User's Manual ›››

Tax Year 2010

Drake Software
User's Manual

Tax Year 2010

Supplement: Charities and Non-Profits (990)

Support.DrakeSoftware.com
(828) 524-8020

Copyright

The *2010 Drake Software Manual Supplement: Charities and Non-Profits*, Drake Tax Software, and any other related materials are copyrighted material. All rights are reserved by Drake Enterprises, LTD, including all ownership rights. This document, associated software, and related material are the property of Drake Enterprises, LTD.

Drake Enterprises, LTD, hereby authorizes you to download, display, print, and reproduce the material in this document in an unaltered form only for your personal, non-commercial use or for non-commercial use within your organization. Copyright, trademark, and other proprietary notices may not be removed.

© 2010 Drake Enterprises, LTD. All rights reserved.

While every attempt has been made to produce an accurate and complete manual, there is no warranty, expressed or implied, to that effect. Drake Enterprises, LTD, assumes no liability for damages or claims resulting from the use of the information contained herein.

Trademarks

The Drake Software Logo and Drake Tax are registered trademarks of Drake Enterprises, LTD.

Other product names mentioned in this manual may be trademarks or registered trademarks of their respective companies.

Table of Contents

Charities and Non-profits (990)

Data entry on a tax-exempt organization (990) return is the same as data entry on the 1040. Help, shortcut keys, and navigation through data entry all function as they do in the 1040. See *Drake Software User's Manual: Tax Year 2010* for the basics of using the program.

What's New in Drake for Charities and Non-Profits

Drake programs its tax software according to the latest IRS rules and regulations. The 2010 program reflects all IRS changes to credits and deductions, including discontinuations. For specific details to the IRS's changes, see the IRS instructions for individual forms for tax-exempt organizations.

The following sections list some of the main changes to the 990 package for 2010.

General Changes

The following changes have been made in various packages within Drake's tax software for 2010:

- **More Screen-to-Screen Hyperlinks** — New hyperlinks have been added within the 990 package. These links allow you to access related screens—and return to the original screen—without the intermediate step of opening the **Data Entry Menu**.
- **Improved 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.
- **New 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 and Screen Changes

Form and screen changes to the 990 package include:

- **Multiple Forms 8027 Available** — Returns can now include multiple Forms 8027, Employer's Annual Information Return of Tip Income & Allocated Tips.
- **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.

> NOTE   Form 990-T must be used in order to report the Form 8941 credit, even if there is no unrelated business income.

- **Schedule A Worksheet** — The software now produces a Schedule A worksheet for Part II, line 5.
- **Screen W** — Screen **W** (for Form 990-W, Estimated Tax on UBTI) is not new to the program, but it is now accessible from both the **Form 990-T** and **Form 990-PF** tabs of the **Data Entry Menu**.
- **Screen O** — Screen **O** (for Schedule O, Supplemental Information) is not new to the program, but it is now accessible from the **990-EZ only** section of the **Form 990/990EZ** tab of the **Data Entry Menu**.

E-filing Changes

Form 8868, Application for Additional Extension of Time to File an Exempt Organization Return, can now be e-filed using Drake.

Printing Options

Four new printing options (located on the **PRNT** screen) have been added to the 990 package for 2010:

- **Change in accounting** — If this box is marked, the program indicates at the top of the 990 form that the organization has changed its accounting period.
- **PIN for preparer's alternative electronic signature** — To be used for the client's and preparer's copies of a return that has been e-filed; the PIN entered must match the PIN entered in **Setup > Preparer(s)**.
- **990-T Gross receipts $10,000 or less** — To be marked if the amount in Part I, line 13, column A is $10,000 or less. If this box is marked, all non-required fields on Form 990-T will be blank.
- **Due date to print on letter and filing inst** — An entry here overrides the default due date that is printed on letters and filing instructions.

For more information on individual options, go to the **PRNT** screen, click the option, and press F1 for field-level help.

Getting Started

Some early tasks you may need to perform when getting started on a 990 return include creating a return (for new clients) and updating a return (for existing clients).

NOTE

Blank forms are a good tool for helping clients collect tax-related data you will need. To access blank forms, go to **Tools > Blank Forms** and select the **Tax-Exempt** tab. Select a form from the list and click **Print**.

Creating a Return

To create a new return in Drake:

1. From the **Home** window, click **Open/New** (or select **File > Open/Create Returns**, or press CTRL+O).
2. In the **Open/Create a New Return** dialog box, enter the organization's nine-digit identification number.
3. Click **OK**. Click **Yes** when asked if you want to create a new return.
4. In the **New Return** dialog box, select **Tax Exempt - 990** and enter the organization's name.
5. Click **OK**.

Screen **1** of the return is displayed. You can now begin entering header information for the organization.

NOTE

Header information for all forms is completed on screen **1**. For information on specific fields in screen **1**, see "Header Information (Forms 990, 990-EZ, 990-PF, 990-T, 990-N)" on page 9.

Updating a Prior-Year Return

If you prepared the organization's tax return last year, you need to update it for 2010.

Prior-year returns can be updated in three ways:

- A single return (updated one at a time) using **Last Year Data > Update 2009 to 2010** (recommended)
- With all other returns in the program using **Last Year Data > Update 2009 to 2010** (not recommended)
- When you open the return for the first time in the 2010 program and are prompted to update it

Drake recommends using the first option (updating returns individually) to ensure that you update only those items in a return that you want updated.

NOTE

If you attempt to open a prior-year 990 return that was marked as "final" the previous year, the program informs you that the return was marked as final before it prompts you to proceed.

Form 990-N

Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required to File Form 990 or 990-EZ, is required for certain small tax-exempt organizations.

To file the e-Postcard using Drake, go to screen **1** for the organization and take the following steps:

1. Select **N - Form 990-N** from the **Form** drop list (under the **General Information** heading).

Figure 1: Begin by selecting **N - Form 990-N** from the **Form** drop list on screen **1**.

2. Under the **EZ** column (shown in Figure 1), mark item **K** to indicate that the organization's gross receipts are normally not more than $50,000.

