User's Manual ›››

Tax Year 2010

Drake Software User's Manual

Tax Year 2010

Support.DrakeSoftware.com
(828) 524-8020

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Table of Contents

1 **Introduction**

Welcome to the *Drake Software User's Manual* for the 2010 tax year. The Drake Team has been hard at work in 2010 to help ensure that your firm has a successful, rewarding filing season in 2011. Before getting started in the software, please read this introduction, which includes information on how to use your manual and describes the software's new features for tax year 2010.

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 on-screen help features, tutorials, training, and phone support. Be sure to take advantage of our extensive index and the Adobe PDF "search" feature, both of which will help you locate information more efficiently in 2010.

This manual is also available as a paper manual that can be ordered from the Drake Support site (*Support.DrakeSoftware.com*).

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

What's New in Drake for 2010

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 2010. (For information on what's new in business and other packages, see Chapter 14, "New Features in Other Packages.")

Financial

Among the changes in banking and bank products:

- **Enterprise Office Manager**—Bank applications, account information, and other banking functions are now managed through the Enterprise Office Manager (EOM). Access the EOM from the Drake Support site (*Support.DrakeSoftware.com*, **My Account > Bank Application**), or go to *eom.1040.com*. For more information on using the EOM, see Chapter 8, "Banking."
- **Fee Structure Changes —** Certain fees related to bank products have changed this year. These changes are reflected in the banking choices available in Firm Setup. (See "Firm Setup" on page 14.) Further information about fees is available in Chapter 8, "Banking."

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.

New Features

New features to the 2010 program include:

- **Automatic Calculation of Taxable QTP and ESA Distributions** — You can now enter qualified education expenses and contributions to and distributions from a Qualified Tuition Program (QTP) or Coverdell Education Savings Account (ESA). Using this data, the program calculates the taxable portion of distributions, generates the calculated amounts on the return, and produces a worksheet with the calculations. See "Additional Tax on Qualified Plans, etc." on page 131.
- **Automatic Generation of Form 8880** — When the Credit for Qualified Retirement Savings Contributions can apply, the program now automatically produces Form 8880; see "Retirement Savings Contributions Credit" on page 129.
- **Date of Birth Requirement** — To help ensure that the program applies to the return any credits, deductions, and additional items for which taxpayers are eligible, the full date of birth is now required for the taxpayer, spouse, and any dependents entered in the return. This information is entered on screen **1** (for taxpayer and spouse) and screen **2** (for dependents).
- **Integrated File and Pay** — Your clients now have the option of paying their federal balance due by credit card using the Integrated File and Pay product. With this enhancement, the taxpayer's credit card is not charged until the return has been accepted. See "Electronic Payment Options" on page 145.
- **2D Barcode Scanner Capability** — For W-2 and K-1 forms with 2D barcodes, you can now scan information directly into the program. For more information, see "2D Barcode Scanning" on page 89.

Screen Changes

Some of the 2010 screen changes you'll see include:

- **Full-time Student Check Box on Screen 1** — Screen **1** now includes a check box to indicate that the taxpayer (or spouse) is a full-time student.
- **Special Tax Treatment Codes** — Screen **W2** now has a drop list for indicating special tax treatment codes to be applied to the Form W-2.

- **EXT and ES Links on Screen 2210** — Screen **2210** (for Form 2210, Penalty for Underpayment of Estimated Tax), now includes links to the **EXT** and **ES** screens to prevent double entry of amounts. For more completing Form 2210 in Drake, see "Estimated Taxes," starting on page 134.
- **Changes to SCH Screen** — The **SCH** screen, used for unformatted schedules that may or may not be e-filed with a return, has been changed for easier use. See "Unformatted Schedules" on page 170.
- **New BOND Screen** — This screen, accessible by pressing PAGE DOWN from the **DD** screen, is for taxpayers who opt to purchase Series I Savings Bonds with their refund.

Additional DE/Calc Changes

A few other improvements in data entry and calculations are listed below:

- **Expanded Letter Functionality** — Client letters now include verbiage for taxpayers making monthly payments using Form 9465, Installment Agreement Request, and for taxpayers who file multiple city tax types. For more information on client letters, see "Introduction to Letters in Drake" on page 34.
- **Improved EF Messages and Notes** — EF messages and notes throughout the program have been revised for clarity.

Other Program Enhancements

Other improvements to the program include the following:

- **Enhancements to Printing** — Improvements to the printing feature in Drake are listed below. For more on printing, see "Printing Setup" on page 40.
  - Availability of Drake PDF for all print jobs, including for letters, forms, and reports.
  - Auto-launch feature that opens Adobe Acrobat automatically if Drake PDF is the selected printer
  - Ability to add a custom watermark on the fly
  - Ability to make global print-setup changes on the fly
- **Enhancements to the DDM** — The Drake Document Manager (DDM) now includes the ability to add, edit, or rename custom folders. See "Document Manager" on page 301.
- **Update Alerts** — Regular updates to the program are critical to ensure your software is performing efficiently. If the system finds five or more needed updates, you will be alerted to update your software. For more on updating your software, see "Update Manager," starting on page 263.
- **Enhancements to the Scheduler** — The following improvements have been made to the Scheduler. (For more on the Scheduler, see "Scheduler" on page 74.)
  - It's now easier to apply the same schedule for multiple days.
  - Proformas and organizers can now be printed from the **Appointment Detail** dialog box.
- **Improvements to Help Resources** — Drake Software continually strives to improve its help resources. Listed below are some of the more significant improvements for this year:

- A supplement to the manual is now available for Drake's Pay Per Return (PPR) preparers. It is located on the CD and the Drake Support site.
- The online help now includes more detailed help in using letters.
- The online help also includes report descriptions so you can see what the basic reports are, and their expected output.

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.

In early 2011, 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 at *Support.DrakeSoftware.com*.

IRS Changes and Requirements

The following pages cover just a few of the IRS changes and requirements for tax year 2010. For a complete list of what's new and different in IRS regulations for the 2010 tax year, see the IRS website (*www.irs.gov*).

New Preparer Regulations

Beginning this year, all tax return preparers must register for a PTIN and pay a $64.25 annual fee. Preparers who already have a PTIN must also sign up and pay the fee. Attorneys, CPAs, and EAs are not exempt. Drake has provided a short tutorial on the PTIN application process. Go to Support.DrakeSoftware.com, select **Resources > Preparer Regulation**, and click **Tutorial** (under section under the **Register** heading).

Standards of Conduct

Beginning January 1, 2011, all tax preparers must comply with the standards of conduct set by Treasury Department Circular 230 (revised October 2010). These regulations extend current regulations, which already apply to attorneys, CPAs, EAs and other specified tax professionals, to all tax return preparers, including currently unenrolled tax return preparers. This circular is available on the Drake CD and at *www.irs.gov/pub/irs-pdf/pcir230.pdf*.

e-File Mandates

New mandates to e-file are in effect for the tax year 2010. These mandates will be phased in over two years in the following schedule:

- **January 1, 2011** — For preparers who anticipate preparing 100 or more federal individual or trust tax returns during the year
- **January 1, 2012** — For preparers who anticipate preparing 11 or more federal individual or trust tax returns during the year

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.

IRS Ending Debt Indicators

Starting with the 2011 filing season, the IRS will no longer provide tax preparers and associated financial institutions with the "debt indicator" used to facilitate RALs.

Other Highlights of Federal Tax Law Changes

Some other highlights of federal tax law changes for tax year 2010 include:

- **Patient Protection and Affordable Care Act of 2010** — Some highlights are:
  - Credit for Small Employer Health Insurance Premiums — Available to small employers who pay at least 50% of the cost of qualifying health care coverage for their employees.
  - Adoption Credit — Now a refundable credit; maximum credit raised to $13,170 per child (up from $12,150 in 2009). In addition to filling out Form 8839, Qualified Adoption Expenses, one or more adoption-related documents must be included with the 2010 tax return. Form 8839 cannot be e-filed.
- **Small Business Jobs Act of 2010** — Highlights are:
  - Extension of 50% bonus depreciation
  - Extension of $8,000 increase to auto depreciation limits
  - For section 179 expensing, the business income limitation increases to $2 million, the expense limit increases to $500,000, and taxpayers can expense up to $250,000 of the cost of qualified real property. (See "Section 179 Expensing" on page 151.)
  - Self-employed health insurance costs are deductible in determining net earnings from self-employment for purposes of self-employment taxes.
- **Provisions to Expire** — The following key tax provisions will expire after December 31, 2009, and will not be available in 2010 if not extended:
  - Additional standard deduction for state and local real property taxes
  - Deduction for educator expenses (up to $250)
  - Deduction for qualified tuition and related expenses (up to $4,000)
  - Itemized deduction of state and local sales tax
  - Individual AMT exemption levels are scheduled to drop unless Congress extends the relief that was available in 2009.
- **IRA Donations to Charity** — Individuals can no longer have their IRA trustee make tax-free IRA distributions to charitable organizations.
- **Standard Mileage Rate** — The standard mileage rate has decreased from 55 cents to 50 cents per mile.
- **New Roth Provisions** — Starting in 2010, individuals with any amount of modified adjusted gross income may switch a traditional IRA to a Roth IRA. Conversions are fully taxable at their regular tax rate. For conversions in 2010, taxpayers

can spread the tax due over two years. Half the tax will be due in 2011, with the remaining half payable in 2012.

- **Education Credit** — The American Opportunity Tax Credit (formerly Hope Credit) provides up to $2,500 per student per year for four years of college.
- **Child Tax Credit** — If a taxpayer wants to claim the refundable child tax credit but the credit is more than the tax due, the taxpayer must meet an income threshold of $3,000.
- **First-Time Homebuyer Credit** — Taxpayers who took the First-Time Homebuyer Credit for home purchased in 2008 must begin repaying the interest-free loan in 2010.
- **Changes in Estate Tax Returns** — Title V of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) repeals the following taxes:
  - Estate tax for decedents dying after Dec. 31, 2009, and before Jan. 1, 2011
  - Generation-skipping transfer (GST) tax on direct skips, taxable terminations, or taxable distributions that occur after Dec. 31, 2009, and before Jan. 1, 2011

  For more information on estate returns in Drake for 2010, see Chapter 14, "New Features in Other Packages."

Contacting Drake Support

In addition to the manual, on-screen Help, and online resources, Drake Software offers unparalleled telephone and e-mail support. Use one of the methods shown below to consult a member of the Drake Support team.

NOTE   The 1040 filing deadline for 2010 is Monday, April 18. Note that Drake's tax-season support hours are effective through April 20.

- **E-mail Support** — *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

Drake Support Hours, 2010–2011	
December 1, 2010 – April 20, 2011 Monday – Friday: 8 a.m. – 10 p.m. EST Saturday: 8 a.m. – 6 p.m. EST	**April 21 – November 30, 2011** Monday – Friday: 8 a.m. – 9 p.m. EST Saturday: 9 a.m. – 5 p.m. EST

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.

2 Installation & Setup

Read this section before installing your 2010 Drake program. 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)
- 2010 year-end update of Drake's Client Write-Up (CWU) accounting, payroll, and accounts payable program. (The 2011 version is released in January.)
- Shipment letter
- E-filing software for sending test returns to Drake
- Practice returns and e-filing and banking practice files (PDF)
- *Drake Software User's Manual: Tax Year 2010* (PDF)
- *Drake Software User's Manual Supplement: Pay Per Return* (PDF)
- Various informational fliers

Software for state programs, e-filing, banking, the Tax Planner, the Drake Document Manager (DDM), city tax rates, forms-based data entry, and RIA tax research are included in a subsequent shipment in January. Federal and state programs are updated with each software release thereafter.

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.)
- 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, 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 or a 56K modem
- 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 DDM.)

> 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.

Installation

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 outlines the installation process for the first and subsequent CD shipments. Note that both the 2010 software and the DDM are installed by default. If you don't want to install the DDM, clear the applicable check box in Step 4.

Table 2-1: CD Installation

Step	First CD Shipment	Subsequent CDs
1	Insert the 2010 Drake CD into the drive. Wait for the **Drake 2010 Software Programs** window to be opened.	Insert the 2010 Drake CD into the drive. Wait for the **Drake 2010 Software Programs** window to be opened.
2	Click **Install Drake 2010 Tax Software**.	Click **Install Drake 2010 Tax Software**.
3	Accept the Drake Software 2010 License Agreement. Click **Next**.	Accept the Drake Software 2010 License Agreement. Click **Next**.
4	Note that **Install 2010 Drake Tax Software** is selected (both this and the DDM are marked by default). (States are not available on this shipment.) Click **Next**.	(Optional: Select **Install State Tax Programs**.) Click **Next**.
5	Select a drive or select **New** to install to a new location. (Optional: Select **Install test returns** if you are going to test e-filing capabilities.)* Click **Next**.	Select a drive, or select **New** to install to a new location. Click **Next**.

Table 2-1: CD Installation

Step	First CD Shipment	Subsequent CDs
6	Enter your serial number (located on your software packing slip). Click **Next**.	Enter the serial number (located on your software packing slip). Click **Next**.
7	If you chose **New** in step 5, select an installation drive and click **Next**.	Select an installation drive from the list of available drives. Click **Next**.
8	If you chose to install the DDM in Step 4, select an the drive on which to install it and click **Next**.	Select states to install from the **States on CD** listing. Click **Next**.
9	Click **Install** and wait for the **Installation Complete** window to be displayed. Installation could take several minutes.	Click **Install** and wait for the **Installation Complete** 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 2010 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.

Initial Login

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

1. Double-click the Drake Software 2010 icon on your desktop.
2. In the **Preparer ID** field of the **Login** window, type ADMIN (not case-sensitive).
3. In the **Password** field, type your serial number (printed on your packing slip).
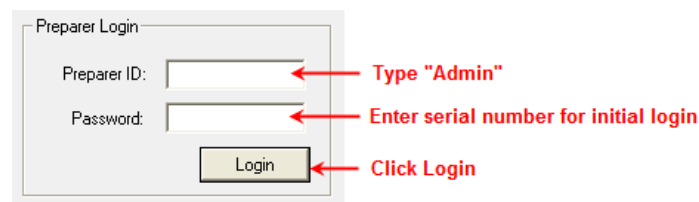**4.** Click **Login**.

Figure 2-1: Logging in as ADMIN

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

Setup Assistant

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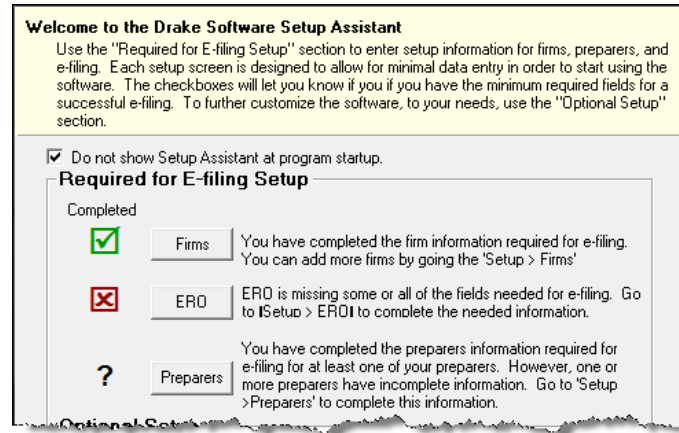
Figure 2-2: A green check mark indicates a completed setup item, a red X indicates an incomplete setup item, and a question mark indicates a partially complete setup item.

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.) Click **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:

- Windows 2000 or later for a peer-to-peer network
- 500 MHz processor
- A minimum of 64 MB RAM (128 MB is recommended)

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

NOTE   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.

Network Options

You can select one of two available network options:

a. **Server Only** — Install Drake on a server and link workstations to the server using a network link (NWClient).

b. **All Workstations** — Install Drake on all workstations and designate one station as the "server." All other workstations use the designated "server" to share files.

Table 2-2 shows a comparison of these options.

Table 2-2: Comparison of Network Options

Server Only (Preferred Setup)	All Workstations
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-Only   Using the instructions in "Installation" on page 8, install Drake onto the server.

NOTE   Drake can be installed to the server from a workstation if necessary. Be sure to select the correct server drive.

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:\DRAKE10\NWCLIENT\NWCLIENT.EXE (substituting your server drive letter for F).

3. Click **OK**. (Windows 7 users: Press ENTER.)

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.

Next, set up directories and paths. This can be done on either the server or a workstation and needs to be done only once.

To set up directories and paths:

1. From the Drake **Home** window, select **Setup > Directories/Paths**.

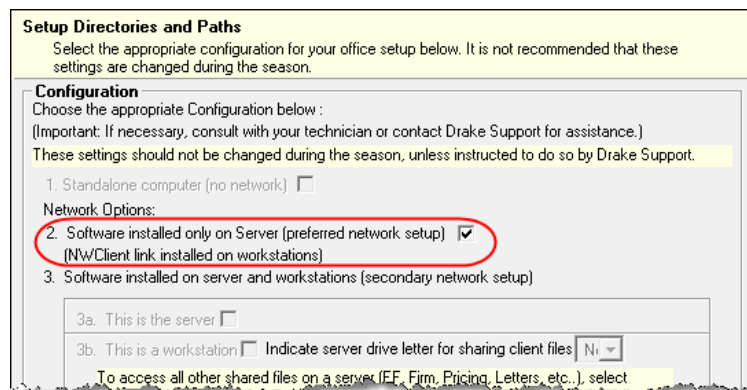**2.** Select **2. Software installed only on Server.**

Figure 2-3: Select network option #2.

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

All Workstations   Using the instructions in "Installation" on page 8, install Drake onto each workstation. A single workstation should be designated as the "server."

> **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 *drive*—not to the Drake10 *folder*.

To establish the "server":

1. From the **Home** window in Drake, select **Setup > Directories/Paths**.

2. Select **3a: This is the server** and click **OK**.

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* workstation:

1. From the **Home** window in Drake, select **Setup > Directories/Paths**.

2. Select **3b: This is a workstation**. (See item 1 in Figure 2-4.)

3. Select the drive letter for sharing client files. (See item 2 in Figure 2-4.)

4. (optional) To allow the workstation to access shared files other than client files, mark **Admin Override** and select the shared drive letter for all other shared files. (See items 3 and 4 in Figure 2-4.)
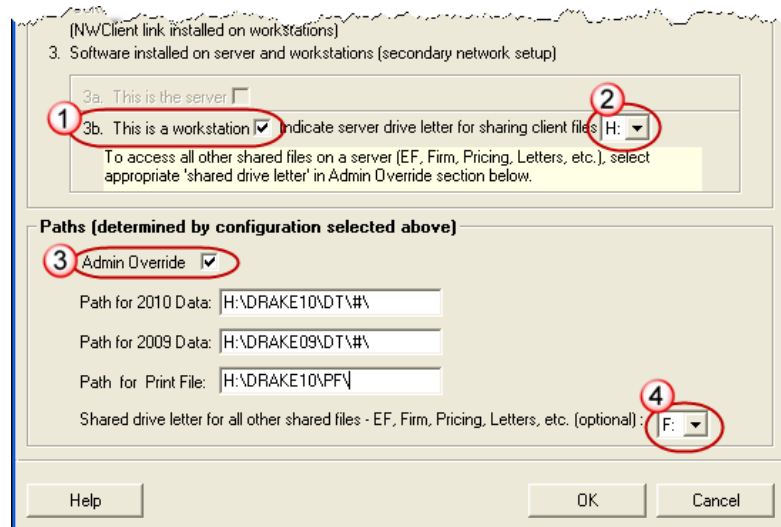

Figure 2-4: Installing Drake onto a workstation

5. Click **OK**.

The program is now set up to share client files and, if indicated, share other files (EF, Pricing, Letters, etc.).

> **CAUTION**   *Do not change the **Directories/Paths** settings during tax season!* If a change is necessary, contact Drake Support.

Software Setup

Perform setup procedures *after* installing the software and *before* attempting to pre-pare 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 14.)	Options (See "Options Setup" on page 21.)
ERO (See "ERO Setup" on page 15.)	Pricing (See "Pricing Setup" on page 31.)
Preparer(s) (See "Preparer Setup" on page 16.)	Macros (See "Macros Setup" on page 32.)
Directories/Paths (See "Directories and Paths Setup" on page 20.)	Letters (See "Introduction to Letters in Drake" on page 34.)
Pay Per Return (PPR clients only; see PPR manual on CD or the Drake Support website.)	Colors (See "Color Setup" on page 39.)
	Printing (See "Printing Setup" on page 40.)

If you used Drake last year, you can bring forward most required program settings from your 2009 program. See "Updating Settings" on page 69 for details.

Logging in as an Administrative User

Log in as ADMIN to enter setup information. The administrative login 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)** and **Setup > Directories/Paths**
- The **Administrative Options** tab of **Setup > Options**
- Additional tracking information on the **TRAC** screen in data entry

Setting an ADMIN Password

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

To set a password for the ADMIN account:

1. From the Drake **Home** window, select **Setup > Preparer(s)**.

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

2. Click the Administrator (**ADM**) row, and then click **Edit Preparer**.

3. (optional) 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**.

> 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.

NEW FOR 2010

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.

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 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 2010 returns. For instructions on staggering DCNs, see "Staggering DCNs" on page 196.

    – **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 219.)

    – Select a bank and enter the applicable fee and receiver information. For more on available options, see Table 8-4 on page 221. For more on individual bank selections, see Chapter 8, "Banking."

4. Click **Save**. The program assigns a number for each firm entered in **Firm Setup**.

NOTE

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**.

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 14 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, access the online e-filing database, and access RIA online tax research. Fields needed for e-filing 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**.
2. Enter **General Information** for the ERO. Fields needed for e-filing are marked by red text.
3. Under **Connection Settings**, choose a connection setting. (The default is **Always use my existing Internet connection**; this setting works for most computers. Contact Drake Support if you have trouble connecting to Drake.)
4. If applicable, select **Advanced Options**.
   – **Transfer my files using** — Default is HTTPS. Most computers transmit using this protocol.
   – **My machine uses a firewall** — (FTP users only) Most machines using transfer protocols of Regular FTP or WinSock FTP require that this box be selected. This option uses a defined port range to transfer files.
5. If your firm is a franchise or network, complete the **Franchise/Network Information** fields. (See "Franchise/Network Requirements" on page 214.)

6. 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 loan products. (The field facilitates compliance with IRS Regulation 7216; see "Taxpayer Requirements" on page 213.)

7. Click **OK**.

	New to e-filing? 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 that you can use to test e-filing and access Drake's online customer-support resources. For more on applying for an EFIN, see "Obtaining an EFIN" on page 190.
IMPORTANT	

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.

	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 74.)
TIP	

Adding a Preparer

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 needed for e-filing 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.

To apply for a PTIN, complete Form W7-P and send to the IRS.

5. If applicable, click **Registration** to enter your state registration ID (California, Maryland, Minnesota, New York, and Oregon 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.

	The alternative electronic signature is printed on 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.
IMPORTANT	

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. 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 18.

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.
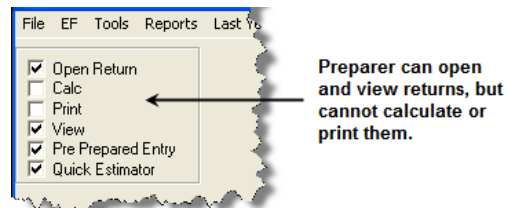

Figure 2-5: Security setup

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**.
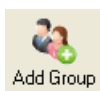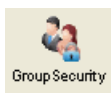
Setting Up Group Security

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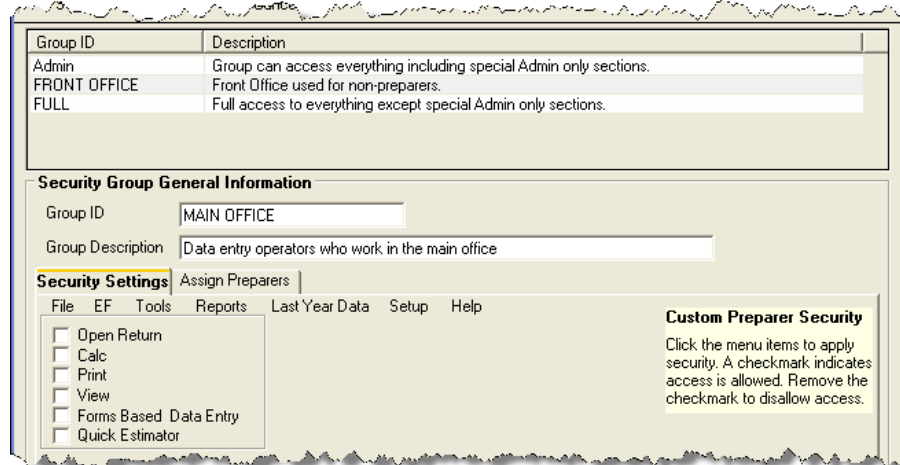
Figure 2-6: Security Group General Information section of **Group Security** dialog box

4. Under **Security Settings**, click the menu category and 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)** are 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 74 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 297 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.
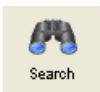
Pay Per Return Setup (PPR Clients Only)

For information on setting up PPR, see *Drake Software User's Manual Supplement: Pay Per Return (PPR)*, available on your Drake CD and on the Drake Support site at *http://Support.DrakeSoftware.com* (**Training Tools > Manuals**).

Directories and Paths Setup

Directory and path settings, which manage the locations for data access and storage, must be configured before you begin using the program. To enter your settings, select **Setup > Directories/Paths** from the **Home** window. Information on screens is provided in the following sections.

> **CAUTION**
>
> Directory and path settings *should not be changed* during tax season. For details on setting network configurations, see "Running Drake on a Network" on page 10. For assistance, contact your office IT professional or Drake Support.

Sharing Files on a Network

You can share just the Drake client files among your network's computers, or you can share the client files plus all of the other Drake files (recommended). To share files:

1. From a workstation (not the server), go to the Drake **Home** window and select **Setup > Directories/Paths**.

2. To share just the client files:

   a. For item **3b**, mark the **This is a workstation** box, and then choose a drive for sharing client files. In Figure 2-7, the user has selected the F drive.

   b. Click **OK**.

Figure 2-7: Example of selected shared drive

3. (optional but recommended) To share all other Drake files (Setup, EF, configurations, letters, and acknowledgments):

   a. In the **Paths** section at the bottom of the **Directories and Paths Setup** window, select **Admin Override**. (See Figure 2-8.)

   b. Choose a **Shared drive letter for all other shared files**. In Figure 2-8, the user has chosen to share all the files on the F drive.

Figure 2-8: Sharing all files

   c. Click **OK**.

CAUTION   Once a shared drive letter is set, *do not* change it during tax season unless Drake Support instructs you to do so. Changing a drive letter during tax season can cause problems in file storage and e-file processing.

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 2-9. (Only administrative users have the **Administrative Options** tab.)
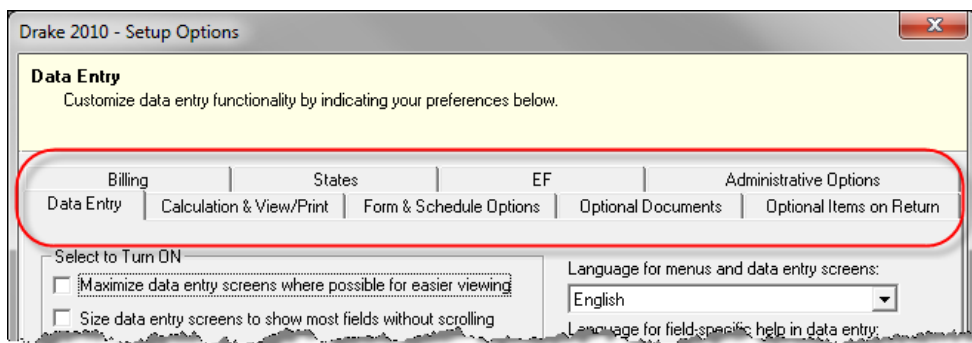

Figure 2-9: Tabs in Options Setup

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 800x600 or smaller.
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 **City** and **State** fields and go directly to the **ZIP** field. **City** and **State** 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 **NOTE** and **PAD** 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 **W2** screen.

Table 2-5: Options Setup: Data Entry

Option	Description
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.
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 61.
Adjustment field indicator	Format adjustment fields in data entry; see "Override & Adjustment Fields" on page 61.

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

Table 2-6: Options Setup: Calculation & 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 **Calculation Results** screen.
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 **Data Entry** 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 **Portrait** to produce the depreciation schedule vertically using 8.5 x 11 paper; select **Landscape** to produce it horizontally.
Pause option for calculation	Choose the circumstances under which the **Calculation Results** 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 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 **INT** and **DIV** 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.
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.
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 43.

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.

Table 2-8: Options Setup: Optional Documents

Option	Description
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 to disable, or use the **PRNT** 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 to disable, or use the **PRNT** screen to activate or disable on a single return.
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, and the city tax office.
Estimated payment coversheet	Select this option for 1040 and 1041 returns with quarterly taxes. An IRS Service Center must be selected, and this item marked, to activate this option.
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 **Tools > Letters > Letters**.
Include customized supplemental letter with returns	Print a customized letter that can be used for various purposes. (See Table 2-14 on page 36.)
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 48.

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 **PRNT** 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 on the return.
Taxpayer phone number	Select this option to print the taxpayer's phone number entered on screen **1**.
Third party designee	Select the third-party designee to print on the main form of the return.

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

Option	Description
Rounding amounts	Select **Dollar** or **Penny** 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 165.

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 the RAL application fees withheld from the RAL amount on the bill.
Print taxpayer's phone number on the bill	Select this option to have the taxpayer's phone number (entered on screen **1**) 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 **1**) printed on the bill.
Sales Tax	Enter the sales tax percent 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: - Billing by time (preparing bill based on time spent preparing return multiplied by preparer's hourly rate as defined in **Setup > Preparers**) - Billing by form (preparing bill based on forms necessary to complete return by price entered in **Setup > Pricing**); program prepares a bill summary along with whatever option is selected here unless the **Bill Summary** option is cleared at **Setup > Options**, **Optional Documents**.
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

Option	Description
Auto-generate taxpayer(s) PIN	Have the software can assign a randomly generated PIN. (1040 only)
Require 'Ready for EF' indicator on EF screen	Requires that the **Ready for EF** indicator on the **EF** 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 **Tools > File Maintenance > Unlock Client Files**.
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 **EF Status** 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 201.)
Activate imperfect return election in data entry	Activates **Imperfect Return Election** check box on **EF** screen in data entry.
Allow selection for EF from the 'Calculation Results' screen	Allows preparer to send the currently active return directly from the **Calculations Results** 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, **Paid Preparer**, or **None** to indicate the ERO name that should appear on return documents. This choice can be overridden on screen **1** and the **PREP** screen in data entry.
Check for email 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 **OK** 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	Suppresses 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	Click **Customize**, and then select the package and package type to customize. Click **Load Menu**. When the data entry screen is opened, click (uncheck) items to disable them in the **Data Entry Menu**. Click **Save**. The selected (unchecked) items will not be visible or accessible to any user other than those with administrative rights.
Customize user-defined data entry fields	Create option lists for the **Miscellaneous Codes** fields on screen **1** and the **Adjustments** and **Payments** fields on the **BILL** screen. For step-by-step instructions on this feature, see "Customized Drop Lists" on page 29.
Use customized flagged fields on all returns	Select this box, click **Flag**, and select a package type. When the **Data Entry Menu** is opened, click the desired screen and click each field to flag. Click a field a second time to clear it. Click Esc to save your changes. **Note**: This option is available for federal packages only.
Apply current-year Admin flag settings when updating from prior year	Flags set globally in 2009 are set globally after updating data from **Last Year Data > Update from 2009 to 2010**.
Print due diligence documents	Print due diligence documents generated from the **EIC1**, **EIC2**, **EIC3**, **EIC4**, and **5405** screens.
Require applicable due diligence screens to be completed	Require that applicable fields on the **EIC1**, **EIC2**, **EIC3**, **EIC4**, and **5405** 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 **Home** 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 **Administrators** (users with administrative rights) and **All** preparers.
PDF Password Options	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 **Default password** drop list includes other format options.
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 **Program Help** link.

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 make the screen locked, visible, or hidden. (Default is "visible.") Examples are shown in Figure 2-10 and described below the figure.
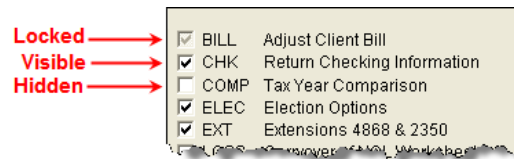
Figure 2-10: Locked, Visible, and Hidden screens

- **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.

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 2-11, 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).
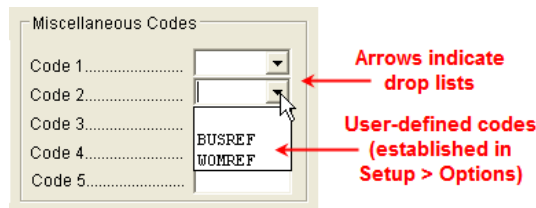
Figure 2-11: Screen **1** drop lists and user-defined miscellaneous codes

The instructions below explain how to create the drop list like the one in Figure 2-11.

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 2-12).
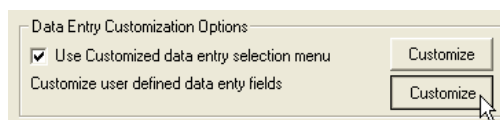
Figure 2-12: Click **Customize** to customize user-defined data entry fields.

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 2-13), enter a **Code** (eight or fewer characters) and a **Description** (25 or fewer characters).

Figure 2-13: 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 2-14).

Figure 2-14: 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 2-14.)
- **Removing a listed item** — Select an item and click **Remove**. (See Figure 2-14.)
- **Editing a listed item** — Double-click an item. The **Selected Entry** box (see Figure 2-13) 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 2-15).
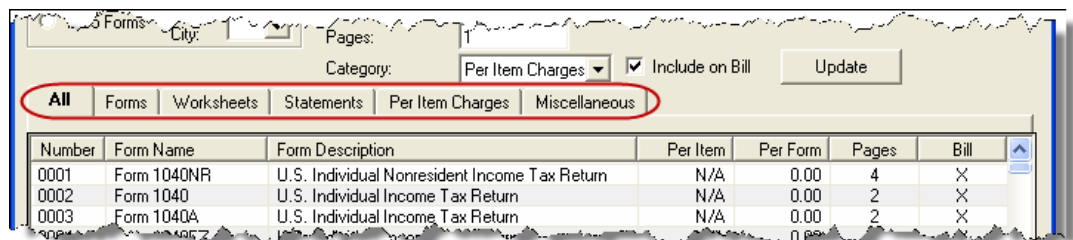
Figure 2-15: Tabs allow you to view categories of documents that can be priced.

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 2-15.)

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 47.)

Two New Fee Options

The program now 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**.)

–   In **Setup > Options**, **Administrative Options**, the option to charge all tax-
        payers the same fees is marked

–   In **Setup > Pricing**, the **Include on Bill** box is not marked for this fee

Minimum & Maximum Fees

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

Use the scroll bar or arrow keys to find forms.

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

A macro is a combination of keys that allow you to accomplish tasks faster. Edit exist-
ing macros or create new ones to meet your office's needs. Also called shortcut keys,
macros are already available in the program; for example, CTRL+V opens View mode.

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 shortcut key combination.

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 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:

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

1. From the Drake **Home** window, go to **Setup > Macros**. The **Setup Macros** dialog
    box shows the shortcut keys and their associated tasks.

2. Edit the **Data** column for a macro listed. (All tasks listed can be edited.) Symbols
    for non-character shortcuts are listed in Table 2-13.

3. Click **OK**.

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 (~).

Table 2-13: Macro Symbols

Symbol	Action
<	Move cursor back one field. If the (<) symbol is inserted *in front of* selected data in a macro, the program moves the cursor back one field from the active field before inserting the data. If inserted *after* 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 *in front of* the selected data in a macro, the program jumps ahead one field from the active field before inserting the data. If inserted *after* the selected data, the program inserts the data first, and then moves the cursor forward a field.
~	Escape. If the (~) symbol is inserted *after* 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 *after* 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 64.)
*	Bypass the **Existing Forms List** 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 **Existing Forms List** is displayed, and you have the choice of selecting an existing record or creating a new one. To bypass the **New Record** 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 **Existing Forms** 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 march 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 **1065 K1 13-20** screen to the **Basis Worksheet** 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 **Basis Worksheet** screen to the **1065 K1 1-12** 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.

NEW FOR

2010

A list of Rich Text Format (RTF) keyboard shortcuts for letters is now available. To view it, select **Help > Drake Software Help** from the **Home** window. In the Table of Contents under **Setup > Letters**, click **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.
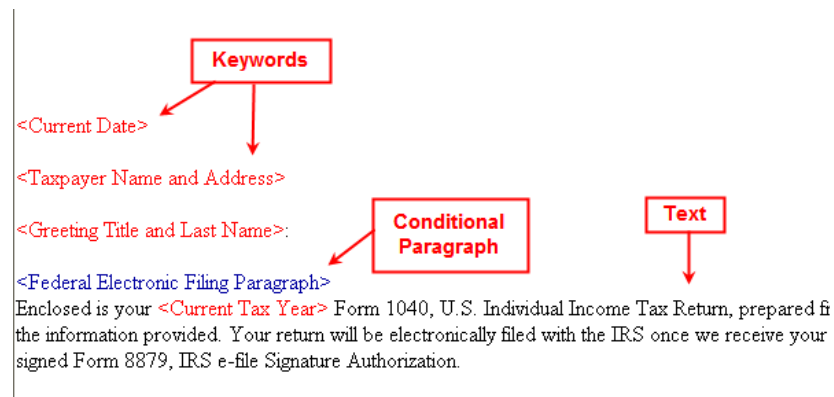
Figure 2-16: A letter template consists of keywords, text, and conditional paragraphs.

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 below is generated only if the taxpayer, who has a balance due, is *paper-filing* and has selected *not* to pay by direct debit.

Figure 2-17: Conditional paragraph

Paragraph Nesting

Many conditional paragraphs are nested within larger ones. Different nesting levels are indicated by different colors. In Figure 2-18, the **Federal No Dir Debit (Paper) Paragraph** from Figure 2-17 is nested inside the **Federal Balance Due Paragraph**. The green and purple text show where each paragraph begins and ends.

Figure 2-18: 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 2-19). Click [+] to expand a category, or click [-] to contract it. Hover your pointer over a keyword to view its description.
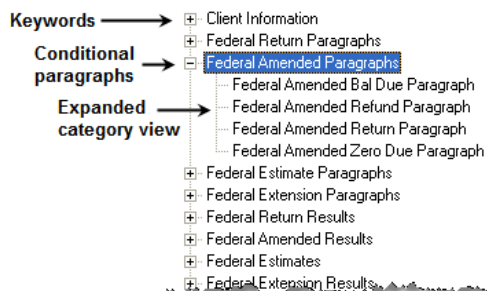
Figure 2-19: Category tree (left pane of Client Communications Editor)

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 277.)

Table 2-14: Letter Templates Available in 2010

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 2011 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 2009 clients that tax season is coming up; all applicable packages.
Post-season Letter*	Letter thanking 2010 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 2010 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.

Editing a Letter Template

To edit a letter:

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

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.

CTRL+X deletes a selected item.

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

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**.

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

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:\Drake10\CF\LOGO.BMP`. ("C" indicates the drive letter to which the 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 2-20).
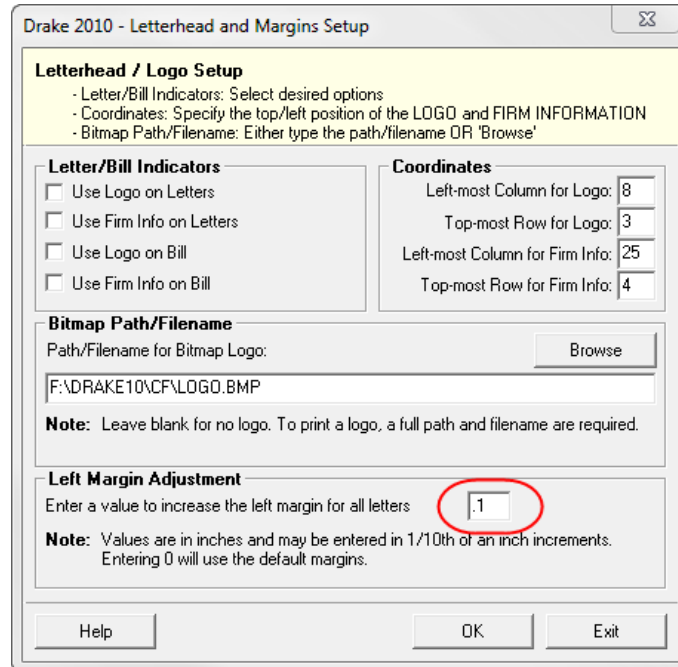
Figure 2-20: Left Margin Adjustment feature

> 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 2-20).

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

Each template has a default name (see Table 2-14 on page 36). To assign a new name:

1. From the Client Communications Editor, click **Open** and select a letter template.

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

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 four return categories:

- Letter for e-filed return with balance due
- Letter for paper-filed return with balance due
- Letter for e-filed return with refund
- Letter for paper-filed return with refund

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 2010 program look different from your 2009 program. If you must open the 2009 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.
3. Click **OK**.

