



SUPPLEMENT: FIDUCIARIES (1041)

Drake Software User's Manual

Tax Year 2015

**Supplement: Fiduciaries
(1041)**

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Table of Contents

What's New in Drake for 2015	1
EF "ACK" Page	2
New Forms and Screens	2
Practice Management Tools	3
Updating a Prior-Year Return in Drake	3
About the Grantor Check Box	3
Header Information	4
Estate, Trust and Fiduciary Information	4
Name Control	4
Tax Year	4
Boxes A through G	4
Income	6
Interest and Dividends	6
Business Income or Loss (Schedule C)	6
Capital Gains and Losses (Schedule D)	7
Rents, Royalties, etc. (Schedule E)	8
Income from Pass-Through Entities (Schedule K-1)	9
Farm Income or Loss (Schedule F)	10
Gain or Loss From Sale of Assets (Form 4797)	10
Other Income	10
Deductions	11
Deduction Allocation	11
Interest Deductions	12
Taxes	12
Fiduciary Fees	12
Charitable Deductions (Schedule A)	12
Attorney, Accountant, and Return Preparer Fees	13
Other Deductions	13
Income Distribution Deduction	13
Estate Tax Deduction	16
Exemption	17
Tax and Payments	17
Tax Computation (Schedule G)	17
Payments	20
Estimated Tax Penalty	22
Other Information	23
Tax-Exempt Income	23
Foreign Bank Information	24
Seller-Provided Financing	24
Estate Open Two+ Years	24
Elections	24
Safe Harbor Elections	25

The PDF Attachment Process	26
Form 3115, Application for Change in Accounting Method	29
Accessing Screens for Changing Accounting Method	29
Form 3115 Screens	30
Other Screens	30
Assets/Sales	30
Credits	31
Other Screens	32
Miscellaneous Codes for Tracking	34
Form 1041-A	34
Form 5227	34
Signing the Return	35
Form 8879-F	35
Amending a Return	35
Filing an Extension	36
State-specific Information	36
Making Changes on the Fly	36
Suppress or Force Printing	37
Overriding Other Printing Options	38
Listing a Different Firm, Preparer, or ERO on a Return	38
Electronic Filing	39
Electronic Funds Withdrawal (Direct Debit)	39
Index	v

Fiduciary Returns (1041)

The basics of data entry on a fiduciary (1041) 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 2015

Drake programs its tax software according to the latest IRS rules and regulations. The 2015 program reflects all changes to credits and deductions, including discontinuations. For details on the new regulations for the 2015 tax year, see the IRS instructions for Form 1041.

The following changes, additions, and enhancements were made to the 1041 package:

Additions to ES Screen

Three significant changes were made to the Estimated Taxes (**ES**) screen for 2015:

- The program automatically generates federal estimated tax payment vouchers when they are required—for instance, when the taxpayer has a balance due of \$1,000 or more—unless you choose to not generate the vouchers.
- If you are not filing four quarterly vouchers—for instance, if filing too late to pay first quarter payment—the program now adds the amount of the missed payment to the next available voucher. Enter “0” in the **Estimate amt** voucher field for quarter the payment was not be made.
- An **Increase/Decrease calculated estimates by...** text box was added to the **ES** screen that allows you to adjust the total estimated taxes due.

See “Estimated Payments and Amount Applied from Prior Year” on page 20 for details on paying estimated taxes.

Form 4562

Drake will now produce one Form 4562 for each property on Schedule E instead of one 4562 per Schedule E.

EF “ACK” Page

Similar to federal Form 9325, Acknowledgment and General Information for Taxpayers who File Returns Electronically, generated with 1040 returns, the federal and state business packages now generate an “EF_ACK” page for the main forms of federal returns and “(ST)EF_ACK” page for the main forms of state returns.

This is a Drake-generated form that serves the same purpose as Form 9325: an acknowledgment that a return has been transmitted through Drake and received by the IRS or the applicable state agency.

When a return is e-filed and you receive a “P” ack (indicating that the return is being processed), the top section of the EF_ACK is completed, noting the name and address of the client, the return type, the ERO who transmitted the return, and a check mark indicating the return was *received* by the IRS or applicable state agency.

When you download and process your acknowledgments and receive an “A” ack, the second section of the EF_ACK is generated, indicating the return was *accepted* by the IRS or state agency and the date the return was accepted. The submission ID number is also included.

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 claim business credits and enter credit carryforwards and carrybacks.

For details on using screen **3800**, see “General Business Credits” in Chapter 5 of *Drake Software User’s Manual: Tax Year 2015*.

New Forms and Screens

New for 2015 are screen **PATR**, for entering the distribution amount from Form 1099-PATR, Taxable Distributions Received from Cooperatives, and screen **OID**, for entering interest income from Form 1099-OID, Original Issue Discounts. Also new for 2015 are two state-only **1099** screens—screen **99M** for miscellaneous income and **99G** screen for unemployment compensation.

Distribute Capital Gains

We have added an easier way to distribute total capital gains and income to the beneficiaries. In the **Other Information** section of screen **1** of the 1041 package, mark the **Distribute all income** or **Distribute NET capital gains** check boxes to distribute all income and capital gains to the beneficiaries’ Schedules K-1.

Tax-Exempt Income

Line 12 of Schedule B on screen **4** is now an override field. The software still does the calculation for this line on Schedule B—the amount of tax-exempt income on line 11, “Total distributions”—without an entry here, but there might come a time when you wish to override the calculated amount. You can now make that override on line 12.

Distribution Screen

We’ve added a distribution screen (**DIST**) to the 1041 package to report distributions on Form 5227 for split-interest trusts. Access the **DIST** screen from the **5227** tab of the **Data Entry Menu**. Entries on the **DIST** screen flow to the Schedules K-1 based on percentages entered on the **K1** screens.

Form 5227 must be paper-filed. See Drake's Knowledge Base for articles on filing the form.

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*.

Updating a Prior-Year Return in Drake

If you prepared the tax return last year, you will first need to update it to 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 the return 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

When you update a 1041 return that was marked as "final" the previous year, the program informs you that the return was marked as such before prompting you to proceed.

About the Grantor Check Box

There is a **Grantor** check box on screens **8949**, **DIV**, **INT**, **C**, **E**, and **F** (Figure 1).

The image shows a software interface window titled "Schedule C - Profit or Loss from Business". At the top, there are several checkboxes: "Grantor" (checked and circled in red), "F", "ST", "PAN", and "NOTE". Below these are two text input fields: "A Business or Profession/Product or Service" and "C Business name".

Figure 1: Grantor check box on screen C

If **Partial Grantor Trust** has been selected on screen **1**, marking the **Grantor** check box will make any information entered on screens **8949**, **DIV**, or **INT** a part of the Grantor Statement. Information entered on screens **C**, **E**, or **F** will be a part of the Grantor Statement if entries are made in the **Income, Deductions, and Credits** section of screen **GRS**. If **Full Grantor Trust** has been selected on screen **1**, marking this box on screens **8949**, **DIV**, or **INT**, (or screens **C**, **E**, or **F** if data is entered on screen **GRS**) is not necessary.

Header Information

Screen **1** contains fields for the general information printed in the top section of page 1 of Form 1041.

Estate, Trust and Fiduciary Information

On screen **1**, enter the name of the estate or trust and the name, title, and address of the fiduciary (individual or business) handling the estate or trust.

If the fiduciary has a mailing address in one state but does business in another, select the state in which the fiduciary does business from the **Resident state** drop list in the **Other Information** section on the right side of screen **1**.

NOTES

If the fiduciary is a financial institution that submitted estimated tax payments for the trusts for which it is the trustee, mark the check box in the **Fiduciary information** section. For the purpose of this form, a financial institution is one that maintains a Treasury Tax and Loan (TT&L) account. Attorneys and other individuals functioning in a fiduciary capacity should not mark this box.

Name Control

For information on entering a name control, see the field help for the **Entity name control** box.

Tax Year

The software uses the calendar year as the default period for all fiduciary returns; no date entries are required on screen **1** for a December 31 tax year-end. If the return uses a fiscal year (where the year begins in the current year and ends in the next), specify the beginning and ending dates in the **Fiscal begin** and **Fiscal end** fields on screen **1**.

NOTE

The program adjusts calculations for depreciation, gains, and losses on sales of assets based on the tax year used.

Boxes A through G

Enter most information for boxes A through G (top of Form 1041) on screen **1**. Note that box B (“Number of Schedules K-1 attached”) is completed automatically based on the number of K-1 screens completed in the program. Other boxes are:

- **Box A** — Type of entity
- **Box C** — Employer identification number (EIN)
- **Box D** — Date entity created
- **Box E** — Check boxes for nonexempt charitable and split-interest trusts

- **Box F** — Check boxes to indicate if a return is an initial, a final, or amended return, and to indicate name change for the trust or an address or name change for the fiduciary
- **Box G** — Check box to indicate if a section 645 election was made and a field to enter EIN of the trust.

NOTE

If the estate or trust was closed or terminated during the year, enter the date of closure or termination in the **Date closed/terminated** field in the **Other Information** section of screen **1**.

Types of Entities

Indicate the type of entity in section **A** of screen **1**. If the return is for a decedent's estate, mark the **Decedent's estate** check box and (required) enter the decedent's name, SSN, and date of death. For a trust, mark the type of trust. For a bankruptcy estate, see "About Bankruptcy Estates," below. For a grantor-type trust, see "About Grantor-Type Trusts," below. If the return is for a Pooled Income Fund, mark that box. (For more information, see the field help for the **Pooled Income Fund** check box.)

NOTE

If the entity is a trust and must distribute all of its income during the year, indicate that by marking the **Distribute all income** check box in the **Other Information** section on the right side of screen **1**.

About Grantor-Type Trusts

If the entity is a grantor-type trust, make a selection from the **Grantor Type Trust** check boxes on screen **1**, and then click the **GRS** hyperlink to open the **GRS** screen. (Screen **GRS** is also accessible from the **Grantors Schedules** tab of the **Data Entry Menu**.)

NOTE

If you select the **Full Grantor** check box from the **Grantor Type Trust** section on screen **1**, pages 1 and 2 of Form 1041 will not contain any amounts.

For partial grantors: The income and expenses entered on certain data entry screens — such as screen **C** (for business income), screen **DIV** (for dividend income), screen **INT** for interest income, screen **E** (for real estate income and expense, or screen **F** (for farm income and expense — will flow to the Grantor Statement ("GRANTOR~" in View mode) if you mark the **Grantor** check box on those screens*. Full grantors do not need to mark the **Grantor** boxes as this information flows automatically* to the Grantor Statement for full grantors. It is not necessary to enter all the income and expense amounts on the **GRS** screen; you must, however, enter the grantor's name, address, and tax ID number on the **GRS** screen.

* Entries must also be made on screen **GRS** for data from screens **C**, **E**, and **F** to automatically flow to the grantor statement.

Consult the screen help and field-level helps for more information on completing screen **GRS**.

About Bankruptcy Estates

If the 1041 is for a bankruptcy estate, mark one of the **Bankruptcy Estate** check boxes (for Chapter 7 or Chapter 11) and then click the link to the **BR** screen. Enter the

information on taxes, payments, and penalty. Print the return, attach a copy of the taxpayer's Form 1040, and mail the return.

NOTE The bankruptcy estate return cannot be e-filed.

