Drake ®
SOFTWARE

SUPPLEMENT: CHARITIES & NON-PROFITS
(990, 990-EZ, 990-N, 990-PF, 990-T)

Drake Software
User's Manual

Tax Year 2015

Supplement: Charities and Non-Profits (990)

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Charities and Non-Profits (990)

The basics of data entry for tax-exempt organization (990) return are the same as for the 1040. Navigation through data entry, field- and screen-level help, and keyboard shortcuts all function as they do in the 1040 program. See the *Drake Software User's Manual: Tax Year 2015* for the basics of using the program. (The manual is available on the installation CD and on the Drake Support website: *Support.DrakeSoftware.com* > **Training Tools** > **Manuals**.)

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

Drake programs its tax software according to the latest IRS rules and regulations. The 2015 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.

For a complete list of all the changes the IRS has made to Forms 990, see the "What's New" section of the IRS instructions.

The following section explains the main change to the 990 package for 2015.

Expanded Officer/Partner Information

Drake added a **Suffix** drop list and **Professional** text box to the officer information sections of the **PIN** screen and to the **OFF** screen in the 990 package. These new fields allow you to enter such designations as "Jr.", "Sr.", "III" to the name of the partner or corporation officer, and such professional designations as "Dr." or "Ret."

General Business Credits

Screen **3800** (General Business Credits) and screen **GBC** (General Business Credits Carryforwards and Carrybacks) have been enhanced and improved to simplify the way you enter claims for business credits and enter credit carryforwards and carrybacks. Screen **3800**, screen **GBC**, and the new **CRED** can be accessed from the **Credits** tab of the **Data Entry Menu**.

Use screen **3800** to claim current-year business credits that are not supported by Drake Software.

Use screen **GBC** for reporting general business credit (GBC) and eligible small business credit (ESBC) carrybacks and carryforwards, and to enter passive activity credit carryforwards.

For tax-exempt entities, use the new **CRED** screen if you want to enter current-year pass-through credits from pass-through entities (optional).

For details on using the **3800** and **GBC** screens, go to "General Business Credits" in Chapter 5 of *Drake Software User's Manual: Tax Year 2015*.

PMT Screen   An electronic payment screen (**PMT**) has been added to the 990 package for payment on Form 990PF only. The **PMT** screen can be accessed from the lower right corner of the **Form 990PF** tab of the **Data Entry Menu**, or by entering PMT in the selector field and pressing ENTER.

By default, the program indicates that the entire balance is to be electronically withdrawn on the return due date unless otherwise indicated using the **Federal pmt amount** and **Requested pmt date** override fields on screen **PMT**. If the return is e-filed on or before the due date for this type of return, the requested payment date cannot be later than the due date for this type of return. If the return is transmitted after the due date, the requested payment date cannot be later than the current date.

A **Withdrawal Selection** is required if the program is to direct tax authorities to electronically withdraw funds from the foundation's account.

The name of the financial institution, the bank's routing number (RTN), the client's account number, and the type of account (checking or savings) are required. The RTN, account number, and type of account must be entered twice.

Finally, the **PMT** screen must indicate the return to which the payment data applies. Mark the box of the applicable return type (**990PF**, **8868**, or **Amended 990PF**).

Practice Management Tools

For details on additions and enhancements to Drake's practice management tools—such as the e-mail program, the letters and billing editor, and the Scheduler—see the *Drake Software User's Manual: Tax Year 2015*.

Getting Started

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

NOTE   Use blank forms to help 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/Create** (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 10.

Updating a Prior-Year Return

If you prepared the organization's tax return last year, you must update it for 2015.

Prior-year returns can be updated in three ways:

- A single return (updated one at a time) using **Last Year Data > Update Clients 2014 to 2015** (recommended)
- When you open an existing return from a prior year for the first time in the 2015 program and are prompted to update it
- With all other returns in the program using **Last Year Data > Update Clients 2014 to 2015** (not recommended)

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 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.

Schedule O

Use screen **O** to provide narrative information for Schedule O and for other schedules. Where in the return such information flows depends in part on which 990 type you're working on, and in part on which item you select from the **Schedule** drop list on the **O** screen (see Figure 1 on page 4).

In general, the leading letter of the selection from the **Schedule** drop list indicates where the information will go. For instance, a selection of **A1** through **A9** generally sends the information to Schedule A, and selections of **C1** through **C7** generally sends the information to Schedule C, and so forth.

