WHAT'S NEW IN DATA ENTRY

All packages

General

- Preparer login and name as well as the preparer number will appear on screen **1** of all packages. If you choose to use the preparer number, that is still supported.

- Screen Links or hyperlinks are found throughout the data entry screens. They allow you to move back and forth quickly from among related screens without having to return each time to the **Data Entry Menu**. On screen **2** for example – **Form 2441** and **8867** and state specific links; and screens **3, INT**, **DIV**, **99G** and **LOSS**.
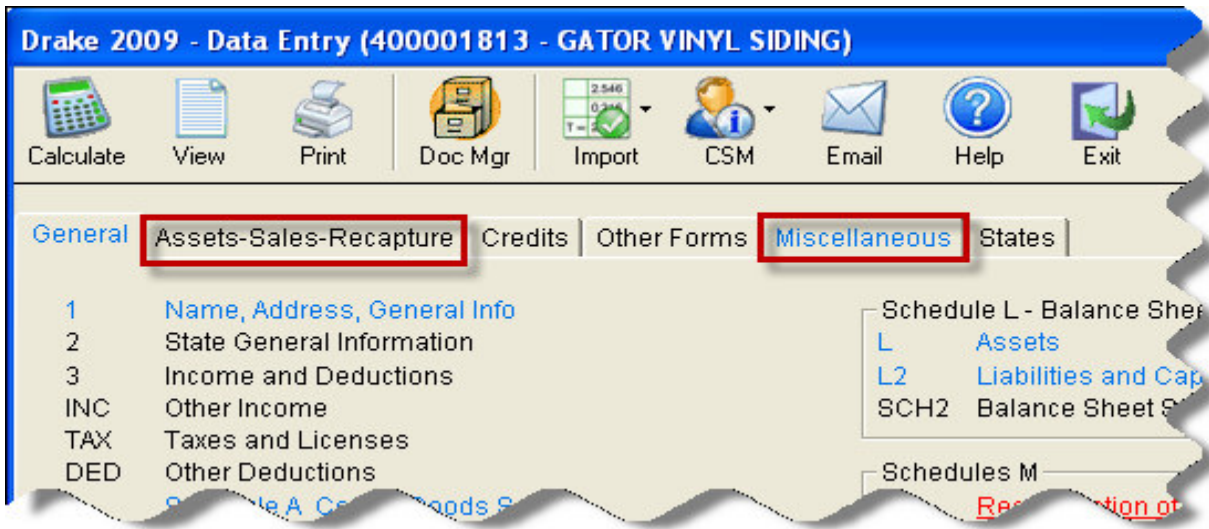

- In the 1040 package the screens on the tabs have been slightly rearranged and a new tab has been added – **Miscellaneous**. In the business packages a new **Miscellaneous** tab has also been added – **Othe**r is changed to **Other Forms** and the **Asset/Sales** tab is now the **Asset-Sales- Recapture** tab – the screens have been rearranged accordingly.

- **W-2** verification for states is in the same place as last year's verify federal box 1 and 2. There is room for more than one state – if you have only one state – zeros are not required for the other state fields

NEW MFS

These features affect 1040, individual returns that have an MFJ status but are split to see how filing MFS would affect return results.

