SUPPLEMENT:
CHARITIES & NONPROFITS

(990, 990-EZ, 990-N, 990-PF, 990-T)

DrakeTax®

Drake Tax
User's Manual

Tax Year 2019

Supplement: Charities and Non-Profits (990)

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Charities and Non-Profits (990)

THE BASICS OF DATA ENTRY FOR TAX-EXEMPT ORGANIZATION (990) RETURN ARE THE SAME AS FOR A 1040 RETURN. NAVIGATION THROUGH DATA ENTRY, FIELD- AND SCREEN-LEVEL HELP, AND KEYBOARD SHORTCUTS ALL FUNCTION AS THEY DO IN THE 1040 PROGRAM. SEE THE 2019 DRAKE TAX USER'S MANUAL 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 TAX FOR CHARITIES AND NON-PROFITS

Drake Tax programs its software according to the latest IRS rules and regulations. The 2019 program reflects all IRS changes to forms, credits, and deductions. For specific details on the IRS's changes, see the IRS instructions for individual forms for tax-exempt organizations.

IMPORTANT	Be sure to review the *2019 Drake Tax User's Manual* – available from the *Support.DrakeSoftware.com* website – for details on the changes to the tax program and practice management tools such Update Manager, Scheduler, Client Status Manager, new security measures, such as two-step authentication, and enhancements to other programs, such as SecureFilePro and Drake Accounting.

Changes to the Tax-Exempt (990) Package

Following are some IRS and tax law changes and updates to Drake Tax's 990 program for the 2019 filing season:

e-File Required

For an exempt organization with a tax year beginning on or after July 2, 2019, Forms 990, 990-PF, and 990-EZ must be e-filed. For calendar year filers, the requirement will take place starting in tax year 2020. See "Electronic Filing Mandate" on page 38 for details.

Phone Numbers

The officers' phone numbers can now be entered on the **OFF** screen. If one of the officers is designated on the **OFF** screen as "Signs return," that officer's phone number will be used on the **PIN** screen.

Largest Program Services

The program prints the three largest program services, measured by their total expenses, on lines 4a-4c of Form 990. All other entries on screen **4**, **Part III Achievements,** will be totaled and printed on line 4d, "Other program services," of Form 990. A check box was added to screen **4** to indicate the expenses for the program services (other than the three largest) that should flow on line 4d of Part III of Form 990. A separate statement, "SERVICES," displaying each program entered on this screen, will be generated and attached to the return.

Better Diagnostics

An improved diagnostics page (generated in View/Print mode) for Part VI of Form 990-EZ, helps organizations exempt under section 501(c)(3) file complete Forms 990-EZ.

New Accounting Standards

Form 990 has been revised to reflect changes in the nonprofit accounting standard, ASU 2016-14; see instruction for Forms 990 and 990-PF for guidance on how to report fund balances on Forms 990 and 990-PF. For instructions in the tax program, open screen 10B, available from the **990 only** section of the **General** tab of the **Data Entry Menu**, and view the field help for either the "Net assets without donor restrictions" or "Net assets with donor restrictions" fields. (Click in the field and press F1.)

For Form 990-PF filers, see screen **54**, available from the **Main Form** section of the **990PF** tab of the **Data Entry Menu**.

Schedule B Changes

An organization other than a 501(c)(3), 4947(a)(1) trust, or sec. 527 organization is no longer required to report the names and address of its contributors on Schedule B, Schedule of Contributors, attached to its Form 990 or Form 990-EZ for taxable years ending or after December 31, 2018. This information, however, must be retained by the organization and presented to IRS upon request. The preparer should still enter this information on screen B, available from the Schedules A-G tab of the Data Entry Menu. As a result, Schedule B will be generated in View/Print mode that will not have names and address of the contributors, and a Schedule B worksheet (Wks Schedule B in View/Pint mode) with Schedule B information that include names and address of the contributors that should be kept on record.

See Rev. Proc. 2018-38 for more information about this revised filing requirement and help for a particular data entry within the tax program.

Changes Associated with Tax Reform:

- The corporate tax rate is now a flat 21%. Trust tax rates have changed.

- The "Tax Computation Worksheet for Tax-Exempt UBI" supplemental worksheet (Wks TTAX in View/Print mode) for Form 990-T has been updated to reflect the changes in tax rates.

- Exempt organizations with multiple unrelated trade or businesses must report each trade or business separately, using Form 990-T and Form 990-T, Schedule M. Use a separate screen **81** for each trade or business. Charitable contributions are now reported in Part III of Form 990-T, available on screen **80**. Screens **80** and **81** are located on **Form 990T** tab.

- Section 4960 imposes an excise tax on any organization that pays to any covered employee more than $1 million in remuneration or pays an excess parachute payment during the year starting in 2018. Screen **OFF** was updated to automatically calculate the tax and answer corresponding questions on Form 990 and Form 990-PF. The tax will be calculated if there is either excess executive compensation or parachute payment, and either **Highest compensated employee** or **Former covered employee** is selected. For more details, see sec. 4960, the IRS instructions for Form 990 or 990-PF, or click in any data entry field and press F1 for field helps.

- Section 4968 imposes an excise tax on the net investment income of certain private colleges and universities. Use screen **SCO**, available from the **Other Forms** tab of the **Data Entry Menu**, to complete tests found in Sec. 4968 to determine if the organization is subject to this excise tax. If the organization has already determined that it is subject to the tax, complete Form 4720, Schedule O information on screen **SCO** and screen **SCOR** for any related organization. The program automatically answers the related question of Form 990.

- All screens associated with foreign transactions are located on **Foreign** tab of the **Data Entry Menu**.

- Form 5471, Information Return of U.S. Persons with Respect to Certain Foreign Corporations, was updated to include changes in foreign provisions.

OTHER CHANGES TO DRAKE TAX

- The **MISC** screen, added to the **Miscellaneous** tab of the **Data Entry Menu** of the 1041 package, includes fields to help preparers keep up with the production schedule of a return: Date promised, Date picked up, how much the client was charged last year (the 2018 prep fees field), and a check box for indicating clients who did not pay their bill last year. This is preparer information only and has no affect on the return.

- The **Disaster Designation** field on the **MISC** screen is for entering the name of a federally designated disaster for those business entities that incurred disaster losses and that are subject to federal disaster rules. An entry in this field is printed across the top of the return but does not otherwise affect the return The field is limited to 75 characters (including spaces).

- An option to **Update Misc Codes on Screen 1**, available during the update process (**Last Year Data > Update Client 2018 to 2019**) was added to the federal business packages. This option allows you to bring forward from Drake18 the miscellaneous codes and drop lists you created last year. For more information on using these code fields, see "Miscellaneous Codes" in Chapter 5 of *2019 Drake Tax User's Manual*.

GETTING STARTED IN THE 990 PACKAGE

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

NOTE	Use blank forms to help clients collect tax-related data you will need. To access blank forms, from the **Home** window, go to **Tools > Blank Forms** and select the **Tax Exempt** tab. Select a form from the list and click **Print**.