Select **Z1** through **Z11**, however, and the information flows to Schedule O of the 990-EZ. Select **X** for general statements and the information flows to the Schedule O and

the attachment will be e-filed with an e-fileable return (990, 990-EZ, or 990-PF). A selection of **AMD** (for an amended return) also sends the information to Schedule O of either a 990 or 990-EZ return.

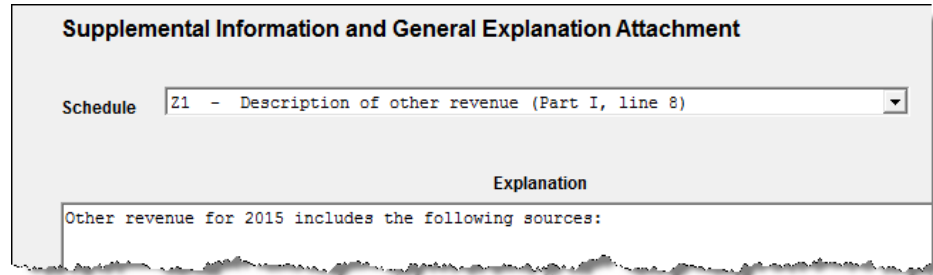See "Schedule O, Supp. Info." on page 19 for more information.

Supplemental Information and General Explanation Attachment

Schedule | Z1 - Description of other revenue (Part I, line 8) | ▾ |

Explanation

Other revenue for 2015 includes the following sources:

Figure 1: A selection beginning with **Z** flows to the Schedule O of the 990-EZ

NOTE
The **SCH2** screen in a 990-PF return is the same as the **O** screen in the 990 and 990-EZ returns.

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. Under the **General Information** heading, select **N - Form 990-N** from the **Form** drop list (item #1 in Figure 2).
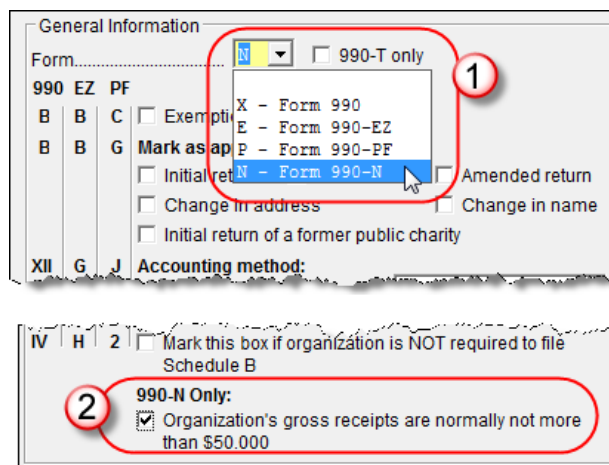
Figure 2: Begin by selecting **N - Form 990-N** from the **Form** drop list on screen **1**.

2. At the bottom of the **General Information** section, mark the **990-N Only** check box to indicate that the organization's gross receipts are normally not more than $50,000 (item #2 in Figure 2 on page 4).

3. Go to the **OFF** screen and complete the **Name** and **Title** fields, enter an address (or select the **Use entity address** check box), and for at least one officer, select **Principal officer**.

Once any EF messages have been eliminated, the 990-N information can be e-filed. A "Form 990-N Information" page ("990_N" in View mode) will be generated with the return for informational and bookkeeping purposes.

NOTE   For information on signing a return prior to e-file, see "Part II, Signature Block" on page 20.

Form 990-EZ

Certain organizations can file Form 990-EZ, Short Form Return of Organization Exempt From Income Tax, instead of Form 990. 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 of 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

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.

Form 990-PF Screens

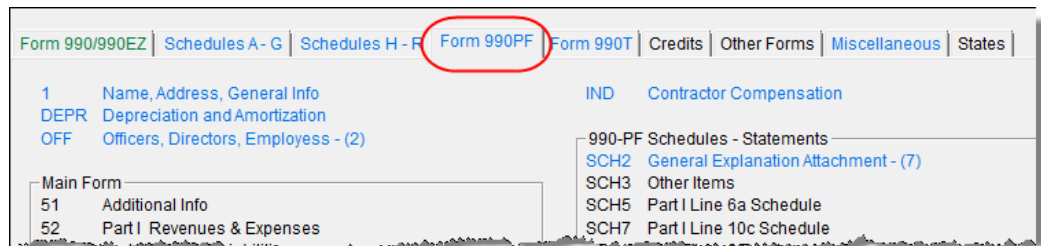The 990-PF–specific screens are located under the **Form 990PF** tab (Figure 3).