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

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

• Integrate the Drake Document Manager (DDM) with your client files in Drake

• Install a "Print to PDF" option that allows you to create PDF files

Even if your office uses the same printer for tax returns and the DDM, the DDM is a stand-alone tool and requires separate setup from the Drake tax program.

NOTES | 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.

NEW FOR 2010 | Watermarks can be added on the fly via the **Print Selection** dialog box (the box that is displayed whenever you click **Print** in Drake). You can opt to print a custom watermark that you specify, a "Client Set" watermark, or a "Preparer Set" 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.

3. Click **Save**.

Table 2-15: Printing Setup

Tab	Field	Description
(F5) General Setup — displays the current default printer for **Tax Forms**, **Reports**, **Labels**, and **Checks**, and the default for the **Letterhead source tray** (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. *Only forms that are approved for duplex will be printed as duplex*
	Staple	If the printer supports stapling after each print job, select this option to turn stapling on.
	Show dialog	Causes the **Print** dialog box to be opened before each print job.

Table 2-15: Printing Setup

Tab	Field	Description
(F6) 'Sets' Setup — displays the current default printer and the different types of sets that can be printed; see "Printing Printer Sets" on page 180.	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. *Only forms that are approved for duplex will be printed as duplex.*
	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."
(F7) Options — 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 176), Drake's "Classic Print" mode will be displayed when in Print mode.
(F8) Edit Printer Settings — 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.
	This printer supports PCL	PCL (Printer Control Language) is supported by most HP laserjet printers. If your printer supports PCL, the remaining fields on the screen will be filled automatically. If your printer does *not* support PCL, you must complete the remaining fields manually.
	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.

Printing Sets

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:	Client:	Preparer:	Federal:	☐ Main Form
0	0	3	1	1	Update

Figure 2-21: 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 48.

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 (DDM) Setup

The DDM is a stand-alone application that can be integrated with Drake Software. (For details, see Chapter 13, "Suite Products.")

To implement the Drake file structure:

1. From the **Home** window, go to **Setup > Printing > Document Manager**.
2. Enter the path of the DDM or click **Search** to find the DDM location. If the DDM is found in more than one location, you must choose one.
3. Select **Allow Drake to set up Document Manager client folders (recommended)**.

The Drake structure is established in the DDM directory, and the DDM button is activated in data entry.

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.)

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

Item	Description
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.
Proforma/ organizer	Prevents proforma/organizer for next year from being generated. See "Organizers and Proformas" on page 70.

NOTES

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

1120S, 1065, and 1041 packages: If the option to print K-1 letters is selected in Options Setup, 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 **Miscellaneous** tab in View mode.
Compare	Tax return comparison; compares current-year return with returns from the two prior years and appears as COMPARE under **Miscellaneous** tab in View mode. (See "Comparing Data" on page 167 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 2011.

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**. First-Time Homebuyer Credit (Form 5405) due diligence information is entered on screen **HBDD**. The **PRNT** screen includes options to print EIC and 5405 due-diligence documents with a selected return. (These options are set globally from the **Administrative Options** tab in **Setup > Options**.)

Dates on the Return   Use the **PRNT** screen to override the date shown on the return and the due date shown on the letter and filing instructions. These changes cannot be set globally from Setup.

NEW FOR 2010   A default due date for filing is printed on all letters and filing instructions generated with a return. You can now override the default by entering an alternate due date in the **Due date to print on letter and filing instructions** field on 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** 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 47.

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

**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** and can be changed from within a return:

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 **Setup > Options**.

Use the override fields on the **LATE** screen in data entry to override established defaults. 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 165.

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 **Setup > Preparer(s)**
Preparer	Preparer #1 (as entered in **Setup > Preparer(s)**)
ERO	ERO selected in **Setup > Options**, **EF** (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 2-22).
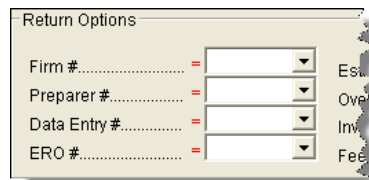
Figure 2-22: Setup override fields on screen **1**

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 **Preparer Information Overrides (PREP)** screen overrides the default 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 2-22) 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 147.)
- 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.

NEW FOR 2010

You can now enter state preparer registration information for California, Maryland, Minnesota, New York, and Oregon 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
- Balance due from prior years
- Tax 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 29.

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

- To include Form 8888 on the bill if the taxpayer is paper-filing and depositing the refund into multiple accounts
- To exclude a charge for the Filing Status Optimization Report. (See "About the MFJ/MFS Report" on page 63.)
- 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 2-23).

Figure 2-23: Pricing on the fly section of the **Properties** dialog box

3. Edit the description of the form 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** 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 2-24), an extension letter, or an amended return letter instead of the program default letter.
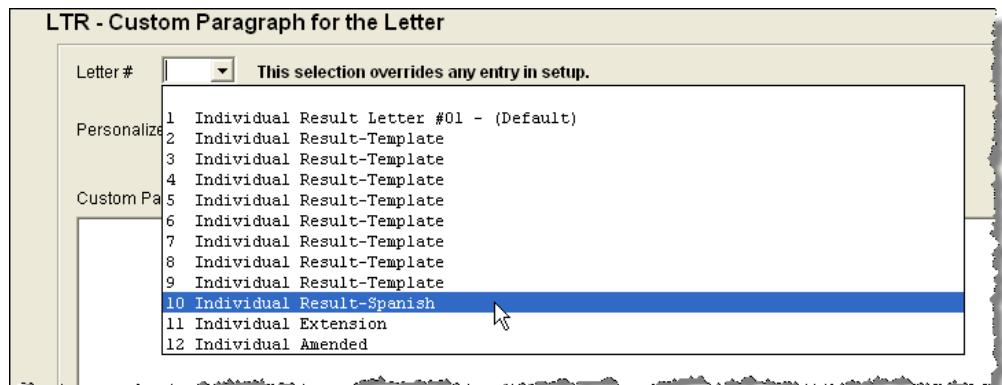
Figure 2-24: Selecting the Spanish letter as the default letter for a return (**LTR** screen)

> **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 with "Dear," enter it, 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 2-25). To indicate one or more state returns, select state abbreviations from the drop lists provided. (New in 2010, you can select up to 10 states.) In the Figure 2-25 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.
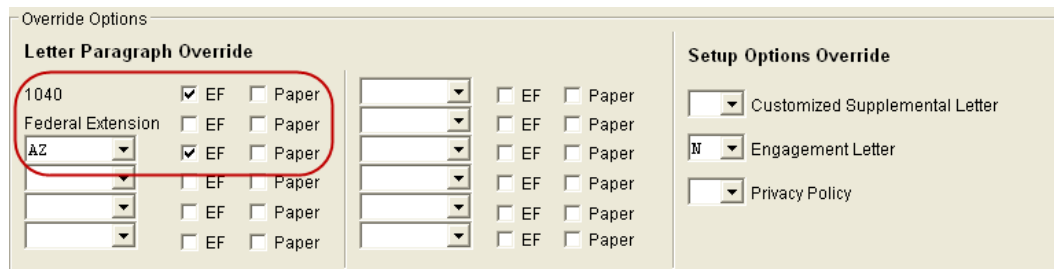
Figure 2-25: Select EF to force a letter to be printed *as if* the return is eligible for e-file.

Printing Additional Letters
From **Setup > Options**, **Optional Documents**, 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 2-25, 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** 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 198.

3 Basics

To open the 2010 program, double-click the **Drake 2010** icon on your desktop. The **Login** window displays the **Preparer Login** box (Figure 3-1), update information, 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 52).

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) 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 for easy access
- **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.
- **Status bar** — Provides system and update information (item 6 in Figure 3-2)
- **Personal Client Manager (PCM)** — (item 7 in Figure 3-2) personalized version of the Client Status Manager; see "Personal Client Manager," following, 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.
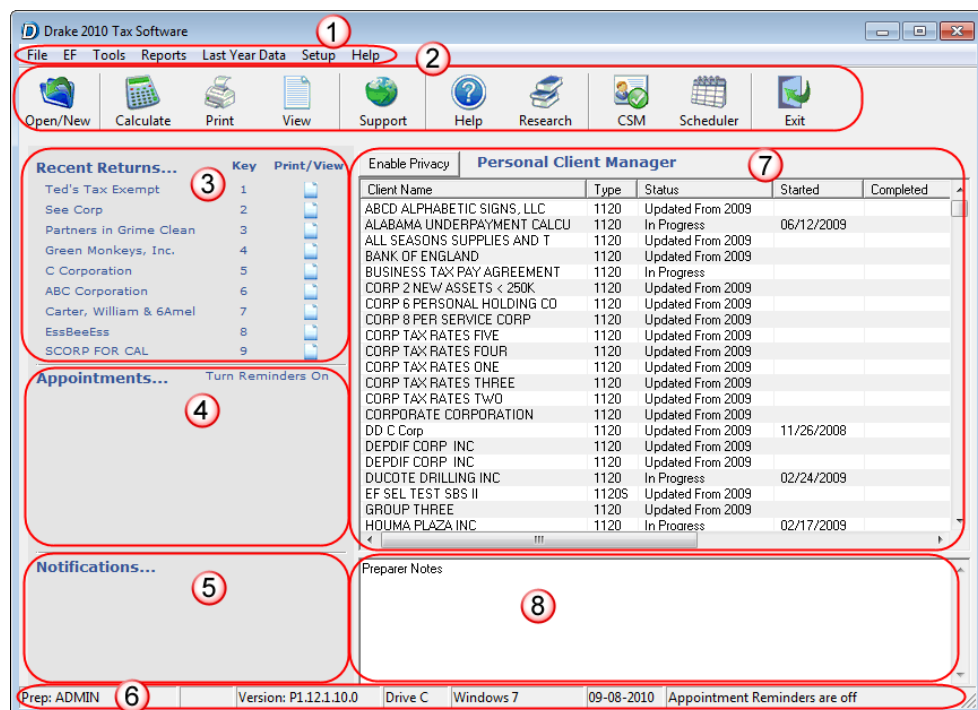
Figure 3-2: Drake **Home** window

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

General Navigation

Both the mouse and the keyboard can be used 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 undo, cut, copy, paste, delete, or view help for that field.
- **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 to open the **Open/Create a New Return** dialog box.
- **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 3-3).
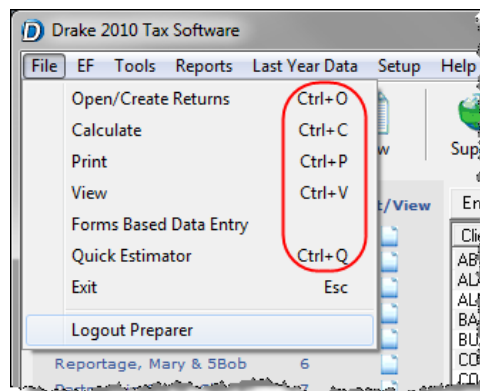
Figure 3-3: Key combinations

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 3-4 shows that both the **INT** and **DIV** screens can be directly accessed from the **Income** screen (screen **3**).
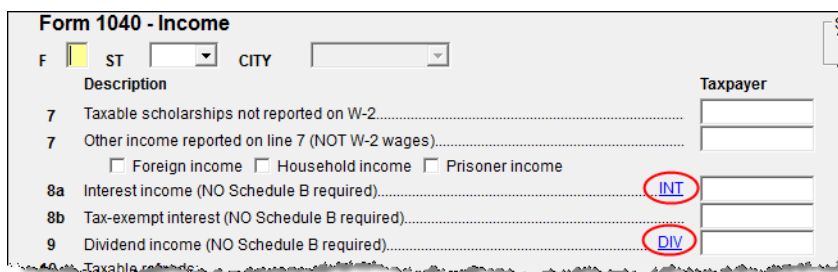
Figure 3-4: Links from the **Income** screen to the **INT** and **DIV** screens

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 3-5).
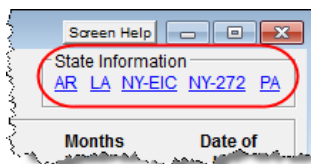
Figure 3-5: Example of a **State Information** section for federal-to-state links

Screen Tabs   In the past, returns with multiple instances of the same form—such as partnership returns that had numerous partners—required extra steps to organize the forms. Screen tabs eliminate the intermediate steps previously required.

In Drake's 1040 package, the **K1P**, **K1S**, and **K1F** screens contain tabs to associate the K-1 screens (Schedule K-1 now requires two screens in Drake), and to associate the two sections of the basis worksheet with a particular K-1 issued to the taxpayer.
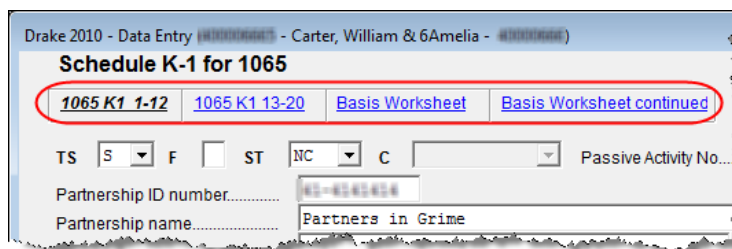
Figure 3-6: Tabs on the **K1P** screen for an individual (1040) return

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 68 to perform an update.)

Creating a Return

To create a return in Drake:

1. From the **Home** window, click **Open/New**.

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 and enter a client name.

6. Click **OK**. Data entry screen **1** for the new return is displayed.

NOTES

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

The **Name Entry** section is displayed only if the DDM is integrated with the software. (See "Document Manager" on page 301.)

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/New**. The **Open/Create a New Return** dialog box is displayed (Figure 3-7).

2. Perform one of the following tasks:

  • Enter the ID number of the return (item 1 in Figure 3-7).

  • Select a return type (item 2 in Figure 3-7). Returns are displayed in the grid to the left. Click a row to select a return.

Figure 3-7: 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 3-8.) 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). 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 3-8) is displayed when you open a return. It consists of a toolbar, tabs, screen codes and names, the selector field, and the status bar.
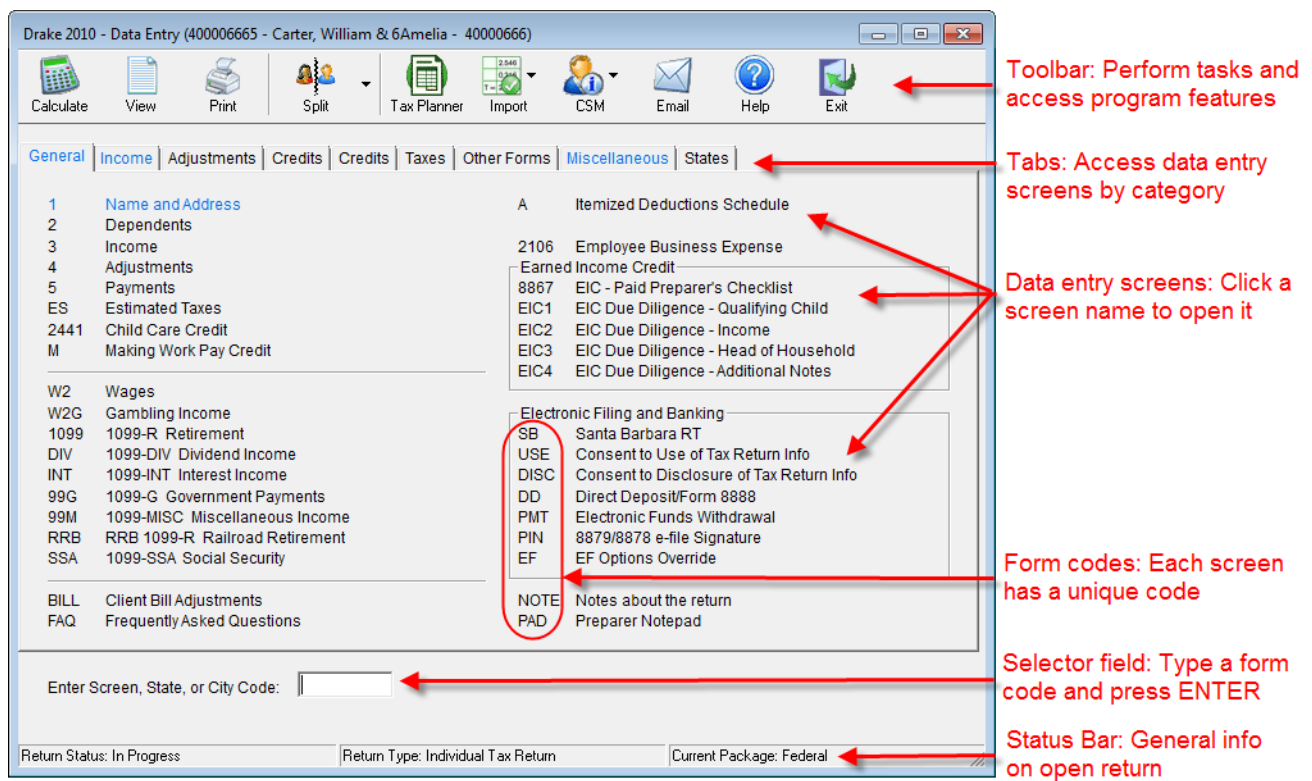
Figure 3-8: Data Entry Menu

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 record has two 1099s), an **Existing Forms List** is opened. Select the screens to delete, and then click **Delete**. (See "Existing Forms List" on page 57.)

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 3-9: 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.

Figure 3-10: 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
An **Existing Forms List** does not appear if grid data is the established default in Options Setup. Disable the default from the **Data Entry** tab in Options Setup.

Multiple Instances of a Form

Many clients require multiple instances of forms such 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**.
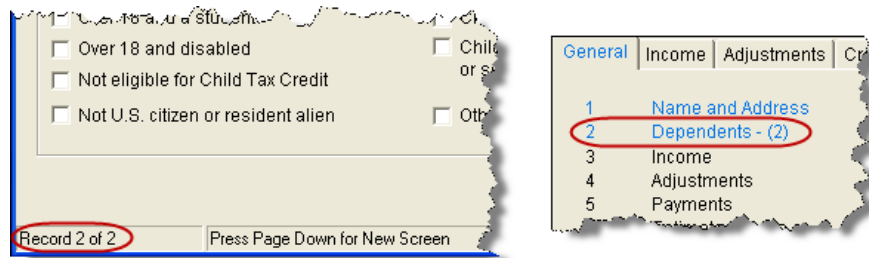
Figure 3-11: Multiple instances of a screen are shown in status bar and **Data Entry Menu**.

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.

2. Double-click the field or press CTRL+W to open a **Detail Worksheet**.

Figure 3-12: Detail worksheet with data entered

3. Enter or edit the worksheet **Title**.

4. 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 3-12.)

5. 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 is red.)

Figure 3-13: 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 62.)

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 3-14).

Figure 3-14: 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 page *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 page *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 3-15; default is green). Once the field has been verified, the highlighted tab and screen names go back to their original colors.
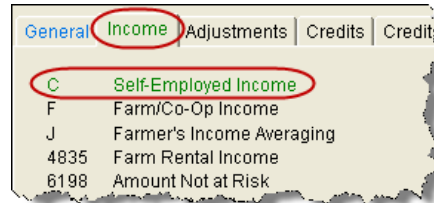
Figure 3-15: Screen **C** under the **Income** tab has a flagged field.

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 3-16).
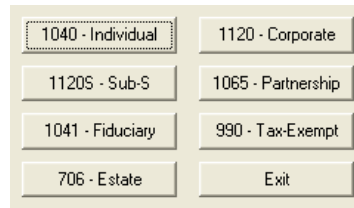
Figure 3-16: Flag Fields for Review dialog box

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 3-17.
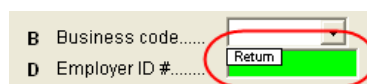
Figure 3-17: Field has been flagged for all new returns.

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.
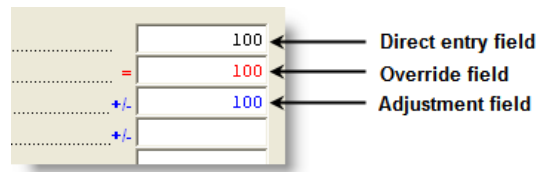
Figure 3-18: Direct entry, override, and adjustment fields

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 3-19, are used to apply the data on the screen to the taxpayer or the spouse (or both), on federal, state, or city returns.

Figure 3-19: 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 3-20.

Figure 3-20: 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 3-20.)

N O T E
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). Also, check to 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 198.)

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.
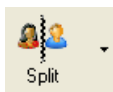
- To compare returns for two individuals who did *not* live together for the entire year, click the down arrow next to the **Split** button and select a category of MFS filing status.

> **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 best treatment of the Schedule A deductions.

Results are displayed in the **Return Selector** (Figure 3-21). The **MFJ/MFS Report** button allows you to view a Filing Status Optimization Report for a selected return. (See "About the MFJ/MFS Report" on page 63.)

Figure 3-21: 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 3-21.) 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 176.

> **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 31. To suppress the charge for an individual return, use the **BILL** screen. (See "Overriding the Bill Amount" on page 47.)

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 enable you to enter frequently used data entry items with minimal keystrokes. This feature is described in detail in the "Macros Setup" section of Chapter 2, "Installation & Setup."

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 and 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. The SSNs for these returns begin with 400-00 and consist of various forms and schedules to show how different tax scenarios are prepared in Drake.

Test returns can be used to test e-filing. The SSNs for the test returns run from 500-00-1001 through 500-00-1008.

For more information on how practice returns can help you, see "Practice Returns" on page 246.

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4   Preseason Preparation

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 preseason 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 2009 data path points to your firm's 2009 data files.

To check the prior-year data path:

1. Log in to the program as a user with administrative rights.
2. From the **Home** window, select **Setup > Directories/Paths**.
3. Look at the **Path for 2009 Data** field (Figure 4-1).
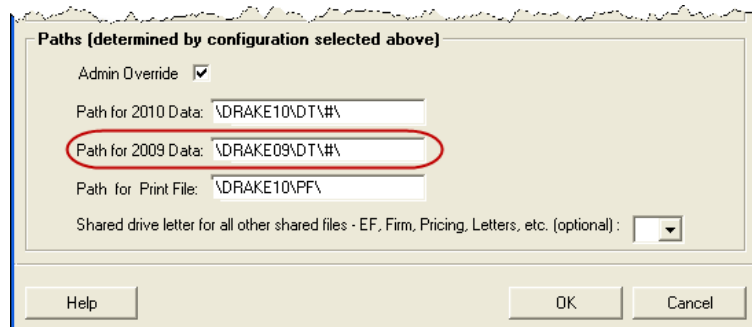
Figure 4-1: Ensure that the **Path for 2009 Data** field is correct.

If the correct path is not displayed, click the **Admin Override** check box to activate the field. Make the necessary changes and click **OK**.

Updating Client Files

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

- names and addresses
- filing statuses
- business names

- depreciation
- occupations
- installment sales

- ages
- dependent names
- 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 2010. An **Individual Update Options** dialog box lists all options for updating (Figure 4-2).
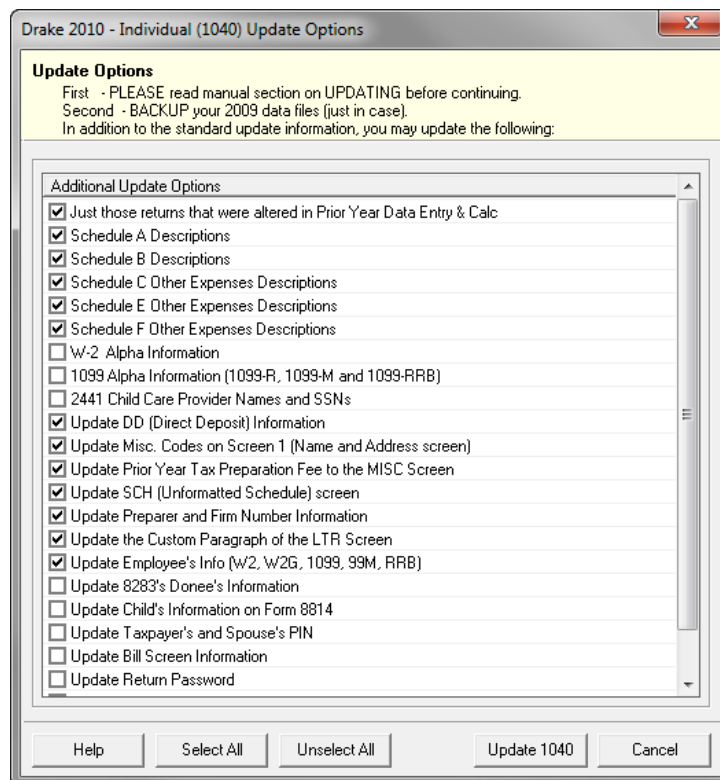
Figure 4-2: Individual Update Options box

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 2009 to 2010**.
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.)
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 2009:

1. In the 2010 version of the program, select **Last Year Data > Build EIN/Name from 2009**.
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 2009 software settings to the 2010 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 2009:

1. In the 2010 version of the program, go to **Last Year Data > Update Settings 2009 to 2010**. The **Update Settings** dialog box is displayed.
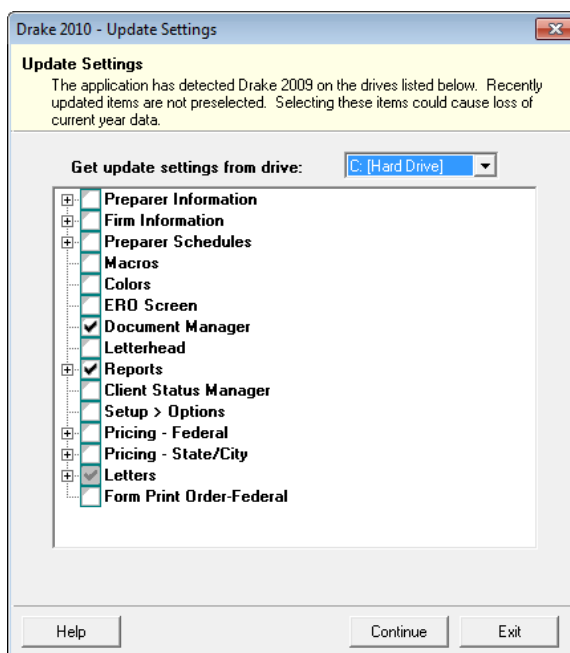
Figure 4-3: Update Settings dialog box

2. Select the drive that stores the 2009 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).

	2010	2009
Wages, tips, other compensation		52525
Federal income tax withheld		5252
Social Security wages		52525
Social Security tax withheld		3257

Figure 4-4: Sample of W-2 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.

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 72 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, 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.

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.

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

3. In the **Heads Down** 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

NEW FOR
2010

You can now 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 5 in the procedure below. For more on the Scheduler, see "Scheduler" on page 74.

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 293 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 **Options** dialog box is opened (Figure 4-8), select the desired options.
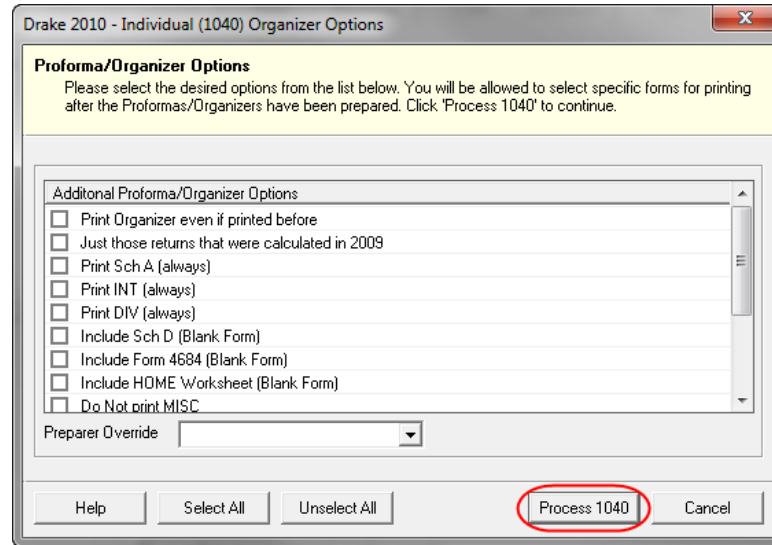
Figure 4-8: Options dialog box; includes **Process** button (circled).

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 **Batch Printing** dialog box (Figure 4-9).
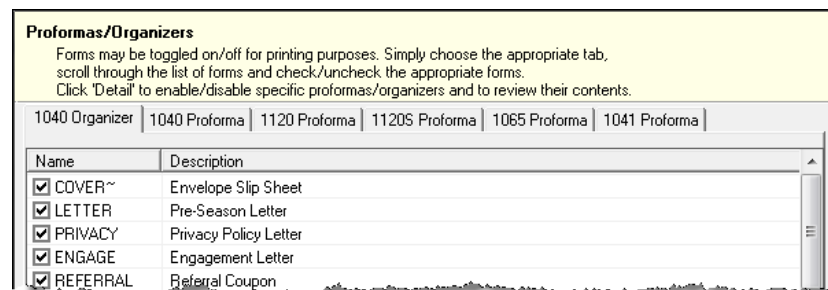
Figure 4-9: Select forms to print from the **Batch Printing** dialog box.

5. Select the individual forms to print.

6. Click **Print**, and then click **Print** again.

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.

In the **Options** dialog box, you can click **Test Print** to test-print a proforma or organizer.

In the **Batch Printing** dialog box, you can click **Detail** to preview the documents to be printed.

Preseason letters can also be printed in batches, apart from proformas and organizers. See "Letters" on page 277.

Scheduler

The Drake Scheduler is used to set up appointments for preparers. It has the following new features in 2010:

- Ability to print proformas and organizers directly from the **Appointment Detail** dialog box (See "Organizers and Proformas" on page 70.)
- A more user-friendly calendar view that displays date being viewed (See Figure 4-10 on page 75.)
- A new, easier process for applying a preparer's scheduled times to multiple days of the week (See "Establishing Daily Schedules" on page 76.)
- Ability to create a report-generated list for e-mailing appointment reminders to groups of clients. (See "Report-Generated Recipient List" on page 258.)

Scheduler Modes

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

Preparer Mode

Using preparer mode, a preparer have 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. In front office mode, a user can access only the **Preparer Calendars**. 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
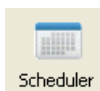
From the **Home** window, select **Tools > Scheduler**, or click the **Scheduler** icon. The **Appointment Scheduler** has four main sections (see Figure 4-10):

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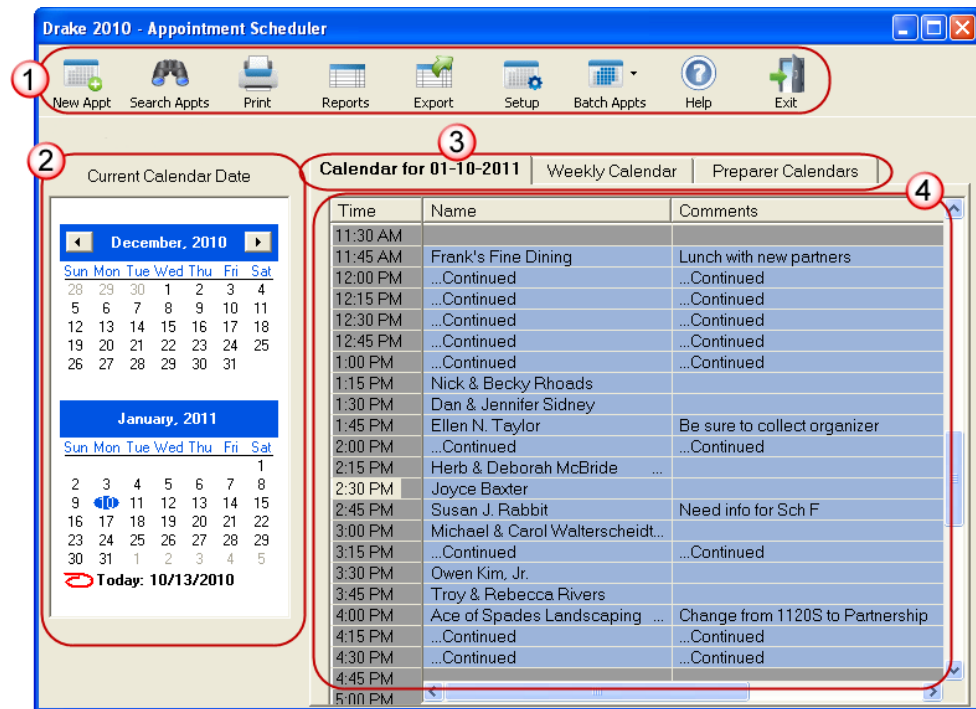
Figure 4-10: The **Appointment Scheduler** features a toolbar (#1); a calendar overview (#2); calendar tabs (#3); and a scheduled appointment list (#4).

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 16.)

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

Tab	Setup Option	Description
General	Appointment duration	Set the default appointment time displayed in the **Appointment Detail** dialog box (see "Scheduling Appointments" on page 13). 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 **Appointment Scheduler** (see Figure 4-10 on page 75).
	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.
Calendars	Preparers in View	Select which preparer schedules are visible by default.
	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.)
	Calendars in my view	Select which calendars will be in your default view. (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.
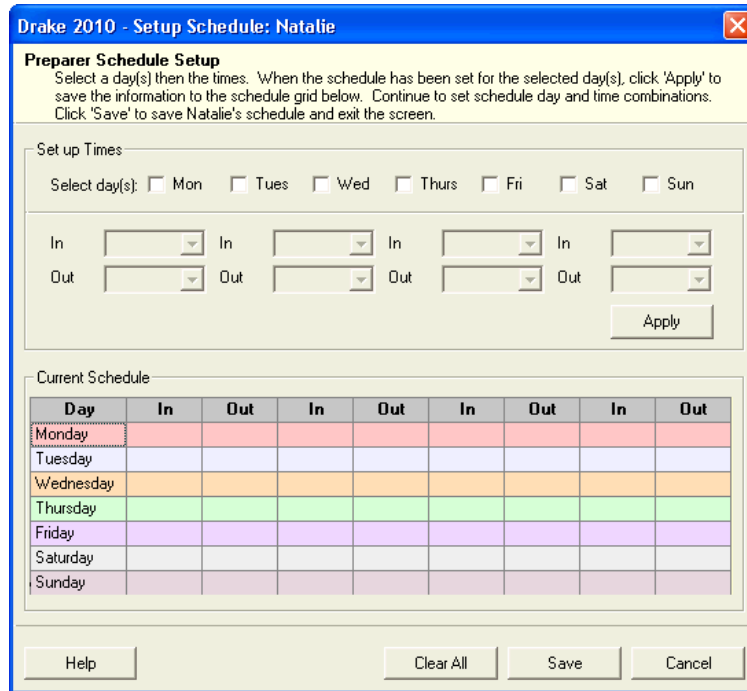
Figure 4-11: Setup Scheduler dialog box for a preparer

3. Mark one or more boxes to select days. This activates the **In** and **Out** drop lists in the top half of the dialog box.

4. Select the "in" and "out" times for the selected days.

5. Click **Save**.

In the **Appointment Scheduler** window, the rows indicating a 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).

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

These features are described with the **Scheduler Setup** features in Table 4-1 on page 76. 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**.
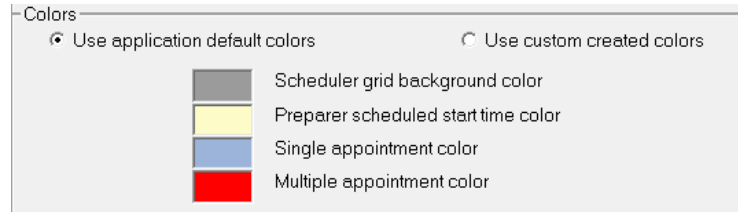
Figure 4-13: Colors section under **Calendar** tab in Scheduler **Setup**.

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 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 83.

Printing   The **Print** feature prints the appointments for the selected date (shown under the **Current Calendar Date**). In the Appointment Scheduler, click the **Print** icon, 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 2009 to 2010** and select **Preparer Schedules**.

For an Individual   To schedule an appointment for a preparer:

1. In the Scheduler, 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.

> **NOTES**
>
> If a client record already exists in Drake, enter the SSN/EIN and press TAB. The program automatically completes the **Name**, **Address**, **Phone**, **Client Type** and **Appointment Type** 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 82.
>
> To access the **Appointment Detail** dialog box from data entry, select **Add Appointment** from the right-click menu.

4. Assign the appointment to a preparer by selecting a name under **Preparer(s)**. 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.

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

For a Group of Preparers   To schedule multiple preparers to meet with a client, follow the instructions provided in "For an Individual," previously. Instead of selecting only one preparer in Step 4, however, you can select up to 50. 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") are excluded from the batch process.

To set up appointments using the batch appointment generator:
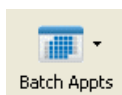
1. From the Appointment Scheduler, click the **Batch Appts** icon and select **Generate Batch Appointments**. The **Batch Appointment** dialog box is displayed.
2. Select a location from the **Use last year's appointments found on drive** drop list.
3. Select a **Begin Date** and an **End Date**.
4. 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.
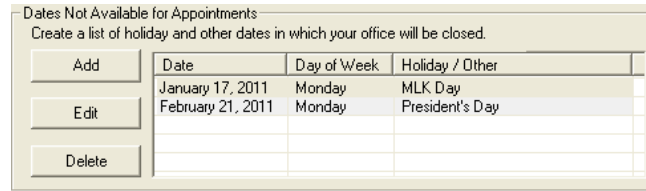
Figure 4-16: Example of dates entered that are not available for appointments

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.
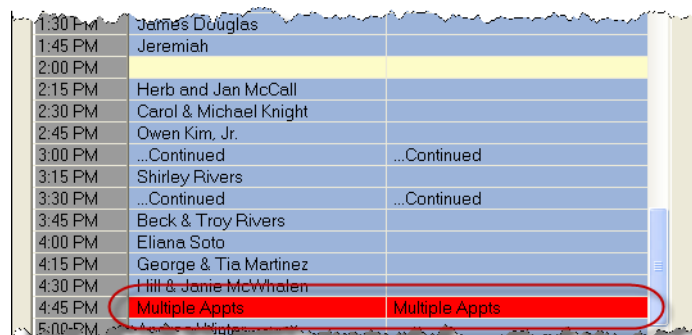
Figure 4-17: Notification of multiple appointments

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
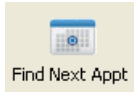
To locate the next available appointment time in the Scheduler:

1. From the **Appointment Detail** dialog box, click **Find Next Appt**.
2. Choose a preparer from the **Preparer** drop list, or select **Any Preparer**.
3. Select start and end 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**. The next available appointment time for the preparer is displayed.

NOTE   Preparers with no set schedules are excluded from the search.

To view the details of a selected appointment time, click **Select**. To find a scheduled appointment, see "Find Scheduled Appointment" on page 82.

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.
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.
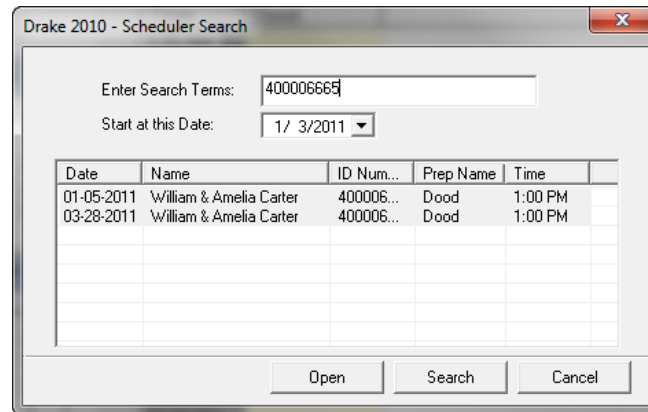
Figure 4-18: Scheduler search results

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 client name, client SSN, and client phone and e-mail address.
Preparer Appointments	Lists the appointments for all preparers. Data types include appointment time, client name, client SSN, duration of appointment, client phone, and new client indicator. and e-mail address
Preparer Call List	Lists the appointments for a preparer; select a preparer name from the drop list. Data types include appointment time and date, client name, SSN, and client phone and e-mail address.

3. Click on 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. Set the report's date range by typing start and end dates in the **Value** fields.

6. Click Continue. The report is displayed in the Report Viewer. (See "Report Viewer" on page 12 for more information on the Report Viewer.

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 7, "E-filing."

5 Return Preparation

This chapter focuses on how to prepare Form 1040, U.S. Individual Income Tax Return, using Drake Software. It describes procedures for entering data for and producing Form 1040 and the supplemental forms, schedules, and other documents that might be part of a tax return. This chapter assumes a basic understanding of data entry in Drake. If you are not familiar with Drake data entry, please read Chapter 3, "Basics," before attempting to prepare a tax return in Drake.

The amounts that appear on a Form 1040 return consist of directly entered data and program-calculated data based on the numbers entered by the preparer. Screens **1** through **5** of the program provide fields for directly entering data onto the 1040; however, because many lines on Form 1040 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** (**Demographics**), accessible from the **General** tab, to complete the "Label" and "Filing Status" sections of Form 1040. 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**. Click in the **Filing Status** box and press F1 to view explanations for the available codes.

