



What's New at Drake Tax 2020

In the following pages are brief descriptions of some of the updates and enhancements to the Drake Tax program and Drake Software's peripheral programs, along with changes to tax forms and tax laws made by the IRS. For a more complete look at these changes and how they affect you and your business, consult the 2020 Drake Tax User's Manual, available on CD (for those with Drake Software's CD service) and from the Drake Software Support website. Log in to *Support.DrakeSoftware.com* and click **Support > Documents > Manuals** tab, or, from the **Home** window toolbar of your Drake Tax program, click **Support > Manual & Online Resources**, sign in to Drake Support, and click **2020 Drake Tax User's Manual**.

Enhancements to Practice Management

Changes and enhancements for this tax season begin with the new Drake Software Support website. We also have a new cloud-hosting partner, a new research partner, changes to our document-handling program, and file-exchange portals program.

DrakeSoftware | Sign Out

Home | **Account** | **Purchasing** | **Products** | **Support** | **Downloads** | **Training**

Welcome to the Customer Resource Center

Introducing the new Customer Resource Center website — We've redesigned and reorganized the Support website into this new resource for you and your staff. Our goals were to make everything easier to find and to modernize the design. We hope this new site gives you just what you need, quickly and efficiently.

Account Details

Signed in as: [Redacted]
 Billing address: 235 E Palmer St
 Franklin, NC 28734
 Phone number: (828) 524-2922
 Email address: [Redacted]
 Account Number: [Redacted]

[Change account details](#)

Software Downloads

Product	Serial Number	
Drake Tax 2019	[Redacted]	Copy
Drake Accounting 2020	[Redacted]	

Training Resources

Classroom Training — Sign up for classes on Drake Tax, Drake Accounting and more.

DrakeCPE is a resource for tax continuing education courses. Choose from a variety of courses in self-study and on-demand format.

Drake ETC provides a way to train your entire office on Drake Software products, with live and on-demand webinars, tax courses, practice returns, and more.

Tools to Help Build Your Practice

Drake E-Pay Merchant Card Processing — Accept customer credit and debit cards as payment.

Drake Portals — Safe, convenient online file transfer — for your clients, for your business.

Audit Assistance — Earn extra income while offering your 1040 customers audit assistance with Protection Plus.

GruntWorx — Cut time and labor costs, and use GruntWorx to organize and import client tax data into Drake Tax.

Contact Us

New-Look Customer Support Website

The Drake Software Customer Resource Center website (*Support.DrakeSoftware.com*) has been redesigned for the 2020 tax season to make our Support resources easier to find and access. The Customer Resource Center offers a wealth of resources available 24 hours a day.

Many of the most frequently used tools and resources are now available on the opening page—the **Welcome to the Customer Resource Center** page. Other resources can be found and accessed from the blue menu box on the left side of the page.

Items in the Menu Box

Click the headings in the blue menu box to discover online resources available for all of Drake Software’s products:

Account: Access and edit your account information, view serial numbers, submit bank applications, and access your online EF database, where you can customize, view, and print reports reflecting the statuses of returns, bank products, checks, fees, and more.

Purchasing: Make tax return preparation easier by purchasing Drake Tax and supplementary programs such as Drake Accounting, Drake Portals, Drake E-Sign, and GruntWorx. Purchase compatible office supplies as well as W-2 blocks to seamlessly integrate W-2s from more than one million employers.

Products: Learn more about Drake Software’s products and partners.

Support: Contact customer support, download product manuals, participate in forums, and find answers to your questions in Drake Knowledge Base.

Downloads: Install Drake Tax (2002-2020), Drake Accounting (2018-2020), Client Write-Up (2007-2018), and Drake Software’s conversion programs.

Training: Sign up for the many training resources at your disposal, including Drake Software Update Schools and classroom training sessions (see “NOTE,” following). Drake Software’s Electronic Training Center (DrakeETC) also offers online videos, tutorials, webinars, and tax courses, and DrakeCPE offers training, instruction, and CPE credits.



NOTE

All DrakeETC live training sessions and Update Schools are now offered online. Drake Tax instructors guide students through courses designed for beginners and veterans alike. CPE credits are available for attending.

Drake Portals™ on the SecureFilePro.com Domain

Drake Portals provides secure client file exchange portals for your practice, so you and your clients can exchange confidential tax documents securely and conveniently. Send and receive client documents on your own secure site anytime from anywhere. Files are encrypted at rest on the server. Clients can view and access only their own documents.

New features include:

Import Client Data – Import a client’s completed questionnaire into Drake Tax, eliminating the need for data entry.

Reports – View reports for questionnaires, signature documents, profiles, and e-payments,

DrakePortals

Username

Password

Login

[Forgot username or password?](#)

making it easier to guide a client through the return-filing process from start to finish. New status filters allow you to easily sort through the current stage of each report type.

Notifications – Receive notification when a client uploads or signs a document, sends a message, or makes a payment. Clicking the notification automatically redirects you to the appropriate location.

Multi-Factor Authentication – Protect your data. As an extra layer of security, every preparer is now required to set up MFA, with each login requiring a unique, one-time code.