Figure 3: Form 990PF tab in Drake (partial menu)

Several screens, such as screen **1**, the **DEPR**, **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 (Table 2) 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**, **51**	
4	III	**SCH3**	Select item **5** or **6** from **Line Number** drop list and enter a description and amount.
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**	

Table 2: Form 990-PF, Recommended Order

Seq.	Section	Screens	Notes
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 on completing Form 990-PF 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 on page 6):

- Line 6a (Net gain or loss from sale of assets not on line 10) — Use screen **SCH5**.
- Line 10 (Gross profit or loss) — Use screen **SCH7**.
- Line 11 (Other income) — Use screen **SC50** for subsidiary schedule.
- Line 18 (Taxes) — Use screen **SC50** (when required).
- Line 19 (Depreciation) — Use screen **DEPR** for depreciation schedule. (The lines for **Net Investment income** and **Adjusted net income** on the **DEPR** screen are required for columns B and C of page 1 of Form 990-PF.)
- Line 23 (Other expenses) — Use screen **SC50** for subsidiary schedule; use screen **DEPR** for amortization schedule. (The lines for **Net Investment income** and **Adjusted net income** on the **DEPR** screen are required for columns B and C of page 1 of Form 990-PF).

Part II Additional Schedules

Additional schedules may be needed to complete the following lines from Part II (#2 in Table 2 on page 6):

- Line 6 (Receivables due from officers, directors...) — Use screen **SC14** (when required).
- Line 7 (Other notes/loans receivable) — Use screen **SC14** (This produces statement STM 135) and/or screen **SCH3** (This produces statement STM 113).
- Lines 10a – 10c (Investments) — Use screen **SC54**.
- Line 11 (Investments – land, buildings...) — Use screen **SC53** for subsidiary schedule (when required).
- Line 13 (Other investments) — Use screen **SC53** for subsidiary schedule.
- Line 15 (Other assets) — Use screen **SC53** for subsidiary schedule.
- Line 20 (Loans from officers, directors...) — Use screen **SC55** (when required).
- 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**, 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. See "Schedule O" on page 3 for more information.

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 4).
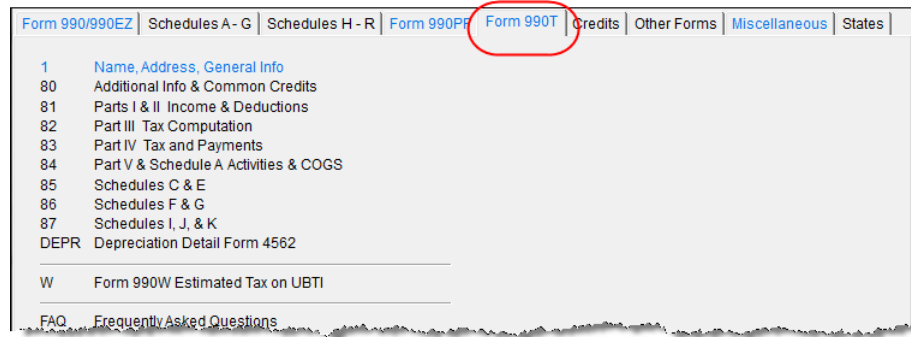
Figure 4: Form 990T tab

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

A tax-exempt organization under section 501(a) must file Form 990 if it has either:

* Gross receipts of $200,00 or more
* Total assets of $500,000 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 as an efficient method for 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 in Table 3. 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**	
4	Part VIII, IX, and X	**8**, **9**, and **10**	

Table 3: Form 990, Recommended Order

Seq.	Section	Screens	Notes
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 20.

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.

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 form) is completed automatically.

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

NOTES — Foreign address fields are locked to keep incorrect address data from being entered. Click the field to unlock foreign address fields throughout the return. Close the return and re-open it to re-engage the lock for unused screens.

To use the foreign address fields, first type in the street address and city name, then enter in the first field the name of the foreign province or state, as appropriate. Select the appropriate foreign country from the drop list, and then enter the postal code, if appropriate.

