

# What's New at Drake Software 2025!



The following 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. For a highlight of this year's biggest changes, click the blue play button to watch the *2025 What's New* video, presented by your favorite Drake Software trainers.

## IRS and Tax Law Changes

The following sections address important information regarding the 2025 tax season. Unless otherwise stated, all changes are effective for 1040 returns *only*.

You can review detailed information about the changes under the new tax bill at [Congress.gov](https://www.congress.gov) and [IRS.gov](https://www.irs.gov).

### Personal Exemptions

Personal exemptions are permanently eliminated.

### Standard Deduction

The higher standard deduction is no longer set to expire. Amounts will adjust annually after 2025. 2025 amounts:

- \$31,500 – Married filing jointly (MFJ) and qualifying surviving spouse
- \$23,625 – Head of household (HOH)
- \$15,750 – Single or married filing separately (MFS)

### Senior Deduction

This is a new, temporary deduction for seniors available for tax years 2025–2028. This is in addition to the standard deduction and can be taken by both itemizers and non-itemizers.

- \$6,000 per qualified individual
- Taxpayers must be 65 or older by the end of the year
- This is subject to phaseout if the MAGI exceeds:

- \$75,000 (single/HOH)
- \$150,000 (MFJ)

**Note:** If married, taxpayers must file MFJ to claim the deduction.

### SALT Deduction (State & Local Taxes)

Temporary increase in the SALT deduction cap to \$40,000 in 2025. This is subject to income-based reduction if the taxpayer's MAGI exceeds the following threshold:

- \$500,000 (single/joint)
- \$250,000 (MFS)

Adjustments to the limitation and threshold amounts are planned through 2029. After 2029, the limitation will be \$10,000 with no threshold.

### Deduction for Qualified Tips

Both itemizers and non-itemizers can take the deduction for qualified tips, if eligible. The maximum deduction is \$25,000, subject to phaseout for taxpayers with MAGI over:

- \$150,000 (single/HOH)
- \$300,000 (MFJ)
- For self-employed individuals, the deduction may not exceed their net income (without regard to this deduction) from the trade or business in which the tips were earned.

### Deduction for Qualified Overtime

Taxpayers who have qualified overtime compensation as defined by the Labor Standards Act can deduct up to:

- \$12,500 (single/HOH)
- \$25,000 (MFJ)

This is subject to phaseout for taxpayers with MAGI over

- \$150,000 (single/HOH)
- \$300,000 (MFJ)

Both itemizers and non-itemizers can take the deduction for qualified overtime.

### Deduction for Car Loan Interest

- Covers "qualified passenger vehicle loan interest" up to \$10,000.
- Only certain individuals and vehicles qualify. Notably,

- the loan must have originated after December 31, 2024,
- the vehicle must be for personal use,
- used vehicles are not eligible,
- the loan must be secured by a lien on the vehicle,
- final assembly in the United States.
- More detailed information about qualified vehicles and interest is available on the [IRS website](#).
- This deduction can be claimed by both itemizers and non-itemizers.
- Phaseout: Reduced \$200 for each \$1,000 of MAGI over \$100,000 (single/HOH) or \$200,000 (MFJ).

### Clean Vehicle Incentives

Repealed credits for purchases after September 30, 2025:

- Up to \$7,500 new clean vehicle credit.
- Up to \$4,000 previously-owned clean vehicle credit.

### Child Tax Credit (CTC)

The maximum Child Tax Credit (CTC) available has been increased to \$2,200 per child beginning in 2025. This amount will be adjusted for inflation in future years.

The refundable portion, up to \$1,700 in 2025, is now permanently extended and will be indexed for inflation in the future.

To claim the Child Tax Credit, both the qualifying child and the taxpayer (or at least one spouse if filing jointly) must have a Social Security Number that is valid for employment, and it must be issued before the due date of the tax return, including extensions.

### Other Dependent Credit (ODC)

The Other Dependent Credit (\$500) for taxpayers who have a dependent that does not qualify for the CTC is permanent.

### Child and Dependent Care Tax Credit

The credit percentage range has changed. The credit percentage chart now has ranges starting at 50% for taxpayers with AGI of \$15,000 or less with the lowest credit percentage of 20% for AGI over \$103,000 (\$206,000 MFJ).