Entering Taxpayer Information

Enter the full name, date of birth, occupation, and contact information (phone numbers and e-mail address) for the taxpayer (and spouse, if applicable). 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.

For e-filing purposes, the combined length of the taxpayer and spouse's names must not exceed 35 characters. Press F1 in a **Name** field to see alternatives for names longer than 35 characters.

NEW FOR
2010

The full date of birth for the taxpayer (and spouse, if applicable) is required. If a date of birth is missing or incomplete, an EF message will be produced when the return is generated.

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.

Below the **E-mail/text msg** field, select any applicable boxes to indicate if a taxpayer is a dependent of another, a full-time student, wants to donate to the Presidential Campaign Fund, is blind, or has a stateside military address. If the taxpayer is active military and requires a special processing code, use the **Special processing code** drop list.

Figure 5-1: Select applicable boxes and military code, if applicable.

Entering Residency Information

Enter the taxpayer's address and state residency information in the bottom half of screen **1**. If a taxpayer is a part-year (PY) resident of the state in the address, select **PY** from the **Resident state** drop list.

To search codes:
CTRL+SHIFT+S

The **Resident city** field is activated if a city return is required. Press F1 in this field to access city codes.

To suppress a state return altogether, select **0** from the **Resident state** drop list.

NOTES

By default, the program completes the **City** and **State** fields once the ZIP code is entered.

If the taxpayer has a foreign address or telephone number, enter that information on the **MISC** screen.

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. Type the surviving spouse's name in the **In care of** field on screen **1**. If tax information should go to someone else, enter that person's name instead.

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.

Exemptions

Screen code: 2

Use screen **2** (**Dependents**), accessible from the **General** tab, to complete the "Exemptions" section of Form 1040.

Enter the dependent's required data (name, SSN, etc.) at the top of screen **2**. In Figure 5-2, note that the dependent's age is displayed once the birth date is entered.

Figure 5-2: Calculated age is displayed. Information entered here flows to the "Exemptions" section of Form 1040.

NEW FOR

2010   The full date of birth for each dependent is required for e-filing.

To open a new screen **2**, press PAGE DOWN. Start a new screen **2** for each dependent to be listed on a return.

TIP   Figure 5-2 shows the default screen **2** in Drake. Grid data entry can also be used for entering dependent information. To switch to and from grid data entry mode, press F3.

Information is saved automatically when you exit a screen. Note that the number of dependents entered is shown under the **General** tab of the **Data Entry Menu**.

Figure 5-3: Number of **Dependent** screens that contain data

Entering Dependent Last Names

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

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 the dependent did *not* live with the taxpayer for all 12 months.

If you select "0" months for a *son* or *daughter*, the dependent is classified as one who did not live with the taxpayer due to divorce or separation. If "0" 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 of screen **2**. (See "Additional Dependent Information.")

Claiming a Dependent (for Split Returns)

MFS = Married Filing Separately

T = Taxpayer
S = Spouse
J = Joint

If taxpayers are married and want plan 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 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 126.
*   **Education Expense Information** — See "Education Expenses" on page 122.
*   **EIC Information** (and related due diligence questions) — See "Earned Income Credit (EIC)" on page 139.

It could be necessary to override or further clarify dependent information entered on screen **2**. Some examples are 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.

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 on the **W2** screen 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 you select **T** or **S** at the top of the screen. You do not need to type anything 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 a W-2 has incorrect Social Security or Medicare withholdings, a RAL is not allowed until the W-2 is verified with the employer.

If, after contacting (or attempting to contact) the employer, you suspect fraud, immediately contact Drake, the RAL bank if appropriate, and the nearest IRS Criminal Investigation office. Call the tax fraud hotline at (800) 829-0433.

2D Barcode Scanning   For W-2 forms with a 2D barcodes, you can now scan W-2 and K-1 information directly into Drake (1040 package only). To do so, open the program to the client's Data Entry Menu (*not* the **W2** or **K1** screen) and 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.

If you plan to use this new feature, be aware of the following information:

- 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 screen will be correctly populated in Drake. If not, you will need to visually verify the data that was scanned.
- 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.
- Any barcode scanner can be used, but Drake recommends the Honeywell/Metrologic MS1690 Focus. A good, less expensive alternative is the IDAutomation USB Barcode Scanner.

W-2 Verification   Verification fields (activated from **Setup > Options > Data Entry**) help ensure that wage and withholding amounts are correct. They require that federal and state wages and withholding amounts be re-entered at the bottom of screen **W2** (Figure 5-5).

Wages and Withholding Verification
To ensure the accuracy of wages and withholding amounts, re-enter the amounts from boxes 1, 2, 16, and 17 of the client's W-2.

Federal		State1		State 2 (If applicable)	
1 Wages, tips	2 Federal tax w/h	16 ST wage	17 ST tax	16 ST wage	17 ST tax

Figure 5-5: Verification fields for federal and state wages and withholdings

If the verification amounts do not match the amounts entered in the equivalent boxes at the top of the **W2** screen, an EF message will be generated. Amounts must be corrected before the return can be e-filed.

Foreign Employers   To indicate a foreign employer on the **W2** screen, enter the city and country in the "city" field of the employer address, and then select **Foreign** from the **State** field (a dot appears in the field). Leave the ZIP code field blank. (See example in Figure 5-6.)

c	Employer's name, address, city, state, ZIP code
	PEPE LEPEU
*	
	2 RUE MOUFFETTE
	PARIS, FRANCE . ▼
*	In care of/address continuation
	Note: The employer's complete information is

Figure 5-6: Entering foreign employer information on **W2** screen

Screen code: FEC   If no W-2 was issued by a 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 118.

Statutory Employees   Because all statutory employees must file Schedule C for expenses related to W-2 income, both a **W2** screen and a **C** screen must be created for a statutory employee.

To indicate a statutory employee on a tax return:

Screen code: W2   **1.** On the **W2** screen for the employee, select **Stat employee** (line 13).

Screen code: C   **2.** On screen **C** for the employee, select **Statutory employee OR qualified joint venture rental real estate activity**.

Screen code: W2   **3.** On the **W2** screen for the employee, select the associated Schedule C from the **Special tax treatment** drop list at the top of the screen (Figure 5-7).

Figure 5-7: W-2 in this example is associated with the second (#2) Schedule C entered

The selected Schedule C will now indicate that the taxpayer was a statutory employee.

ITIN/SSN Mismatch on W-2

If the client has an Individual Taxpayer Identification Number (ITIN) on screen **1** and the SSN on the W-2 does not match that ITIN, enter the SSN from the W-2 in the **ITIN/SSN Override** field at the bottom of the **W2** screen. Press F1 from this field for more on e-filing returns with ITIN/SSN mismatches.

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.

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 > W2 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.
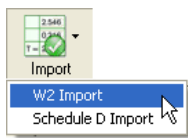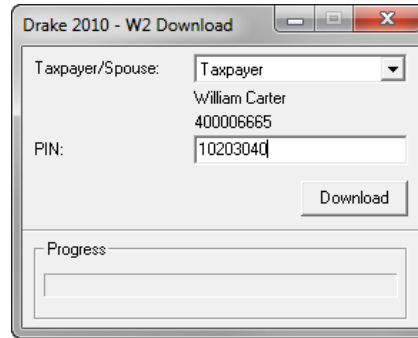
Figure 5-8: Name and SSN appear in **W-2 Download** dialog box

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 will now contain 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.

1099-MISC

Screen code: 99M   Use the **99M** screen to enter data from Form 1099-MISC. To associate the **99M** information with a specific line or form within the return, make a selection from the **For** drop list at the top of the **99M** screen. If associating it with one of multiple forms, enter a **Multi-Form Code**. (See "Associating One Screen with Another" on page 62 for more on using the **For** and **Multi-Form Code** features.)

NEW FOR 2010   The **99M** screen now has a check box to indicate that the Box 3 ("Other income") amount should be reported as income on Form 8615 ("Kiddie Tax").

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 106. To enter foreign earned income, see "Foreign Earned Income" on page 118.

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 directly on screen **3** (**Income**) (Figure 5-9).

Figure 5-9: Interest and dividend fields on screen **3**

The **Income** screen amounts are calculated 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 on Schedule B and calculated 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).

Figure 5-11: Schedule B Part III fields on **INT** screen

NOTE The **Foreign bank account** and **Foreign trust** items must be answered. Both are **Yes/No** questions. If either is left blank, a NOTES page will be generated.

State-specific Information

The **State-specific information** section has a drop list to designate Massachusetts, Oklahoma, or Tennessee for bank interest; a field for state identification numbers for Michigan, Minnesota, and New Hampshire returns; and choices for Illinois returns (Figure 5-12).

Figure 5-12: State-specific fields on **INT** screen

1099-OID

Enter interest from Form 1099-OID, Original Issue Discount, on either screen **3**, **Interest income** field (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

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. If data is entered in this section of the **DIV** or **INT** screen, Form 1116 is generated automatically.

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 to 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.)

Screen code: 1116   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).

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 to view the check box as it appears on the **DIV** screen.)

For more on Form 1116 in Drake, see "Passive Activity Credits" on page 127.

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 62.)

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 four options for *activity type* (item **G**) and shows where on Form 8582, Passive Activity Loss Limitations, the calculation flows, if applicable:

- Option A: Qualified Joint Venture—Active rental real estate (Form 8582, line 1, Rental Real Estate Activities With Active Participation)
- Option B: Other passive activity (Form 8582, line 3, All Other Passive Activities)
- Option C: Qualified Joint Venture—Rental activity by Real Estate Professional (does not flow to Form 8582)
- 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 **A** or **C**, as applicable, only if the activity is a qualified joint venture *and* is a rental real estate business. Select option **B** if the activity is a passive activity.

Rental Real Estate Income on Schedule C

Rental real estate income is not generally included in net earnings from self-employment subject to self-employment tax and is generally subject to the passive loss limitation rules.

Options **A** and **C** refer only to rental real estate income from a qualified joint venture. If you select option **B** and the income is rental real estate income from a joint qualified venture, you must mark the **Statutory employee OR qualified joint venture rental real estate activity** box on screen **C** to ensure that the program calculates the limits as required by tax law. (You can select this box after choosing option **A** or **C**, but it is not

necessary; the program automatically calculates the applicable limits for those selections.)

Business 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.
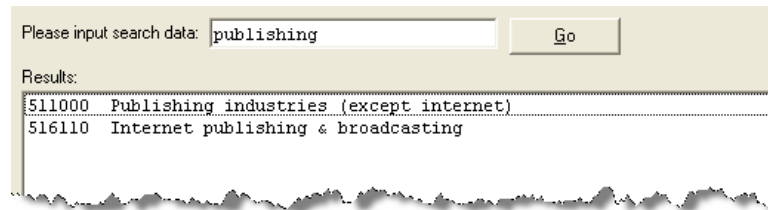
Figure 5-15: Example of a business-code search on screen **C**

Select the desired code and click **OK** or press ENTER.

Tax Treatment Codes

Screen **C** contains a **Special tax treatment code** drop list (Figure 5-16).
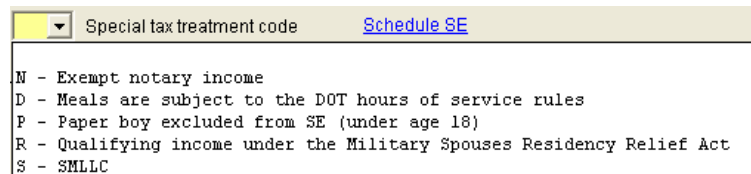
Figure 5-16: Special tax treatment code drop list on screen **C**

Car and Truck Expenses

Use the Auto Expense Worksheet (**AUTO** screen) to manage auto-related expenses for Schedule C. Note that the **Car and truck expenses** field on screen **C** is an adjustment field. Any number entered there is adjusted by calculations from the **AUTO** screen. For more information on the **AUTO** screen, see "Auto Expenses" on page 156.

Depreciation

Use the **Depreciation Detail** (**4562**) screen to enter depreciable assets for Schedule C. Note that the **Depreciation** field on screen **C** is an adjustment field, and that a number entered there is adjusted by calculations from the **4562** screen. For more on entering depreciation in Drake, see "Depreciation" on page 150.

Business Mileage

The standard business mileage deduction rate for 2010 is 50 cents per mile. Enter business miles driven on screen **C** under **Part IV - Vehicle Information**.

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 Schedule C-EZ** 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
D	Schedule D, Capital Gains
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
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 Gains, Losses, Carryovers

Screen codes
D, D2

Use screens **D** and **D2** to enter data for Schedule D, Capital Gains and Losses. These screens are available under the **Income** tab of the **Data Entry Menu**.

Screen D, Capital Gains & Losses

Use screen **D** for basic entries about short- and long-term capital gains and losses. Following are guidelines for data entry on screen D:

- **Description** — Although this field in Drake supports 32 characters, only the first 15 are e-filed. By default, the first 15 characters are displayed in black text on the screen; additional characters are displayed in red.
- **Date Acquired** — If a single date does not apply, type VARIOUS for multiple dates or INHERIT for an inheritance. If VARIOUS, the program treats the item as a long-term gain.
- **Date Sold** — If a single date does not apply, type BANKRUPT, WORTHLSS, or EXPIRED, as applicable.

> NOTE   If **Date Sold** is *BANKRUPT*, the return must be paper-filed. *VARIOUS* and *WORTHLSS* entered as dates are acceptable for e-filing.

- **Sales Price** — Enter the sale amount. If only the gain amount is available, enter the gain amount and leave **Cost or Basis** blank.
- **Cost or Basis** — Enter the cost or basis. If only the loss amount is available, enter the loss amount and leave **Sales Price** blank.
- **AMT Cost/Basis** — Enter the AMT cost or basis of the item here, but only if it is different from the regular tax cost or basis.
- **S/L** — From the dates entered, Drake determines if an item is long-term or short-term. If no specific dates, select **S** or **L** to force short-term or long-term.
- **Misc** — Select a code from the drop list. Check with your state for codes that are required for state purposes only.

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 Schedule D Import, you must have a worksheet containing the transaction data. This worksheet should be saved as a Microsoft Excel, TAB, or CSV file. Columns must match those on screen **D**, as shown in Figure 5-17.

	A	B	C	D	E	F	G	H	I	J	K	L
1	TSJ	F	State	City	Description	Acquired	Sold	Sales Price	Cost/Basis	AMT Cost/Basis	S/L	Misc
2												
3												

Figure 5-17: Screen **D** fields as columns in an Excel worksheet

Importing Saved Data

To import the information:

1. Open the client's file to the **Data Entry Menu** and click **Import > Schedule D Import** from the toolbar. The **Schedule D Import** instructions are displayed.
2. Click **Next** to open the **Schedule D Import** dialog box.
3. Click the button to the right of the **1. Import File Name** field.
4. Locate and select the file to be imported.
5. Click **Open**. The data path and file name should be displayed in the **1. Import File Name** field (Figure 5-18) and the transactions displayed in the **Schedule D Transaction Information** grid below it.
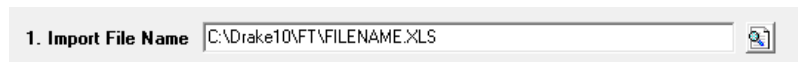
Figure 5-18: File name includes data path, file name, and file extension

6. 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 item **2**.
7. Click **Next**.
8. After verifying that the information is correct, click **Finish.**

Screen **D** is opened, listing all imported transactions. (If more than one screen **D** is required, an **Existing Forms List** is shown. Double-click a row to view the screen.)

Sales of Assets

To enter non-recaptured losses, use the **Part IV, Decline in Business Use** 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 154.)

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 the **4797**.

Installment Sales

The steps for entering an installment sale vary depending on whether the assets are entered on the **4562** screen. If the **4562** screen is *not* used, complete the **4797** screen for the sold asset and indicate with a "Y" that the sale is also reported on Form 6252. Next, take the steps in the following procedure, beginning 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. This causes the program to stop calculating depreciation.
2. Select **Property type** IN (for §1245) or IS (for §1250).

Screen code: 4797
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.

Screen code: 6252 **4.** Enter the line 31 amount 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**.

- **Part I (lines 1-15)** — Complete **Part I** for the year of sale only. **Part I** 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`.

- **Part II (line 19 and Receipt category section)** — Complete the **Part II** 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. To generate Part II of Form 6252, enter payments received in current and prior years in the **Receipt category** section, located on the right-hand side of screen **6252**.

- **Part III (Related Party Sale Income)** — Complete the **Part III** section 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 on screen **6252** (just above the "Part III" heading). 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).

> NOTE
>
> In rare cases, two 4797 forms are created in a return. If this happens, the return may not be eligible for e-file. *If recapture is necessary*, the two 4797 forms cannot be avoided, and the return must be paper-filed. *If there is no recapture*, delete the second 4797 form for the asset and recalculate the return.

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.)

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

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 under the **Reduced Maximum Exclusion** heading on 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 (1099-R, etc.)

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** link 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 5-19).

Figure 5-19: Adjustment fields for IRA and pension distributions (screen **3**)

NEW FOR
2010

Penalties for early distribution can now be calculated automatically. To have the penalty calculated for early distribution of the taxable portion of IRA distributions (line 15b) or pensions (line 16b) entered on this screen, mark the applicable check box.

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.

NOTE

If a 1099-R was not received 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 91.

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 5-20).

Figure 5-20: 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 the 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 5-21).

Figure 5-21: 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 5-22).

Figure 5-22: 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 5-22.

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 K1** section of the **Income** tab.
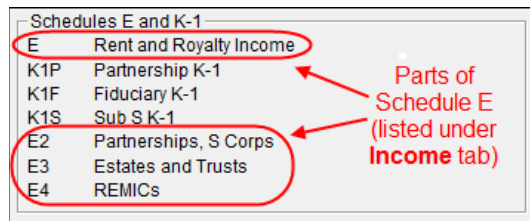
Figure 5-23: Screens for entering Schedule E data

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 Schedule E that has already been calculated and completed by hand.

General Property Information   Enter the kind of property (such as "brick duplex") and address at the top of screen **E**. List each dwelling for the Schedule E on a separate screen. To access a separate screen, press PAGE DOWN.

The following 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 109.
- **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 2010** — Mark this box if the property was sold or otherwise disposed of in the current tax year.
- **Property is an SMLLC** — Mark this box is 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 personal purposes.

Figure 5-24: Item **2** of screen **E**

When completing these fields (described in the following list), use whole numbers for percentages. For example, type 50 to indicate 50% usage.

- **If property is used ...** — Enter the percentage (if any) of personal use of the rental portion of the property. If the property was used for personal purposes during the current year for more than either 14 days or 10% of the total days it was rented to others at a fair market rate, enter the percentage of whichever is greater.
- **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," following).
- **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

NOTES

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.

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).

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).

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.

Rental of Personal Property   Enter income from 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**.

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.

NEW FOR
2010   For K-1 forms with a 2D barcode, you can now scan the K-1 information directly into the program. For more information, see "2D Barcode Scanning" on page 89.

Accessing K-1 Data Fields   Two screens are required for completing lines 1 through 20 of Schedule K-1. 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.

Click the applicable link to open the screen containing the fields to complete. In Figure 5-27, you would click **1065 K1 13-20** to complete lines 13 through 20.

Activity Types   The **K1**, **E**, and **4835** screens feature an **Activity Type** drop list for designating an activity as passive or non-passive. 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 5-2.

Table 5-2: Activity Type Selections, for **K1**, **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 **4835**.)
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 (not an option for **4835**)	Activity is not a passive activity. Because it is non-passive, the calculations from this screen do *not* flow to Form 8582. (This is an option on screens **K1** and **E** 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 **General partner** is selected on the **K1P** screen, self-employed 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), 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 program uses the federal K-1 amounts for both federal and state in calculations. If the state K-1 amounts differ from the federal, you can manually enter the state amounts in the **State** column of a **K1** screen (Figure 5-28).

Figure 5-28: Some of the **Federal** and **State** K-1 columns from screen **K1S**

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. (See Figure 5-29.)

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, it is necessary to enter all applicable state amounts, even if they are identical to the federal amounts entered on the previous screen.

6. Click the link for the next page of fields (see Figure 5-27) and continue entering state amounts.

7. (if applicable) Complete the **For State Use Only** fields.

To enter data for another state, return to the first "page" of the screen, press PAGE DOWN, and repeat Step 1 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 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 110).

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, as shown in the Figure 5-30 example.
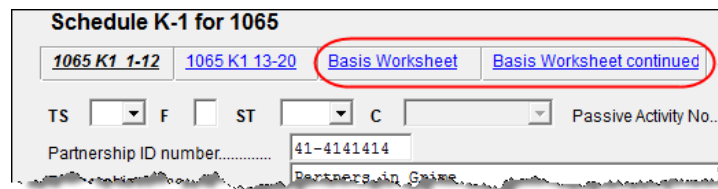
Figure 5-30: Tabs for basis worksheets on the **K1P** screen

NOTE   If you calculate a return with K-1 information but you 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 114) 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. Figure 5-31 shows the adjusted basis fields for a partnership.

Figure 5-31: 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 5-32). 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:

a. Taking the total losses and deductions allowed

b. Dividing them by the total losses and deductions to figure the loss allocation percentage

c. Multiplying the loss allocation percentage by each category of loss applicable to the return

Once these calculations are complete:

- The product flows to the **Allowed Losses and Deductions in Current Year** column of the adjusted basis worksheet (generated when the return is calculated).
- The difference between the total losses and deductions and the allowed losses and deductions flows to the **Disallowed Losses and Deductions in Current Year** column of the adjusted basis worksheet (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 5-32) and **Basis Worksheet continued** screens. The program automatically updates prior-year unallowed losses entered in the 2009 program.

Figure 5-32: 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.

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

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 Form 1065)
- 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 156.

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 program's 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 program's default position for *investments* (item **37b**) 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 (line **39a**/**5a**) 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 150.

Unemployment Compensation

Use screen **3** to enter full unemployment compensation for the current year. Enter prior-year amounts elsewhere in Drake, as shown in Table 5-3.

Table 5-3: Entering Unemployment Compensation in Drake

Unemployment Compensation	Where to Enter in Drake
Information from 1099-G	Screen: **99G** Fields: As applicable
Any prior-year amounts, repaid (See Pub. 17 for guidance)	Screen: **A** Field: **Other not subject to 2% limit**
Prior-year supplemental (employer-provided) amounts, repaid	Screen: **4** Field: **Repaid sub-pay previously reported** (Enter the repaid amount.)
Current year, total	Screen: **3** Field: **Unemployment compensation** (adjustment field; added to **99G** amount)
Current year, repaid	Screen: **3** Field: **Portion of above unemployment repaid in 2010**
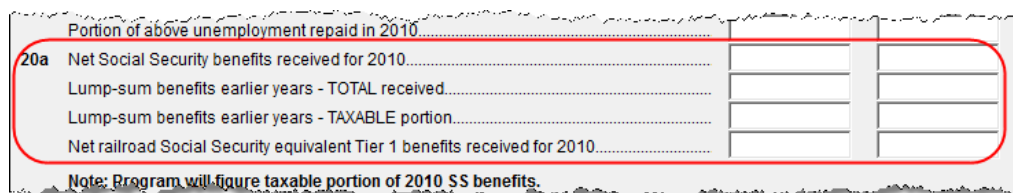
Note that the **Unemployment compensation** field on screen **3** is an adjustment field. Any amount entered in this field is added to the amounts from the **99G** screen and carried to the "Unemployment compensation" line of Form 1040. Do not duplicate the **99G** entries on screen **3**.

Social Security and Railroad Benefits

Screen codes: **SSA, RRP**

Use the **SSA** screen, also accessible as the **RRP** screen, to enter data from Form SSA-1099 or Form RRB-1099. If this form was not distributed, use screen **3** to enter the following Social Security (or equivalent) benefit amounts (see Figure 5-33):

- 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

Figure 5-33: 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.

Screen code: RRB

To enter data from the federal RRB-1099R form, use the **RRB** screen. This screen reflects the federal form.

Other Income

To report taxable income that is not reported elsewhere on the return, you can use the **Other income** fields on screen **3**. Amounts entered here are produced on line 21 of Form 1040, and descriptions are listed in a statement.

NEW FOR

2010

If a line 21 item is investment income that should be reported on Form 8615 ("Kiddie Tax"), mark the **Form 8615 Investment Income** box to the right of the item description.

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 &   Enter distributions from Medical Savings Accounts (MSAs) on the **8853** screen (Form
Health   8853, Archer MSAs and Long-Term Care Insurance Contracts). Enter distributions
Savings   from Health Savings Accounts (HSAs) on the **8889** screen (Form 8889, Health Sav-
Accounts   ings 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 or 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 on 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 5-4.

Table 5-4: Cancellation of Debt

"For" Field Item	Where Flows on Tax Return
1040	Form 1040, "Other income" line
C	Schedule C, "Other income" line
E	Schedule E, "Rents received" line
F	Schedule F, "Other income" 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 90). 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 5-34).

Figure 5-34: 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 and WK_CLGY2) when the return is generated. See "Ministerial Income Allocation" on page 123 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 62 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 under 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 5-5 lists screens in Drake for entering adjustments to self-employment income.

Table 5-5: Self-Employment Adjustment Screens

Screen	Purpose
SE (Self-Employment Adjustment)	Schedule SE
SEHI (SE Health Insurance)	Self Employed Health Insurance Deduction
4 (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 **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 a **Force Schedule SE** box in the bottom section of the **SE** screen.

Figure 5-35: Override SE printing for taxpayer (left box) or spouse (right box).

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 119 and "Ministerial Income Allocation" on page 123.)

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 Deduction. To have the program calculate the maximum SEP contribution, enter the plan contribution rate as a decimal 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** fields on screen **4**.

Penalties

This section covers penalties on withdrawals. Penalties on estimated taxes are covered in "Estimated Tax Penalty" on page 138.

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 105.

Alimony Paid

Enter details about alimony paid in the **Alimony** fields on screen **4**.

IRA Adjustments

To enter IRA adjustments, see "Retirement Income (1099-R, etc.)" on page 103.

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 for the *taxpayer or spouse*. (To enter a *dependent's* information, use the **Education Expense Information** section of screen **2**.)

> NOTE   If a dependent does not qualify for an education credit, the software does not apply this information when calculating the federal return.

Multiple States   If education credits are to be filed with one state and tuition and fees deductions with another, select the applicable states from the drop lists in each section of the screen.

Selecting a Credit Type   When entering education expenses, complete either the **American Opportunity Credit** or the **Lifetime Learning Credit** field, as applicable.

Form 1098-T   Enter amounts from Form 1098-T, Tuition Payments Statement, on the **8863/8917** screen. Use screen **3** to enter the amount received from any taxable scholarship that was not reported on a W-2 or 1098-T.

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 5-6. These screens are all available from the **Adjustments** tab.

Table 5-6: Other Adjustment Screens Available from **Adjustments** Tab

Screen	Form or Worksheet	Notes
CLGY	Ministerial Income Allocation	See "Ministerial Income Allocation," following.
8082	Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request	
MFS	Community Property Allocation	Use for MFS in a community property state
8873	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 with the amount of **Actual expenses for utilities**. 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 with the amount of **Actual expenses for utilities**.

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 5-36).

☐ Force itemized
☐ Force standard
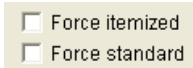
Figure 5-36: Boxes at the top of screen **A**

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 in the **Interest You Paid** section of 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 > Forms & 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 5-37.)

Figure 5-37: 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 94.

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 (indicating the line of the form) and stating how the foreign currency was converted into U.S. dollars. For information on adding unformatted statements in Drake, see "Unformatted Schedules" on page 170.

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.

> **NOTE**   Enter *dependent care* information on screen **2**, **Dependents**. Enter *provider* information on the **2441** screen.

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 he or she can enter an amount of $250 (1 child) or $500 (2 or more children) for each month they were a student or disabled. This information is entered on the **2441** screen in the **Earned income for 2441 purposes ONLY** field (Figure 5-38).

Figure 5-38: 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), **6** (Taxpayer did not live with spouse even one day of the year), or **7** (Taxpayer did not live with spouse the last six months of the year) on screen **1** is not eligible for the childcare 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 170.

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.

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. This enhancement streamlines data entry and increases 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 5-39), accessible from the first **Credits** tab.

Figure 5-39: PACR screen

2. 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 62.)

3. Select a credit form from the **Form** drop list.

4. 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, lines 5 and/or lines 29a–29g of Form 3800, and the corresponding worksheets.

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 5-40 shows an example from Worksheet 3 for lines 3a and 3b.

Figure 5-40: 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 141.

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.

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When this credit can apply, Form 8880 is produced 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 5-7 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 5-7: Other Credits Calculated in Drake

Screen	Form and Credit
4136	Form 4136, Credit for Federal Tax Paid on Fuels
3468	Form 3468, Investment Credit
3800	Form 3800, General Business Credit
5884	Form 5884, Work Opportunity Credit Form 5884-A, Credits for Affected Midwestern Disaster Area Employers
6478	Form 6478, Credit for Alcohol Used as Fuel
6765	Form 6765, Credit for Increasing Research Activities
8396	Form 8396, Mortgage Interest Credit
8586	Form 8586, Low-Income Housing 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
8859	Form 8859, D.C. First-Time Homebuyer Credit (This credit expired in 2009. The **8859** 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
8880	Form 8880, Retirement Savings 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

Table 5-7: Other Credits Calculated in Drake

Screen	Form and 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
8930	Form 8930, Qualified Disaster Recovery Assistance Retirement Plan Distributions and Repayments
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.

New in 2010, the program 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 **Education Accounts** section of screen **5329** (Figure 5-41).

Figure 5-41: New **Education Accounts** 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 5-8 shows which fields are required in order to ensure correct calculations.

Table 5-8: 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 - 2010	Adjusted qualified education expenses - 2010
Gross distribution from Coverdell ESA	Gross distribution from QTP
Basis in Coverdell ESA as of 12/31/2009	Portion of QTP distribution that is earnings
Education account type	Education account type
2010 contributions for this ESA	
Value of Coverdell ESA on last day of 2010 (entered at top of screen **5329**)	

Along with the automatic calculation, the program produces the worksheet QTP_ESA, which shows how the taxable amount was calculated.

NOTE   The program calculates the penalty (line 8 of Form 5329) just as it has in the past. The new calculation includes any amount that is income from a Coverdell ESA or QTP.

Advance EIC Payments

Enter advance EIC payments from Form W-2 in Box **9** of the **W2** screen. This amount flows to the "Advance EIC payments" line of Form 1040.

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 5-9: 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

*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 2010, go to screen **5** and enter the amount in the **COBRA premium assistance received in 2010** 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 5-42).
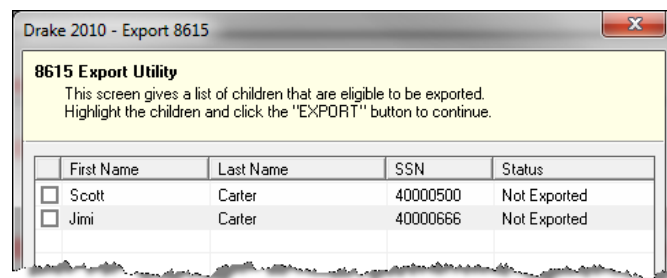
Figure 5-42: Dependents entered on return

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 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 5-43 example.

Figure 5-43: 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 2010
- Estimated payments for 2011
- Estimated tax adjustments
- Application of 2010 overpayments to 2011
- Underpayment of estimated tax

Estimated Taxes Paid in 2010

Use the **ES** screen to enter, by quarter, the 2009 overpayment and the estimated taxes paid in 2010. 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 5-44: Entering estimated taxes paid in 2010

Estimated Payments for 2011

Estimated payments for 2011 are shown on the payment vouchers in View mode.
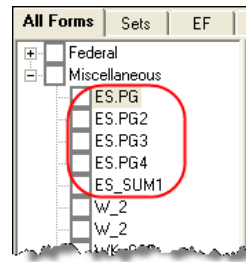
Figure 5-45: ES vouchers as they appear in the View/Print directory

NOTES   Make estimated tax payments by debit card or credit card using the Drake e-Payment Center at *www.1040paytax.com* (MasterCard®, Visa®, or Discover®).

E-mail reminders can also be set up for the taxpayer on this website.

Printing Estimate Vouchers   Drake calculates the balance due and generates payment vouchers (Form 1040-V), but it does not generate *estimate* vouchers 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 5-46)

Figure 5-46: Estimated Tax (ES) code overrides on screen **1**

Note in Figure 5-46 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 5-10.

Table 5-10: Estimate Codes in Drake

ES Code	Description
(blank)	Does not generate estimate vouchers
P	Generates estimate vouchers with no dollar amounts
X	Generates estimate vouchers with payments rounded to nearest $5
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 5-47).

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 2010 Overpayment to 2011

To apply part of a 2010 overpayment to the 2011 estimate, enter the total overpayment to apply to all estimates (item 1 in Figure 5-47) on the **ES** screen. The program applies the overpayment according to the overpayment (OP) code selected (item 2; see "OP Codes," following). To override the OP code selection, enter amounts to be applied into the **Overpayment** fields for each voucher (item 3).

Figure 5-47: Entering overpayment amounts

OP Codes   If applying an overpayment to the 2011 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 5-46).

> NOTE   If a code is selected on both the **ES** screen and screen **1**, the program uses the override code from screen **1**.
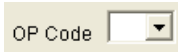
Overpayment codes are described in Table 5-11. Code descriptions can also be viewed clicking in an overpayment code field and pressing F1.

Table 5-11: Overpayment Codes in Drake

OP Code	Description
(blank)	Does not apply overpayment to 2011; 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 2011 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 but does not generate Form 2210 unless 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 disabled for all returns in Options Setup, or it can be changed for a single return in the **2210 Options** section of screen **1** (Figure 5-48).
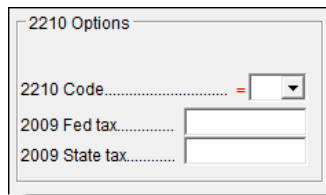
Figure 5-48: 2210 Options section of screen **1**

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 5-12: 2210 Codes in Drake

2210 Code	Program Action
(blank)	Uses the default setting in **Setup > Options** > **Form & Schedule Options** tab.
X	Calculates the estimated penalty; produces Form 2210 if necessary. (Because this is the default setting, you should select **X** only if the default setting has been globally disabled in **Setup > Options**.)
P	Calculates the estimated penalty; produces Form 2210 even if not required.
F	Calculates the estimated penalty; produces Form 2210F if necessary. (Because this is the default setting, you should select **F** only if the default setting has been globally disabled in **Setup > Options**.)
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.)

NOTE   The program does not produce Form 2210 if the return is not e-fileable.

Prior-Year   If a return is updated from the previous year, the program displays the prior-year tax
Tax   by default in the **Fed tax** and **State tax** fields of screen **1** (Figure 5-48 on page 137). 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 165.

Making Work Pay (Schedule M)

In 2009, the IRS introduced Schedule M, Making Work Pay Credit. Use screen **M** to enter Schedule M data for both the taxpayer and spouse. For further guidance, see the field-level help in Drake, or refer to the IRS instructions.

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)

In addition, the **EIC Due Diligence** screens provide supplemental questions to help ensure a comprehensive interview with each taxpayer. While the IRS does not require answers to these supplemental questions, 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 5-49 example.

Figure 5-49: 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 (see Figure 5-49). Questions 10, 11, and 13 can be left blank if this box is selected.

EIC Preparer Checklist

IRS due diligence rules require that the preparer 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 **EIC** screen.

NOTE
The **EIC** 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 **EIC** 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 5-13, these screens contain interview questions and fields that must be completed (if required by selections made in Setup) regarding EIC.

Table 5-13: EIC Due Diligence Screens

Screen Code	Screen Name	Description
EIC1	EIC Due Diligence - Qualifying Child	Screen contains questions pertaining to the age, relationship, and residency tests for up to three qualifying children.
EIC2	EIC Due Diligence - Income	Screen contains questions concerning the taxpayer's reported earned income (including income earned from a legitimate business).
EIC3	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.
EIC4	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 (**EIC** screen). In Options Setup (**Administrative Options** tab), you can select the option to require that the screens be filled out. You can also select to view (or not view) these forms in View mode. See "Options Setup" on page 21.

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 either of the **EIC Blocker** fields in Drake. EIC blocker fields are located on screens **EIC** and **5**.

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 141.

Other Payments

Use the following screens to enter other payments from credits.

Table 5-14: Other Payments from Credits

Screen	Name of Form
2439	Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains
4136	Form 4136, Credit for Federal Tax Paid on Fuels
8801	Form 8801, Credit for Prior Year Minimum Tax - Individuals, Estates, and Trusts
8885	Form 8885, Health Coverage Tax Credit

These amounts flow to the "Payments from:" line of Form 1040.

NOTE   Use the **Other payments** field on screen **5** to force an amount to flow to the "Payments from" line of Form 1040. Be aware that no documentation justifying the forced amount is included with the return by default.

First-Time Homebuyer Credit

Screen code: 5405   The Housing and Economic Recovery Act of 2008 gave certain first-time homebuyers a temporary refundable tax credit. This credit was extended for homebuyers who entered into a binding contract before May 1, 2010, to purchase the home before July 1, 2010, and who closed on their home by September 30, 2010. Use the **5405** screen, accessible from the **Credits** tab, to enter data for Parts I and II of Form 5405, First-Time Homebuyer Credit. Use the **HOME** screen to complete Parts III and IV; see "Basis of Primary Residence" on page 102.

Due Diligence for First-Time Homebuyer Credit

Your office can require that a due-diligence screen be completed for taxpayers who claim the First-Time Homebuyer Credit. To apply this requirement, a user with administrative rights must go to the **Administrative Options** tab in Options Setup and select **Require applicable due diligence screens to be completed** (located under the **Due Diligence** section). If this requirement is set and the due diligence screen is not completed on an applicable return, the program generates an EF message upon calculation, and the return cannot be e-filed until the screen is completed.

NOTE   Also from **Setup > Options > Administrative Options** tab, an administrator can set the global option to print all EIC and Form 5405 due-diligence documents.

Screen code:
HBDD   To access due-diligence questions for the First-Time Homebuyer Credit, go to screen **HBDD**. You can access this screen from first **Credits** tab or by pressing PAGE DOWN from screen **5405**.

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.

> **NEW FOR 2010**
>
> 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.

> **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 223.

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 5-50) or an EF message is generated and the return cannot be e-filed.

Figure 5-50: 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 5-51). The default selection is **Yes**.

Figure 5-51: 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 5-52). An amount entered here overrides the calculated refund amount.

Figure 5-52: 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 5-52) is inactive by default.

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 5-53: 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 5-53). To have the refunds from all eligible state returns deposited into one account, select **A** from the **State/city selection** drop list.

GA, ME Refunds
Georgia and Maine have unique requirements for direct deposit. Note the fields at the bottom of the **DD** screen if e-filing a return for one of these states.

Foreign Accounts
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").

NEW FOR

2010

Integrated File and Pay (IFP) is now available for taxpayers who wish to pay a balance due by credit card upon acceptance of the tax return.

Pay Balance Due with Credit or Debit Card

Drake offers two options for paying a balance due with a credit or debit card (Master-Card, Visa, American Express, or Discover):

- **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*, to pay a balance due by debit or credit card after the return has been filed.

Using the EPAY Screen   New in 2010, the **EPAY** screen (accessible from the **Miscellaneous** tab) is used to pay a balance due with IFP. This screen should be used after the return is completed but before it is e-filed.

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**.

Screen codes: EPAY or IFP   On the **EPAY** screen, indicate the form being e-filed (**1040** or **4868** extension), 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 to 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** section 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, 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 5-54.) If the return is e-filed on or before April 18, the requested payment date cannot be later than April 18. If the return is transmitted after April 18, the requested payment date cannot be later than the current date.

Required Information

A **Withdrawal selection** (item 1 in Figure 5-54) is required if the program is to direct tax authorities to electronically withdraw funds from the taxpayer's account.

Figure 5-54: 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 5-54).

Finally, the **PMT** screen must indicate the return to which the payment data applies (item 3 in Figure 5-54). Mark the box of the applicable return type.

Withdrawal from Multiple Accounts

All states require that only one account be designated for direct debit of funds. 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** section of the **PMT** screen. (To have a balance due from another state withdrawn from a third account, complete **Account #3**.)

NOTE

Neither the federal nor the state balance due can be paid from more than one account.

Direct Debit of Estimates

To indicate direct debit of estimates only, select **Estimates Only** from the **Federal selection** drop list. By default, the estimate payment amounts and dates (see Figure 5-54) 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 5-15, along with descriptions of how the options affect the "Third Party Designee" section on page 2 of Form 1040.

Table 5-15: 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 **PREP** screen; see "For a Single Return (Override)" below.)
Preparer (1-9)*	Designated preparer (for preparer numbers, see list in **Preparer Setup**); "Yes" box is marked.
Return Preparer*	Preparer who prepared the return; "Yes" box is marked.
ERO*	Preparer indicated at **Setup > Options > EF** tab as **ERO SSN Indicator**; "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.

Figure 5-55: 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 47.

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 5-55.)

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 fields 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 on the **EF** tab under **Setup > Options**) 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** 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 information on 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 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.

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 170.)

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.