- Select the MFS status type (lived together, lived apart over six months, or lived apart all year) to be compared to the MFJ status.
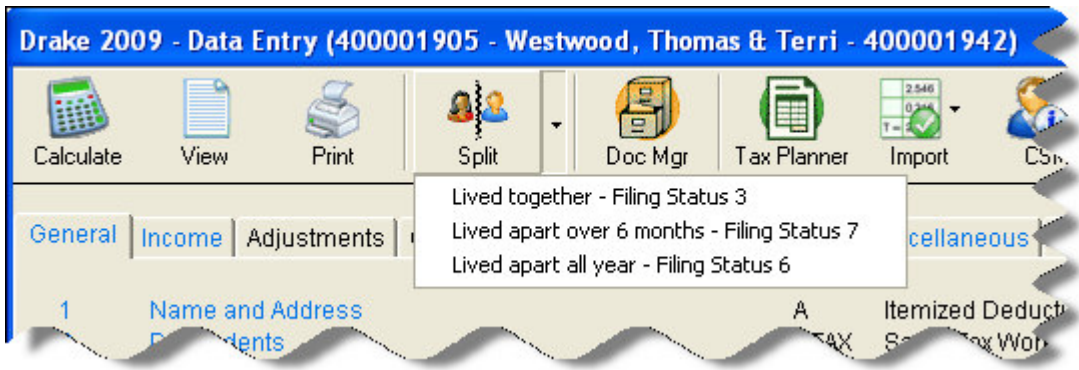
- Select standard or itemize, or you can have the program optimize the deduction for both split returns.

- View and print separate MFJ/MFS Reports for federal and Ohio returns, and the ability to view and print an MFJ/MFS Report for the federal return for non-Ohio taxpayers

- Charge clients for generating the MFJ/MFS Report, and suppress the charge "on the fly" for an individual client

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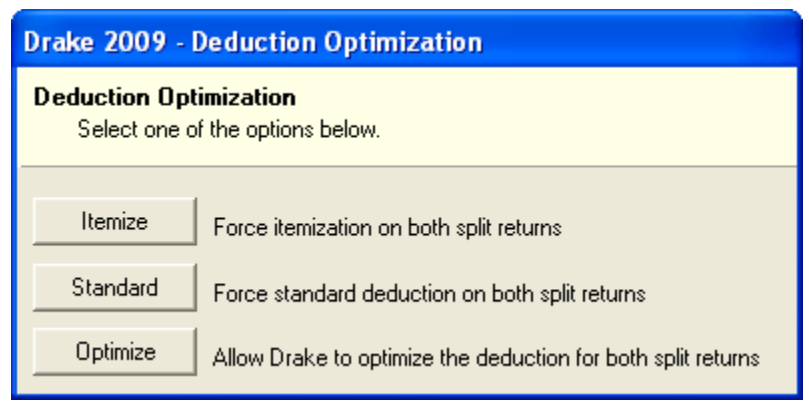
Billing Your Client for the MFJ/MFS Report

To establish a price for the MFJ/MFS calculation and report:

1. From the Drake **Home** window, select **Setup > Pricing**.

2. Under **Form Categories**, ensure that **1040 Forms** is selected (it should be marked by default).

3. Scroll down to item 350 (Wksht MFS Comp — Filing Status Optimization Report) and double-click it.

4. Enter the price to charge in the **Per Form** text box.

5. Click **Save**, then click **OK**.

6. Click **Exit** to close Pricing Setup.

When the calculation is made in a return, the Filing Status Optimization Worksheet will appear on the client bill with the price you entered.

New Screens

M Screen

The **M** Screen – **Make Work Pay** is found on the **General** tab where the **RRC** screen was last year. Simply type M in the field selector. Complete this screen ONLY if your clients received payments from the Social Security Administration. A Schedule M will be completed for all clients. The resulting credit can be found on line 63 of the 1040.

LATE Screen

The **LATE** screen - Calculate the late filing penalty, the late payment of tax penalty, and the interest on late-filed 1040 returns.

Now the program will calculate penalty and interest for a late filed return, and you can enter new interest rates as the IRS announces them and override certain components (such as interest owed) that affect the system calculations of penalty and interest.

In addition, you can set up the program to include the penalty and interest calculation on the client bill.

Interest rates are updated automatically in the program for the current and following year. For example, interest rates for tax year 2009 program will be automatically updated via our update system in 2009 and 2010. Starting in 2011, you would need to go into the 2009 program and enter any changes in interest rates for the 2009 program manually.

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 basis.

From the Home window, go to **Setup > Options > Optional Items on Return**.

Ensure that the **Automatically calculate…** box is selected.

Click **OK**.

The program will now calculate penalties and interest on all late returns calculated.