Explanations and prices are available at the new Customer Resource Center from the blue menu bar of the Support website (click **Products > Drake Portals**). There are links on that page for signing up for a free trial or for purchasing any of the regular Drake Portals packages.

New Populate LITE Product from GruntWorx

GruntWorx is a secure tax preparation tool that can handle much of the document organization and data entry that you and your staff must otherwise do manually. Using optical character recognition (OCR) technology to turn scanned documents into organized, bookmarked PDFs and by extracting scanned data into XML files, all your client data can be easily organized and imported into Drake Tax, eliminating the need for data entry.



New for 2020: Populate LITE, a new product GruntWorx is offering exclusively to Drake Software customers, has been designed for users who want to automate tax document retrieval, organization, data entry, and review—but without the 24- to 48-hour turn-around time of the original Populate—and at a lower cost. With Populate LITE, customers validate the extracted data themselves, which, once validated, is sent back to GruntWorx to be compiled into a .PDF document and into a transmission (.XML) file so it can be directly imported into Drake Tax, saving time, effort, and money.

If at any time (before uploading validated files to GruntWorx) the Populate LITE customer is not satisfied, he or she can cancel the job and will not be charged; alternately, the customer can also upgrade from Populate LITE to Populate while in a job as long as files have not yet been submitted to the GruntWorx team.

To learn more about GruntWorx and all its products, see “GruntWorx” in Chapter 13, “Suite Products,” of the Drake Tax User’s Manual, or visit *Support.DrakeSoftware.com > Products > GruntWorx*.

TheTaxBook WebLibrary Now Available

If you have a subscription to TheTaxBook, the favorite tax and accounting research system (as voted by respondents to the 2019 Readers' Choice Awards presented by *CPA Practice Advisor* magazine), you can take advantage of the new links in Drake Tax to TheTaxBook's research WebLibrary. Affordable and fast online tax research and the most up-to-date tax information will be at your fingertips.

Click one of the “open book” icons (red circles at right) throughout Drake Tax 2020 to access TheTaxBook's research WebLibrary. Find information fast, with well-written and easy-to-understand explanations and examples. (An Internet connection and a subscription to TheTaxBook WebLibrary Plus are required.)



You can also access TheTaxBook from the **TTB Web Library** icon located on the **Home** window toolbar of Drake Tax 2020 (figure, left).

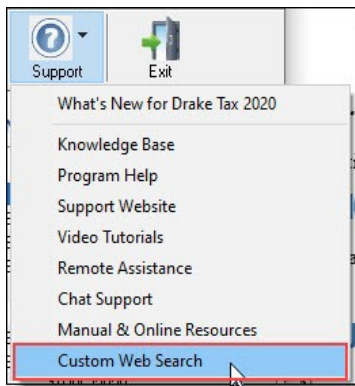
A screenshot of a tax form with a list of items. Red circles are drawn around the 'open book' icons next to items 11, 15, 17, and 18. The items are: 11 Educator expenses, 15 SEP and/or SIMPLE or Solo 401K contributions, 15 KEOGH contribution to defined-contribution plan, KEOGH contributions to defined-benefit plan, 16 Self-employed health insurance deduction, 17 Penalty on early withdrawal of savings, and 18 Remy paid to.

	Description
11	Educator expenses.....
15	SEP and/or SIMPLE or Solo 401K contributions.....
15	KEOGH contribution to defined-contribution plan.....
	KEOGH contributions to defined-benefit plan.....
16	Self-employed health insurance deduction.....
17	Penalty on early withdrawal of savings.....
18	Remy paid to.....

TheTaxBook WebLibrary Plus is available for \$219 for the first user and \$129 for each additional user. Additional quantity discounts are available; see the order form or website for details.

For more information, or to purchase access to TheTaxBook's WebLibrary, from the Drake Software Support website, click **Products > TheTaxBook**.

Custom Tax Research Tool Still Available



The customizable tax research tool is still available to all Drake Tax customers. This tool allows you to search three default websites for answers—the IRS website (*irs.gov*), Drake Software's Knowledge Base (*KB.DrakeSoftware.com*), and the Drake Software blog (*DrakeSoftware.com/blog*)—and any other websites of your choice for finding answers to your tax preparation questions.

To see the Custom Web Search tool in action, click **Support** on the Drake Tax **Home** window toolbar and select **Custom Web Search**. For information, see “Tax Research” in Chapter 10 of the *2020 Drake Tax User's Manual*.

New Cloud-Hosting Partner: Right Networks

Right Networks is the exclusive supported hosting service of Drake Software. A leader in cloud hosting, Right Networks combines their in-depth knowledge of accounting and tax applications with world-class cloud technology. They offer robust backup and security services, a portal for managing your account, and significant storage for housing your files and applications.

Our Drake Support Team will provide technical support for Right Networks and is trained to walk you step-by-step through the onboarding process. Whether you need help on Drake Tax or Right Networks, you can reach out to the Drake Support Team for assistance.