3. Go to the **OFF** screen and complete the applicable fields regarding compensation of officers, directors, trustees, etc., for at least one officer.

Once any message pages have been eliminated, the 990-N information can be e-filed. A "Form 990-N Information" page will be generated with the return for informational and bookkeeping purposes.

> NOTE   For information on signing a return prior to e-filing, see "Part II, Signature Block" on page 18.

Form 990-EZ

Certain organizations can file Form 990-EZ, Short Form Return of Organization Exempt From Income Tax, instead of Form 990. For tax years beginning in 2010, if an organization's gross receipts (total amounts received from all sources during its annual accounting period) are less than $200,000 and total assets at year-end are less than $500,000, it can file Form 990-EZ instead.

Form 990-EZ Screens

The following screens are specifically provided for completing Form 990-EZ. They are grouped under the **990-EZ only** heading under the **Form 990/990EZ** tab.

Table 1: 990-EZ Screens Under **Form 990/990EZ** Tab

Screen	Title/Section on Form 990-EZ
21	Part I, Revenue and Expenses
22	Parts II and III, Balance Sheet/Accomplishments
23	Part V, Other Information, Page 1
24	Part VI, Section 501(c)(3) Only
O	Schedule O, Supplemental Information
SCH3	Other Items
SCH5	Part I, Line 5c
SC21	Unreported Activities
SC40	Part I, Grants and Similar Amounts Paid
SC42	Part II, Other Assets/Liabilities

NOTE
Screen **O** (for Schedule O, Supplemental Information) is identical to the **SCH2** screen used for other 990 returns. To indicate that the supplemental note is for Schedule O, select the appropriate schedule and line from the **Schedule** drop list on screen **O**.

Form 990-PF

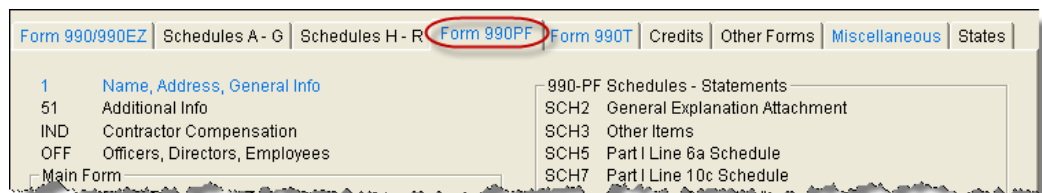Form 990-PF must be filed by certain exempt private foundations; see the IRS Form 990-PF instructions for specific information on who must file this form.

NOTE
For information on signing a return prior to e-filing, see "Part II, Signature Block" on page 18.

Form 990-PF Screens

The 990-PF–specific screens are located under the **Form 990PF** tab (Figure 2).

Figure 2: Form 990PF tab in Drake (partial menu)

Several screens, such as screen **1**, the **IND** and **OFF** screens, and certain schedule (**SCH** or **SC**) screens, can also be found elsewhere in the menu, as they apply for multiple forms and not just the 990-PF.

Recommended Order for Completing Form 990-PF

The IRS recommends completing Form 990-PF in the following sequence to limit jumping from one part of the form to another.

Table 2: Form 990-PF, Recommended Order

Seq.	Section	Screens	Notes
1	IV	**55**	
2	I and II	**52**, **53**, **54**	For required schedules, see "Part I Additional Schedules" and "Part II Additional Schedules" (following).
3	Heading	**1**	
4	III	**SCH3**	
5	VII-A	**57**	Use screen **SC57** to create a schedule for controlled entities.
6	VIII	**OFF**	Use the **IND** screen to enter data for independent contractors.
7	IX-A through X	**59**	If an explanation is required for line 1e of Part X, use screen **SC59**, Reduction Explanation.
8	XII, lines 1–4	**60**	Line 4 is calculated automatically in Drake.
9	V and VI	**56**	
10	XII, lines 5–6	n/a	Calculated automatically in Drake.
11	XI	**60**	
12	XIII	**61**	
13	VII-B	**58**	
14	XIV – XVII	**62**–**66**	

NOTE

This information is also available from the **FAQ** screen, item **K** ("Recommended Order for Completing Form 990-PF").

Part I Additional Schedules

Additional schedules may be needed to complete the following lines from Part I (#2 in Table 2):

- Line 6a (Net gain or loss from sale of assets not on line 10) — Use screen **SCH5**.
- Line 10c (Gross profit or loss) — Use screen **SCH7**.
- Line 11 (Other income) — Use screen **SC50** for subsidiary schedule.

- Line 19 (Depreciation) — Use screen **SC51** for depreciation schedule.
- Line 23 (Other expenses) — Use screen **SC50** for subsidiary schedule; use screen **SC52** for amortization schedule.

Part II Additional Schedules

Additional schedules may be needed to complete the following lines from Part II (#2 in Table 2):

- Line 7a (Other notes/loans receivable) — Use screen **SC14**. (Us screen **SCH3** for line 7b.)
- Line 13 (Other investments) — Use screen **SC53** for subsidiary schedule.
- Lines 10a – 10c (Investments) — Use screen **SC54**.
- Line 15 (Other assets) — Use screen **SC53** for subsidiary schedule.
- Line 21 (Mortgages and other notes payable) — Use screen **SC55**.
- Line 22 (Other liabilities) — Use screen **SC53** for subsidiary schedule.

Using Screen SCH2

Screen **SCH2**, Supplemental Information and General Explanation Attachment, allows you to attach explanations for certain parts of the Form 990-PF.

It is necessary to identify which part of the form is to be associated with the attached statement. To select a section of a form, choose an option from the **Schedule** drop list at the top of screen **SCH2**. Next, write an explanation in the **Explanation** field. Press PAGE DOWN as needed for additional attachments. Note that there is a 5,000-character limit for e-filing.

> NOTES
>
> The **SCH2** screen can be used for other 990 return types. Note that screens **O** (for Schedule O, Supplemental Information) and **SCH2** are the same.
>
> If **X** (General Explanation Attachment) is selected from the **Schedule** drop list, the attachment will be e-filed with an e-fileable return (990, 990-EZ, or 990-PF).