Type of Form — To indicate which form the organization is filing, select an option from the **Form** drop list in the **General Information** section of screen **1**. (See Figure 2 on page 4 and

Figure 5 on page 11.) 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" check box on screen **1** (item #1 in Figure 5 on page 11) puts an "X" in box "B" of Forms 990 and 990-EZ, or an "X" in box "C" of Form 990-PF. Note that not all questions are required for all forms.
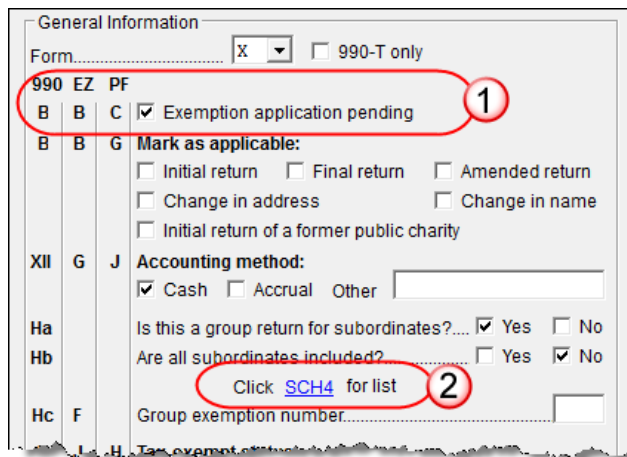

Figure 5: Screen **1** shows header labels for different forms (1); link to **SCH4** (2).

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. Click the **SCH4** link on screen 1 (item #2 in Figure 5).

NOTE — The default data for the **Name Control** field on screen **SCH4** is the four-letter code used by the IRS to match the information to the affiliate. This is an override field and must be completed if the 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 6).
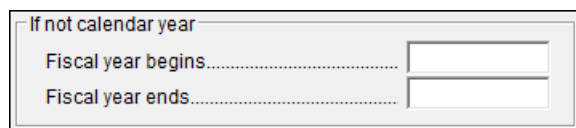

Figure 6: If not calendar year box on screen **1**

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 organiza-

tions, both taxable and tax-exempt. The program has three screens (located on the **Schedule H-R** tab of the **Data Entry Menu**) 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)
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, or click **Screen Help** on screens **R**, **R2**, and **R3**.

Part VII, Section A

Screen code: OFF   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, accessible from the **Form990/990EZ** tab of the **Data Entry Menu**, to report this information, noting that information entered there is used to generate Part II of Schedule J ("Compensation Information").

NOTE
Use the **IND** screen to enter information about compensation of independent contractors. See "Compensation" on page 15 for more information on the **IND** screen.

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**, **9A**, **9B**, **10A**, and **10B**, accessed from the **990 Only** section of the **Form990/990EZ** tab of the **Data Entry Menu**. (Figure 7)

Figure 7: Parts VIII, IX, and X are completed on screens **8**, **9**, **9B**, **10A**, and **10B**

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 **9A**. To access the second screen (lines 15 through 26), go to screen **9B** (or press PAGE DOWN from screen **9A**)

NOTES

Screen Help in the program provides further instructions on this section. To access Screen Help, click the **Screen Help** button on the upper right corner. (You can also access Screen Help by right-clicking the screen and choosing **Screen Help** from the right-click menu, or by pressing CTRL+ALT+? from the **9A** or **9B** screens).

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: screen **10A** (lines 1 through 15), and **10B** (lines 17 through 32). You can access screen **10B** from screen **10A** by pressing PAGE DOWN.

NOTE

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

Header Line G

The program calculates box "G" (gross receipts) of the form header automatically, based on the information entered in on screen **8**, (including the linked **Line 2 11 Screen**).

Parts III, V, VII, and XI

Once you have completed screen **8** (both screens) for 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 19 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

NOTE   The **Program service code** drop list on line 4 of screen **4** is not used.

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 8).

Figure 8: Part III of Form 990 refers to 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 **Mark this
box if starting a new description**. The second description entered is shown (or refer-
enced on a SERVICES page, if applicable (Figure 8) 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-file; if the description exceeds 9,000 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 14b.

**Compen-
sation**

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's address, "books in care of"
selection, and an indication of whether the specified officer signs the return. The **IND**
screens (press PAGE DOWN for the second screen) has fields for name and address,
type of service, and compensation, and an adjustment field (on the second screen) for
entering the number of contractors not included among those already listed on the
IND screens who were paid more than $100,000 ($50,000 for Form 990-PF) in report-
able compensation.

**Reconcili-
ation of Net
Assets**

Enter the amount of changes in net assets or fund balances that occurred during the tax
year on line 9 line of screen **11**. These would include items such as prior-period adjust-
ments and changes in accruals.

NOTE   See new instructions provided for lines 5, 6, and 8.

Explain the changes on screen **O**, selecting code **O26** in the **Schedule** drop list.