Income

In Drake, much of the information for the "Income" section of Form 1041 is generated from several sources:

- **Direct entry on screen 3** — If you enter an amount directly on screen **3**, be aware that it will be added to any other amounts flowing to the same line from other screens.
- **Calculations from other screens** — For example, line 3, "Business income or (loss)," is calculated from entries on screen **C** (for Schedule C). As another example, the amount on line 1, "Interest income," might be affected by amounts flowing from screen **INT** (Form 1099-INT) screen **6252** (Form 6252, Installment Sales) or one of the K1 screens: **K1P**, **K1F**, or **K1S**.

Interest and Dividends

Use screen **INT** to enter information from Form 1099-INT, and use screen **DIV** to enter information from Form 1099-DIV. The **INT** and **DIV** screens in the 1041 package (accessible from the **Income** tab of the **Data Entry Menu**, through links on screen **3**, or by typing **INT** or **DIV** into the selector field and pressing **ENTER**) are similar to those in the 1040 package. For information on entering amounts as percentages and entering state-specific information, see the *Drake Software User's Manual: Tax Year 2015*.

Business Income or Loss (Schedule C)

If the estate or trust operated a business, use screen **C** (Schedule C) to report income and expenses in addition to the estate's or trust's share of depreciation, depletion, and amortization (generally, depreciation and amortization are entered on screen **4562**), and any interest paid or incurred on indebtedness allocable to a trade or business. Net income or loss from a Schedule C is shown on line 3 ("Business income or loss") of Form 1041.

Screen **C** in the 1041 package is identical to screen **C** in the 1040 package, with the exception of the **Grantor** check box.

For more information on completing Schedule C and entering vehicle information, see the "Self-Employment Income (Schedule C)" section and the "Auto Expenses" section in Chapter 5, "Return Preparation," of the *Drake Software User's Manual: Tax Year 2015*.)

Capital Gains and Losses (Schedule D)

Screen codes
8949, D2

The amount on line 4, “Capital gain or (loss),” flows from Schedule D, line 19, column 3 (for gains) or line 20 (for losses). Entries on several screens, including screens **8949, D2, 2439, K1P, K1F, K1S, 6252 4797,** and **4562** are used to calculate these lines of Schedule D.

NOTE

Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, reports individual transaction information and contains cost basis fields for brokers who are required to supply such information. Enter 1099-B data on screen **8949**.

Form 8949, Schedule D, Form 1099-B

Screen **8949** has fields for Form 8949, Schedule D, and Form 1099-B data. Following are some guidelines for data entry on this screen, first for 1099-B information, and then for 8949-specific information.

- **Applicable check box (Basis not reported...)** — Indicate by selecting an option from the drop list if the basis of the asset was reported to the IRS or if the transaction was not reported on Form 1099-B. (Selection **1** is the default.)
- **Description** — Enter description of capital gain or loss item using stock ticker symbols or abbreviations. (Limit 32 characters.) You can use stock ticker symbols or abbreviations to describe the property as long as they are based on the descriptions of the property as shown on Form 1099-B or 1099-S (or substitute statement).
- **Date acquired** — Enter the date acquired as an eight-digit number using MMD-DYYYY format. This date is used to determine whether the sale is short-term or long-term. Enter **VARIOUS**, **INHERIT**, or **INH2010**, as applicable. (Only “Various,” “Inherit,” and “Inh2010” are acceptable for e-filing.) Select **S** or **L** from the **Type of gain or loss** drop list to have it treated as short-term or long-term.
- **Date sold or disposed** — If a single date does not apply, type **Bankrupt**, **Worthless**, or **Expired**, as applicable. Select **S** or **L** from the **Type of gain or loss** drop list to have it treated as short-term or long-term. (If **Expired** is entered, the return must be paper-filed.)
- **Type of gain or loss** — Select from the drop list to describe the gain or loss as long term or short term.
- **Proceeds from sale...** — Enter the sale amount. If only the gain amount is available, enter the gain amount and leave the **Cost or other basis** field blank.
- **Cost or other basis** — Enter the cost or basis. If only the loss amount is available, enter the loss amount and leave the **Proceeds from sale...** field blank.
- **AMT cost basis** — Enter the cost basis for AMT purposes if different.
- **Adjustments** — Up to three adjustments per screen is permitted. For each adjustment, select the applicable code from the drop list and enter the amount of adjustment (and AMT adjustment, if applicable) to the gain or loss.
- **AMT** — Several AMT-related fields are included on screen **8949**:
 - The Capital Gains and Losses worksheet (D_AMT) will use the same number as the regular Schedule D unless entries are made in the **AMT Adjustment to gain or loss** and **AMT cost basis** fields on screen **8949**.

- **Federal tax withheld** — Enter the amount of federal tax withheld from the proceeds of a sale.
- **Loss not allowed...** — Mark this box if the loss is not allowed based on the amount in box **1d**.
- **Amount of section 1202 gain** — Choose from the drop list the percentage of qualified small business stock that the taxpayer held for five years and then sold:
 - 50% if acquired after 8/10/1993
 - 60% if the small business is in an Empowerment Zone
 - 75% if acquired between 2/18/2009 and 09/27/2010
 - 100% if acquired from 9/28/2010 and 12/31/2013

Enter amount of QSB 1202 stock in the second field:

- **State Info** — Select state, enter ID number, state tax withheld.
- **State Use Only** — Check with your state for required codes.

Screen D2, Carryovers & Other Entries

Screen **D2** (Schedule D) has fields for short-term gains/losses from other sources, long-term gains/losses from other sources, and loss carryovers from the prior year. If Drake was used for the taxpayer last year, the loss carryover fields are updated automatically.

Lines 1a and 8a of Schedule D on screen **D2** are used to report all short-term and long-term transactions for which basis was reported and for which there are no adjustments.

In the **Proceeds** field of line 1a, enter the total sales price, and in the **Cost or other basis** field, enter the cost or other basis for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments. Enter information on the long-term transactions on line 8a.

An entry on either line 1a or 8a means you will not be making an entry on screen **8949**.

If amounts to be entered on screen **D2** differ due to AMT, enter them under the **AMT if Different** column. For information on override fields, press F1 in a selected field.

The fields on lines 17 and 18 are for allocating some or all of the amounts to the beneficiaries. (Calculate the return to have the program fill in the **Estates or trust's** column.) Only gains (no losses) can be entered in the **Estates or trust's** column.

Amounts entered affect calculations for lines 17, 18, and 19 on Schedule D. Amounts under the **Estates or trust's** column also flow to the appropriate line of Schedule B, and amounts under the **Estates or trust's** column flow to the capital gain calculation.

Rents, Royalties, etc. (Schedule E)

Screen Code: *E*

Use screen **E**, accessible from the **Income** tab of the **Data Entry Menu**, to enter most Schedule E information. The Schedule E calculation flows to line 5 of the return.

The **E** screens in the 1041 package are similar to those in the 1040 package. For more information on completing these screens, see the *Drake Software User's Manual: Tax Year 2015*.

Income from Pass-Through Entities (Schedule K-1)

If the estate or trust received a Schedule K-1 from a pass-through entity, the corresponding lines on Form 1041 should be used to report the interest, dividends, capital gains, etc., from the pass-through entity.

In Drake, use the following screens (available from the **Income** tab of the **Data Entry Menu**) to report income from a pass-through entity:

- **Screen K1P** — For a Schedule K-1 issued by a partnership
- **Screen K1F** — For a Schedule K-1 issued by another fiduciary, estate, or trust
- **Screen K1S** — For a Schedule K-1 issued by an S corporation

Enter information directly into a **K1** screen, or import K-1 information from a pass-through entity into a fiduciary return.

When the return is generated, the amounts from pass-through entities flow to the corresponding lines on Form 1041. Specifically where the amounts flow depends on the type of entity. In most cases, the amounts flow to page 2 of Schedule E, but in certain cases, the amounts flow to Form 4797, Form 3800, or page 1 of Schedule E.

NOTE

For information on completing Schedule K-1 (Form 1041) used to report a beneficiary's share of income, deductions, and credits from either the trust or the decedent's estate, see "Schedule K-1" on page 14.

Form 8960 Entries

A new section was added to the **K1P**, **K1F**, and **K1S** screens for entering amounts that you want to flow to Form 8960, Net Investment Income Tax (Figure 2). Access this section by clicking the **1065 K1 13-20** tab at the top of the **K1P** screen, the **1041 K1 12-14** tab at the top of the **K1F** screen, or the **1120S K1 12-17** tab at the top of the **K1S** screen.

Form 8960 entries	
All amounts entered here will flow directly to the line indicated on Form 8960. They will not flow to any other form.	
	Amount
4b Adjustment for non-section 1411 trade or business.....	+/- <input type="text"/>
5b Disposition of property not subject to net investment income tax.....	+/- <input type="text"/>
5c Adjustment from disposition of partnership interest or S corp stock.....	+/- <input type="text"/>
6 Changes to investment income for certain CFCs and PFICs.....	+/- <input type="text"/>
7 Other modifications to investment income.....	+/- <input type="text"/>

Figure 2: The new **Form 8960** section of the **K1** screens

The fields in this section are adjustment fields that add to or subtract from the calculated amount of Form 8960 by whatever adjusting amount you enter. Drake shows the new calculated amount on Form 8960 and generates an 8960_ATT worksheet to show the calculations.

There are also new check boxes on screens **C**, **F**, and **E** that relate Form 8960.

Farm Income or Loss (Schedule F)

Screen code: F Use screen **F**, accessible from the **Income** tab, to enter farm income or loss. Information from screen **F** flows to line 6 (“Farm income or loss”) of Form 1041. Screen **F** in the 1041 package is almost identical to screen **F** in the 1040 package. For details on completing screen **F**, see the *Drake Software User’s Manual: Tax Year 2015*.

NOTE Do not use screen **F** to report farm rental income and expenses based on crops or livestock produced by a tenant. Use screen **E** instead.

Gain or Loss From Sale of Assets (Form 4797)

Screen code: F Information entered on screen **4797** (accessible from the **Assets/Sales** tab) flows to line 7 (“Ordinary gain or (loss)”) of Form 1041 or to line 14 of Schedule D. Screen **4797** in the 1041 package is almost identical to screen **4797** in the 1040 package. For details on completing screen **4797**, see the *Drake Software User’s Manual: Tax Year 2015*.

Other Income

Use screen **3** to enter amounts for line 8 (“Other income”) of Form 1041. Enter any type of income that is not reported on lines 1 through 7. (For interest income or dividend income, click the appropriate links on lines 1 and 2 to open the **INT** or **DIV** screens.) For line 8 (“Other Income”) on screen **3**, an entry in the text box opens a Detail Worksheet (CTRL+W) where you enter a description and an amount. Information entered on the Detail Worksheet appears in a STATEMENT when the return is generated.

Items reported on line 8 include:

- Unpaid compensation received by the estate that is IRD (In Respect of Decedent)
- Any part of a total distribution shown on a Form 1099-R that is treated as ordinary income

W2, W2G, and 1099R Screens

Links to screens **W2**, **W2G**, and **1099R** were added to screen **3** so the preparer can enter W-2 income, income from gambling, and income from pensions, annuities, retirement, IRAs, etc. These amounts also flow to line 8, “Other Income,” of Form 1041. For details on completing these screens, see “Personal Service Income” and “Gambling Income and Loss” in Chapter 5 of *Drake Software User’s Manual: Tax Year 2015*.

Form 1099- PATR

New for 2105: Enter the distribution amount from Form 1099-PATR, Taxable Distributions Received from Cooperatives, on the **PATR** screen, accessible from the **Income** tab of the **Data Entry Menu**.