Form 990-T

Form 990-T, Exempt Organization Business Income Tax Return, is used for:

- Reporting unrelated business income and tax liability
- Reporting proxy tax liability
- Claiming a refund paid by either a regulated investment company (RIC) or a real estate investment trust (REIT) on undistributed long-term capital gain
- Requesting a credit for certain federal excise taxes that have been paid
- Claiming Form 8941 credit for small-employer health insurance premiums

Based on the items listed above, an organization may need to complete Form 990-T in addition to its 990, 990-EZ, 990-PF, or 990-N return. See Form 990-T instructions to determine if an organization is required to file Form 990-T.

Form 990-T cannot be e-filed.

Form 990-T Screens

All 990-T–specific screens are located under the **Form 990T** tab.
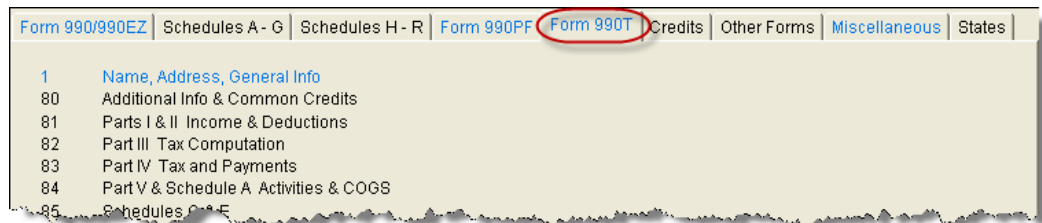
Figure 3: Form 990T tab in Drake (partial menu)

> **NOTE**   Screen **80** must include a selection for item G (organization type) in order for Form 990-T to be produced correctly, with the appropriate tax calculated.

Form 990

Form 990 must be filed by a tax-exempt organization under section 501(a) if it has either:

- Gross receipts of $1 million or more
- Total assets of $2.5 million or more at the end of the tax year

For more information on who must file Form 990, see the Form 990 instructions published by the IRS.

Recommended Order for Completing Form 990

The sequence shown in Table 3 is suggested for efficiently completing a return for a tax-exempt organization. In general, complete the core form first, and then complete—alphabetically—Schedules A through O and Schedule R, except as specified below. This order limits the need to jump back and forth from one part of the form to another, as certain later parts are required in order to complete earlier parts.

Table 3: Form 990, Recommended Order

Seq.	Section	Screens	Notes
1	A – F; H(a) – M (heading)	**1**	This is the "Heading" section of Form 990; line M is completed automatically based on resident state entered.
2	Schedule R	**R**, **R2**, **R3**	Determine related organizations, disregarded entities, and joint ventures for which reporting will be required. (See Sch. R instructions; Form 990 instructions, Appendix F, Disregarded Entities and Joint Ventures).
3	Part VII, Section A	**OFF**	

Table 3: Form 990, Recommended Order

Seq.	Section	Screens	Notes
4	Part VIII, IX, and X	**8**, **9**, and **10**	
5	Header line G	**1**	Completed automatically in Drake
6	Parts III, V, VII, and XI	**3**, **4**, **6**, **IND**, **11**	
7	Schedule L	**L**	Complete if required; see Schedule L instructions.
8	VI	**7**	Transactions reported on Schedule L are relevant to determine independence of members of the governing body under Form 990, Part VI, line 1b.
9	I	**2**	Complete based on information derived from other parts of the form.
10	IV	**5**	Complete this section to determine which schedules must be completed.
11	Schedule O and any other applicable schedules	**Schedules A – G** and **Schedules H – R** tabs	
12	II	**PIN**; Setup info	See "Part II, Signature Block" on page 18.

Header Information (Forms 990, 990-EZ, 990-PF, 990-T, 990-N)

Use screen **1** to fill out the header section for a tax-exempt organization. Complete all applicable fields. Enter the organization's ID number name, address, and telephone number at the top of screen **1**.

> NOTE
>
> Header information to be completed first are items **A** through **F** and **H(a)** through **M**. The **Gross receipts** field (header item **G** on the 990) is completed automatically.

Foreign Address

If the organization has a foreign address, fill out the applicable fields in the **Foreign Address ONLY** section of screen **1**.

Type of Form

To indicate which form the organization is filing, select an option from the **Form** drop list on screen **1**. (See Figure 1 on page 4 and Figure 4 on page 10.) If the only return being prepared is a 990-T and its related forms, mark the **990-T only** box.

Form Columns

Screen **1** has separate columns indicating the header boxes for Forms 990, 990-EZ, and 990-PF. For example, the "Exemption application pending" item is Box B on Forms 990 and 990-EZ, and Box C on Form 990-PF. Note that not all questions are required for all forms.
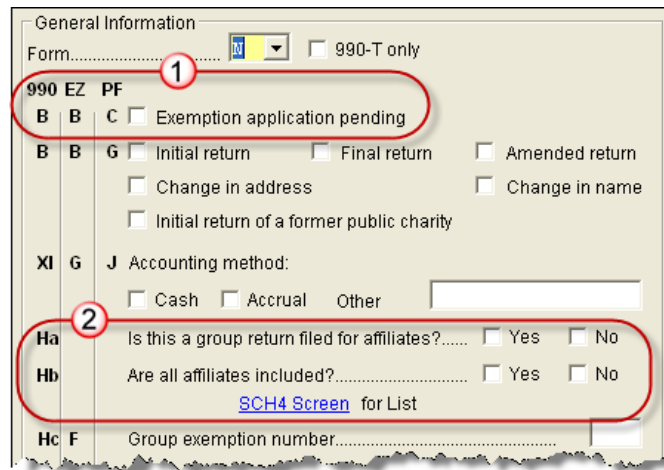
Figure 4: Screen **1** shows header labels for different forms (1);
not all questions are required for all forms (2).

Affiliate Listing (990 Only)   If the 990 is a group return filed for affiliates but not all affiliates are included, a list of affiliates must be attached to the return. Screen **SCH4** is available for this purpose and includes fields for affiliate name, address, and EIN.

