



Drake In-Depth

Schedule C: Self-Employment and Assets for
Individuals in Drake Tax



DrakeTaxTM Webcasts

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— Agenda —

This class occurs at three separate times. Be sure to refer to your applicable class time, and plan accordingly. All classes are listed in Eastern Time (ET).

Class (1): 10:00 AM – 11:50 AM

| Time | Topic |
|---------------------|---|
| 10:00 AM – 10:50 AM | Schedule C: Introduction and Overview |
| 10:50 AM – 11:00 AM | Break |
| 11:00 AM – 11:50 AM | Schedule C: Detailed Screens, Sales, and SE Tax |

Class (2): 1:00 PM – 2:50 PM

| Time | Topic |
|-------------------|---|
| 1:00 PM – 1:50 PM | Schedule C: Introduction and Overview |
| 1:50 PM – 2:00 PM | Break |
| 2:00 PM – 2:50 PM | Schedule C: Detailed Screens, Sales, and SE Tax |

Class (3): 5:00 PM – 6:50 PM

| Time | Topic |
|-------------------|---|
| 5:00 PM – 5:50 PM | Schedule C: Introduction and Overview |
| 5:50 PM – 6:00 PM | Break |
| 6:00 PM – 6:50 PM | Schedule C: Detailed Screens, Sales, and SE Tax |

Drake In-Depth - Schedule C

Course Description: This 2-hour course introduces the basics of preparing an individual return with a Schedule C for self-employment. Upon completion of this course, Drake users will understand how to:

- Prepare a Schedule C in Drake Tax.
- Enter assets for depreciation on Schedule C.
- Enter Automobile expenses for Schedule C.
- Report sales of assets for Schedule C assets.
- Calculate self-employment tax.
- Calculate estimated Payments and Vouchers.

Course Fee: \$45. Register 30 days prior to the date of the course and receive a 5% discount.

How to Register: Sign in to <https://Support.DrakeSoftware.com> and select **Training > Classroom Training** from the menu on the left side of the web page. Refer to the **FAQs** on the web page for detailed instructions and frequently asked questions.

CPE Facts:

| Affiliation | Format | CPE/Field of Study | Course ID # | Sponsor ID # |
|-------------------------------|----------------|--------------------------------------|--------------------|--------------|
| NASBA | Internet-Based | 2 — Computer Software & Applications | N/A | 103137 |
| CTEC** | N/A | 0 — N/A | N/A | N/A |
| IRS | Online/Group | 2 — Federal Tax Law | FQTGU-T-00454-22-O | FQTGU |
| TX State Board of Accountancy | Internet-Based | 2 — Computer Software & Applications | 100368 | 002921 |

*Individuals with other professional credentials should check with their state licensing board or accrediting organization to determine if this program meets their continuing education requirements.

**CTEC does not allow credit to be awarded for courses that cover tax software topics.

Course Level: Basic

Last Revision: Winter 2022

Prerequisites: There are no required prerequisites other than a general knowledge of Drake Tax.

Course Policies: Drake Software will grant a full refund if a refund request is received within at least 72 hours prior to the start of the webcast. Registrants who are “no-shows” for the live webcast will not qualify for a refund. Refund re-requests will *not* be granted by phone and must be sent to Education@DrakeSoftware.com.



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Schedule C

For a full, detailed documentation of each subject presented in this class, view the 2021 *Drake Tax User's Manual*, located in the PDF folder on the Drake Software CD and from your User Account ([Support.DrakeSoftware.com](https://support.drakesoftware.com) > **Support** > **Documents**).

Course Objectives

Upon completing this course, you will be able to:

- Identify steps for entering data for Schedule C
- Explain how to enter depreciable assets
- Describe the process for entering sale of business assets
- Enter automobile expenses for Schedule C
- Calculate self-employment tax
- Generate estimated tax payment vouchers

Detailed Sections Overview

This course reviews the following in detail:

- Whether Schedule C is appropriate
- Schedule C Tabs
 - **Income/Expenses** Tab
 - **Carryovers/State Info** Tab
 - **Prior Year Compare** Tab
- Retirement Deductions
- Self-Employment Tax
- Estimated Tax and Overpayments
- 2210 Underpayment
- Elections
- Sales of Assets

- Installment Sales
- Group Sales
- Tax Planner
 - Toolbar Functions
 - Scenarios

Is Schedule C Appropriate?