Form 1099- OID

New for 2105: Screen **OID**, accessible from the **Income** tab of the **Data Entry Menu**, gives you a place to enter interest income from Form 1099-OID, Original Issue Discounts.

State 1099 Screens

New for 2105: Drake added two state-only **1099** screens — **99M** for miscellaneous income and **99G** for unemployment compensation — to the **States** tab of the **Data Entry Menu**.

Deductions

The “Deductions” section of Form 1041 comprises lines 10 through 21. Many of the amounts for this section can be entered directly using screen **3**, although some amounts are calculated from data entry on other screens in the program.

Deduction Allocation

Deductions can be directed to one of the income types listed on screen **3** (Figure 3).

Figure 3: Screen **3**, Applying deductions against ordinary income (#1); allocating income type (#2)

Below line 29a on screen **3** is an **Apply deductions against non-capital gain income first** check box (item #1 of Figure 3). If you mark this box, the deductions entered on lines 10 through 19 of screen **3** will be applied against ordinary income and will preserve the preferential tax rate so that the beneficiaries receive maximum capital gain treatment. For more information, see the field help for this check box, or the IRS instructions.

The **Override amount of deductions...** fields on screen **3** (item #2 in Figure 3) allow you to allocate expenses to certain income types rather than allowing the program to allocate the expenses according to character of the income. The total for these boxes should be no more than the total of all deductions listed in lines 10 through 15c.

Interest Deductions

Use screen **3** to enter interest amounts for line 10 (“Interest”) of Form 1041. See the field-level help for line 10, click **Screen Help** on screen **4952**, consult IRS instructions, or see Pub. 550, Investment Income and Expenses, for the types of interest to include on line 10.

Screen Code:
4952

Form 4952, Investment Interest Expense Deduction, may be required if the estate or trust wishes to claim a deduction for investment interest expense; see Form 4952 instructions for exceptions. Form 4952 is used for figuring the amount of investment interest expense that can be deducted for the current year, and the amount that can be carried forward to future years. In Drake, use screen **4952**, accessible from the **Assets/Sales** tab, to complete this form.

NOTE The amount of interest entered on line 10 of screen **3** should *not* include the amount from Form 4952.

Taxes

Use screen **3** to enter data for line 11 (“Taxes”) of Form 1041. The amount entered here should include any deductible taxes paid or incurred during the tax year that are not deductible elsewhere on Form 1041. See the IRS instruction for the types of taxes that are deductible.

Fiduciary Fees

Enter fiduciary fees on line 12 of screen **3**. The amount entered here should include any fees the estate or trust paid or incurred to the fiduciary for administering the estate or trust.

NOTE Fiduciary fees deducted on Form 706, Estate (and Generation-Skipping Transfer) Tax Return, cannot be deducted on Form 1041.

Charitable Deductions (Schedule A)

The amount for line 13 (“Charitable deduction”) flows from Schedule A, line 7. Use the top section of screen **4** to complete fields for Schedule A.

The calculation for Schedule A flows to line 13 when the return is generated. Entries are also shown in the “Schedule A” section on page 2 of the 1041 return. The Worksheet for Tax-Exempt Income (WK_TAXEX in View mode) also displays the calculations for charitable contributions allocated to tax-exempt income.

For more on the Worksheet for Tax-Exempt Income, see “WK_TAXEX Worksheet” on page 23.

Attorney, Accountant, and Return Preparer Fees

Use screen **3** to enter data for line 14 (“Attorney, accountant, and return preparer fees”) of Form 1041. The amount entered here should include any attorney, accountant, and return preparer fees that were paid or incurred by the estate or trust.

NOTE Attorney, accountant, and return preparer fees deducted on Form 706, Estate (and Generation-Skipping Transfer) Tax Return, cannot be deducted on Form 1041.

Other Deductions

Use screen **3** to enter data for lines 15a, 15b, and 15c of Form 1041 (Figure 4).

Figure 4: Lines 15a and 15b on screen **3**

Note that line 15a is for other deductions not subject to the 2% floor, while line 15c is for allowable miscellaneous itemized deductions that are subject to the 2% floor.

TIP To override calculated amounts for lines 10, 12, 13, 14, 15a, and 15c, use the **WK_TAXEX - Worksheet for Tax Exempt Income** section at the bottom of screen **5**.

NOTES The **LOSS** link, shown in Figure 4, takes you directly to the **LOSS** screen, where NOL carryforwards can be recorded. For examples of deductions that can be reported on lines 15a and 15c, see the IRS instructions for Form 1041.

Income Distribution Deduction

Income distribution deduction information flows from entries made elsewhere in the program. This section covers Schedule B (“Income Distribution Deduction”) and Schedule K-1 of Form 1041.

Schedule B The amount for line 18 (“Income distribution deduction”) on page 1 of the 1041 return flows from line 15 of Schedule B, Income Distribution Deduction. Schedule B, which is used to determine the estate’s or trust’s income distribution deduction, is completed from screen **4**.

Adjusted Tax-Exempt Interest Adjusted tax-exempt interest is a calculated amount (based on entries made elsewhere in the program, such as screens **INT** and **DIV**) that flows to line 2 of Schedule B. The calculated amount can be overridden with entries in the **WK_TAXEX** section of screen **5**. The calculations are shown on worksheet **WK_TAXEX** in View mode.

Sch A, Line 4 Adjustment Section **Schedule B** of screen **4** has a field for line 4 (“Adjustments for Schedule A, line 4”) of Schedule B. This field is an adjustment field; an amount entered here com-

bines with the amount entered on line 4 of Schedule A. (This pertains only to trusts other than simple trusts.)

For an estate or trust other than a simple trust or full grantor type trust, line 9 (and 10 if applicable) must be entered in order for the income distribution deduction to be calculated correctly.

Total Distributions

Line 11 (“Total distributions”) of Schedule B is calculated automatically by the program when the return is generated. If the calculated amount is greater than the amount on line 8, and your client is filing for a complex trust that has previously accumulated income, Schedule J (Accumulation Distribution for Certain Complex Trusts) may be required. Use screen **J**, accessible from the **Other Forms** tab, to complete Schedule J in Drake.

Schedule K-1

Schedule K-1 (Form 1041) is used to report a beneficiary’s share of income, deductions, and credits from either a trust or a decedent’s estate. In Drake, many of the amounts generated on Schedule K-1 flow from elsewhere in the program. Use the override fields on the **K1** screen to override program calculations. All income (the total of lines 1-8, excluding 2b, on the **K1** screens) on all K-1s should agree with line 18 of Form 1041.

NOTES

To see the formula used when calculating the amount for Schedule K-1, see worksheet WK_K1 in View mode. For general help for the **K1** screen, go to **FAQ** item M, “Help for Schedule K-1.”

For information on entering income from a pass-through entity as reported on a Schedule K-1, see “Income from Pass-Through Entities (Schedule K-1)” on page 9.

Schedule K-1, Part I

Part I of the Schedule K-1 (Information About the Estate or Trust), is completed automatically based on the information entered on screen **1** of Drake. (See “Estate, Trust and Fiduciary Information” on page 4.)

Schedule K-1, Part II

The following beneficiary information must be entered directly on screen **K1**:

- **ID number** — An **EIN or other** drop list is included to indicate if the ID number is an EIN or if this K-1 is for a Form 1042S, Foreign Person’s U.S. Source Income Subject to Withholding. (Form 1042S does not require an ID number.)
- **Rounding Beneficiary** — Mark this check box to indicate a rounding beneficiary. That beneficiary will be sorted last on the list of beneficiaries, and will be the one who receives any balancing amount on Schedule K-1 when the return is calculated.
- **Name and Address** — Separate fields are provided for street address, city, state, and ZIP code. (As with most Drake addresses, an entry in the ZIP code field automatically fills in the city and state fields.) To use the foreign address fields, enter data in the **Address** and **City** fields, click in the **Foreign ONLY Province/State** field, then enter 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.
- **Resident State** — Select the resident state from the drop list, if needed.

- **Percentages** — Use the **Fed %** and **State %** fields to indicate the percentage of income, deductions, or credits that the beneficiary received. For instance, to divide the income, deductions, or credits equally among four federal K-1s, enter 25—for 25 percent—in each beneficiary’s **Fed %** text box.
- **Foreign beneficiary** — Mark the **Foreign beneficiary** box to indicate that the beneficiary is a nonresident alien individual, a foreign corporation, or a foreign estate or trust

The **K1** screen also has check boxes for indicating an **Amended K-1** and a **Final K-1**.

NOTE From the **K1** screen, press PAGE DOWN to create additional K-1 schedules.

Schedule K-1, Part III

Part III of the Schedule K-1 (Beneficiary’s Share of Current Year Income, Deductions, Credits, and Other Items) is completed automatically by the program based on information entered elsewhere in the program. Use the corresponding fields on screen **K1** *only* if you want to override program calculations for a particular item. For instance, if you place an entry in the override field of line 2a, “Ordinary dividend,” the program accepts this amount (up to the amount in column A of the WK_K1 worksheet in View mode); otherwise the program uses the amount calculated on WK_K1 worksheet multiplied by the beneficiary’s percentage.

Flow of Depreciation

To have the depreciation amount claimed on a schedule (such as Schedule C, E, or F) rather than flow to the beneficiary’s Schedule K-1, go to screen **5** and mark the **K1** box that states, **Do NOT carry depreciation to Schedule K-1 but to the Schedules**. (The trust instrument, state law, or federal law should provide guidance.) Note that an estate or trust cannot make an election under section 179 to expense certain tangible property.

K-1 Cover Letters

You can select to generate K-1 cover letters with all 1041 returns from the **Home** window of Drake. Go to **Setup > Options > Optional Documents** tab and mark the **Include K-1 letters with returns** check box. The letters will contain the name and title entered on the **PIN** screen of the person who will sign the letters.

To generate these letters on a per-return basis, clear the check mark at **Setup > Options > Optional Documents** tab, and in each return, follow these steps:

1. Open the **K1L** screen, accessible from the **Miscellaneous** tab, for the return. (This is also the **LTR** screen.)
2. At the bottom of the screen, type in the name and title of the person who will sign the K-1 cover letter. (See NOTES, following.)

3. (optional) Select **Do not print entity information...** in order to prevent the name and address of the estate or trust from appearing in the heading of the K-1 letter or on the coversheet produced with the letter. (See NOTES, following.)

If you have opted to print the K-1 letters but wish to override the name and title of the person entered on the **PIN** screen, enter a name and title of the person to sign the letter on the fields of the **K1L** screen.

NOTES

To print the coversheet with the letter, (globally), go to **Setup > Options > Optional Documents** tab, and make a selection from the **K-1 Address** field of the **Envelope Sheet** section. To print a coversheet on a per-return basis, go to the **PRNT** screen (available from the **Miscellaneous** tab of the **Data Entry Menu**) of the return and make a selection from the **Print K-1 envelope coversheet** drop list.

Review the following sections of the *Drake Software User's Manual: Tax Year 2015* before making changes to letter templates:

- “Introduction to Letters in Drake” in Chapter 2, Installation & Setup
- The “Letter Keywords” section of Appendix B, Keywords

NOTE

For an amended return, the K-1 letter automatically refers to the amended K-1. To edit the letter for an amended K-1, from the **Home** window of Drake, go to **Setup > Communications Editor**. Click **Open > Fiduciary > Fiduciary K1 Amended Letter**. Follow the steps outlined in “Introduction to Letters in Drake” in Chapter 2 of the *Drake Software User's Manual: Tax Year 2015* to make changes in the letter.