> NOTE   The **Name Control** field default on screen **SCH4** is the four-letter code used by the IRS to match the information. This is an override field and must be completed if name of the affiliate has changed since the entity's last-filed return.

Tax Year   The program uses the current calendar tax year (beginning January 1 and ending December 31) by default. If the organization uses a fiscal year, enter the beginning and end dates in the **If not calendar year** box on screen **1** (Figure 5).

Figure 5: If not calendar year box on screen **1**

Schedule R

Once you have completed the header information on screen **1**, the IRS recommends completing Schedule R, Related Organizations and Unrelated Partnership. Schedule R is used to submit data regarding the organization's relationships with other organizations, both taxable and exempt. The program has three screens for Schedule R, listed in Table 4.

Table 4: Schedule R Screens

Screen	Sections of Schedule R Covered
R	Schedule R, Parts I (Disregarded Entities), II (Related Tax-Exempt Organizations), and III (Related Organizations Taxable as a Partnership)

<div align="center">**Table 4:** Schedule R Screens</div>

Screen	Sections of Schedule R Covered
R2	Schedule R, Parts IV (Related Organizations Taxable as a Corporation or Trust), V (Transactions With Related Organizations), and VI (Unrelated Organizations Taxable as a Partnership)
R3	Schedule R, Part V, Line 1

To enter more entities, press PAGE DOWN to access new, blank fields.

NOTE Schedule R is not required for all organizations. For information on which aspects of Schedule R must be completed by an organization, see the IRS instructions for Schedule R. See also screen-level help in Drake for screens **R**, **R2**, and **R3**.

Part VII, Section A

Once you have completed Schedule R, the IRS recommends completing Part VII, Section A ("Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors"). Use the **OFF** screen to report this information, noting that information entered there is used to generate Part II of Schedule J ("Compensation Information").

When completing the **OFF** screen, be aware that the **Columns D & E** and **Column F** sections must be completed.

Figure 6: Complete all fields for columns D, E, and F of the **OFF** screen.

If an amount is zero, enter a zero (0).

NOTE Use the **IND** screen to enter information about compensation of independent contractors.

Parts VIII, IX, and X

Parts VIII, IX, and X of Form 990 comprise the financial statements for tax reporting purposes. These sections are accessed from screens **8**, **9**, and **10** of the program.

Statement of Revenue The program has two screens for Part VIII, Statement of Revenue. Go to screen **8** to complete items 1 and 3 through 10. Press PAGE DOWN (or click the **Lines 2 11 screen** hyperlink) to access fields for items 2 ("Program Service Revenue") and 11 ("Miscellaneous Revenue").

Statement of Functional Expenses Use the organization's normal accounting method to complete Part IX, Statement of Functional Expenses. Part IX should not be used to report expenses that belong on lines 6b, 7b, 8b, 9b, or 10b of Part VIII, Statement of Revenue.

Part IX has two screens; to access the first screen (lines 1 though 14), go to screen **9**. To access the second screen (lines 15 through 26), press PAGE DOWN from screen **10**.

> NOTE The screen help in the program provides further instructions on this section. For additional information, see the IRS instructions.

Balance Sheet All organizations must complete Part X. A substitute balance sheet cannot be used.

Part X has two screens; to access the first screen (lines 1 through 15), go to screen **10**. To access the second screen (lines 17 through 32), press PAGE DOWN from screen **11**.

> NOTE Some end-of-year amounts require separate schedules. Screens for these schedules can be accessed by clicking the applicable links on screens **10** and **11**.

Header Line G

The program calculates header line G (gross receipts) automatically based on the information entered in Part VIII, lines 6b (both columns), 7b (both columns), 8b, 9b, 10b, and 12. (Part VIII figures are entered on screen **8**.)

Parts III, V, VII, and XI

Once you have completed Box G of the header, the IRS recommends completing Parts III, V, VII, and XI of Form 990 (screens **3**, **4**, **6**, **IND**, and **11**).

Purpose & Achievement Part III, Statement of Program Service Accomplishments, requires that the organization report its new, ongoing, and discontinued exempt purpose achievements, along with any related revenue and expenses.

In Drake, Part III of Form 990 consists of two screens. Use screen **3** to answer items 1 through 3 (exempt purpose). Use screen **4** to complete the line 4 items (exempt purpose achievements). From screen **3**, you can access screen **4** by pressing PAGE DOWN.

Exempt Purpose Use the **Primary exempt purpose** field on screen **3** to describe the organization's mission. The mission statement can address why the organization exists, what it hopes to accomplish, whom it intends to serve, and activities it will undertake and where. See IRS instructions for further information on what constitutes a mission.

NOTE
     If the organization does not have a mission that has been adopted by its governing body, type `None` as the **Primary exempt purpose**.

If you answer **Yes** to question 2 or 3 on screen **3**, use Schedule O (screen **O**) to describe any new services or changes to services. From screen 3, you can click the **Sch O Screen** hyperlink to access this screen. See "Schedule O, Supp. Info." on page 18 for more information about filling out Schedule O in the program.

Exempt Achievement

Enter expenses, revenue, and a description of the exempt purpose achievements on screen **4**. Examples of exempt achievements include:

- Providing charity care under a hospital's charity care policy
- Providing higher education to students under a college's degree program (the number of students served must be indicated)
- Making grants or providing assistance to individuals who were victims of a natural disaster
- Providing rehabilitation services to residents of a long-term care facility

Acceptable exempt achievements do not include any achievement not substantially related to the accomplishment of the organization's exempt purpose (other than by raising funds).