Financial Statements & Reporting   Part XII, 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 XII) is pulled from the method indicated on screen **1**. Use screen **11** to answer all other items for Part XII.

Schedule L, Transactions With Interested Persons

Screen **L** (available on the **Schedules H-R** tab of the **Data Entry Menu**) 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 Forms 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 who are independent")

For information on which organizations must complete all or part of Schedule L, click **Screen Help** on the screen **L**, 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 19). **O Screen** links are available on parts of screen **7**.

Part I, Summary

The summary section of Form 990 is for information regarding the mission, activities, and financial results of the organization. Use screen **2** to complete Form 990 Part I, Summary. (Line 1 of the "Summary" section of Part I flows from screen **3**, line 1, **Primary exempt purpose**.)

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 19).

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

Lines 8–17   Prior-year amounts are updated automatically from the previous year's return. These amounts can be entered or edited 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. Click a schedule letter or title to open the screen for that schedule. Specific schedules can also be accessed using hyperlinks within screens (Figure 9 on page 17).

Figure 9: Screen **5** links to schedules

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 **Schedules A-G** 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)
- Screen **A4** (Part VI, Supporting Organizations)
- Screen **A5** (Part V, Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations)

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, an EF Message 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. Helps are also accessible by right-clicking any screen and choosing from the **Help** menu.
>
> Screen **A4** consists of two screens. From the first screen, press PAGE DOWN to access **Sections B** through **E** on the second screen.

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, an EF Message is generated and the return cannot be e-filed. In Drake, use screen **B** to enter Schedule B information.

NOTES

> Contributor information on Schedule B is not publicly disclosed.
>
> If Schedule B is not required, mark the check box on line **IV** on the lower left side of screen **1**.

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 section 527 organizations to which payments were made)
- **Screen C2** — Parts II-A and II-B
- **Screen C3** — Parts III-A and III-B

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. This table 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 (DAFs)	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")	**D1E**
Supplemental financial information	Parts VII through X	**D4**
Supplemental financial statements	Parts XI through XII	**D5**

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

N OTE   Note that Part VI, line 1e ("Other") requires a separate screen from the previous Part VI information. Click the **Line 1e detail** link on screen **D3** or press PAGE DOWN to open screen **D1E**.

To enter data for Parts VII through X, go to screen **D4** and select the applicable part from the **Part** drop list (Figure 10 on page 19).
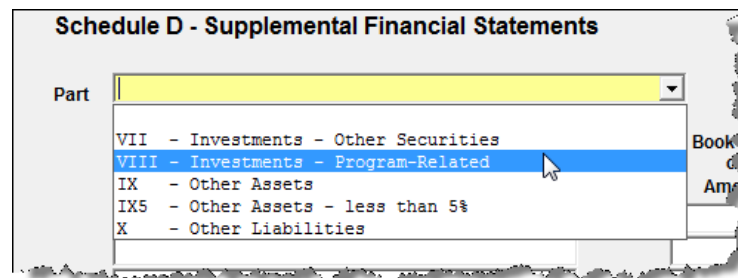
Figure 10: Select the applicable part on screen **D4** For parts VII through X.

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

For information on completing Part XIII of Schedule D, see the "Schedule O, Supp. Info." section, following.

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.

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

To use screen **O**:

1. Open the screen—available through the **Form 990/990EZ** tab, the **Schedule H - R** tab, or—as the **SCH2** screen—from the **Form 990PF** tab. Various other screens feature an **O screen** hyperlink.

2. From the **Schedule** drop list of the **Schedule O** screen, select the schedule and line numbers to be addressed on the screen. In the example on Figure 11, the user has selected **Escrow Account Liability** in order to address Part IV, line 2b of Schedule D.
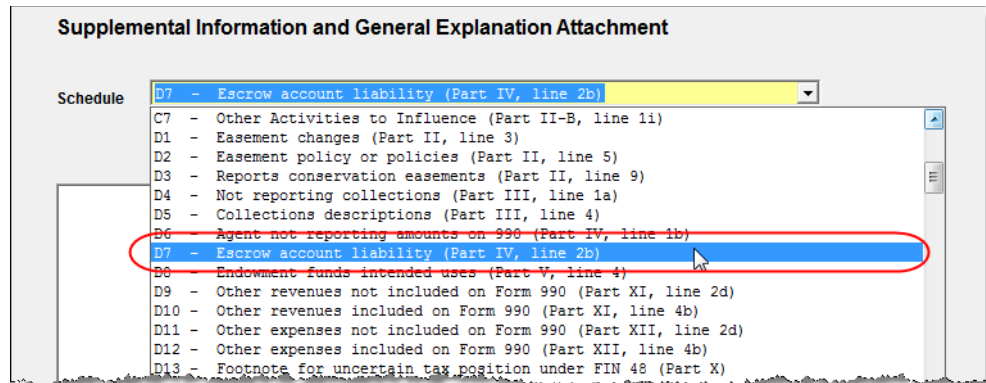