CREATING A RETURN
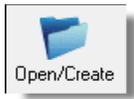
To create a new return in Drake Tax:

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

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

NOTE	Header information for all forms is completed on screen **1**. For information on specific fields in screen **1**, see "Header Information (Forms 990, 990-EZ, 990-PF, 990-T, 990-N)" on page 20.

UPDATING A PRIOR-YEAR RETURN

If you prepared the organization's tax return last year, you must update it for use in 2019.

Prior-year returns can be updated in three ways:

- A single return (updated one at a time) using **Last Year Data > Update Clients 2018 to 2019** (recommended)
- When you open an existing return from a prior year for the first time in the 2019 program and are prompted to update it
- With all other returns in the program using **Last Year Data > Update Clients 2018 to 2019** (not recommended)

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

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

COMPLETING SCHEDULES IN DRAKE TAX

Many of the schedules used in Forms 990, 990EZ, and 990PF require a narrative summary explaining certain entries, selections, and elections made on specific lines in the return. The schedules requiring such summaries have their own **Supplement Information** screens for reporting these narrative summaries.

The **Supplement Information** screens can be accessed in several ways. For instance, screen **O**, used to provide narrative information for Schedule O, is available from either the **Form 990/990EZ** tab or **Schedules H - R** tab of the **Data Entry Menu**, or by typing the screen code **O** in the selector field of the **Data Entry Menu** and pressing ENTER.

The other schedules that require such supplemental information have screen links to the necessary supplemental screens. For instance, when completing Schedule D, there is a link on screen **D** (Figure 1) to open the needed **Schedule D - Supplemental Information** screen.

Figure 1: Link to **Schedule D - Supplemental Information** screen from screen **D**

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

INFO Screen

Another way to access the **Supplemental Information** screens for the schedules is the **INFO** screen (figure below). Accessible from the **Schedule H-R** tab of the 990 **Data Entry Menu**, the **INFO** screen has links to **Supplement Information** drop lists of all of other individual schedules, allowing you to quickly find the attachment you need.

All of these Supplemental Information screens function is the same manner. To use one—in this example, the Supplemental Information screen for Schedule D—take these steps:

1. Either select **Schedule D** from the **INFO** screen, (figure at left) or open screen **D** and click the **Schedule D Supplemental Info** link (see Figure 2 on page 12).

2. From the **Reference** drop list, select the line numbers to be addressed. In the

example on Figure 2 on page 12, the user has selected **Escrow Account Liability** in order to address Part IV, line 2b of Schedule D.

3. Under **Explanation**, type the narrative information. Note that there is a 9,000-character limit for e-file.
4. If necessary, press PAGE DOWN to open a blank screen and add supplemental information for another line of Schedule D.
5. If necessary, select item **D99 - General Explanation Attachment,** for non-line-specific general explanations.

Data entered on the **Supplemental Information** screen is printed in the supplemental information section of the specified schedule. For example, the narrative from Figure 2 would be printed in the "Part XIII Supplemental Information" section on page 4 of Schedule D of Form 990.

Schedule D, Part XIII Supplemental Information

Reference

D1	–	Easement changes (Part II, line 3)
D2	–	Easement policy or policies (Part II, line 5)
D3	–	Reports conservation easements (Part II, line 9)
D4	–	Not reporting collections (Part III, line 1a)
D5	–	Collections descriptions (Part III, line 4)
D6	–	Agent not reporting amounts on 990 (Part IV, line 1b)
D7	–	Escrow account liability (Part IV, line 2b)
D8	–	Endowment funds intended uses (Part V, line 4)
D9	–	Other revenues not included on Form 990 (Part XI, line 2d)
D10	–	Other revenues included on Form 990 (Part XI, line 4b)
D11	–	Other expenses not included on Form 990 (Part XII, line 2d)
D12	–	Other expenses included on Form 990 (Part XII, line 4b)
D13	–	Footnote for uncertain tax position under FIN 48 (Part X...

Figure 2: **Supplemental Information** screen for **Schedule D**

FORM 990-N

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

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

1. Under the **General Infor-mation** heading, select **N - Form 990-N** from the **Form** drop list (item #1 in figure at right).
2. At the bottom of the **General Information** section, mark the **990-N Only** check box to indicate that the organization's gross receipts are normally not more than $50,000 (item #2 in figure at right).
3. Go to the **OFF** screen (*Screen Code: OFF)* and complete the **Officer Name** and **Title** fields, enter an address (or select the **Use entity address** check box), and for at least one officer, select **Principal officer**.
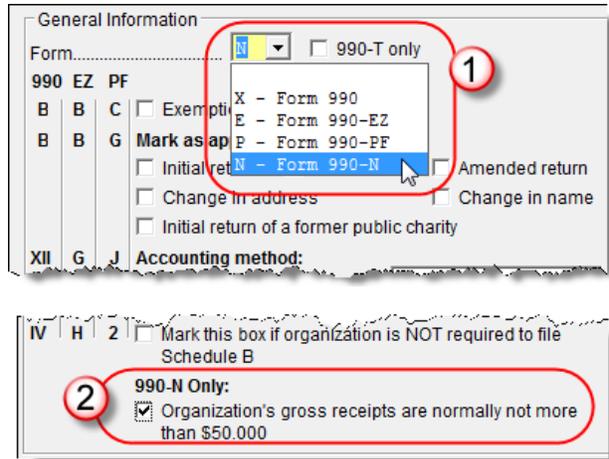
Once any EF Messages have been eliminated, the 990-N information can be e-filed. A "Form 990-N Information" page ("Form 990-N" in View/Print mode) is generated with the return for informational and bookkeeping purposes.

NOTE   For information on signing a return prior to e-file, see "Part II, Signature Block" on page 31.

FORM 990-EZ

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

On screen **1**, select **E - Form 990-EZ** from the **Form** drop list in **General Information** section.

FORM 990-EZ SCREENS

The following screens are specifically provided for completing Form 990-EZ. They are grouped under the **990-EZ only** section of the **Form 990/990EZ** tab of the **Data Entry Menu**.

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

Screen	Title/Section on Form 990-EZ
21	Part I, Revenue and Expenses
22	Parts II and III, Balance Sheet/Accomplishments
23	Part V, Other Information, Page 1

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

Screen	Title/Section on Form 990-EZ
24	Part VI, Section 501(c)(3) Only
O	Schedule O, Supplemental Information
SCH3	Other Items
SCH5	Part I, Line 5c
SC21	Unreported Activities
SC40	Part I, Grants and Similar Amounts Paid
SC42	Part II, Other Assets/Liabilities

NOTE   See "COMP Screen" on page 25 for information on adjusting the calculated number of highly paid individuals and contractors in Part VI of Form 990-EZ.