Features include:

- 40GB of storage per user
- Tools to easily migrate your data to the Right Networks Hosting cloud
- Using your own Microsoft 365 license
- Robust, industry-leading security processes, including multi-factor authentication powered by Duo

- Data securely stored in Tier 4 data centers used by global banks
- 90-day nightly rolling backup
- 99.95% availability
- Zero scheduled downtime and end-to-end redundancy
- Supported on PC or Mac
- Ability to add other hosted applications offered by Right Networks directly to your cloud-hosted Drake Software subscription for an additional fee, including QuickBooks Desktop



NOTE

The Drake Hosted service, provided by Drake Software in recent years, will “sunset” sometime in 2021 and is no longer being offered. Drake Software has assembled a “migration team” to help our customers transition to Right Networks. For more information or for assistance, visit DrakeSoftware.com/hosting-solution, or call us at (828) 349-5556.

Verifying PTIN at Setup

Because some states now require a preparer’s PTIN to be verified before it can be updated each year, a new check box was added to the Setup Assistant.

From the **Items to Update** window of the Setup Assistant, click **Preparers** to open the **Update Preparers** dialog box. At the bottom of the dialog box, mark the **I have verified each selected preparer’s PTIN check box** for each preparer whose PTIN is being attested to as verified. Then click **Update Preparers**.

For more information on using the Setup Assistant, see “Setup Assistant” in Chapter 2 of the *2020 Drake Tax User’s Manual*.

Test Account Button

A new function at **Setup > Electronic Filing & Account Information (ERO)** checks your ERO setup information and makes sure the information you entered synchronizes with the account information Drake Software has recorded in your business’s account file.

For more on setting up your ERO account information, turn to “ERO Setup” in Chapter 2 of the *2020 Drake Tax User’s Manual*.

e-Filing Directly from View/Print Mode

Select the **Allow EF from View/Print** option at **Setup > Options > EF** tab, and you can transmit returns directly from View/Print mode. Click the **eFile Taxpayer** icon from the **View/Print** window and the file is transmitted and any “P” (pending) or “B” (bad transmission) “acks” (acknowledgments) are returned. (All EF Messages must be cleared and the return must otherwise eligible for e-file.)

For complete details on filing returns electronically in Drake Tax, see “e-Filing a Return” in Chapter 8 of the *2020 Drake Tax User’s Manual*.

Requiring Updates When Offline

If your computer has been offline for 10 consecutive days, you have to reconnect to the Internet and receive all program updates before you can use Drake Tax again.

The program will display a warning after you have been offline for five days and again after nine days.

For information on setting a regular update routine, turn to “Update Manager” in Chapter 11 of the *2020 Drake Tax User’s Manual*.

More Custom Statuses Available

Drake Tax has added 10 new custom statuses to the Client Status Manager. Now, instead of five predefined custom statuses and five undefined and unassigned statuses, you now have five predefined customer statuses and 15 undefined customizable statuses you can use to track your office workflow through Drake Tax.

Chapter 9, “Client Status Manager,” of the *2020 Drake Tax User’s Manual* has all the details on using the CSM.

No More BBS Files to Clear

In prior years, you had to access **Tools > File Maintenance > Clear BBS Files** to remove update files after they had been downloaded and installed on your computer.

Drake Tax now handles that chore automatically and the option to do so manually has been removed from the program.

IRS Changes for 2020

Following are brief descriptions of the IRS changes to the 1040 package for tax season 2020.

Form 1040, U.S. Individual Income Tax Return

The 2020 tax year brought few changes to Form 1040, the most significant being the new location of the “virtual currency” question. This question, which was located on Schedule 1 in 2019, is now on page 1 of Form 1040.

Form 1040-NR, U.S. Nonresident Alien Income Tax Return

Form 1040-NR has been shortened from five pages to two for the 2020 tax year.

Schedules A (Itemized Deductions), NEC (Tax on Income Not Effectively Connected With a U.S. Trade or Business), and OI (Other Information) are no longer generated automatically with the return and will now be generated only when necessary.

Form 1040-NR now uses the same Schedules 1 (Additional Income and Adjustments to Income), 2 (Additional Taxes), and 3 (Additional Credits and Payments) as Form 1040.

For more on completing Form 1040-NR, turn to “Nonresident Alien Returns” in Chapter 5 of the *2020 Drake Tax User’s Manual*.

Form 1040-SR, U.S. Tax Return for Seniors

Form 1040-SR has been expanded from two to four pages for better readability. The Standard Deduction chart has been enlarged and is now the sole item on page 4. Content changes resemble that of Form 1040.



NOTE

The Standard Deduction Chart will be produced with a return only if the **Produce Form 1040- SR page 4** check box is marked on the **PRNT** screen.

Foreign Accounts and Virtual Currency Questions

Answering the Foreign Accounts and Virtual Currency questions has changed slightly in Drake Tax for the 2020 tax year.

The Virtual Currency question—did the taxpayer acquire financial interest in virtual currency—is answered on federal screen **1**. Answer the Foreign Accounts question on screen **1** if the answer to the Foreign Accounts question is “No”; otherwise, proceed to screen **B3** (accessible from the **Foreign Accounts** link on screen **1** or the **Foreign** tab of the **Data Entry Menu**).

See “Foreign Account Questions” and “Virtual Currency” in Chapter 5 of the 2020 Drake Tax User’s Manual for more information.