If you choose to calculate penalties and interest on a per return basis, open the **LATE** screen from within a client's return.

Mark the **Calculate penalties and interest on this return** box.

Complete the **Date return was filed** field. If his field is left blank, the program uses the **Date balance paid** field from the **2210** field by default.

If the global option is selected, the program calculates 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 or manually enter rates in **Setup > Options**.

The program will generate the PENALTY worksheet that details the calculations based on the date the return was filed.

To add the worksheet to the pricing list, go to **Setup > Pricing** and edit item 0374.

Form Categories	
⦿ 1040 Forms	○ 1041 Forms
○ 1120 Forms	○ 706 Forms
○ 1120S Forms	○ 990 Forms
○ 1065 Forms	State/City: [▼]

Form Name: Wksht Penalty
Form Description: Penalty and Interest
Per Item: N/A
Per Form: 0.00
Pages: 1
Category: All forms only [▼] ☑ Include on Bill   [Update]
In-house options:

All | Forms | Worksheets | Statements | Per Item Charges | Miscellaneous

Number	Form Name	Form Description	Per Item	Per Form	Pages	Bill
0372	Form 8919	Uncollected SS and Med Tax on Wages	N/A	0.00	1	X
0373	Wksht 8917	MAGI for Tuition and Fees Deduction	N/A	0.00	1	X
0374	Wksht Penalty	Penalty and Interest	N/A	0.00	1	X
0375	Scholarship	Scholarship	0.00	0.00	1	X
0376	Wksht CY Refunds	CY Taxable Ref of State & Local Taxes	N/A	0.00	1	X
0377	Alimony Received	Alimony Received	0.00	0.00	1	X
0378	Unemployment	Unemployment Compensation	0.00	0.00	1	X
0379	Social Security	Social Security Benefits	0.00	0.00	1	X
0380	Other Income	Other Income	0.00	0.00	1	X
	IRA			0.00		X

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Screen E Enhancements

Screen **E** now has separate fields for the property's street address, city, state, and ZIP.

Data Entry for Multi-Dwelling Units

Illustrated at #2, you can allocate expenses by rental and personal use for multi-dwelling property where the taxpayer lives in one unit of a duplex, triplex, etc., while renting out the other units. The program now calculates personal and rental portions of the expenses for these properties that must be reported on Schedule E. This information can be updated to future years. The percentage occupied by the taxpayer will also be updated to future years.

Enter percentages as whole numbers. For example, enter `50` to indicate 50% usage.

The software uses the percentages entered when calculating business percentage of expenses and taking deductions. The remaining percentage of taxes entered is carried to Schedule A.

The **More than 10% use of rental** and **Main or second home** fields, have simply been reworded.

Direct and Indirect Expenses

There are now two columns for entering property expenses: **Direct Expenses** and **Indirect Expenses,** illustrated at box 1.

Direct expenses are those that affect only the rental units, and indirect expenses are those that affect both the rental units and the taxpayer's dwelling. Generally speaking, all direct expenses are business expenses, while some indirect expenses are personal expenses.

An amount entered in the **Indirect Expenses** column will be reduced by the percentage entered in the percent of use box. The result is then added to the corresponding amount in the **Direct Expenses** column to determine how much should flow to Form 1040.

The **Indirect Expenses** column should be used only if the **If multi-dwelling unit ...** box is marked. If that box is not marked, the program will ignore any figures entered in the **Indirect Expenses** column.

If the **If multi-dwelling unit ...** box is marked on screen **E**, an Indirect Expenses worksheet is produced for each property when the return is calculated. This worksheet, WK_E_2, lists expense types and divides expense amounts into columns for personal, rental, and total amounts.

An **Indirect Expenses** amount for mortgage interest or taxes will be multiplied by the percentage entered in the **If multi-dwelling unit...** field, and the result will be carried to Schedule A.

Remember, if the property is used at least 10% or 14 days for personal purposes, the number in the **Rental Amount** column will not be equal to the amount that flows to Schedule E.

