMLLC</b>	Single Member Limited Liability Corporation

<b>SSN</b>	Social Security Number
<b>ST</b>	State code; generally a drop list at the top of an applicable screen.
<b>Sub-S</b>	S corporation
<b>“T” ack</b>	Test transmission
<b>TS</b>	Taxpayer (or) Spouse
<b>TSJ</b>	Taxpayer (or) Spouse (or) Joint
<b>TILA</b>	Truth in Lending Agreement
<b>.txt</b>	File extension for text files
<b>TY</b>	Tax Year
<b>UNVER</b>	Unverified field. Fields flagged as UNVER must be verified before e-file is possible.
<b>.xls</b>	File extension for Microsoft Excel files

## Appendix E: State E-filing Mandates

State e-filing mandates for tax year 2012, as collected from state tax-authority publications, are provided below.

**Alabama** If an income tax return preparer prepares 50 or more acceptable, original individual income tax returns using tax preparation software in a calendar year, then for each subsequent calendar year thereafter, all acceptable individual income tax returns prepared by that income tax preparer must be filed using electronic technology. Regulation 810-3-27-.09

A taxpayer can elect to opt out of e-filing; you need only to file a signed paper original individual income tax return. That client's paper return will be included in your total mandate count.

If an income tax return preparer prepares 25 or more acceptable, original corporate or partnership income tax returns using tax preparation software in a calendar year, then for that calendar year and for each subsequent calendar year thereafter, all acceptable corporate and partnership income tax returns prepared by that income tax preparer must be filed using electronic technology.

There is no opt-out provision for corporations or partnerships.

**California** California law requires tax preparers who prepare more than 100 individual state income tax returns annually and prepare one or more using tax preparation software—including preparers residing or with an office out the state—to e-file all individual income tax returns. A \$50-per-return penalty may be assessed for each return filed on paper that should have been e-filed unless the failure to e-file is due to reasonable cause and not willful neglect. Reasonable cause can include a taxpayer's election not to e-file. No practitioner waivers are available.

**Connecticut** Connecticut agency regulations Section 12-690-1 require tax preparers who prepared 50 or more CT income tax returns during any calendar year to e-file all CT income tax returns. Preparers may obtain a one-year waiver from the e-filing requirement by establishing that they cannot e-file a return without experiencing an "undue hardship." Regs. Section 12-690-1

**Florida** A corporation in Florida must file and pay its income tax electronically if it paid \$20,000 or more in tax during the State of Florida's prior fiscal year (July 1–June 30). File Florida corporate income tax with the Florida Corporate Income/Franchise Tax Return (Form F-1120), and file through the IRS's 1120 Federal/State Electronic Filing Program using approved software.

**Illinois** Effective January 1, 2012, paid preparers who file more than ten (10) IL individual income tax returns must file those returns electronically.

The majority of returns, more than 62%, are already e-filed. e-Filed returns are processed more quickly, resulting in fewer errors and faster refunds to taxpayers.



Opt-out Information: If a client refuses to allow you to e-file his or her return, you can remain in compliance with the mandate by having your client complete and sign Form IL-8948, Electronic Filing Opt-Out Declaration. Retain all Forms IL-8948 you receive from your clients in your files for three years. The department may request copies at any time.

Form IL-8948 is available through Drake Software.

**Indiana** Professional tax return preparers who files more than 50 personal income tax returns in a calendar year for resident or nonresident individuals must file personal income tax returns in an electronic format in the immediately following calendar year. If a tax preparer is part of a firm, the mandate applies to the firm as a whole. If an individual employed by the firm prepares more than 100 returns for clients other than the firm's clients, that individual must also e-file the returns. Amended returns are not counted because they cannot be e-filed.

A paid preparer's client may refuse to allow his or her income-tax return to be e-filed. In order for the preparer to avoid being penalized for not e-filing the tax return, a completed Form IN-OPT must be signed by the client, and the paid preparer must keep this form on file for five years.