Recovery Rebate Credit

Screen **RRC** has been added to the program for calculating any available Recovery Rebate Credit (Economic Impact Payment) that the taxpayer might be entitled to.

Entries on this screen are required for the return to be e-filed unless:

- The taxpayer is claimed as a dependent
- The taxpayer is filing a 1040-NR return
- The taxpayer’s adjusted gross income (AGI) exceeds the qualification limit for the credit

If none of the above is true and the taxpayer did *not* receive any economic stimulus payments, enter “0” (zero) as the amount for both economic stimulus payments.

Pre-CARES Act for Decoupled States

Because New York and Kentucky chose not to adopt some or all provisions of the 2019 CARES Act (chose to “decouple” from these provisions), Drake Tax 2020 could produce unanticipated numbers in state returns for those “decoupled” states for such federal items, as:

- Net Operating Losses
- Form 461, Limitation on Business Losses
- Form 8990, Limitation on Business Interest Expense
- Forms 8915, Qualified Retirement Plan Distributions and Repayments – Disaster Related
- Qualified Improvement Property Depreciation

Drake Tax 2020, therefore, includes Pre-CARES Act fields on several federal screens to help you adjust certain amounts (where necessary).

These **Pre-CARES Act** fields are also available in the Fiduciary (1041) package, the S Corporation (1120S) and Partnership (1065) packages, and the Corporation (1120) package.

States Decoupling from CARES Act for Form 461 Limitations

The Tax Cuts and Jobs Act (TCJA) added a limitation on the amount of losses from trades or businesses that taxpayers can claim each year; the CARES Act removed that limitation. Some states responded by “decoupling” from this provision of the CARES Act, however, to keep the limitation on business losses for their state.

The limit imposed by the TCJA states that deductions and losses from all trades or businesses that are greater than income and gains from all trades or businesses cannot exceed \$255,000 (\$510,000 for married taxpayers filing a joint return).

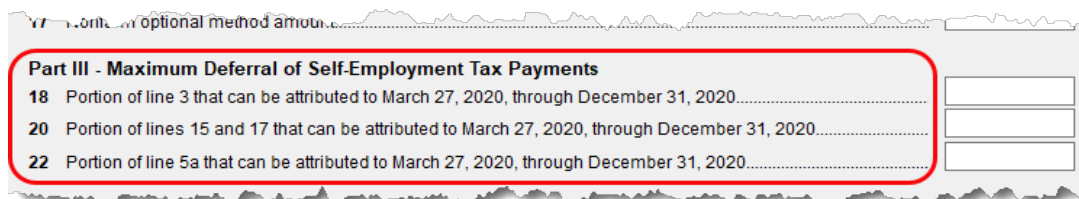
If the state you are preparing decoupled from this provision of the CARES Act, in Drake Tax, open screen **461** (available from the **States** tab of the **Data Entry Menu**). Review the Screen Help (press CTRL+ALT+?) for a definition of a trade or business for purposes of Section 461.

See Form 461 Instructions and IRS Publication 536 for more information.

Deferral of Payment of 6.2% of Social Security Tax

The CARES Act permitted employers to defer the payment of the “employer’s share”—or 50 percent of the Social Security tax on net earnings—for the period beginning on March 27, 2020 and ending on December 31, 2020.

If a self-employed person chooses to take advantage of this deferral, the data is entered in Drake Tax on screen **SE**, lines 18, 20, or 22.



Part III - Maximum Deferral of Self-Employment Tax Payments

18	Portion of line 3 that can be attributed to March 27, 2020, through December 31, 2020.....	<input type="text"/>
20	Portion of lines 15 and 17 that can be attributed to March 27, 2020, through December 31, 2020.....	<input type="text"/>
22	Portion of line 5a that can be attributed to March 27, 2020, through December 31, 2020.....	<input type="text"/>

The taxpayer may use any reasonable method to determine what portion of net self-employment income is attributable to the deferral period.

The taxpayer must pay 50 percent of the deferred tax by December 31, 2021, with the remainder due by December 31, 2022.

Employees' Deferral

A presidential memorandum, issued August 8, 2020, offered an option to employees of not having Social Security payments withheld from their wages in 2020, with the understanding that those withholdings must be paid during the first quarter of 2021.

If the employee took advantage of this option, the amount in the 2020 Form W-2, box 4, will not be 6.2 percent of the amount in box 3, as it has always been in the past.

In Drake Tax, the program has always calculated the Social Security withholding automatically once an employee’s wages have been entered on screen **W2**, box 1. As there is no indicator on Form W-2 stating whether or not an amount of Social Security withholding has been deferred, it is crucial that the amount on Form W-2 be compared with the program-calculated amount for box 4 on screen **W2** in Drake Tax.

Form 1099-NEC, Nonemployee Compensation

In previous tax years, nonemployee compensation of \$600 or more was reported in Drake Tax in box **7** on screen **99M** and would flow from there to the proper form or schedule. Because employers had a different deadline for filing Forms 1099-Miscellaneous (depending on whether or not there was nonemployee compensation included), the IRS now provides Form 1099-NEC, Nonemployee Compensation. Using the client’s Form 1099-NEC, Drake Tax users complete screen **99N** in the 1040 package, accessible from the **General** tab of the **Data Entry Menu**.