Consider the following when determining whether to use Schedule C:

Is It Really a Trade or Business?

Treasury Regulation 1.183-2(b) sets out various factors to consider in determining whether an activity is engaged for profit. The factors as specified are not exclusive, as other factors may be considered as dictated by the facts and circumstances.

Nine factors are considered, including expertise of taxpayer, time and effort expended, history of income or loss with activity, and elements of personal pleasure or recreation.

The nine factors are also referred to as “Hobby Loss Rules”. These are the factors used by the IRS to prevent taxpayers from deducting losses incurred while pursuing a hobby.

Ownership Questions

Is the taxpayer really a sole proprietor? Or is it a married couple operating business together?

- If it’s a qualified joint venture, it’s OK to use Schedule C if the conditions are right.
- If it’s a partnership, use Form 1065, *not* Schedule C.

Qualified Joint Venture

All of the following conditions must be met for the business to be classified as a qualified joint venture:

- The only members are spouses.
- Both spouses materially participate in the business.
- The spouses file a Married Filing Jointly return.
- Both spouses elect to have a provision apply.

- The election is made by dividing all income, deductions, etc., between the spouses in accordance with their respective interests in the venture.
- Each spouse has a separate Schedule C.
- Each spouse has a separate Schedule SE.

Partnership

If it is not just one taxpayer operating the business, and the business does not fall under the category of a qualified joint venture, then:

- The business must be classified as a partnership.
- Form 1065 must be used instead of Schedule C.
- Schedules K-1 from the partnership must be distributed for each partner's 1040 return.
- Schedule SE (Form 1040) should be filed for each partner.

Special Situations

In the following Community Property States, it is OK to either use **one** Schedule C or file the business as a partnership using Form 1065:

- | | |
|--------------|--------------|
| • Arizona | • New Mexico |
| • California | • Texas |
| • Idaho | • Washington |
| • Louisiana | • Wisconsin |
| • Nevada | |

Accounting Method

IRS Revenue Procedure 2000-22 provides that the Commissioner of Internal Revenue will exercise his discretion to except a qualifying taxpayer with average annual gross receipts of \$1,000,000 (updated to \$27,000,000 in 2022) or less from the requirements to account for inventories and to use an accrual method of accounting for purchases and sales of merchandise; therefore, even with inventory, some taxpayers can use the cash method of accounting. See Pub. 538 for more information.

Review Prior-Year Returns

Did the taxpayer use all tax strategies possible? For example:

- De minimis safe harbor election
- Depreciation methods
- Self-employed health insurance deduction
- Retirement deductions

If significant savings would occur, consider amending applicable returns. Note that:

- Some elections cannot be made on amended returns
- Retirement contributions normally not available after first filing
- Amendments should consider state consequences

Drake Tax Schedule C Tabs

Schedule C, Profit or Loss from Business, can be prepared in Drake Tax. Each Schedule C has three main data entry screens (tabs).

Income/Expenses Tab

The first tab of screen **C, Income/Expenses**, is the main screen where the business information, address, and income and expenses are entered. The net income or loss is recalculated as data is entered (red rectangle in following image).

DRAKE 2021 - Data Entry (400008007 - BAKER, BOBBY) - (CONTAINS SENSITIVE DATA) **Net = 257000**

Schedule C - Profit or Loss From Business

Income/Expenses [Carryovers/State Info](#) [Prior Year Compare](#)

TS ☐ T ☒ F ☐ ST CA ☐ City PAN [Video: C PPP2](#)

A Business or profession/product or service..... **BAKERY**

DRAKE 2021 - Data Entry (400008007 - BAKER, BOBBY) - (CONTAINS SENSITIVE DATA) - Net = 257000

Schedule C - Profit or Loss From Business

Income/Expenses [Carryovers/State Info](#) [Prior Year Compare](#)

TS ☒ F ☐ ST CA ☐ City PAN [Video: Car and Truck Expenses PPP2](#) State Information [HI](#) [PA](#) [SC](#)

A Business or profession/product or service..... **BAKERY** B ☐ Business code..... **211800**

C Business name..... **BAKING SHOP** D Employer ID #.....