Figure 11: Schedule drop list on screen **O**

3. Under **Explanation**, type the narrative information. Note that there is a 9,000-character limit for e-file.

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 22 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 11 on page 19 would be printed under Schedule D, Part XIII, "Supplemental Information" on page 4 of the 990.

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 2015*.

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

Preparing 990 returns in Drake

Any 990 returns (including 990-EZ, 990-PF, 990-N, and 990-T) prepared in Drake Software will have the preparer's PTIN printed in the "Paid Preparer's Use Only" section of the return automatically. The only return in which the preparer's SSN will be printed in the "Paid Preparer's Use Only" section is one that meets these conditions:

- The **Section 4947(a)(1)** check box on screen 1 is marked
- Line 12a of Part 5, (screen **6**, press PAGE DOWN) is marked "Yes" (for 990 return)
- Line 43 of screen **23** is marked (for 990EZ return)
- Line 15 of screen 57 is marked (for 990PF return)
- There is no PTIN entered for the preparer in **Setup > Preparer(s)** or no PTIN entered on the **PREP** screen.

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, 2016. 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 **8868** screen (available from the **Other Forms** tab) to apply for an extension. Select the applicable box at the top of the **8868** screen to indicate the type of extension being requested (Figure 12).

Figure 12: Select the type of extension being requested on screen **8868**.

If requesting an additional extension, an explanation is required on screen **8868**.

NOTES

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

Once the extension is e-filed and accepted, to later e-file the return, first, go to the **ESUM** screen (accessible from the Miscellaneous tab of the **Data Entry Menu**) and delete the "A" from the **ACK Code** column.

Amending a Return

Indicate an amended return in the **General Information** section of screen **1**. Note that an explanation is required on screen **O** 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 of the *Drake Software User's Manual: Tax Year 2015*.

To provide an explanation for an amended return:

1. Open screen **O**.

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 13.

Figure 13: 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-file is 9,000 characters.

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

Form 3115, Application for Change in Accounting Method

Form 3115, Application for Change in Accounting Method, is an application to the IRS to change either an entity's overall accounting method or the accounting treatment of any material item.

Form 3115 is eligible for e-file.

Drake customers can fill out and e-file Forms 3115 and related schedules and attachments for 990 returns.

NOTES

In some cases, Form 3115 must still be paper-filed.

Applicants filing Form 3115 should refer to Rev Proc. 2015-13 for general automatic change procedures, and to Rev Proc. 2015-14 for a list of automatic changes to which the automatic change procedures in Rev. Proc. 2015-13 apply.

Accessing Screens for Changing Accounting Method

Several screens may be required to complete Form 3115. These screens are accessible from the **Change in Accounting Method** box, located under the **Other Forms** tab of the **Data Entry Menu**.
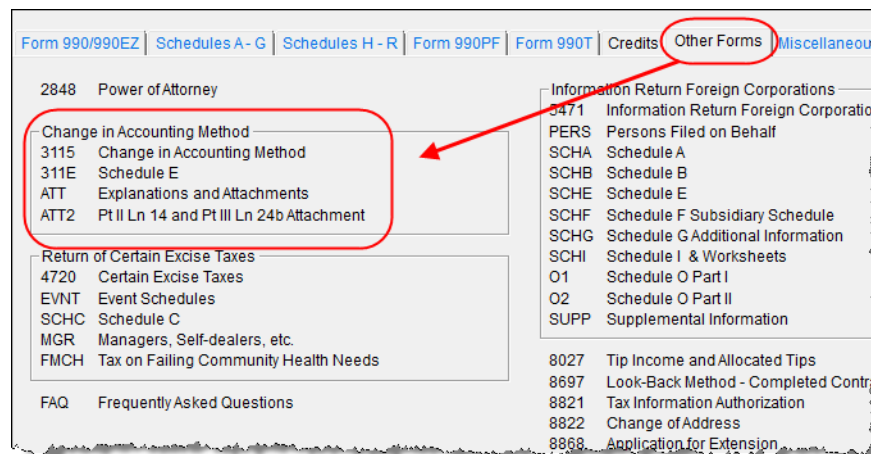
Figure 14: Screens for Form 3115, Application for Change in Accounting Method