Any fees, commissions, prizes or awards for services performed as a nonemployee, or other forms of compensation for services performed for the payer’s trade or business are reported in box 1 of screen **99N**. Federal income tax withheld is reported in box 4, and state and local tax is reported at the bottom of screen **99N**.

Since Form 1099-NEC can be used to report income from a variety of sources, the preparer must indicate on which form or schedule the income should be reported. From the **For** drop list of screen **99N**, select whether you want the income to flow to:

- Schedule 1, line 8, “Other income”
- Schedule C, Profit or Loss from Business
- Schedule F, Profit or Loss from Farming

Form 8919, Uncollected Social Security and Medicare Tax

No Form 1099-NEC is created in View/Print mode for the data entered on screen **99N**.

For more information, see “Form 1099-NEC for Nonemployee Compensation” in Chapter 5 of the *2020 Drake Software User’s Manual*.

Form 5884-A, Employee Retention Credit

Form 5884-A is no longer titled “Credit for Affected Disaster Area Employers.” The IRS now calls Form 5884-A “Employee Retention Credit.”

The purpose of the form has not changed, however. Eligible employers who continued to pay or incur wages after the employer’s business became inoperable because of damage from certain federally declared natural disasters use Form 5884-A to claim a credit equal to 40 percent of up to \$6,000 of qualified wages paid to or incurred for each eligible employee.

Complete the form on screen **588A**, available on the first **Credits** tab of the **Data Entry Menu** of Drake Tax.

Credits for Sick Leave and Family Leave for Self-Employed

Use Form 7202 to figure the amount of credit to claim for Qualified Sick and Family Leave credits under FFCRA on a 2020 tax return. These refundable credits are available to eligible self-employed individuals if they were unable to work or had to care for family members for reasons related to the Coronavirus. These credits are equivalent to the amount of paid sick or family leave the self-employed individual would be entitled to receive under the Emergency Paid Sick Leave Act or, if the individual was an employee of an employer (other than himself or herself), the Emergency Family and Medical Leave Expansion Act.

Screen **7202**, used to complete the form in Drake Tax, is available on the first **Credits** tab of the **Data Entry Menu**.

Disaster and Coronavirus Relief

For taxpayers who took advantage of provisions of the CARES Act allowing tax-free withdrawals from retirement plans to pay for certain types of disaster expenses, report these withdrawals and the repayments on Forms 8915-A, 8915-B, 8915-C, 8915-D, and 8915-E:

- Form 8915-A, Qualified 2016 Disaster Retirement Plan Distributions and Repayments, is for taxpayers who were adversely affected by a qualified disaster in 2016
- Form 8915-B, Qualified 2017 Disaster Retirement Plan Distributions and Repayments, is for taxpayers who were adversely affected by a qualified disaster in 2017
- Form 8915-C, Qualified 2018 Disaster Retirement Plan Distributions and Repayments, is for taxpayers who were adversely affected by a qualified disaster in 2018
- Form 8915-D, Qualified 2019 Disaster Retirement Plan Distributions and Repayments, is for taxpayers who were adversely affected by a qualified disaster in 2019

- Form 8915-E, Qualified 2020 Disaster Retirement Plan Distributions and Repayments, is for taxpayers who were adversely affected by a qualified disaster or by the Coronavirus in 2020 (See “IMPORTANT,” following.)



IMPORTANT

As of the time of this publication, Congress is considering legislation that would provide disaster relief for certain 2020 disasters other than the Coronavirus. To see if this legislation has been enacted, resulting in changes that affect the taxpayer’s 2020 Form 8915-E, see “Recent Developments” at [IRS.gov/Form8915E](https://www.irs.gov/Form8915E)

If the taxpayer was affected by a disaster or the Coronavirus, he or she is allowed to withdraw up to \$100,000 from his or her IRA or employer plan (such as a 401(k)). The taxpayer can elect to either return the withdrawn amount to the account within three years or pay tax on the withdrawn amount over a period of three years.

Schedule LEP (Form 1040), Request for Change in Language

Schedule LEP is used to state a preference to receive written communications from the IRS in an alternate language.

To generate Schedule LEP for a return, open the **PRNT** screen (accessed from the **Miscellaneous** tab of the **Data Entry Menu**), and select the desired language from the **Produce Schedule LEP...** drop list. Schedule LEP currently supports the following languages:

English	Portuguese	Urdu
Spanish	Polish	Bengali
Korean	Farsi	Italian
Vietnamese	French	Chinese (Traditional)
Russian	Japanese	Chinese (Simplified)
Arabic	Gujarati	Tagalog
Haitian Creole	Punjabi	Khumer



NOTE

The taxpayer will not immediately begin receiving communications from the IRS in his or her language of choice.