NEW FOR
2010
Under the provision of the Small Business Jobs Act of 2010, taxpayers may now elect to expense, under section 179, up to $250,000 of the cost of qualifying real property placed in service during the taxable year. See "Indicating Sec. 179 Expensing" on page 152 for more information on how to make this election in Drake.

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   Screen **4562** is used to create depreciation or amortization schedules for Schedules A,
Schedules   C, E, and F, and Forms 2106, 4835, and 8829.

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 156. To associate a depreciable asset with another screen in Drake, see "Associating One Screen with Another" on page 62.

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.

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. To ensure the accuracy of future calculations, it is important to complete each **4562** screen correctly the first year an asset is entered.

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 57.

Required Fields

Required fields on the **4562** screen are described in Table 5-16.

Table 5-16: Required Fields on **4562** screen

Field	Description
For	Used for associating an asset with a form or schedule; see "Associating One Screen with Another" on page 62.
Description	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.
Date Acquired	Date the asset was placed in service
Cost/Basis	Depreciable basis of the asset (press F1 for further details)
Method	Depreciation method
Life	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" on page 151 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 prior depreciation amount in this 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**) 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).

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.

Qualified Real Property

Under the provision of the Small Business Jobs Act of 2010, taxpayers may elect, under section 179, to expense up to $250,000 of the cost of qualifying real property (QRP) placed in service during the taxable year, rather than recovering that cost through depreciation deductions. This law is in effect for tax years 2010 and 2011 and applies to the following types property:

- Qualified leasehold improvement property
- Qualified restaurant property
- Qualified retail improvement property

To expense QRP under section 179:

1. Open screen **4562** and complete the **For**, **Description**, **Date Acquired**, **Cost/ Basis**, **Method**, and **Life** fields for the property. (See Table 5-16, "Required Fields on 4562 screen").

2. In the **179 expense elected this year** field, enter the amount being elected (maximum allowed is $250,000).

3. From the **Type** drop list of the **Qualified Real Property** section (located in the lower-right corner of the **4562** screen), select the property type.

When the return is calculated, the program expenses the amount entered under section 179 and depreciates any remaining cost using the method selected from the **Method** drop list on screen **4562**.

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 5-56). An amount in this field overrides system calculations.

Figure 5-56: 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 151.)

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 5-56) will be updated based on system calculations.

If the taxpayer expenses assets using section 179, the program produces a WK_I179L worksheet, "Section 179 Business Income Limit," with the return.

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** and **Department number** fields on the **4562** screen are for tracking purposes in the Fixed Asset Manager (see "Fixed Asset Manager" on page 298) and can be used in reports.

Land Cost

The **Land cost** field on the **4562** screen is for the cost/basis of the land. The 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 in the **Land cost** field and $90,000 in the asset **Cost/Basis** field 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 **State**, **Asset Type**, **ITC Code**, and **State basis (if different)** fields, 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 and PA   State-specific fields for Florida 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 2010 **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 5-57.)

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 5-57).

Figure 5-57: 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 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 100.

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 2010. 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 159.

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.

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 62 for more on using the **For** and **Multi-form code** boxes in Drake.

Prior-Year(s) Mileage

The **Prior Year(s) Mileage** field (Figure 5-58) allows 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.

Figure 5-58: Prior Year(s) Mileage fields

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 2016, 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 62.)

NEW FOR
2010

Fields that apply to day care facilities are now grouped under the **Day Care Facilities Only** heading on the **8829** screen.

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 5-17.

Table 5-17: 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 *second* 2106)	2
Spouse (and the primary taxpayer does *not* have a 2106)	1
Spouse (and the primary taxpayer *does* have a 2106)	2
Spouse (and the taxpayer has *two* 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 5-18:

Table 5-18: Screen **4562** Fields to Complete for First-Year 8829

Screen	8829 Information or Text to be Entered
For	Select **8829**.
Multi-form code	Enter the instance of Form 8829 to be associated with this **4562** screen. (See "Associating One Screen with Another" on page 62.)
Description	Enter a description of the asset.
Date Acquired	Enter the date the home was placed in service.
Cost/Basis	Enter the smaller amount—the cost/basis or the fair market value. (This amount would normally be entered in Part III of the **8829** screen.) Do not include the cost of the land.
Business % Use	Leave this field blank; default is 100%.
Method (Federal column)	Select **SL - Straight Line**.

Table 5-18: Screen **4562** Fields to Complete for First-Year 8829

Screen	8829 Information or Text to be Entered
Life (Federal column)	Enter the number 39.
Land cost	Enter the cost of the land only. This amount should not be included in **Cost/Basis** above. (This amount would normally be entered in Part III of the **8829** screen.)
Main Home for 8829	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 5-59). This field can also be used to amend the current-year amount or to adjust carryback amounts calculated from the **LOSS** screen.

Figure 5-59: 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 three columns shown in Figure 5-60.

Figure 5-60: LOSS screen columns for NOL carryback/carryforward

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 EF_NOTE stating that the taxpayer is electing under Section 172(b)(3) to relinquish the entire carryback period.

Figuring AMT NOL

Use 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 the View mode directory tree. (For more on unformatted schedules, see "Unformatted Schedules" on page 170.)

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 148 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 DDM if you archive the return. (See "Archive Manager" on page 187.)

To create an amended return in Drake:

1. Open the return to be amended.

Screen code: X   **2.** From the **Other Forms** tab, click **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.

The **1040X** screen was redesigned for 2010 and now 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.

Attach a copy of the original return to the printed 1040X before mailing the amended return to the IRS.

Extensions

To apply for an extension using Drake:

1. Open the return for which an extension application is being filed.

Screen code: EXT   **2.** From the **Other Forms** tab, click **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 5-19.

Table 5-19: 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, click the **Screen Help** button in the title bar of the 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 198.

Non-Resident 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.
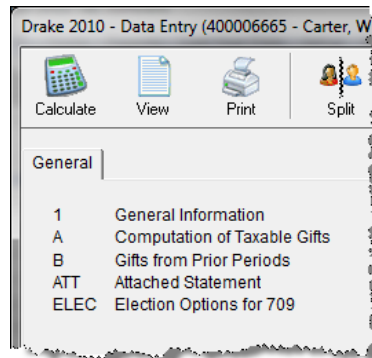
Figure 5-61: Menu for Form 709, Gift Tax

Click an item to open it, or type its code into the selector field and press ENTER.

> **NOTES**
>
> Form 709 has changed significantly from 2009, as it does not include the Generation-Skipping Transfer Tax for 2010. (Parts II and III of Schedule A, and all of Schedule C, do not apply for 2010.) The software has been updated accordingly.
>
> 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   If a six-month extension is being requested for a 1040 and a 709 return, no separate extension request is required. Form 4868 covers extension requests for both returns. For more information, see "Extensions" on page 161.

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 5-20 lists additional screens for application and request forms.

Table 5-20: 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 **SCH** screen for required attachments; select the appropriate code on that screen.
1045	Form 1045, Application for Tentative Refund	Press PAGE DOWN to access the **NOL** screen. This form is not e-filable. See "Net Operating Losses" on page 158 for more on the **NOL** 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 **Tools > Blank Forms**) 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 **SCH** 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 **PIN** screen.
W7	Form W-7, Application for IRS Individual Tax-payer Identification Number (ITIN)	This form is not e-filable.

Statements and Claims

Table 5-21 lists additional screens for statement and claim forms.

Table 5-21: 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 **C** is selected in Part I of the screen, or if box **2a** 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 **8275-R** 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 5-21: 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 **8862**.

> 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 under **Combat Zone**. Press F1 for more information.

Other Forms

Table 5-22 lists screens for other forms available under the **Other Forms** tab.

Table 5-22: 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 **PIN** 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.
8828	Form 8828, Recapture of Federal Mortgage Subsidy	
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

Form 90-22.1 consists of four sections:

- Section 1, "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.
- Section 2, "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 5-62.

Figure 5-62: Select one box to indicate the nature of the account

- Section 3, "For Part III only" — This section must be completed only if **Owned Jointly (III)** was selected. (See Figure 5-62.)
- Section 4, "For Part IV, V only" — This section must be completed only if item **IV** or **V** was selected. (See Figure 5-62.)

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 5-62), 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

Due to enhancements made to the program in the spring of 2008, Drake now 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 5-63).
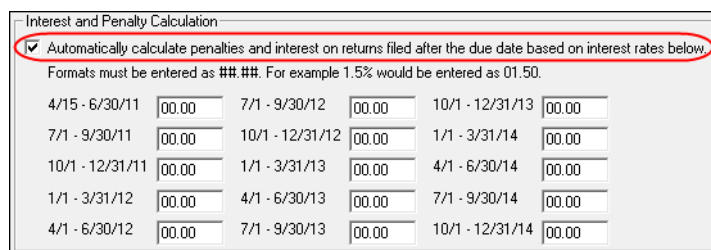
Figure 5-63: Interest and Penalty Calculation section
(**Setup > Options > Optional Items on Return**)

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 5-63 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 5-64).
3. Complete the **Date return was filed** text box (Figure 5-64). If this field is blank, the program uses the **Date balance paid** entry from the **2210** screen by default.

Figure 5-64: 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 result letter for the return. To override this default, go to the **LATE** screen and mark the **Do not carry P&I** box (Figure 5-64).
- **Suppressing calculation "on the fly"** — If the option to calculate penalties and interest for all late returns is selected in **Setup > Options** and you want to suppress the calculation for a single return, mark the **Suppress** box at the top of the **LATE** screen (Figure 5-64) 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, 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 in **Setup > Options**.

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 2010, for example, interest rates will

be updated for 2010 and 2011. After 2011, quarterly rates must be manually entered in the 2010 program for late returns for tax year 2010.

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 (Figure 5-65). 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).

Figure 5-65: Enter available rates for each applicable quarter
(**Setup > Options > Optional Items on Return** tab).

3. Click **OK** to exit the screen and save the settings.

NOTES

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.

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**; 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 a 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 compare and review information more effectively, include all required details on a return, and track a return's progress.

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 5-66).

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 5-66), 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 5-66: 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 29.

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. The screen includes fields for names, dates, and any screen or form to which the note refers (Figure 5-67).

Figure 5-67: 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.

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 5-67) 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.

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**.

Notes to be Updated

Notes in the top section of the **NOTE** screen apply for the current year only. To have notes included in subsequent updates, use the **Miscellaneous Notes** box at the bottom of the screen.

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.

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 is a tool for adding statements and explanations not supported elsewhere in the return. Some (not all) unformatted schedules can be e-filed. **SCH** screen amounts do not flow to any other form or schedule.

NEW FOR 2010   If a statement is required, select the required attachment information (title and statement number) from the **Type of attachment/statement number and title** drop list on the **SCH** screen. Statements are listed in order by numeric code. For optional attachments, use the **Title** and **Statement number** fields below the explanation pane.

The **SCH** screen is accessible from the **Miscellaneous** tab or via links from other screens where an attached statement is required.

Types of Attachments   If the **Type of attachment** field of any **SCH** screen is blank, the text is attached to the return as a statement. **Type of attachment** options are shown in Table 5-23.

Table 5-23: 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	STATMENT

Title   A title is required for each unformatted statement to be attached to the return.

Statement Number   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 5-68).
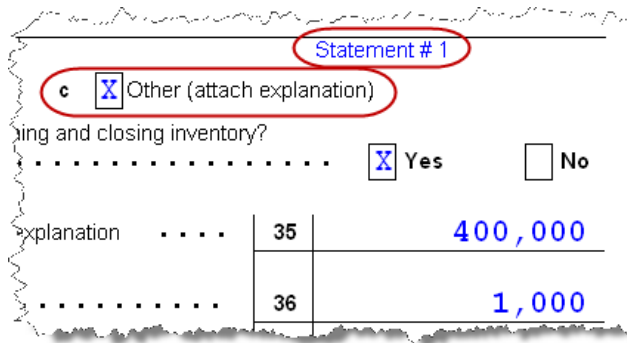
Figure 5-68: The attached explanation (see item c) is Statement #1.

Even if you have not created a required statement yet, the program prints a reference to the statement. For example, in Figure 5-68, the "Statement #1" label is triggered by marking **Other** for item c (on screen **C**)—not by creating the statement on the **SCH** screen. View a created statement by clicking the "STATMENT" label in View mode.

Return Tracking

Screen code:
TRAC

Changes to the **Return Tracking (TRAC)** screen make it even easier to track the work done on each return. At a glance, you can see who did the work, who reviewed it, and how much time was spent on the return. You can also review e-filing and bank product information.

NEW FOR

2010

Reports can now be generated from the **TRAC** screen. For more information, see "TRAC Screen Reports" on page 172.

Use the **TRAC** screen to track the data shown in Table 5-24:

Table 5-24: TRAC Screen Information

Type of Information	Description
Fee and Payments	Amounts are updated from prior year.
First came in, interview	Used in timed billing. (optional feature)
Preparer Contribution	Used to track which preparers made contributions to the return. (preparer entry)
Reviewer Contribution	Used to track which preparers reviewed the return. (preparer entry)
Approved, Copy/assemble, Client contact, Client pickup, Date promised. Date completed	Used to track the various stages of return completion. (preparer entry)

Table 5-24: TRAC Screen Information

Type of Information	Description
Prior-year bank product data	Dates and amounts are retained from prior year; fields are completed automatically.
Software stats for the return (admin. users only)	These fields are completed automatically
EF transmission data (admin. users only)	These fields are completed automatically
Current-year bank product data	Number and amount of check are completed automatically; preparer must enter the date the check is picked up.
Bank code (admin. users only)	This field is completed automatically.

Note that some **TRAC** 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 the **TRAC** screen can be incorporated into Report Manager and Client Status Manager (CSM) reports.

TRAC Screen Reports

Two reports can now be generated directly from the **TRAC** screen:

- **Return Preparation Data** — Consists of information entered by preparers in the **Return Preparation Data** section of the **TRAC** screen
- **ADMIN ONLY Return Data** — Consists of information generated by the software and displayed in the **ADMIN ONLY** side of the **TRAC** screen. (The **ADMIN ONLY** fields can be viewed only by users with administrative rights.)

To generate a report, go to the **TRAC** screen and mark the applicable check box:

- The **Generate Return Preparation Data Report** box is located in the **Return Preparation Data** section of the **TRAC** screen.
- The **Generate ADMIN ONLY Return Data Report** box in the **ADMIN ONLY** section of the **TRAC** screen.

TRAC 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** (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 the **STAX** screen is available by clicking F1 in the individual fields.

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
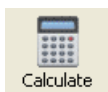
To calculate a return from data entry, click **Calculate**. By default, results are displayed in the **Calculation Results** window. (See Figure 6-2 on page 174.)

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 up to the last nine returns calculated. Each return is indicated by a function ("F") key.
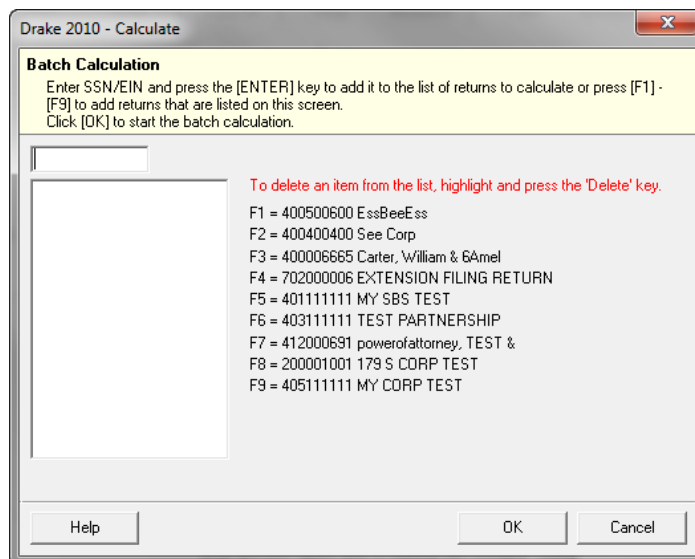
Figure 6-1: Batch Calculation dialog box

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 the results of a return from data entry, the **Calculation Results** window is displayed by default. The **Calculation Results** window consists of a **Summary** tab and a **Details** tab. (See Figure 6-2.)

NOTE   The "pause" option in Setup Options must be selected for the calculation results to be displayed. For more information, see Table 2-6 on page 23.

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**. Also displayed are the DCN and the specific return results (such as refund and balance due).
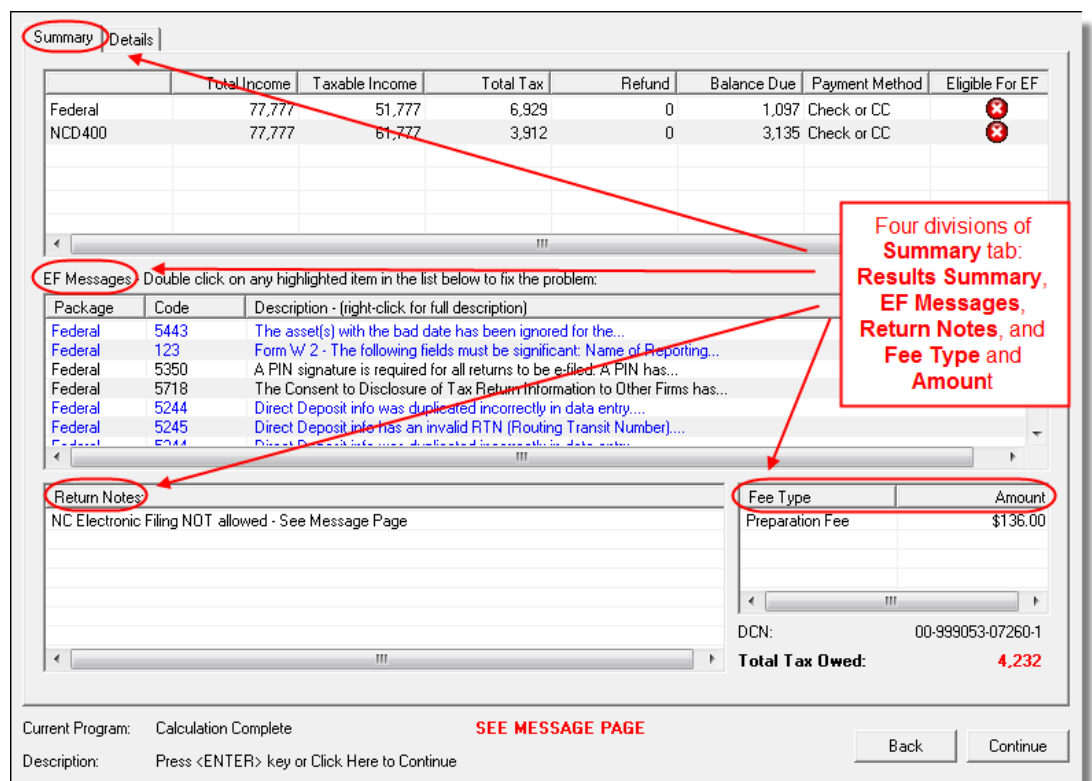
Figure 6-2: Calculation Results window

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).
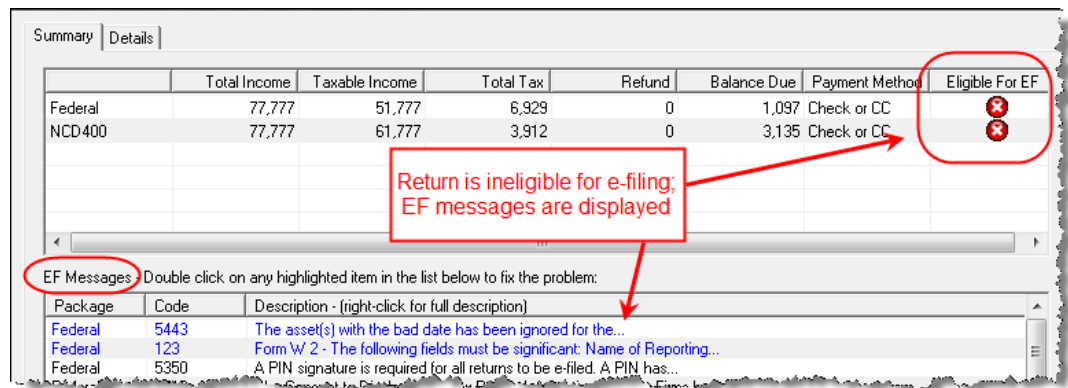
Figure 6-3: Return in this example is ineligible for e-file.

EF Messages The **EF Messages** section lists e-filing 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 link**s — 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 191.

Return Notes The **Return Notes** section (see Figure 6-2) displays informational notes about the return. These 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) 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 option must be selected from **Setup > Options**, **Calculation & View/Print**.) Fee breakdowns appear on the RAL_INFO 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).

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 a data entry screen, click **View** or **Print**. 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. Select one or more returns by clicking the box next to each return.

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 7; see also Table 6-1 on page 177.)
- A *viewing tool* allows zooming and scrolling. (See item 2 in Figure 7.)
- *Category tabs* group documents within a return; select a tab to view all documents within a category. (See item 3 in Figure 7.)
- A *tree view* showing all documents in a return can be expanded or collapsed. (See item 4 in Figure 7.)
- A *viewing panel* displays the selected document. (See item 5 in Figure 7.)
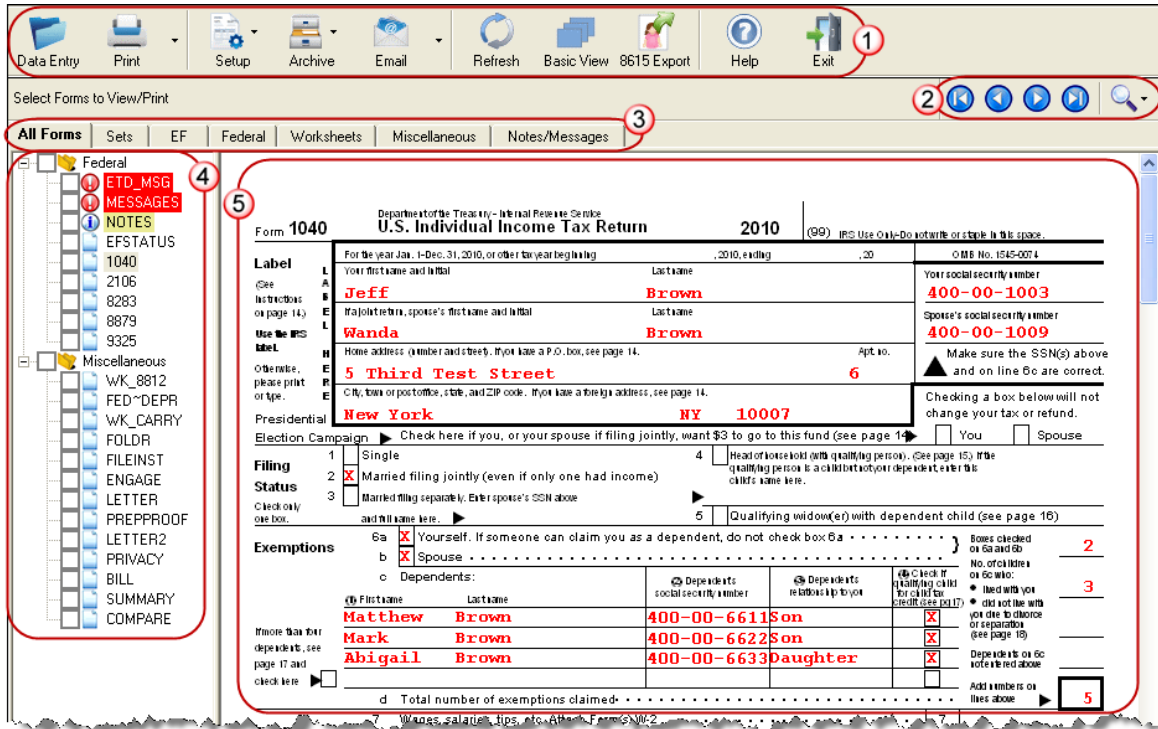
Figure 7: Enhanced Mode

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 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.
Print	Send selected forms to printer; send selected forms to Drake PDF printer (includes option to password-protect PDF file); e-mail selected forms; print the EF message page only.
Setup	Set up form properties, color, and order. Access other setup options available in the program.
Archive	Access archiving features, including the Drake Document Manager (DDM).

Table 6-1: Enhanced mode Toolbar

Button	Description
Email	E-mail the return to a selected recipient.
Refresh	Update the viewed return to reflect any changes made by another preparer working in the open return.
Basic View	Switch to the cascade view (the exclusive Drake view before 2008).
8615 Export	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 133.)
K-1 Export	Open the K-1 Export tool. This button is visible only for certain business returns.
Help	Access Drake online help.
Exit	Exit View mode.

Viewing Tool   Use the arrows and zoom icon (Figure 6-1) when viewing in Enhanced mode.

Figure 6-1: 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.
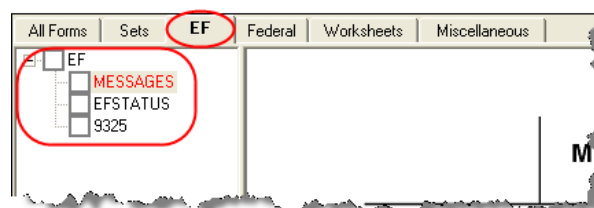
Figure 6-2: If the **EF** tab is selected, only the EF–specific documents are shown in tree view.

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 Printer Setup
EF	All forms for e-filing, in addition to any EF message pages
Federal	All forms for filing the federal tax return
Worksheets	All worksheets produced with the return
Miscellaneous	Various items such 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 preview panel 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.

NEW FOR
2010   As explained in the procedure that follows, you can opt to have Adobe launched when the PDF is created.

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. 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.

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.

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**. The **Print Selection** dialog box is displayed with the Drake PDF Printer selected.
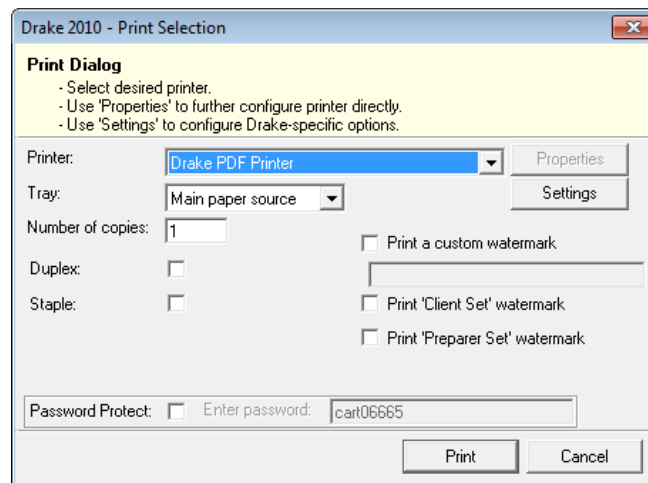
Figure 6-3: Print Selection dialog box for Drake PDF Printer

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**.) 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.

7. Click **Print** to open the **Save As** dialog box.

8. If necessary, assign a filename and select a location for the document (default is the current-year folder in the DDM).

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 42, 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 6-4).
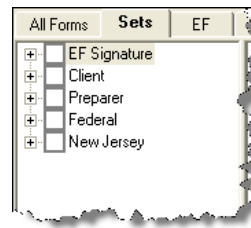
Figure 6-4: Example of a return that has five printer sets

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. 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 6-5, the 1040 form is selected for viewing.
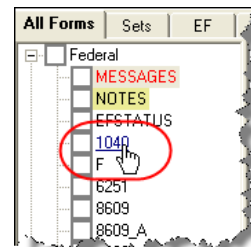
Figure 6-5: Click the form to view.

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).
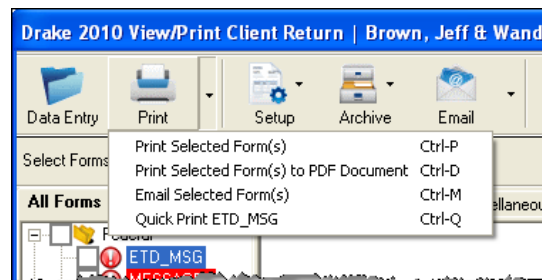
Figure 6-6: Click the arrow next to the **Print** icon to see print options.

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:
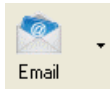
1. Go to View mode of any return.

2. Click the arrow on the **Email** button and select **E-Mail 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 the arrow next to it.)

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 (Figure 6-7), showing the password (Figure 6-7); see "About Passwords," following, for more information on passwords.
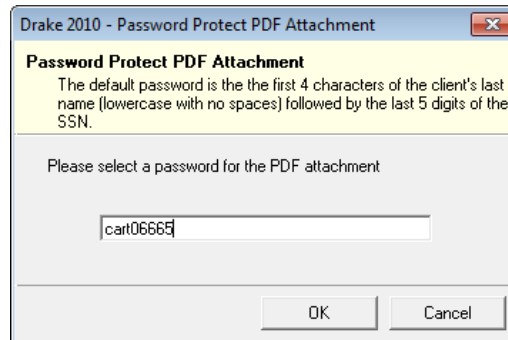
Figure 6-7: Password Protect PDF Attachment dialog box

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 they were entered on screen **1**.

6. If no further changes to the message are needed, click **Send**.

About Passwords

A client must know the 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 or entity name followed by the last five numbers of the SSN or EIN. (See Figure 6-7 for an example.) An administrative user can change the password format at **Setup > Options**, **Administrative Options**.)

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 the new password down so you don't 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:

1. Go to View mode of the return.

2. (optional) Select any forms to be included as PDF documents in the e-mail.

3. Click the arrow on the **Email** button and select **Email to Drake Support**. If you selected any forms in Step 3, 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 **Attachment(s)** list (Figure 6-8).
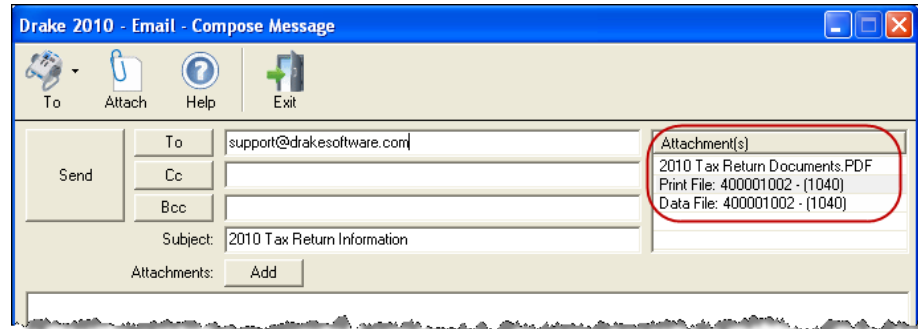
Figure 6-8: Attachments shown in **Attachments(s)** list of the **Compose Message** dialog box.

4. Click the **To** button (shown in Figure 6-8) and double-click an e-mail address from the Drake Software Support Address Book. Click **OK**.

5. Click **Send**.

NOTE
> You have the option of attaching additional files. See "Attaching Other Types of Files" on page 256.

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 enter 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 6-9, are black, white, and red, respectively.

Figure 6-9: 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 multi-color 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 6-10).
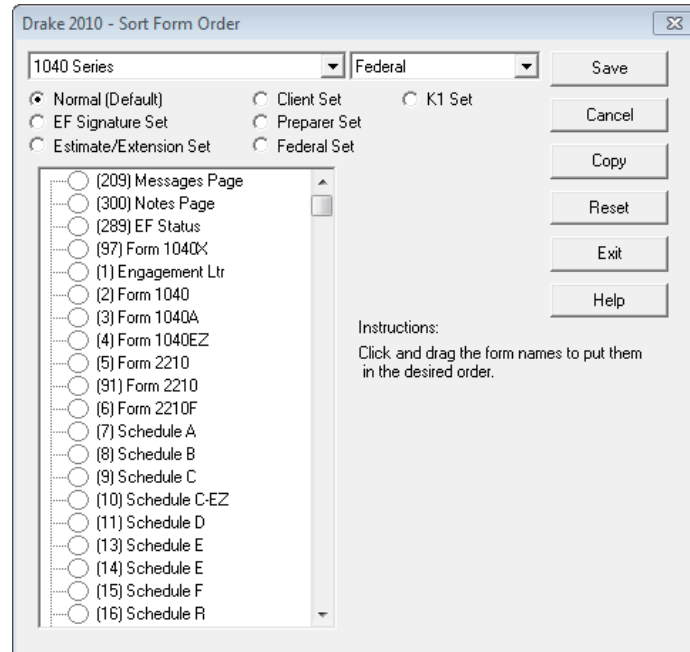
Figure 6-10: Sort Form Order dialog box

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, select **Setup > Allow Drag/Drop Ordering** while in Enhanced mode.

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 31.)
- Printing setup (See "Printing Setup" on page 40.)
- Printing sets setup (See "Printing Setup" on page 40.

Archive Manager

The Archive Manager is a tool that allows you 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.

> **NOTE**   Archives are saved as PDF documents and can be accessed and viewed from the DDM.

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 6-11), and click **OK**.
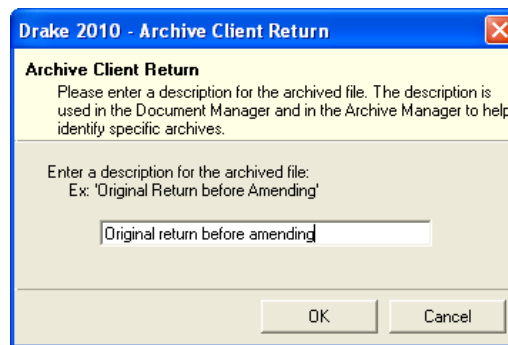
Figure 6-11: Archive Client Return dialog box

3. After the program has created the archive, click **OK** again. The program adds the archived return to the **Archive Manager** list (Figure 6-12).
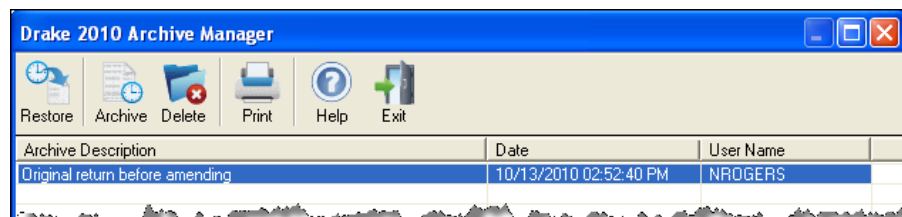
Figure 6-12: Archive list

> **NOTE**   The DDM and Archive Manager use your description to help identify specific archives. The program creates an archive file name beginning with "Archive-" followed by the date/time stamp. (Example: `Archive-20100908153145` indicates September 8, 2010 (`20100908`), at 3:31:45 (`153145`) in the afternoon.)

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 a 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   E-filing

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 and online EF databases

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 "Contact the IRS" on page 1 of Appendix A for details.)
- **Obtain Circular 230** — Beginning January 1, 2011, all tax preparers must comply with the standards of conduct set by Treasury Department Circular 230. See "Contact the IRS" on page 1 of Appendix A for details.
- **Know the applicable banking requirements** — In addition to consulting your bank's handbooks and brochures, see Chapter 8, "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 Origina-tor (ERO) and have an Electronic Filing Identification Number (EFIN). 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. Be aware that processing can take up to 45 days. If you are a new ERO this year, you must submit the following items to the IRS:

- Form 8633, Application to Participate in IRS e-file Program (online)
- A set of IRS–authorized federal fingerprint cards for each principal and responsi-ble official of the company (not required for attorneys, CPAs, EAs, officers of publicly held corporations, or banking officials who have been bonded and finger-printed within the last two years)

An established ERO must make changes to Form 8633 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 8633 information, or your e-filed returns will be rejected by the IRS.

To complete or update Form 8633:

1. Go to *www.irs.gov*
2. Click the **Tax Professionals** tab.
3. Click **e-Services for Tax Pros** from the menu on the left side of the page.
4. Click **Login** if you've registered before, or click **Registration Services** if you haven't.
5. Follow the directions on your screen.

To request federal e-file program fingerprint cards, contact Drake's Education Depart-ment at education@DrakeSoftware.com, call Drake at (828) 524-8020, or contact the IRS e-Help Desk at (866) 255-0654.

Obtaining an EFIN

All tax preparers who plan to e-file must have a valid EFIN. Once your application is processed, the IRS assigns the 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 test returns.

When you receive your EFIN, forward a copy of the 8633 response letter from the IRS to 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 15.

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 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.

3. Click **Continue**. The Report Viewer displays the selected returns.

4. Click **Exit** to close the Report Viewer.

Shortcut: CTRL+T
5. From the **Home** window, select **EF > Transmit/Receive**.

6. Click **Send/Receive** in the **Transmit/Receive** dialog box that is opened.

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 loan checks for 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 173 for instructions on calculating returns in Drake.) Drake generates an EF status document and, if necessary, EF message pages, shown in the Figure 7-1 directory tree and described in the following list:
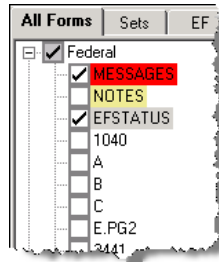
Figure 7-1: EF–related documents include EF messages and an EF status page

- **EFSTATUS** — The EF status page shows transmission options, piggyback state returns to be transmitted with the federal return, and any additional state returns to be transmitted. It also states whether any federal EF messages were generated.
- **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.

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 message page to view.
   - EF message pages 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 174.

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 7-3 on page 193.)

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 7-2).
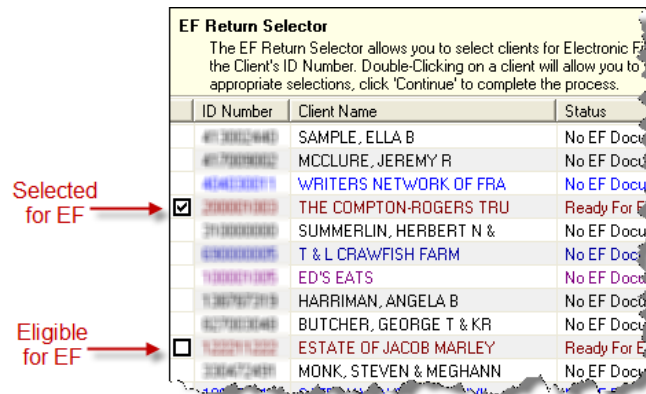
Figure 7-2: Eligible returns are indicated by check boxes

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 (including piggyback) 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 297 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 7-3).
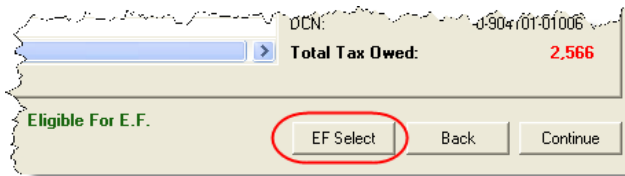
Figure 7-3: EF Select button at bottom of **Calculation Results** window

By clicking **EF Select**, you can send federal returns, federal returns with state piggyback returns, and direct state returns directly to the e-filing queue.

> NOTE   The option to pause at the **Calculations Results** window must be selected in **Setup > Options**, **Calculation & View Print** tab.

Trouble-shooting 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 **EF Ready** 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. Transmitting and receiving from more than one computer can lead to "duplicate DCN" rejections and can affect your ability to print checks.

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 192.)

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.

Shortcut: Press CTRL+T to open the Transmit/Receive dialog box

3. (optional) To review and, if necessary, eliminate files from the "send" queue, 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**.

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.

5. Click **Exit**.

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 email 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. Once the acknowledgments are received, click **Exit**. See "Step 4: Process Acknowledgments," following, for more information on acknowledgments.

Step 4: Process Acknowledgments

When Drake receives your transmission, it immediately sends you 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," along with any bank and state/city acknowledgments, 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 201.) 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 7-1. Re-send any return that receives a "B" ack.

Table 7-1: 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 7-2. IRS acknowledgments are usually processed within 24 hours.

Table 7-2: 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 197.

Bank acknowledgments, listed in Table 7-3, are usually processed within hours of IRS acknowledgments, depending on volume.

Table 7-3: 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.

Trouble-shooting 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. 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 202), address the issue, and re-transmit. Be sure to download and install the latest updates (see "Update Manager" on page 263) 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 transmitting from 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 Document 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 2010 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 7-4). Drake suggests choosing starting DCNs that are at least 2,000 numbers apart.

Figure 7-4: 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-filing 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.

Figure 7-5: 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 to allow e-filing of 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 piggyback returns or bank products can be e-filed with the return.

Any refund amount could be adjusted as it 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-filing. 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-filing—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-filing

To suppress e-filing of 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-filing of federal return; see Figure 7-6)

   • **Do NOT send any states** (suppresses e-filing of all state returns; see Figure 7-7)

   • **Suppress federal/state EF and all bank products** (suppresses e-filing of both the federal and state returns, plus any bank products)

The selected returns are not e-filed until the selected 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 4858 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 7-6), select the forms to e-file.

Figure 7-6: 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.

Overriding Program Defaults for State Returns

State returns are e-filed using one of three methods:

- **Direct** — The return goes directly to the state.

- **Piggyback** — The return is attached to, or filed in conjunction with, the federal return, and the IRS sends the state return to the proper state.
- **State-only** — The return is sent to the IRS (but not attached to the full federal return), and the IRS passes it on to the state. This method is used when transmitting more than one state return or when re-transmitting a state return that was rejected (and the federal return has already been accepted).