To enter a description that exceeds the allowed number of characters on screen **4**, press PAGE DOWN and continue the description. There is no need to re-enter the information in the top section of the screen. If the description takes up more space than is allowed on the printed return, the program will generate it on a separate SERVICES page.
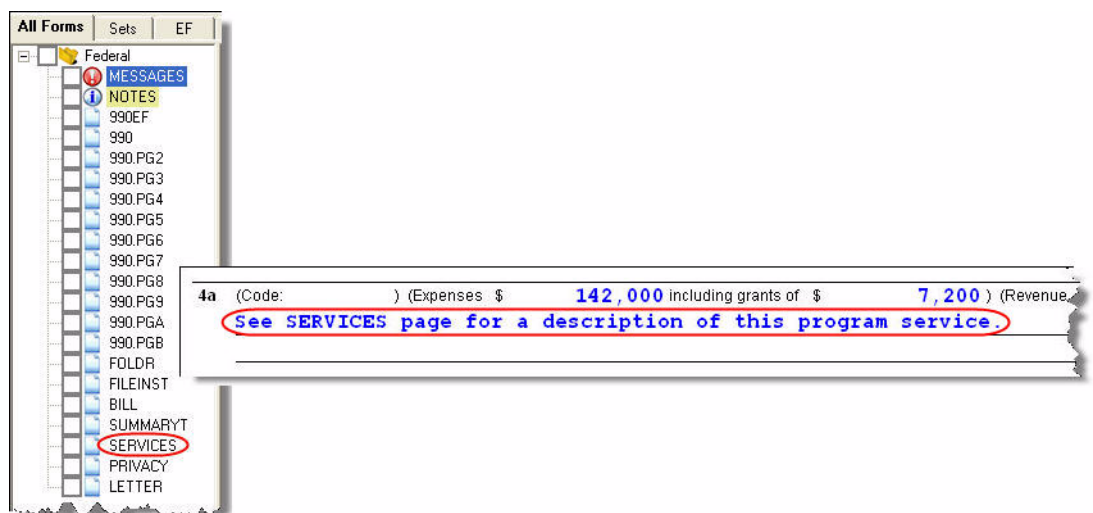
Figure 7: Part III of Form 990 references a SERVICES page for descriptions that are too long to be printed on the actual 990 form.

To enter another achievement, press PAGE DOWN and mark the box labeled **Check this box if starting a new description**. The second description entered is shown (or referenced on a SERVICES page, if applicable; see Figure 7) in section 4b of Part III. A third description is printed or referenced in section 4c. Additional descriptions are shown on a SERVICES page generated with the return.

NOTE
> The exempt achievement description has a 5,000–character limit for e-filing; if the description exceeds 5,000 characters, the return must be paper-filed.

Other IRS Filings
Part V, Statements Regarding Other IRS Filings and Tax Compliance, is used to show the organization's compliance with the requirements of other federal tax laws for reporting and substantiation. Use screen **6** in the program to enter data for Part V. In Drake, Part V consists of two screens: use screen **6** to answer items 1 through 6b; press PAGE DOWN from screen **6** to access items 7 through 12.

Compensation
Part VII reports compensation paid to officers, directors, trustees, key employees, highest-compensated employees, and independent contractors. For Form 990, 990-EZ, or 990-PF, use the **OFF** screen (for officers, etc.) and the **IND** screen (for independent contractors) to enter this information.

The **OFF** screen also has fields for entering an officer address, "books in care of" information, and an indication of whether the specified officer signs the return. The **IND** screen has fields for name and address, type of service, and compensation, and a field to enter the number of contractors paid more than $100,000 ($50,000 for 990-PF) in reportable compensation.

Financial Statements & Reporting
Part XI, Financial Statements and Reporting, is used for reporting information on the organization's accounting methods and financial statements. The accounting method (line 1 of Part XI) is pulled from the method indicated on screen **1**. Use screen **11** to answer all other items for Part XI.

Schedule L, Transactions With Interested Persons

Screen **L** contains fields for completing Parts I through IV of Schedule L, Transactions With Interested Persons. All or part of Schedule L may be required for certain organizations that file Form 990 or 990-EZ. Schedule L is used for the following purposes:

- Reporting information on certain financial transactions or arrangements between the organization and disqualified persons under section 4958 or other interested persons
- Determining whether a member of an organization's governing body is an independent member for purposes of Form 990, Part VI, line 1b ("Enter the number of voting members that are independent")

For information on which organizations must complete all or part of Schedule L, see the screen help in the program, or consult the IRS instructions.

Part VI, Governance, Management, and Disclosure

Part VI, Governance, Management, and Disclosure, requests information regarding the governing body and management governance policies and disclosure practices. Although federal tax law generally does not mandate particular management structures, operational policies, or administrative practices, every organization is required to answer each question in Part VI.

Use screen **7** to access fields for Section A of Part VI. Press PAGE DOWN to access Sections B and C. If additional information is required for Part VI, use Schedule O (screen **O**; see "Schedule O, Supp. Info." on page 18).

Part I, Summary

The summary section asks for information regarding the mission, activities, and financial results of the organization. Use screen **2** to complete Form 990 Part I, Summary.

Number of Volunteers Enter the number of full-time and part-time volunteers who provided volunteer services to the organization during the reporting year. A reasonable estimate is acceptable if an exact number is not known. If the organization wishes to provide an explanation of how the number was determined, use Schedule O (screen **O** in the program; see "Schedule O, Supp. Info." on page 18).

Line 7b If the organization is not required to file Form 990-T, enter a zero (0) for line 7b.

Lines 8–19 Prior-year amounts are updated automatically from the previous year's return. These amounts are shown on screen **2**.

Part IV, Checklist of Required Schedules

An organization uses Part IV, Checklist of Required Schedules, to determine which schedules must be completed and filed with the tax return. In Drake, two screens contain fields for Part IV. Open screen **5** to access fields for lines 3 through 24d. Press PAGE DOWN from screen **5** to access fields for lines 25a through 37.

Schedules

Use the **Schedules A – G** and **Schedules H – R** tabs to access schedules. Specific schedules can also be accessed using hyperlinks within screens. Click a schedule letter or title to open the screen for that schedule.

NOTE   Some longer schedules require more than one screen to complete. For example, Schedule A consists of screens **A**, **A2**, and **A3**. You can access screens **A2** and **A3** from the **Schedule** tab, or you can press PAGE DOWN from screen **A** to access subsequent screens.

Schedule A Use Schedule A, Public Charity Status and Public Support, with Form 990 or Form 990-EZ to provide information regarding public charity status and public support.