Additional Spanish Forms

Drake Tax has added the following forms to its growing list of forms supported in Spanish:

- 14039(SP), Identity Theft Affidavit / *Declaración Jurada sobre el Robo de Identidad*
- 14039-B(SP), Business Identity Theft Affidavit / *Declaración Jurada sobre el Robo de Identidad de un Negocio*
- 4506(SP), Request for Copy of Tax Return / *Solicitud de Copia de la Declaración de Impuestos*

- 7202(SP), Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals / *Créditos por Licencia por Enfermedad y Licencia Familiar para Ciertas Personas que Trabajan por Cuenta Propia*
- Schedule EIC (Form 1040(SP)), Earned Income Credit / *Crédito por Ingreso del Trabajo*
- Schedule LEP (Form 1040(SP)), Request for Change in Language Preference / *Solicitud para Cambiar la Preferencia de Idioma*
- Schedule 1 (Form 1040(SP)), Additional Income and Adjustments to Income / *Ingreso Adicional y Ajustes al Ingreso*
- Schedule 2 (Form 1040(SP)), Additional Taxes / *Impuestos Adicionales*
- Schedule 3 (Form 1040(SP)), Additional Credits and Payments / *Créditos y Pagos Adicionales*
- W-9(SP), Request for Taxpayer Identification Number and Certification / *Solicitud y Certificación del Número de Identificación del Contribuyente*

Additional Charitable Contribution Deduction

Eligible taxpayers are now able to claim an additional deduction of up to \$300 (\$150 for Married Filing Separately filers) for charitable contributions without the need to file Schedule A. Charitable contribution amounts should be entered on the Gifts to Charity section of federal screen A; eligible deductions flow to line 10b, “Charitable contributions...” of Form 1040.



NOTE

The additional charitable contribution deduction is available only if the taxpayer takes the standard deduction and does not itemize additional deductions.

Paycheck Protection Program Deduction

Eligible expenses paid with funds from a Paycheck Protection Program (PPP) loan can now be deducted on the relevant Schedule C or Schedule F, even if the loan has been forgiven.

Amended 1040 Returns (1040-X) Eligible for e-File

The IRS now accepts e-filed 1040-X returns. For an amended return to be eligible for e-file, the original return must have been e-filed. Paper-filed returns cannot be amended electronically.



IMPORTANT

To amend a 2019 return, you need Drake Tax 2019; for an amended 2020 return, use Drake Tax 2020.

A balance due can be paid electronically with the return by direct debit using the PMT screen or by a debit card or credit card through the Drake Software e- Payment Center. If the 1040-X return is e-filed and the balance due is paid by check, the payment must be included with Form 1040-V, Payment Voucher, and mailed to the appropriate address for 1040 vouchers; if the 1040-X is paper-filed and the balance due is paid by check, the entire return, along with Form 1040-V and the enclosed payment, must be mailed to the appropriate address for 1040-X returns.



IMPORTANT

Refer to the most recent IRS instructions for Forms 1040-X and 1040-V before sending any payment by mail.

Direct deposit is not available for amended returns that result in a refund. Returns can be amended up to three times, electronically.

See “Amended Returns” in Chapter 5 of the 2020 Drake Tax User’s Manual.

Health Coverage Tax Credit (HCTC) Extension

The HCTC has been extended for all coverage months beginning in 2020, allowing eligible individuals to receive a tax credit to offset the cost of their monthly health insurance premiums for 2020 if they have qualified health coverage for the HCTC.

For more information, see “Form 8885, Health Coverage Tax Credit” in Chapter 5 of the *2020 Drake Tax User’s Manual*.

Mileage Rates for 2020

The standard mileage rates for the use of a car (also vans, pickups, or panel trucks) for 2020 are as follows:

- 57.5 cents per mile driven for business use
- 17 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

Standard Deduction for 2020

The standard deduction was increased to \$12,400 for Single and Married Filing Single returns, to \$24,800 for taxpayers filing as Married Filing Jointly or Qualifying Widow(er), and to \$18,650 for those filing as Head of Household.

Screen 8812, Additional Child Tax Credit and Combat Pay

Prior-year income will be updated to the **8812** screen in Drake Tax only if a return updated from the 2019 program qualified for either the EIC or Additional Child Tax Credit. If the return was *not* updated from Drake 2019, and the taxpayer qualified for either credit, an entry may be made in the **Prior-year earned income** override field so that data may flow to worksheet “Wks 8812.”

Screen 8995, Qualified Business Income Deduction

Screen **QBI**, used for entering Qualified Business Income Deductions, is now the **8995** screen. Access this screen from the **Adjustments** tab of the **Data Entry Menu** of the 1040 package.

Changes to the Drake Tax Business Packages

Following are brief descriptions of some of the changes to the other Drake Tax packages—Corporation, S Corporation, Partnership, Fiduciary, Tax-Exempt, and Estate.

For more details on changes to the business packages in Drake Tax, see Chapter 14, “New Features in Other Packages,” of the *2020 Drake Tax User’s Manual*.

Drake Tax’s supplementary manuals for the 1120, 1120S, 1065, 1041, 990, and 706 packages will be published in Winter 2021.

Corporation, S Corporation, Partnership, and Tax-Exempt Packages

Eligible business expenses paid with funds from a Paycheck Protection Program (PPP) loan can now be deducted even if the loan has been forgiven.

S Corporation, Partnership, and Fiduciary Packages

The IRS has discontinued page 2 of Schedule K-1 for Forms 1120-S (for S corporations) and 1065 (for partnerships). The K-1 codes that were on page 2 are now in the Schedule K-1 instructions. These K-1 codes can still be generated in Drake Tax.