NOTE   The direct method is used only by California, Illinois, Maine, Massachusetts, and Minnesota. The piggyback and state-only methods are used by all other states and Illinois. (California, Maine, Massachusetts, and Minnesota do not use the piggyback or state-only methods.)

By default, resident state returns are transmitted piggyback (unless the resident state is one of the five direct states mentioned in the previous note) and all other eligible state returns are sent via the direct or state-only method, whichever applies.

Assigning a Return for Piggyback

To transmit a state return *other than the resident state* piggyback, go to the EF screen and select a state from the Select state for piggyback e-file drop list. All other eligible state returns will be sent via the direct or state-only method, whichever applies.

STATE E-FILE OVERRIDE:

Choose the states/cities you want to e-file:

(Note: If you do not make a selection below, all eligible states will be e-filed.)

Select state for piggyback e-file:

`GA`

Select other states/cities to e-file:

`MS`
`NC`

☐ Do NOT send any states

Figure 7-7: State E-file Override options

Suppressing Returns from Being E-filed

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 other states/cities to e-file** drop lists. In the example in Figure 7-7, the Georgia return is piggybacked with the federal return, and the Mississippi and North Carolina returns are filed separately. No other state returns will be e-filed for this taxpayer, even if they are eligible.

NOTE   If nothing is selected in the **Select state for piggyback e-file** drop list, the program sends the resident state return piggyback. If nothing is selected in the **Select other states/cities to e-file** drop lists, the program sends all other eligible returns state-only (or direct, as applicable).

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 7-8).

Figure 7-8: Form 8453 section of **EF** screen

When the return is generated, Form 8453 shows which forms are to be mailed.

NOTE   Click **Screen Help** at the upper-right corner of the **EF** screen for more information on Form 8453.

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 7-9). To browse all records, leave this field blank.

Figure 7-9: 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 7-9.)

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.

- **State acknowledgments** — Under **State**, the middle 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" on page 202.)

Bank/Direct Deposit Info

The **F2 - Bank/Direct Deposit** tab contains detailed data about any bank products.

- Bank information is located on the left side of the window.

- Direct-deposit information involving bank loans 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.

- Information on direct deposits not involving bank-loan fields can be found at the bottom of the window. For the federal, state, and loan status, an 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. From the Drake **Home** window, select **EF > Search EF Database**, and click the **F4 - Reject Code Lookup** tab (Figure 7-10).
2. Select a federal return type (1040, 1120/1120S, 1065, or 1041).

3. Enter the reject code in the **Reject Code** field.

4. Click **Go**. The IRS explanation of the code is displayed in the lower box (Figure 7-10).

Figure 7-10: Looking up 1040 reject code on **Reject Code Lookup** tab

5. (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 **Loan Status Codes** (wording varies by bank), select that option. 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.

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**, 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 enter the drive letter of the transmitting machine in the **Shared Drive Letter** field in **Directories and Paths Setup**. See "Directories and Paths Setup" on page 20.

Online EF Database

The online EF database displays real-time data on e-filed returns. You can run reports on returns, loans, 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:
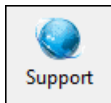
1. From the **Home** window, click **Support**. (If you are already in the EF database, click **F10 - Online DB**.)

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 drop list near the upper-right corner of the page.

Above the tax year drop list is the **SSN/Lastname Lookup** field. To find information on a specific return, enter the SSN or last name in this field and click **Go**.

TIP   To see a list of any available checks and outstanding acknowledgments on the opening window of the online EF database every time you open it, go to the **Options** tab, click the **Manage Summary Counts** tab, click **Edit**, mark the **Display** check box, and click **Update**.

Most of the buttons at the top of the online EF database screen are for viewing and running reports. Reports available are listed in Table 7-4.

Table 7-4: Reports Available from the Online EF Database

Category	Description
Returns	Pending, accepted, and rejected federal and state returns; extensions
Bank Products	Loan status, original and current type of bank product, amount deposited, debt code
Checks	Reports by check status, check data, and EFIN
Fees	Preparer and bank fees
Summary	Summary reports by date, EFIN, preparer, and ZIP code, plus a summary of all returns, bank products, and preparer fees
Tools	94x reports (for Client Write-Up users), ABC Voice Files, client contact information lists; see "94x Reports" on page 206.
Options	Configure and manage reports, summary counts, and check suppression
Multi-Office Manager (MOM)	Multiple office reports; see "Multi-Office Manager (MOM)" on page 207.

To select a report category, click one of the report buttons shown in Figure 7-11.
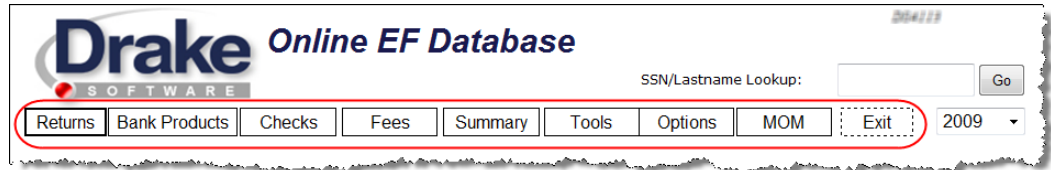
Figure 7-11: Online EF database report categories

Viewing a Report

To view a report:

1. Click a category button to select a report category (Figure 7-11).
2. Enter a **Start Date** and **End Date**. The report pulls information from only those returns with records that fall within the date range selected.
3. (optional; for multiple-EFIN offices only) Select **Restrict to (Multisite)** and choose an EFIN to restrict reporting to returns for a particular EFIN.
4. Enter any other report criteria desired. (Criteria differ for each report type).
5. Click **Run Report**.

Click the **Print** and **Export** icons, respectively, to print a report or export it in spreadsheet format (suitable for Microsoft Excel and Microsoft Access).

Saving Report Criteria

To save a set of report criteria for future use:

1. Click a category button to select a report category (Figure 7-11).
2. Enter the report criteria.
3. Type a report name in the **Save Report As** field.
4. Click **Save**.

In the future, when you want to view reports that meet those criteria, select the report name and click **Load**.

Deleting Reports

When you are ready to delete a saved report, select the **Options** tab and click **Managed Saved Reports**. Reports are displayed in columns on the **Report Administration** 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.

NEW FOR

2010

Hierarchies are now built and maintained through the Enterprise Office Manager (EOM). For more information on using the EOM, see "Banking Application" on page 221. A separate manual and video tutorial are also available; on the opening window of the EOM website (*https://eom.1040.com*), 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 204.)
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 **Secured** or **Unsecured** for a whole report category.
   - From the **Report Security** section, click **Secured** or **Unsecured** as desired for a specific saved report.

To exit the report security screen, choose another tab in the EF database.

Tools

Three functions are available from the **Tools** tab: **Run 94x Report**; **Download ABC Voice Files**; 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 toolbar, click **Tools**.
2. Click **Run 94x Report** and choose the **Tax Period End Date**.
3. Enter the **EIN**, or leave the text box blank to include all 94x returns in the report.
4. (optional) Remove a check mark to exclude 940s, 941s, or 944s.
5. From the **Status** drop list, choose one of the following status options:
   - **%** — Include all returns in report
   - **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
6. Click **Submit**.

ABC Voice Files   Also on the **Tools** tab, the option to **Download ABC Voice Files** applies only to preparers using the ABC Voice File tool. For more information, call Versicom at (937) 438-3700.

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 the Excel icon. 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.

Multi-Office Manager (MOM)

The Multi-Office Manager (MOM) is the online version of the Client Status Manager (CSM). (For more on the 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, 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 toolbar, click **MOM** to view report criteria filters (Figure 7-12).

Figure 7-12: 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 the printer icon. Only the data on the screen 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 Excel icon. 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 disk, 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, 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 7-13).
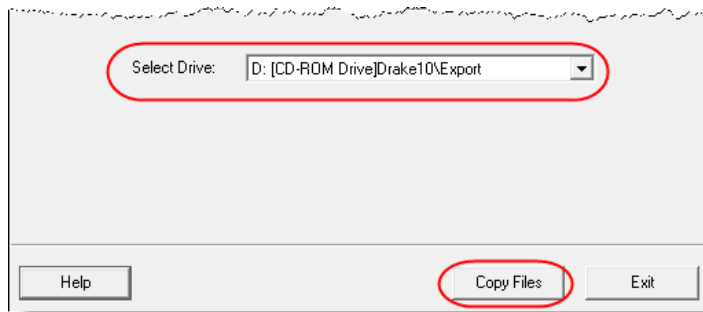
Figure 7-13: Copying files to CD

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, 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 e-filing. (Mandates don't apply to taxpayers e-filing 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-filing vary from state to state.

The state FAQ screens in data entry includes links to state e-filing information. Information on individual state requirements are available at *Support.DrakeSoftware.com* and in Appendix E: State E-filing Mandates.

NOTE
For explanations of direct, piggyback, and state-only e-filing, and for information on how to override program defaults for state returns, see "Overriding Program Defaults for State Returns" on page 199.

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8 Banking

For tax year 2010, Drake is working in conjunction with the banks listed in Table 8-1 to provide taxpayers access to bank products.

Table 8-1: Drake Banking Partners

Bank	Phone	Website
Advent Financial	(866) 655-2340	www.adventafs.com
EPS Financial	(877) 801-4411	www.epsfinancial.net
Republic Bank & Trust	(866) 491-1040	www.republicrefund.com
River City Bank	(888) 820-7848	www.rcbral.com
Tax Products Group	(800) 779-7228	www.cisc.sbtpg.com

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 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, go to the \PDF\7216 folder on the Drake CD and open either the PDF or Word version of the form. Enter your firm's name at the top before printing the form. Clients must sign and date this form manually. Forms are also available 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 8-1.)

Figure 8-1: Names and the date as entered by clients on the **USE** screen

Once the required fields on the applicable screen are completed, the Consent to Use of Tax Return Information will be generated with the return.

> NOTE   See "E1 Visa® Prepaid Card Program" on page 216 for information on consent form requirements for the E1 Card.

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.
  - Go to the \PDF\7216 folder on the Drake CD and open either the PDF or Word version of the form. Be sure to print 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
- **Electronic Signatures** — To obtain electronic consent, the taxpayer (and spouse, if married filing jointly) must enter their names 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   See "E1 Visa® Prepaid Card Program" on page 216 for information on disclosure form requirements for the E1 Card.

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** — Access the form in PDF or Word format from the \PDF\7216 folder on the Drake CD. Enter the firm and franchise or network name in Word or PDF, 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, go to screen **CONS** (accessible from the **Other Forms** tab) and select the first box in the **Paper Consent** section (Figure 8-2).

Figure 8-2: Check boxes on **CONS** screen for disclosure to franchise/networks

Screen code: *   **Electronic Signatures** — To obtain electronic consent, the taxpayer (and spouse,
CONS   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 8-2.)

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 15.

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.

To print a blank form without going through the return, go to the **Home** window and select **Tools > Blank Forms**, select **Federal**, and choose the application for your bank. Note that applications are multiple pages, as shown in Table 8-2.

Table 8-2: Application Forms for Banking Options Available in Drake

Bank	Application Form
Advent	AD_APPL.PG through AD_APPL.PG2 (2 pages)
EPS	EPS_APP.PG through EPS_APP.PG3 (3 pages)
Republic	RB_APPL.PG through RB_APPL.PG7 (7 pages)
River City	RCB_APPL.PG through RCB_APPL.PG5 (5 pages)
Tax Products Group	

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 218.

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.

Types of Products

Traditional bank products include Refund Anticipation Loans (RALs) and certain non-loan products (Table 8-3). *Your client must understand that RAL checks are loans, not actual refunds.* Explain the loan cost, APR, and any other disclosures to your client. Show your client the bank documents and explain all costs, checks, deposits, and the timing of payments. Check client ID to verify identity before offering banking services.

Table 8-3: Available Bank Products in Drake, Tax Year 2010

Bank	RALs	Non-Loan Products
Advent		RD (Refund Deposit)
Republic	RAL	ERC (Electronic Refund Check) ERD (Electronic Refund Deposit)
River City	RAL	ERC RET (Refund Electronic Transfer) Direct Deposit
Tax Products Group		RT (Refund Transfer) RT Direct
EPS		e-Collect

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.

Refund Anticipation Loans (RALs)

To qualify for a RAL, a taxpayer must have an income source other than Schedule C. The RAL amount is based on the taxpayer's anticipated federal tax refund and allows the taxpayer to receive a loan on the refund amount within a matter of days (within 24 hours in many cases). If the taxpayer's RAL application is denied, the bank "flips" the RAL to a non-loan product (see Table 8-3) since the IRS has already acknowledged the return.

RAL–eligible refund amounts vary by bank and can range up to $9,999.99. The loan amount is paid in full when the IRS deposits the actual refund directly into the bank. The bank could withhold preparer fees through this loan process. A preparer can print the RAL check once the loan is approved. Preparer fees are deposited into the preparer's account within days after the check is printed.

Non-Loan Products

Non-loan 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 unbanked taxpayers 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 non-loan 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 non-loan products for state refunds. Check with your bank for a list of eligible states.

Distribution Methods

Bank products can be distributed by direct deposit, cashier's check, or debit card. Fees are charged for each method. Notify your client that the following fees can be subtracted from the refund amount:

- Tax preparation fees
- Additional fees (formerly "Add-on transmission fees")
- Fee Withholding Charge (Advent only)
- Bank fees
- Software fee
- Franchise/network fee

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. (See "Direct Deposit" on page 143 for instructions on how to enter direct-deposit information.)

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 225.)

Debit Card

Some banks provide the option of delivering bank products via debit card. The E1 Visa® Prepaid Card ("E1 Card"), described in the following section, is offered by EPS Financial but can be used for banks other than EPS. (If you use a bank other than EPS, check with your bank for other debit-card options.)

**E1 Visa®
Prepaid Card
Program**

The E1 Card can be used with most bank products within the limitations of the specific bank the product is coming from. 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 (generally within hours of bank approval), 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 E1 Screen," following.

NOTE
> To set up pricing for the E1 Card, access **Setup > Pricing** from the **Home** window and enter the desired price ($10 max) for Form 189, E1 Card Product Information. (See "Pricing Setup" on page 31 for more information on setting up pricing.)

IMPORTANT
> The E1 Visa[®] 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 E1 Screen

Use the **E1** screen to apply for the E1 Visa[®] Prepaid Card. This screen is accessible only via a link from certain bank screens. The link is visible once you have indicated in Firm Setup that your firm has been approved by EPS Financial to participate in the E1 Card program.

7216 Signature Signatures for consent and disclosure of tax return information are required only if the E1 Card is being used with a bank other than EPS Financial. All 7216 forms must be signed by the taxpayer (and spouse, if applicable) before applying for the E1 Card. If the paper option has been used to obtain the taxpayer signatures, mark the box provided on the **E1** screen. To have the required forms signed electronically, click the links provided on the screen.

IMPORTANT
> If using the E1 Card in conjunction with Republic or Tax Products Group, two sets of consents must be completed: one set for the bank, and one set for the E1 Card. If using the E1 Card with EPS Financial, only the consent forms for the bank must be completed. (For electronic signatures, the **USE** and **DISC** screens are the bank-consent screens.)

**Demo-
graphic Info**
The purpose of the **Step 2: Demographic Information** 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 tax-payer (and spouse, if applicable). If you select SMS (text messaging), you'll also need to select the cell phone carrier from the second drop list. 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.

The **Security Information** section of this screen contains questions intended for the preparer's clients to answer. The taxpayer and spouse will have to able to answer these same questions if they want to log in to the EPS Financial website (*espfinancial.net*) and set up an online account.

E1 PRN
As Step 3 of the process, enter the 12-digit PRN (Payment Reference Number) 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 **Apply for E1 Card** button to retrieve the account information (including the application results and card RTN/account number) necessary from the card processor. The data retrieved allows Drake to know whether the card has been approved and in which account the refund must be placed.

If the application is declined or rejected, an explanation is displayed in the text box at the bottom of the **E1** screen. After reviewing the explanation, make any required modifications to the application and click **Apply for E1 Card** again to reapply.

Bank Denials

A RAL can be declined for a number of reasons, such as duplicate SSNs, prior RAL debt, SSN reported as deceased, or MFS return. To view a loan status code or bank decline reason:

1. From the **Home** window, select **EF > Search EF Database**.
2. Click the **F4 – Reject Code Lookup** tab.
3. Select **Loan Status Codes** or **Bank Decline Reasons** to view the corresponding codes in the lower window. If you select **Bank Decline Reasons**, specify a bank in the **Category** list.

A RAL switches, or "flips," to a non-loan product (see Table 8-3) if an application is denied.

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 214.

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.

New in 2010, bank information—for single offices and multi-site offices—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.

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*).

NEW FOR

2010

You can import your banking information directly from your Drake bank application in your Firm Setup. See "Firm Setup" on page 14.

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 (available for correction and resubmission)
- E = Accepted, awaiting bank account information
- N = Not completed
- P = Pending
- R = Rejected (Call the selected bank to resolve any issues.)

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 8-4 on page 221.
4. Click **Save**.

Table 8-4: Options under **Banking Information** in **Setup > Firm(s)**

Item in Setup	Description
Retrieve banking information	Import banking information from your complete bank application in the EOM into Firm Setup.
Additional fees (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 others than your firm's name printed on the Bank Information Sheet line labeled "Additional Fee withheld on behalf of".
Approved to participate in E1 Visa Card program (TPG, Republic only)	If this box is marked, the E1 Visa® Prepaid Card application section will appear on your bank screen.
e-Collect Basic (e-Collect only)	Mark this box if using e-Collect Basic (to offer direct deposit disbursement only)
e-Collect Deluxe (e-Collect only)	Mark this box if using e-Collect Deluxe (to offer paper check and direct deposit disbursements)
e-Collect Elite (e-Collect only)	Mark this box if using e-Collect Elite (to offer the E1 Card, paper check, and direct deposit disbursements)
Fee Withholding Charge Mark Up (Advent only)	Contact Advent Financial for more details on fee restrictions.

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.
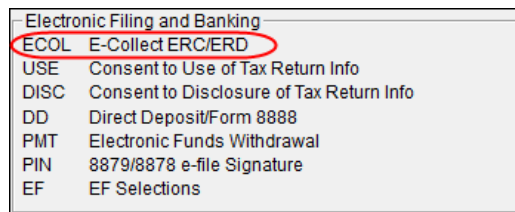
Figure 8-3: Electronic Filing and Banking section of **General** tab in data entry

Alternately, you can type BANK, BNK, or the bank code into the selector field and press ENTER. Bank codes are:

- AD (Advent)
- RCB (River City Bank)
- TPG (Tax Products Group)

- ECOL (e-Collect)
- RB (Republic Bank)

Taxpayer Application

Complete an application/agreement for every taxpayer applying for one of the banking options available (see "Taxpayer Requirements" on page 213). 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. Some information fields (such as telephone number and address fields) are overrides; if the data is entered on screen **1**, it does not need to be entered on the bank screen. Some fields require the taxpayer to produce one or more forms of ID (driver's license, passport, etc.), and the preparer to enter information from these IDs onto the screen. Identification information is required 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 310.)

Prep Fee Override Field

Tax prep fees to be withheld from the bank product are established in Firm Setup (**Banking Information** section). You can override these fees from the bank screen.
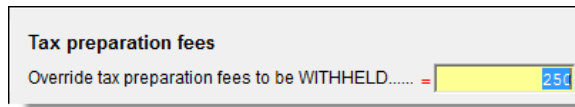
Figure 8-4: Overriding the **Tax preparation fees** from the bank screen.

Opting Out

If one taxpayer wants a bank product but the spouse doesn't, complete the **Opt Out** section of the bank screen. (This section is present on the screens for those banks that offer RALs.)

NOTE | Remember, if either the taxpayer or spouse chooses to opt out of the loan, that person's name will *not* be printed on the check.

Security Information

The **Security Information** section (**ECOL** and **E1** screens only) contains questions intended for the preparer's clients to answer. The taxpayer and spouse will need to be able to answer these same questions if they want to log in to the EPS Financial website (*espfinancial.net*) and set up an online account.

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.

For information on the E1 card and filling out the **E1 Visa Card Application**, see "The E1 Screen" on page 217.

e-Collect Options   If you're using EPS Financial as your bank and the taxpayer opts for a check or direct deposit (*not* the EI Card), take these steps to get approval from EPS:

1. Open the **ECOL** screen.
2. In the **Alternative Disbursement Methods** section, select either **Check** or **Direct Deposit**.
3. Enter the taxpayer's banking information.
4. Click **Retrieve Account Information**.

If the application is declined, resolve any listed issues and re-apply.

Other Required Information

A **Military Personnel/Dependent Identifier** section is included on the screens for those banks that offer loan products. This section is required and must be completed before a bank product can be requested.

Most bank screens also 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.

e-Collect-Specific Fields   The **ECOL** screen has several fields that are specific to that screen only:

- **7216 Signature** box — This box must be marked if electronic Consent to Disclosure and Consent to Use signatures are not present (in other words, if hard copies of the forms were signed). (To access the **DISC** and **USE** screens for electronic signatures, click the applicable link provided in the **7216 Signature** section at the top of the **ECOL** screen.
- **E1 Visa Card** fields — A notification method and PRN must be entered if using the E1 Card. For more information on these fields, see "The E1 Screen" on page 217. (If using e-Collect, you do not need to complete the **E1** screen; all required fields are provided on the **ECOL** screen.)

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 this information to the bank.
- The bank sends an acknowledgment back to Drake.
- If the bank approves a RAL, it sends a "Check Print Authorization" (or "Debit Card Authorization") acknowledgment. This acknowledgment allows you to print the check. It is normally posted on the Thursday of the following week, if the return is sent by noon Thursday.
- If the bank declines a RAL, it "flips" the RAL to a non-loan product. If the non-loan product is approved, the bank sends an acceptance ack.

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.

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 the appropriate IRS and bank acknowledgments *must be received* before you can print checks.
- 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 8-5.

Table 8-5: Check Printing Options

Option	Description
Print this check on #____	Prints the check on the displayed check number.
Delete this Client's check	Deletes the check from the system. The check will not be displayed for printing again.
Skip this Client's check for now	Excludes the check from the current print job.
Print ALL selected checks starting on #____	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 TAB or click 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. 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 297 for more on using these features in the Report Viewer.)
5. Click **Exit** to close the Report Viewer.

Available from **Tools > Blank Forms**, a printed check register (REGISTER.PG) allows accurate record-keeping of all RAL checks—both voided and issued—in the office. Complete the check register as each check is written, and ensure that this information is available at all times and is not available from any other source. Drake recommends that your office keep this check register in a three-ring binder along with the computer-generated check registers described previously.

Resetting Check Numbers

Occasionally, you might have to reset the check range. Follow the process outlined in "Printing Checks for Bank Products" on page 225. When you get to the **Check Print Options** dialog box, click **Setup Checks** to access the feature for resetting check range.

Lost/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.*

If a check is lost or stolen, go to **Tools > Blank Forms** and print the lost check affidavit (LOST_CK.PG). This document must be completed, signed by both the taxpayer and the ERO, and faxed according to your bank's instructions. The bank's fax numbers are listed at the bottom of this form.

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, please 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** section of the **(F5) General Setup** tab.)
- 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)?
- Have you entered the range of checks you received from your RAL bank?

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). 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 8-5.

Reprint Not Allowed

Too Late. The Check on this record was originally printed on 11/05/2009. If you have the check listed in YOUR possession you may reprint the check by clicking 'Ok' and then pressing 'F5'.

Check Number - 00503300
Check Date - 11/05/2009
Check Amount - $925.00

OK
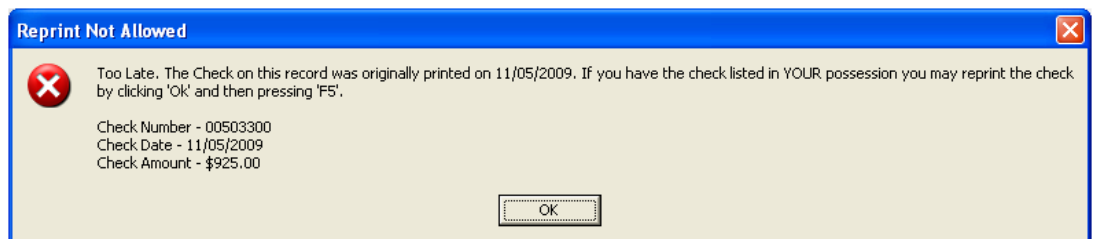
Figure 8-5: Reprint Not Allowed

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 RAL 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 it. (See "Reprinting Checks" on page 226.) If you accidentally print a check on something other than the check stock (such as a blank sheet of paper), reprint it and guarantee that the original check will not 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 227.

NOTE
Use a voided check return list, available as VOID_CK.PG in **Tools > Blank Forms**, to track all bank checks voided in the office. Retain a copy of the form as a record. In addition, send a copy to the RAL bank along with the corresponding voided checks.

Cancellations, Tracking, and Post-Season Procedures

Cancelling a Loan

Cancellation procedures vary by bank. Check with your bank for the correct procedures for cancelling a loan request, and determine if the following instructions apply.

To cancel a loan that has been accepted by a bank, some EROs must print, complete, sign, and submit to Drake a cancellation request (CANCEL.PG in **Tools > Blank Forms**). If the check has already been printed, send the voided original with this form. If no check has been printed, indicate this on the form with the ERO's initials.

If required to submit this document, send the completed form and cancelled check (as applicable) to Drake Software Loan Cancellations, 235 East Palmer Street, Franklin, NC 28734. Note that Drake does not accept faxed copies of checks.

IMPORTANT
A loan *cannot be* cancelled if a debit card is used. A cancellation is not processed if the direct deposit from the IRS or state has already occurred.

Tracking Prior-Year Information

The **TRAC** screen in data entry displays prior-year bank product information for federal returns, including RAL and federal refund deposits and preparer fees. Information must be entered manually the first year these fields are used.

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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9   Client Status Manager

The Client Status Manager (CSM) is a tool for tracking workflow within an office. It displays various types of data, including client ID number and client name, return type, preparer name, client status, and the starting and completion dates for each return. The CSM can be used for searching, viewing, organizing, and printing data.

Accessing the CSM

Choose one of the following methods to open the CSM:
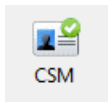
- From the Drake Home window, click the **CSM** icon in the toolbar
- From the Drake Home window, select **Reports > Client Status Manager**
- Press CTRL+L on your keyboard
- Use the Personal Client Manager (See "Personal Client Manager" on page 52.)

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 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 automatically as the return progresses through the cycle (see Figure 9-1), or manually as needed. You can also define new statuses.
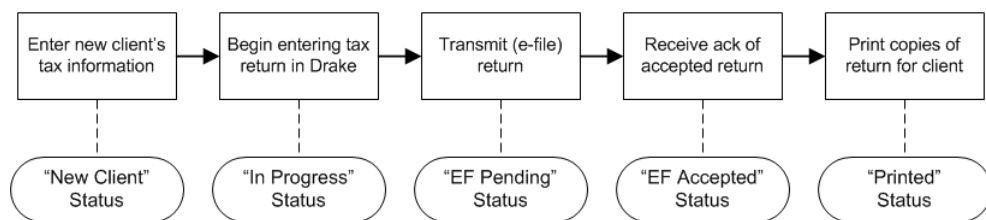
Figure 9-1: Some statuses are set automatically as the return is processed.

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**.

Custom Statuses

Define up to five 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:
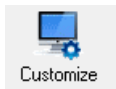
1. Click **Customize**. The **Customize Display** dialog box is opened.

2. Under **Status Settings**, select a status placeholder to rename (Figure 9-2).
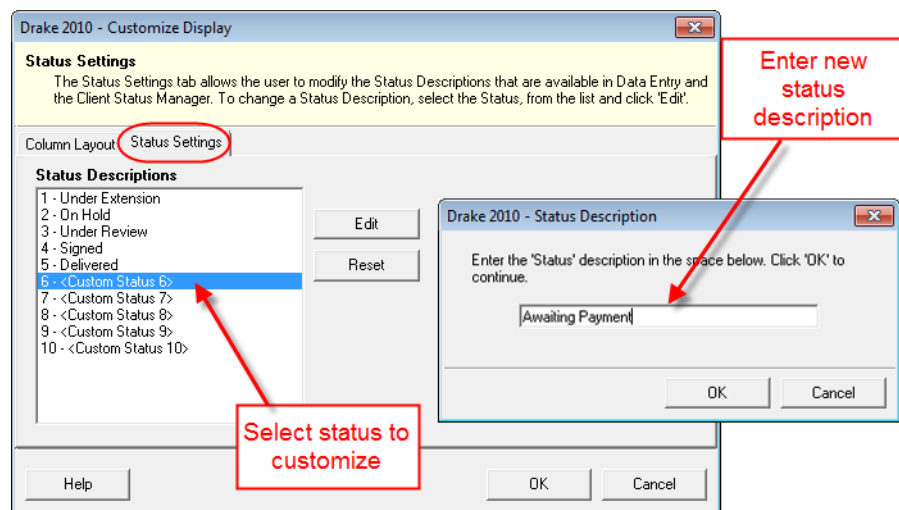
Figure 9-2: Creating custom statuses

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**.

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**.

Setting a Status from the CSM

To set the status of a return from within the CSM:
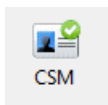
1. Right-click a return record in the **Client Status Manager** list.
2. Select **Set Client Status**. A status list is displayed.
3. Select a return status from the list.

The status is updated in the **Status** column.

Setting a Status from Data Entry
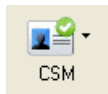
To set the status of a return from within data entry, click the **CSM** button from the **Data Entry Menu** toolbar to display a status list, and then select a return status from the list. The status is automatically updated in the CSM.

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 2009 to 2010** and update the return. The client's record goes into the 2010 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**. 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.

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.
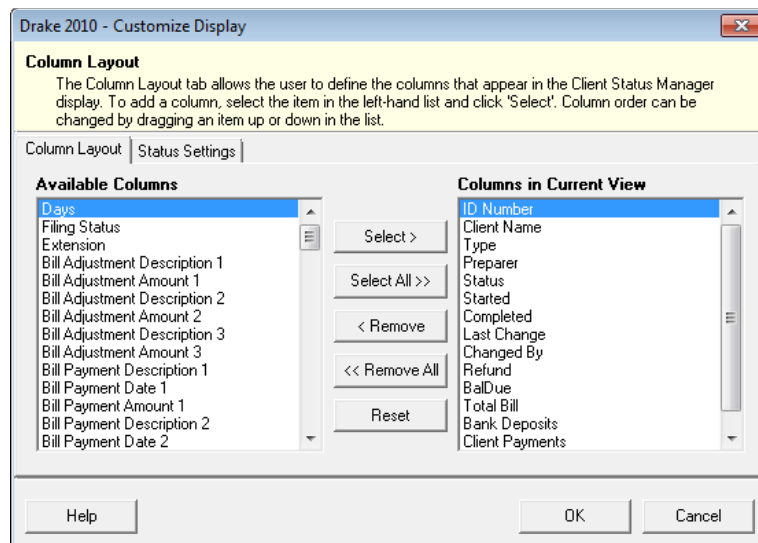
Figure 9-3: Column Layout tab

- 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.

> **TIP** Other ways to customize the display: click a column header to sort in ascending or descending order; adjust column widths by dragging the edge of a column to the desired width; and double-click a column header's right border to quickly size to fit.

Searching, Updating, and Filtering, and Viewing

Searching the CSM
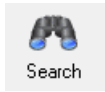
To find a return in the CSM, click **Search**, or press CTRL+F to open the **Find Client Record** text box. As you type the client name or ID, the CSM searches for and highlights the matching record. Click **Close** to exit.

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
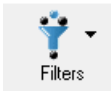
Filters allow you to control which records are shown in the CSM. To select filters:

Shortcut: Press CTRL+L to view the filter list.

1. From the **Home** window, click **CSM**.

2. Click **Filters**. The filter list is divided into four sections, as shown in Figure 9-4.
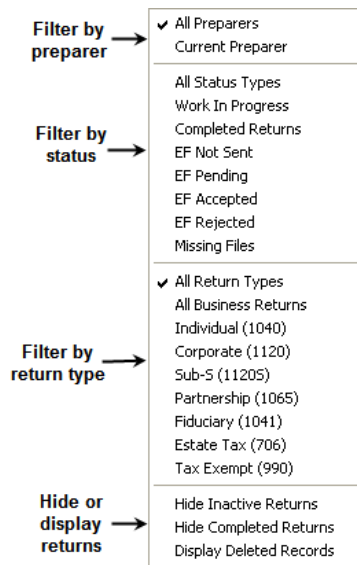
Figure 9-4: CSM filter list

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.

NOTE
In the **Status** column, a red **File Not Found** message indicates a deleted return. Records of deleted returns files stay in the CSM for tracking purposes.

Quick View
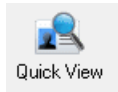
The **Client Quick View** window summarizes the CSM data for a selected record. To open this window for a client in the CSM, select a client row and click **Quick View**. Displayed are client information, preparer and firm information, significant dates and actions regarding the return, and the amount 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.

CSM Reports

Seven predefined status and financial reports are available in the CSM. Reports are displayed in the Report Viewer. Data can be exported from the Report Viewer.

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 **BILL** 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 **BILL** screen in data entry.
Completed Returns	Report lists SSN/EINs and client names of returns with a **Complete** status. The program pulls the date completed from the **TRAC** screen, which is automatically set when you select a status of **Complete**. (An administrative user can manually set the completion date by completing the **Date complete** field on the **TRAC** 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 **File Deleted** and **File Not Found** 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. See Chapter 12, "Reports." for information on using reports in Drake.

Generating a CSM Report

To generate a report from the CSM:

1. Select **Reports**.

2. Select a report from the **Select Reports** drop list in the **CSM Reports** dialog box. Depending on your selection, you could be prompted to enter dates, select preparers, or provide other information to narrow the scope of the report.

3. Click **Report**. The report data is displayed in the Report Viewer.

You can now print the report, export it into another program, or customize the display. For information on using the Report Viewer, see "Report Viewer" on page 297.

Exporting CSM Data
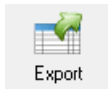
To export CSM data into Notepad or CSV format (suitable for Microsoft Excel and Microsoft Access), click **Export** in the CSM toolbar. A worksheet of the data is opened automatically.

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 Record**. To view a deleted record, click **Filters > Display Deleted Records**.

NOTE   To delete a client file from Drake, see "Deleting Files from the Program" on page 274.

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)**.

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10 Resources and Support

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.

Si te gustaria hablar con alguien en español, llame al (828) 349-5500, y trataremos de conectarle con uno de nuestros agentes de apoyo que hablan español.

Drake's help resources are available to assist you in making the most of your tax preparation software and using it successfully. We 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 2010* is an electronic document with a comprehensive index for quickly finding 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** — From the **Home** window, select **Help > Drake Software Online Manual** to access the online version of the manual.
- **Software CD** — The latest version of the manual is shipped with each CD.
- **Support website** — Select **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** or **Client Write-Up**. When you open a KB, the **Search** tab for that KB is displayed (Figure 10-1).
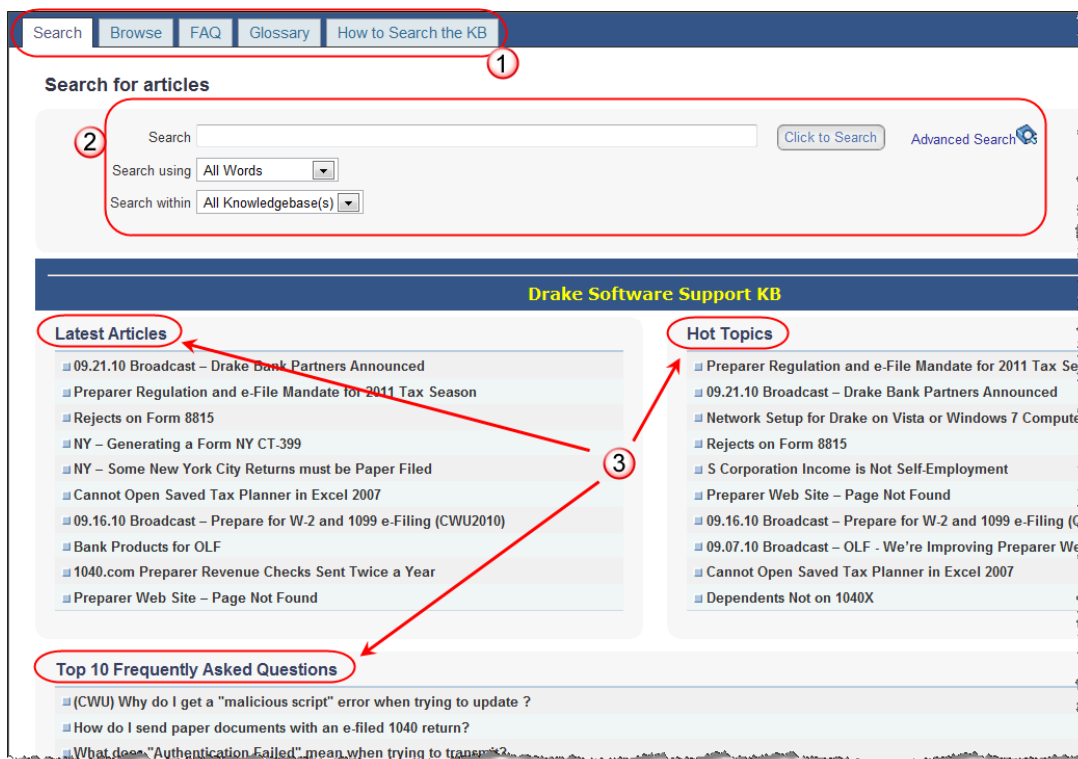
Figure 10-1: KB tabs (item 1); search fields (item 2); and suggested articles (item 3)

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.) 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 **Search for articles**. (See item 2 in Figure 10-1; 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.
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.

Searching the KB

To search for a topic or article in the KB:

1. Under the **Search** tab (Figure 10-1), 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 *and*, *not*, and *or*.
Exact Phrase	Searches for articles containing the exact phrase entered.
Natural Language	Allows you to enter a sentence in the **Search** field. The KB pulls out matches to any words in the sentence.

3. Click **Click to Search**. Related articles appear in order of relevance, with the most relevant first. 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 more instructions on setting up article searches.

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 10-2).

Figure 10-2: 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   An **Attachments** link 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 Electronic Training Center (ETC)

Drake ETC is a convenient resource for training your office staff using tutorials, practice returns, videos, 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*.

> NOTE   ETC is free for Drake clients. People who are not Drake customers can also use ETC, but certain fees apply before non-customers can receive CPE credits for completing ETC courses.

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.

NOTE The **CTEC#** fields in the Admin and student account sign-up pages apply to CA preparers who want to receive CTEC–approved credit.

Admin accounts are created using the **Need to sign up?** section (Figure 10-3).

Figure 10-3: Need to sign up? section of ETC Home page

To create an Admin account:

1. If you are a Drake customer, select **Yes** and click **Submit**.
2. Enter your EFIN and Drake password from your packing slip) and click **Submit**.
3. In the **Welcome Office Administrator** window, complete all applicable fields. To earn CPE credit for completing ETC tax courses, select **Yes** from the drop list.
4. Click **Save Information**. When the system has saved your data, click **Next**.

NOTE If you are not a Drake customer but are visiting the ETC home page, go to the **Need to sign up?** section, select **No**, and click **Submit**. Next, follow the directions on the screen.

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, click **Save Information**.

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 10-4).

Figure 10-4: Logging in as a returning user

3. Click **Sign In**.

Once you're logged in, the ETC **Welcome** page is opened. On the left side of this page is a sidebar listing the available resources, described in Table 10-3.

Table 10-3: Drake ETC Resources

Resource	Description
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.
Tutorials	Step-by-step instructional slide shows teach the basics of Drake Software. There are currently 60 Drake Software tutorials and 16 CWU tutorials available.
Practice Returns	Hands-on data entry and e-file training.
Videos	Online videos covering such subjects as administration; data entry; e-filing; CSM; DDM; Drake Tax Planner; Forms 4562 and 1116; Schedules C, F, and E; and, new for 2010, Client Write Up.
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, or video has been viewed, a green check mark replaces the red "X" next to the completed item. (See Figure 10-5.)

Tax Courses   ETC offers basic return preparation courses for forms 1040, 1120, 1120S, and 1065. An intermediate 1040 course is also available. Courses consist of units that must be completed in order. For a list of available courses and units, click **Tax Courses**. The **Tax Courses** page displays the units of the **Basic Tax Course** (Figure 10-5).
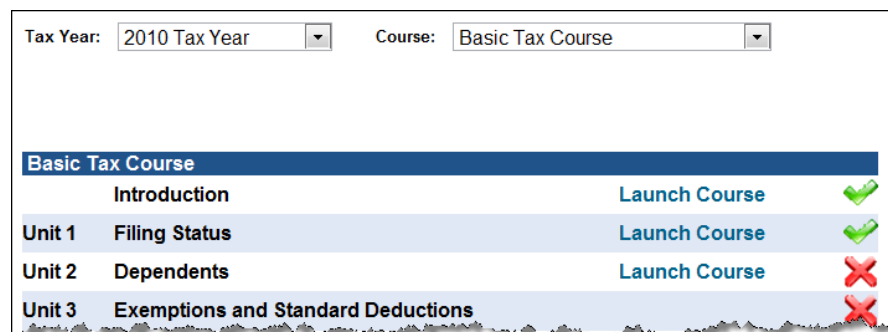
Figure 10-5: Units of the Basic Tax Course

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 10-5.) 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 re-play 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.