K1G General Explanation

Use the **K1G** screen (accessible from the **General** tab of the **Data Entry Menu**) to create statements that allow you to explain any entry on Schedule K-1.

From the **K1 Line and Code** drop list of the **K1G** screen, select the line and code number for that line that you wish to include an explanation for. From the **ID and Name** drop list, select a K-1 recipient. (Only those beneficiaries for whom you have created a **K1** screen appear in the drop list.) In the **General Explanation** text box, include your explanation. Press PAGE DOWN to add another explanation.

A statement is created for each K-1 line explained for the beneficiary selected from the **ID and Name** drop list.

NOTE

Omit an entry from the **ID and Name** field to include the statement for all K-1 recipients.

Estate Tax Deduction

If the estate or trust includes income in respect to a decedent (IRD) in its gross income, and such amount was included in the decedent's gross estate for estate tax purposes, the estate or trust is allowed to deduct, in the same tax year, that portion of

the estate tax imposed on the decedent's estate that is attributable to the inclusion of the IRD in the decedent's estate.

Use the **Estate Tax Deduction** screen, accessible through the link on line 19 of screen **3**, to enter data for this line. Amounts entered on the **Estate Tax Deduction** screen generate worksheet WK_ESTTX, with calculations flowing to line 19 ("Estate tax deduction including certain generation-skipping taxes") of Form 1041, and box 10 ("Estate Tax Deduction") of the Schedules K-1.

For details, see the field helps and Screen Help on the **Estate Tax Deduction** screen.

Exemption

The amount on line 20 ("Exemption") is an automatic entry, determined by the type of entity filing the return.

- Trusts that must distribute all income are allowed a \$300 exemption. (Other types of trusts receive a \$100 exemption.)
- Estates receive a \$600 exemption
- Estates and trusts filing their final returns (marked **Final return** in section **F** of screen **1** in Drake) receive no exemption.

Tax and Payments

For the "Tax and Payments" section of the Form 1041, the totals come from information entered on screen **3** and elsewhere in the program.

Tax Computation (Schedule G)

The "Total Tax" amount on Form 1041 flows from Schedule G calculations. Drake makes these calculations when generating the return; results are shown on line 7 of the "Schedule G" section on Form 1041, page 2, with the total tax flowing to line 23 of page 1.

Much of the information used to figure the total tax comes from data entered elsewhere in the program (such as for tax credits), but some comes from direct entry in the "Schedule G" section of screen **4**.

Lump-Sum Distributions

An amount on line 1b of Schedule G comes from calculations made when data is entered on screen **4972**.

Alt Min Tax

Schedule I (Form 1041), Alternative Minimum Tax - Estates and Trusts, is used to compute the DNI, income distribution deduction on a minimum tax basis, and the estate's or trust's alternative minimum tax (AMT). In Drake, all Schedule I computations are made automatically. To override any of the calculated amounts, use screen **I**, accessible from the **Other Forms** tab.

NOTE

No entries are required on screen **I** unless you want to override the amounts that are automatically calculated by Drake.

Schedule I is printed with the return only when needed. To force the program to print the Schedule I, go the **PRNT** screen (accessible from the **Miscellaneous** tab) and select **Print Form 1041-I (Schedule I - AMT)** in the **Items to Print** section.

Credits

To claim a credit other than those appearing on lines 2a through 2d of Schedule G, use the fields on line 2e in the Schedule G section of screen **4**. In the first field of line 2e, enter the form number, and in the second field, enter the dollar amount for the credit. Other credits are claimed by entering amount directly onto data-entry screens. (Most of these credits are listed on the **Credits** tab of the **Data Entry Menu**.)

Foreign Tax Credit

Line 2a ("Foreign tax credit") of Schedule G is calculated by the program based on information entered on screens **DIV** (Dividends), **INT** (Interest), and **1116** (for Form 1116, Foreign Tax Credit). There is no input field for line 2a on screen **4**.

General Business Credits

Use screen **3800** to claim current-year business credits that are not supported by Drake Software. In **Part III - General Business Credits**, enter the amounts of nonpassive and passive activities of the unsupported credits.

NOTE

Returns with these current-year credit forms that are not supported by Drake must be paper-filed.

Enter any unused current-year credit being carried back and used in 2014 in the **Amount of Carryback** text box.

Carrybacks and Carryforwards

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 Form 8582-CR.

Screen code: **GBC**

To use the **GBC** screen:

1. Mark an appropriate check box at the top of screen **GBC**.
2. If appropriate, enter an EIN in the **Activity EIN** field; if that EIN matches one entered on a **K1** screen, the program will match the passive activity carryforward to the current-year credit for Form 8582-CR.
3. Enter the **Activity Name** (required for computing Form 8582-CR worksheets correctly).
4. From the **Description of credit** drop list, select the description of the credit for the amounts being carried forward from prior years or being carried back from a future year. If necessary, enter the **Amount Changed Information** if the amount changed from the original amount of the credit.
5. In the **Year Originated** drop list, select the year the credit was originally generated and the amount of the credit for the year generated.

Press PAGE DOWN to enter the carryforward or carryback amounts of another credit.

TIP

In the **Amount of Original Credit Previously Filed** section of screen **GBC**, type in the amounts of credit carryforward used in a previous years for a true historical record. The program will compute the remaining amount of the credit each year you use Drake; otherwise, only what's left.

NOTE

An amount on Form 3800, General Business Credit, may prevent the return from being eligible for e-file.

Prior-Year Minimum Tax

Credit for prior-year minimum tax flows from Form 8801, Prior Year Minimum Tax, to line 2c of Schedule G. In Drake, you can fill out prior-year minimum tax information on screen **8801**. The **8801** screen is accessible from the **Credits** tab.

Bond Credit

Bond credit flows from screen **8912** to line 2d of Schedule G. In Drake, you can fill out bond credit information on screen **8912**. The **8912** screen is accessible from the **Credits** tab.

Net Investment Income Tax

Use screen **8960**, Net Investment Income Tax, to complete Form 8960, Net Investment Income Tax – Individuals, Estates, and Trusts, used to report the 3.8 percent Net Investment Income Tax that now applies to individuals, estates and trusts that have certain investment income above certain threshold amounts.

IMPORTANT

You must enter the administration expenses on screen **AGI** (available from the **Other Forms** tab) in order to determine the proper amount of adjusted gross income used in the calculation of net investment income tax.

Most of the fields on screen **8960** are override fields: entries in the fields override system calculations.

Recapture Taxes

If the estate or trust disposed of investment credit property or changed its use before the end of its useful life or recovery period, fill out Form 4255, Recapture of Investment Credit (screen **4255**, available from the **Assets/Sales** tab) and figure the recapture allocable to the estate or trust. When the return is generated, the amount flows from the **4255** screen to line 5 of Schedule G.

If the estate or trust disposed of property (or there was a reduction in the qualified basis of the property) on which the low-income housing credit was figured, fill out Form 8611, Recapture of Low-Income Housing Credit. There is no screen in Drake for Form 8611. A blank copy is available from **Tools > Blank Forms**. Once the amount of recapture credit has been figured using this form, enter that amount in the corresponding field of line 5 in the **Schedule G** section of screen **4**.

Household Employment

Household employment taxes are reported on Schedule H (screen **H** in Drake, accessible from the **Other Forms** tab). When the return is calculated, the total flows to line 6 of the Schedule G.

Line 7 Computation

If an obligation arising from the disposition of real property to which section 453A or section 453(l) applies is outstanding at the close of the year, the estate or trust must include the interest due under section 453(l) or section 453A(c) in the amount to be entered on line 7 of Schedule G, Form 1041, and attach a statement showing the computation.

From line 7 of the Schedule G section of screen 4, click the **Required STM** link to open the **SCH (Unformatted Statement)** screen (Figure 5). (If you have entered other statements, an **Existing Forms** list is opened. Double-click the **New Record** line to open a new statement window.)

From the **Type of attachment/statement number and title** drop list, select “021 - 1041 Sch G Ln 7, deferred tax.” In the large text pane, show your computations for the amount you entered on line 7 of screen 4.

Figure 5: From the **SCH** screen, select “021” from the drop list and show your computation in the text box

For more information, see the IRS instructions for Form 1041.

Payments

Generally, an estate or trust must pay estimated income tax if it expects to owe \$1,000 or more in tax, and expects the withholdings and credits to be less than the smaller of:

- 90% of the tax shown on the current-year return
- 100% of the tax shown on the prior-year return

NOTE Estates are not required to pay estimated tax within the first two years of creation.

Estimated Payments and Amount Applied from Prior Year

Pay quarterly and total amounts on the **ES** screen, accessible from the **Other Forms** tab.

- **Estimated Taxes** — Enter the estimated taxes due for 2016 on the right side of the screen in the fields of the **Estimate Amt** column. From the **ES Code** drop list, choose how you want payment vouchers to be printed with the return. (Press F1 to view the full code descriptions.)
- **Overpayment of Taxes** — For overpayment of taxes, make a selection from the **OP Code** drop list and enter the amount of the overpayments in the applicable text boxes on the right side of the screen. (Press F1 to view the full code descriptions.)

Do not include on Form 1041 any estimated tax paid by an individual before death. Instead, include the payments on the decedent's final income tax return.

NOTES

For details on using the enhanced **ES** screen for filing federal estimated taxes, and on e-filing and paying state estimated taxes, see "Estimated Taxes," beginning on page 183 of the *Drake Software User's Manual: Tax Year 2015*.

See Form 1041 instructions for more information on estimated taxes.

Estimated Payments Allocated to Beneficiaries

Form 1041-T, Allocation of Estimated Tax Payments to Beneficiaries, is used to elect, under section 643(g), to have all or part of an estate or trust's estimated tax payments (but not income tax withheld) treated as having been made by the beneficiary or beneficiaries.

To enter estimated tax payments that are allocated to the beneficiaries and to generate Form 1041-T, Allocation of Estimated Tax Payments to Beneficiaries, open screen **3** and go to line 24b. Enter in this field any of the estimated tax paid on Form 1041-ES that is allocated to the beneficiaries. This amount flows to line 10 of Schedule B (line 9 for simple trusts), the K-1, and to the 1041-T if the **K1** screens contain data.

- If an amount is entered in the 24b field of screen 3, a filing date is required. Form 1041-T must be filed within 65 days of the end of the tax year or the election is invalid.
- A 1041 return with an amount on line 24b of screen 3 may not be e-filed.
- The election to allocate estimates to beneficiaries can be made only by a trust, or in the final year of an estate.

NOTES

Tax Paid with Extension

If Form 7004 was filed previously and Form 1041 is now being filed, use screen **EXT** (available from the **Other Forms** tab of the **Data Entry Menu**) and mark the **Extension was previously filed...** check box, enter the amount of tax paid with the extension, and the date the tax was paid with the Form 7004.

For more information on filing Form 7004, see "Filing an Extension" on page 36.