Use the following screens to enter data for Schedule A:

- Screen **A** (Part I, Reason for Public Charity Status; required by all organizations filling out Schedule A.)
- Screen **A2** (Part I, Line 11, Information about Supported Organizations)
- Screen **A3** (Parts II and III, Support Schedules)

NOTES

Schedule A is required. At a minimum, amounts must be entered for the current year—even if the amounts are zero. If there are no entries for Schedule A, a message page is generated upon calculation, and the return cannot be e-filed.

Field- and screen-level help resources within the program provide valuable supplemental information and tips for completing Schedule A in Drake. Press F1 for field-level help. On screens **A** and **A3**, click **Screen Help** for screen-level help.

Schedule B, Contributors

Use Schedule B, Schedule of Contributors, with Form 990, Form 990-EZ, or Form 990-PF to provide information on certain contributions reported by the organization. Schedule B is required for contributions from at least one contributor in excess of $5,000. If there are no entries for the required Schedule B fields in the program, a message page is generated and the return cannot be e-filed. In Drake, use screen **B** to enter Schedule B information.

NOTE

Contributor information on Schedule B is not publicly disclosed.

Schedule C, Political & Lobbying

Schedule C is required for certain section 501(c) organizations and section 527 organizations filing Form 990 or Form 990-EZ. Use the following screens for Schedule C:

- **Screen C** — Parts I-A, I-B, and I-C
- **Screen C1** — Part I-C, line 5 (names, addresses, and EINs of 527 organizations to which payments were made)
- **Screen C2** — Parts II-A and II-B
- **Screen C3** — Parts III-A and III-B
- **Screen C4** — Affiliated group information

See the IRS form instructions for who is required to file.

Schedule D, Financial Statements

Filers of Form 990 should use Schedule D to provide the required reporting for the categories listed in Table 5. Table 5 also shows which screens in Drake are available for completing specific information.

Table 5: Schedule D: Items Covered, and Screens Used

Category	Section of Schedule D	Screen to Use in Drake
Donor-advised funds	Part I	**D**
Conservation easements	Part II	**D**
Certain art and museum collections	Part III	**D2**

Table 5: Schedule D: Items Covered, and Screens Used

Category	Section of Schedule D	Screen to Use in Drake
Escrow accounts and custodial arrangements	Part IV	**D2**
Endowment funds	Part V	**D3**
Investments - Land, Buildings, Equipment	Part VI	**D3**
Investments - Land, Buildings, Equipment	Part VI, line 1e ("Other")	**D3**; click **Line 1e detail** link.
Supplemental financial information	Parts VII through X	**D4**
Supplemental financial statements	Parts XI through XIII	**D5**

Press PAGE DOWN to go to the next Schedule D screen.

> **NOTE**   Note that Part VI, line 1e ("Other") requires a separate screen from the previous Part VI information. To access the screen for this line, go to screen **D3** and press PAGE DOWN.

To enter data for Parts VII through X, go to screen **D4** and select the applicable part from the **Part** drop list (Figure 8).
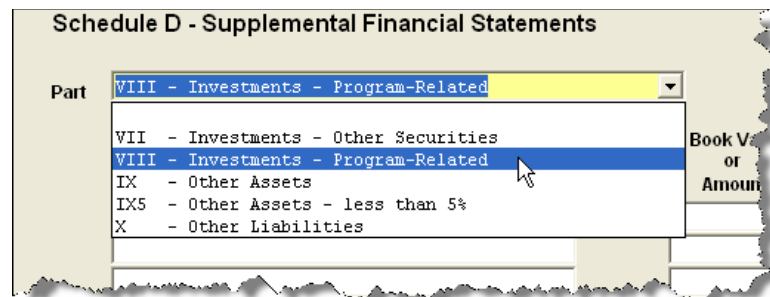
Figure 8: For parts VII through X, select the applicable part on screen **D4**.

Press PAGE DOWN to access a blank **D4** screen and enter data for additional parts.

Schedule O, Supp. Info.   The IRS provides Schedule O for filers who must include narrative information for specific lines. Use screen **O** to provide narrative information for Schedule O and for other schedules.

> **NOTE**   Screen **O** allows you to enter narrative information for numerous schedules—not just for Schedule O.

To use screen **O**:

1. Open the screen from the **Schedule** tab.
2. From the **Schedule** drop list, select the schedule and line number(s) to be addressed on the screen. In the Figure 9 example, the user has selected **Escrow Account Liability** in order to address Part IV, line 2b of Schedule D.
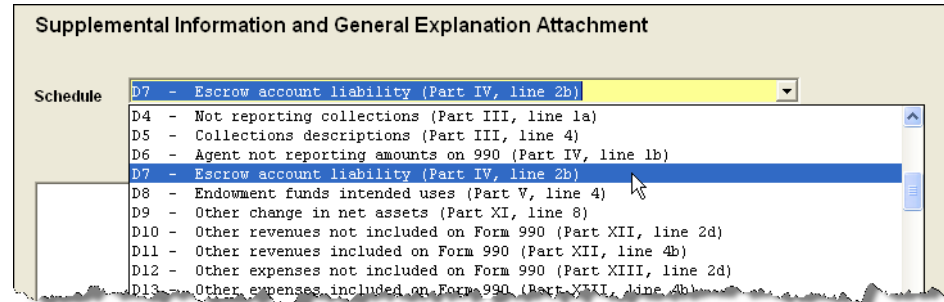
Figure 9: Schedule drop list on screen **O**

3. Under **Explanation**, type the narrative information. Note that there is a 5,000-character limit for e-filing.

Press PAGE DOWN to open a blank screen **O** and add supplemental information for another schedule or line.

NOTES	The codes for the **O** screen are preceded by the letter **O**.
	To add a narrative explanation for an amended return, select **AMD** (located just before the **O** items in the drop list). See "Amending a Return" on page 20 for more on amending a return.
	To add a general explanation attachment, select **X** (located at the bottom of the drop list).