NOTE | Click **Tax Law Updates** to view any changes in the tax laws since the tax courses were published. Click **Tax Form Updates** to see copies of 1040 tax forms with the latest changes highlighted. Click **Tax Desk Reference** to view Drake's "2010 Desk Reference."

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.

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 re-print a CPE certificate, click **Report Card** in the Drake ETC sidebar. 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 **Tutorials**. The **Tutorials and Quizzes** page displays a connection speed options box and lists Drake tutorials. (Figure 10-6).
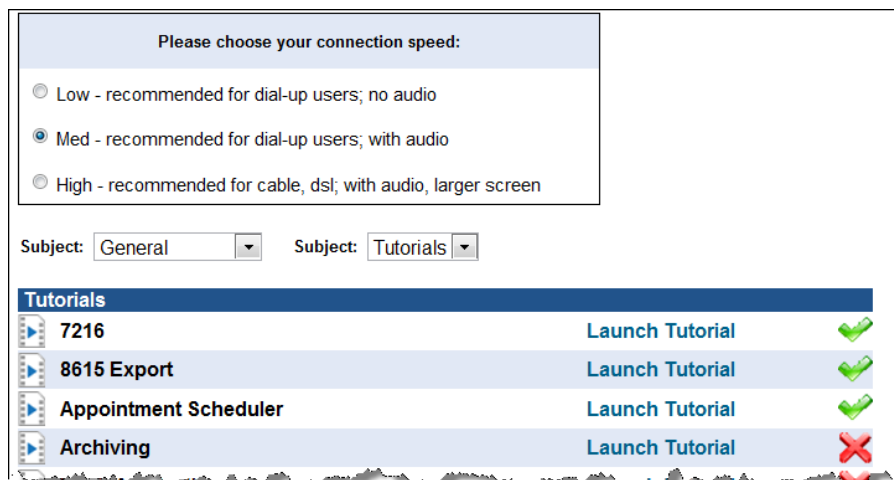
Figure 10-6: Connection speed options and tutorial list

Before opening a tutorial, select a connection speed. Next, 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 **View** 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 10-6).

Practice Returns   Practice returns have been designed as hands-on tools 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 **Practice Returns**. The **Practice Returns** page displays instructions and a list of available practice returns (Figure 10-7).
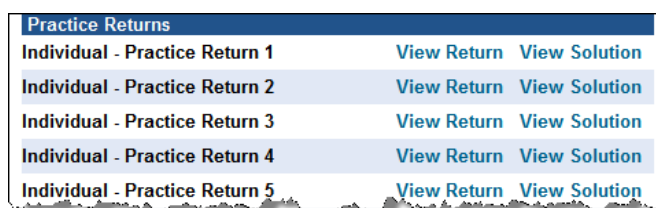
Figure 10-7: List of practice returns on the **Practice Returns** page

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.

Videos   Drake ETC offers online videos covering such subjects as basic administration (setting up the software and entering ERO, firm, and preparer information); e-filing; reports; working with the CSM, DDM, and Drake Tax Planner; and data entry (completing various schedules and forms in the 1040, 1120, 1120S, and 1065 packages). New in 2010, there is a video on using Client Write-Up.

To access videos in ETC:
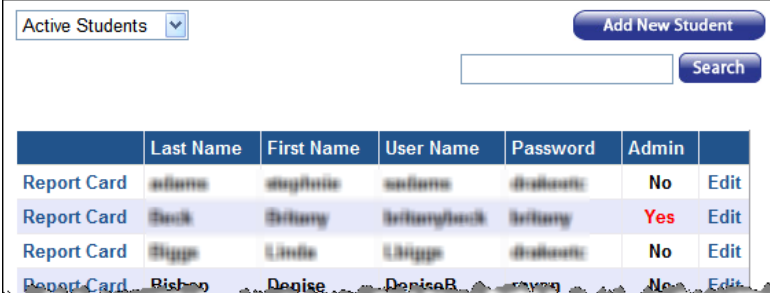
- Click **Videos** from the ETC sidebar menu.
- Choose a tax year and course from the **Tax Year** and **Course** drop lists.
- Click **Launch Video**.

> **NOTE**   Drake also offers videos (CDs and DVDs) of our annual Update Schools. To order from the Support website, go to **Training Tools > Videos**. (If you're logged in to ETC, return to the main Support website by clicking **Log in to Support** in the upper-right corner of the window.)

Report Card   Click **Report Card** from an ETC screen to view training progress, test and quiz results, and CPE credits earned for a selected year. To re-print 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 10-8).

Figure 10-8: 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 **Log Out**. You are returned to the ETC login page.

Federal/State Facts

The Federal/State facts pages have federal data on IRS drain times and reject codes, lists of forms eligible for e-file, Drake message pages, transmission times, and state data on e-filing, tax forms, payments and deposits, due dates, penalties, and extensions. You can also access state shipment letters, form instructions, and update notes. As EF packages are approved, that information is added to the state pages. There are also links to the Drake Forums (see "Drake Forums," following) and state taxing authority websites.

Figure 10-9: 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 10-9) from which to choose. Click the state taxing authority link (item 2) to go to that 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**. First-time users must register before participating; read the text on the **Forums** page regarding registration requirements, and then click **Click here to Register**. Follow the instructions provided on your screen.

Once registered for the Forums, click **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.

Other Resources

The Drake Support site offers a wealth of additional resources, such as information about webinars, trade shows, live training sessions, update schools, Drake's Tax Planner, the DDM, 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.

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.

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 (**Tools > Download Center** on the Drake Support site), 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 (**Resources > 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 Drake Support site, click **Partner Programs** to access information on Drake's bank and other partners (Dnet Internet Services, NELCO Solutions (forms and checks), and Crown Money Map financial software).

Drake Advisory Group
Drake clients have exclusive use of the Drake Advisory Group (DAG). DAG 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 DAG, 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 launch the process of working with DAG. For you as a preparer, this process has three main steps:

- **Complete and submit questionnaire** — You and your client submit a simple questionnaire to DAG for review. Based on that information, DAG'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, DAG'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, DAG is available throughout implementation and will continue to be available for follow-up.

In addition to helping you guide your clients, DAG can be a significant revenue source for your business because you can charge consulting fees for both your work and the time DAG spends on each case (generally four to ten times the number of hours as an accounting firm).

For more information on how DAG works, and how you can work with its experts to benefit your clients, call (828) 488-1950, extension 203, go to *DrakeSoftware.com*, or go to *DrakeAdvisory.com*.

Software Support

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)

Each package in Drake has an **FAQ** screen, 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 F:\Drake10\Help\FixHelp.exe on each workstation. (Replace 'F' with your server drive letter.)

Access Help System items by using the **Contents**, **Index**, and **Search** tabs.
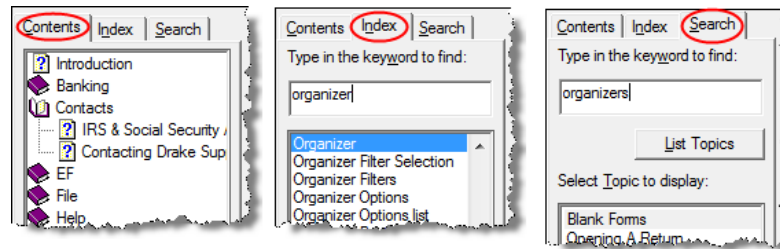
Figure 10-10: Contents, **Index**, and **Search** tabs

Contents   Arranged in a "Table of Contents" style, the **Contents** tab (Figure 10-10) 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 10-10) 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 10-10) 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. To access field help, click inside a field and press F1 (or select **View Help** from the right-click menu). The help for the selected field is displayed as shown in the example in Figure 10-11.
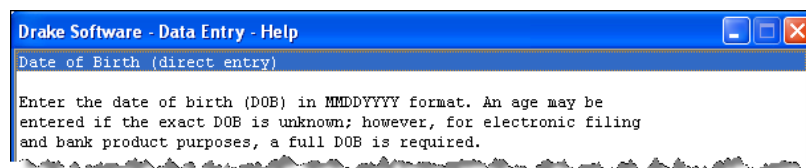
Figure 10-11: Example of field help

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 10-12), press CTRL+ALT+?, or select **Screen Help** from the right-click menu.
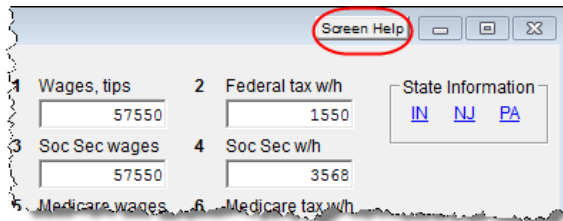
Figure 10-12: Screen Help button for **W2** screen

In most cases, a window similar to the field help window (Figure 10-11) displays the screen help. Some screen helps include links to form instructions and RIA Checkpoint's Form/Line Finder. (See "RIA Checkpoint," following.)

RIA Checkpoint   RIA Checkpoint is an independent tax research tool for advanced research by tax professionals. To access Checkpoint from the **Home** window, click the **Research** button or select **Help > RIA Tax Research**. The RIA page provides access to the following:

- Extensive Federal Tax Handbook with answers to hundreds of tax questions
- Public domain materials, including federal tax case law and IRS rulings and memoranda, some of which date back to 1860
- A Weekly Alert Newsletter for staying on top of fast-breaking developments
- RIA Tax Return Guides containing the latest data available for individual, corporate, partnership, and estate returns. Guides are linked to the Form Line Finder
- The Form Line Finder for quick, convenient searching of the Tax Return Guides (current and archival years) by form and line
- Calculators to help you answer questions and provide advice to your clients. RIA's 100+ calculators are also great to use in conjunction with your Drake Tax Planner

Broadcast E-mails

Broadcast e-mails inform you of the latest IRS alerts or software issues. They 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-mails through Drake at **Help > E-Mail**.

NEW FOR
2010

The Drake Support site now has a Broadcast Center (**Resources > Broadcast Center**.) Starting in 2010, all broadcasts are posted on this page for reference.

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 your 1040.com e-mail address. Use the e-mail program to send questions directly to Drake Support or to e-mail your clients. You can also use your Drake e-mail as your every-day e-mail program. To access Drake e-mail from the **Home** window, select **Help > E-Mail**. From data entry, click the **Email** icon or press F11 on your keyboard.

> NOTE   E-mail addresses for Drake Support are listed in Table 10-4 on page 260.

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, go to the **Home** window in Drake and select **Help > E-mail**. 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 an e-mail 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.

To check only the status of your mailbox, click **File > Check Mailbox Status** or press CTRL+S.

NOTES

E-mail 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 your **Inbox**; double-click a message to open it. In addition to the **Inbox**, your mailbox includes a **Sent Item** box, a **Drafts** box, and a **Trash** box (Figure 10-13).
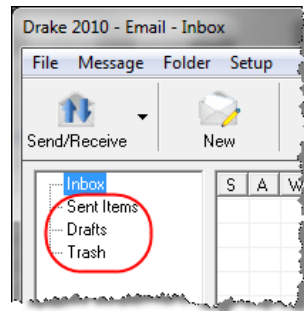
Figure 10-13: Sent Items, **Drafts**, and **Trash** boxes

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), DDM file, Drake Software program file, or other kind of file. Entire folders cannot be attached.

From Data Entry
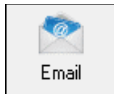
To e-mail a client data file directly from data entry:

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 10-14).
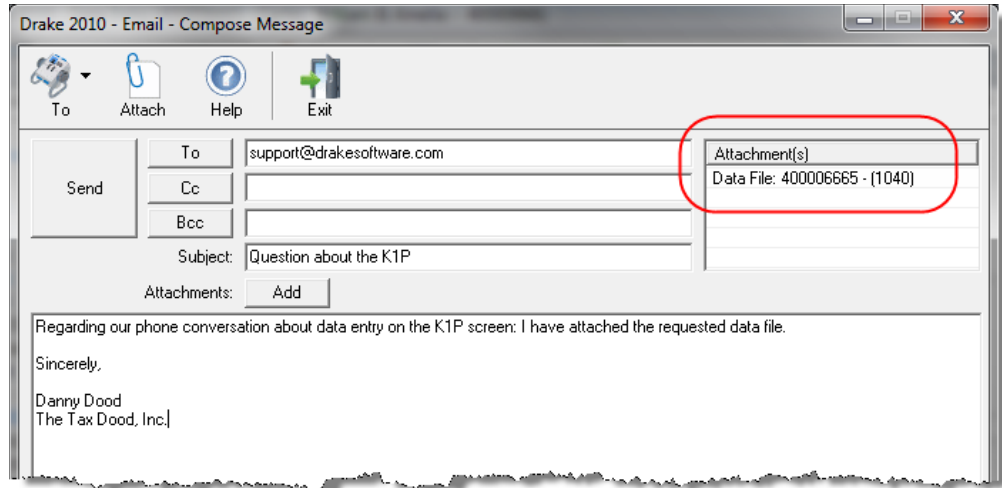
Figure 10-14: E-mail Compose Message window with data file attached

3. Complete the **To** and **Subject** fields as needed, 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 "Attaching Other Types of Files" on page 256.

From the Home Window

To e-mail a client data file from the **Home** window:

1. 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 **Attachments** dialog box (Figure 10-15).
4. In the **SSN/EIN Search** text box, enter the SSN or EIN of the file to send (item 1 in Figure 10-15).
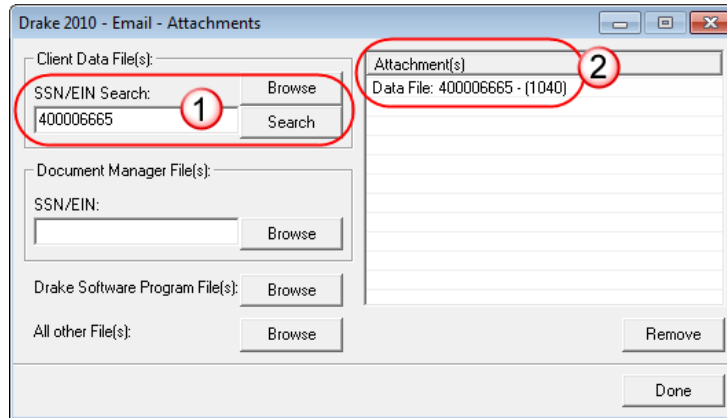
Figure 10-15: In the **Attachments** dialog box, enter a SSN or EIN and
click **Search** (item 1); the file is attached (item 2).

5. Click **Search** (or press ENTER). The file appears in the **Attachment(s)** pane to the right (item 2 in Figure 10-15).

> TIP
>
> Clicking **Browse** opens the **Attach File** dialog box, displaying the various DT folders (listed "0" through "9"). Returns are stored in these DT folders by the last digit of their SSN/EIN (for instance return 400006665 is stored in the "5" folder). To find and attach a return, double-click a folder to open it, select the proper data file, and click **Open** at the bottom of the dialog box. That data file now appears in the **Attachment(s)** pane of the **Email - Attachments** dialog box. (See item 2 in Figure 10-15.) Follow Step 6 below.

6. Click **Done**. You are returned to the **Compose Message** window with the file attached. (See Figure 10-14 on page 255.)

7. Complete the **To** and **Subject** fields and compose your message.

8. Click **Send**. The message and attachment are sent to the recipient.

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 10-15.)

- To attach a file from the DDM, use the **Document Manager File(s)** section of the **Attachments** dialog box. Enter the SSN or EIN in the **SSN/EIN** text box and click **Browse** to open the **Add Attachment** window. Select the file to attach, and then click **Open**. The file is shown in the **Attachment(s)** pane of the **Attachments** dialog box. Click **Done**.

- To attach a Drake program file, click the **Browse** button for **Drake Software Program File(s)**. (See Figure 10-15.) Locate the file in the **Attach File** window that is opened, and then double-click it (or select the file and click **Open**). The file is shown in the **Attachment(s)** pane of the **Attachments** dialog box. Click **Done**.

- To attach a file other than the types described above, click the **Browse** button for **All other File(s)** (see Figure 10-15). Locate the file in the **Attach File** window that is opened, and then double-click it (or select the file and click **Open**). The file is shown in the **Attachment(s)** pane of the **Attachments** dialog box. Click **Done**.

Removing an Attached File   To remove an attached file, select it in the **Attachment(s)** list (see Figure 10-15) and select **Remove** from the right-click menu.

Address Books   When composing e-mail messages, you have several options for storing e-mail addresses in an address book. To access these options, open the **Compose Message** window and click **To**. Address books are shown the **Address Book** drop list.
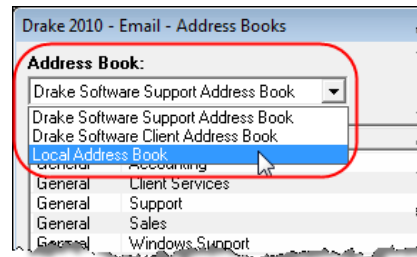
Figure 10-16: Address Book drop list

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**.

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 267). Next, return to the e-mail program, click **New**, click **To**, and then select **Drake Software Client Address Book**. Choose an address from the left pane and click **Add** to add it to the recipient list on the right. To finish, click **Done**.

Local Address Book   The Local Address Book can be filled with e-mail addresses of your choice. (This option is 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. The importing procedure is similar to that of the Schedule D import in that 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 **Email Address** (Figure 10-17).

Figure 10-17: Row headings must be **Last Name**, **First Name**, and **Email Address**.

2. Enter last names, first names, and e-mail addresses of all individuals to be imported.

3. Click **File > Save As**.

4. Browse to the desired location and assign a file name.

5. From the **Save as type** drop list, select **CSV (Comma delimited) (*.csv)**.

6. 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.

NEW FOR 2010   You can now 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:

- 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 a report that includes only those clients who fit the criteria for the e-mail list. (For example, if you want to include only those clients who have filed an extension application, you would create an "Extensions" report.) (For details on creating reports, see Chapter 12, "Reports.")

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 10-18). 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 10-18.) You can double-click a keyword to add it to the body of the e-mail. In the Figure 10-18 example, the preparer has begun the letter with the greeting "Dear <TAXPAYER NAME>."
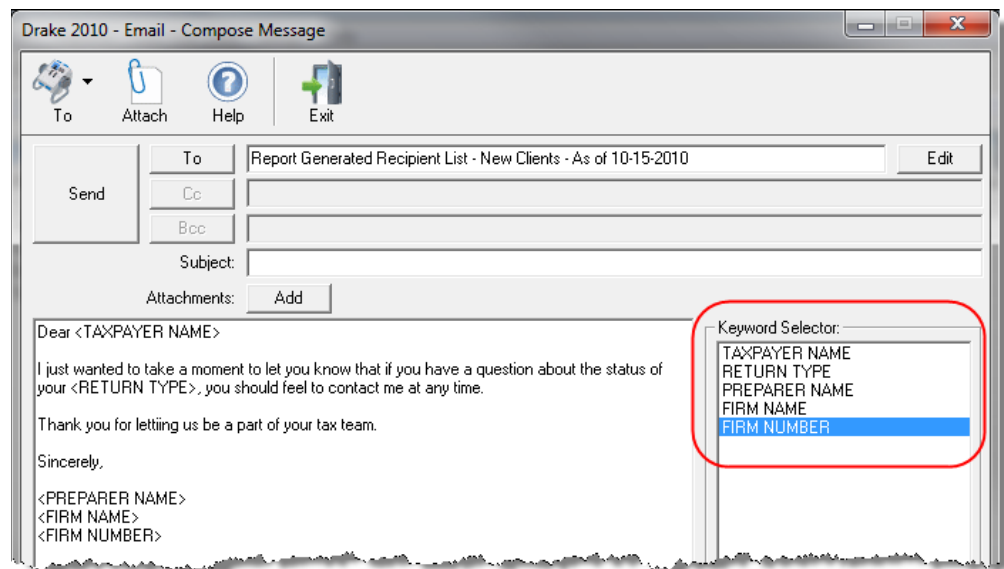
Figure 10-18: Available keywords for e-mail message

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, write or 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 the other e-mail addresses in the recipient list. In other words, 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. 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.)
6. 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. Additional phone numbers and contact information are provided in Table 10-4.

Table 10-4: Contacting Drake Support

Department	Contact
Accounting	Accounting@DrakeSoftware.com
Education	Education@DrakeSoftware.com
E-filing	EF@DrakeSoftware.com
Support (General)	Support@DrakeSoftware.com; (828) 524-8020
Support (State-specific)	XXstate@DrakeSoftware.com (Replace "XX" with state abbreviation.) Examples: nystate@DrakeSoftware.com (for New York) dcstate@DrakeSoftware.com (for Washington, DC)
Conversions	Support.DrakeSoftware.com; (828) 349-5546
Client Write-Up	Client wu@DrakeSoftware.com; (828) 349-5547

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?   ❑ Yes   ❑ No

If this fax is concerning a prior-year Drake   Program Year
program, what year?
                                                                    _____

Give us a brief description of the situation:

This page intentionally left blank.

11 Tools

This chapter covers the various tools and file-maintenance capabilities available on the **Tools** menu and includes details on other Drake tools and accessories.

Update Manager

Regular updates to the program are critical to ensure that your software is performing efficiently. Use the Update Manager to obtain and install files to update the federal and state packages of the program. Updates include modifications in both the federal and state packages to reflect the most recent changes in the tax law. Updates can be downloaded manually, or you can set the program up to download them automatically.

NOTE | Program updates do not include updates to the Drake Document Manager (DDM). DDM updates are handled through the DDM Update Manager (see "Updating the DDM" on page 303).

NEW FOR
2010 | If the system finds five or more needed updates, 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). Updates are shown in tabbed format, with tabs representing the program packages and one representing all state updates. Click column headers to sort data in ascending or descending order.
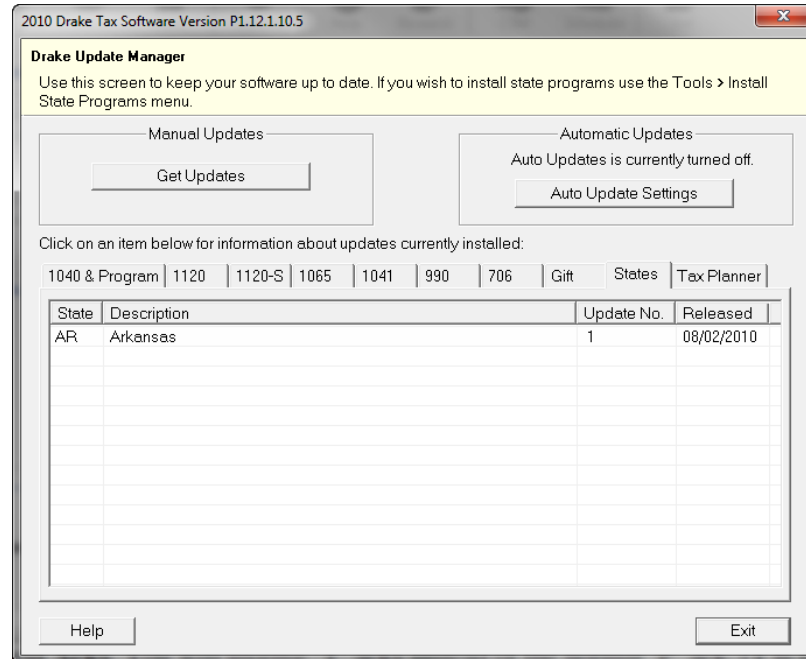
Figure 11-1: Update Manager dialog box

2. Click **Get Updates** 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 (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 297.)

Automatic Updates

Updates to the program can be performed automatically based on the update options you've selected. If you choose to have automatic updates, you can indicate what time of day you want the updates to occur. You also have the option of not having automatic updates.

NOTE   Automatic updates are not set by default.

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 264).

2. Click **Auto Update Settings**. The **Automatic Update Manager** dialog box is displayed (Figure 11-2).
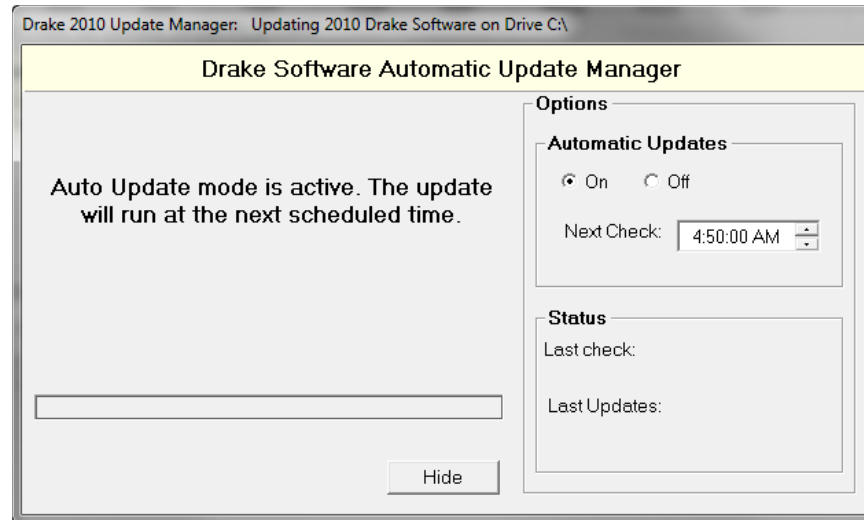
Figure 11-2: Drake Software **Automatic Update Manager**

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.
   - 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.

Notification of Updates

When you log in to the program, you can immediately 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.
- You have permission to see the message regarding the updates ready for download.
- 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 11-3)
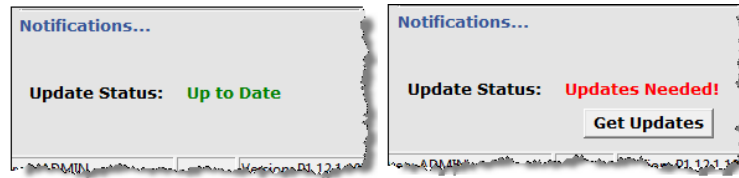
Figure 11-3: (L) System is up to date; (R) updates are needed.

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 Fonts** dialog box.
3. Click **Download**. As downloading proceeds, the font download status is shown.
4. Click **Exit** when the download is complete.

NOTE   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

Some forms not available in data entry might be available as blank forms. Many of these forms, along with worksheets and interview sheets, are available in **Blank Forms**. If a state prohibits printing blank state forms, contact the state revenue office to obtain blank forms.

To view or print a blank form in Drake:

1. From the **Home** window, go to **Tools > Blank Forms**. The **Blank Forms** window (Figure 11-4) displays form categories, names, and descriptions for each package.
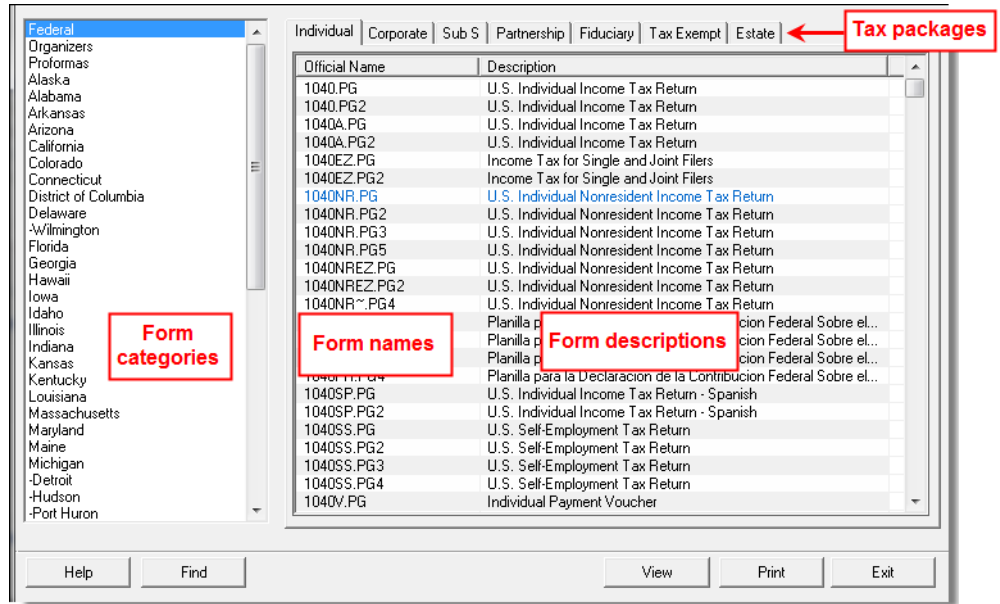
Figure 11-4: Blank Forms window

2. Select a form category (default is **Federal**) and a 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 Revenue Procedure 96-48 requires that a copy of the Paperwork Reduction Act Notice be distributed with federal tax forms. When providing a blank copy of a federal form to a client, you must include a copy of the notice. To access it, go to **Tools > Blank Forms** and select **Federal**. Under the **Individual** tab, 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 **Tools > File Maintenance > Restore**.	Name Index
A client record was deleted through **Tools > File Maintenance > Delete Client Files**.	Name Index
The **EF > Search EF Database** 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:

1. From the **Home** window, go to **Tools > Repair Index Files**.
2. In the **Repair Index Files** window, 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, you must select a **Name Index Option** before clicking **OK**.)
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.

NOTE   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 11-5).
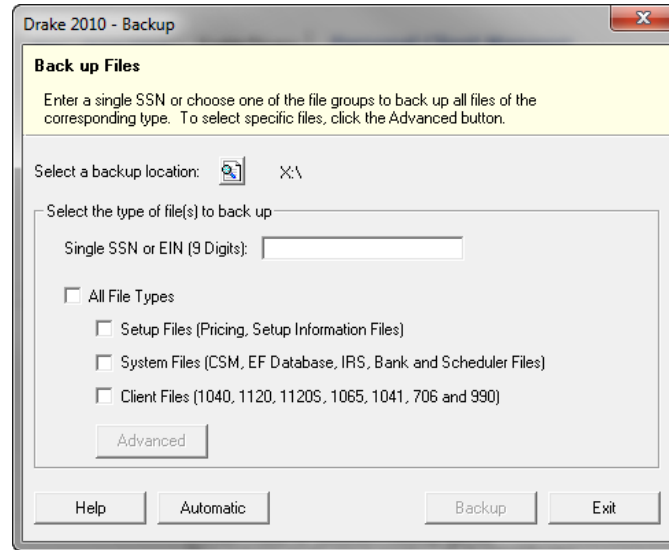
Figure 11-5: Backup window

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 on 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 2010 Drake program, the folder name always starts with **DS2010** 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, 2010, would be titled DS201001282010-02.

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.

6.

IMPORTANT   If you do not have Windows XP, Vista, 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.

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 avail-
able: 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 11-5.)
The **Automatic Backup Settings** dialog box is displayed (Figure 11-6).
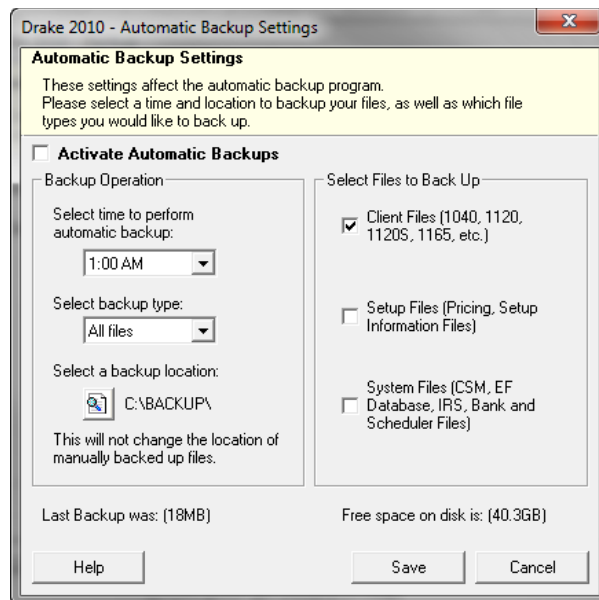
Figure 11-6: Automatic Backup Settings dialog box

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** for an incremental backup.

- **Location** — Click the backup location icon and browse to a desired location.

5. In the **Select Files to Back Up** box, choose which files should be automatically
backed up.

- **Client Files** — To back up client files located in the Drake10\DT folder

- **Setup Files** — To back up pricing and setup information files
- **System Files** — To back up 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 (see Figure 11-6). If an attempt at automatic backup is unsuccessful due to insufficient disk space, the backup will be stopped and you will 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.

Figure 11-7: Automated backup icon in system tray

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 (see Figure 11-7), 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 File**.

2. In the **Incorrect SSN/EIN** box, enter the ID number that is currently in the system. Do not use without spaces, dashes, or additional characters.

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 267.)

CAUTION

PPR clients: If you change an SSN or EIN, 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 **OK**.

3. When the deletion process is complete, click **Exit**.

Exporting Data from Drake

The exporting tool allows you to transfer client data in Drake 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 11-8).
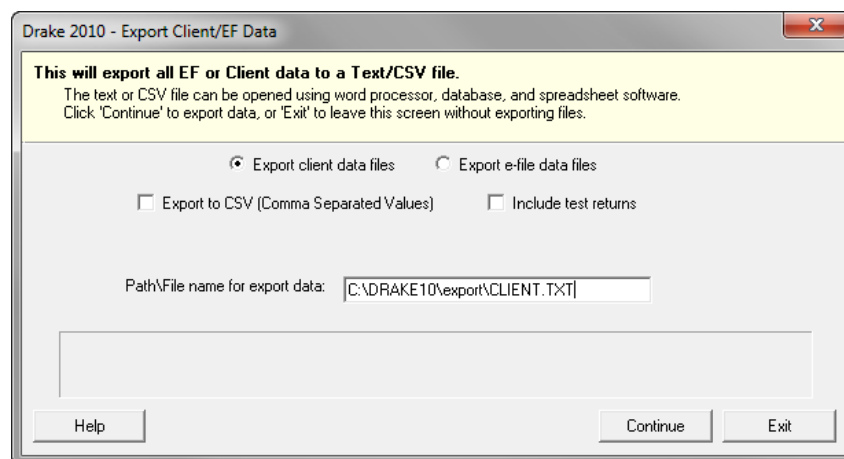
Figure 11-8: Export Client/EF Data dialog box

2. Select to either **Export Client Data Files** or **Export EF Data Files**.

- If you choose **Export Client Data Files**, the path for *client* export is displayed. Change the default path as needed.
- If you choose **Export EF Data Files**, the *file and path names* are 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 11-9), enter the SSN or EIN of the client file to password-protect.
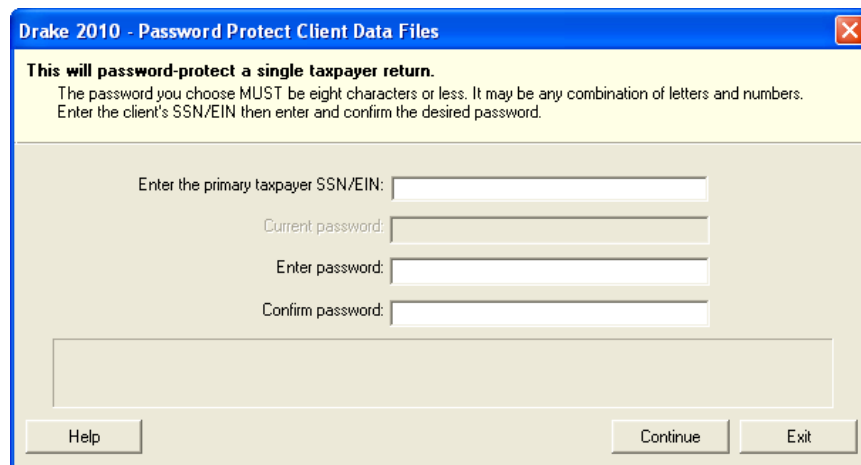
Figure 11-9: Enter the SSN, and then enter the eight-character password twice.

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 an SSN or EIN is already associated with a password, the **Current Password** field (Figure 11-9) 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 189.)

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 23 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 corporate return is converted to an S corp 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 268.)

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 11-10).

4. Click **Continue**.

5. 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

NOTE   There is no federal Form 706 for the 2010 tax year; see "Estate Package (706)" on page 321 for more information.

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:

1. From the **Home** window, select **Tools > File Maintenance > Change File Type**.

2. In the **Enter SSN/EIN to convert** dialog box, enter the SSN to be assigned to a new return type.

3. Click **Continue**. The available return types are displayed. In Figure 11-10, 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.
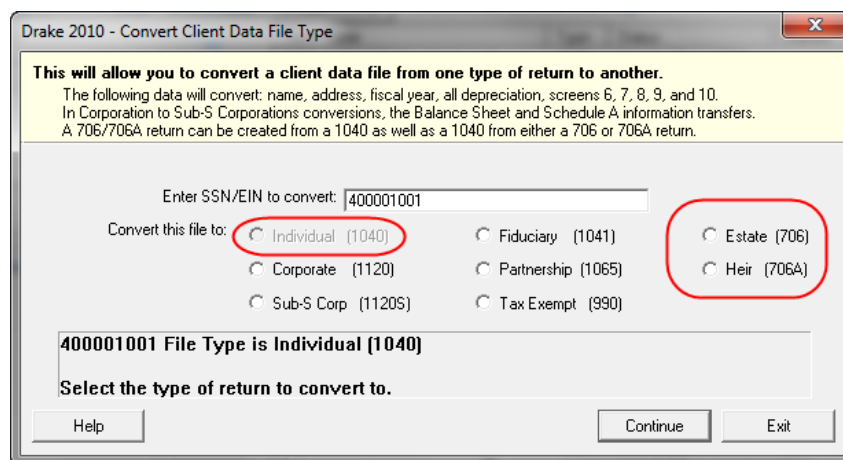
Figure 11-10: Available return types are displayed.

4. Click an option to select it, and then click **Continue**.

5. When asked if you want to keep the original return in addition to the new return, click **Yes**.

6. 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 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).
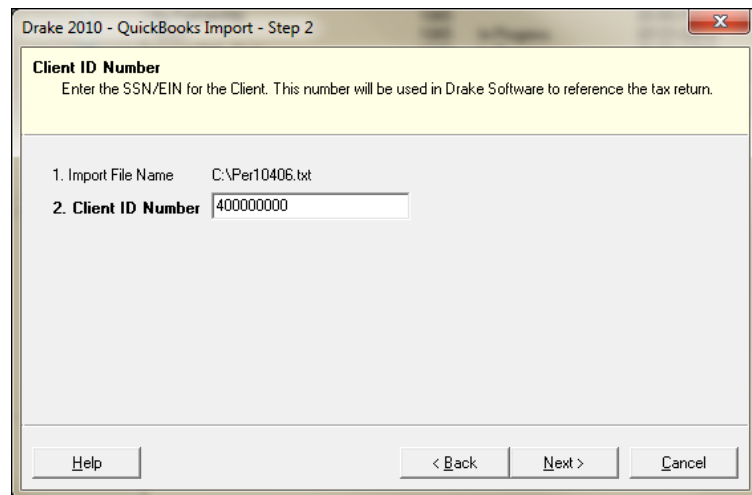
Figure 11-11: Step 2. Enter SSN or EIN

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 11-12), and click **Next**.
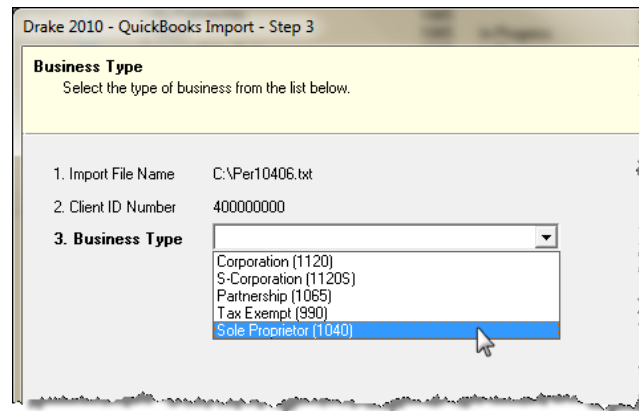
Figure 11-12: Step 3: Choose one of the business types listed.

- 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 corp 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 reminder	Set up current-year appointments with prior-year clients.
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 34.

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 11-13).
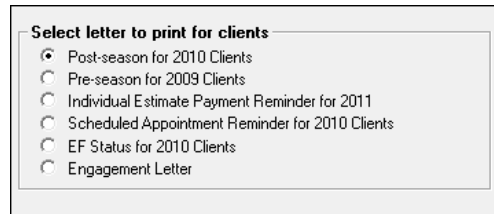
Figure 11-13: Letter choices in **Client Letters** dialog box

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 293.) Click **Next** for **Basic Search Conditions**. Click **Continue** to **Scan Client Files**. Click **Print**.

5. Click **Next**.

6. (If printing a batch of letters) Click **Continue** to scan the client files.

7. Click **Print**.

Mailing Labels

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.

<div align="center">**Table 11-3:** Label Selections Available in Drake</div>

Label	Description
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 filters as desired, and then click **Next**. (See "Filter Manager" on page 293 for information on filtering.) Select any **Basic Search Options**, and then click **Continue**. (For more information on search conditions, see "Search Conditions" on page 294.)