The expense limit of \$3,000 (\$6,000 for two or more qualifying people) has not changed.

### Adoption Credit

The Adoption Credit is now refundable up to \$5,000.

### 100% Bonus Depreciation

100% Bonus Depreciation under Section 16(k) has been made permanent and is available for qualified property that was both acquired and placed in service after January 19, 2025.

### Section 179 Deduction Limit

The Section 179 deduction limit for 2025 has been increased to \$2.5 million.

The Section 179 investment limit for 2025 has been increased to \$4 million.

Both amounts will be adjusted annually for inflation going forward.

### Energy Credits and Deductions

Adapted from [IRS FAQs](#)

- Energy efficient home improvement credit – not allowed for any property placed in service after December 31, 2025.
- Residential clean energy credit – not allowed for any expenditures made after December 31, 2025.
- Previously-owned clean vehicles credit – not allowed for any vehicle acquired after September 30, 2025.
- Alternative fuel vehicle refueling property credit – not allowed for any property placed in service after June 30, 2026.
- New clean vehicle credit – not allowed for any vehicle acquired after September 30, 2025.
- New energy efficient home credit – not allowed for any qualified new energy efficient home acquired after June 30, 2026.
- Qualified commercial clean vehicle credit – not allowed for any vehicle acquired after September 30, 2025.
- Energy efficient commercial buildings deduction - not allowed for any property that began construction after June 30, 2026.

### Paper Checks

The IRS is phasing out paper checks beginning September 30, 2025. More information about the impact of this change will be added to KB [18888](#) when available.

# Form and Schedule Changes

The following forms have been added or updated for tax year 2025.

## Form 1040

- New Check Boxes
  - Filed pursuant to section 301.9100-2
  - Combat Zone
  - Deceased – date of death for taxpayer and spouse also available
  - Check here if your main home, and your spouse's if filing a joint return, was in the U.S. for more than half of 2025.
  - Check if your filing status is MFS or HOH and you lived apart from your spouse for the last 6 months of 2025, or you are legally separated according to your state law under a written separation agreement or a decree of separate maintenance and you did not live in the same household as your spouse at the end of 2025.
  - 3c - Check if your child's dividends are included in Line 3a or Line 3b.
  - 4c - Check if distribution is a Rollover, QCD, Other.
  - 5c - Check if pension or annuity is a Rollover, PSO, Other.
  - 6d – Check if you are married filing separately and lived apart from your spouse the entire year
  - 7b - Check if: Schedule D is not required or Includes child's capital gain or (loss).
  - 27b - Clergy filing Schedule SE.
  - 27c - If you do not want to claim the EIC, check here.
  - Beside line 28 - If you do not want to claim the ACTC, check here
- New Lines
  - 13b - Additional deductions from Schedule 1-A, line 38
  - Unnumbered line below 26 - If you made estimated tax payments with your former spouse in 2025, enter their SSN.
  - 30 changed from Reserved to Refundable adoption credit from Form 8839, line 13.
- Standard Deduction section removed (moved down to reformatted line 12).
- Dependents section was reformatted to allow more detailed information, such as where they lived, and their student or disability status

## Schedule 1

- Check box and amount field added to allow for the entry of unemployment repayment.
- New check box on line 14 to indicate if the taxpayer is claiming only storage fees.

- New check box for line 20 to indicate if the taxpayer is married filing separately and lived apart from their spouse for the entire year.

### Schedule 1-A

New schedule that will be used to report detailed information for the following provisions:

- No Tax on Tips.
- No Tax on Overtime.
- No Tax on Car Loan Interest.
- Enhanced Deduction for Seniors.

### Schedule 2

- New check boxes for line 4 used to indicate that there is an exemption from SE tax due to Form 4361, 4029, or other.
- Line 10 is now reserved for future use.

### Schedule A

Changes due to the new tax law provisions.

### Form 4562

- Form 4562 is now three pages.
- There is a new field for 50-year property on line 19 and line 20.
- Line 23 now has two parts.
- New line 24c has been added for aircraft – own, lease, or charter.