Data entered on screen **O** is printed in the supplemental information section of the specified schedule. For example, the narrative from Figure 9 would be printed under Schedule D, Part XIV, Supplemental Information.

Part II, Signature Block

The signature block on Form 990 contains fields for up to two signatures:

- An officer of the organization
- The paid preparer (if applicable)

If e-filing, enter the paid preparer and organization officer PINs on the **PIN** screen.

IMPORTANT	The applicable ERO or preparer PIN must be entered in **Setup > Preparer(s)** or **Setup > Firm(s)** in order to e-file a tax return. For more information on setting up firm, preparer, and ERO information in Drake, see *Drake Software User's Manual: Tax Year 2010*.

Note about Preparer ID Generally, anyone who is paid to prepare the return must sign the return and fill in the other blanks in the "Paid Preparer's Use Only" area of the return. An employee of a filing organization is not a paid preparer.

In order to have the preparer ID number (PTIN or SSN) printed in the applicable space on the return, the preparer must:

- Sign the return in the space provided for the preparer's signature

- Enter the preparer information
- Give a copy of the return to the organization

The paid preparer must enter the preparer's ID number (PTIN or SSN) and the firm's EIN only if filing Form 990, 990-PF, or 990-EZ for section 4947(a)(1) nonexempt charitable trust that is not filing Form 1041.

IMPORTANT
The IRS is not authorized to redact (delete) the paid preparer's SSN if the SSN is entered in the paid preparer's block. Form 990 is a publicly disclosable document. Any paid preparer whose ID number must be listed on Form 990 may wish to apply for and obtain a PTIN using Form W-7P.

Filing an Extension

Calendar-year returns are due on May 16, 2011. If an organization uses a fiscal year, the return is due by the fifteenth day of the fifth month after the accounting period ends. By filing Form 8868, an organization can extend the deadline three months (to August 15 for a calendar year return). Form 8868 can be used to apply for an additional three-month extension if the original three-month extension was insufficient.

Use the **EXT** (or **8868**) screen to apply for an extension. Select the applicable box at the top of the **EXT** screen to indicate the type of extension being requested.

Figure 10: Select the type of extension being requested.

If requesting an additional extension, an explanation is required on the **EXT** screen.

NEW FOR
2010
Form 8868, Application for Additional Extension of Time to File an Exempt Organization Return, is now eligible for e-file.

Amending a Return

Indicate an amended return on screen **1**. Note that an explanation is required for an amended return.

CAUTION   When you amend a return in Drake, the amended information replaces the original in the data file. Before amending a return, you should archive the original to avoid losing previously submitted data. For more information on archiving returns, see "Archive Manager" in Chapter 6, "Return Results," of the *Drake Software User's Manual: Tax Year 2010*.

To provide an explanation for an amended return:

1. Open screen **O** from the **Schedule A - R** tab (or type O into the selector field and press ENTER).

2. From the **Schedule** drop list, select **AMD - Amended Return Information**. This selection is located between the **N** and **O** items in the **Schedule** drop list, as shown in Figure 11.
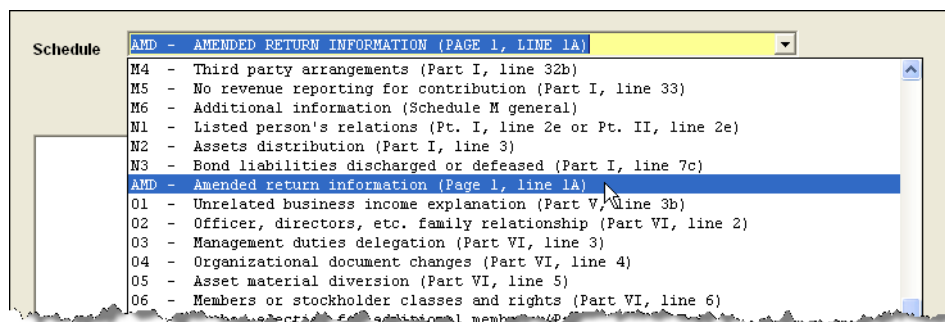
Figure 11: The **AMD** selection is listed between the **N** and **O** selections.

3. Enter the explanation in the text box below the drop list. Character limit for e-filing is 5,000 characters.

IMPORTANT   The amended return should include *all* information pertaining to the return—not just the new or corrected data.

Binary Attachments

Binary, or PDF, files can be attached to certain tax forms. These attachments are generally signature or third-party documents such as a copy of a signed lease or a signed appraisal statement. In some instances, the IRS requires that a document be attached to an e-filed return; in other instances, a document can be attached voluntarily to support or explain an entry in the return. In either case, a document must be printed, scanned into the computer, and attached to the return in order to be e-filed with it.

Attach files through the **PDF Attachments** screen, accessible from the **Electronic Filing** section on the **General** tab of the **Data Entry Menu**.

NOTE   This PDF–attachment feature is available in several packages in Drake. Some of the examples shown in this section are from other packages, but the feature works the same way in all packages.

The PDF Attachment Process

Three main steps are involved in the PDF attachment process in Drake:

1. Creating a PDF file to be attached

2. Informing the program that a PDF file will be sent with the return

3. Attaching the PDF file for e-filing

These steps are described in the following sections.

Creating a PDF File   To create a PDF file:

1. Scan the document to be attached to the return.

TIP   It's a good idea to use the DDM scanning feature for this step.

2. Save the document to your client's DDM file, your computer's desktop, or anywhere you can readily find it.

Adding PDF Files in Drake   To indicate in the software that a PDF file will be sent with the return:

1. Open the return in Drake. From the **Form 990/990EZ** tab of the **Data Entry Menu**, click **PDF**, or type **PDF** in the selector field and press ENTER.

2. Fill out the columns on the **PDF Attachments** screen. See Table 6 for examples.

Table 6: PDF Attachment Window Columns

Name of Column	Description	Examples
Reference Source	Name or number of regulation, publication, or form instruction that makes attachments necessary	- IRS Pub xxx-1.4 - Form Instructions for 990
Description	Description of form or document to be attached	- Title of house on Oak Street - Appraisal of Lot 1234
File name	Distinctive, easily recognizable file name, followed by ".pdf"	- TitleHouseOakSt.pdf - AppraisalLot1234.pdf

3. Exit the **PDF Attachments** window.

Because you've indicated that a PDF file is attached, the program generates an EF message page regarding the attachment when the return is calculated.