If you cannot take all of the expenses this year because of the limitation on the WK_E worksheet, you can carry them forward to future years to offset any future year profit you might have, so, the vacation home operating expense loss limit amount from Schedule E (WK_E___) worksheet will be updated to the last **Other expense** field on screen **E** for next year, and the vacation home depreciation expense loss limit amount from the Schedule E worksheet will be updated to the **Depreciation** adjustment field on screen **E** for next year.

Screen Links

Notice the screen links which are used to facilitate ease of movement to the next logical screen, illustrated at #3 on the previous page. In addition to screen links within the federal program, links can be used to access applicable state forms. As on many forms, state links are grouped at the top right corner of the screen.

The state links on screen **E** provide shortcuts to the related state screens for the following states:

• District of Columbia — DC 30 Schedule D, Income from Rent

• Massachusetts — MA E-1, Rentals and Royalties

• Pennsylvania — PA Schedule E Rental, Royalties, Patents, Copyrights

K-1 Screen

The items described below are available in the 1040 package only.

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), it's important to be able to indicate the difference in the software so the correct K-1 amounts flow to the correct federal and state forms.

By default, the Drake program uses the federal K-1 amount for both federal and state in calculations. However, if the state amount differs from the federal, you can now indicate the different amount on the **K1P**, **K1S**, and **K1F** screens as applicable.

NOTES:

For 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 one state.

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.

4. Select a state from the **ST** drop list.

5. Enter 0 in the **F** text box and select a state from the **ST** drop list.

6. Complete all applicable fields (including the S corp basic information, which must be re-entered). Because the program will not use the entries on this screen for federal purposes, it is not necessary to enter the federal amounts. However, it *is* necessary to enter all applicable state amounts, even if they are identical to the federal amounts you entered on the previous screen.

7. Click the link for the next page of fields and continue entering state amounts.

8. (If applicable) Complete the **For State Use Only** fields.

Three screens are used in Drake for Schedule K-1 information:

• Screen **K1P** — for entering Schedule K-1 amounts for a partnership

• Screen **K1S** — for entering Schedule K-1 amounts for an S corporation

• Screen **K1F** — for entering Schedule K-1 amounts for an estate or trust

Each of these screens actually consists of two screens: one "page" for the first part of the Schedule K-1, and another "page" for the second part.

Partnership and Shareholder Basis Worksheets

The Drake program now 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 corporation). In addition, the program limits any losses based on the basis calculation and carries forward to subsequent years the adjusted basis and any disallowed losses.

This program improvement, which includes new **Basis Worksheet** screens for adjusted basis and loss and deductions allocation, as well as new printed worksheets, affects 1040 federal returns that have K-1 schedules for pass-through entities.

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.

Enter data on the **Basis Worksheets** necessary to track adjusted basis going forward, track any disallowed losses, and deductions going forward, and limit any losses based on the basis calculation. The program will not calculate this information if these screens do not contain data. If you calculate a return with K-1 Information but you have not entered any information on the **Basis Worksheet** screens, the program generates a note advising you to complete them.

Once the program is able to calculate the adjusted basis, the following steps are taken based on calculation results:

If the adjusted basis is greater than zero based on current- and prior-year entries, amounts flow to the return just as they have done in the past, and the software will track and update the adjusted basis amounts going forward.

If the adjusted basis is zero or less based on current- and prior-year entries, amounts will flow to page 2 of the printed Adjusted Basis Worksheet to determine how much loss is allowed in the current year. Disallowed amounts are stored and updated to the next year.

The **Basis Worksheet** screens are accessed from either the **K1P** screen (for partnership) or the **K1S** screen (for S corporations).

These screens are not directly accessible from the **Data Entry Menu** but are instead accessed from the individual K-1 screens.

To access a **Basis Worksheet** screen for a return, go to the K-1 screen for partnership (**K1P**) or S corporation (**K1S**), whichever is applicable. These screens are accessible from the **Income** tab of the **Data Entry Menu**.