The screens accessible from the **Change in Accounting Method** section include:

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

- Screen **311E** (**Schedule E**) — Used to request a change in depreciation or amortization methods
- Screen **ATT** (**Explanations and Attachments**) — Used to create and view certain attachments to be generated by the software
- Screen **ATT2** (**Pt II Ln 12 & Pt III Ln 23b Attachment**) — Used to complete certain parts of Form 3115 that require specific attachments

Form 3115 Screens

When you open the **3115** screen from the **Data Entry Menu**, the program displays the first of five **3115** screens. As shown in Figure 15 on page 24, you can access these **3115** screens by clicking a link at the top of any other **3115** screen.

Figure 15: Tab links on **3115** screen

Multi-form Codes

All **3115** and related screens contain a **Multi-form code** text box (shown in Figure 15) that allows you to link a screen or attachment to a particular Form 3115.

If submitting more than one Form 3115, assign a multi-form code to each new application you create in Drake. The first should be 1, the second 2, and so on. When using other screens, such as the **311E** or **ATT** screens, you can use those numbers to indicate which instance of Form 3115 the **311E** or **ATT** screen should be associated with.

NOTE   If only one Form 3115 is being submitted, you do not need to enter anything in the **Multi-form code** box.

Notices of Missing Attachments

In addition to Form 3115 and related schedules and statements, the program produces EF Messages (as applicable) when the return is calculated. All forms, schedules, EF messages, and worksheets are accessible from View mode.

EF Messages for Form 3115 provide information about required attachments (including PDF attachments) that are missing from the return. Some messages list all statements required for a particular section but do not indicate which statements, specifically, are missing. To best understand which attachments are still required, compare the **ATT** screen and the EF_PDF~ worksheet to the list on the EF message.

NOTE   All EF Messages must be eliminated before the return is eligible for e-file. EF Messages for Form 3115 attachments are eliminated when all required statements have been attached to the return.

Safe Harbor Elections

Use the **Building qualifies for Section 1.263...** check box on screen **4562** to apply a small taxpayer Safe Harbor election to a building listed in the **Description** field. An election statement will be produced and the building description as entered in the **Description** field will be included in the election statement.

NOTE　　This Safe Harbor election covers buildings only.

This Sec. 1.263(a) - 3(n) Election can also be made from the **ELEC** screen, as can a Sec. 1.263(a) - 1(f) de minimis safe harbor election.

See IRS Reg. section 1.263(a)-3(h), IRB 2013-43, Rev. Proc. 2014-16, and Rev. Proc. 2015-14 for guidance.

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 in PDF format and attached to the return in order to be e-filed with it. Paper documents must be scanned into the computer to be attached.

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

NOTE　　Directions for attaching documents can also be found in the **Screen Help** of the **PDF Attachments** screen, and in item **L** of the **FAQ** screen.

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.

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

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

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 Attachments**, 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 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" on page 25), there will be two PDF–related items in the **View/Print** window:
    •   An EF MESSAGES alert (item #1 in Figure 16)
    •   An **Attach PDF** button on the toolbar (item #2 in Figure 16)
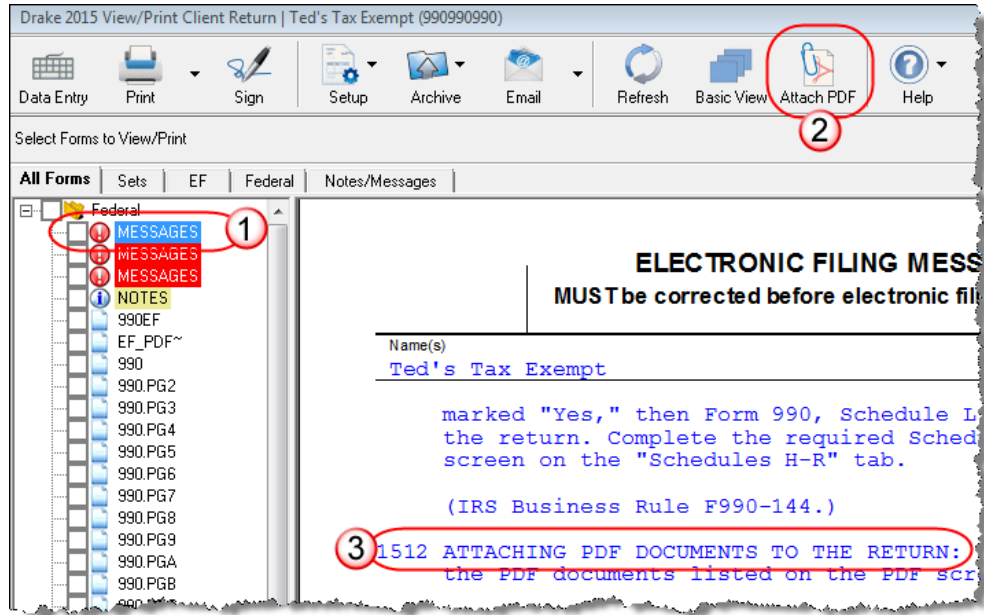
Figure 16: The **MESSAGES** page (#1) and the **Attach PDF** button (#2)