### Form 1099-K

Under the new tax law, third-party settlement organizations must file Form 1099-K if both of the following are true:

- The total payments exceed \$20,000.
- The number of transactions exceeds 200 within a calendar year.

## States

### Arkansas

- New Forms
  - AR-KREC – Members Reconciliation of Income, Deductions, Credits, and Other Items
  - AR1100-REC - Reconciliation Schedule
  - AR1100-WH - Withholding Summary

## Colorado

- New Form
  - CO 1217 - Qualified Care Worker Tax Credit
- Obsolete Forms
  - CO DR 0375
  - CO DR0350

## Delaware

- New Form
  - CMP-VCH – Composite Voucher
- Form Renamed
  - BUS-CRS – Delaware Income Tax Credit Schedule (previously Form 700 Credit Schedule)

## Georgia

- New Forms
  - IT-CA — Job Tax Credit
  - IT-CONSV — Conservation Tax Credit
  - IT-RTM — Railroad Track Maintenance Tax Credit

## Hawaii

- New Forms
  - N-4T, Statement of Withholding for a Nonresident Beneficiary of a Trust or Estate
  - N-364, Claim of Right Tax Credit
  - Schedule NT, Allocation of Withholding Payment to Nonresident Beneficiaries

## Maryland

- New Form
  - 502CG - Capital Gain Income

## Massachusetts

- New Schedules
  - 62-WH - Personal Income Tax Withholding
  - 63-WH - Corporate Excise Withholding

## Michigan

- New Forms
  - 6072 – Schedule FTE
  - 6074 – Schedule of Tiered Entities

## Minnesota

- New Forms
  - M1NC – Federal Adjustments
  - M2NC – Federal Adjustments (Fiduciary/Trusts)
  - M2SBNC – Federal Adjustments (S Corporation)
  - M4NC – Federal Adjustments (Corporations)
  - KFNC – Federal Adjustments (Fiduciary/Trust Beneficiaries Schedule KF)
  - KPINC – Federal Adjustments (Partnership Schedule KPI)
  - KPCNC – Federal Adjustments (Composite Schedule KPC)
  - KSNC – Federal Adjustments (S Corporation Shareholders Schedule KS)

## Nebraska

- Changes
  - Top tier individual income tax rate reduced from 5.84% to 5.2%
  - Corporate income tax rate reduced to flat 5.2%
- Obsolete Forms
  - Form 1040NX, Amended Nebraska Individual Income Tax Return. Amended returns will now be filed using Form 1040N.

## New York

- New Forms
  - IT-268, Central Business District Toll Credit
  - IT-270, New York City Income Tax Elimination Credit
- Obsolete Forms
  - CT-655, Restaurant Return-to-Work Credit
  - IT-655, Restaurant Return-to-Work Credit
  - CT-657, COVID-19 Capital Costs Credit
  - IT-657, COVID-19 Capital Costs Credit
  - CT-658, Additional Restaurant Return-to-Work Credit
  - IT-658, Additional Restaurant Return-to-Work Credit
  - CT-662, Child Care Creation and Expansion Credit
  - IT-662, Child Care Creation and Expansion Credit
- Other Notes
  - The Empire State Child Credit (IT-213) has been expanded.
  - Inflation refund checks were issued beginning in September 2025.

## North Carolina

- The composite income tax rate was reduced from 4.5% to 4.25%

## Rhode Island

- New Forms



- RI Schedule 174A, Section 174A Amortization Worksheet
- RI Schedule HR1, Addback of Federal P.L. 119-21, H.R.1 Provisions

### South Carolina

- Obsolete Form
  - TC-53 - Energy Efficient Manufactured Home Credit

### Tennessee

- Obsolete Schedule
  - Schedule S (in FAE 170 return)
- Updated Forms
  - The property section appears in Schedule N1 instead of Schedule N (in FAE 170 and 174 returns)
  - The property section appears in Schedule NC1 instead of Schedule NC (in FAE 170 and 174 returns).

### Utah

- Child Tax Credit Eligibility
  - Children up to age 6 can now qualify for the state child tax credit (previously this was limited to children under the age of 4).
- Carryforward Extension
  - The carryforward period for the Pass-through Entity Taxpayer Income Tax Credit (credit AP) has been extended 10 years (previously could only be carried forward 5 years).