Recommended labels are three across and ten down (Avery 5160 or 8160)

6. Position the mailing labels as needed. Options are described below.

- **Number of Copies of this Label** — Number of labels to be printed. For example, if you enter a "5," five labels will be printed. (This option is available only when printing a single label.)

- **Position of the first available label** — Position of the first label on the available sheet. If the first label on the sheet is missing, you can enter "2" to have printing begin in the position of the second label.

- **Vertical Adjustments** — Enter a positive number. Each number refers to a row. If you enter a "2," printing will begin two rows into the label.

- **Horizontal Adjustments** — Enter a positive number. Each number refers to a column. If you enter a "2," printing will begin two columns into the label.

- **Name Format** — From the drop list, select the name format to use.

- **Include "or Resident" statement** — Mark this box to have "or Resident" added to the client name. (This option is available only when printing labels in batches.)

7. Click **Finish** after the program has scanned the files.

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)
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.

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 293.)
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 294.)
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

Before printing, ensure that the postcards are loaded properly into the printer. To print addresses on postcards:

1. From the **Home** window, go to **Tools > Letters > Postcards**.

2. Select filtering and sorting options from the **Postcard Filter Selection** box. If a more complex filter is needed, click **Edit Filter**s. (See "Filter Manager" on page 293.)

3. Click **Next**.

4. Modify the **Basic Search Conditions** as needed, and click **Continue**. (For more on basic search conditions, see "Search Conditions" on page 294.)

5. From the **Postcards** dialog box, update the postcard formatting as needed. Click **Help** for more on individual fields.

6. Click **Finish**

7. 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

Amortization Schedule Field	Description
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 **Annual Interest** field, the program displays the calculated payment here.
Payment Type	The payment type. Select one of two types of payments: **Fixed Payment** or **Fixed Principal**. (The default is **Fixed Payment**.)
Date of First Payment	Due date of the first payment. This entry is used to determine the dates for subsequent payments.

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.

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 down 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. (If the **States Available** panel stays empty, select another location.)
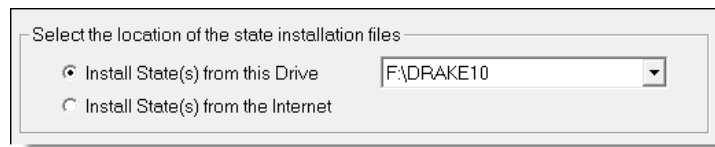
Figure 11-14: Install state programs from computer, CD, or Internet.

3. Choose the states to be installed.

4. Click **Install**. The progress bar identifies the states being retrieved and installed.

TIP   Check for updates 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 74.

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 and Pittsburgh 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.

If penny rounding is required for a specific municipality, select **Allow penny rounding** (in the **PA City Tax Rate Editor**). This feature, which allows penny-rounded amounts to be printed on the form, requires that amounts on the federal screens be entered with pennies in order to be accurate.

To allow penny rounding on a Pennsylvania return in data entry:

1. Enter the desired amount in data entry, 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

Formerly known as pre-prepared 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 (**Int/div/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 Married Filing Separately. 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.

- The potential bank-product amount can be calculated by selecting the **RAL** fields.

- An **Override RAL amount** entry overrides the selected loan amount on the **BANK** screen, if this is allowed by the bank.

- A **Prep fees w/h** 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

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

Report Category	Description
Client Reports	Criteria for these reports consist of data that is not directly related to e-filing, including 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 **My Reports**.
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.
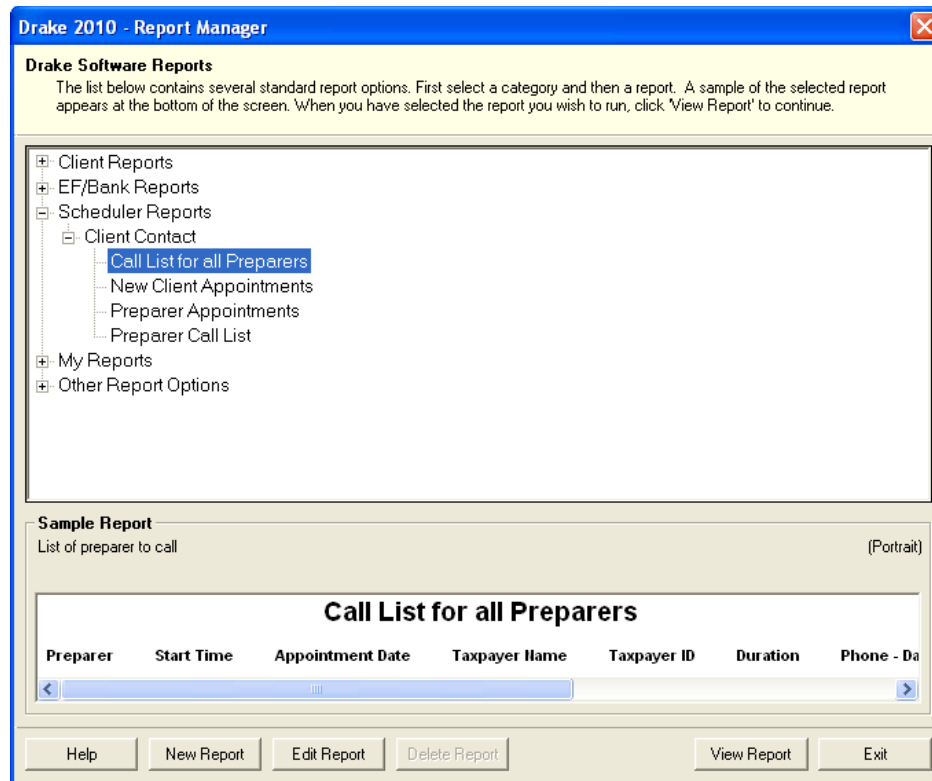
Figure 12-1: Tree view of Report Manager

Only those reports in **My Report** can be deleted. To delete a report, select it and click **Delete Report** (or choose **Delete Report** from the right-click menu).

NEW FOR
2010

Drake 2010 Help includes descriptions of all standard reports in the Report Manager. Click the **Help** icon in the Drake **Home** window toolbar, or by selecting **Help > Drake Software Help**.

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. 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 template 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 listed in Table 12-2 and are described separately in the following sections.

Table 12-2: Tasks Involved in Creating a Report

Task	Window Used
Assign report title and description	**Report Editor - Step 1** (Formatting of Reports)
Assign columns (keywords)	
Assign filters	**Report Editor - Step 2** (Filtering of Reports)
Assign sorting/summary order	
Have program summarize report data	
Have program use prior-year data	
Assign a report output file name	

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).
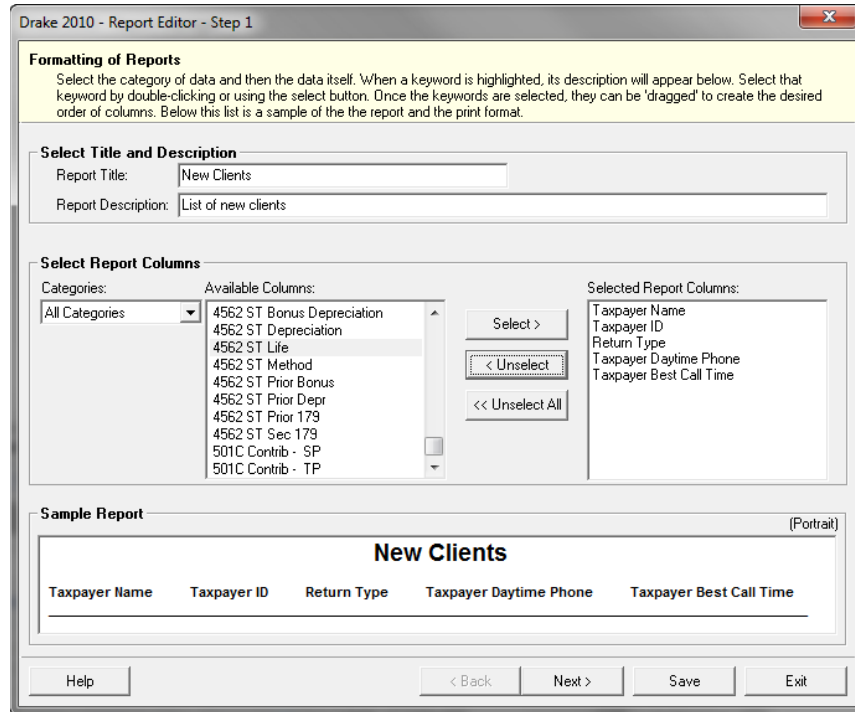
Figure 12-2: Report Editor - Step 1 window for formatting reports

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.)

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 name) moves to the **Selected Report Columns** field. Note that the new information appears in the **Sample Report** box.

> (To remove a keyword from the **Selected Report Columns** field, click it then
> click **Unselect**. Click **Unselect All** to clear the field.)

3. Click **Save** or proceed to "Assigning Filters," following, if you want to assign fil-
   ters to the report.

The program stores the modified report under **My Reports**.

NOTE   New reports overwrite existing reports of identical output names in the
        Report View/Print Utility. To have multiple versions of one report, you
        must rename the newer output file.

Assigning Filters

Filtering allows you to limit what information is included in the report by screening
out unwanted data. With the many filters available, and the ability to create your own
filters and add conditions to each filter, you have a variety 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 290), click
   Next. The **Report Editor - Step 2** window is opened (Figure 12-3).
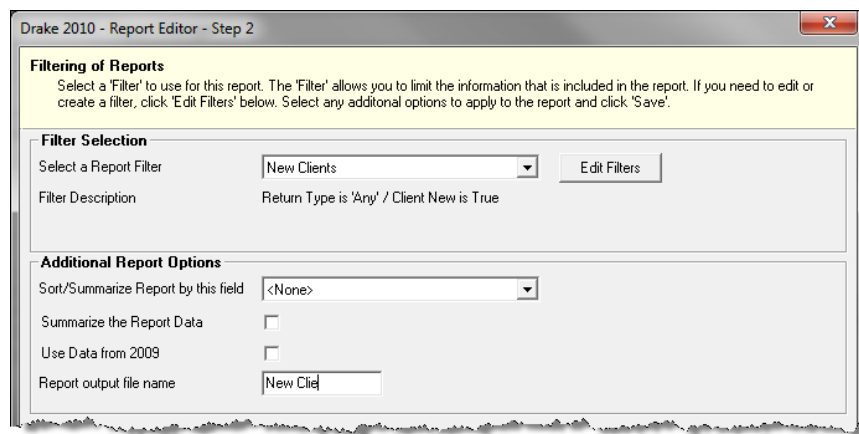
Figure 12-3: Report Editor - Step 2 window (top half)

2. Select a pre-defined or custom filter from the **Select a Report Filter** drop list.
   Note that a **Filter Description** is displayed when a filter is selected. (Figure 12-4)
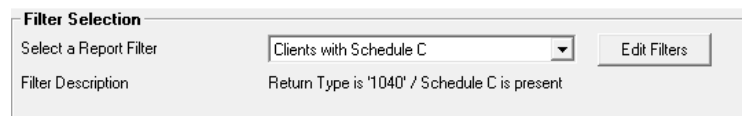
Figure 12-4: Filter that includes all 1040 returns with a Schedule C

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.

To customize a filter to assign to a report:

1. After making changes in the **Step 1** window (Figure 12-2 on page 290), click **Next** to open the **Report Editor - Step 2 window** (Figure 12-3 on page 291).

2. Select a filter from the **Select a Report Filter** drop list.

3. Click **Edit Filters** to open the **Filter Manager** window (Figure 12-5). The filter you selected is highlighted.
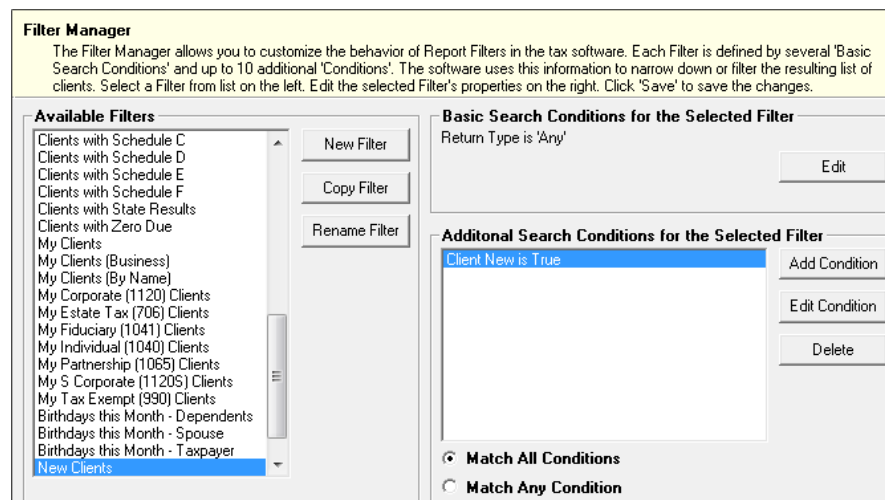
Figure 12-5: Filter Manager window

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 294.)

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 291).

**Sort/
Summary
Order**

Under **Additional Report Options**, choose a keyword by which to sort reports. If, for example, you're building a report on "Clients," and you want to sort the results by the clients' last names, you would select **Taxpayer Last Name** from the list, which includes all the keywords in the report, plus taxpayer ID, taxpayer last name, ZIP code, preparer number, firm number, DCN, date return was e-filed, and federal acknowledgment code.

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 2009** box.
Output File Name	Enter a report output name in the **Report output file name** field. This 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 297.)

Creating a New Report

When planning reports for your office, consider beginning with a pre-defined report that already includes most of the information you require. Whenever you modify a pre-defined report, the modified version is saved as a new report in **My Reports**. See "Setting Up a Report" on page 289 for more information.

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:
   - **Electronic Filing & Banking** — For a report based on the EF database
   - **Tax Return Data** — For a report based on data entry information
3. Click **OK** to open the **Report Editor - Step 1** window.
4. Using the instructions in "Setting Up a Report" on page 289 as a guideline, enter the report formatting and filtering information.
5. Click **Save**.

Deleting a Report

Only a report in the **My Reports** category can be deleted. To delete a report, 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 in other Drake functions, such as the Letters (found at **Tools > Letters**) and the Fixed Asset Manager (see "Fixed Asset Manager" on page 298). Access the Filter Manager from a **Filter Selection** box, which is opened when you might have to narrow a selection of records.

To access the Filter Manager from a **Filter Selection** box, click **Edit Filters**. (See "Customized Filters" on page 292.)

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 12-6: Basic and **Additional Search Conditions** boxes

Basic Search Conditions

Basic search conditions, described in Table 12-3, refer to the most common filtering criteria: **Return Type(s)**, **Return Result**, **Activity**, and **Preparer and Firm**.

Table 12-3: Basic Search Conditions: Categories

Category	Description
Return Type(s)	Return types to include in the report. To include all return types, select **All Return Types**. Select **Allow MFS 1040 Returns** to include returns with a status of Married Filing Separate.
Return Result	Result types of the returns to include in the report. Example: If **Balance Due** is selected, only those returns with a balance due will be included. Select **Any Result** to include all results.
Activity	Status of returns to include in the report. To include both active and inactive returns, select **Any Status Type**.
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.

2. 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 12-6 on page 294.)
2. In the **Filter Condition Editor** dialog box, select a **Keyword Name**.
3. Select a **Comparison** option and a **Value** (if required) (Figure 12-7).
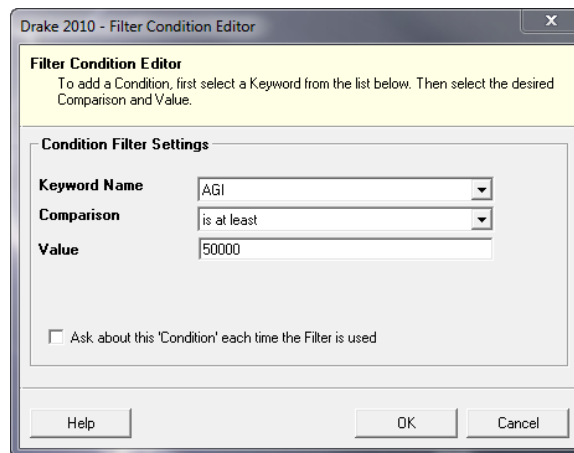
Figure 12-7: Comparison ("is at least") and **Value** (50000) selected for AGI keyword

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.

4. (optional) To allow a user to modify this condition when running a report, select **Ask about this 'Condition' each time the Filter is used**.
5. Click **OK**. The new condition is displayed in the Filter Manager (Figure 12-8).
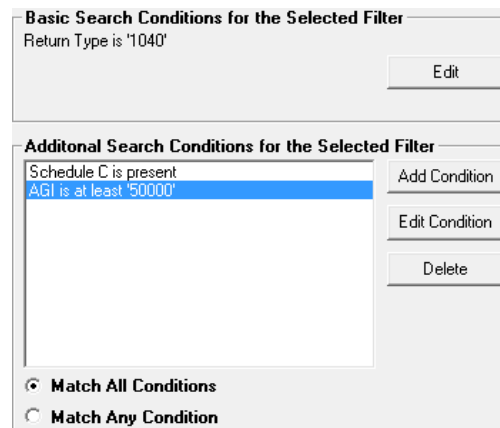
Figure 12-8: New condition ("AGI is at least '50000'") is displayed.

6. (optional) Repeat the previous steps to add more conditions as needed.

7. Select **Match All Conditions** (for narrower results) or **Match Any Condition** (for broader results) as applicable.
8. 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 12-5 on page 292) 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 294.)
5. Click **OK**.

The new filter is added to the **Available Filters** and can be edited.

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 294.)
6. Click **OK**.

The new filter is added to the **Available Filters** and can be edited.

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 is added to the **Available Filters** and can be edited.

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, go to the Home window and select **Reports > Report Viewer**.

To view a report, select the report to view and click **View**. The report is displayed on the screen.

TIP   Click column headers to sort the list in ascending or descending order.

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. (Figure 12-9.)
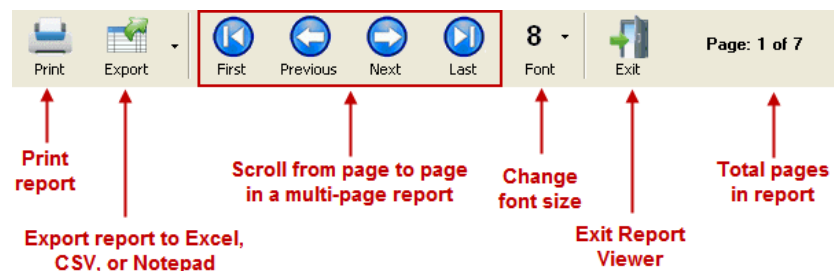
Figure 12-9: Report Viewer Options

NOTE   Reports exported to CSV are saved in **Drake10\Reports**. Select a different 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 294), and then click **Continue**.

3. Choose to **Print** the depreciation list or to **Export to File**.

   • **Print** — Send the list to the printer. When the **Print** dialog box is opened, click **Print**.

   • **Export to File** — Depreciation lists exported to file are stored in Drake10\Reports as CSV files. Click **OK**.

Fixed Asset Manager

Use the **Fixed Asset Manager** to run reports based on client assets. Eight report types, shown in Table 12-4, are available.

Table 12-4: 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 Acquired, Date Sold, Gross Sales Price, Depreciation (Current), Cost or Other Basis, Loss/Gain
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, Date Placed 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, Asset Description, and Date Placed in Service, Cost, Section 179 Expense Amount, Prior Year Carryover, and the Current Year Sec 179 deduction
Dispositions	Asset list of items disposed of within the current year	Asset Number, Department Number, Asset Descriptions, Date Acquired, Date Sold, Gross Sales Price, Depreciation Amount, Cost or Other Basis, Loss/Gain.
Department Summary	Asset summary report sorted by department or schedule	Produces an asset summary report sorted by department or schedule

Table 12-4: 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.
Preference Report	List of assets placed in service after 1986	Asset Number, Department Number, Asset Description, Date Placed in Service, Method & Recovery Period, Basis, Current Depreciation, Alternate Depreciation, and the 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 300.)	

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 12-10).
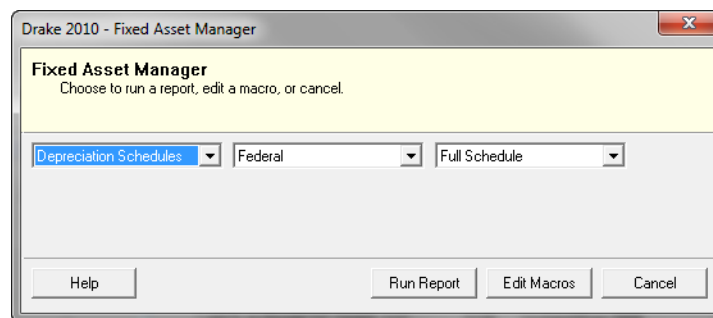
Figure 12-10: Fixed Asset Manager dialog box

2. Select a report type. (See Table 12-4 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**, or to sort by **Form/Schedule**.

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 294) and click **Continue**.

7. Select an option for displaying the depreciation list.

- **Print to Printer** — Send the list to the printer. When the **Print** dialog box is opened, click **Print**.

- **Export to File** — Save the report as a CSV file. To open the saved file, go to your Drake10\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 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 12-10 on page 299).

To run the macro, select **Auto Code Print** as the report type 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.

13 Suite Products

Integrate Drake suite products with Drake tax software to run your business more efficiently. The suite includes the Drake Document Manager (DDM), Tax Planner, and Client Write-Up (CWU) programs. These products are free of charge and are installed from your Drake Software CD.

This chapter focuses on the DDM and Tax Planner. For CWU instruction, the *Client Write-Up Manual* is available on the Drake CD and from *Support.DrakeSoftware.com*.

Document Manager

The DDM is installed with the tax software and can be accessed by double-clicking the DDM icon on your desktop. Listed below are just a few of the new DDM features you will see in 2010:

- **DDM Backup/Restore** — Ability to back up folders to, and restore them from, a specified location
- **DDM Updates** — Ability to update DDM files from within the DDM
- **Ability to copy files to CD** — Ability to copy DDM files directly to a CD
- **Password protection** — Ability to password-protect the entire DDM
- **Custom folders** — Ability to add custom folders (in addition to the default "Tax" and "2010" folders) to all new clients added to the DDM

Use the DDM to create an organizational file structure for storing electronic documents such as PDF copies of tax returns, scanned Forms 8879, and scanned copies of driver's licenses.

TIP   Before storing items in the DDM, determine the type of file structure you want to use. The structure can be difficult to rearrange once it is in place and contains files.

Think of the DDM file structure as a virtual filing cabinet with drawers and folders, with Level 1 as a cabinet, Level 2 as a drawer, and Level 3 as a folder. (Folders can also have subfolders.) The documents themselves reside in the folders and subfolders.

Backing Up/Restoring DDM Contents

The backup/restore feature allows you to copy files to a local, networked, CD/DVD, or USB drive. You can back up and restore the entire DDM structure or a specific cabinet, drawer, or folder. To back up individual files, use the **Copy To...** options. (See Table 13-2 on page 313.)

TIP   Use this tool to back up and restore files from one computer to another in regular file/program maintenance or to store data off-site as part of a disaster recovery plan.

Backing Up Contents   To back up DDM contents:
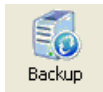
Backup

1. Select a specific drawer, cabinet, or folder to back up.

2. Click the **Backup** button on the DDM toolbar. The **Backup/Restore Manager** dialog box is displayed (Figure 13-1).
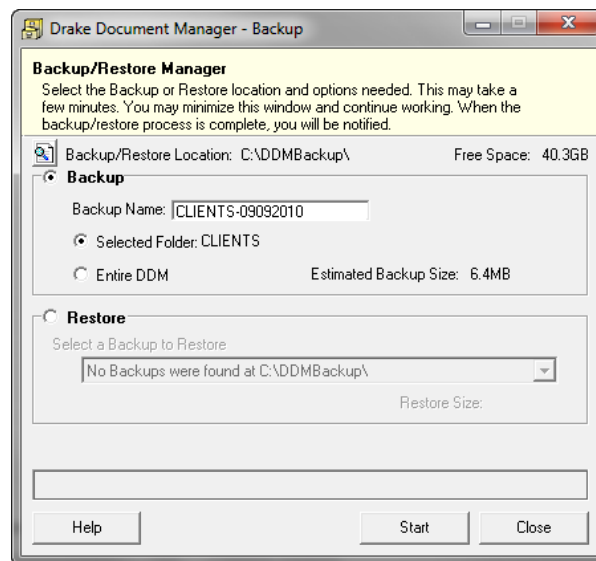
Figure 13-1: DDM Backup/Restore Manager

3. (optional) If you don't want to use the default **Backup/Restore Location**, click the **Backup/Restore Location** button and specify a new location.

4. (optional) If you don't 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.

5. Click **Start** to begin the backup process.

NOTE
If you want to back up the entire DDM, select **Entire DDM** in the **Backup Restore Manager** dialog box before clicking **Start**.

Because the backup process 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 DDM.

Estimated Backup Size & Free Space

As shown in Figure 13-1, the application 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 you are backing up to a CD/DVD drive. This is because the data is stored within the Windows OS temp files to wait to be copied to the disk at the user's convenience; however, you can check the available space on the disk before backing up to make the **Free Space** determination.

Restoring Contents

To restore backed-up contents of the DDM:

1. Click a specific drawer, cabinet, or folder to back up.

2. Click the **Backup** button on the DDM toolbar. The **Backup/Restore Manager** dialog box is displayed. (See Figure 13-1.)

3. Click **Restore**, located in the bottom half of the dialog box.

4. From the **Backup to Restore** drop list, click a location from which to restore files.

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 **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 DDM.

Updating the DDM

The DDM Update Manager allows you to check for, download, and install DDM updates in a few simple steps. The DDM must be open in order to access the DDM Update Manager.

To get and install DDM updates:

1. From the DDM menu bar, select **Setup > Options** to open the **Setup Options** dialog box.

2. Enter your **EFIN** and **Drake Password** and click **OK**.

3. From the DDM menu bar, select **File > Update Manager**. The **DDM - Update Manager** dialog box is displayed.

4. Click **Update** to initiate the connection to Drake and check for needed updates.

5. Once the program has located any available updates, click **Get Updates**.

The DDM 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.

Setting up the DDM

Review the following information before beginning work in the DDM.

Technical Require-ments   The DDM takes up very little disk space, but you may require more space to store your 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; if you own a new computer, storage should not be an issue.

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.

File Structure   The DDM stores files in a "file structure." You can build a file structure entirely from scratch, create an automatic file structure by integrating the DDM with the tax software, or implement a combination of both approaches.

Among the benefits of integrating the DDM with the tax software:

- The DDM's default file structure contains a **Clients** filing cabinet, drawers labeled **0-9** and **A-Z**, folders in each drawer for each client labeled by last name or business name, a **Tax** subfolder, and a **2010** subfolder (Figure 13-2).
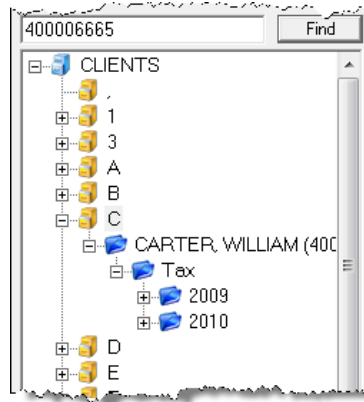
Figure 13-2: Each "drawer" contains a client folder. Subfolders are titled "Tax" and "2010."

- When you create a return for a new client in Drake, you are required to enter the client's name. Once a client's name is entered, a client folder is automatically created in the DDM.
- The **Doc Mgr** button in data entry opens the DDM to the client's tax-year folder.
- Files saved in a client's folder can be attached through the Drake e-mail program, or sent as a PDF attachment to a return (1120, 1120S, 1065, and 990 packages only; see manual supplements for these packages, to be published in early 2011).

To implement the Drake document file structure:

1. From the **Home** window, go to **Setup > Printing > Document Manager** to set the **Document Manager Location**. (See Figure 13-3.) The default location is the DRAKEDDM folder in the same drive as Drake10. If this location is incorrect, click **Search**, and click **Yes** when the program displays the correct location.

2. In the **Folder Structure** section, select **Allow Drake to set up Document Manager client folders (Recommended)**. If this box is not marked, you must specify the location where the DDM should store any printed return or scanned document.

3. (optional) Also in the **Folder Structure** section is the option to add a custom folder (in addition to the default folders):

- Click one of the folders in the "tree" of folders to indicate where the custom folder should be stored—in each client's main folder or in each client's 2010 folder. (See Figure 13-6 and Figure 13-7 for examples of folders in the file structure.) The new folder will be inserted one level below the selected folder

- Click **Add**.

- Enter a custom folder name.

- Click **OK**.

- 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, click **Edit**. To delete the new folder, click **Remove**.

4. (optional) To password-protect the DDM, add and confirm a password. (Not all users have access to this feature. For more information on passwords, see "DDM Security at Startup," following.)

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

NOTES
Custom folders are new in 2010. If a custom folder is added, it will appear in the specified folders for all new clients in 2010.

If the Drake file structure is introduced into an existing system, the Drake structure is added to the existing system. The Drake structure does not overwrite it.

DDM Security at Startup

DDM users with administrative rights can establish, change, and remove passwords required to open the DDM.

To establish a password for opening the DDM:

1. From the **Home** window, go to **Setup > Printing > Document Manager**.

2. Enter a password in the top text box of the **DDM Password** section (Figure 13-3). Passwords are case-sensitive.

3. Re-enter the password in the bottom text box to confirm it.
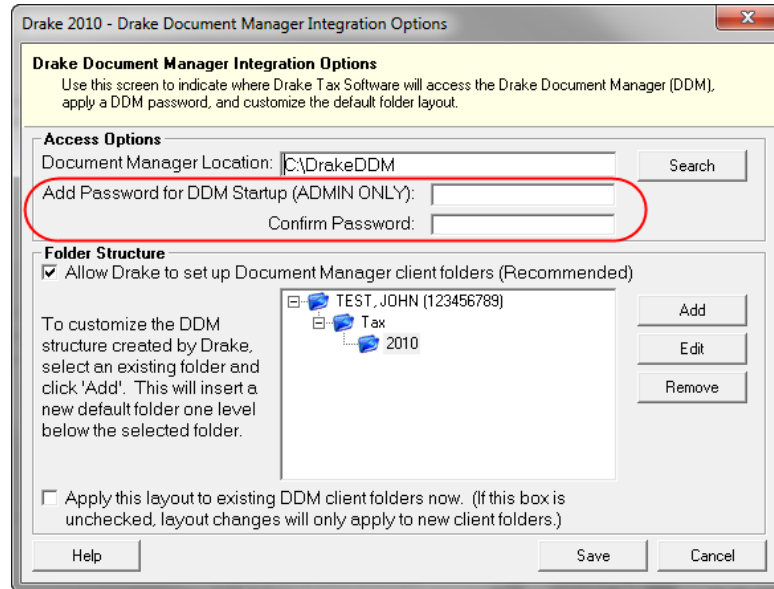
Figure 13-3: Adding a password to DDM

4. Click **Save**.

With a password in place, users must enter the password in order to open the DDM.

To change a password, repeat the steps described previously. In the **Add** and **Confirm** text boxes (see Figure 13-3), enter the new password and click **Save**. *To remove a password*, go to **Setup > Printing > Document Manager** as described previously. Delete the passwords from the **Add** and **Confirm** text boxes (see Figure 13-3) and click **Save**. (To delete, select a password and press DELETE.)

NOTE   For information on password-protecting individual files in the DDM, see "File Security" on page 313.

Configuring the DDM

To set configurations for the DDM:

1. Open the DDM. (See Figure 13-6 on page 308.)
2. Choose **Setup > Options**. Options are listed in Table 13-1 and shown in Figure 13-4 on page 307.

Table 13-1: DDM Setup Options

Option	Description
Document Manager Data Path	To store data in a location other than the DDM, enter the data path here or click **Browse** to map to a new location.
Use this scan device	By default, the DDM chooses a scanner. To choose a different scanner, select it from the list.

Table 13-1: DDM Setup Options

Option	Description
Turn off scanner interface	Activate or disable the DDM's default scanner interface. You might have to view the scanner interface window when making a scan, especially if options not available in the DDM (such as scanner resolution or color) are required.
Build index when DDM starts	The DDM index (used for searching the DDM) occasionally must be rebuilt to ensure proper functionality. Mark this box to have the system rebuild the index when the DDM starts.
Edit/Reset list of Common Documents	Edit or reset names assigned to commonly scanned document types. (See "Setting Up Common Documents," following.)

NOTE

Rebuilding the index each time the DDM starts does not interfere with DDM operation. If you choose not to rebuild the index automatically, you can rebuild the index by going to **File > Rebuild Search Index**.

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 DDM:

1. From the DDM menu bar, click **Setup > Options**. The **Document Manager Setup Options** dialog box is opened (Figure 13-4).
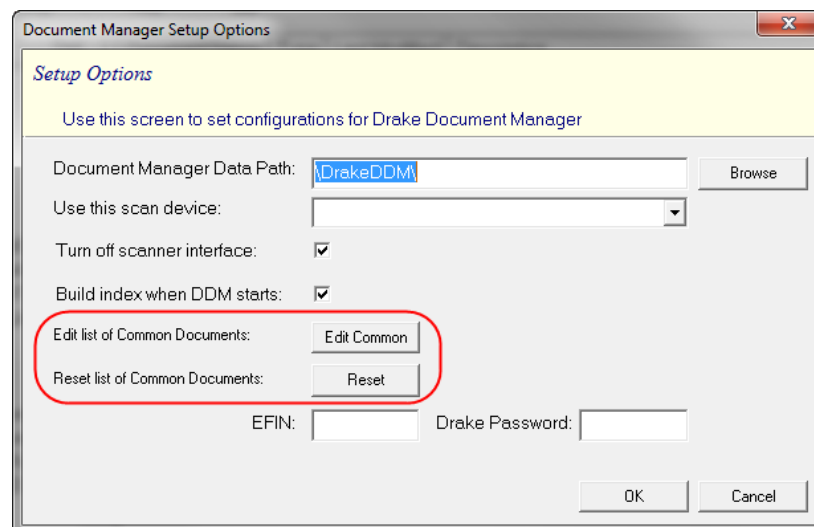
Figure 13-4: Options for commonly scanned documents in
Document Manager Setup Options

2. Click **Edit Common**. A .txt file lists the default common document names. Default names are *W-2*, *Social Security Card*, and *Driver's License*. In the example in Figure 13-5, the user has added *Birth Certificate* to the default list.
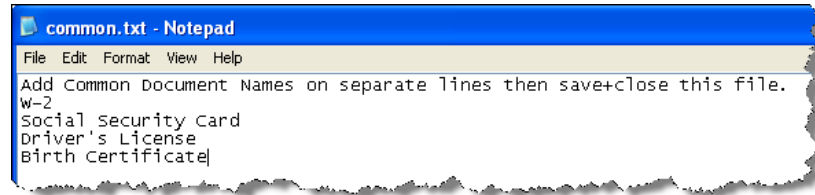
Figure 13-5: Common document names; user has added "Birth Certificate."

3. Add or edit names as desired.

4. Click **File > Save** or press CTRL+S to save your changes.

5. Click **File > Exit**, and then click **OK**.

Whenever you scan a document into the DDM, you have the option of selecting one of the descriptions entered. (See "Scanning a File" on page 310.)

NOTE To reset the common document names list to the default names provided in the program, click **Reset** in the **Document Manager Setup Options** dialog box.

The DDM Window

The DDM consists of the file structure "tree" on the left side, a list of files in the selected folder on the right, and a menu bar and toolbar at the top.
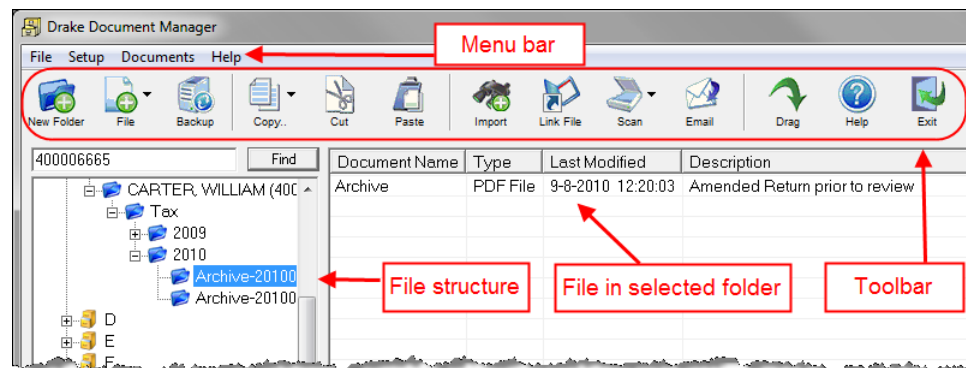
Figure 13-6: Part of the DDM interface

Filing cabinets are organized 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 Select a folder to view a list of its files. The DDM displays document names, types, dates modified, and descriptions. Click column headers to sort by columns.

Like other Drake windows, the DDM 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. To view a description of a toolbar button, hold the mouse pointer over it. Each toolbar button activates a different function, and different buttons are available at different levels of the DDM. For example, from the Cabinet level, you can add only drawers and cabinets, so only these buttons

are available; from the Folder level, you can add folders, 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 DDM, enter part of the name in the **Find** text box and click **Find**. The file location is highlighted in the tree (Figure 13-7).
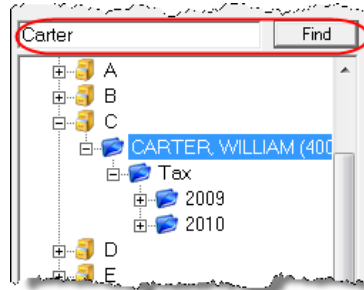
Figure 13-7: Click **Find** to locate files that match a search term.

To find the next instance of the search term, click **Find** again. Repeat as needed until you find the you are looking for.

Building A File Structure

If building your own file structure, map it out by hand before creating it in the DDM. More cabinets, drawers, and folders can be added to a Drake-integrated file structure. As a level is created, an icon representing that level appears in the DDM's left pane.

DDM 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 DDM:

1. Click **New Cabinet**.
2. Enter a cabinet name in the **Input** dialog box.
3. 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.

DDM Drawers   Add drawers to cabinets for file storage. The Drake filing system uses drawers labeled **0-9** and **A-Z**. To add a drawer to a cabinet:
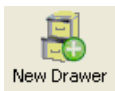
1. Highlight the cabinet you want to use.
2. Click **New Drawer**.
3. Enter a drawer name in the **Input** dialog box.
4. Click **OK**. The new drawer appears in the left pane.

Repeat these steps as needed to create more drawers.

DDM Folders   Documents are stored at the folder level. When you create a return in Drake (and if you've integrated your DDM with Drake), the Drake filing system automatically creates the client folder with a subfolder labeled **Tax** and subfolders for the tax year.

To create additional folders (or subfolders):

1. Highlight the drawer or folder that will contain the new folder or subfolder.

2. Click **New Folder**.

3. Enter a folder name in the **Input** dialog box.

4. Click **OK**. The new folder appears in the left pane.

Repeat these steps as needed to create more folders.

Working With Files in the DDM

Once the cabinets, drawers, and folders are established in the DDM, you can begin adding files. The DDM supports many file types and allows you to import or scan files into the DDM or link to a file outside of the DDM. Once added to a folder, files are listed in the right pane of the DDM window.

> NOTE   Files can be added to the DDM from the toolbar or through the DDM's **Documents > Add Document** menu.

Importing a File   To import a file into the DDM:

1. Select the folder where the document will be stored.

2. From the toolbar, click **Import**.

3. Browse to and select the desired document.

4. Click **Save**. The DDM copies the document into the selected folder.

Scanning a File   Scan documents into the DDM using a flat-bed or document-feeder scanner. A flat-bed scanner scans one page at a time, creating a separate PDF for each page. A document-feeder scanner scans multiple pages and makes one document of many pages.

> NOTE   See "Compatible Scanners," following, for scanners that have been reviewed and found to be compatible with the 2010 DDM release.

When you scan a document using the DDM, 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 DDM:

1. Select the folder where the file will be stored.
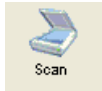
2. From the toolbar, click **Scan**, and select **Use Scanner Bed** or **Use Document Feeder**.

3. From the **Input** dialog box, select a file type (see Figure 13-8).
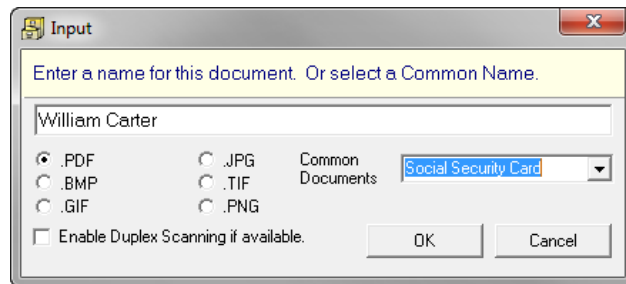
Figure 13-8: In this example, "PDF" is the selected file type.