Instead of producing the entire K-1 code sheet, however, Drake Tax now generates only those codes that actually appear on each Schedule K-1 in the 1120S and 1065 packages. These codes are printed on the “Supplemental Information” page that is generated with each K-1, and they reference the page in the K-1 instructions where further information can be found.

K-1 Codes Unchanged in 1041

The page 2 code sheet for beneficiaries’ and estates’ K-1s in the 1041 package has not been discontinued and will look as it has in the past. It will not, however, be generated automatically with each K-1.

To generate the K-1 codes—either the full sheet for 1041 K-1s or the individually generated codes for the 1120-S and 1065 K-1s—from the **Home** window menu bar of Drake Tax, go to **Setup > Options**, click the **Form & Schedule Options** tab, and mark the **Print page 2 of Schedule K-1 for 1041 and K-1 codes for 1120S and 1065** box.

S Corporation (1120S) and Partnership (1065) Packages

The following changes affect the S Corporation package (Form 1120-S) and the Partnership (Form 1065) package of Drake Tax for the 2020 tax season:

QBI Changes: To better associate QBI information with its corresponding forms, the **QBI** section at the bottom of screen **1** has been removed as has the **For** drop list on screen **199A** for associating QBI information. QBI information previously entered on screen **199A** is now entered at the following locations:

- QBI relating to the main page of Form 1120-S or Form 1065 is entered on screen **199A** (accessible from the **Other Forms** tab of the **Data Entry Menu**).
- QBI relating to Schedule K-1s for 1065 and 1041 returns is now entered on screen **K199** (accessible from the **Other Forms** tab of the **Data Entry Menu**).

Form 14039-B, Business Identity Theft Affidavit: Complete and submit this form if you suspect that your business entity, estate, trust, or exempt organization has been a victim of identity theft. If you never applied for an Employer Identification Number (EIN) but have begun receiving notices for a business in your name, do not complete this form. Instead, file Form 14039,

Identity Theft Affidavit, under your Social Security Number (SSN), Individual Taxpayer Identification Number (ITIN), or Adoption Taxpayer Identification Number (ATIN).

[e-Signatures Now Available in Business Packages:](#) (For use with Drake Portals) Screens **E**, **K1**, **K1E**, **OFF**, and **PIN** have new sections designated for e-Sign for Drake Portals subscribers, so partners, shareholders, or owners can electronically sign returns.

The person who signs the return for the entity (whether it be signing partner, shareholder, officer, etc.) is indicated on the **E** screen (for corporations), the **K1** screen (for partnerships), the **K1E** screen (for S corporations), the **OFF** screen (for Tax Exempt (990) returns), or the **PIN** screen (for fiduciaries). To override the choice of signing partner or corporation officer, use the override fields on the **PIN** screen.



NOTE

In the 1041 package, the signature and address fields on the **PIN** screen are not override fields but regular direct-entry fields.

[Required Security Information:](#) The purpose of Drake Tax’s Filing Security Information screen (**SEC**) is part of an IRS initiative to protect businesses and tax return preparers from data theft and tax fraud. Information entered on the **SEC** screen is transmitted when the tax return is e-filed.

The entity’s 2019 income is now required. If the return for the entity (corporation, S corporation, partnership, fiduciary, or tax-exempt organization) was filed through Drake Tax last year, the **Total prior year income amount** will be imported automatically from the 2019 return when you update the 2019 return to the 2020 package. (That amount will also flow to the “2019” column of the **COMP** screen in the 2020 package.) If the entity’s return was *not* filed through Drake Tax—or if you wish to change the amount imported from 2019—enter the amount in the **Total prior year income amount** field of the **SEC** screen.

Completing the rest of the **SEC** screen for federal returns is optional for 2020; however, certain states will begin requiring this information in the near future.

Screen **SEC** is accessible through a link on screen **1** or from the **General** tab of the **Data Entry Menu**.

[Global Autobalance Feature:](#) Autobalance forces Schedule L to be balanced for both the beginning- and end-of-year amounts. The program adjusts the capital account on Schedule L by the difference between the total assets and the total liabilities and capital/equity before the adjustment. Preparers can now choose to turn off the autobalance feature globally (for all returns) at **Setup > Options > Calculation & View/Print tab**. The option to override the global selection on a per-return basis is now toggled via the **Reverse autobalance** setup option check box on screen **PRNT**.

Corporation (1120) Package

A new Exempt Function Income worksheet has been added to the program. This worksheet, titled “Deductions Related to Exempt Function Income,” and listed in View/Print mode as “Wks Exmt Ded,” is generated when amounts are entered in the **Deductions Related to Exempt Function Income** section of screen **H** (1120-H, Homeowners Associations). Amounts entered in these adjustment fields at the bottom of screen **H** reduce amounts flowing from lines 9-16 of the “Deductions” section of Form 1120-H.

- In general, exempt function income is gross income from dues, fees, charges, or similar items paid by members for the purposes for which exempt status was granted to the organization.