## Drake Tax Updates

The following sections contain information regarding Drake Tax 2025 updates.

### Interface Enhancements

You can now use the **Text Size** option on the data entry toolbar to change the size of the text in data entry.

### Auto-Install and Auto-Update

We've simplified the installation and update process for you. When Drake Tax 2025 becomes available, it will be installed automatically. The first time you open Drake Tax 2025, your settings from Drake Tax 2024 will be transferred seamlessly. This way, you'll be ready for the new tax year without needing to manually handle installation or updates.

See KB [18882](#) for details and limitations.

## Proformas

We heard your feedback; Proformas are back for Drake Tax 2025!

## Reject Assistance

The most common reject codes now include direct links to Knowledge Base articles, giving you quick access to guidance for a faster resolution.

## Expanded Signature Pad Support

Drake Tax 2025 supports the use of Topaz GemView 7, 10, and 16 signature pads.

## Additional Support for Certain Forms

- Federal direct deposit is now available on Forms 1041, 1065, 1120, 1120-S, 706, and 709.
- Form 8825 Schedule A - Rental Real Estate Other Deductions is now available for Forms 1120-S and 1065.
- Added Form 1099-DA.
- Form 709 can now be e-filed.

## Removed Forms, Screens, or Features

- Bonus depreciation override has been removed from screen 4562.
- Form 8938 is an information-only form in a 990 return and is no longer generated starting in Drake Tax 2025.

## Feature Highlight

We're shining a light on existing payment and audit protection tools that many preparers may have missed. You'll see these options highlighted during setup to help you get the most from Drake!

# General Updates

## MFA Updates

You can now authenticate your online logins via text message. This includes the logins used for Drake Hub, Drake User Manager, Drake Software Support website, Drake Tax Online, Drake Pay Manager, and Drake Portals. You will still be able to receive your code via email, if preferred.

**Reminder:** MFA is required. If the admin chooses to disable MFA in the desktop program, they must acknowledge that sufficient safeguards are in place. See KB [18589](#) for more detailed information. You cannot opt out of MFA for online logins.

## e-File Status Enhancements

We have made improvements to how acknowledgments are processed and synchronized to your e-file database. You will see the status updated more frequently to ensure that your information is up to date.

You can still use the [e-File Status Feature](#) to check for and process new acks, if needed.

## Supported Years

As of August 1, 2025, only the most current 7 years of software are available in the Download Center. Drake Software generally offers customer support and software updates for prior-year products on a commercially reasonable basis. See KB [10888](#) for details.

## Form & EF Availability Dashboard

You can check which federal and state forms are supported in Drake Tax and their up-to-date e-file and paper-file availability statuses by going to [Forms.DrakeSoftware.com](https://Forms.DrakeSoftware.com).

NOTE: This was implemented for Drake Tax 2024; the pages will be updated for Drake Tax 2025 as forms become available.

## Help Assistant

Don't forget that you can use the Help Assistant to quickly get answers to common and trending Drake Software questions 24/7! Simply type your question in plain language, and the virtual agent will reply with guidance based on Drake Software's documentation. In some cases, you will be asked clarifying questions before being provided with a more detailed response. If there is a related Knowledge Base article, the Help Assistant will share a link that you can follow for additional details.

The Help Assistant is available in the following locations:

- inside Drake Tax (on the toolbar and under **Support > Help Assistant**),
- inside Drake Accounting (on the main menu),
- on the Drake Software Knowledge Base.

# Drake Accounting

The following changes apply to Drake Accounting 2026, unless otherwise indicated.

## Multi-Factor Authentication (MFA)

Multi-Factor Authentication (MFA) is enabled by default starting in Drake Accounting 2026. See KB [18886](#) for details.

## Form Changes

- Form W-2 changes related to reporting Qualified Overtime in Box 14.
  - Qualified overtime will be calculated automatically when the payroll has more than FLSA standard work hours.
- Routing and Account Number fields have been added to the following forms to support the direct deposit of refunds. Be sure to review the form instructions for additional information and limitations.
  - DAS 2025 - Forms 940, 940-SP, 943, 943-SP, 943-X, 944, 944-SP, 945
  - DAS 2026 - Forms 941, 941-SP
- Excess Golden Parachute Payments are now reported on Form 1099-NEC, instead of Form 1099-MISC.
- On Kentucky Form KY-5, the account number has increased from 6 to 9 characters.