Federal Income Tax Withheld

Federal income tax withheld reported on screens **8949**, **1099**, **INT**, **DIV**, **W2**, **W2G**, **K1P**, **K1F** and **K1S** flows to line 24e of Form 1041 automatically. This includes any federal income tax withheld (and not repaid) by:

- An employer on wages and salaries of a decedent received by the estate
- A payer of certain gambling winnings (such as state lottery winnings)
- A payer of distributions from pensions, annuities, retirement, or profit-sharing plans, IRAs, insurance contracts, etc., received by a decedent's estate or trust

Any amount entered on screen **3**, line 24e ("Federal income tax withheld") adjusts the calculated amount. Select the **Mark if any is from Form 1099** check box if any federal income tax withheld and entered on this line is from Form 1099. This box will

automatically be marked if federal tax withholdings are entered on screen **INT**, **DIV** or **1099R**.

NOTE

Except for backup withholding, withheld income tax may not be passed through to beneficiaries on either Schedule K-1 or Form 1041-T.

Other Payments (Forms 2439 and 4136)

Lines 24f and 24g of Form 1041 are used to report other payments from Form 2439 (Notice to Shareholder of Undistributed Long-Term Capital Gains) and the refundable credit from Form 4136 (Credit for Federal Tax Paid on Fuels), respectively.

For Form 2439, complete screen **2439**; the calculated amount flows from that screen to line 24f of Form 1041. Screen **2439** is accessible from the **Assets/Sales** tab of the **Data Entry Menu**.

The line 24g amount comes from calculations of the fuel tax credit from Form 4136, Credit for Federal Tax Paid on Fuels. Use screen **4136** (accessible from the **Credits** tab) to complete Form 4136; the calculated credit flows to line 24g of Form 1041.

NOTE

Screen **4136** consists of two screens. The first screen covers lines 1 through 8f, and the second screen covers lines 9 through 16b. To access the second screen from the first, press PAGE DOWN.

Estimated Tax Penalty

Form 2210, Underpayment of Estimated Tax by Individuals, Estates, and Trusts, is used to determine whether a penalty is owed for underpaying estimated tax, and to determine the amount of the penalty. In Drake, use screen **2210** (accessible from the **Other Forms** tab or the **2210** link on screen **3**) to complete Form 2210. When the return is generated, the calculation from screen **2210** flows to Form 1041, line 26 (“Estimated tax penalty”).

If screen **2210** is not used, a tax penalty amount can be directly entered on line 26 of screen **3**. If you do use screen **2210**, an entry on screen **3** is not necessary. If you use the **2210** screen and enter a number on line 26 of screen **3**, the program uses the calculation from the **2210** screen.

NOTE

To calculate the tax penalty, the program uses the amount of tax paid from the previous year. If the return was not updated from last year, you must manually enter the amount of tax paid. To do so, go to screen **1** and complete the **2210 Information** section on the lower right side of the screen.

For details on using the enhanced **ES** screen for filing federal estimated taxes, and on e-filing and paying state estimated taxes, see “Estimated Taxes” in Chapter 5 of the *Drake Software User’s Manual: Tax Year 2015*.

Other Information

To complete the “Other Information” section on page 2 of Form 1041, use the **Yes/No** check boxes and other fields provided on screen **5**. The following sections provide additional information on completing this part of Form 1041.

Tax-Exempt Income

If the estate or trust received tax-exempt income, the total is calculated from amounts entered on other screens for tax-exempt income— for instance, on line 8 of **INT** screen or line 10 of the **DIV** screen. The “Yes” column in the “Other Information” section of page 2 of Form 1041 is marked and the amount appears on line 1 (as noted in Figure 6):

Other Information		Yes	No
1	Did the estate or trust receive tax-exempt income? If "Yes," attach a computation of the allocation of expenses	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Enter the amount of tax-exempt interest income and exempt-interest dividends ▶ \$ 11,321		
2	Did the estate or trust receive all or any part of the earnings (salary, wages, and other compensation) or any individual by reason of a contract assignment or similar arrangement?	<input type="checkbox"/>	<input type="checkbox"/>
3	At any time during calendar year 2013, did the estate or trust have an interest in or a signature or other authority over a bank securities, or other financial account in a foreign country?	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Figure 6: Notation on line 1 of the “Other Information” section that tax-exempt interest and/or dividends were received and shows the amount

If the estate received tax-exempt income *not* included in interest or dividends as reported on the **INT** and **DIV** screens, enter that amount at the top of screen **5**. Such tax-exempt income might include, for example:

- Certain death benefits (section 101)
- Compensation for injuries or sickness (section 104)
- Income from discharge of indebtedness in a title 11 case (section 108)

WK_TAXEX Worksheet

If tax-exempt interest and certain deductions are present in the return, the program produces a Worksheet for Tax-Exempt Income (WK_TAXEX). The worksheet consists of four statements:

- Part I: Tax-Exempt Ratios
- Part II: Allocation of Tax-Exempt Income
- Part II: Schedule B, Line 12 Computation
- Part IV: Schedule B, Line 2 Computation

The amounts and other information on this worksheet are calculated by the program; however, you can override certain lines on the worksheet as needed. To do so, use the **WK_TAXEX - Worksheet for Tax Exempt Income** section at the bottom of screen **5**. These fields allow you to override program calculations for charitable contributions, fiduciary, attorney, accounting, and preparer fees, other administrative fees, and other deductions allocable to tax-exempt income.

Foreign Bank Information

If the estate or trust had an interest in or signature over a bank, securities, or other financial account in a foreign country, click the **Yes** check box on line 3 of screen **5** and make the appropriate selections from the foreign country drop lists.

If that interest exceeded certain thresholds, the Bank Secrecy Act may require the estate or trust to report to e-file a Report of Foreign Bank and Financial Accounts (FBAR) annually. For help on understanding which estates and trusts must file a FBAR, click the **Who Must File** link on line 3 of screen **5**. (An Internet connection is required.)

To e-file the FBAR through Drake, open screen **FBAR** (accessible from the **Other Forms** tab of the **Data Entry Menu**) and click the **BSA e-Filing System** link to the Financial Crimes Enforcement Network's website.

IMPORTANT

Allow yourself time to read and understand all the information available on the BSA website and to register as a BSA e-filer.

Seller-Provided Financing

If the estate or trust is claiming an interest deduction for qualified residence interest paid on seller-provided financing, the IRS requires an attachment with the name, address, and taxpayer ID of the seller. To enter this information, click the **Paid** link on line **5** to open the **Qualified Residence Interest Paid on Seller-financed Mortgage** screen. This screen accepts information for up to three sellers. Entering information on this screen generates an indicator in the "Yes" column on line 5 in the "Other Information" section on page 2 of Form 1041 and generates a statement containing information on the sellers.

If the estate or trust *received* seller-financed mortgage interest, go to the **INT** screen, at the top of the screen mark the **Seller-financed mortgage** check box, then complete the **Payer's Information** section.

To enter information on an installment sale, click the **6252** link from line 5 of screen **5**.

Estate Open Two+ Years

Mark box 8 on screen **5** if the decedent's estate has been open for more than two years. The IRS requires a separate explanation for the delay in closing the estate. To create this explanation in the program, go to the **SCH** screen, select **R** from the **Type of attachment** drop list, enter the explanation in the large text box on that screen, and enter a title at the bottom of the screen. A statement entitled "REG_NOTE" is generated in View mode.

Elections

The **ELEC (Election Options for 1041)** screen allows the preparer to make various "elections" from the IRS code. If you mark a box on this screen, go to the **SCH** screen to produce a statement for the election. From the **Type of attachment** drop list on the

SCH screen, select **E - Election Explanation**, as shown in Figure 7. Enter an explanation for the election in the text box. At the bottom of the screen, enter a title for the statement if you wish.

Figure 7: Completing election statement on SCH screen

The program produces a Preparer Note (listed as “Election” in View/Print mode) noting the election selected (Figure 8).

Figure 8: The election explanation appears as an “Election” statement

NOTE Making these elections and completing these statements does not change the calculation of the return.

Safe Harbor Elections

Among the choices you can make from the **ELEC** screen:

- Sec. 1.263(a) - 1(f) de minimis safe harbor election
- Sec. 1.263(a) - 3(n) Election

Election statements are generated with the return (Figure 9).

Figure 9: Election statement generated with ELEC screen selection

The Sec. 1.263(a) - 3(h) election can be made from either the **ELEC** screen or the **4562** screen. 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. See IRS Reg. section 1.263(a)-3(h), IRB 2013-43, Rev. Proc. 2014-16, and Rev. Proc. 2015-14 for guidance.

The PDF Attachment Process

Binary, or PDF, files can be attached to certain tax forms in the Fiduciary package. All such documents are attached through use of the **PDF Attachments** screen, accessible from the **Electronic Filing** section on the **General** tab of the **Data Entry Menu**.

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

1. Creating a PDF document to be attached
2. Informing the program that a PDF document will be sent with the return
3. Attaching the PDF document for e-filing

These steps are described in the following sections.

Creating a PDF File

To create a PDF file:

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

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

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

NOTE Many types of documents (for instance, documents created in Microsoft Word) can be printed or "saved" as PDF documents if you have a PDF printer (such as Adobe Reader) installed.

Adding PDF Documents in Drake

To indicate in the software that a PDF document will be sent with the return:

1. Open the return in Drake. From the **Data Entry Menu**, click **PDF Attachments**, accessible from the **Electronic Filing** section of the **General** tab (or type PDF in the selector field and press ENTER) (Figure 10 on page 27).

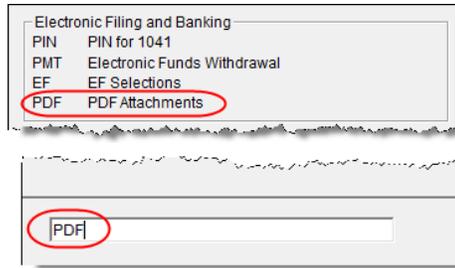


Figure 10: Select **PDF Attachments**, or type PDF into the selector field and press ENTER

2. Fill out the columns on the **PDF Attachments** screen. See Table 1 for examples.

Table 1: 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 1041
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 document 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 Documents in Drake” on page 26), there will be two PDF-related items in the **View/Print** window:
 - An EF Message alert (item #1 in Figure 11 on page 28)
 - An **Attach PDF** button on the toolbar (item #2 in Figure 11 on page 28)

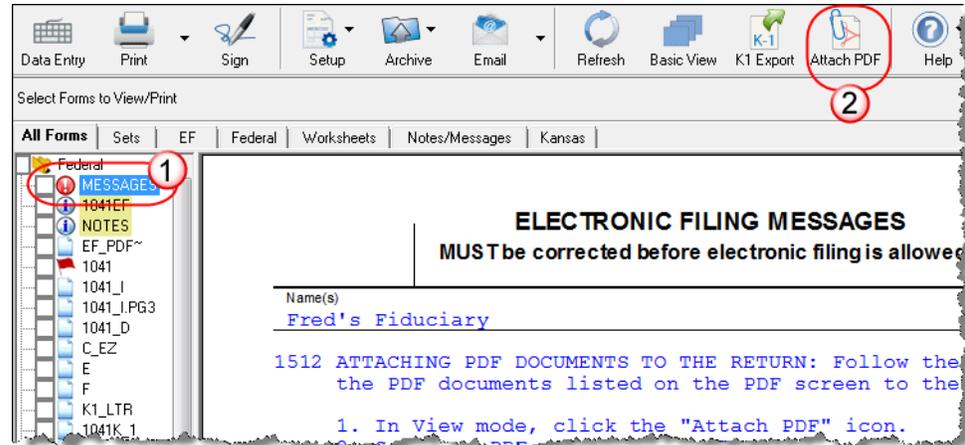


Figure 11: The MESSAGES file (1) and the Attach PDF button (2)

2. Click the MESSAGES file to view EF messages, including information on how to attach the required documents to the return.
3. Click the **Attach PDF** button. The **EF PDF Attachments** window displays the information entered on the **PDF Attachments** window in data entry. A red **X** means the document has not yet been attached; a green check mark indicates an attached document (Figure 12).