- Exempt function income includes income that is set aside for qualified purposes. The investment income of social clubs generally is not taxed if it is set aside to be used for religious, charitable, scientific, literary, or educational purposes or for the prevention of cruelty to children or animals. Income derived from an unrelated trade or business regularly carried on by the organization may not be set aside and therefore cannot be exempt function income. In addition, any income set aside and later spent for purposes other than those specified must be included in unrelated business taxable income.

Partnership (1065) Package

Multiple Forms 7004 can now be e-filed in Drake Tax with the same ID number. This stops “dupe” rejects for duplicate transmissions. From the **7004** screen (accessible from the **Other Forms** tab of the **Data Entry Menu**), select the appropriate return type from the **Enter the form code...** drop list, and calculate and file the return as normal. To file another extension, select the other form (either 1065 or 8804) from the same drop list, recalculate the return, and submit only the applicable Form 7004.

After transmission, each submission will appear on a separate line of the **ESUM** screen (accessible from the **Miscellaneous** tab of the **Data Entry Menu**) with the applicable form code.

S Corporation (1120S) Package

Following are descriptions of several changes to the S corporation package:

New Screen K1E: Screen **E** of the 1120S package was used in past years to gather officer information, while information on shareholders who were not officers was entered on the **K1** screens. Problems arose when preparers entered the same information twice for officers who were shareholders—once on the **E** screen and again on the **K1** screen.

All information—for shareholders and officers—is now entered on screen **K1E** to prevent confusion. Screen **E** now has no data-entry fields but does have a link to take you to the **K1E** screen.

Mark the applicable box on screen **K1E** that identifies the officer who signs the federal or state returns and the officer who is the contact person for the corporation’s books. For the officer or shareholder for whom you marked the **Signs return** check box, that person’s information flows to the **PIN** screen automatically, eliminating the need to reenter that information. (The signing officer’s information can be overridden on the **PIN** screen for electronic signature purposes.)

If you are using a **K1E** screen only to report information on an officer who is not a shareholder, select the **Reporting 1125-E information only** check box. Complete all applicable fields. (Several sections of screen **K1E** are deactivated when you select the **Reporting 1125-E information only** check box.)

Allocating Adjusted Distributions: S corporations must make distributions according to the number of shares owned by the shareholder. When these distributions must be adjusted, open the **DIST** screen and click an **SA** (Special Allocation) link to open the **SA** screen.

New Sections of Schedule K-1:

- Section G — Shareholder’s number of shares
- Section H — Loans from shareholder

Loans from Shareholders:

- The balances of loans from shareholders to an S corporation are now reported on the shareholder’s Schedule K-1, item “H.”
- A shareholder examines the loans made to the S corporation to determine the shareholder’s debt basis in the S corporation.
- Preparers enter information for item “H” of Schedule K-1 for each applicable shareholder and additional information useful in the calculation of debt bases of the shareholder at the

shareholder level on the new **Loans from Shareholder** screen (**LOAN**), available from the **General** tab of the **Data Entry Menu**. Data entered on screen **LOAN** is presented on a statement attached to the shareholder's Schedule K-1.

- In addition, the information entered on screen **LOAN** is used in calculating Schedule L, line 19 balances, Schedule K, line 16e amounts, and the individual shareholder's Schedule K-1, line 16, code "E" amounts.

Tax-Exempt (990) Package

As per IRS regulations, Form 990-T can now be e-filed. Form 990-T will be available for e-file beginning late January/early February of 2021.

As of tax season 2020, the following 990 returns must be e-filed:

- 990, Return of Organization Exempt from Income Tax
- 990-PF, Return of Private Foundation
- 990-T, Exempt Organization Business Income Tax Return



NOTE

For Form 990-EZ, 2020 calendar-year filers and fiscal-year filers with a year end up to 6/30/21 can e-file or paper-file. Fiscal-year filers with a year end of 7/31/21 or later are required to e-file.

[Form 4720](#): As per the IRS regulations, Form 4720, Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code, must now be e-filed. Form 4720 will be available for e-file beginning late March/early April of 2021.

[Multiple Extensions](#): Multiple requests for extensions (Form 8868, Application for Automatic Extension of Time to File an Exempt Organization Return) with the same ID are now eligible for e-file. This stops "dupe" rejects for duplicate transmissions. From the **8868** screen (accessible from the **Other Forms** tab of the **Data Entry Menu**), select the appropriate extension type, and calculate and file the extension as normal. To request another extension, select a different extension type, recalculate, and submit only the applicable Form 8868.

After transmission, each submission will appear on a separate line of the **ESUM** screen (accessible from the **Miscellaneous** tab of the **Data Entry Menu**) with the appropriate form code.

Enhancements to Drake Accounting

Look for the following enhancements with Drake Accounting 2021:

Productivity

- Client Health screen with visual reports
- Report sets for batch printing
- Letter templates and report customization
- Support for peer-to-peer network setup

Payables Module

- Ability to print blank checks
- Batch payments

Receivables Module

- Ability to print blank checks
- Batch payments

Payroll

- GL account profiles
- Courtesy withholding for Ohio
- Sick/vacation rework
- Multi-tier 401(k)

Accounting Module

- Scheduled transaction