Attaching Documents to the Return   To attach a PDF file to a return:

1. From the return, click **View**. If anything was entered in the **PDF Attachments** window (see "Adding PDF Files in Drake," previously), there will be two PDF–related items in the **View/Print** window:
   - A MESSAGES alert (item #1 in Figure 12)
   - An **Attach PDF** button on the toolbar (item #2 in Figure 12)
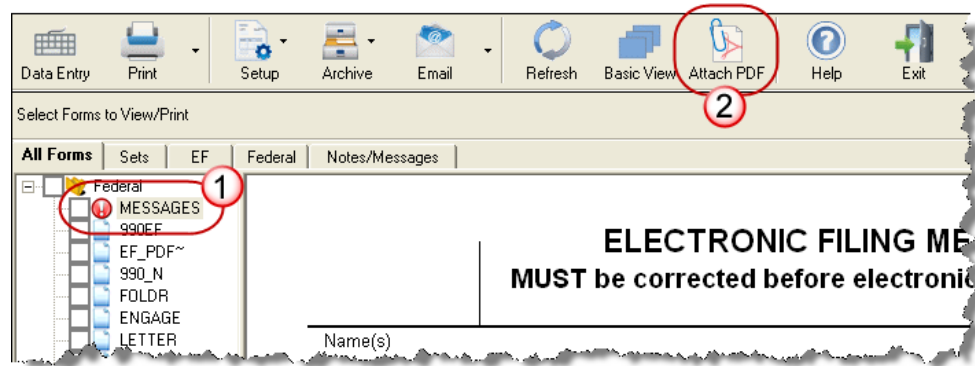
Figure 12: The red **MESSAGES** page and the **Attach PDF** button

2. Click MESSAGES to view EF messages, including information on how to attach the required documents to the return.

3. Click **Attach PDF**. The **EF PDF Attachments** window displays the information entered on the **PDF Attachments** window in data entry. A red **X** means the document has not been attached; a green check mark indicates an attached document.

Figure 13: The **EF PDF Attachments** window

4. Click the row of a document to attach.

5. Click **Browse**.

6. Browse to the proper folder, select the PDF file to attach, and click **Open** (or double-click the file name).

Repeat for all documents with a red **X**. When all documents have been attached to a completed return, the return is ready to be e-filed.

Printing Generated Documents

In some instances, Drake generates a document that must be printed, signed, and scanned back into the computer to be attached to the return. An EF message will states that attachments are required. You would then need to obtain or complete the statements, scan them into the computer, save them as a PDF file, and attach them to the return.

Using the PRNT Screen

Use the **PRNT** screen to override most program defaults.

Suppressing/Forcing Items

To suppress or force printing of certain items, go the **PRNT** screen and select the desired options. Selections override the options established in **Setup**. For more on setting up options globally in Drake, see *Drake Software User's Manual: Tax Year 2010*.

The following items can be "forced" from the **PRNT** screen (see Figure 14):

- Diagnostic summary report listing the forms calculated and providing a brief summary of the return
- Next-year depreciation listing for the organization
- Indication on return that organization has changed its accounting period
- Preparer PIN for preparer and client copies of a return that has been e-filed

Figure 14: PRNT screen options

The following items can be suppressed from the **PRNT** screen of a 990 return (see Figure 14):

- Commas (from the amounts printed on the forms)
- Columns B, C, and D of Form 990, Part IX, if the organization is not a 501(c)(3) or 501(c)(4) organization (Only Column A, Total expenses, would be generated for this section of Form 990.)
- Ddata for non-required fields on Form 990-T of gross receipts are $10,000 or less

Overriding Other Setup Options

Filing instructions (federal and state) and envelope coversheets (organization, IRS, and state) can be either forced or suppressed from the **PRNT** screen to override the global setting in **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.

You can also enter the date to be printed on the return. In **Setup > Options > Optional Items on Return**, you can indicate if the return should have *no* date or if it should have the current system date. Use the **PRNT** screen to override the setup option choice for a return.

Turn Off Autobalance

Autobalance forces the balance sheet to balance for both the beginning- and end-of-year amounts by adjusting net assets or fund balance.

The program makes the adjustments due to differences in the balance sheet. Incorrect data entry could cause these differences but they are usually the result of amounts being erroneously deleted or changed from the balance sheet screens. To reconcile the differences, it is best to compare the organization's beginning and ending balance sheet amounts for the tax year.

To turn off this feature for a specific return, go to the **PRNT** screen and select **Turn off autobalance**.

Electronic Filing

An organization has the option to e-file Form 990, 990-EZ, 990-PF, and related forms, schedules, and attachments. If the organization files at least 250 returns during the calendar year and has total assets of $10 million or more at the end of the tax year, it is *required* to e-file Form 990.

NOTE   Form 990-T cannot be e-filed.

Steps for e-filing Form 990 are the same as for e-filing Form 1040. For detailed instructions on e-filing returns in Drake, see *Drake Software User's Manual: Tax Year 2010*.

IRS Error Reject Codes

If the following IRS error reject code is generated when e-filing a 990 return, the preparer must contact the IRS for further information. The e-file help desk number is (866) 255-0654.

R0000-905: Electronic Filing Identification Number (EFIN) in the Return Header must be listed in the e-File database and in accepted status.

F990-913: Tax-exempt status specified in Item I, must match data in the efile database.

R0000-922: Filer's EIN and Name Control in the Return Header must match data in the e-File database, unless "Name Change" or "Name or Address Change" checkbox is checked, if applicable.

R0000-032: If "Amended Return" or (Superseded for 1120/1120S/1120-F) checkbox is not checked, then taxpayer TIN in the Return Header must not be the same as a TIN of a previously accepted electronic return for the return type and tax period indicated in the tax return.

Index