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Two links are available: **Basis Worksheet** and **Basis Worksheet continued**. The **Basis Worksheet** screen contains fields that are necessary to properly calculate adjusted basis, and has fields for partner/stock basis, debt basis, and some losses and deductions.

The **Basis Worksheet Continued** screen is for the remaining losses and deductions, plus some current-year information needed to calculate allowable losses. The "Partner Basis" section (or "Stock Basis" section for an S corporation) and "Debt Basis" section fields for the current year must be completed manually.

Data flows directly from the two **K1** screens into the **Current-year losses and deductions** column. Data entry for this column begins on the first **Basis Worksheet** screen and continues to the **Basis Worksheet continued** screen.

In View mode, Adjusted Basis worksheets are shown as WK_ISBAS (1120S) and WK_IPBAS (1065). The worksheet actually consists of two pages. Page 1 shows the adjusted basis calculations,

Page 2 shows the losses and deductions calculations.

If desired, you can force page 2 of the basis worksheet 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.

An Adjusted Basis Worksheet is generated if an entry is made on the **Basis Worksheet** screen for partnership or S corporation.

A second page, which shows losses and deductions allocations, is generated if (1) there are disallowed losses, (2) the **Force page 2 ...** box is marked at the bottom of the **Basis Worksheet continued** screen, or (3) there are any prior-year losses entered in column (a) (**Prior-year carryover losses and deductions**).

The following 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

PACR

Developed to streamline data entry and increase the number of passive credit carryforward amounts that can be updated from year to year, the **Passive Activity Credit Carryover** (**PACR**) screen, accessible from the first **Credits** tab, has fields for entering up to 20 forms and carryforward amounts. If additional fields are needed, press PAGE DOWN to start a new **PACR** screen. This affects individual (1040) returns that require passive activity credit calculations for Form 8582-CR (Passive Activity Credit Limitations) and Form 3800 (General Business Credit).

Several related changes have been made to the program from previous years.

The **PACR** screen allows the preparer to enter all credit carryforward information in a central location (the **PACR** screen). The credit information is carried forward to the next year. If you consistently use Drake, access this screen only for carrybacks.

The new **PACR** screen allows you to associate the listed credits and amounts with Schedule C, Schedule K-1, and other forms. Amounts may be associated with these screens:

- Screen **C** (Schedule C, Profit or Loss from Business)
- Screen **F** (Schedule F, Profit or Loss from Farming)

- Screen **E** (Schedule E, Supplemental Income and Loss)
- Screen **4835** (Form 4835, Farm Rental Income and Expenses)
- Screen **K1P** (Schedule K-1 for Partnership)
- Screen **K1S** (Schedule K-1 for S Corporation)
- Screen **K1F** (Schedule K-1 for Fiduciary)

When the return is calculated, the carryforward amounts flow to lines 3b and 4b (and 1b, if applicable) of Form 8582-CR, lines 5 and/or lines 29a–29g of Form 3800, and the corresponding worksheets. When a credit carryforward amount is linked from the **PACR** screen to another screen, the program produces one of three worksheets for the following lines of Form 8582-CR:

WK_CR3 - Lines 3a and 3b (for low-income housing credits for property placed in service after 1989); WK_CR4 - Lines 4a and 4b or

WK_CR1

Each worksheet shows the name of the activity (the partnership, S corporation, etc.), the associated form, the current- and prior-year credits, and the total credits.

Schedule D for Alternative Minimum Tax (AMT)

You can now calculate capital gains and losses and track capital loss carryovers for AMT purposes. This is available for 1040 returns in which the basis for capital assets is different for AMT than it is for regular tax.

Enter the AMT amounts on the **D** or the **D2** screens in the new fields **AMT Cost/Basis** and **AMT if different fields** respectively. If no amounts are entered in those fields then the program uses the regular amounts in calculations.

Notice that if you import your schedule D items, you must add the new column: **AMT Cost/Basis.**

On the **D** screen when the return is calculated, the program generates two documents in addition to the Schedule D and Form 6251.