4. Enter a filename. If a default name has been assigned for a commonly scanned document, select it from the **Common Documents** drop list. In the Figure 13-8 example, "Social Security Card" is being selected.

5. Click **OK**.

> TIP
>
> To facilitate search and retrieval of DDM files, establish a naming convention and use it consistently. The **Common Documents** feature can help you achieve consistency in naming. See "Setting Up Common Documents" on page 307 for more information.

Compatible Scanners

Drake has reviewed the following scanners and found them compatible with the DDM's 2010 release. This list does not represent product endorsement or preference by our company. Pricing is subject to change.

- Canon DR-2050C ($600)
- Fujitsu FI-6130 ($900)
- HP Scanjet 5590 ($300)
- Xerox DocuMate 510 ($400)

More details on these scanners are provided in Drake's online help. Many TWAIN–compliant scanners will work with the DDM. Always review scanner specifications before purchasing a scanner.

Linking a File

Create a link between a DDM file and a document outside the DDM. The DDM 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 DDM.

To create a link to a file in the DDM:

1. Select a folder in which to store the link.

2. Click the **Link File** button from the DDM toolbar.

3. Browse to and select the document to be linked.

4. Click **Open**. The link is indicated in the **Type** column of the DDM.

Figure 13-9: Link is indicated in **Type** column of DDM.

DDM Audit Log

Each time an action occurs to a file, the DDM 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 DDM Audit Log, select a file from the DDM 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 DDM window. (See Figure 13-6.)

To change the status of a document:

1. Select a document from the DDM 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 13-10).
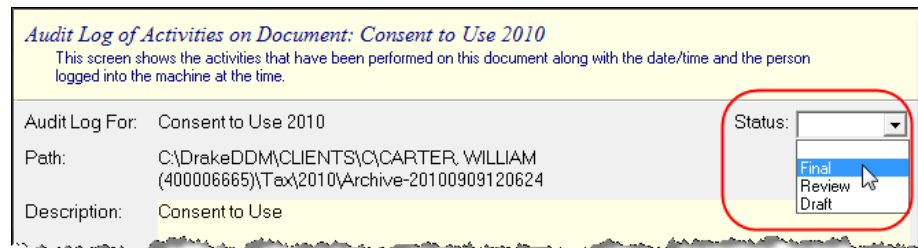
Figure 13-10: Choosing a document status

3. Click **OK**.

.txt, .doc, .xls

Your computer must have Word and Excel installed in order to use the DDM to create new text (.txt), Word (.doc), and Excel (.xls) files. To create a new text, Word, or Excel file:

1. From the DDM toolbar, click **File**.

2. In the menu that is displayed, select **New <Text> File**, **New <Word> File**, or **New <Excel> File**.

The applicable program is opened when you click a selection.

Save files to F:\DrakeDDM\Cabinet\Drawer\Folder\Subfolder, replacing "F" with your drive letter. For instance, you might save client correspondence at
C:\DrakeDDM\Clients\Bob's Business\2010.

File Security   When DDM files are password-protected, a password must be entered before the files can be accessed. DDM passwords have an eight-character limit and are case-sensitive.

To assign a password to a file, right-click a file and select **Password Protection**. Enter the password twice and click **Continue**.

To open a password-protected file, double-click the file (or select the file and click **Open**). Enter the password and click **Continue**.

To remove or change a password, right-click the file to open the **Password Protection** dialog box. Enter the password and click **Continue**. When prompted to enter and re-enter a new password, do one of the following:

- Enter a new password twice (to change the password).
- Leave the password fields blank (to remove password protection).

Click **Continue**, and then click **Yes** if removing password protection.

NOTE   To require a password for opening the DDM program, see "DDM Security at Startup" on page 305.

Other Tasks   Other tasks that can be performed in the DDM are listed in Table 13-2.

Table 13-2: Other DDM File Tasks

Task	Description
File	Click the **File** button and select **Open**, **Rename**, or **Delete** in order to open, rename, or delete a file, respectively.
Copy..	Select a file in the DDM document list, and click **Copy**. Choose to copy to a location, copy to the clipboard, or copy to a CD. If copying to a location, choose a location for storing the copied file, and then click **Save**. If copying to the clipboard, use the DDM's **Paste** button to paste the document into another folder. If copying to a CD, follow the instructions provided on your screen.
Cut	Use the **Cut** and **Paste** buttons to move documents from one folder to another. To copy a folder to another document, use the **Copy** button.
Paste	Use the **Cut** and **Paste** buttons to move documents from one folder to another. To copy a folder to another document, use the **Copy** button.
Email	Select a file in the DDM document list (or select multiple files using the SHIFT or CTRL keys), and click **Email**. Your default e-mail program is opened with the document added as an attachment.
Drag	Enable "drag-and-drop" navigation, which allows files to be "dragged" and "dropped" from one location on the computer into the DDM. You can also drag and drop files within the DDM. Use your mouse to drag the selected file to the new location.

Table 13-2: Other DDM File Tasks

Task	Description
Help	Access Help.
Exit	Exit the DDM.

Tax Planner

The Drake Tax Planner helps you assist your clients with planning for financial decisions. Clients can see how events such as the birth of a child, a marriage, or a new job will affect their short- and long-term finances and tax liability.

The Tax Planner is installed when you install Drake. Because each worksheet in the Tax Planner contains typical Excel worksheet functions, your computer must have Microsoft Excel 2000 or later installed.

Opening the Tax Planner

To open the Tax Planner from the *desktop*, double-click the **Tax Planner** icon. Begin entering data in the blank planner, or click **Open Planner** to open an existing planner.

To open the Tax Planner from data entry:

1. Click the **Tax Planner** icon.
2. When the program asks if you want to calculate the return, answer **Yes** or **No** and the Tax Planner is opened.
3. When the program asks how many cases or years you want covered in your Tax Planner, select a number from the drop list and click **OK**.

The client's current-year information is imported. You can edit this information once it is in the Tax Planner.

NOTES

Clicking **New Planner** opens a blank planner.

See "Working in the Tax Planner" on page 316 for instructions on steps to take once you've opened the Tax Planner.

Tax Planner Window

The Tax Planner contains a spreadsheet menu bar, the Tax Planner toolbar, taxpayer data, and and tabs representing setup and specific portions of the 1040 return.

Figure 13-11: Menu bar (item 1), toolbar (item 2), data, and tabs (item 3)

Some cells are "read only" and cannot be changed; others can be edited. Unshaded (white) cells are active and can be edited.

The **Client Setup** (Figure 13-11) tab has cells for taxpayer demographic data and planning preferences. The other tabs correspond to sections of the 1040. The **Summary** tab displays a summary of the information in the other tabs.

> NOTE   **Summary** tab cells do not accept direct entry. If you click a **Summary** tab cell, the program jumps to the cell of the corresponding tab.

Certain tabs are hidden by default. For example, the Schedule **C** tab is not initially visible but appears when the Schedule C cell is double-clicked from the **Income** tab. Hidden worksheets can also be accessed from the **Go To** list on the toolbar.

To move through the tabs, click **Next** or **Back** on each screen, click a tab at the bottom of the window, or select **Go to** from the toolbar and select a tab.

Each tab includes a **Notes** box (Figure 13-11) for recording any comments. To clear a **Notes** box, select the box, and then select **Clear Contents** from the right-click menu.

Preferences and Options

Set planner preferences before you begin working in the Tax Planner. Planner options are available for exporting data, selecting case options, and changing the source directories and paths used with the Drake program.

Planner Preferences   *Multi-year planning* provides planning for up to seven years. *Multi-case planning* provides current-year planning with up to seven user-defined scenarios. The Tax Planner allows you to save two planners (one multi-year and one multi-case) for each client.

To choose a planning preference:

1. Open the Tax Planner for a client. By default, the planner is opened to the **Client Setup** tab and displays client contact information.
2. Click the cell to the right of the **Planning preferences** cell (located near the bottom of the **Contact Information** box), and then click the arrow that appears.
3. Select a planning preference and click **Save Planner**.

TIP   To save multiple planners for a client, save each planner using a slightly different name. (For example, Click **Save Planner > Save As** then save one planner as Smith1, another as Smith2, etc.)

Planner Options   The following options are available from the Tax Planner **Options** button:
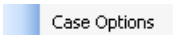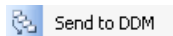
[Send to DDM]   • **Send to DDM** — Select **Options > Send to DDM** to save the open file as a PDF file to a selected DDM client folder. See "Document Manager" on page 301.

[Case Options]   • **Case Options** — Select **Options > Case Options** to choose the number of cases or years to view and print. Click **Set selection as default** to set a number as a default setting.

[Directories and Paths]   • **Directories and Paths** — Select **Options > Directories and Paths** to select a path for the Tax Planner to use as its source for Drake data (current path is displayed). Enter a **New** path if necessary. Files are saved to the specified location.

Working in the Tax Planner

To begin working in the Tax Planner:

1. Open the Planner using one of the methods described in "Opening the Tax Planner" on page 314. Tax data automatically fills the planner for the current year.
2. In the **Case Selector**, select the number of years or cases to use. (If you have already selected a default number, the **Case Selector** does not appear.)
3. Click **OK**.
4. Begin entering or changing data to reflect the changes being planned or considered by the client. (See "Entering Data" on page 316.) Note that the data in subsequent years adjusts to your entries.
5. Click **Save Planner > Save** or **Save Planner > Save As** and select a name and location for the file. (Files are saved as *.DTP files unless you specify otherwise.)

The following sections describe actions that cause the data in cells to change.

Entering Data   To make a direct entry in a cell, click the cell and enter an amount. Use this same process to override the amount in a calculated cell. You can also copy, cut, and paste amounts in a Tax Planner cell using typical Windows procedures for copying, cutting, and pasting data.

Using Worksheets

In some cases, a worksheet is available for additional data entry.

- The **Detailed Worksheet** is similar to the CTRL+W worksheet in data entry. To attach a detailed worksheet, select the desired cell and press CTRL+W. Use the **Detailed Worksheet** dialog box to add, edit, and remove items for the cell.

Figure 13-12: Adding items to a **Detailed Worksheet** dialog box

For example, to add an item, enter a description and an amount and click **Add**. Once all items are entered, click **Exit**. The total is shown on a blue background (Figure 13-13).

Figure 13-13: Worksheet totals are highlighted in blue.

- **Tax Planner Worksheets** — To access an additional tab or worksheet for a form or line, double-click the shaded cell.

Making Adjustments

Each numerical column in the Tax Planner has an **Adjustment** column to the right of it. Use this column to enter dollar amounts or percentages by which to adjust the amounts. (Default is dollar amount; to use a percentage, enter the number with a percent symbol. (See Figure 13-14.)

To decrease an amount, enter a negative number or percentage by entering a minus sign (-) in front of the amount (for example, -5% or -5) in the **Adjustment** column.

Figure 13-14: Adjustments

To apply an adjustment to all future years or cases, right-click the cell with the adjustment and select **Carry Adjustment Across**.

Running Reports

To access reports, click **Reports** from the Tax Planner toolbar and select to print a **Detailed** or **Summary Report**. Standard charts and graphics are also available.

Printing a Tax Planner

To print Tax Planner data:

1. Click **Print Planner**.
2. In the **Print Selector**, select your printing options.
   - **Sheet Selection** — Sheets pertain to specific tabs in the Tax Planner.
   - **Report Selection** — Select **Summary Report**, **Detailed Report**, or both.
   - **Copies** — Select the number of copies to print.

> TIP   To save your printing options as the default, click **Save Selection**.

3. (optional) Click **Print Preview** to preview your selection. Use the scroll bar to view additional pages, and then click **Print**.

Backing Up & Restoring Files

To back up or restore Tax Planner files:

1. Click **Backup/Restore** from the Tax Planner toolbar.
2. Select the **Backup** tab or the **Restore** tab.
3. Choose a backup or restore location, or browse to the location.
4. Choose the client files to back up or restore. Select **All Clients** to select all Tax Planner client files. To choose specific clients, click **Select Clients** and enter a client's Tax Planner filename. Browse to a location as needed.
5. Click **OK**.

Client Write-Up

Client Write-Up (CWU) is free to Drake clients 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. A manual is also available on the Drake Support site at **Training Tools > Manuals > CWU**.

14 New Features in Other Packages

Chapter 5, "Return Preparation," focuses primarily on the 1040 package in Drake. Instructions for using the software's other packages are provided in manual supplements for each package, to be published in spring 2011. This chapter lists some of the new features you'll see in Drake's other packages. It also includes information on the estate (706) package, which will be used for state returns only in filing season 2011.

Entity Packages (1120, 1120S, 1065, 990)

Entity packages consist of the corporation (1120), S corporation (1120S), partnership (1065), and tax-exempt organization (990) packages. As with the 1040 package, these packages for 2010 feature more EF "trapping," improved EF messages and NOTES pages, and a new EF message to help prevent filing a return that has already been e-filed.

The following sections list descriptions of some additional changes to the entity packages in Drake's tax software for tax year 2010.

All Entity Packages

The following items have been added to all entity packages, except where otherwise specified):

- **Ability to e-File Amended Returns** — The program now supports e-filing of amended 1120, 1120S, and 1065 tax returns.
- **New Schedule L Screen** — In the past, two screens were used to complete Schedule L, Balance Sheets per Books. In 2010, the **L** and **L2** screens have been consolidated into a single screen for easier data entry. Links to the **SCH2** screen are still provided for those items that require a subsidiary schedule. (1120, 1120S, and 1065 only)

- **More EF "Trapping"** — To prevent IRS rejections, new programming in all packages will help the software catch more errors in business returns before the returns can be e-filed.

- **EF Messages and NOTES Pages** — Many of the EF message and NOTES pages have been rewritten for improved clarity and to better help with troubleshooting returns.

- **Improved Calculation Results Window** — The **Calculation Results** window now contains more links to EF messages and enhanced messages.

- **EF Messages for Accepted Returns** — For returns that have been e-filed and accepted by the IRS, the program produces EF messages to remind you not to file the return again.

- **Form 8941** — As with the 1040 package, Form 8941, Credit for Small Employer Health Insurance Premiums, has been added. Use screen **8941** to complete information for this credit.

- **Multiple Forms 8027 Available** — Returns can now include multiple Forms 8027, Employer's Annual Information Return of Tip Income & Allocated Tips.

- **Section 179 Expensing for Qualified Real Property** — In accordance with the Small Business Jobs Act of 2010, a taxpayer may elect, under section 179, to expense up to $250,000 of the cost of qualifying real property placed in service during the taxable year. As in the 1040 package, this election is made on the **4562** screen. (990 package not included)

Individual Entity Packages

The following items have been added to one or more of the entity packages:

- **Schedule UTP Added (1120 package)** — Schedule UTP, Uncertain Tax Position Statement, has been added to the 1120 package. Screen **UTP** is accessible from the **Other Forms** tab.

- **Foreign Ownership Capabilities Expanded (1120 package)** — Screens **G** and **K** have been expanded to allow input of foreign owners without an EIN. Returns with foreign ownership data on schedules G and K are now eligible for e-file.

- **Form 1120-C – Cooperative Associations (1120 package)** — The **20C** screen now allows entry of non-patronage NOL carryforwards from prior years.

- **Prior-Year Tax Return Comparison (1120 package)** — You can use the new **CCOM** screen to compare data from the current return with data from the two previous years' returns for Form 1120-C.

- **Interest Computation Under Look-Back Method (1120 package)** — Form 8866, Interest Computation Under the Look-Back Method for Property Depreciated Under the Income Forecast Method, has been added.

- **Section 179 Expense Limited on M-2 (1120 package)** — The limited section 179 expense—and not the *elected* section 179 expense—is now carried to the Schedule M-2.

- **M2 Worksheets for 1120S and 1065 (1120 and 1065 packages)** — Worksheet WK_M2 is now produced if a Schedule M-3 is present in the return.

- **All Copies of Form 8805 Available (1065 package)** — Copies A, B, C, and D for Form 8805, Foreign Partner's Information Statement of Section 1446 With-

holding Tax, are now available in the program as blank forms (**Tools > Blank Forms**).

- **Change of Ownership Percentage Calculation (1065 package)** — Ownership change percentage calculation is now done for profit, loss, and capital, based on data entry.

- **Schedule N Added (1120S package)** — Schedule N, Foreign Operations of U.S. Corporations, has been added to the 1120S package.

- **New Schedule A Worksheet (990 package)** — The software now produces a Schedule A worksheet for Part II, line 5.

Fiduciary Package (1041)

This year, more screens in the 1041 package have the same format and similar functionality as the equivalent screens in the 1040 package. Most changes to this package were made to allow more complete entry of passive-activity data, and improved capability in calculating and printing related information. Some of these changes include:

- Ability to enter passive activities for Schedule E, Schedule K-1, Form 4797, Form 6198, and MAGI.

- Addition of **Activity Type** drop lists to screens **E**, **K1F**, **K1P**, and **K1S**, and the ability to indicate real-estate professional and nonpassive activities on these screens

Listed below are a few other changes that have been made to the 1041 package this year:

- Data entry fields for statements are now present on more screens for easier attachment of statements.

- Form 1116 is now generated automatically when the **DIV** screen is used.

- A tax-exempt statement is now generated automatically if "tax-exempt" is indicated on the **K1F**, **K1S**, **K1P**, or **INT** screen.

Estate Package (706)

Title V of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) repealed the following taxes:

- Estate tax for decedents dying after December 31, 2009, and before January 1, 2011

- Generation-skipping transfer (GST) tax on direct skips, taxable terminations, or taxable distributions that occur after December 31, 2009, and before January 1, 2011

In December 2010, the 2010 Tax Relief Act effectively repealed this provision, but it also gave estates of decedents dying after December 31, 2009, and before January 1, 2011, the option not to come under the revived estate tax. As described in the following sections, the Drake tax program will be updated to reflect these changes to the law as forms and procedures are finalized.

Form 706

Form 706, United State Estate (and Generation-Skipping Transfer) Tax Return, will be available in the Drake tax program for those who opt to file this form. The federal 706 program in Drake will be updated when the 2010 Form 706 is finalized; until then, *this federal form should not be filed with, and will not be accepted by, the IRS*.

If you are using Drake to file state estate tax forms, federal forms will be generated, but with reminders that the forms are not to be filed with the IRS. Only the state-related information will be included on any letters and filing instructions produced. If you want to exclude the federal forms and worksheets from the client's bill, you must indicate this on the **BILL** screen.

NOTES For an estate return, if you are amending the return or filing an extension, you must manually indicate the type of letter (amended or extension) to be generated. To do so, go to the **LTR** screen and select the desired letter type from the **Letter #** drop list at the top of the screen.

Form 8939

Form 8939, Allocation of Increase in Basis for Property Acquired From a Decedent, is under development by the IRS. Data entry in the Drake tax program will be made available when Form 8939 is finalized.

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

❑ **New Preparer Regulations** — All tax return preparers are now required to have a PTIN. Those without one must register for one and pay a $64.25 annual fee. Those who already have a PTIN must also sign up and pay the annual fee. Access the online application system through the **Tax Professionals** tab at *www.irs.gov.* Receipt of a PTIN is immediate after successful online registration. The IRS has a special toll-free telephone number, (877) 613-PTIN (7846), that tax professionals can call for technical support related to the new online registration system.

❑ **Apply for Electronic Filer's Identification Number (EFIN)** — All new EROs must complete and submit Form 8633, Application to Participate in the IRS e-file Program, to the IRS 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. Begin the registration process at *https://la1.www4.irs.gov/e-services/Registration/index.htm*

❑ **Revise Form 8633 as needed** — Authorized EROs do not have to file Form 8633 unless (1) their firm or filing information has changed since 2010, or (2) they will start e-filing business forms this year. Revise your Form 8633 at *www.irs.gov* after signing up for the IRS e-services program.

❑ **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*

❑ **Obtain Other IRS publications** — Order from the IRS or print from *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*, 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.

❑ **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 7.

❑ **Install the 2010 Drake Software CD** — Refer to your shipment letter, or see "Installation" on page 8.

❑ **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 10.

❑ **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 new Update Manager features** — See "Update Manager" on page 263.

❑ **Update and back up settings** — Run the update routine (see "Prior-Year Updates" on page 67), and make a backup copy of the software setup (see "Backing Up and Restoring Files" on page 268).

Take Advantage of Drake Resources

❑ **Electronic Training Center (ETC)** — For tax courses, tutorials, videos, and testing, go to *Drake-Software.com/ETC*.

❑ **Tutorials** — The 2010 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.

❑ **Drake Advisory Group** — Learn more about the Drake Advisory Group, which can help you help your clients with tax reduction, business continuation and restructuring, and retirement planning. See "Drake Advisory Group" on page 250.

❑ **Practice returns** — Use our practice returns to learn program navigation and data entry.

❑ **Drake Website** — Add *Support.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.

❑ **RIA online** — Review the features offered by RIA Checkpoint.

❑ **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 at *Drake-Software.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**).

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

Drake SOFTWARE

Tax Preparer

Complete the tax return

Review return to ensure that it is ready to e-file

Mark ready for EF → Transmit return

Address the identified issue

If NOT accepted (**B**, **R**, **D** or **X** ack)

Pick up & process acknowledgments

Transmitting **P**, **T**, or **B** ack

If ACCEPTED

T ack

Test transmission successful!

P ack

Drake transmission successful! Wait for IRS ack.

A ack (or **E** ack)

Drake

Drake Acknowledgement Codes

P = Processing! Wait for IRS ack.
T = Test transmission successful. Ready to e-file!
B = Bad transmission; rejected by Drake. Install updates and try again.

Receive transmitted return → Transmit acknowledgment → If **P** ack → Transmit return to IRS

Receive ack

IRS

IRS Acknowledgement Codes

A = Accepted by IRS!
R = Rejected by IRS; see reject codes.

D = Duplicate; return is a duplicate of a previously filed return or DCN. Rejected by IRS.
X = Problem with the transmission
E = Imperfect return
? = Ack file was not posted to your EF database. Run **Repair Index** in Drake.

Receive transmitted return → Transmit acknowledgment

E-filing process complete!

Appendix C: Keywords

Keywords are used in the Reports and Letters programs in Drake.

Report Keywords

Report keywords appear as columns in reports (Figure 1-1). Reports are generated from the Report Manager.

Figure 1-1: 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 1-2 shows the keywords for the **Return Results** category.
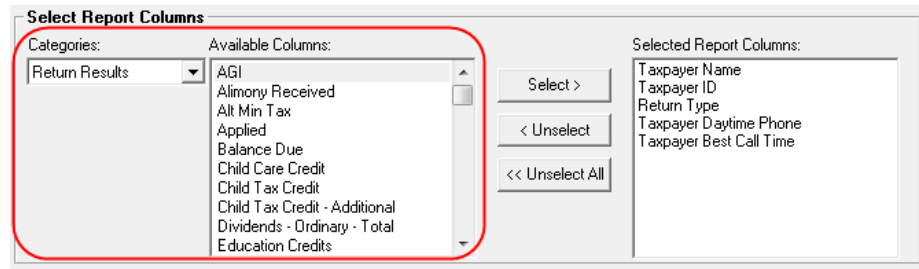
Figure 1-2: Keywords are listed under available columns.

To view a keyword description, hold the mouse pointer over a selected keyword (Figure 1-3).
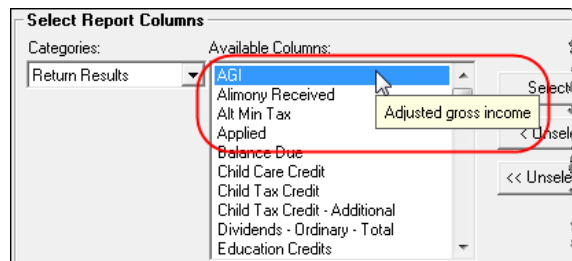
Figure 1-3: Place mouse pointer over a selected keyword to see the description.

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 1-4).
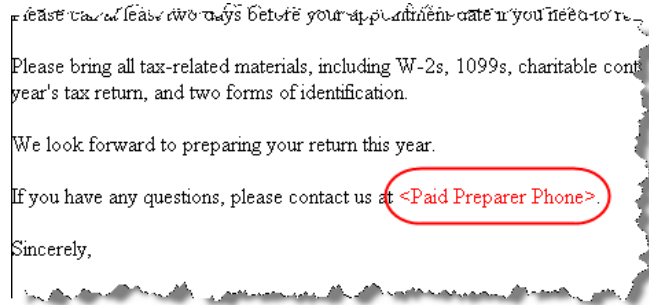
Figure 1-4: Keywords from letter template

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 1-5, the
Preparer, Firm, and Revenue category has been expanded.
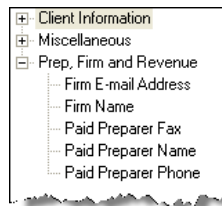
Figure 1-5: Prep, Firm and Revenue keywords

To view a keyword description, hold the mouse pointer over a selected keyword
(Figure 1-6).
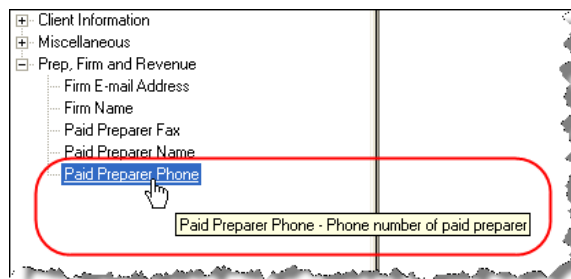
Figure 1-6: Place mouse pointer over a selected keyword to see the description.

Instructions for adding and editing report columns are provided in "Introduction to
Letters in Drake" on page 34.

"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 1-7. 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.
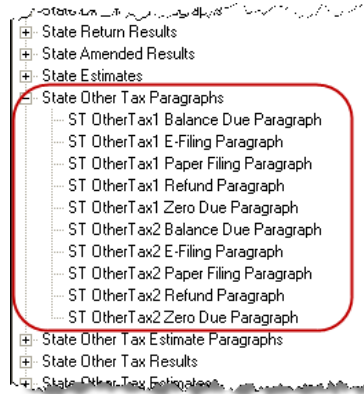
Figure 1-7: Examples of "OtherTax" paragraph keywords

Table 1-1 lists the "Other Tax" types indicated by specific letter keywords for state and city returns in the Drake tax packages.

Table 1-1: 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
	S Corporation	OtherTax1	NR Composite
		OtherTax2	Franchise
	Partnership	OtherTax1	NR Composite
		OtherTax2	Franchise
	Fiduciary	OtherTax1	NR Composite
		OtherTax2	Franchise

Table 1-1: Letter Keywords: Other Tax Types for State Packages

State or City	Package	Tax Type	Description
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
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

Table 1-1: Letter Keywords: Other Tax Types for State Packages

State or City	Package	Tax Type	Description
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
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

Table 1-1: Letter Keywords: Other Tax Types for State Packages

State or City	Package	Tax Type	Description
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
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 1-1: Letter Keywords: Other Tax Types for State Packages

State or City	Package	Tax Type	Description
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

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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

DI Debt Indicator. A field on an acknowledgment that indicates whether a debt offset of a taxpayer's refund will occur.

DDM Drake Document Manager

.doc File extension for Microsoft Word files

.DTP	File extension for Drake Tax Planner files
EA	Enrolled Agent
"E" ack	IRS acknowledgment for an imperfect return
EF	Electronic Filing
EFIN	Electronic Filer's Identification Number
EFT	Electronic Funds Transfer. The process through which direct deposit refunds are transmitted from the government to the taxpayer's account at a financial institution.
EFTPS	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.
EFW	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."
EIC, EITC	Earned Income Credit, Earned Income Tax Credit. A refundable individual income tax credit for certain persons who work.
EIN	Employer Identification Number
ERC	Electronic Refund Check (bank product)
ERD	Electronic Refund Deposit (bank product)
ERO	Electronic Return Originator. An authorized IRS e-file provider that originates the electronic submission of returns to the IRS.
ETA	Electronic Tax Administration. The office within the IRS with management oversight of the IRS' electronic commerce initiatives.
ETC	Electronic Training Center. Drake's online training center featuring tax courses, tutorials, and practice returns.
ETD	Electronically Transmitted Documents
ETIN	Electronic Transmitter Identification Number. An ID number assigned by the IRS to a participant in the e-file program.
F	Federal code; generally a drop list at the top of an applicable screen.
FMS	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.
HOH	Head of Household
IRC	Internal Revenue Code

IRS	Internal Revenue Service
ITIN	Individual Taxpayer Identification Number. A tax processing number for certain non-resident and resident aliens who cannot obtain a Social Security Number (SSN).
KB	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.
LLC	Limited Liability Company
MACRS	Modified Accelerated Cost Recovery System
MB	Megabytes
MeF	Modernized e-File
MFC	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
MFJ	Married, Filing Jointly
MFS	Married, Filing Separately
MOM	Multi-Office Manager
NOL	Net Operating Loss
"P" ack	Processing a successful transmission
PAN	Passive Activity Number
PCM	Personal Client Manager
PDF and .pdf	Portable Document Format
PIN	Personal Identification Number
PRN	Payment Reference Number
PPR	Pay Per Return
PTIN	Preparer Tax Identification Number
"R" ack	Reject transmission
RAL	Refund Anticipation Loan
RET	Refund Electronic Transfer (bank product)
RT	Refund Transfer (bank product)

RTN	Routing Transit Number. A number assigned by the Federal Reserve to each financial institution.
SMLLC	Single Member Limited Liability Corporation
SSN	Social Security Number
ST	State code; generally a drop list at the top of an applicable screen.
Sub-S	S corporation
"T" ack	Test transmission
TS	Taxpayer (or) Spouse
TSJ	Taxpayer (or) Spouse (or) Joint
TILA	Truth in Lending Agreement
.txt	File extension for text files
TY	Tax Year
UNVER	Unverified field. Fields flagged as UNVER must be verified before e-file is possible.
.xls	File extension for Microsoft Excel files

Appendix E: State E-filing Mandates

State e-filing mandates for tax year 2010, 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 calendar year 2010, then for that calendar year and for each subsequent calendar year thereafter, all acceptable individual income tax returns prepared by that income tax preparer must be filed using electronic technology, as defined in the "Electronic Tax Return Filing Act," as codified in Chapter 30 of Title 40, Code of Alabama 1975.

If an income tax return preparer prepares 50 or more acceptable, original corporate or partnership income tax returns using tax preparation software in calendar year 2010, 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.

An "Electronic Filing" as defined in Section 40-30-3(2) shall include, pursuant to this regulation, the technology commonly referred to as two-dimensional (2-D) barcode technology if such returns using this technology conform to format prescribed by the Department.

There is no opt-out provision.

California   California law requires tax preparers who prepare more than 100 individual state income tax returns annually, and who prepare one or more using tax preparation software, 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.

Connecticut   Connecticut agency regulations, Section 12-690-1, require tax preparers who prepared 50 or more 2009 Connecticut income tax returns to e-file all 2010 Connecticut personal income tax returns using the Federal/State Electronic Filing Program (e-file).

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 and Emergency Excise Tax Return (Form F-1120), and file through the IRS's 1120 Federal/State Electronic Filing Program using approved software.

Illinois   S corporations, partnerships, and trusts must make Illinois income tax payments on behalf of nonresident shareholders, partners, and beneficiaries.

Electronic payment is required for most corporate taxpayers that have an annual tax liability of $20,000 or more.

Individual taxpayers with an annual tax liability of $200,000 must make electronic payments.

Indiana   Paid preparers who file 100 or more Indiana individual income-tax returns must file those returns electronically. To help tax practitioners more easily comply with the e-filing mandate, the Department accepted part-year/full-year nonresident and reciprocal-state nonresident income-tax returns via 2D barcode or paper format for the 2009 filing season. Beginning with the 2010 filing season, all IT-40PNR and IT-40RNR returns must be e-filed. Also, 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.

A penalty of $50 for each return not filed in an electronic format, with a maximum penalty of $25,000 per calendar year, will be imposed on a professional preparer beginning with the 2011 filing season.

Kansas   The requirement applies to any paid preparer who prepares 50 or more Kansas individual income tax returns during any calendar year. The requirement is based on the number of individual income tax returns, including resident, nonresident, and part-year returns, filed by the tax preparer in a 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. If a tax preparer files 50 or more returns in 2011, then 90% of the returns must be e-filed.

Kentucky   Tax return preparers who file more than 10 individual income tax returns will be required to file their clients' returns electronically. The mandate will first apply to 2010 individual income tax returns due on April 15, 2011, and follows a federal return mandate enacted by Congress in 2009.

Louisiana   The e-filing mandate requires tax preparers filing more than 100 individual income tax returns to do so electronically beginning January 1, 2008, as authorized by Louisiana Revised Statute 47:1520.

The e-filing requirement will be phased in as follows:

- For returns due on or after January 1, 2008, 30 percent of the authorized individual income tax returns must be e-filed.
- For returns due on or after January 1, 2010, 60 percent must be e-filed.
- For returns due on or after January 1, 2012, 90 percent must be filed e-filed.

Maine   Maine Rule 104 states that, for returns filed in calendar year 2010 or any subsequent year, if the tax return preparer filed more than 50 individual tax returns eligible for e-file in the previous year, the preparer is required to e-file all original Maine tax returns. For employers with 50 or more employees with Maine withholding after 2008, they must e-file all tax returns for quarterly and annual reconciliation for Maine income tax withholding.

Maine mandate Rule 102 requires that any person with a combined tax liability to the state of $100,000 or more for all tax types must remit all Maine tax payments electronically using the ACH credit or ACH debit method.

Maryland   Effective July 1, 2009, applicable to all taxable years beginning after December 31, 2008, paid preparers who have prepared more than 300 qualified returns in the prior taxable year must e-file their returns. For tax year beginning after December 31, 2009, preparers who filed more than 200 returns in the prior taxable year must e-file. For any tax year beginning after December 31, 2010, paid preparers who prepared more than 100 returns in the prior taxable year must e-file.

Massachu-   Paid preparers must, under certain conditions, e-file all corporate, S corp, and partner-
setts   ship 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   **IIT**: Tax preparers who prepare 200 or more personal income tax returns are required to e-file all eligible forms that are supported by their software. Software developers producing software for professional tax preparers must support e-file for all Michigan income tax forms that are included in the tax preparation software package.

Beginning with the 2010 tax year, Michigan will have an enforced Michigan Business Tax (MBT) e-file mandate.

Developers producing MBT tax preparation software and computer-generated forms must support e-file for all eligible Michigan forms that are included in their software package. All eligible MBT returns prepared using tax preparation software or computer-generated forms must be e-filed.

Treasury will not process computer-generated paper returns that are eligible to be e-filed. A notice will be mailed to the taxpayer indicating that their return was not filed in the proper form and content and must be e-filed.

Payment received with a paper return will be processed and credited to the taxpayer's account even when the return is not processed.

Minnesota   Any business that prepared more than 100 Minnesota individual income tax returns for the previous tax year is required to e-file all individual income tax returns. Preparers are encouraged but not required to e-file property tax refund returns.

Nebraska   Any paid preparer who prepares and files more than 100 individual income tax returns annually must file the returns electronically. A $100 penalty per return will apply for each paper-filed return after the 100-return limit has been reached.

New Jersey   All practitioners who prepared 25 or more 2007 returns are required to e-file their clients' subsequent returns. When a tax practitioner meets or exceeds the threshold for prepared or filed returns in any year, that practitioner will be required to e-file all New Jersey Resident Income Tax Returns in subsequent years.

New Mexico   Preparers who prepared more than 25 individual income tax returns in the previous filing season are required to file all returns using electronic means. Electronic means includes e-filing or submitting printed returns with 2D barcodes.

New York   **Beginning January 1, 2011:** A preparer must e-file all individual income tax, fiduciary, and partnership returns (including Form IT-204-LL) and individual income tax and partnership extensions, if the preparer meets either of the following criteria:

- The preparers was subject to the mandate in a prior year
- The preparer meets both of the following conditions:
    - The preparer prepared more than 100 combined original individual, fiduciary, and partnership returns for tax year 2009 in calendar year 2010
    - The preparer used tax software to prepare one or more New York state individual, fiduciary, or partnership returns for tax year 2010 in calendar year 2011

Also beginning January 1, 2011:

- Clients can no longer opt-out of e-file.
- Form TR-800 Taxpayer Opt-Out and Reasonable Cause Record for Tax Return Preparers has been eliminated.
- If a preparer has reasonable cause to not e-file, he or she must maintain adequate documentation. The preparer must provide that documentation to Department of Taxation and Finance if he or she receives a penalty bill for failing to e-file.
- A preparer cannot charge a separate fee for e-file, but can charge a separate fee for paper-filing.

New York City **NYC Mandates e-Filing for Certain 2010 GCT and UBT Business Taxes**: Beginning January 1, 2011, e-filing is required for tax preparers. The following business tax forms must be filed and paid electronically: NYC-3L, NYC-4S, NYC-4SEZ, NYC-204, NYC-204EZ, and NYC-EXT (for corporations and partnerships).

Criteria for Preparers to e-File NYC Business Tax Forms: Tax preparers who prepared more than 100 documents in, or prior to, calendar year 2010 and used tax software to prepare corporate and partnership tax documents must e-file. The 100 returns (or more) should consist of all returns completed by the members or employees of a company (including all locations). The count should include extensions, amended and prior-year returns, and estimated tax payments. Any documents relating to the return which cannot be e-filed should be counted.

Opt-Out Provisions for NYC e-Filing: 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*.

Ohio   Paid tax preparers who filed more than 75 tax returns in either the 2008 calendar year or during any subsequent year must, beginning on Jan. 1, 2010, e-file state income tax returns. Acceptable methods of e-filing include the IRS federal and state e-file program, Ohio I-File, or Ohio eForms. This requirement does not apply to paid tax preparers who, during the previous calendar year, prepared 25 or fewer tax returns.

For tax year 2010: The department will bill such tax return preparers for a reduced penalty amount (the tax commissioner has not yet ascertained what that amount will be) for tax returns which the tax return preparer is required to file, but fails to file, by electronic technology.

For tax year 2011: The department will bill the preparer the full penalty of $50 for each Ohio income tax return which the tax return preparer is required to file, but fails to file, by electronic technology.

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   All tax preparers are mandated to e-file returns. The rule previously applied only to those preparers who filed more than 50 returns annually. The provision that allowed a taxpayer to opt out has been deleted.

Pennsylvania   Effective January 1, 2011, 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 (2009) Pennsylvania Personal Income Tax returns required to be filed in the 2010 calendar year or amended PA-40 Pennsylvania Personal Income Tax returns filed in the 2010 calendar year for any taxable year beginning before January 1, 2010, or both, shall be e-filed in the manner prescribed by Departmental instructions.

For exceptions, definitions, and other information, see 40 Pa.B. 3745.

Rhode Island   Legislation signed into law on July 1, 2008, indicates that Rhode Island requires professional tax preparers who prepared more than 100 individual Rhode Island returns in the previous season to e-file their clients' individual (both resident and non-resident) state income tax returns.

South Carolina   Preparers filing 100 or more returns of any package (individual, S corp, 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.

Utah   Tax preparers who file 101 or more income tax returns in a filing period are required to e-file all such returns.

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 Utah individual tax returns electronically.

Virginia   A tax professional who prepares 100 or more individual income tax returns is required to e-file. Filing returns on substitute forms using 2-D barcodes no longer meets the e-filing mandate.

West Virginia   Income tax preparers who filed more than 100 personal income tax returns last year and will be using tax preparation software to complete one or more of these returns must e-file them for the current tax year.

Wisconsin   Paid preparers who have prepared 100 or more Wisconsin individual returns in prior years will be required to e-file all eligible individual returns this year.

Appendix F: Addenda Pages for 2010

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 > Drake Software Online Manual**.
- From the Drake Support site, select **Training Tools > Manuals** and click the link for the 2010 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 User's Manual: Tax Year 2010* during filing season 2011. This appendix will be 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 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 1-1 provides a record of the changes made to the manual throughout the season, the instructions are for *printed-manual users only*.

Table 1-1: Addenda Pages for 2010

New Page	Replaces Page	Explanation
3-4	3-4	Updated introductory information
7-10	7-10	Revised information regarding minimum system requirements for using the program
101-104	101-104	Removed reference to disaster relief on **Special Tax Treatments** screen. (No 2010 distributions can qualify for disaster relief, so this section was removed from the screen.) Also revised "Basis of Primary Residence" section to reflect screen changes.
121-122	121-122	Added information about the Tuition and Fees Deduction fields, which have been reactivated in the program due to the recent extension of this deduction under the 2010 Tax Relief Act.
141-142	141-142	Updated section on First-Time Homebuyer Credit to reflect recent screen changes.
145-146	145-146	Updated **EPAY** screen details and added new information about website to check payment statuses using IFP
163-164	163-164	Removed reference to Form 8914. (Form is obsolete in 2010.)

Table 1-1: Addenda Pages for 2010

New Page	Replaces Page	Explanation
171-172	171-172	Added information about the STAX screen, which has been reactivated in the program due to the recent extension of the sales tax deduction under the 2010 Tax Relief Act.
217-218	217-218	Updated information on using the **E1** (E1 Card) screen
223-224	223-224	Updated information on using the **ECOL** (e-Collect) screen
321-322	321-322	Updated information on the 1041 (Fiduciary) and 706 (Estate) packages.

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