2. Click MESSAGES to view EF messages, including information on how to attach the required documents to the return (item #3 in Figure 16).

3. Click **Attach PDF** (item 2 in Figure 16). The **EF PDF Attachments** window (Figure 17 on page 27) 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.
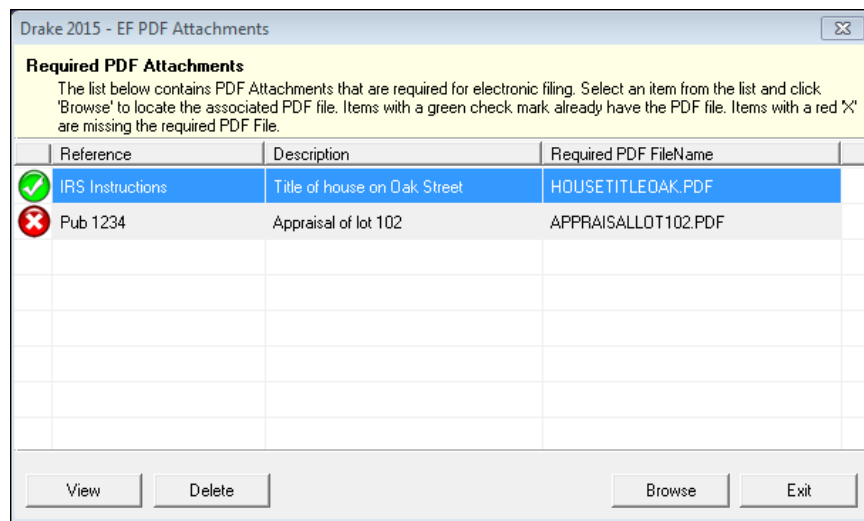
Figure 17: The **EF PDF Attachments** window

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, recalculate the return. If there are no EF messages, 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 state that attachments are required. You will then need to obtain and 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 (accessible from the **Form 990/990EZ** and **Miscellaneous** tabs) to override some 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 2015*.

The following items can be "forced" from the **PRNT** screen (see Figure 18 on page 28):

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

Figure 18: PRNT screen options

The following items can be suppressed from the **PRNT** screen of a 990 return (Figure 18):

- Commas (in 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.)
- Data 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**.

NOTE | A default due date for filing is printed on all letters and filing instructions generated with a return. You can override the default date 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** tab, 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, 990-N, and related forms, schedules, and attachments. If the organization files at least 250 returns of any type 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 | A short period return cannot be filed electronically unless it is an initial return or a final return (one of those boxes is marked on screen **1**.)
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 2015*.

To determine if an organization meets the $10 million asset test, use the amount of total assets at the end of the year (Form 990, page 11, line 16).

If an organization is required to e-file but does not do so, it is considered *not* to have filed its return. See Temporary Regulations section 301.6033-4T for more information.

For additional information on the e-file requirement, visit the IRS website at *www.irs.gov.* Click the **Filing** tab, then from the menu on the left, click **Charities & Non-Profits**, and select **e-file for Charities and Non-Profits**.

IRS Error Reject Codes

If any of the following IRS error reject codes is generated when e-filing a 990 return, the preparer must contact the IRS for further information. The IRS e-Help Desk telephone number is (866) 255-0654

F990-902-01: The EIN in the return must have been established as an exempt organization return filer in the e-file database.

F990-913-01: Tax-exempt status specified in Item I, must match data in the e-file database.

F990-913-01: The "Return Type" indicated in the return header must match the return type established with the IRS for this EIN.

R0000-922-01: 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" check box is marked, if applicable.

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