E Street address..... **123 MELROSE AVE** [Video Tip: Business Code Search](#)

City..... **WEST HOLLYWOOD**

U.S. ONLY State, ZIP..... **CA** **90069**

Foreign ONLY Province/state, country, postal code.....

F Accounting method if not cash..... ☐ Accrual ☐ Other:

G ☐ Did NOT materially participate in 2021 I Taxpayer made payments in 2021 that would require taxpayer to file Forms 1098..... ☐ Yes ☐ No

H ☐ Taxpayer started or acquired this business during 2021 J If "Yes," did or will taxpayer file all required Forms 1099?..... ☐ Yes ☐ No

Part I - Income

1 Gross receipts/sales..... **400000** Statutory employee wages entered on screen W2 flow to Schedule C automatically when the "Statutory employee" box on line 13 of screen W2 is marked and the "Special tax treatment" code selected on screen W2 is "1" through "9."

2 Returns and allowances.....

6 Other income.....

Part II - Expenses

8 Advertising..... **7000** 19 Pensions/profit share.....

9 Car and truck expenses..... **AUTO** **1000** 20 Rent - vehicle, machinery.....

10 Commissions and fees..... Rent - other.....

11 Contract labor..... 21 Repairs/maintenance..... **8000**

12 Depletion..... **DEPL** 22 Supplies.....

13 Depreciation..... **Form 4562** **9000** 23 Taxes and licenses.....

Depreciation adjustment (AMT)..... **+** 24 Travel.....

14 Employee benefits..... Meals (50%).....

15 Insurance..... **9000** Meals (80%).....

16 Interest - mortgage..... **Form 1098** Meals (100%).....

Interest - other..... 25 Utilities..... **20000**

17 Legal and professional services..... **10000** 26 Wages..... **25000**

18 Office expense..... **2000** 27a Other expenses..... **10000**

30 Business use of your home..... [Form 8829](#)

32b ☐ Some investment is NOT at risk [Form 8198](#)

Part III - Cost of Goods Sold

33 Inventory valuation method (if not cost) ☐ Lower of cost or market ☐ Other **SCH**

34 Change in method ☐ Yes **SCH**

35 Beginning inventory..... **0**

36 Purchases less personal.....

37 Cost of labor..... **50000**

38 Materials and supplies..... **2000**

39 Other costs.....

41 Ending inventory.....

Part IV - Information on your vehicle [AUTO](#)

Family health coverage [Read field help SEH](#) **6000** ☐ Taxpayer disposed of business during 2021 ☐ Exempt notary income

☐ Income to be excluded per Notice 2014-7..... ☐ Carry to Form 990, line 7 ☐ Paper route excluded from SE

☐ Professional gambler ☐ Clergy Schedule C

Qualified Business Income (QBI) Deduction

☐ Treat as a "specified service business"

Business aggregation number (BAN).....

W-2 wages paid.....

Unadjusted basis of all qualified property immediately after acquisition.....

Override calculated qualified business income (or loss).....

Qualified business income allocable to cooperative payments..... **+**

W-2 wages allocable to cooperative payments.....

Section 179.....

Section 1231 gain/loss.....

Deduction for one-half of SE tax.....

Self-employed Health Insurance Deduction.....

Self-employed Pension Deduction.....

Record 1 of 1 Press Page Down for New Screen; Ctrl+Tab for Next Tab Press F1 or Right-Click for Help (Screen Help)

Business Code Search

To enter a principal business or professional activity code for a Schedule C, on the **Income/Expenses** tab of screen **C**, make a selection from the **Business code** drop list. You can search the list of codes by clicking in the field and pressing CTRL+SHIFT+S or by right-clicking the field and selecting **Search**.

The screenshot shows the 'DRAKE 2021 - Data Entry - Search' window. A red box highlights the 'Business code' field in the background application, which contains the value '311800'. A red arrow points from this field to the 'Please input search data:' field in the search window, which also contains 'BAKER'. The search results list '311800 Bakeries, tortilla, & dry pasta mfg.'.