Professional preparers are subject to a penalty of \$50 for each return not filed in an electronic format, with a maximum penalty of \$25,000 per calendar year.

**Kansas** Preparers who file 51 or more returns a year are required to file at least 90 percent of their returns electronically. The requirement applies to any paid preparer who prepares 51 or more Kansas individual income tax returns during any calendar year. The combined total of the returns prepared by all employees at all of the tax preparer's locations will be used to determine whether or not the tax preparer is subject to the e-filing requirement. The Secretary may waive the e-filing requirement if it is determined that complying with the requirement would cause an undue hardship.

**Kentucky** Tax preparers who file 11 or more individual income tax returns are required to e-file their client's returns. There are some exceptions to the mandate. Form 8948-K (Preparer Explanation for Not Filing Electronically) is used to explain why a particular return is being filed by paper. The form should be attached to and mailed with the paper return.

**Louisiana** The e-filing mandate requires tax preparers filing more than 100 individual income tax returns to e-file at least 90 percent of the returns, as authorized by Louisiana Revised Statute 47:1520.

Failure to comply with the e-filing requirements will result in the assessment of a penalty of \$100 or five percent of the tax, whichever is greater. The e-filing requirement may be waived if complying with the requirement would cause undue hardship.

**Maine** Tax return preparers must file by electronic data submission all original Maine tax returns for individual income tax that are eligible for electronic filing, except:

- When for the previous calendar year, the tax return preparer prepared 10 or fewer original Maine tax returns for individual income tax that are eligible for e-filing

- When the taxpayer refuses to allow the return to be e-filed and the tax return preparer notes the refusal in the taxpayer's records
- When the tax return preparer has been granted a waiver from mandatory participation under section .05 (Rule 104).

**Maryland** For any taxable year beginning after December 31, 2010, a preparer who has prepared more than 100 qualified returns in the prior taxable year is required to file the returns electronically. The Act authorizes the Comptroller to impose on a preparer a \$50 penalty for each return that is not filed electronically in compliance with this Act, unless the preparer is able to show that the failure to comply is due to reasonable cause and not due to willful neglect. The total penalties assessed may not exceed \$500 for all returns filed by the preparer in a taxable year. Waivers are available. Tax-General Article §10-824

**Massachusetts** Paid preparers must, under certain conditions, e-file all corporate, S corporation, and partnership returns and corporate extensions.

Additionally, the Commonwealth of Massachusetts requires personal income tax extensions with zero payment or with payments of \$5,000 or more to be filed (and paid, if applicable) electronically.

For tax years beginning on or after January 1, 2004, income tax return preparers who completed 200 or more original Massachusetts Forms 1 and 1-NR-PY, including those e-filed, during the previous calendar year are required to use electronic means to file all personal income tax returns unless the taxpayer specifically directs on the paper form that filing be on paper. The threshold is reduced to 100 returns for tax years beginning on or after January 1, 2005. The preparer must continue using electronic means to file returns in all subsequent years unless the preparer completed no more than 25 original individual income tax returns during the previous calendar year.

(**Note:** Effective February 16, 2004, software-generated forms that are printed and mailed to the Department of Revenue must contain a 2-D barcode or the return will be sent back to the taxpayer unprocessed.)

**Michigan** Tax preparers completing more than 10 personal income tax returns are required to e-file all eligible returns that are supported by their software.

**Minnesota** Preparers are required to e-file all Minnesota individual income tax returns if they are in the business of preparing tax returns and reasonably expect to prepare more than 10 MN income tax returns this year. This requirement also applies to preparers located in other states who expect to prepare more than 10 MN individual income tax returns for the current year. Do not include in the 10-return threshold returns prepared for businesses, property tax refund returns, amended income tax returns or returns filed with other states.

State law (M.S. 289A.08, subd. 16) requires tax preparers who are required to e-file MN individual income tax returns to pay a \$5 fee for each original Form M1 that is filed on paper that could have been e-filed. The fee will be waived only if the IRS or the department requires the federal or MN return to be filed on paper.