1. **D_AMT (Schedule D, Capital Gains and Losses for Alt Min Tax Purposes Only)** — Essentially an additional Schedule D, this form is identical to Schedule D but contains those items for which an **AMT Cost/Basis** is entered on screen **D**.

2. **WKCGTAXA for AMT** — this worksheet is identical to the Qualified Dividends and Capital Gain Tax Worksheet produced by the program, but bases calculations on those items for which an **AMT Cost/Basis** is entered on screen **D**.

On the **D2** screen when the return is calculated, the program can produce any of the worksheets below depending on the fields completed. (See IRS instructions for Schedule D)

- **WK_1250A for AMT** — this worksheet is identical to the Unrecaptured Section 1250 Gain Worksheet—Line 19, but bases calculations on the figure entered in the **AMT if different** field for line 19 on screen **D2**.

- **WK_D_28 for AMT**— this is the 28% Gain Rate Worksheet—Line 18, but with calculations using the AMT basis.

- **WK_D for AMT** — this is the Schedule D Tax Worksheet, but with calculations based upon the AMT rate.

- **WK_D_CG for AMT** — this is the Capital Loss Carryover Worksheet—Lines 6 and 14, but with calculations based upon the AMT basis.

In **Setup > Pricing**, you can assign billing amounts to both the D_AMT and WKCGTAXA documents.

Short- and long-term capital loss carryovers from the worksheet WK_D_CG for AMT are stored to be updated in subsequent years.

Schedules 1, 2 and 3 are obsolete

These were schedules used for the 1040A package.They are replaced with their 1040 counterpart.

- Form 1040 A Schedule 1, *Interest and Ordinary Dividends for Form 1040A Filers*, is replaced with Form 1040 Schedule B, *Interest and Ordinary Dividends*.

- Form 1040 A Schedule 2, *Child and Dependent Care Expenses for Form 1040A Filers*, is replaced with Form 2441, *Child and Dependent Care Expenses.*

- Form 1040 A Schedule 3, *Credit for the Elderly or the Disabled for Form 1040A Filers*, is replaced with Form 1040 Schedule R, *Credit for the Elderly or the Disabled*

NOTES:

All Business packages

- Schedule L – We now have the ability to carry book depreciation entered on the 4562 if different from the federal depreciation to the Schedule L for entities operating on the accrual basis. We added the ability for asset drpreciation to flow directly to the Schedule A (COGS) in the business packages.

- Form 3115, Application for Change in ACCOUNTING Method. (This is a new form to Drake for business packages) Several screens may be required to complete Form 3115. These screens are accessible from the **Change in Accounting Method** box, located on the **Other Forms** tab of the **Data Entry Menu**.

   The screens accessible from this box include:

   Screen **3115 (Change in Accounting Method)** – Used to access fields for Form 3115 including Schedules A through D

   Screen **311E (Schedule E)** - Used to request a change in depreciation or amortization methods

   Screen **ATT (Explanations and Attachments)** – Used to create and view certain attachments to be generated by the software.

   Screen **ATT2 (Pt II Ln 12 & Pt III Ln 23b Attachment)** – Used to complete certain parts of Form 3115 that require specific attachments.

Drake now provides customers with the ability to e-file the following special types of business (1120, 1120S and 1065) returns:

- Returns for entities using a 52-53- week year

   On screen **1** indicate 52-53- week tax year election and go to the **ELEC** screen and check the election.

- Short year returns

   Indicate exact dates on screen **1** in the If **not a calendar year** box.

- Inactive returns

   On the **PRNT** screen, under **Items to Print**, mark the **Print inactive return** box.

NOTES:

Override and Adjustment Information on the FAQ screens (Business Packages Only)

New in 2009, Drake Software is providing worksheets to view information on overrides and adjustments in the business packages. These worksheets show the location of fields being overridden or adjusted. This should help you complete the screens of returns with more speed and accuracy.