Header Questions

Answer the header questions regarding the business's accounting method, 1099 payments, etc.

For taxpayers with inventory, see [IRS Publication 538](#) for information on when a taxpayer can use the cash method of accounting.

| | | | |
|---|---|----------------------------------|---|
| F | Accounting method if not cash..... | <input type="checkbox"/> Accrual | <input type="checkbox"/> Other: <input type="text"/> |
| G | <input type="checkbox"/> Did NOT materially participate in 2021 | I | Taxpayer made payments in 2021 that would require taxpayer to file Forms 1099..... <input type="checkbox"/> Yes <input type="checkbox"/> No |
| H | <input type="checkbox"/> Taxpayer started or acquired this business during 2021 | J | If "Yes," did or will taxpayer file all required Forms 1099?..... <input type="checkbox"/> Yes <input type="checkbox"/> No |

Income, Expenses, & Detail Worksheets

Income and expenses can be entered as appropriate in the corresponding fields.

Detail Worksheets can be created for almost any field. Double-click in the field, press CTRL+W, or right-click and select **Add Worksheet** to open a Detail Worksheet.

When a Detail Worksheet is created, the field is highlighted in red (default color), and the total amount is displayed.

DRAKE 2021 - Data Entry (400008007 - BAKER, BOBBY) - (CONTAINS SENSITIVE DATA)

Detail Worksheet

Sort Options:

F1 - Description Ascending
F3 - Amount Ascending

F2 - Description Descending
F4 - Amount Descending

TitleSCHEDULE C, LINE 15 - INSURANCE

| Description | Amount |
|---------------------|--------|
| LIABILITY INSURANCE | 7000 |
| W COMP INSURANCE | 2000 |
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| TOTAL | 9000 |

Record 1 of 1

Press Shift + ? or Right-Click for Help

Detail Worksheets are not typically e-filed with the tax return. An exception is line **27a, Other Expenses**.

DRAKE 2021 - Data Entry (400008007 - BAKER, BOBBY) - (CONTAINS SENSITIVE DATA)

Detail Worksheet **IRS requires this field to have a worksheet**

Sort Options: F1 - Description Ascending F2 - Description Descending
F3 - Amount Ascending F4 - Amount Descending

Title SCHEDULE C, LINE 27A - OTHER EXPENSES

| Description | Amount |
|----------------|--------|
| ACCOUNTING | 5000 |
| WEBSITE | 5000 |
| STATIONERY | |
| BUSINESS CARDS | |
| | |

Business Use of Home

Click the **Form 8829** link beside the **Business use of your home** field to open screen **8829** and enter home-office expenses.

30 Business use of your home..... [Form 8829](#)

At-Risk Limitations

Links to Form 6198, At-Risk Limitations, open screen **6198**, allowing you to deduct losses if the activity falls under at-risk limitations.

32b ☐ Some investment is NOT at risk [Form 6198](#)

Cost of Goods Sold (COGS)

Enter cost of goods sold information on Part III of screen **C**, if applicable.

| Part III - Cost of Goods Sold | |
|--|--|
| 33 Inventory valuation method (if not cost) | |
| <input type="checkbox"/> Lower of cost or market | |
| <input type="checkbox"/> Other SCH | |
| 34 Change in method | <input type="checkbox"/> Yes SCH |
| 35 Beginning inventory..... | <input type="text" value="0"/> |
| 36 Purchases less personal..... | <input type="text"/> |
| 37 Cost of labor..... | <input type="text" value="50000"/> |
| 38 Materials and supplies..... | <input type="text" value="2000"/> |
| 39 Other costs..... | <input type="text"/> |
| 41 Ending inventory..... | <input type="text"/> |

Auto Expenses

Part IV of screen **C** provides a link to screen **AUTO**.

Part IV - Information on your vehicle [AUTO](#)

When a vehicle is used for business, the taxpayer may qualify to deduct either mileage or actual expenses (including depreciation, if applicable) for a car or truck on his or her tax return. To enter this information in Drake Tax, follow the below steps.