For purposes of this law, the business entity, as a whole, is the “preparer.” If the business employs individuals to prepare returns, the total number of returns prepared by all employees in the business count toward the 10-return threshold. Likewise, if the business operates from multiple locations, the total of returns prepared by all locations count toward the threshold.

**Nebraska** Effective Jan. 1, 2010, any paid preparer who prepares and files more than 25 individual income tax returns annually must file the returns electronically.

**New Jersey** Practitioners who prepared 11 or more NJ resident income tax returns must file their clients' returns via one of the state's three e-filing services. An E-File Opt-Out Request Form, Form NJ- 1040-O, is available for taxpayers who choose not to have their returns e-filed by a tax practitioner.

**New Mexico** Mandatory e-file of PIT returns by preparers filing more than 25 returns; taxpayers can opt out in writing; penalty for noncompliance \$5 per return.

- New York**
1. If a tax return preparer prepares 11 or more authorized tax documents for compensation, then all authorized tax documents prepared by that tax return preparer must be e-filed. There is no client opt-out provision. Tax preparers who do not comply with the e-file mandate may be subject to a \$50 per document penalty.
  2. Individual taxpayers are required to e-file their NYS personal income tax returns if they meet the following conditions:
    - They use tax software to prepare their own return
    - Their tax software supports e-filing of their return
    - They have broadband access

New York State law prohibits software companies from charging an additional e-filing fee. If individual taxpayers don't meet all three of these conditions, or if they prepare returns using paper and pencil, they are not required to e-file.

The \$25 penalty that applied when an individual was required to e-file but instead filed using paper has been removed.

**New York City** New York City instituted a preparer mandate for the first time for tax year 2010. No change has been made to this mandate for tax year 2011. Preparers must e-file if they both:

- Prepared more than 100 original New York City General Corporation Tax or Unincorporated Business Tax documents in calendar year 2011, including tax documents for prior periods
- Used tax software to prepare one or more corporation tax documents in 2011.

Tax preparers who meet the mandated criteria above cannot opt-out of the e-filing mandate. If a taxpayer wants to opt-out, he or she must apply for a hardship waiver available at:

[www.nyc.gov/html/dof/html/contact/contact\\_emailefilewaiver.shtml](http://www.nyc.gov/html/dof/html/contact/contact_emailefilewaiver.shtml).

**Ohio** A tax return preparer that prepares more than 11 original tax returns during any calendar year that begins on or after January 1, 2013, shall use electronic technology to file

with the tax commissioner all original tax returns prepared by the tax return preparer. This division does not apply to a tax return preparer in any calendar year that begins on or after January 1, 2013, if, during the previous calendar year, the tax return preparer prepared not more than 10 original tax returns.

If a tax return preparer required by this section to submit original tax returns by electronic technology files an original tax return by some means other than by electronic technology, the tax commissioner shall impose a penalty of \$50 for each return in excess of 11 that is not filed by electronic technology. Upon good cause shown by the tax return preparer, the tax commissioner may waive all or any portion of the penalty or may refund all or any portion of the penalty the tax return preparer has paid.

A paid preparer may complete the IT EF opt-out form to request exclusion from the e-filing mandate. The requests will be reviewed and approved or denied on a case-by-case basis.

The taxpayer waiver is provided for taxpayers who do not want their tax return to be e-filed. The taxpayer must attach the completed and signed IT Waiver to his or her Ohio Form IT 1040 or IT 1040EZ. The taxpayer must complete and sign the waiver each year.

**Oklahoma** House Bill 3166 expands the mandate for those tax preparers who must e-file individual income tax returns from those who prepare more than 50 returns for the prior year to any “specified tax return preparer.” The term “specified tax return preparer” has the same meaning as provided in Section 6011 of the Internal Revenue Code.

The provision which allowed a taxpayer to designate that they did not want their income tax return e-filed has been deleted. 68 O.S. § 2385.