## Additional Forms Supported

- Form W-2C is now supported for e-file through the BSO upload system.
  - For 2025, correction of EINs is not supported.
- Form 8822-B can be added as an attachment when e-filing the following forms:
  - DAS 2025 - Forms 940, 940-SP, 943, 943-SP, 943-X, 944, 944-SP, 945
  - DAS 2026 - Forms 941, 941-SP

## Reports

- The Qualified Overtime Report has been added to **Employee Reports**.

## Drake Pay Updates

The new **Deposits** tab in the Drake Pay Manager allows you to reconcile deposit and taxpayer payment information. See KB [18332](#) for details.

Annual compliance training is now a requirement for Drake Pay and is designed to ensure you stay current with the latest standards and best practices for secure payment processing. See KB [18798](#) for details on completing this training.

## Drake Portals Updates

- New feature: Drake Portals – Request File Approval. See KB [18872](#) for details.
- Enhancements to the taxpayer portal (available early December 2025).
  - High-level return status tracking
  - Taxpayers are prompted to complete the items that you initiate (i.e., sign engagement letters, complete checklists, review return, etc.).

- Changes are optimized for the taxpayer mobile app.

## Drake Hub

Drake Hub is an integrated practice management platform that consolidates essential Drake Software tools into one convenient interface. Designed to improve workflow, visibility, and automation, it replaces the legacy Drake User Manager with enhanced, centralized functionality. Drake Hub includes the following tools and capabilities:

- Client Management: Client Aggregator, Profiles, "My Work" list, Track Non-Tax Clients
- Staff Tools: Create Staff Logins, Assign Staff to Clients
- Navigation & Launching: Horizontal Client View, Unified App Launcher, In-Hub Actions
- Productivity: Purchase Drake Software Products, Firm Configuration Settings

See KB [18841](#) for more information.

## Drake Workflow

Drake Workflow (beta) is integrated with Drake Hub. Drake Workflow provides you with a detailed overview of your office's day-to-day operations, allowing you to easily see the status of each client's return as it moves through the preparation process. See KB [18870](#) and the attachment at the end for details.

## Drake Tax Online

Drake Tax Online (DTO) is Drake Software's fully web-based tax preparation platform designed to provide tax professionals with flexible, modern tools to manage returns. DTO supports access from any internet-enabled device, integrates with key Drake products like Portals and e-Sign, and introduces exclusive features such as guided workflows, in-app messaging, and flexible data entry. See KB [18782](#) and the attachment at the end for more information.

NOTE: DTO replaces our legacy web-based systems, Drake Zero and Web1040, which have been in use for more than 15 years.

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- Return statuses update automatically based on activity across Drake tools, with no manual input required.
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- 1040, 1040-NR, 1040-SS, 709, and 1065, 1120-S returns
- 1120, 1041, 990, and 706 returns (requires integrated desktop data-entry mode)<sup>2</sup>
- Form 114 FinCEN E-file
- All available state programs
- Part-year and non-resident state returns
- Select city/local programs in KY, MI, MO, NY, OH, OR, and PA
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1. Online data-entry mode is only available for 1040 (Individual), 1120-S (S-Corporation), and 1065 (Partnership) returns. Integrated desktop data-entry mode is required for 1120 (C-Corporation), 1041 (Fiduciary), 990 (Tax Exempt), and 706 (Estate) returns; the windows-based desktop data-entry module, included with your purchase, must be installed on your PC to access through Drake Tax Online. The included desktop software is only designed to support the integrated data-entry feature in Drake Tax Online, and cannot be used independently to prepare and file tax returns.

2. In order to prepare 1120, 1041, 990, and 706 returns, the included, windows-based desktop data-entry module must be downloaded and installed on your PC.

3. Purchase includes access to tax year 2021 through tax year 2023 for 1040 returns. Separate purchase required for tax year 2024 filing.