The FAQs include one worksheet for overrides, and one for adjustments. Each worksheet features the following information:

1. **Tax package**
2. **Screen**
3. **Field name**
4. **Location of information being adjusted**

Adjustment Location		Location of Information Being Adjusted	?
Screen	Specific Cell		
Form 1120			
Form 4626 - Alternative Minimum Tax - Adjustments & Preferences			
	2a Depreciation of post-1986 property	Adjusts the calcualtion from the FED~DEPR sheet. The calculation is the difference between the coloumn totals for Current depr. and AMT current.	
Schedule M-1 - Reconciliation of Income (Loss) per Books With Income per Return			
	4 Income subject to tax not on books	Amount of the income item that is subject to tax but not on the books. Adjusts the amount already linked to this line.	
	5 Expenses recorded on books but not deducted on Form 1120: Other	Amount of the expense item that is recorded on the books but not deducted on the tax return. Adjusts the amount already linked to this line.	
Client Bill - Adjustments and Payments			
	Adjustments: Amount	Puts Adjustments on the Client Bill page	

Adjustments Mapping FAQ

Much of the information contained in the worksheets is also available from the field-level helps in the program. To access a field specific help, click inside a field and press F1, or right-click in a field and select **View Help**.

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Changes to Schedule L Balance Sheet in the Business Packages

Fields have been removed from the Schedule L balance sheet (screens **L** and **L2**) for lines that require detailed information and that must be in a specific format for e-filing. The removed fields include "other" items (such as "Other current assets") that require an attached statement.

The fields were removed to prevent accidental double entry for these items. Previously, the **L** and **L2** overrides and the **SCH2** screen were used, causing and issue of occassional dual entry. Now the information must be entered solely on a SCH2 screen.

Access the **SCH2** screen from the link at the top of the page.

If a client used the L or L2 screen including the CTRL W worksheet, the 2009 program will carry the amount and the CTRL W description to the SCH2 screen.

The following fields were removed:

Package	L Screen Fields	L2 Screen Fields
1120	6, 9 and 14	18, 21, 24,and 26
1120S	6, 9 and 14	18, 21, and 25
1065	6, 9 and 13	17 and 20

1120 and 990 packages

- Form 1118, Foreign Tax Credit – Clients can include Form 1118 when paper filing or e-filing 1120 returns, and when paper filing 990-T returns.

1041 Package

- **Interest** and **Dividend** screens – Updated to match 1040 screens.

- **1116** screen – Updated to match 1040 screens.

New Forms

Drake 2009 will support the following new forms:

1120 Package

Form 1118, Foreign Tax Credit, and related schedules

Form 8716, Election to have A Tax Year Other than A Required Tax Year

Form 5471, Information Return of US Persons with Respect to Certain Foreign Corporations

Form 1120, Schedule N – Foreign Operation of US Corporations

Form 3115, Application for Change in Accounting Method

Form 8697, Interest Computation under the Look-Back Method

1120S Package

Form 8716, Election to Have a Tax Year Other Than a Required Tax Year

Form 2220, Underpayment of Estimated Tax by Corporation

Form 3115, Application for Change in Accounting Method

1065 Package

Form 8716, Election to Have a Tax Year Other Than a Required Tax Year

Form 3115, Application for Change in Accounting Method

1041 Package

Form 2210-F, Underpayment of Estimated Tax by Farmers and Fishermen

Form 8855, Election to Treat a Qualified Revocable Trust as Part of an Estate

Form 8868, Extension of Time to File an Exempt Organization's Return

990 Package

Form 4720, Certain Excise Taxes under IRC 41 & 42

Form 1118, Foreign Tax Credit – Corporations, and related schedules

Form 5471, Information Return of US Persons with Respect to Certain Foreign Corporations

Form 3115, Application for Change in Accounting Method

Form 8697, Interest Computation under the Look-Back Method

706 Package

Form 706-QDT, U.S. Estate Tax Return for Qualified Domestic Trusts

NOTES: