

SUPPLEMENT:  
F I D U C I A R I E S  
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**DrakeTax**<sup>®</sup>



# **Drake Tax User's Manual**

**Tax Year 2019**

**Supplement: Fiduciaries  
(1041)**

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# Fiduciary Returns (1041)

*THE BASICS OF DATA ENTRY ON A FIDUCIARY (1041) RETURN ARE THE SAME AS FOR THE 1040. NAVIGATE THROUGH DATA ENTRY, FIELD- AND SCREEN-LEVEL HELP, AND KEYBOARD SHORTCUTS JUST AS YOU 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 2019

Drake Tax programs its software according to the latest IRS rules and regulations. The 2019 program reflects all changes to forms, credits, and deductions. For details on the new regulations for the 2019 tax year, see the IRS instructions for Form 1041.

### 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.

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

- The **MISC** screen, added to the **Miscellaneous** tab of the **Data Entry Menu** of the business packages, 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, type, and location of a federally designated disaster for those 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).

## IMPORTANT

- Note the “Final year exemption override” field on the **MISC** screen. An exemption is not allowed on the final return of an estate or trust. In order for this field to work as an override, this return must be marked as a “Final return” on screen **1**.
- This field should be used only in very rare occasions. The disposition of the estate or trust has occurred on line **18** and exemptions will not change the excess deductions reported in box **11** of Schedule K-1.
- An option to **Update Misc Codes on Screen 1**, available during the update process (**Last Year Data > Update Client 2018 to 2019**) was added for the federal business packages. For more information on using these code fields, see “Miscellaneous Codes” in Chapter 5 of *2019 Drake Tax User's Manual*.
- Payment information that last year was entered on in the **Tax and Payment** section of screen **3** is now entered in the **Schedule G - Part 2** section of screen **4**.

## New or Enhanced Forms and Worksheets

The following forms, worksheets, and data-entry screen have been added to Drake Tax '19:

**Form 8997** Form 8997, Initial and Annual Statement of Qualified Opportunity Fund (QOF) Investments, along with the corresponding data entry screens, has been added to the 1041 package in Drake Tax. For details on completing the screen in Drake Tax, see “Form 8997, Initial and Annual Statement of QOF Investments” on page 46.

**QBI Statements** Drake Tax includes new worksheets with 1041 returns that include Qualified Business Income:

- “Statement A – QBI Pass-through Entity Reporting” worksheet that includes Section 199A items, will be attached to and filed with Schedules K-1 this year. The “Qualified Business Income Information” worksheet – a summary of Statement A – will also be generated with the return. This worksheet will not be filed and is intended for the entity’s records.
- “Statement B – QBI Pass-through Entity Aggregation Elections,” will be attached to and filed with Schedule K-1, and a “Qualified Business Income Aggregation” worksheet – a summary of Statement B – will be generated for entity’s records.
- “Statement C – QBI Pass-through Entity Reporting,” will be attached to and filed with Schedule K-1, for patrons of specified agricultural and horticultural cooperatives.

See “Forms and Worksheets for “Pass-Through” Packages” on page 15 for more information.

**Forms 8995 and 8995-A** Form 8995, Qualified Business Income Deduction Simplified Computation, and Form 8995-A, QBI Deduction (Complex), function in the 1041 package as they do in the

1040. (See the “QBI Deduction” and “Form 8995 and 8995-A” sections in Chapter 5, “Return Preparation,” of the *2019 Drake Tax User’s Manual*.)

As it does in the Individual package, the tax program produces the 8995 forms required, based on data entry. There are no data entry screens in Drake Tax for completing either Form 8995 or 8995-A.

## Return Preparation: Updating a Prior-Year Return

If you prepared the tax return last year, you must first update it to the 2019 package.

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 the return 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)

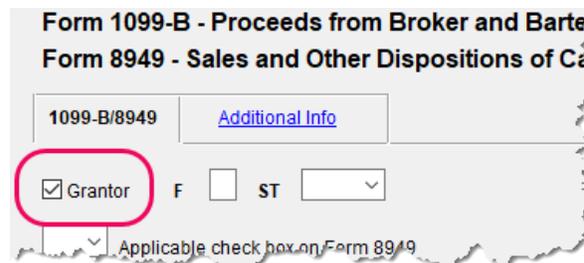
Drake Tax recommends using the first option (updating returns individually) to ensure that you update only those items in a return that you want updated.

### NOTE

When you update a 1041 return that was marked as “Final return” 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).



**Figure 1: Grantor** check box on screen **8949**

If **Partial Grantor Trust** has been selected on screen **1**, marking the **Grantor** check box makes any information entered on screens **C**, **E**, **F**, **8949**, **DIV**, or **INT** a part of the Grantor Statement. If **Full Grantor Trust** has been selected on screen **1**, marking the **Grantor** box on those screens is not necessary.

### NOTE

Separate Schedules C, E, or F are produced for each grantor.

## 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 program 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 **K1** 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, if an amended return had a net operating loss carryback, and to indicate a

name change for the trust, change in fiduciary, or a name change or an address 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 the **General information** section 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" on page 12. For a grantor-type trust, see "About Grantor-Type Trusts," following. 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.)

## TIP

Review the field helps (click in a check box and press F1) for the types of entities for more information.

## 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** link to open the **GRS** screen. (Screen **GRS** is also accessible from the **General** tab of the **Data Entry Menu**.)

## NOTES

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.

If you select **Partial Grantor**, you must also indicate what the other part of the trust is: **Simple**, **Complex**, **Qualified disability**, or **ESBT**.

*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)—flow to the Grantor Statement ("GRANTOR" in View/Print 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. 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.

Consult the screen help (press CTRL+ALT+?) and field-level helps (click in a field and press F1) 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 it to the IRS.

## NOTE

The bankruptcy estate return cannot be e-filed.

## Filing Security Screen

The **Filing Security Information** screen (**SEC**) in Drake Tax is part of an ongoing IRS initiative to protect the business and tax return preparers from data theft and tax fraud. The information entered on the **SEC** screen is transmitted when the tax return is e-filed. Completing this screen for federal returns is strictly optional for 2019; however, some states will begin requiring this information in the near future.

Screen Code: **SEC**

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

## 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 are similar to those in the 1040 package. For information on entering amounts as percentages and entering state-specific information, see the *2019 Drake Tax User's Manual*.

Access the **INT** and **DIV** screens from the **General** or **Income** tabs of the **Data Entry Menu**, through **Interest Income** and **Dividend Income** links on screen **3**, or by typing **INT** or **DIV** into the selector field and pressing **ENTER**.

## 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 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 *2019 Drake Tax User's Manual*.

## Qualified Business Income (QBI) Deductions

For tax years beginning after 2017, estates and trusts may be entitled to a deduction of up to 20 percent of their Qualified Business Income (QBI) from a trade or business, including income from a pass-through entity, plus 20 percent of qualified real estate investment trust (REIT) dividends and qualified publicly traded partnership (PTP) income. The deduction is subject to multiple limitations, such as the type of trade or business, estate's or trust's taxable income, the amount of W-2 wages paid with respect to the trade or business, and the unadjusted basis immediately after acquisition of qualified property held by the trade or business. The deduction, if any, appears on line 20 of Form 1041.

### Reporting Qualified Business Income

Screen Code:  
K199

*New for 2019:* Reporting of QBI income from pass-through entities to the trust, estate, or beneficiary on Schedules K-1 is no longer done on a **Qualified Business Income (QBI) Deduction** section on screens **K1P**, **K1S**, and **K1F** but on the expanded **K199** screen (available through links on the **K1P**, **K1S**, and **K1F** screens, from the **Income** tab of the **Data Entry Menu** or by entering K199 in the selector field and pressing ENTER).

QBI entries on screens **C**, **F**, and **E** are unchanged from 2018 but for the addition of a **Section 1231 Gain/Loss override** field. Section 1231 gains and losses related to this entity are automatically included in the QBI calculations, but this field was added in case you want to override the program's calculations.

Drake Tax provides a QBI Explanation Worksheet (available in View/Print mode), showing the items and amounts that go into the Qualified Business Income Deduction calculation in the event you wish to change the program's calculated amounts. Override fields on screens **C**, **F**, **E**, and **K199** allow you to override individual calculations.

### Using QBI on K199 Screen

For a trust, estate, or beneficiary taking a QBI deduction on income from, for example, a partnership, open the **Qualified Business Income (QBI) Entries for Schedule K-1** screen (**K199**) by typing K199 into the selector field and pressing ENTER, or clicking **K199** on the **Income** tab of the **Data Entry Menu**. (There is also a **K199** link on the second tab of the **K1P**, **K1F**, and **K1S** screens.)

In the **For** drop list of the **K199** screen, select the screen this activity is related to. (For our example we chose **K1P** (item #1 in Figure 2.) When the trust, estate, or beneficiary has QBI information from more than one source to report, identify which Schedule K-1 this activity pertains to using the **MFC** field. If the activity pertains to the first Schedule K-1, it is not necessary to make an entry. If you enter 2, you are indicating the activity on this screen **K199** is to be associated with a second **K1P** screen. Use the **EIN** and **Trade or business name** fields to identify each separate trade or business.

**Qualified Business Income (QBI) Entries for Schedules K-1**

NOTE: Use this screen to list the trade or business income for each activity within a partnership, S corporation, or estate/trust that was passed through on a Schedule K-1. Use the "For" and "Multi-form code" fields to link the activity listed here with the K1P, K1S, K1F, E2, or E3 screen that it relates to.

For: K1P 1 (K1P, K1S, K1F, E2, E3)  
MFC: 2 (1 - 999; 1 is assumed if left blank)

EIN..... = 51-5151515

Trade or business name..... Partners in Grime

Treat as a "specified service business"  
 Publicly Traded Partnership 2

Business aggregation number (BAN)..... 3

	As Reported	As allowed on 1041 after limitations
Ordinary Income (or loss) from this activity.....	54545	=
Rental Income (or loss) from this activity.....		=
Royalty Income (or loss) from this activity.....	-19461	=
Section 1231 Gain/Loss.....		=
Other Income (or loss) from this activity.....		=

**Figure 2:** Screen **K199** for reporting multiple QBI income sources

If the business entity is a specified service business, or a publicly traded partnership, mark the appropriate check boxes (#2 in Figure 2). For details, see “Denoting a Specified Service Trade or Business” in Chapter 5, “Return Preparation,” of *2019 Drake Tax User’s Manual*, or click inside the **Treat as “specified service business”** check box and press F1.

Press PAGE DOWN for another **K199** screen if there is QBI information from more than one source to report.

For QBI from Schedule E income, open screen **E** and complete the **Qualified Business Income (QBI) Deduction** section. Note that **This activity is a trade or business** drop list is a required field. If screen **E** is used, you must select an answer from the drop list. For more on Schedule E, go to “Rents, Royalties, etc. (Schedule E)” on page 19.

**Aggregation**

Taxpayers engaged in more than one trade or business can choose to aggregate them into a single trade or business for the purposes of calculating the QBI deduction, if they meet the following requirements:

- None of the trades or businesses is an SSTB
- The taxpayer or a group of persons directly or indirectly own 50% or more of each trade or business for the majority of the tax year, including the last day of the year, and all trades or businesses use the same tax year end
- The trades or businesses meet at least two of the following factors:
  - Provides products, property, or services that are the same or that are customarily offered together
  - Shares facilities or shares significant centralized business elements such as personnel, accounting, legal, manufacturing, purchasing, human resources, or information technology resources
  - Operate in coordination with, or reliance on, one or more of the businesses in the aggregated group

When aggregating multiple businesses, use the **Business aggregation number (BAN)** field on screen **K199**. Enter the same number to tie multiple screens together. If you do not elect to combine or aggregate the businesses, no entry should be made in the **BAN** field.

## NOTE

Aggregation and the use of the **Business Aggregation Number (BAN)** fields is still under development. When programming and testing is complete, this functionality will be activated with a Drake Tax program update.

### Entering Amounts

From “Statement A – QBI Pass-Through Entity Reporting,” (see “Forms and Worksheets for “Pass-Through” Packages,” following), type the amounts from the statement in the **As reported** fields. Drake Tax provides a “QBI Explanation Worksheet” (available in View/Print mode), showing the items and amounts that go into the Qualified Business Income Deduction calculation. In the event you wish to change the program’s calculated amounts, Drake Tax provides override fields—in the **As allowed on 1041...** column—that allow you to override individual calculations.

## Forms and Worksheets for “Pass-Through” Packages

*(New for 2019)* When trusts, estates, or beneficiaries receive Schedule K-1 from “pass-through” entities (1165, 1120S, 1041), this year they will also receive a new form that includes “Statement A – QBI Pass-Through Entity Reporting,” and – for business entities that have been aggregated – “Statement B, QBI Pass-through Entity Aggregation Elections.”

“Statement C – QBI Pass-through Entity Reporting,” will be attached to and filed with Schedule K-1.

Information from these statements is recorded on screen **K199**:

**Statement A** “Statement A – QBI Pass-through Entity Reporting” worksheet that includes Section 199A items, will be attached to and filed with Schedules K-1 this year.

The “Qualified Business Income Information” worksheet – a summary of Statement A – will also be generated with the return. This worksheet will not be filed and is intended for the entity’s records.

**Statement B** “Statement B – QBI Pass-through Entity Aggregation Elections,” will be attached to and filed with Schedule K-1, and a “Qualified Business Income Aggregation” worksheet – a summary of Statement B – will be generated for entity’s records.

**Statement C** “Statement C – QBI Pass-through Entity Reporting,” will be attached to and filed with Schedule K-1, for patrons of specified agricultural and horticultural cooperatives. Certain patrons who conduct business through cooperatives may be able to include patronage dividends and similar amounts they receive from those cooperatives to calculate their own QBI deduction.. Specified agricultural or horticultural cooperatives are allowed a Section 199A(g) deduction for income attributable to domestic production activities, which is similar to the domestic production activities deduction under former Section 199 before its repeal by the TCJA.

## QBI Worksheets and Calculations

Drake Tax produces several important worksheets, available in the View/Print mode forms tree, that display QBI, calculations, and distributions:

- The Qualified Business Income Allocation worksheet (listed as “QBI Allocation” in the forms tree of View/Print mode) lists each trade or business in the estate or trust and allocates the total distributions proportionally among them. (You can override the allocations on screen **FQBI**; be sure to read the field helps on that screen.) The worksheet displays the breakdown of distributable net income from line 7 of Schedule B, the total distributions from line 11 of Schedule B, and the distribution ratio on which Drake Tax bases its calculations. In the lower half of the page is the results of the ratio calculation: the total, the allocation per beneficiary, and the amount remaining with the trust or estate.
- The Qualified Business Income Information worksheet for the estate or trust (“Wks QBI”) displays the names of trades or businesses supplying the income, the amount of qualified business income (or loss) supplied, and other pertinent amounts.
- The Qualified Business Income Deduction worksheet for the beneficiaries (listed as the “K-1 Wks QBI” in the beneficiaries’ “Schedule K-1” folders) displays the same amounts as the “Wks QBI worksheet (above) but broken down by beneficiary. The program allocates the QBI from each trade or business activity among the beneficiaries based on the values in the **Fed%** field on each beneficiary’s screen **K1**. Use screen **KQBI** to override the allocations to beneficiaries.

## Denoting Specified Service Trades or Businesses

If the entity (partnership, S corporation, or fiduciary) supplying QBI for this return is a Specified Service Trade or Business (SSTB), the estate or trust could be subject to income limitations; you must, therefore, mark the **Treat as a specified service business** check box on screen **K199** or screen **C**, as applicable.

### NOTE

The check box for **This activity is a trade or business** on screen **E** is a required field. It will be completed automatically when the return is updated from 2018 to the 2019 package. If, however, this is the first year this client’s return was prepared in Drake Tax, make sure the box is marked.

A specified service trade or business is any trade or business providing services in the fields of:

Health	Actuarial science	Athletics
Law	Performing arts	Financial services
Accounting	Consulting	Brokerage services

Other trades or businesses could be considered trades or businesses for QBI purposes. Read the field help (click the **Treat as a specified service business** check box and

then press F1) or consult section 199A, Form 1041 Instructions, and Pub.535, Business Expenses, for more information.

## 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, DIV, 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...** — 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. You can use stock ticker symbols or abbreviations (limit 32 characters) to describe the property as long as they are based on the descriptions of the property as shown on Forms 1099-B or 1099-S (or substitute statement).
- **EIN (QOF)** — Enter the taxpayer’s ID of the Qualified Opportunity Fund that matches this transaction. Do not use this field if a QOF was not involved.
- **Date acquired** — Enter the date acquired as an eight-digit number using the MMDDYYYY format. This date is used to determine whether the sale is short term or long term. Type in VARIOUS or INHERIT or Inh2010, as applicable. (Only “Various,” “Inherit,” and “Inh2010” are acceptable for e-file.) Select **S** or **L** from the **Type of gain or loss** drop list to have the gain 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 the gain 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. (The program uses **S** (short term) by default when no date is entered in either the **Date acquired** or **Date sold or disposed** fields.) If the gain or loss is considered “ordinary,” select the **Ordinary** checkbox.
- **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) uses 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
  - 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.

## NOTE

Certain other items – such as the **Accrued Market Discount** field, the **Wash Sale loss disallowed** field – were added to the screen to match Form 1099-B.

### 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 Tax was used for the taxpayer's return 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 **Beneficiaries'** column.

Amounts entered affect calculations for lines 17, 18, and 19 on Schedule D. Amounts under the **Estate's or trust's** column also flow to the appropriate line of Schedule B, and amounts under the **Estate's 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 Chapter 5 of the *2019 Drake Tax User's Manual*.

If the entity derived income from renting to a specified service trade or business, mark the check box in the **Qualified Business Income (QBI) Deduction** section of screen **E**.

**NOTE** For more information on using the **Qualified Business Income (QBI) Deduction** section of screen **E**, see "Qualified Business Income (QBI) Deductions" on page 13.

## Safe Harbor for Rental Properties

A rental real estate enterprise can be treated as a trade or business for purposes of section 199A deduction. To qualify for this safe harbor, the enterprise must meet several requirements, among them:

- If 250 or more hours of rental services are performed each year in respect to this enterprise
- If separate books and records are kept for the enterprise
- The taxpayer maintains contemporaneous records

Commercial and residential real estate may not be part of the same enterprise for purposes of meeting this safe harbor.

Open screen **8825** for each rental property. In the **Qualified Business Income (QBI)** section at the bottom of the screen, select "N" from the **This activity is a trade or business** drop list. Make a selection from the **Meets Section 199A rental "safe harbor"...** drop list. The program produces the Rental Real Estate Safe Harbor worksheet ("QBI SAFE" in View/Print mode.)

If a rental doesn't qualify for the Safe Harbor, it might still qualify for the 199A deduction.

For complete details, see IRS Notice 2019-07.

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

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

Enter information directly into one of these **K1** screens, 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, Supplemental Income and Loss, but in certain cases, the amounts flow to Form 4797, Gains and Losses from Sales of Assets, Form 3800, General Business Credit, 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 25.

### Form 8960 Entries

For entering amounts that you want to flow to Form 8960, Net Investment Income Tax, click 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		Amount
All amounts entered here will flow directly to the line indicated on Form 8960. They will not flow to any other form.		
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 3: The Form 8960 section of the K1 screens

The fields in this section (Figure 3 on page 20) are adjustment fields that add to or subtract from the calculated amount of Form 8960 by whatever adjusting amount you enter. Drake Tax displays the new calculated amount on Form 8960 and generates a "Form 8960 Attachment" worksheet to show the calculations.

There are also check boxes on screens **C**, **F**, and **E** that allow data from the screen to flow to 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. With certain

exceptions (such as the **Grantor** check box), screen **F** in the 1041 package is identical to screen **F** in the 1040 package. For details on completing screen **F**, see Chapter 5 of the *2019 Drake Tax User's Manual*.

## NOTES

- For information on using the **Qualified Business Income (QBI) Deduction** section of screen **F**, see “Qualified Business Income (QBI) Deductions” on page 13.
- 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 Chapter 5 of the *2019 Drake Tax User's Manual*.

## 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 as a literal on line 8 of the form, or in a statement (depending on your setup and the number of entries in the Ctrl+W worksheet).

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 on screen **3** to screens **W2**, **W2G**, and **1099R** allow you to 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,” “Gambling Income and Loss,” and “Form 1099-R” in Chapter 5 of *2019 Drake Tax User's Manual*.

### Form 1099- OID

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.

### Form 1099- PATR

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**.

## State 1099 Screens

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

## State Forms 1099-K

Taxpayers who accepted credit or debit cards for payments or received payments through a third-party network that exceeded \$20,000 in gross total reportable transactions should have received a Form 1099-K, Payment Card and Third-Party Network Transactions.

Report Form 1099-K data on the **99K** screen, available from the **States** tab of the **Data Entry Menu**. If any state withholding is shown in box 8, enter it on the **99K** screen. (State withholding is the only amount from screen **99K** that flows to a state return; nothing from screen **99K** flows to a federal return.) See Screen Help (press CTRL+ALT+?) for details and for a link to the 1099-K instructions.

## 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 entries on other screens in the program.

## Deduction Allocation

Deductions can be directed to one of the income types listed on screen **3** (Figure 4).

30a Amount of overpayment to be applied to 2020 estimate... [Estimates](#)

Apply deductions against non-capital gain income first

**Override amounts of deductions allocated to income type being distributed on Schedule K-1**

1 - Interest	2 - Dividends	3 - Short Term Cap Gain	4 - Long Term Cap Gain
= <input type="text"/>	= <input type="text"/>	= <input type="text"/>	= <input type="text"/>
5 - Other Portfolio Income	6 - Ordinary Business Income	7 - Net Rental Real Estate	8 - Other Rental Income
= <input type="text"/>	= <input type="text"/>	= <input type="text"/>	= <input type="text"/>

State use ONLY

**Figure 4:** Screen **3**, Applying deductions against ordinary income (#1); allocating income type (#2)

Below line 30a on screen **3** is an **Apply deductions against non-capital gain income first** check box (item #1 of Figure 4 on page 22). If you mark this box, the deductions entered on lines 10 through 15b of screen **3** are applied against ordinary income and 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 (click in the field and press F1) or consult the IRS instructions.

The **Override amount of deductions...** fields on screen **3** (item #2 in Figure 4 on page 22) 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 on line 16 of the calculated form.

## Interest Deductions

Use screen **3** to enter interest amounts for line 10 (“Interest”) of Form 1041. See the field-level help for line 10, the 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 or the screen help on screen **4952** for exceptions (select **Help** from the **4952** screen toolbar or press CTRL+ALT+?). 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 Tax, 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”) of the return 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 (“Wks TAXEX” in View/Print mode) also displays the calculations for charitable contributions allocated to tax-exempt income.

For more on the Worksheet for Tax-Exempt Income, see “TAXEX Worksheet” on page 36.

## 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.

### TIP

To override calculated amounts for lines 12, 13, 14, and 15a, use the **WK\_TAXEX - Worksheet for Tax Exempt Income** section at the bottom of screen **3**.

### NOTES

- Attorney, accountant, and return preparer fees deducted on Form 706, Estate (and Generation-Skipping Transfer) Tax Return, cannot be deducted on Form 1041.
- Click the **LOSS** link on screen **3** to open the **LOSS** screen, where NOL carryforwards can be recorded.
- For examples of deductions that can be reported on lines 15a and 15b, 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 (“Beneficiary’s Share of Income, Deductions, Credits, etc.”) of Form 1041.

### Schedule B

Schedule B, Income Distribution Deduction, is used to determine the estate’s or trust’s income distribution deduction. The amount for line 18 (“Income distribution deduction”) on page 1 of the 1041 return flows from line 15 of Schedule B. Entries to Schedule B can be made on 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 **3**. The calculations are shown on worksheet “Wks TAXEX” in View/Print mode.

### Sch A, Line 4 Adjustment

Line 4, “Adjustments for Schedule A, line 4,” in the **Schedule B** section of screen **4** is an adjustment field; an amount entered here is combined with the amount entered on line 4 of the **Schedule A** section of screen **4**. (This pertains only to trusts other than simple trusts.)

For an estate or trust other than a simple trust or full grantor type trust, amounts must be entered on line 9 (and 10 if applicable) of screen **4** 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 of Schedule B, and your client is filing for a complex trust that has previously accumulated income, Schedule J (Accumulation Distribution for Certain Com-

plex Trusts) may be required. Use screen **J**, accessible from the **Other Forms** tab, to complete Schedule J in Drake Tax.

## 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 Tax, 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, "Income distribution deduction," of Form 1041.

## NOTES

- To see the formula used for calculating the amount for Schedule K-1, see worksheet "Wks Sch K-1" in View/Print 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 19.

### 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 Tax. (See "Estate, Trust, and Fiduciary Information" on page 10.)

### Schedule K-1, Part II

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

- **ID number** — Enter the beneficiary's SSN (for individuals) or entity's ID number (for an entity). Mark the check box 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 the one who receives any balancing amount on Schedule K-1 when the return is calculated. (To choose how beneficiaries are listed in View/Print mode, go to the **PRNT** screen and select from **Sort beneficiaries' Schedules K-1** drop list.)
- **Name and Address** — Separate fields are provided for street address, city, state, and ZIP code. (As with most address fields in Drake Tax, an entry in the **ZIP** 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, “Beneficiary’s Share of Current Year Income, Deductions, Credits, and Other Items,” of Schedule K-1 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 “Wks Sch K-1” worksheet in View/Print mode; otherwise the program uses the amount calculated on “Wks Sch K-1” worksheet multiplied by the beneficiary’s percentage.

### Flow of Depreciation

To have the applicable amount of depreciation, depletion, and amortization flow to Schedules C, E, or F rather than to line 9 of the beneficiary’s Schedule K-1, go to screen **1** and mark the box that states, **Carry the applicable amount...** (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 Tax, go to **Setup > Options > Client Communications** tab and select the **Include K-1 letters with returns** check box. The letters include the name and title entered on the **PIN** screen of the person who signs the letters.

To generate these letters on a per-return basis instead of globally, follow these steps:

Screen Code:  
**COMM** or **LTR**

1. Inside a return, open the **COMM** screen, accessible from the **Miscellaneous** tab, for the return. (This is also listed as the **K1L** screen and the **LTR** screen.)
2. In the **K-1 Letter** drop list, select “Yes,” to generate the K-1 letter with that return. (If you have the **Include K-1 letters with returns** check box marked at **Setup > Options > Client Communications** tab, select “No” from the **K-1 Letter** drop list on the **COMM** screen to suppress the K-1 letter with that return.

The name of the person signing the K-1 letter is the name entered on screen **1**, in the **Name and address information** section. To change the name of the person signing the letter, at the bottom of **COMM** screen, type in the name and title of the person who will sign the K-1 letter. (See NOTES, following.)

At this point, no header information (letterhead) will be printed at the top of the letter:

1. To have the *fiduciary’s* name and address appear in the letterhead of the K-1 letters, from the **Home** window go to **Setup > Communications Editor > Setup >**

**Page Layout** and select **Use letterhead on letters**. The letterhead is derived from information entered on screen 1.

- To have *your firm's* contact information and logo printed in the letterhead of the K-1 letters, go back to the **COMM** screen, and at the bottom, select **Print firm info/logo** from the **Information on the K-1 coversheet...** drop list.

Once the required signing information has been entered, a K-1 letter is generated for each shareholder receiving a K-1.

## 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 new **COMM** screen of the return and make a selection from the **Print K-1 envelope coversheet** drop list.

Review the following sections of the *2019 Drake Tax User's Manual* before making changes to letter templates:

- “Introduction to Letters in Drake Tax” 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 Tax, go to **Setup > Communications Editor**. Click **Open > Fiduciary > Fiduciary K1 Amended Letter**. Follow the steps outlined in “Introduction to Letters in Drake Tax” in Chapter 2 of the *2019 Drake Tax User's Manual* 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 Schedules 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

The statements can be printed together on one page or on separate pages in View/Print mode, depending on your selection at **Setup > Options > Calculations & View/Print** tab. Mark or clear the **Print only one overflow statement per page** check box.

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

## K-1 Export

Take the following steps to export K-1 information from a fiduciary return into the **K1F** screen of a 1040 return:

1. Ensure that K-1 data is entered in the fiduciary return and that the 1040 return has been created in Drake Tax. (The **K1F** screen in the 1040 does not have to be created beforehand.)
2. In the fiduciary return, go to View/Print mode.
3. Click **K1 Export** in the View/Print toolbar. If any K-1s are not eligible to be exported, that list appears. Click **Next** to continue; otherwise, the **Export K1s** window is opened, containing a list of K-1s eligible for export.
4. All SSNs in the list are eligible for export. Remove the check mark from the box to the left of any SSNs you do not wish to export.
5. Click **Export**. The K-1 data will be displayed in the 1040 return in the program.

### More K-1 Entries

The **Additional Entries** tab (Figure 5) on the K-1 “source” screens (**K1P**, **K1S**, **K1F**) in all packages offers 40 more fields for entering and exporting additional K-1 items.

The screenshot shows a software interface for entering K-1 data. At the top, there are three tabs: '1065 K1 1-11', '1065 K1 13-20', and 'Additional entries'. The 'Additional entries' tab is selected and circled in red. Below the tabs, the title is 'Schedule K-1 for 1065'. There are several input fields and checkboxes:
 

- Grantor:  F  ST  PAN
- Partnership EIN: 41-4141414
- Partnership name: Partners In Grime
- For state use only:
  - Street address: 1234 Main Street
  - City: Franklin
  - U.S. ONLY: State, ZIP: NC 28734
  - Foreign ONLY: Province/State, Country, Postal Code: <Click to Access>

Figure 5: Additional entries tab on the K-1 “source” screen **K1P**

## Set Viewing Order

You can choose the order in which the program sorts, views, and prints beneficiaries’ K-1s. Open the **PRNT** screen (available from the **Miscellaneous** tab of the **Data Entry Menu**), and from the **Sort Beneficiaries’ Schedules K-1 by...** drop list, select **ID Number**, **First name**, **Last name**, or **Percentage**.

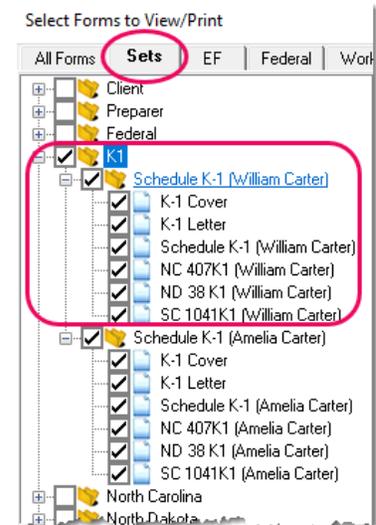
## Viewing Schedules K-1

View the return in View/Print mode and note that all the Schedules K-1 are sorted in the order selected on the **PRNT** screen (the default order is the order in which they were entered into the program).

Depending on the state, all state K-1s are grouped and sorted in the selected manner. The name of the K-1 owner is included in the description of the federal and most state K-1s.

For those who print their K-1 forms from the **Sets** tab in View/Print mode (figure at right), all generated federal and state K-1 schedules, forms, and worksheets for each beneficiary are in the appropriate folder, making it easier to print everything needed for each beneficiary.

Click the PLUS SIGN [+] to expand the folder to see all documents relating to that beneficiary. Click the MINUS SIGN [-] to collapse the folder again.



## Estate Tax Deduction

Screen Code:  
**ETXD**

If the estate or trust includes income in respect to a decedent (IRD) in its gross income, and such an 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 **ETXD** (Estate Tax Deduction) screen—accessible from the **Other Forms** tab of the **Data Entry Menu** or 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 "Wks Est Tax," 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 21 ("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 Tax) receive no exemption.
- Qualified disability trust are allowed a \$4,200 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 Tax makes these calculations when generating the return; results are shown on line 9 of the “Schedule G” section on Form 1041, page 2, with the total tax flowing to line 24 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**, accessible from the **Taxes** tab of the **Data Entry Menu**.

### 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 Tax, all Schedule I computations are made automatically. To override any of the calculated amounts, use screen **I**, accessible from the **Taxes** tab of the **Data Entry Menu**.

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

Schedule I is printed with the return only when needed. To force the program to print 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 “Other credit” 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** (available from the **Credits** tab) to claim current-year business credits that are not supported by Drake Tax. 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 Tax must be paper-filed.

Enter any unused current-year credit being carried back and used in 2018 in the **Amount of Carryback** text box.

## Carrybacks and Carryforwards

Use screen **GBC** (available from the **Credits** tab) 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.

For more on using screen **3800**, see “General Business Credits” in Chapter 5 of *2019 Drake Tax User’s Manual*.

**TIP** In the **Amount of Original Credit Previously Used** section of screen **GBC**, type in the amounts of credit carryforward used in a previous years for a true historical record. The program computes the remaining amount of the credit each year you use Drake Tax; otherwise, it computes only what remains.

**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 Tax, you can fill out prior-year minimum tax information on screen **8801**, accessible from the **Credits** tab.

### Bond Credit

Bond credit flows from screen **8912** to line 2d of Schedule G. In Drake Tax, 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 applies to individuals, estates, and trusts that have certain investment income above certain threshold amounts. Screen **8960** is available from the **Taxes** tab.

## IMPORTANT

Such administrative costs as fiduciary fees, attorney fees, and accountant fees, return preparer fees—used to determine the proper amount of adjusted gross income used in the calculation of net investment income tax—are entered on lines 12 and 14 of screen **3**. You can override the amounts used for the AGI calculations by using the override fields on screen **AGI** (available from the **Other Forms** tab).

Administrative costs other than fiduciary, attorney, accountant, and return preparer fees should be entered on the line 15a of screen **AGI**.

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 6 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, complete Form 8611, Recapture of Low-Income Housing Credit. There is no data-entry screen in Drake Tax 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 Tax, accessible from the **Taxes** tab). When the return is calculated, the total flows to line 7 of Schedule G.

### Line 8 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

calculated for line 7 of Schedule G, Form 1041. A statement showing the computation is also required.

From line 8 of the **Schedule G** section of screen 4, click the **Required STM** link to open the **SCH (Unformatted Statement)** screen (Figure 6). (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 8, Deferred Tax.” In the large text pane, show your computations for the amount you entered on line 7 of screen 4.

**Figure 6:** 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

*Screen code: ES* Pay quarterly and total amounts on the **ES** screen, accessible from the **Taxes** tab.

- **Estimated Taxes** — Enter the estimated taxes due for 2020 on the right side of the screen in the fields of the **Estimate amount** column. From the **ES Code** drop list, choose how you want payment vouchers to be printed with the return. (Press F1 in the **ES Code** field 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 in the **OP Code** field 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 **ES** screen for filing federal estimated taxes, and to e-file and pay state estimated taxes, see "Estimated Taxes," in Chapter 5 of the *2019 Drake Tax User's Manual*.
- See Form 1041 instructions for more information on estimated taxes.

### Other Features of ES Screen

Three other features on the Estimated Taxes (**ES**) screen:

- 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 adds the amount of the missed payment to the next available voucher. Enter "0" in the **Estimate amount** voucher field for quarter the payment was not be made.
- An **Increase/Decrease calculated estimates by...** text box on the **ES** screen allows you to adjust the total estimated taxes due.

### 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 **4** and go to line 11. 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), Schedule K-1, and to Form 1041-T if the **K1** screens contain data.

- If an amount is entered on line 11 of Schedule G on screen 4, a filing date is required in the field just below the amount field. Form 1041-T must be filed within 65 days of the end of the tax year or the election is invalid.

## NOTES

- A 1041 return with an amount on line 11 of Schedule G 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.

### 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**), 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 55.

### Federal Income Tax Withheld

Federal income tax withheld reported on screens **8949, 1099, INT, DIV, W2, W2G, K1P, K1F** and **K1S** flows to line 23 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 **4**, line 14 “Federal income tax withheld,” adjusts the calculated amount on line 14 of Schedule G, Part II, and line 26, “Total Payments,” on page 1 of Form 1041. 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 is marked automatically 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)

Line 16 of Schedule G, Part II, “Other payments,” is 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**, accessible from the **Assets/Sales** tab of the **Data Entry Menu**. For 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 amount flows from those screens to line 16 of Schedule G, “Part II - Other payments,” and is calculated into line 26, “Total Payments,” 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 Tax, use screen **2210** (accessible from the **Taxes** tab or the **Form 2210** link on screen **3**) to complete Form 2210. When the return is generated, the calculation from screen **2210** flows to Form 1041, line 27 (“Estimated tax penalty”).

If screen **2210** is not used, a tax penalty amount can be directly entered on line 27 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 27 of screen **3**, the program overrides the calculated amount from screen **2210** and used the screen **3** entry on line 27 of the form.

## 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 **ES** screen for filing federal estimated taxes, and to e-file and pay state estimated taxes, see “Estimated Taxes” in Chapter 5 of the *2019 Drake Tax User’s Manual*.

## Other Information

To complete the “Other Information” section on page 3 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 11 of the **DIV** screen. The “Yes” column in the “Other Information” section of page 3 of Form 1041 is marked and the amount appears on line 1 (as noted in Figure 7):

Form 1041 (2019)		Page 3	
Other Information		Yes	No
1	Did the estate or trust receive tax-exempt income? If "Yes," attach a computation of the allocation of expenses. WK TAXEX	X	
	Enter the amount of tax-exempt interest income and exempt-interest dividends . . . . . \$		
	15,060		
2	Did the estate or trust receive all or any part of the earnings (salary, wages, and other compensation) of any individual by reason of a contract assignment or similar arrangement? . . . . .		

**Figure 7:** 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)

## TAXEX Worksheet

If tax-exempt interest and certain deductions are present in the return, the program produces a Worksheet for Tax-Exempt Income (Wks 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 of screen **3**. 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.

### Tax-Exempt Income

Line 12 of Schedule B on screen **4** is an override field. The program 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 make that override on line 12.

## 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 just below.

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 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 complete FinCEN Form 114 in Drake Tax, go to screens **FRGN** and **114** (accessible from the **Foreign** tab of the **Data Entry Menu**). To file the form, click the **BSA E-Filing System** link to the Financial Crimes Enforcement Network’s website near the top of screen **114**.

Also available on the **Foreign** tab are the screens used in completing Form 8938, Statement of Specified Foreign Financial Assets.

For more on completing FinCEN Form 114, see “Foreign Financial Accounts” in Chapter 5 of the *2019 Drake Tax User’s Manual*.

## 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** of screen **5** to open the **Qualified Residence Interest Paid on Seller-financed Mortgage** screen. (Also available from the **Income** tab of the **Data Entry Menu**.)

Screen Code:  
**PAID**

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 3 of Form 1041 and generates a statement containing information on the sellers.

If the estate or trust *received* seller-financed mortgage interest, open the **INT** screen. At the top of the screen mark the **Seller-financed mortgage** check box, then complete the **Payer Information** section.

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

## NOTES

- For more on completing data entry for installment sales and group sales, see “Reporting Installment Sales” in Chapter 5 of the *2019 Drake Tax User’s Manual*.
- For more on reporting asset depreciation with screen **4562**, see “Completing Form 4562, Depreciation and Amortization” in Chapter 5 of the *2019 Drake Tax User’s Manual*.

## Estate Open Two+ Years

Screen code:  
**MISC**

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 (available from the **Miscellaneous** tab of the **Data Entry Menu**), 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 “EF Reg Note” is generated in View/Print mode.

## Elections

Screen code:  
**ELEC**

The **ELEC** 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.

Screen code: **SCH**

For elections not listed on the **ELEC** screen, open the **SCH** screen (available from the **Miscellaneous** tab of the **Data Entry Menu**). From the **Type of attachment** drop list on the **SCH** screen, select **E - Election Explanation**, as shown in Figure 8. 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.

**SCH - Unformatted Attachment to Return**

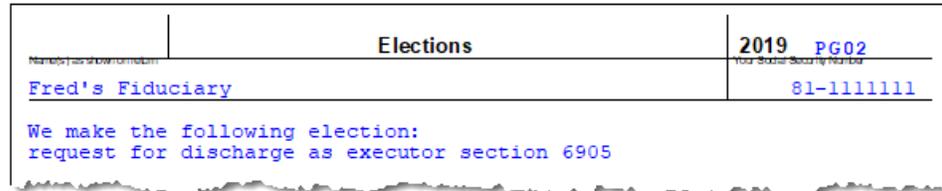
Type of attachment/statement number and title:

Multi-form code:

We make the following election:  
Request for discharge as executor section 6905

**Figure 8:** Completing election statement on **SCH** screen

The program produces a Preparer Note (listed as “Election Stmt” in View/Print mode) noting the election selected (Figure 9 on page 39).



**Figure 9:** The election explanation appears as an “Election” statement

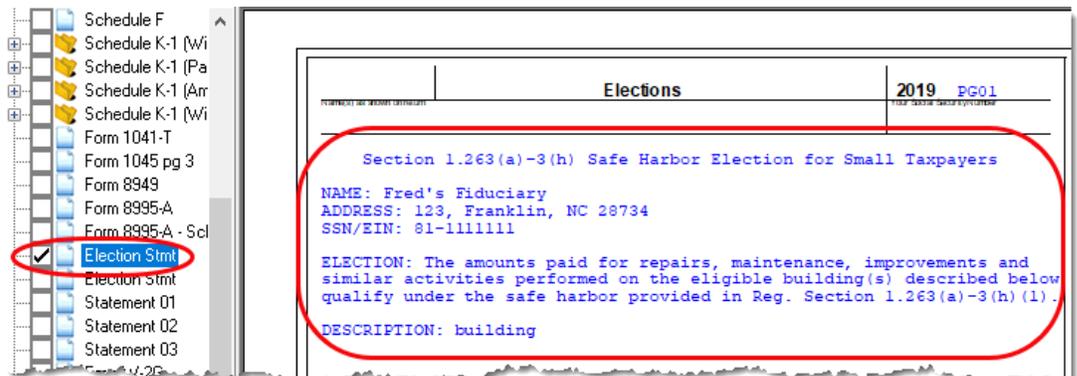
**NOTE** Making these elections and completing these statements does not change the calculation of the return.

### 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 10).



**Figure 10:** Election statements 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 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. 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 and Banking** section on the **General** tab of the **Data Entry Menu**.

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

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-file

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 scanning feature of Drake Documents for this step.

2. Save the document to your client's Drake Documents 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 Tax

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

1. Open the return in Drake Tax. 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 11).



**Figure 11:** 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
<b>Reference Source</b> (This field is for your records only; it is not transmitted with the PDF.)	Name or number of regulation, publication, or form instruction that makes attachments necessary	- IRS Pub xxx-1.4 - Form Instructions for 1041

**Table 1: PDF Attachment Window Columns**

Name of Column	Description	Examples
<b>Description</b>	Description of form or document to be attached	- Title of house on Oak Street - Appraisal of Lot 1234
<b>File name</b>	Distinctive, easily recognizable file name, followed by ".pdf"	- TitleHouseOakSt.pdf - AppraisalLot1234.pdf

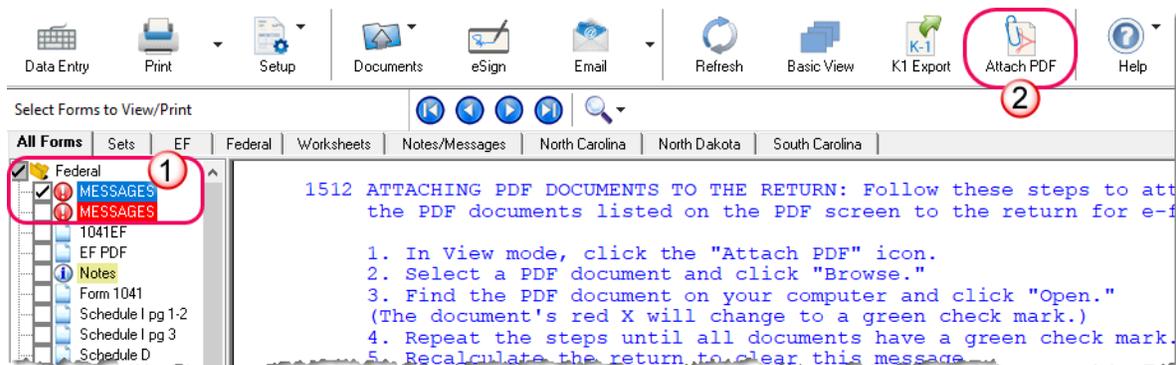
**3.** Exit the **PDF Attachments** window.

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:

- From the return, click **View**. If anything was entered in the **PDF Attachments** window (see "Adding PDF Documents in Drake Tax" on page 40), there will be two PDF-related items in the **View/Print** window:
  - An EF Message alert (item #1 in Figure 12)
  - An **Attach PDF** button on the toolbar (item #2 in Figure 12)



**Figure 12:** The **MESSAGES** file (1) and the **Attach PDF** button (2)

- Click the **MESSAGES** file to view EF Messages, including information on how to attach the required documents to the return.
- Click the **Attach PDF** button. The **EF PDF Attachments** window displays the information entered on the **PDF Attachments** screen in data entry. A red circle with an **X** means the document has not yet been attached; a green circle with a check mark indicates an attached document. (See Figure 13 on page 42.)

Reference	Description	Required PDF FileName
IRS Pub. 1234	title of house on Elm St	TITLEOAKSTREET.PDF
Form 8283	Contemporaneous Acknowledgem	CONTEMPORANEOUSACKC.PDF
Form 1120 box g	Form 2553 List of Officers	2553OFFICERS.PDF

Figure 13: The EF PDF Attachments window

4. Click the row of a document to attach.
5. Click **Browse** to search for to the proper folder, select the PDF file to attach, and click **Open** (or double-click the file name).

Repeat for all documents with an **X**. When all documents have been attached to a completed return (and show a 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 Tax 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 14 on page 43).

General	Income	Assets / Sales	Credits	Taxes	Other Forms	Foreign	Misc
EXT	Extension (Form 7004)					56	
X	Amended Return Changes					911	
J	Accumulation Distribution					NOL	
AGI	AGI and AMID					1045	
642	Section 642(c)(1) Charitable Contributions					LOSS	
BR	Bankruptcy Estate					2848	
ETXD	Estate Tax Deduction					8082	
						8275	
	Change in Accounting Method					8594	
3115	Change in Accounting Method					8821	
311E	Schedule E					8822	
ATT	Explanations and Attachments					8829	
ATT2	Pt II Ln 14 and Pt III Ln 24b Attachment					8855	
						8903	
FAQ	Frequently Asked Questions					8948	

**Figure 14:** Screens for Form 3115, Application for Change in Accounting Method

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

- Screen **3115 (Change in Accounting Method)** — Used to access fields for Form 3115, including Schedules A through D
- Screen **311E (Schedule E)** — Used to request a change in depreciation or amortization methods
- Screen **ATT (Explanations and Attachments)** — Used to create and view certain attachments to be generated by the software
- Screen **ATT2 (Pt II Ln 14 & Pt III Ln 24b 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 15 on page 44) 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.

## Form 3115 Screens

When you open the **3115** screen from the **Data Entry Menu**, the program displays the first of six **3115** screens as tabs across the top of the first screen. 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 15, you can access these **3115** screens by clicking a link at the top of any other **3115** screen.

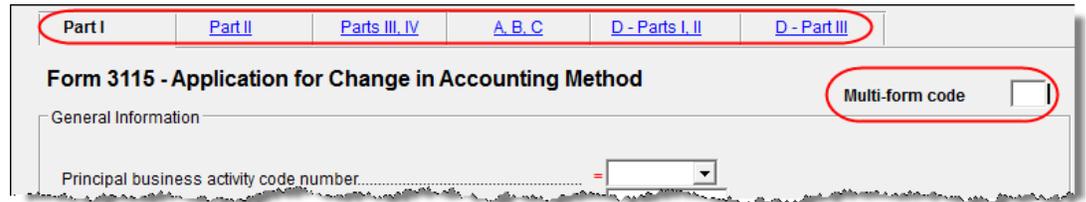


Figure 15: Tab links on 3115 screen

## Other Screens For Completing Form 1041

Drake Tax provides numerous screens that are not always needed for completing Form 1041. These screens are accessible through the **Income** tab, the **Assets/Sales** tab, the **Credits** tab, the **Taxes** 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 *2019 Drake Tax User's Manual*.

The following sections provide further information on these screens.

### Oil and Gas Depletion Worksheet

The Oil and Gas Depletion Worksheet calculates oil and gas depletion. Entries on the **DEPL** screen flow to the Oil and Gas Depletion Worksheet (“Wks DEPL”) in View/Print mode. The **DEPL** screen is accessible from the **Income** tab of the **Data Entry Menu**. Create a separate depletion worksheet for each oil or gas interest. (Press PAGE DOWN to open a fresh instance of the **DEPL** screen.) Enter data for cost depletion, percentage depletion, or for both. If data for both cost and percentage depletion is entered, the program does both computations and sends the one that gives the entity (beneficiaries or fiduciary) the best deduction to the proper form or schedule. (Not all taxpayers have the option of using either method. Consult Publication 535 for additional information.)

Entries on the **DEPL** screen flow to the shareholders’ Schedule K-1, box 14, code A. The deductions from all of the worksheets are totaled and carried to the indicated form or schedule. When you view the return, the “Wks DEPL” worksheets are listed in the forms tree on the left side of the **View/Print** window.

### Entering Data

Before you enter any data on a **DEPL** screen, view the return and find the amount of taxable income (line 23 of Form 1041). Return to the **DEPL** screen and enter that amount on line 23. Then, enter the rest of data, being sure to complete the **For** drop list, and, if needed, the **MFC** code. If you enter data in both the **Cost Depletion** section and the **Percentage Depletion** section of the **DEPL** screen, the program calculates the best deduction for your client.

When you've finished entering your data, view the return. The Oil and Gas Depletion worksheets (Wks DEPL) are listed in the forms tree on the left side of the window in View/Print mode.

## Form 461, Limitations on Business Losses

An activity qualifies as a trade or business for Section 461 purposes if the primary purpose for engaging in the activity is for income or profit *and* the taxpayer is involved in the activity with continuity and regularity. The facts and circumstances of each case determines if an activity is a trade or business. The regularity of activities and transactions, and the production of income, are important elements. The taxpayer need not actually make a profit to be in a trade or business as long as the taxpayer has a profit motive; however, he or she does need to make ongoing efforts to further the interest of the trade or business.

Lines 1 through 7 of Form 461 are generated from entries made on other screens of the return. Enter any amounts, if needed, directly in the fields for lines 8, 10, and 11 screen **461**. (If data is entered on line 8, 10, or 11, all fields on those lines become required and must contain data. Enter "0" if no amount is applicable.)

If line 16 of Form 461 is a negative number, the losses were limited and Form 461 must be filed. If line 16 is "0" or greater, Form 461 is not produced (and should not be attached to the return when paper-filing the return).

### Income Screens

Most of the **Income** 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 the **Income** Tab

Screen	Schedule or Form
6198	Computation of Deductible Loss
CIDP	Crop Insurance and Disaster Payments

### Available Assets/Sales Screens

Many of the **Assets/Sales** screens have been covered elsewhere in this manual. Listed in Table 3 are those that are available but are *not* covered in this document.

**Table 3:** Other Screens Available From the **Assets/Sales** Tab

Screen	Schedule or Form
4684	Form 4684, Casualties and Thefts
6781	Form 6781, Gains and Losses From Section 1256 Contracts and Straddles
8824	Form 8824, Like-Kind Exchanges

Get more information on these screens by clicking **Help** from the screen toolbar (or pressing CTRL+ALT+?), by pressing F1 in the various fields of the screens, or by reading about the equivalent screens in the *2019 Drake Tax User's Manual*.

**Depreciation** Use the **Depreciation Detail (4562)** screen to enter depreciable assets for Schedule C, Schedule E, or Schedule F or the Auto Expense worksheet (“Wks Auto” in View/Print mode). For more information on depreciation and the **4562** screen (Form 4562, Depreciation and Amortization) in Drake Tax, see the *2019 Drake Tax User’s Manual*.

## NOTES

IRS rules do not allow section 179 depreciation in 1041 returns.  
Drake Tax produces one Form 4562 for each property on Schedule E instead of one 4562 per Schedule E.

## Form 8997, Initial and Annual Statement of QOF Investments

An investor in a qualified opportunity fund (QOF) uses Form 8997 to inform the IRS of the QOF investments and deferred gains held at the beginning and end of the current tax year, as well as any capital gains deferred and invested in a QOF in the current year, and QOF investments disposed of during the current tax year. When an investor acquires or sells the investment, it must also be reported on Form 8949, Sales and Other Dispositions of Capital Assets.

Find screen **8997** on the **Other Forms** tab of the **Data Entry Menu**.

### Reporting QOF Investments

From the **Part** drop list on screen **8997**, select which part you are completing:

- Part I: Used to declare the estate’s or trust’s QOF investments held at the beginning of the current tax year.
- Part II: Used to report the estate’s or trust’s capital gains for the current tax year that were deferred by investing in a QOF.
- Part III: Used to report the estate’s or trust’s QOF investments disposed of during the current tax year.
- Part IV: Used to report the estate’s or trust’s QOF investments held at the end of the current tax year due to current-year capital gain deferrals and prior tax years’ deferrals.

For each investment, enter the EIN of the QOF, along with the date the QOF investment was acquired, a description of the interest acquired, and the amount that was short-term deferred gain and long-term deferred gain.

Mark the check boxes at the bottom of the screen as appropriate.

Press PAGE DOWN to open a fresh screen and make another selection from the **Part** drop list.

## 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 4 are those **Credits** screens that are available but are not covered in this document.

**Table 4: Other Screens Available From the Credits Tab**

<b>Screen</b>	<b>Form and Credit</b>
3468	Form 3468, Investment Credit
5884	Form 5884, Work Opportunity Credit
588A	Form 5884-A, Credits for Affected Disaster Area Employers
6478	Form 6478, Biofuel Producer Credit
6765	Form 6765, Credit for Increasing Research Activities
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, has expired for the current year. 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
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
CR	Form 8582-CR, Passive Activity Credit Limitations

NEW FOR  
2019

Certain “extender” tax credits have been revived for 2019. In fact, these extenders are retroactive, so taxpayers who were unable to claim these credits in 2018 are now eligible for to file amended returns.

## Taxes

Other screens available from the **Taxes** and not covered elsewhere in this manual are listed in Table 5.

You can find more information from the field-level helps on these screens.

**Table 5:** Other screens available from the **Taxes** tab

Screen	Form and Tax
ESTB	Schedule G - ESTB Tax Computation Statement
4970	Form 4970, Tax on Accumulated Distribution of Trust

## Other Screens

Listed in Table 6 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 *2019 Drake Tax User's Manual*. You can also use the screen help and field-level helps for individual screens.

**Table 6:** Other Screens Available From **Other Forms** Tab

Screen	Screen or Form
642	Charitable Contributions Paid in Prior Year - Section 642(c)(1) Election
BR	Bankruptcy Estate
ETXD	Income that the decedent had a right to receive at the time of death (had death not occurred) that was not included on decedent's final Form 1040 and was included in the gross estate (Form 706) and subject to estate tax is “income in respect of a decedent.” (IRD).
56	Form 56, Notice Concerning Fiduciary Relationship
911	Request for Taxpayer Advocate Service Assistance
NOL	Form 1045, Application for Tentative Refund, and Schedule A
1045	Computation of decrease in tax and Schedule B of Form 1045
2848	Form 2848, Power of Attorney and Declaration of Representative
8082	Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR)
8275	Form 8275, Disclosure Statement
8594	Form 8594, Asset Acquisition Statement Under Section 1060

**Table 6:** Other Screens Available From **Other Forms** Tab

Screen	Screen or Form
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
8903	Form 8903, Domestic Production Activities Deduction
8948	Explanation for Not Filing Electronically

**Misc. Tab**

Listed in Table 7 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 *2019 Drake Tax User's Manual*. You can also use the screen help and field-level helps for individual screens.

**Table 7:** 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.
HIDE	To keep a specific Return Note from being generated whenever you view a return, enter the number of the note to hide in one of the boxes, and then recalculate the return.
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 *2019 Drake Tax User's Manual*.

**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** 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.

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.

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.

*Screen Code:*  
**DIST**

Use the distribution screen (**DIST**) 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 Software's Knowledge Base for articles on filing the form.

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

## Other Program Imports

Information for other outside worksheets can be imported into your 1041 return.

**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 - 1041 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 be 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).

## Form 8949 Import

With the **Form 8949 Import/GruntWorx Trades** feature, you can import capital gain and loss transaction data 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.

To successfully import transaction information from a worksheet into Drake Tax, the worksheet must be correctly formatted. (GruntWorx Trades are already properly 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. From the **Home** window toolbar in Drake Tax, click **Support > Drake Software Knowledge Base**.
2. When the Drake Software Knowledge Base is opened, in the **Quick Search** field in the top-right corner of the window, type 10139 and click the magnifying glass icon on the right.
3. After the search has been completed, click “10139: Schedule D Form 8949 Gruntworx Trades Import” from the **Search Results**.
4. In article 10139, scroll down to **Attachments** and click “2016 and Future...”

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.

## IMPORTANT

- For importing 8949 data into a 1041 return from the Drake Tax template, the “TSJ” column in the template represents the **Grantor** field on screen **8949**.
- If you are building your own worksheet for importing 8949 data, include the “QSBS” (Qualified Small Business Stock) columns in the worksheet but enter no amounts in those columns; when 8949 data is imported, those two columns are ignored.
- Do not include the **EIN (QOF Only)** field from screen **8949** when building your worksheet.

To use the 8949 Import feature:

1. Open a client’s tax return.
2. From the **Data Entry Menu** toolbar, click **Import > Form 8949 Import**.
3. In the **Form 8949 Import** window, review the example spreadsheet format.
4. When you are ready to begin the import process, click **Next**.
5. When the **Form 8949 Import - Step 1** window is opened, click **Browse**, find your worksheet, click **Open**, then click **Next**.
6. 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**.
7. When the **Form 4562 Import - Step 3** window is opened. Click **Import**.

After import, each transaction appears on a separate **8949** screen.

## NOTES

- Click the **8949 Import Tool** link in KB article 10139 to view an instructional video using the 8949 Import feature.
- For more help, click **Help** from the **Form 8949 Import** window (in Step 3 on page 53) or see “Form 4562 Import” and “Form 8949 Imports” in Chapter 5 of the *2019 Drake Tax User’s Manual*.
- Whether using the downloaded worksheet for the 4562 import or the 8949 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 (or **8949** screens) and pressing CTRL+D.
- For more help, see “Form 4562 Import” and “Form 8949 Imports” in Chapter 5 of the *2019 Drake Tax User’s Manual*.

## 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 Information** fields) of the fiduciary or officer.

## NOTES

- **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).

### e-Signing Form 8879-F

You can take advantage of the e-Signature feature of Drake Tax 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 *2019 Drake Tax User’s Manual*.

## 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.
6. 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 15, 2020. 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 is extended for five-and-a-half months following the regular due date.

To apply for an extension, open the **EXT** (or **7004**) screen, available from the **Other Forms** tab. 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, or enter the two-letter state abbreviation in the selector field and press ENTER.

## 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 at **Setup > Options**.

### 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 461** — Limitations on Business Losses. (If the calculated amount of line 16 is “\$0” (zero) or greater, retain for your files only; do not mail or attach to the return.)
- **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 35 for details.)
- **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 4952** — Generates Form 4952, Investment Interest Expense Deduction. (See “Interest Deductions” on page 23 for details.)
- **Print Form 8582** — Generates Form 8582, Passive Activity Loss Limitations, with the return.
- **Print Form 8960** — Generates Form 8960, Net Investment Income Tax - Individuals, Estates, and Trusts.

- **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 2019 return to the 2018 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
- **Alternative Electronic Signature PIN** — The preparer’s alternative PIN entered here must match the one created in **Setup > Preparers**.

**NOTE** Code sheets are displayed in View/Print mode, listed as “Schedule K-1 Codes.” When the return is printed, the code sheets are printed after the Schedules K-1.

### Items to Suppress

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

- **Proformas** — Choose not to generate a proforma 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.

## Other Selections on the PRNT Screen

The following items are available on the **PRNT** screen:

- Override the date shown on return (default is current system date)

**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.

- **Sort Beneficiaries’ Schedules K-1** — Choose the order in which the program sorts, views, and prints beneficiaries’ K-1s. From the drop list, select **ID Number**, **First name**, **Last name**, or **Percentage**.

## Overriding Other Printing Options

Printing of the following items can be either forced or suppressed from the new **COMM** screen (available from the **Miscellaneous** tab of the **Data Entry Menu**) to override the program defaults and global options selected in Setup Options:

Screen Code:  
**COMM**

- Engagement letter
- Privacy policy
- Customized supplemental letter
- K-1 letter
- Federal filing instructions
- State filing instructions
- Envelope cover sheet with IRS's address
- Envelope cover sheet with state taxing authority's address
- Envelope cover sheet with city taxing authority's address
- Envelope cover sheet with taxpayer's address
- Envelope cover sheet with your firm's address
- Envelope cover sheet with K-1s
- Due date to be printed on letters and filing instructions

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

By default, the program generates the information shown in Table 8 on the return.

**Table 8:** Firm, Preparer, and ERO Data that Can Be Changed on the Fly

Information	Description
Firm	Firm #1 from Firm Setup (first firm entered in <b>Setup &gt; Firm(s)</b> )
Preparer	Preparer who fills out the return (entered in <b>Setup &gt; Preparer(s)</b> )
ERO	ERO from <b>Setup &gt; ERO</b> ; 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 *2019 Drake Tax User's Manual* for details. For information on signing the return electronically, see “Signing the Return” on page 54.

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

## EF “Notice” and EF “ACK” Pages

Similar to federal Form 9325, Acknowledgment and General Information for Taxpayers who File Returns Electronically, generated with 1040 returns, the Fiduciary package generate an “EF Notice” page in View/Print mode for the main forms of federal returns, and state Fiduciary packages generate a “(ST)EF ACK” page for the main forms of state returns for states that accept e-filed 1041 returns.

These are Drake Tax-generated forms that serve the same purpose as Form 9325: an acknowledgment that a return has been transmitted through Drake Tax 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) or an “R” ack (for a rejected return), the top section of the EF Notice is completed, noting the name and address of the client, the return type, the ERO who transmitted the return, and an indicator that 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 Notice 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.

## 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 15 for a 2019 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 financial institution'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

See the **State/city selection** drop list for a list of states and cities currently accepting payments through the **PMT** screen.

### Foreign Accounts

Due to banking regulations regarding International ACH transactions (IAT), state taxing agencies are required to handle foreign transactions differently from domestic transactions. For filing season 2019, 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.

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