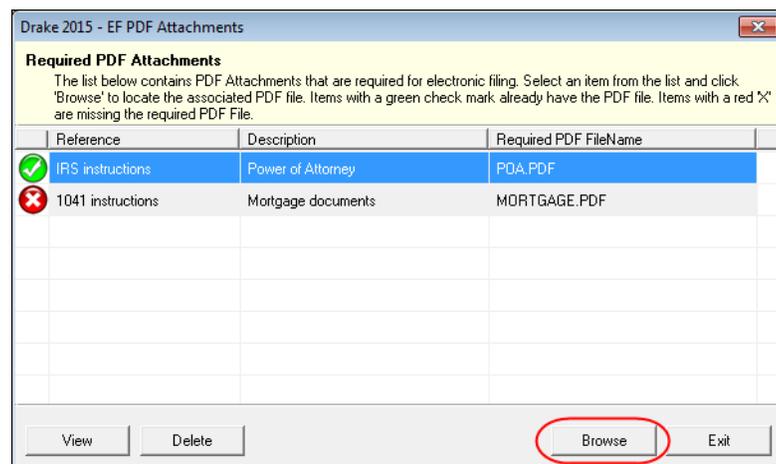


Figure 12: The EF PDF Attachments window

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 (and show a green check mark), recalculate the return. If all EF messages have been resolved, the return is ready to be e-filed.

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.

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

NOTES

Form 3115 is eligible for e-file, although, in some instances, Form 3115 must still be paper-filed. See IRS instructions for details.

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 13).

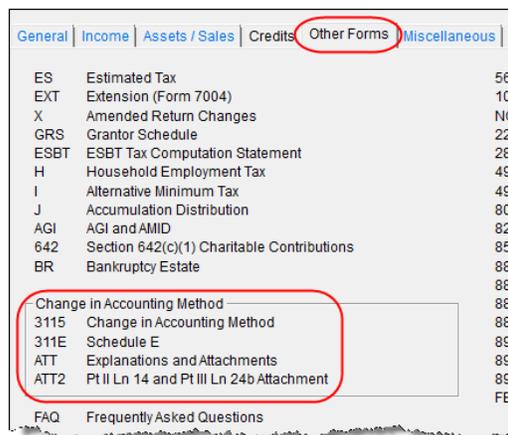


Figure 13: Screens for Form 3115, Application for Change in Accounting Method

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

Multi-form Codes All **3115** and related screens contain a **Multi-form code** text box (shown in Figure 14) 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.

Form 3115 Screens

When you open the **3115** screen from the **Data Entry Menu**, the program displays the first of six **3115** screens. These six screens are:

- **Parts I** (Form 3115, Application for Change)
- **Parts II** (Parts II, Information for All Requests)
- **Parts III, IV** (Form 3115, Parts III and IV)
- **A, B, C** (Schedules A, B, and C)
- **D - I, II** (Schedule D, Parts I and II)
- **D - III** (Schedule D, Part III)

As shown in Figure 14, you can access these **3115** screens by clicking a link at the top of any other **3115** screen.

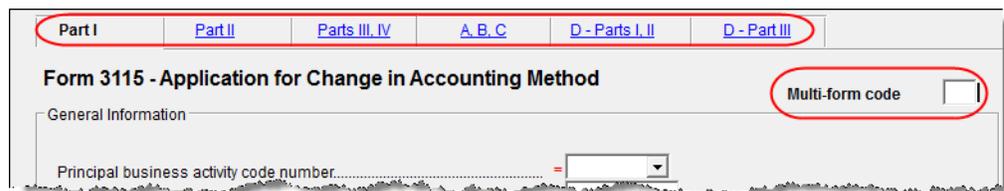


Figure 14: Tab links on **3115** screen

Other Screens

Drake provides numerous screens that are not always needed for completing Form 1041. These screens are accessible through the **Assets/Sales** tab, the **Credits** tab, and the **Other Forms** tab. Most of them work in the 1041 program just as they do in the 1040 program. Information on these screens and forms is available in the *Drake Software User's Manual: Tax Year 2015*.

The following sections provide further information on these screens.

Assets/Sales

Most screens accessible from the **Assets/Sales** tab are similar to those in the 1040 package.

Available Assets/Sales Screens

Many of the **Assets/Sales** screens have been covered elsewhere in this manual. Listed in Table 2 are those that are available but are *not* covered in this document.

Table 2: Other Screens Available From **Assets/Sales** Tab

Screen	Schedule or Form
4684	Form 4684, Casualties and Thefts
6198	Form 6198, At-Risk Limitations
6252	Form 6252, Installment Sale Income
6781	Form 6781, Gains and Losses From Section 1256 Contracts and Straddles
8594	Form 8594, Asset Acquisition Statement Under Section 1060
8824	Form 8824, Like-Kind Exchanges

Get more information on these screens by clicking **Screen Help**, by pressing F1 in the various fields of the screens, or by reading about the equivalent screens in the *Drake Software User's Manual: Tax Year 2015*.

Depreciation

Use the **Depreciation Detail (4562)** screen to enter depreciable assets for Schedule C, Schedule E, or Schedule F. For more information on depreciation and the **4562** screen (Form 4562, Depreciation and Amortization) in Drake, see the *Drake Software User's Manual: Tax Year 2015*.

NOTE IRS rules do not allow section 179 depreciation in 1041 returns.

Credits

A number of credits are allowed on Form 1041 even though they were not allowable on the decedent's final income tax return. For more information on credits, see the "Credits, Tax, and Payments" section of IRS Pub. 559, Survivors, Executors, and Administrators.

Available Credit Screens

As is the case on the **Assets/Sales** tab, most of the screens available through the **Credits** tab are identical to their counterparts in 1040 returns. Many of the **Credits** screens have been covered elsewhere in this manual. Listed in Table 3 are those **Credits** screens that are available but are not covered in this document

Table 3: Other Screens Available From **Credits** Tab

Screen	Form and Credit
3468	Form 3468, Investment Credit
5884	Form 5884, Work Opportunity Credit
6478	Form 6478, Biofuel Producer Credit
6765	Form 6765, Credit for Increasing Research Activities

Table 3: Other Screens Available From Credits Tab

Screen	Form and Credit
CR	Form 8582-CR, Passive Activity Credit Limitations
8586	Form 8586, Low Income Housing Credit
8609	Form 8609, Low-Income Housing Credit Allocation and Certification
8820	Form 8820, Orphan Drug Credit
8826	Form 8826, Disabled Access Credit
8834	Form 8834, Qualified Plug-in Electric and Electric Vehicle Credit. Form 8834, has expired for the current year and has not been released for 2013. The credit will apply only if there is a passive carryover from a prior year.
8835	Form 8835, Renewable Electricity, Refined Coal, & Indian Coal Production Credit
8844	Form 8844, Empowerment Zone and Renewal Community Employment Credit
8845	Form 8845, Indian Employment Credit
8846	Form 8846, Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips
8864	Form 8864, Biodiesel Fuels Credit
8874	Form 8874, New Markets Credit
8881	Form 8881, Credit for Small Employer Pension Plan Startup Costs
8882	Form 8882, Credit for Employer-Provided Child Care Facilities and Services
8896	Form 8896, Low Sulfur Diesel Fuel Production Credit
8907	Form 8907, Nonconventional Source Fuel Credit
8908	Form 8908, Energy Efficient Home Credit
8909	Form 8909, Energy Efficient Appliance Credit
8910	Form 8910, Alternative Motor Vehicle Credit
8911	Form 8911, Alternative Fuel Vehicle Refueling Property Credit
8912	Form 8912, Credit to Holders of Tax Credit Bonds
8936	Form 8936, Qualified Plug-in Electric Drive Motor Vehicle Credit
8941	Form 8941, Small Employer Health Insurance Credit

Other Screens

Many screens from the **Other Forms** tab have been covered elsewhere in this manual. Listed in Table 4 on page 33 are those **Other Forms** tab screens that are available but are not covered in this document. For more information on using those screens listed below that have equivalents in the 1040 package, see the *Drake Software User's Man-*

ual: Tax Year 2015. You can also use the screen help and field-level helps for individual screens.

Table 4: Other Screens Available From Other Forms Tab

Screen	Screen or Form
ESBT	Electing Small Business Trusts
SS4	Application for Employer Identification Number
56	Form 56, Notice Concerning Fiduciary Relationship
1045	Form 1045, Application for Tentative Refund
2848	Form 2848, Power of Attorney and Declaration of Representative
4970	Form 4970, Tax on Accumulated Distribution of Trusts
8082	Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR)
8275	Form 8275, Disclosure Statement
8582	Passive Activity Loss Limitations
8821	Form 8821, Tax Information Authorization
8822	Form 8822, Change of Address
8829	Form 8829, Expenses for Business Use of Your Home
8855	Form 8855, Election to Treat a Qualified Revocable Trust as Part of an Estate
8886	Form 8886, Reportable Transaction Disclosure Statement
8903	Form 8903, Domestic Production Activities Deduction
8948	Explanation for Not Filing Electronically
NOL	Schedules A & B of Form 1045

Miscellaneous Tab

Many screens from the **Miscellaneous** tab have been covered elsewhere in this manual. Listed in Table 5 are those **Miscellaneous** tab screens that are available but are not covered in this document. For more information on using those screens listed below that have equivalents in the 1040 package, see the *Drake Software User's Manual: Tax Year 2015*. You can also use the screen help and field-level helps for individual screens.

Table 5: Other Screens Available From Miscellaneous Tab

Screen	Screen or Form
ADMN	Tracking return preparation and banking data
BILL	Client Bill - Adjustments and Payments
COMP	Compare current-year tax return with two prior tax years.
ESUM	Provides an e-file summary of the return.

Table 5: Other Screens Available From **Miscellaneous** Tab

Screen	Screen or Form
MISC	Miscellaneous Screen — Final Year Override field (See field help before making an entry in this field.)
PREP	Preparer Information Overrides

Miscellaneous Codes for Tracking

At the right side of screen **1** are two **Misc code** fields that can be used for tracking purposes. For more information on using these miscellaneous codes, see “Customized Drop Lists” in Chapter 2: “Installation & Setup” of *Drake Software User’s Manual: Tax Year 2015*.

Form 1041-A

Form 1041-A, U.S. Information Return Trust Accumulation of Charitable Amounts, is used to report the charitable information required by section 6034 and the related regulations. It must be filed by a trustee if the trust claims a charitable or other deduction under section 642(c) unless an exception applies; see IRS instructions for more information.

If the trustee must file Form 1041-A, go to the **1041-A** tab, from which you can access screens for Parts I, II, III, and IV of Form 1041-A. You can also open screen **8868** (for an extension application) from this tab.

NOTE If filing an extension for Form 1041-A, mark the **Form 1041-A Type of return to be filed** check box on screen **8868**.

Form 5227

Form 5227, Split-Interest Trust Information Return, is used to report the financial activities of a split-interest trust, provide certain information regarding charitable deductions and distributions of or from a split-interest trust, and determine if the trust is treated (for Chapter 42 excise tax purposes) as a private foundation and subject to certain excise taxes under Chapter 42. Schedule A of the form is used to report accumulations of income for charitable remainder trusts, distributions to non-charitable beneficiaries, and information about donors and assets contributed during the year. Form 5227 must be paper-filed.

To access screens for completing Form 5227, go to the **5227** tab of the **Data Entry Menu**. You can open screen **8868** (for an extension application) from this tab also.

NOTE If filing an extension for Form 5227, mark the **Form 5227** check box on screen **8868**.

Signing the Return

A 1041 return must be signed by the fiduciary or authorized representative. You can use Form 8879-F or Form 8453-F to provide a signature for an e-filed return.

Form 8879-F

Form 8879-F, IRS e-file Signature Authorization for Form 1041, should be used if the preparer is a paid preparer whose information and PIN have been recorded in **Setup > Preparer(s)** and if the fiduciary wants to use a Personal Identification Number (PIN) to electronically sign the return. This form also serves as consent to electronic funds withdrawal (direct debit) for payment of balance due.

To e-file using Form 8879-F, complete all fields on the **PIN** screen, including the title and signature (**Representing Officer** field) of the fiduciary or officer.

Setup > ERO must still be completed for e-file. See the IRS instructions for further details on signature requirements.

If the return is not prepared by a paid preparer, go to screen **1** and select **None** for **Firm #** and **Preparer #**. Use Form 8453-F to file the return electronically.

To use an alternative electronic signature, see the field-level help for the **Alternative Electronic Signature PIN** text box on the **PRNT** screen (available from the **Miscellaneous** tab).

NOTES

e-Signing Form 8879-F

You can take advantage of the e-Signature feature of Drake Software and use an electronic signature pad to sign—and have your client sign—Form 8879-F.

For details, see Chapter 6, “Return Results,” of the *Drake Software User’s Manual: Tax Year 2015*.

Amending a Return

To file an amended Form 1041:

1. Open screen **1** and select the **Amended return** box in section **F**.
2. Correct or add new information on the appropriate lines of the return.
3. Re-figure the estate’s or trust’s tax liability.
4. Return to screen **1** and click the **Amended Expl** link beside the **Amended return** box.
5. On the **Amended Changes** screen:
 - a. Enter the number of the line you changed.
 - b. Describe the line you changed. (For instance, you might enter, “Interest Income” if you changed line 1 of page 1 of Form 1041.)
 - c. Enter previous and amended amounts.
 - d. Enter an explanation.
5. Press **PAGE DOWN** for another screen to explain another change.

If an amended return results in a change to income, distribution, or other information provided to a beneficiary, an amended Schedule K-1 must also be filed with the 1041 and copies given to each beneficiary. To have the program generate an amended Schedule K-1, go to the **K1** screen and select the **Amended K-1** box.

NOTE If the total tax is larger on the amended return, taxpayer should generally pay the difference with the amended return

Filing an Extension

For calendar year estates and trusts, Form 1041 and the K-1 schedules must be filed on or before April 18, 2016. Fiscal year estates and trusts must file Form 1041 by the 15th day of the fourth month following the close of the tax year. When the extension application is submitted, the due date will be changed to the 15th day of the fifth month following the month of the regular due date.

To apply for an extension, open the **EXT** (or **7004**) screen. If this is a short-year return, select the reason on line 5b. (If the reason is not listed, explain the reason in the **Other (describe)** text box.)

An entry on either line 6 or 7 overrides calculated amounts.

State-specific Information

The program automatically generates a return for the estate's or trust's resident state. Use screen **2** to enter additional, state-specific information as it should appear on the state return. (Access screen **2** from the **States** tab, or enter 2 in the selector field and press ENTER.)

NOTE The information fields on screen **2** apply for the resident state only.

Screen **2** has fields for the following information:

- Trust information (revocable, irrevocable, testamentary, inter vivos, charitable remainder)
- Method of accounting (cash, accrual, other)
- Additional fiduciary information overrides (state purposes only)

Specific data for state fiduciary/trust returns must be entered manually using screens for the specific state. To access state data entry, select the **States** tab from the **Data Entry Menu**, and then select the desired state for state-specific screens.

Making Changes on the Fly

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

Suppress or Force Printing

To suppress or force the printing of certain documents, go to the **PRNT** screen and select the desired options. Many “on-the-fly” changes override options that are set up globally in **Setup**.

Items to Print

The following **PRNT** screen options allow you to force forms and other information to be generated with the return:

- **Print Form 1041-I** — Generates Schedule I, Alternative Minimum Tax – Estates and Trusts, with the return. (This option overrides the **Print Form 6251 only when required** option in **Setup > Options > Form & Schedule Options**.)
- **Print Form 8582** — Generates Form 8582, Passive Activity Loss Limitations, with the return.
- **Print Form 4562** — Generates Form 4562, Depreciation and Amortization, with the return. (This option overrides the **Print Form 4562 only when required** option in **Setup > Options > Form & Schedule Options**.)
- **Print Form 8960** — Generates Form 8960, Net Investment Income Tax - Individuals, Estates, and Trusts.
- **Print Form 4952** — Generates Form 4952, Investment Interest Expense Deduction. (See “Interest Deductions” on page 12 for details.)
- **Print Form 1045, page 3** — Generates Form 1045, Application for Tentative Refund, page 3, when taxable income is less than “0” (zero), and it did not result in a current-year NOL.)
- **Print Form 2210** — Generates Form 2210, Underpayment of Estimated Tax by Individuals, Estates, and Trusts. (See “Estimated Tax Penalty” on page 22 for details.)
- **Print next year depreciation listing**— Select this box to generate the next year’s depreciation schedule. (This option overrides the **Next-year depreciation schedule** option in **Setup > Options > Form & Schedule Options**.)
- **Print summary** — Select this box to print a diagnostic summary report with the tax return. The summary report lists the forms calculated and provides a brief summary of the return.
- **Print comparison** — Select this box to include a one-page report comparing the client’s 2015 return to the 2014 return when the return is generated.
- **Print K-1 codes (Schedule K-1, page 2)** — Schedule K-1 consists of two pages: page 1 is the form itself, and page 2 consists of K-1 code explanations. By default, Drake generates only the first page of the K-1. To have page 2 generated with the return, select this box.

NOTE

Code sheets are not displayed in View/Print mode. When the return is printed, the code sheets are printed after the Schedule K-1s.

- **Alternative Electronic Signature PIN** — The preparer’s alternative PIN entered here must match the one created in **Setup > Preparers**.

Items to Suppress

Listed below are the options, available from the **PRNT** screen, for suppressing information from the generated return:

- **Proformas/organizers** — Choose not to generate a proforma/organizer for this client next year.
- **K-1 schedules and letters** — Choose to not generate these items with the return.
- **Grantor Trust Letter** — Choose not to generate this letter for a grantor trust.

There is no global setting in **Setup > Options** for any of these items.

Overriding Other Printing Options

Printing of the following items can be either forced or suppressed from the **PRNT** screen to override the program defaults and global options selected in Setup Options:

- Envelope cover sheet with taxpayer address
- Envelope cover sheet with IRS address
- Envelope cover sheet with state taxing authority address
- Envelope cover sheet with city taxing authority address
- Envelope cover sheet with K-1s
- Federal filing instructions
- State filing instructions
- Date shown on return (default is current system date)
- Due date to be printed on letters and filing instructions

NOTE

To have the program suppress the date from the return, go to the **Home** window, select **Setup > Options > Optional Items on Return** tab, and clear the **Date on return** check box. If you enter a date on the **PRNT** screen of a return, that date will be shown on the return—regardless of what is selected in Setup Options.

Listing a Different Firm, Preparer, or ERO on a Return

By default, the program generates the information shown in Table 6 on the return.

Table 6: Firm, Preparer, and ERO Data that Can Be Changed on the Fly

Information	Description
Firm	Firm #1 from Firm Setup (first firm entered in Setup > Firm(s))
Preparer	Preparer who fills out the return (entered in Setup > Preparers)
ERO	ERO from Setup > ERO ; appears on Form 8879-F, IRS e-file Signature Authorization

To override any of these defaults for a return, go to screen **1** of the return. In the **Other information** section of the screen, select the name or number of the firm, preparer, and ERO.

You can also use the **PREP** screen (accessible from the **Miscellaneous** tab of the **Data Entry Menu**) to override the following information:

- Federal preparer information (if the firm is not set up in Firm Setup)
- State preparer information (if the firm is not set up in Firm Setup)

Electronic Filing

Steps for e-filing a 1041 are same as for a 1040. See the *Drake Software User's Manual: Tax Year 2015* for details. For information on signing the return electronically, see "Signing the Return" on page 35.

NOTE Short-year return cannot be e-filed unless they are initial-year or final-year returns.

Electronic Funds Withdrawal (Direct Debit)

Use the **PMT** screen, accessible from the **General** tab, to indicate that funds due are to be electronically withdrawn (direct-debited) from an account.

Program Defaults and Overrides

By default, the program indicates that the entire balance due is to be electronically withdrawn on the return due date, unless otherwise indicated.

Balance due — To indicate that only part of the balance due should be withdrawn from the account, enter the amount to be withdrawn in one or both of the payment amount override fields: **Federal payment amount** or **State payment amount**.

Payment date — Use the **Requested payment date** override fields to request a payment date other than the due date. If the return is e-filed on or before the due date of a calendar year (April 18 for a 2015 return), the requested payment date cannot be later than the due date. If the return is transmitted after the due date, the requested payment date cannot be later than the current date.

Phone number — An entry in the **Daytime phone number** field overrides the phone number entered on screen **1**.

Required Information

A **Withdrawal selection** (**Yes** or **No** from the **Federal selection** drop list, and a selection from the **State/city selection drop** list if applicable) is required if the program is to direct tax authorities to electronically withdraw funds from the account indicated.

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.

State Balance Due To have a state balance due electronically withdrawn from an account other than the account indicated for federal, complete the fields in the **Account #2** section of the **PMT** screen.

NOTE

Do not attempt to make payments on state taxes through the **PMT** screen unless the payment is for a Massachusetts, New York, or Texas return, or a Philadelphia (PA) Business Income and Receipts Tax return or a Philadelphia (PA) Net Profits Tax return. Only Massachusetts, New York, and Texas, and Philadelphia, PA, allows direct debit for tax year 2015.

Foreign Accounts Due to new banking regulations regarding International ACH transactions (IAT), state taxing agencies are required to handle foreign transactions differently from domestic transactions. For filing season 2015, no states are supporting IATs.

If a state payment is coming from or through an account located outside of the U.S., indicate which account by marking one of the check boxes at the bottom of the **PMT** screen.

For more information on IATs and handling foreign accounts in the program, see the Screen Help for the **PMT** screen.

Common Error Codes If the following IRS error reject code is generated when you e-filing a 1041 return, you must contact the IRS for further information. The e-file help desk number is (866) 255-0654.

- **Reject Code 122** — The “EIN Name Control Mismatch” reject (code 122) is by far the most common e-filing error code for 1041 returns, according to the IRS. Drake has made improvements to its 1041 program to prevent returns from being rejected under this code. See the field help for the **Entity name control** box on screen **1** for details.