**Oregon** House Bill 2071 extends the federal requirement to Oregon personal income tax returns. Paid preparers who meet the requirements of the federal e-file mandate must also e-file Oregon personal income tax returns. (The federal mandate: Preparers who anticipate preparing 11 or more federal individual or trust tax returns during the year must e-file their returns.) Form 8948 (Preparer Explanation for Not Filing Electronically) is used to explain why a particular return is being paper-filed.

**Pennsylvania** Individual Returns — For the tax year beginning on or after January 1, 2010, any PA-40 (2010) Pennsylvania Personal Income Tax Return prepared by a third-party preparer who submitted at least 50 PA-40 Pennsylvania Personal Income Tax returns or amended PA-40 Pennsylvania Personal Income Tax returns for any taxable year shall be e-filed in the manner prescribed by Departmental instructions.

Corporation Returns — For tax years starting on or after January 1, 2011, paid third-party tax preparers who prepare at least 50 PA Corporate Tax Reports (RCT-101) are required to e-file their clients' tax reports during calendar years starting on or after January 1, 2012. Once a third-party preparer is subject to the e-filing mandate, the third-party preparer will continue to be subject to the mandate regardless of how many PA corporate tax reports he or she prepares during the year. A paid tax preparer may be allowed to file a paper report when a taxpayer specifically directs the preparer to do so or if the preparer proves that e-filing would place undue hardship on the preparer by filing a written request for a waiver. Volunteer, unpaid preparers; people who pro-

vide only support such as typing; employees of a business who prepare tax reports for other employees and officers of the business; and fiduciaries who prepare reports for the trusts and estates they serve, are not subject to the mandatory e-filing requirement. (Pennsylvania Tax Update 157, 08/01/2011.)

## Rhode Island

Any paid preparer who filed more than 100 RI tax returns during the previous calendar year must e-file all eligible tax returns. A person employed by a paid preparer with multiple offices is required to e-file if the total of all tax returns filed from all offices is more than 100, regardless of whether a single office of the same preparer files fewer than 100 returns. If a paid preparer fails to abide by the e-file mandate, or otherwise causes clients' RI tax returns to be filed falsely or improperly, the Tax Administrator may, after a hearing to show cause, preclude such preparer from preparing and filing RI tax returns with the Tax Division.Reg. (ELF09-01).

## South Carolina

Tax return preparers filing 100 or more returns of any package (individual, S corporation, partnership, etc.) must submit them electronically. The mandate is separate for each package. (For example, preparers e-filing 100 individual returns are not required to e-file 1120 returns unless the number of 1120 returns exceeds 99.) All returns should be e-filed if possible.

“Tax return preparer” refers to the business entity and not to the individual location or individual completing the return.

If compliance with this section is a substantial financial hardship, a tax return preparer may apply in writing to the S.C. Department of Revenue to be exempted from these requirements. The DoR may grant an exemption for no more than one year at a time.

## Utah

Tax preparers that file more than 100 income tax returns in a calendar year is required to file all such returns using scan technology or by electronic means.

If, however, the filing requirement will not apply if:

- A schedule must be attached to the return that cannot be filed using scan technology or electronic means
- The taxpayer requests in writing that the income tax preparer not file the return using scan technology or electronic means
- The Utah Tax Commission waives the requirement that a return be filed by scan technology or electronic means.

A tax preparer may obtain such a waiver from the commission by demonstrating that the use of scan technology or electronic means would result in an undue hardship. The filing requirement also does not apply to amended returns or returns for any taxable year that begins before the first day of the current taxable year.

If a preparer or multiple preparers affiliated with the same establishment prepared 101 or more returns in the prior calendar year, they must submit all UT individual tax returns electronically.

## Virginia

Effective January 1, 2012, paid preparers who prepare 50 or more returns in a tax year must file all eligible returns electronically using e-File. If a return is not eligible for e-File, it may be filed on paper.

The Tax Commissioner has the authority to waive the requirements to e-file if that requirement would cause an undue hardship for the tax preparer. The tax preparer must request the waiver (Form 8454-P) in writing and clearly demonstrate the nature of the undue hardship. Hardship waiver requests will be responded to within 45 days of receipt.