FORM 990-PF

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

FORM 990-PF SCREENS

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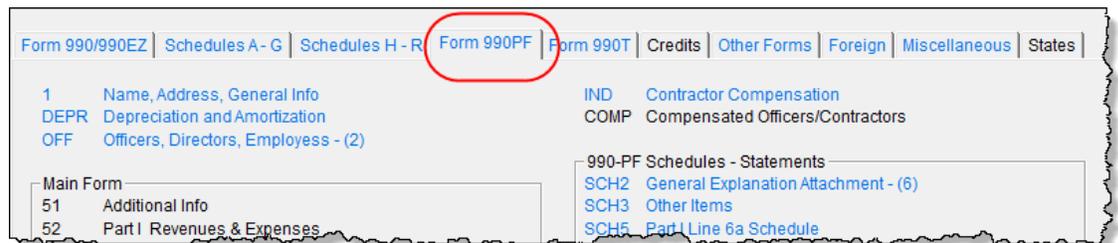
Figure 3: **Form 990PF** tab in Drake Tax (partial menu)

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

RECOMMENDED ORDER FOR COMPLETING FORM 990-P

The IRS recommends completing Form 990-PF in the following sequence (Table 2) to limit jumping from one part of the form to another.

Table 2: Form 990-PF, Recommended Order

Seq.	Section	Screens	Notes
1	IV	**55**	
2	I and II	**52**, **53**, **54**	For required schedules, see "Part I Additional Schedules" and "Part II Additional Schedules" (following).
3	Heading	**1**, **51**	
4	III	SCH3	Select item **5** or **6** from **Line Number** drop list and enter a description and amount.
5	VII-A	**57**	Use screen **SC57** to create a schedule for controlled entities.
6	VIII	**OFF**	Use the **IND** screen to enter data for independent contractors.
7	IX-A through X	**59**	If an explanation is required for line 1e of Part X, use screen **SC59**, Reduction Explanation.
8	XII, lines 1–4	**60**	Line 4 is calculated automatically in Drake.
9	V and VI	**56**	
10	XII, lines 5–6	n/a	Calculated automatically in Drake.
11	XI	**60**	
12	XIII	**61**	
13	VII-B	**58**	
14	XIV – XVII	**62–66**	

> **NOTES**
>
> More in-depth information on completing Form 990-PF is available from FAQ item **K** ("Recommended Order for Completing Form 990-PF"). Click the **FAQ** link on any tab of the **Data Entry Menu**.
>
> See "COMP Screen" on page 25 for information on adjusting the calculated number of highly paid individuals and contractors in Part VIII of Form 990-PF.

Part I Additional Schedules

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

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

- Line 19 (Depreciation) — Use screen **DEPR** for depreciation schedule. (The lines for **Net Investment income** and **Adjusted net income** on the **DEPR** screen are required for columns B and C of page 1 of Form 990-PF.)
- Line 23 (Other expenses) — Use screen **DEPR** for amortization schedule. (The lines for **Net Investment income** and **Adjusted net income** on the **DEPR** screen are required for columns B and C of page 1 of Form 990-PF).

NOTES	More in-depth information on completing Form 990-PF is available from FAQ item **K** ("Recommended Order for Completing Form 990-PF"). Click the **FAQ** link on any tab of the **Data Entry Menu**. See "COMP Screen" on page 25 for information on adjusting the calculated number of highly paid individuals and contractors in Part VIII of Form 990-PF.

Part II Additional Schedules

Additional schedules may be needed to complete the following lines from Part II (#2 in Table 2 on page 15):

- Line 7 (Other notes/loans receivable) — Use screen **SC14** (This produces statement STM 135) and/or screen **SCH3** (This produces statement STM 113).
- Lines 10a – 10c (Investments) — Use screen **SC54**.
- Line 11 (Investments – land, buildings...) — Use screen **SC53** for subsidiary schedule (when required).
- Line 13 (Other investments) — Use screen **SC53** for subsidiary schedule.
- Line 15 (Other assets) — Use screen **SC53** for subsidiary schedule.
- Line 20 (Loans from officers, directors...) — Use screen **SC55** (when required).
- Line 21 (Mortgages and other notes payable) — Use screen **SC55**.
- Line 22 (Other liabilities) — Use screen **SC53** for subsidiary schedule.

Using Screen SCH2

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

It is necessary to identify which part of the form is to be associated with the attached statement. To select a section of a form, choose an option from the **Schedule** drop list at the top of screen **SCH2**. Next, write an explanation in the **Explanation** field. Press PAGE DOWN as needed for additional attachments. Note that there is a 9,000-character limit for e-file.

NOTES	The **SCH2** screen can be used for other 990 return types. Note that screens **O** (for Schedule O, Supplemental Information) and **SCH2** are the same. See "Schedule O, Supplemental Info." on page 30 for more information. If **X - General explanation attachment** is selected from the **Schedule** drop list, the attachment will be e-filed with an e-fileable return (990, 990-EZ, or 990-PF).

PMT Screen

Use the electronic payment screen (**PMT**) for payment on Form 990-PF, an amended 990-PF, or an extension of time to file (Form 8868) only. The **PMT** screen can be accessed from the lower right corner of the **Form 990PF** tab of the **Data Entry Menu**, or by typing screen code PMT in the selector field and pressing ENTER.

Screen Code: PMT

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

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

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

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

FORM 990-T

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

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

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

Form 990-T cannot be e-filed.

FORM 990-T SCREENS

All 990-T–specific screens are located under the **Form 990T** tab (Figure 4 on page 18).
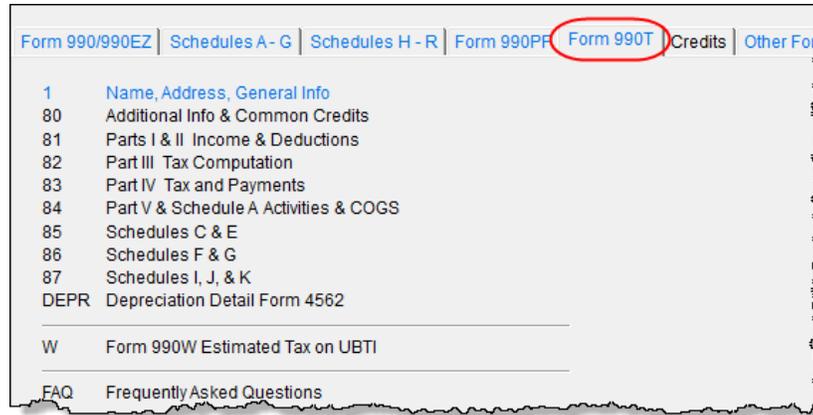
Figure 4: **Form 990T** tab

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

FORM 990

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

- Gross receipts of $200,00 or more
- Total assets of $500,000 or more at the end of the tax year

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

RECOMMENDED ORDER FOR COMPLETING FORM 990

The sequence shown in Table 3 on page 19 is suggested as an efficient method for completing a return for a tax-exempt organization. In general, complete the core form first, and then complete—alphabetically—Schedules A through O and Schedule R, except as specified in Table 3 on page 19. This order limits the need to jump back and forth from one part of the form to another, as certain later parts are required in order to complete earlier parts.