Index

A

- accountant fees 13
- accounting method
 - changing 29
- accrual (method of accounting) 36
- address, change of 5
- allocation
 - of deductions to income 11
 - of estimated payments to beneficiaries 21
- alternative
 - electronic signatures 35
 - minimum tax (AMT) 17, 37
- amending
 - a 1041 return 5, 35
 - a Schedule K-1 15, 36
- attachments
 - PDF 26
 - to Form 3115 29
- attorney fees 13

B

- bankruptcy 7
- bankruptcy estates 5
- beneficiary
 - direct entry of information for 14
 - distributions to noncharitable 34
 - estimated tax payments allocated to 21
 - flow of depreciation to 15
 - foreign 15
- billing 33
- bond credit 19

C

- capital gains and losses
 - carryovers from prior years 8
- cash (method of accounting) 36
- Change in Accounting Method 29–30
- change of name or address 5
- charitable deductions 12
- client billing 33
- closure date 5
- codes
 - error/reject 40
 - estimate 20
 - K-1 37
 - miscellaneous 34

- multi-form 30
- comparing current year to prior year 37
- contact information for estate or trust 4
- cover letters 15, 38
- credits 18–19, 31–32
 - carrybacks and carryforwards 18
- Ctrl+W (detail) worksheet 10

D

- date
 - entity created 4
 - extension due 36
 - of closure or termination 5, 24
 - payment 39
 - shown on return 38
- dates, fiscal year 4
- deductible taxes 12
- deductions 11–17
- delay in closing estate 24
- depreciation
 - see also* Form 4562 (Depreciation and Amortization)
 - flowing to beneficiary 15
 - listing for next year 37
 - printing Form 4562 37
 - section 179 31
- detail (Ctrl+W) worksheet 10
- diagnostic summary reports 37
- direct debit of balance due 39–40
- distributable net income (DNI) 17
- distribution
 - deduction 17
- distribution deduction 13
- distributions
 - lump-sum 17
 - of or from a split-interest trust 34
 - treated as ordinary income 10
- dividend and interest income 6

E

- EF_ACK page 2
- Elections
 - Safe Harbor 25
- elections 24
- electronic
 - filing (e-filing) 39–40
 - funds withdrawal (direct debit) 39

- signatures (alternative) 35
 - signatures (PIN) 31, 35
 - employer identification number (EIN) 4
 - envelope cover sheets 38
 - EP 39
 - ERO information, overriding 38
 - error codes 40
 - estate
 - bankruptcy 5
 - closed or terminated 5
 - contact information for 4
 - delay in closing 24
 - exemptions 17
 - tax deduction 16
 - estimated tax
 - allocation to beneficiaries (Form 1041-T) 21
 - payments 20
 - penalty (Form 2210) 22
 - exemptions 17
 - extensions
 - for Form 1041 36
 - for Form 1041-A 34
 - for Form 5227 34
 - tax paid with prior 21
- F**
- FBAR - Report of Foreign Bank and Financial Accounts 24
 - fees of attorney, accountant, and tax preparer 13
 - fees, fiduciary 12
 - fiduciary
 - entering information for 4
 - fees 12
 - information overrides 36
 - filing instructions 38
 - final
 - 1041 returns 5
 - exemption 17
 - K-1 schedules 15
 - opening a return marked as 3
 - financing, seller-provided 24
 - firm information, overriding 38
 - fiscal year returns 4
 - foreign
 - accounts, using to pay a balance due 40
 - bank 24
 - beneficiaries 15
 - tax credit 18
 - Form 56 (Notice Concerning Fiduciary Relationship) 33
 - Form 706 (Estate (and GST) Tax Return) 12, 13
 - Form 1041-A (U.S. Information Return Trust Accumulation of Charitable Amounts) 34
 - Form 1041-T (Allocation of Estimated Tax Payments to Beneficiaries) 21
 - Form 1045 (Application for Tentative Refund) 33
 - Form 1099-B (Proceeds From Broker and Barter Exchange Transactions) 7
 - Form 1099-OID (Original Issue Discount) 10
 - Form 1099-PATR (Taxable Distributions Received from Cooperatives) 10
 - Form 1099-R (Distributions From Pensions, Annuities, etc.) 10
 - Form 1116 (Foreign Tax Credit) 18
 - Form 2210 (Underpayment of Estimated Tax by Individuals, Estates, and Trusts) 22, 37
 - Form 2439 (Notice to Shareholder of Undistributed Long-Term Capital Gains) 22
 - Form 2848 (Power of Attorney and Declaration of Representative) 33
 - Form 3115 (Application for Change in Accounting Method) 29–30
 - Form 3468 (Investment Credit) 31
 - Form 4136 (Credit for Federal Tax Paid on Fuels) 22
 - Form 4255 (Recapture of Investment Credit) 19
 - Form 4562 (Depreciation and Amortization) 31, 37
 - Form 4684 (Casualties and Thefts) 31
 - Form 4797 (Sales of Business Property) 10
 - Form 4952 (Investment Interest Expense Deduction) 12
 - Form 4970 (Tax on Accumulated Distribution of Trusts) 33
 - Form 5227 (Split-Interest Trust Information Return) 34
 - Form 5884 (Work Opportunity Credit) 31
 - Form 6198 (At-Risk Limitations) 31
 - Form 6251, *see* Schedule I
 - Form 6252 (Installment Sale Income) 31
 - Form 6478 (Alcohol and Cellulosic Biofuels Credit) 31
 - Form 6765 (Credit for Increasing Research Activities) 31
 - Form 6781 (Gains and Losses From Section 1256 Contracts and Straddles) 31
 - Form 7004 (Application for Automatic Extension of Time To File ...) 21
 - Form 8082 (Notice of Inconsistent Treatment or AAR) 33
 - Form 8275 (Disclosure Statement) 33
 - Form 8582 (Passive Activity Loss Limitations) 33, 37
 - Form 8582-CR (Passive Activity Credit Limitations) 32
 - Form 8586 (Low Income Housing Credit) 32
 - Form 8594 (Asset Acquisition Statement - Sec 1060) 31
 - Form 8609 (Low-Income Housing Credit Allocation and Certification) 32
 - Form 8611 (Recapture of Low-Income Housing Credit) 19
 - Form 8801 (Prior Year Minimum Tax) 19
 - Form 8820 (Orphan Drug Credit) 32
 - Form 8821 (Tax Information Authorization) 33
 - Form 8822 (Change of Address) 33
 - Form 8824 (Like-Kind Exchanges) 31
 - Form 8826 (Disabled Access Credit) 32
 - Form 8829 (Expenses for Business Use of Your Home) 33
 - Form 8834 (Qualified Plug-in Electric and Electric Vehicle

Credit) 32
 Form 8835 (Renewable Electricity, Refined Coal, & Indian Coal Production Credit) 32
 Form 8844 (Empowerment Zone and Renewal Community Employment Credit) 32
 Form 8845 (Indian Employment Credit) 32
 Form 8846 (Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips) 32
 Form 8855 (Election to Treat a Qualified Revocable Trust as Part of an Estate) 33
 Form 8864 (Biodiesel & Renewable Diesel Fuels Credit) 32
 Form 8874 (New Markets Credit) 32
 Form 8879-F (IRS e-file Signature Authorization for Form 1041) 35
 Form 8881 (Credit for Small Employer Pension Plan Start-up Costs) 32
 Form 8882 (Credit for Employer-Provided Child Care Facilities and Services) 32
 Form 8886 (Reportable Transaction Disclosure Stmt) 33
 Form 8896 (Low Sulfur Diesel Fuel Production Credit) 32
 Form 8903 (Domestic Production Activities Deduction) 33
 Form 8907 (Nonconventional Source Fuel Credit) 32
 Form 8908 (Energy Efficient Home Credit) 32
 Form 8909 (Energy Efficient Appliance Credit) 32
 Form 8910 (Alternative Motor Vehicle Credit) 32
 Form 8911 (Alternative Fuel Vehicle Refueling Property Credit) 32
 Form 8912 (Credit to Holders of Tax Credit Bonds) 32
 Form 8941 (Small Employer Health Insurance Credit) 32
 Form 8948 (Explanation For Not Filing Electronically) 33
 Form 8960 (Net Investment Tax) 9, 19

G

GBC screen 18
 General Business Credits 18
 grantor
 check box 3
 cover letter 38
 full grantor trust 3
 partial grantor trust 3
 -type trusts 5

H

header information 4
 household employment taxes 19

I

importing
 Schedule D data 7
 income 6–10

1099R 10
 distribution treated as ordinary 10
 dividend income 10
 interest income 10
 tax withheld 21
 tax-exempt 23
 W-2 10
 initial return 5
 interest
 and dividend income 6
 deductions 12
 split (Form 5227) 34
 tax-exempt 13
 IRD (in respect of a decedent) 10, 16

K

K-1 cover letters 16, 38
 K1G screen 16

L

letters
 K-1 cover 15, 38
 long-term gains/losses 8
 lump-sum distributions 17

M

methods of accounting 36

N

name
 and address of beneficiary 14
 change 5
 of estate or trust 4
 or address change 5
 name control 4, 40
 new features in Drake 1
 next-year depreciation listing 37
 nonexempt charitable trust 4

O

organizers, suppressing 38
 Other income 10
 overpayments 20
 overriding
 estimate amounts 20
 firm, preparer, or ERO information 38
 grantor or fiduciary information 36
 preparer information 34
 program calculations for Sch K-1 14
 program defaults 36–39

P

paying a balance due electronically 39
 PDF attachments 26
 percentage received by beneficiary 15
 PIN (electronic) signatures 31, 35
 pooled income fund 5
 preparer
 information, overriding 34, 38
 preventing certain information from being generated 38
 printing options for suppressing/forcing documents 37
 prior-year
 minimum tax 19
 returns, updating 3
 proformas, suppressing 38

R

recapture taxes 19
 reject codes 40
 resident state 4, 14
 returns
 amending 5, 35
 final 5
 initial 5
 updating 3

S

Safe Harbor Elections 25
 SCH (Unformatted Statement) screen 20, 25
 Schedule A (Charitable Deduction) 12
 Schedule B (Income Distribution Deduction) 13
 Schedule C (Business Income or Loss) 6
 Schedule D (Capital Gains and Losses) 7
 entering AMT cost/basis on 7
 entering data for 7
 Schedule E (Supplemental Income and Loss) 8
 Schedule F (Profit or Loss from Farming) 10
 Schedule G (Tax Computation) 17
 Schedule H (Household Employment Taxes) 19
 Schedule I (Alternative Minimum Tax - Estates and Trusts)
 17, 37
 Schedule J (Accumulation Distribution for Certain Com-
 plex Trusts) 14
 Schedule K-1 (Form 1041) 9, 14–16
 see also K-1
 Schedule K-1 (Form 1065) 9
 Schedule K-1 (Form 1120S) 9
 section
 179 depreciation 31
 642(c) charitable or other deductions 34
 643(g) (Form 1041-T) 21
 645 election 5
 seller-provided financing 24

short

-year returns 39
 short-term gains/losses 8
 signatures, electronic 31, 35
 split-interest trusts 4, 34
 distributions 2
 state
 data entry 36
 summary reports 37
 suppressing items from return 38

T

tax
 and payments 17–18
 deductible 12
 -exempt income 23
 -exempt interest 13
 household employment 19
 paid with extension 21
 penalties, estimated 22
 preparer fees 13
 recapture 19
 returns, *see* returns
 withheld 21
 year (fiscal vs calendar) 4
 termination date 5
 trust
 exemptions 17
 trust information for state purposes 36
 type of entity, indicating 4

U

updating a prior-year return 3

W

W-2 10
 W-2G 10
 WK_TAXEX worksheet (Worksheet for Tax-Exempt In-
 come) 23