Taxpayers may elect not to have their returns e-filed. To opt out, the taxpayer must complete the Taxpayer Opt Out Form 8454T, which is to be retained by the tax preparer. In addition, the tax preparer will indicate on the taxpayer's return that the taxpayer elected to opt out of the e-file requirement.

Both Form 8454P and Form 8454T are available through Drake Software.

## West Virginia

Income tax preparers who filed more than 25 personal income tax returns, and will be using tax preparation software to complete one or more of these returns, must e-file them for the current tax year. Tax preparers may opt-out of the e-file provision if the preparer has clients who prefer not to e-file.

Starting in 2012, taxpayers who pay more than \$10,000 in any tax for a single year must e-file all returns; however the Department, through procedural rule, decided to phase this requirement in over three years. The threshold will be \$50,000 for the tax year beginning January 1, 2013 (look back to 2012), \$25,000 for the tax year beginning January 1, 2014, and \$10,000 for the tax year beginning January 1, 2015. W.V. Code of State Rules 110-10D-9.3.a. Under this procedural rule, the Commissioner has the authority to "carve out" certain tax types from the e-file requirement. Personal income tax is the tax that will likely be carved out of this requirement.

## Wisconsin

Practitioners who filed 50 or more Wisconsin individual income tax returns in prior years are required to e-file returns. A practitioner can ask for a waiver from the e-filing requirement if the requirement causes an undue hardship. If a taxpayer wishes to file a paper tax return, the practitioner is not required to e-file that return. The taxpayer should write "no e-file" by his or her signature on the tax return.

Combined Corporate returns must be e-filed. Drake Software does not support e-filing of Combined or Apportioned corporation returns. A waiver request can be e-mailed ([DORWaiverRequest@revenue.wi.gov](mailto:DORWaiverRequest@revenue.wi.gov)), faxed (608-267-1030) or mailed to the state at:

Mandate Waiver Request  
Wisconsin Department of Revenue  
Mail Stop 5-77  
P.O. Box 8949  
Madison, WI 53708-8949

The state DOR has mailed letters to corporations and partnerships that are required to e-file. The Wisconsin Administrative Code provides that the DOR may require any corporation franchise or income tax return or any partnership return to be e-filed.

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# Appendix F: Addenda Pages for 2012

The *Drake Software User's Manual* is updated as changes are made to the software to reflect IRS changes and improve the user experience for tax preparers. The manual is provided in electronic version on your CD, online, and as a "hard copy," which can be ordered from Drake Software for a fee. To access the online manual:

- From the Drake **Home** window, select **Help > Online Resources**.
- From the Drake Support site, select **Training Tools > Manuals** and click the link for the 2012 manual.

Note to dial-up users: The PDF document is large and will take time to download. We suggest that you use the version on your latest CD rather than downloading the PDF.

Addenda pages are provided throughout the season for those who use a printed version of the manual. These pages are provided on the CD and on the Drake Support site. This appendix is a guide to the addenda pages added to the *Drake Software User's Manual: Tax Year 2012* during filing season 2012. This appendix is updated regularly throughout tax season.

## NOTE

To ensure that you always have the most up-to-date version of the manual, we recommend using the online manual, available from the Drake **Home** window, (go to **Help > Online Resources**), and on the Drake Support site. If you use a PDF of the manual copied to your desktop, we recommend periodically replacing your PDF copy with the updated online manual.

While Table F-1 provides a record of the changes made to the manual throughout the season, the instructions are for *printed-manual users only*.

**Table F 1:** Addenda Pages for 2012

<b>New Page</b>	<b>Replaces Page</b>	<b>Explanation</b>
329-366	329-354	Chapters 13 and 14 were expanded by several pages to include new enhancements. Print this addenda from the CD and replace Chapters 13 and 14 in your printed manual.
367-372	355-358	See Explanation above.



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