| | More details are available in FAQ item **E** ("Recommended Order for Completing Form 990"). Click the **FAQ** link on any tab of the **Data Entry Menu.** |
| *TIP* | |

Table 3: Form 990, Recommended Order

Seq.	Section	Screens	Notes
1	A – F; H(a) – M (heading)	**1** and **OFF**	This is the "Heading" section of Form 990; item F is completed on screen **OFF**; item M is completed automatically based on resident state entered.
2	Schedule R	**R**, **R2**, **R3**	Determine related organizations, disregarded entities, and joint ventures for which reporting will be required. (See Sch. R instructions; Form 990 instructions, Appendix F, Disregarded Entities and Joint Ventures).
3	Part VII, Section A	**OFF**	Officers, directors, trustees, key employees, and five highest-compensated employees. To adjust the number of individuals receiving more than $100,000, use the **COMP** screen
4	Part VIII, IX, and X	**8**, **9**, and **10**	
5	Header line G	**1**	Completed automatically in Drake Tax
6	Parts III, V, VII, XI, and XII	**3**, **4**, **6**, **IND**, **11**	
7	Schedule L	**L**	Complete if required; see Schedule L instructions.
8	VI	**7**	Transactions reported on Schedule L are relevant to determine independence of members of the governing body under Form 990, Part VI, line 1b.
9	I	**2**	Complete based on information derived from other parts of the form.
10	IV	**5**	Complete this section to determine which schedules must be completed.
11	Schedule O and any other applicable schedules	**Schedules A – G** and **Schedules H – R** tabs	
12	II	**PIN**; Setup info	See "Part II, Signature Block" on page 31.

HEADER INFORMATION (FORMS 990, 990-EZ, 990-PF, 990-T, 990-N)

Use screen **1** to complete the header section for a tax-exempt organization. Complete all applicable fields.

NOTE | Header information to be completed first are items A through F and H(a) through M. Item A is completed only fiscal-year returns. Item F is completed on the Officer (**OFF**) screen, The "Gross receipts" line on page 1 (header item G) on Form 990 is completed automatically.

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

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

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

Type of Form | To indicate which form the organization is filing, select an option from the **Form** drop list in the **General Information** section of screen **1**. (See Figure 1 on page 13.) If the only return being prepared is a 990-T and its related forms, mark the **990-T only** box.

Form Columns | Screen **1** has separate columns indicating the header boxes for Forms 990, 990-EZ, and 990-PF. For example, the "Exemption application pending" check box on screen **1** (item #1 in figure at right) puts an "X" in box "B" of Forms 990 and 990-EZ, or an "X" in box "C" of Form 990-PF. Note that not all questions are required for all forms.

Affiliate Listing (990 Only) | If the 990 is a group return filed for affiliates—if line "Ha" on screen **1** is answered "Yes"—but not all affiliates are included, two lists of affiliates must be attached to the return: a list of each local or subordinate organization included in the group return, and a list of each local or subordinate organization not included in the group return. Screen **SCH4** is available for this purpose and includes fields for affiliate name, address, and EIN. Click the **SCH4** link on screen **1** (item #2 in figure above). Mark the **This organization is NOT included in th return** check box on screen **SCH4** to put an

organization on the second list.

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

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

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

SCHEDULE R

Once you have completed the header information on screen **1**, the IRS recommends completing Schedule R, Related Organizations and Unrelated Partnerships. Schedule R is used to submit data regarding the organization's relationships with other organizations, both taxable and tax-exempt. The program has three screens (located on the **Schedule H-R** tab of the **Data Entry Menu**) for Schedule R, listed in Table 4.

Table 4: Schedule R Screens

Screen	Sections of Schedule R Covered
R	Schedule R, Parts I (Disregarded Entities), II (Related Tax-Exempt Organizations), and III (Related Organizations Taxable as a Partnership)
R2	Schedule R, Parts IV (Related Organizations Taxable as a Corporation or Trust), V (Transactions With Related Organizations), and VI (Unrelated Organizations Taxable as a Partnership)
R3	Schedule R, Part V, Line 1 (Related Organizations and Unrelated Partnerships)

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

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*N**OTE*   Schedule R is not required for all organizations. For information on which aspects of Schedule R must be completed by an organization, see the IRS instructions for Schedule R, or see the Screen Help on screens **R**, **R2**, and **R3**. (Click the **Help** icon on the screen toolbar or press CTRL+ALT+?.)

PART VII, SECTION A

*Screen code: **OFF***   Once you have completed Schedule R, the IRS recommends completing Part VII, Section A ("Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors"). Use the **OFF** screen, accessible from the **Form990/990EZ** tab of the **Data Entry Menu**, to report this informa-

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tion, noting that information entered there is used to generate Part II of Schedule J ("Compensation Information").

> *NOTE*   See "COMP Screen" on page 25 for information on adjusting the calculated amount in Part VII, Section A of Forms 990 and 990-EZ.

PARTS VIII, IX, AND X

Parts VIII, IX, and X of Form 990 comprise the financial statements for tax reporting purposes. These sections are accessed from screens **8**, **9A**, **9B**, **10A**, and **10B**, accessed from the **990 Only** section of the **Form990/990EZ** tab of the **Data Entry Menu**. (Figure 6)

Figure 6: Parts VIII, IX, and X are completed on screens **8**, **9**, **9B**, **10A**, and **10B**

Statement of Revenue

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

Statement of Functional Expenses

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

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

NOTES	Screen Help in the program provides further instructions on this section. To access Screen Help, hold your mouse pointer at the top of the screen for a moment until the data entry screen toolbar appears and click **Help**. Alternately, right-click the screen and choose **Screen Help** from the right-click menu, or press CTRL+ALT+? from the **9A** or **9B** screens). For additional information on functional expenses, see the IRS instructions.

Balance Sheet

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

Part X has two screens: screen **10A** (lines 1 through 15), and **10B** (lines 17 through 31). You can access screen **10B** from screen **10A** by pressing PAGE DOWN.

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

HEADER LINE G

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

PARTS III, V, VII, AND XI

Once you have completed screen **8** (both screens) for box "G" of the header, the IRS recommends completing Parts III, V, VII, and XI of Form 990 (screens **3**, **4**, **6**, **IND**, and **11**).

Purpose & Achievement

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

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

Exempt Purpose

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

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

If you answer **Yes** to question 2 or 3 on screen **3**, use Schedule O (screen **O**) to describe any new services or changes to services. From screen **3**, you can click the

Sch O Screen link to access the **Supplemental Information** screen. From the **Schedule** drop list of the **Supplemental Information** screen, select **O22** (for line 2) or **O23** (for line 3).

See "Schedule O, Supplemental Info." on page 30 for more information about filling out Schedule O in the program.

Exempt Achievement

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

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

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

Largest Program Services

The program prints the three largest program services, measured by their total expenses, on lines 4a-4c of Form 990. All other entries on screen **4**, **Part III Achievements,** will be totaled and printed on line 4d, "Other program services," of Form 990. A check box was added to screen **4** to indicate the expenses for the program services (other than the three largest) that should flow on line 4d of Part III of Form 990. A separate statement, "SERVICES," displaying each program entered on this screen, will be generated and attached to the return. For more, see the field help for the **Mark this box**..." check box at the bottom of screen **4**. (Click in the check box and press F1.)

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

To enter a description that exceeds the allowed number of characters on screen **4**, press PAGE DOWN and continue the description. There is no need to re-enter the information in the top section of the screen. If the description takes up more space than is allowed on the printed return, the program generate sit on a separate page in View mode, the SERVICES page (Figure 7 on page 25).
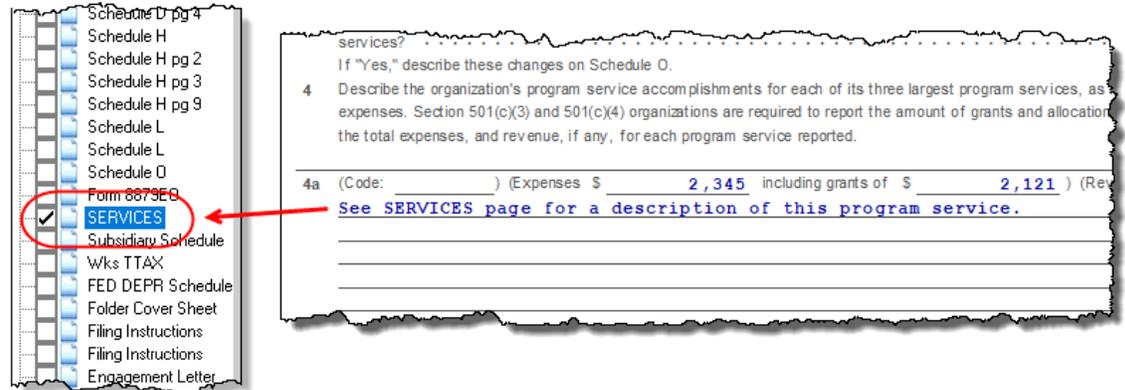
Figure 7: Part III of Form 990 refers to a SERVICES page for descriptions
that are too long to be printed on the actual 990 form.

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

NOTE   The exempt achievement description has a 9,000–character limit for e-file; if the description exceeds 9,000 characters, the return must be paper-filed.

Other IRS Filings

Part V, Statements Regarding Other IRS Filings and Tax Compliance, is used to show the organization's compliance with the requirements of other federal tax laws for reporting and substantiation. Use screen **6** in the program to enter data for Part V. In Drake Tax, Part V consists of two screens: use screen **6** to answer items 1 through 6b; press PAGE DOWN from screen **6** to access items 7 through 14b.

Compensation

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

The **OFF** screen also has fields for entering an officer's address, "books in care of" selection, and an indication of whether the specified officer signs the return or takes care of the organization's books. The **IND** screens has fields for the name and address, type of service, and compensation of five contractors. (Press PAGE DOWN for the second screen.)

COMP Screen

Use the **COMP** screen (Figure 8 on page 26) to adjust the number of highly paid individuals—such as officers, contractors, directors, trustees, key employees—on 990, 990EZ, and 990 PF returns.

Screen Code: COMP

The **COMP** screen is accessible from the **Form 990/990EZ** tab or from the **990PF** tab of the **Data Entry Menu**.

Figure 8: **COMP** screen for High-Paid Individuals

Use the **COMP** screen:

- To adjust the number of individuals who received more than $100,000 (990 returns). The number entered in **Section A** field of the **COMP** screen adjusts the number entered on the **OFF** screen.

- To adjust the number of contractors who received more than $100,000 (990 returns). The number entered in the **Section B** field of the **COMP** screen adjusts the number entered on the **IND** screen.

- To adjust the number of employees (excluding officers, directors, trustees, or key employees) who received more than $100,000 (990-EZ returns). The number entered on line 50 of the **990-EZ Only** section of the **COMP** screen adjusts the number entered on the **OFF** screen.

- To adjust the number of contractors (excluding the five highest compensated entered on the **IND** screen) who received more than $100,000 (990-EZ returns). The number entered on line 51 of the **990-EZ Only** section of the **COMP** screen adjusts the number entered on the **IND** screen.

- To adjust the number of individuals (excluding the officers, directors, trustees, and key, employees listed on the **OFF** screen) who received more than or more than $50,000 (990-PF returns). The number entered on line 2 of the **990-PF Only** section of the **COMP** screen adjusts the entries on the **OFF** screen.

- To adjust the number of contractors (excluding the five highest compensated entered on the **IND** screen) who received more than $50,000 (990-PF returns). The number entered on line 3 of the **990-PF Only** section of the **COMP** screen adjusts the entries on the **IND** screen.

Reconciling Net Assets

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

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

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

SCHEDULE L, TRANSACTIONS WITH INTERESTED PERSONS

Screen **L** (available on the **Schedules H-R** tab of the **Data Entry Menu**) contains fields for completing Parts I through IV of Schedule L, Transactions With Interested Persons. All or part of Schedule L may be required for certain organizations that file Forms 990 or 990-EZ. Schedule L is used for the following purposes:

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

For information on which organizations must complete all or part of Schedule L, see Screen Help on the screen **L** (from the data entry screen toolbar, click **Help**, right-click the screen and choose **Screen Help**, or press CTRL+ALT+?) or consult the IRS instructions.

PART VI, GOVERNANCE, MANAGEMENT, AND DISCLOSURE

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

Use screen **7** to access fields for Section A of Part VI. Press PAGE DOWN to access Sections B and C. If additional information is required for Part VI, use Schedule O (screen **O**; see "Schedule O, Supplemental Info." on page 30). **O Screen** links are available on parts of screen **7**.

PART I, SUMMARY

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

Number of Volunteers Enter the number of full-time and part-time volunteers who provided volunteer services to the organization during the reporting year. A reasonable estimate is acceptable if an exact number is not known. If the organization wishes to provide an explanation of how the number was determined, use Schedule O (screen **O** in the program; see "Schedule O, Supplemental Info." on page 30).

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

Lines 8–17 Prior-year amounts are updated automatically from the previous year's return. These amounts can be entered or edited on screen **2**.

PART IV, CHECKLIST OF REQUIRED SCHEDULES

An organization uses Part IV, Checklist of Required Schedules, to determine which schedules must be completed and filed with the tax return. In Drake Tax, two screens contain fields for Part IV. Open screen **5** to access "Yes" and "No" check boxes for lines 3 through 24d. Press PAGE DOWN from screen **5** to answers questions 25a through 37. Links gives you access to other appropriate screens. (See Figure 9.)

SCHEDULES

Use the **Schedules A – G** and **Schedules H – R** tabs of the **Data Entry Menu** to access schedules. Specific schedules can also be accessed using links within certain screens, such as screen **5** (Figure 9).

Figure 9: Links to schedules on screen **5**

> *NOTE* Some longer schedules require more than one screen to complete. For example, Schedule A consists of screens **A, A2, A3, A4,** and **A5**. You can access screens **A2, A3, A4,** and **A5** from the **Schedules A-G** tab of the **Data Entry Menu**.

Schedule A Schedule A, Public Charity Status and Public Support, provides information regarding public charity status and public support on Form 990 or Form 990-EZ.

Use the following screens to enter data for Schedule A:

- Screen **A** (Part I, Reason for Public Charity Status; required by all organizations filling out Schedule A.)
- Screen **A2** (Part I, Line 12, Information about Supported Organizations)
- Screen **A3** (Parts II and III, Support Schedules)
- Screen **A4** (Part VI, Supporting Organizations)
- Screen **A5** (Part V, Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations)

	Schedule A is required. At a minimum, amounts must be entered for the current year—even if the amounts are zero ("0"). If there are no entries for Schedule A, an EF Message is generated upon calculation, and the return cannot be e-filed.
NOTES	Field- and screen-level help resources within the program provide valuable supplemental information and tips for completing Schedule A in Drake Tax. Press F1 for field-level help. On screens **A** and **A3**, access Screen Help by clicking **Help** from the data entry screen toolbar, by pressing Ctrl+Alt+? from your keyboard, or by right-clicking the screen and choosing **Screen Help** from the right-click menu.
	Screen **A4** consists of two screens. From the first screen, press PAGE DOWN to access **Sections B** through **E** on the second screen.

Schedule B, Contributors

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

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

See the field help for the **Voluntarily disclose name and address of contributors**... check box for more details.

Schedule C, Political & Lobbying

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

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

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

Schedule D, Financial Statements

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

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

Category	Section of Schedule D	Screen to Use in Drake Tax
Donor-advised funds (DAFs)	Part I	**D**
Conservation easements	Part II	**D**
Certain art and museum collections	Part III	**D2**
Escrow accounts and custodial arrangements	Part IV	**D2**
Endowment funds	Part V	**D3**
Investments - Land, Buildings, Equipment	Part VI	**D3**
Investments - Land, Buildings, Equipment	Part VI, line 1e ("Other")	**D1E**
Supplemental financial information	Parts VII through X	**D4**
Supplemental financial statements	Parts XI through XII	**D5**

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

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

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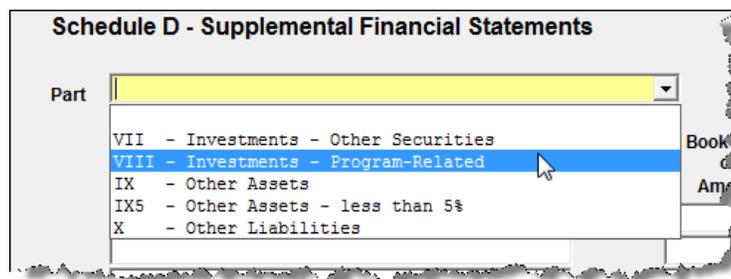
Figure 10: Select the applicable part on screen **D4** For parts VII through X.

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

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

Schedule O, Supplemental Info.

The IRS provides Schedule O for filers who must include narrative information for specific lines. Use screen **O** to provide narrative information for Schedule O.

Screen **O** functions like the other "supplemental information" screens. For details, see "INFO Screen" on page 11.

	All Form 990 or 990-EZ filers must file Schedule O. Certain questions require all filers to provide an explanation in Schedule O. In general, answers can be explained or supplemented on screen **O**, using the **Schedule** drop list and **Explanation** text box.
NOTES	To add a narrative explanation for an amended return, select **AMD**. See "Amending a Return" on page 32 for more on amending a return.
	To add a general explanation attachment, select **X** (located at the bottom of the drop list).

Z Items   Items beginning with "Z" in the **Schedule** drop list on screen **O** flow to Schedule O of Form 990-EZ.

PART II, SIGNATURE BLOCK

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

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

To e-file a return, enter the paid preparer's and organization officer's PINs on the **PIN** screen.

	The applicable ERO or preparer PIN must be entered in **Setup > Preparer(s)** or **Setup > Firm(s)** in order to e-file a tax return. For more information on setting up firm, preparer, and ERO information in Drake Tax, see Chapter 2 of the *2019 Drake Tax User's Manual*.
IMPORTANT	

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

FILING AN EXTENSION

Calendar-year returns are due on May 15, 2020. If an organization uses a fiscal year, the return is due by the fifteenth day of the fifth month after the accounting period ends. By filing Form 8868, an organization can extend the deadline six months (to November 15 for a calendar-year return).

Use the **8868** screen (available from the **Other Forms** tab) to apply for an automatic sixth-month extension. (Figure 11 on page 32).

Figure 11: Mark the check box on screen **8868** to apply for an extension

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

AMENDING A RETURN

Indicate an amended return in the **General Information** section of screen **1**. Note that an explanation is required on screen **O** for an amended 990 or 990-EZ return.

CAUTION   When you amend a return in Drake Tax, the amended information replaces the original in the data file. Before amending a return, you should archive the original to avoid losing previously submitted data. For more information on archiving returns, see "Archive Manager" in Chapter 6 of the *2019 Drake Tax User's Manual*.

To provide an explanation for an amended return:

1. Open screen **O**.

2. From the **Schedule** drop list, select **AMD - Amended return information** (Figure 12).

Figure 12: The **AMD** selection on the **Schedule** drop list on screen **O**.

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3. Enter the explanation in the text box below the drop list. Character limit for e-file is 9,000 characters.

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

CREDITS TAB

**General
Business
Credits**

Use screen **3800** to claim current-year business credits that are *not* supported by Drake Tax. (Supported credits are listed on the right side of the **Credits** tab.)

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

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

For details on using the **3800** and **GBC** screens, go to "General Business Credits" in Chapter 5 of *2019 Drake Tax User's Manual*.

Screens for computing foreign tax credits are listed on the left side of the **Credits** tab.

FORM 3115, APPLICATION FOR CHANGE IN ACCOUNTING METHOD

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

Form 3115 is eligible for e-file.

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

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

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

ACCESSING SCREENS FOR CHANGING ACCOUNTING METHOD

Several screens may be required to complete Form 3115. These screens are accessible from the **Change in Accounting Method** box, located under the **Other Forms** tab of the **Data Entry Menu** (Figure 13 on page 34).
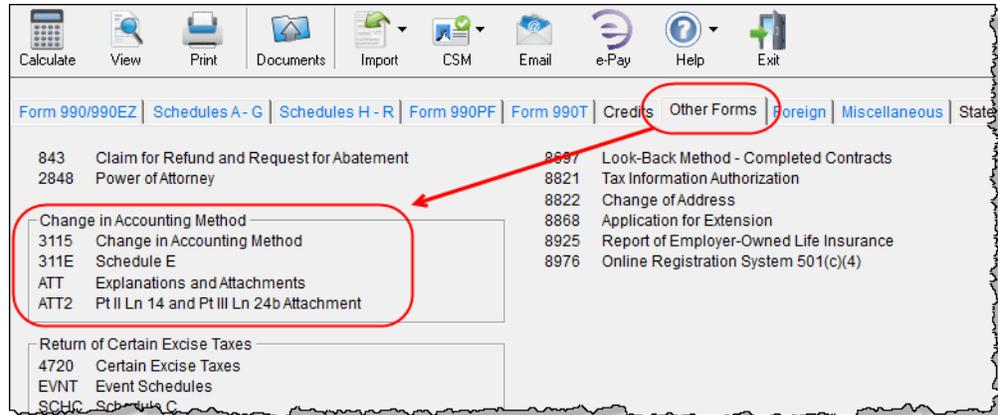
Figure 13: Screens for Form 3115, Application for Change in Accounting Method

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

FORM 3115 SCREENS

When you open the **3115** screen from the **Data Entry Menu**, the program displays the first of six **3115** screens. As shown in Figure 14, you can access these **3115** screens by clicking a link at the top of any other **3115** screen.
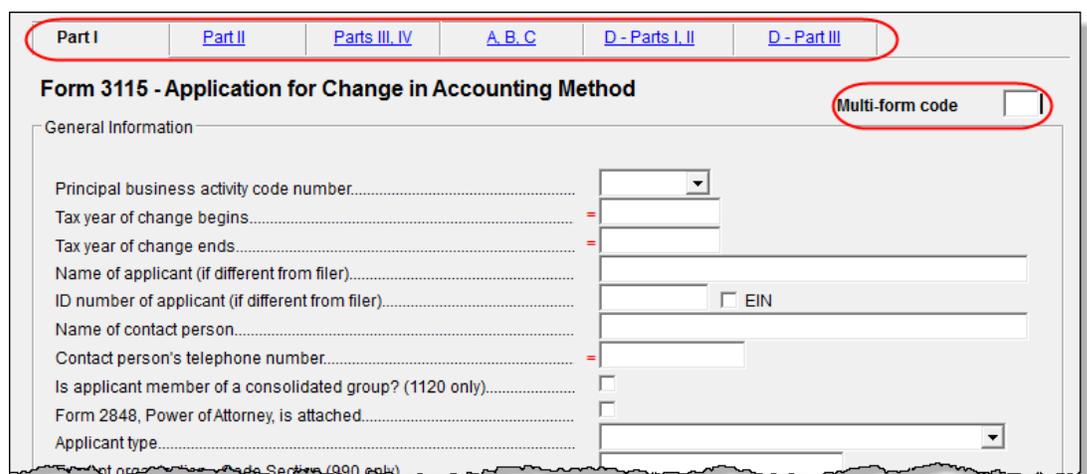
Figure 14: Tab links on **3115** screen

Multi-form Codes   All **3115** and related screens contain a **Multi-form code** text box (shown in Figure 14 on page 34) 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 Tax. The first should be "1," the second "2," and so on. When using other screens, such as the **311E** or **ATT** screens, you can use those numbers to indicate which instance of Form 3115 the **311E** or **ATT** screen should be associated with.

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

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

EF Messages for Form 3115 provide information about required attachments (including PDF attachments) that are missing from the return. Some messages list all statements required for a particular section but do not indicate which statements, specifically, are missing. To best understand which attachments are still required, compare the **ATT** screen and the statements (such as "Statement 465" and Statement 2-15" in View/Print mode) to the list of missing statements and schedules in the EF Messages.

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

SAFE HARBOR ELECTIONS

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

NOTE   This Safe Harbor election covers buildings only.

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

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

BINARY ATTACHMENTS

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

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

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

For details on attaching documents to a return, see "Binary Attachments" in Chapter 5 of *2019 Drake Tax User's Manual*.

PRINTING GENERATED DOCUMENTS

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

USING THE PRNT SCREEN

Use the **PRNT** screen (accessible from the **Form 990/990EZ** or **Miscellaneous** tabs) to override some program defaults.

SUPPRESSING/FORCING ITEMS

To suppress or force printing of certain items, go the **PRNT** screen and select the desired options. Selections override the options established in **Setup > Options**. For more on setting up options globally in Drake Tax, see Chapter 2 of the *2019 Drake Tax User's Manual*.

The following items can be "forced" from the **PRNT** screen (see Figure 15 on page 37):

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

Figure 15: **PRNT** screen options

The following items can be suppressed from the **PRNT** screen of a 990 return (Figure 15):

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

Overriding Other Options

Override the date to be printed on the return. To have no date printed on the return, close the return, and from the menu bar of the **Home** window, go to **Setup > Options > Optional Items on Return** tab and clear the **Date on return** check box.

Autobalance

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

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

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

NEW FOR

2019

Filing instructions (federal and state) and envelope coversheets (partnership, IRS, state, and city) are no longer forced or suppressed from the **PRNT** screen; those options are now available from the **COMM** screen (formerly the **LTR** screen), available from the **Miscellaneous** tab of the **Data Entry Menu**. You can also click the **Filing instructions and coversheet options** link on the **PRNT** screen. Use the options on the **COMM** screen to override the global selections in Setup Options.

For more on global options and the **COMM** screen, see Chapter 2 of the *2019 Drake Tax User's Manual*.

ELECTRONIC FILING MANDATE

(*New for 2019*) For tax years beginning on or after July 2, 2019, an organization must electronically file Forms 990, 990-EZ, or 990-PF and related forms, schedules, and attachments. Calendar-year filers must e-file beginning in tax year 2020.

NOTE

- A short period return cannot be e-filed unless it is an initial return or a final return (one of those boxes is marked on screen **1**.)
- e-File for Form 990-T is not yet available. Once it is activated by the IRS, these e-file requirements will apply.

E-FILE EXCEPTIONS

There are some exception to the e-file requirements.

- A 2019 Form 990-EZ for a tax year beginning on or after July 2, 2019, must be e-filed unless one or more of the following exceptions apply:
    - The name of the organization has changed, the new name is entered and the **Change is Name** box is selected for item **B** of screen **1** in Drake Tax.
    - Form 990-EZ is for a short period because of an accounting period change. This does not apply if (a) the short period is an initial return and the I**nitial return** box is selected in item **B** on screen **1**; or (b) the short period is for a final return, and the **Final return** box is selected in item **B** on screen **1**.
    - An application for exemption is filed and the **Exemption application pending** box is marked in item **B** of screen **1**.
    - Form 990-EZ is being filed before the end of the tax year. This does not apply if the return is a final return and the **Final return** box is marked in item **B** on screen **1**.
    - You attempted to e-file Form 990-EZ but the return was rejected (even after you contacted your e-file provider). For exceptions 1 through 4 above, file a paper Form 990-EZ.
        - For this exception, paper-file Form 990-EZ as prescribed in section 5.7 of Pub. 4163, Modernized e-File (MeF) Information for Authorized IRS e-File Providers for Business Returns.

The IRS may waive the e-file requirements in cases of undue hardship. For more information on filing a waiver, see Notice 2010-13, 2010-4 I.R.B. 327, available at *IRS.gov/irb/2010-04_IRB*

NOTE Although e-file of Form 990-EZ is required as described above, the IRS will continue to accept paper-filed Forms 990-EZ filed for tax years beginning before July 2, 2020.

There are several listed consequences to not e-filing or filing a return.

- If there is an e-file requirement for the organization, and the return is paper-filed, the organization is considered to have not filed its return.
- If an organization does not file for three consecutive years, it automatically loses its tax-exempt status.

See the 990 Instructions and IRS Annual Filing and Forms page for details.

HOW TO E-FILE

Steps for e-filing Form 990 are the same as for e-filing Form 1040. For detailed instructions on e-filing returns in Drake Tax, see *2019 Drake Tax User's Manual*.

For additional information on the e-file requirement, visit the IRS website at *irs.gov*. Click the **Charities & Nonprofits** tab.

IRS ERROR REJECT CODES

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

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

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

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

R0000-922-01: Filer's EIN and Name Control in the Return Header must match data in the e-file database, unless "Name Change" or "Name or Address Change" check box is marked, if applicable.

OTHER AVAILABLE FORMS

Use Drake Tax to complete these other returns:

FORM 8976, NOTICE OF INTENT TO OPERATE UNDER SECTION 501(C)(4)

Use the links on screen **8976**, Online Registration System (Figure 16) to connect to the IRS website and file Form 8976, Notice of Intent to Operate Under Section 501(c)(4) tax-exempt organizations.
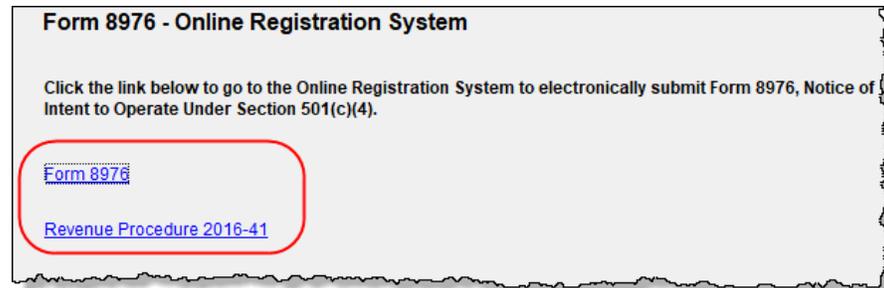
Figure 16: Links on screen **8976** to IRS Online Registration site and IRS Rev. Proc. 2016-41

Screen Code:
8976

Most organizations must submit this notice within 60 days of their establishment. Failure to file this notice may result in penalties. This form can be filed only through the IRS website.

There is also a link on screen **8976** to connect you to the IRS Revenue Procedure that explains the form.

The **8976** screen is accessible from the **Other Forms** tab of the 990 **Data Entry Menu**.

FOREIGN TAB

In the **Foreign Accounts and Assets** section of the **Foreign** tab are screens **FRGN** and **114**, used to complete and file FinCEN Report 114, Report of Foreign Bank and Financial Accounts, or Form 8938, Statement of Specified Foreign Financial Assets.

Screen **8938** is also used in completing Form 8938.

Use the screens in the **Information Return Foreign Corporations** section to complete Form 5471, Information Return of U.S. Persons with Respect to Certain Foreign Corporations.

For more on completing and filing FinCEN Form 114, Form 8938, and Form 5471 in Drake Tax, see Chapter 5 of the *2019 Drake Tax User's Manual*.

OTHER PROGRAM IMPORTS

Information for outside worksheets can be imported into your 1120S return.

Form 4562 Import

With the **4562 Import** function, you can import depreciable assets into Drake Tax from Excel worksheets (Excel 97-2003 and Excel 2007/2010 or later), from a TAB (tab delimited) file, or a .CSV (comma separated value) file. After the import is completed, each asset or transaction appears on a separate **4562** screen.

To successfully import depreciable assets from a worksheet into Drake Tax, the worksheet must be correctly formatted. The best and quickest way to get a properly formatted Excel worksheet is to download a template from Drake Software. To do so:

1. Open a client's tax return.

2. From the **Data Entry Menu** toolbar, click **Import** > **Form 4562 Import**.

3. Click the **Form 4562 Import information and sample spreadsheet** link to open Drake Software Knowledge Base article 15982 on downloading the worksheet template. (Also in that article is a **4562 Import** link to an instructional video.)

4. In the 15982 article, scroll down to "2018 - 990 Import Template." Click to download the template.

The worksheet is downloaded to your computer. Open it and save it where you can easily find it, such as the client's file in Drake Tax, in Drake Documents, or on your desktop.

To use the 4562 Import feature:

1. Open a client's tax return.

2. From the **Data Entry Menu** toolbar, click **Import** > **Form 4562 Import**.

3. When you are ready to begin the import process, click **Next**.

4. When the **Form 4562 Import - Step 1** window is opened, click **Browse**, find your worksheet, click **Open**, then click **Next**.

5. When the **Form 4562 Import - Step 2** window is opened, select the row where you wish to begin the import. (If the first row in the asset list is column headers, begin the import with row 2.) Click **Next**.

6. Click **Import**.

NOTE   If a column in the template is red, that column will not be imported into the return.

If you use an Excel worksheet from other sources, you can still import the asset information into Drake Tax, but you need to aware of certain parameters. For the asset information to be imported correctly:

●   In an Excel workbook, the import data must be on the first sheet in the workbook.
    –   View the workbook and check the tabs across the bottom of the window. If there is more than one tab, click and drag the worksheet you want to use to the left until it is the first tab.
    –   The name on the tab does not matter.

●   The import file must contain the specified columns in the specified order. Each column represents a field on the **4562** screen as determined by the column *location* (not by the header labels, which are optional)

●   Except for column headers, do not put anything in the import file that should not be imported.

●   If you include column headers, make sure to start importing on the first *data* row, not the header row. (Start import at row 2.)

●   If totals are present, remove them. The totals may be imported, doubling your data.

- The best way to enter dates in Excel is to format the date columns as text in MMDDYYYY format (separators can be used or omitted).

TIP

Whether using the downloaded worksheet for the 4562 import or building your own, you can import the data more than once. When you are sure the correct data is imported, you can delete previous import attempts by opening the corresponding **4562** screens and pressing CTRL+D.

For more help, see "Form 8949 Imports" in Chapter 5 of the *2019 Drake Tax User's Manual*.

Importing Trial Balance Information

Drake Tax's trial balance import feature allows data to be imported into an 1120S return from a trial balance worksheet. The trial balance template and importing function has the following benefits:

- Eliminates the need to duplicate entries
- Reduces data entry errors by automatically importing data to the correct fields

Allows preparers to merge basic accounting functions with tax preparation

NOTE

For more on the trial balance import, see "Importing Trial Balance Information" in the *Drake Tax User's Manual Supplement: 1120S*.

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