1. Enter the following information about the vehicle on screen **4562** (even if only deducting mileage).
 - **For** — Choose **AUTO**.
 - **Multi-form code** — Enter the number that corresponds to the **AUTO** screen. (For example, enter 2 if you are associating this **4562** screen with the second **AUTO** screen. No entry is needed if only one **AUTO** screen exists.)
 - **Description**
 - **Date Acquired**
 - **Cost**
 - **Business use %** — Leave blank.
 - **Used Prop** — Mark if applicable.
 - **Listed Prop Type** — Choose the appropriate property type (**V**, **E**, **T**, **H**, or **N**).
 - **Property type 12__** — Choose the type of property.
 - **Method**
 - **Life**
2. Navigate to the **AUTO** screen for this vehicle. From the **For** drop list, select to which form or schedule the vehicle belongs, and enter the corresponding **MFC** if there are multiple screens for that form or schedule.
 - The choices are: Schedule C*, Schedule E, Schedule F, Form 4835, or Schedule K-1 from a partnership.



*If the return contains a Form 4562 for the same Schedule C that has been selected on the **AUTO** screen, the vehicle information flows to Form 4562; the second page of the related Schedule C is not produced.

3. Enter the same **Description** and **Date placed in service** that appear on the **4562** screen.
4. Answer the four required questions about the business and personal use of the vehicle.
5. Enter the **Current-Year Mileage**.
 - The current-year business mileage is used to calculate the business use of the vehicle. View this calculation on the Auto Expense Worksheet ("Wks Auto" in View/Print mode).
 - Business miles are required whether the taxpayer elects to use mileage or actual expenses for the vehicle.
 - Prior-year mileage data can be entered at the bottom of the **AUTO** screen.
6. Enter any other applicable **Expenses** (optional if taking mileage).
 - Calculated depreciation will flow from the related **4562** screen.
 - If you entered both mileage and actual expenses on the **AUTO** screen, the software will automatically compute and apply the most advantageous deduction *unless* you select **Force mileage** or **Force expenses**.

DRAKE 2021 - Data Entry (400008007 - BAKER, BOBBY) - (CONTAINS SENSITIVE DATA)

Auto Expense Worksheet [Video: Car and Truck Expenses](#)

For **C** MFC **1** Note: Do NOT enter the business use percentage for this auto on the 4562 screen. The business use percentage computed for this auto will be applied automatically.

Description..... DELIVERY VAN

Date placed in service..... 01-01-2021

Was the business vehicle available for personal use during off-duty hours?..... Yes ☐ No ☒

Did the taxpayer (or spouse) have another vehicle available for personal use?..... ☒ ☐

Does the taxpayer have evidence to support this deduction?..... ☒ ☐

If "Yes," is the evidence written?..... ☒ ☐

Current-Year Mileage

Business Commuting Other

☐ Force mileage

Expenses

| | | | |
|-------------------|-----------------------------------|--|----------------------------------|
| Garage rent..... | <input type="text" value=""/> | Repairs..... | <input type="text" value="200"/> |
| Gas..... | <input type="text" value="3700"/> | Tires..... | <input type="text" value=""/> |
| Insurance..... | <input type="text" value="1500"/> | Tolls..... | <input type="text" value=""/> |
| Licenses..... | <input type="text" value="120"/> | Lease addback..... | <input type="text" value=""/> |
| Oil..... | <input type="text" value=""/> | Other expenses | <input type="text" value=""/> |
| Parking fees..... | <input type="text" value="100"/> | | <input type="text" value=""/> |
| Rental fees..... | <input type="text" value=""/> | | <input type="text" value=""/> |
| Interest..... | <input type="text" value=""/> | | <input type="text" value=""/> |
| Property tax..... | <input type="text" value="500"/> | <input type="checkbox"/> Force expenses..... | <input type="checkbox"/> |

Apply business use % ☐

Prior Years Mileage

Total Business Total Miles

Prior Business Mileage by Year

| | | | | | |
|------|-------------------------------|------|-------------------------------|----------|-------------------------------|
| 2020 | <input type="text" value=""/> | 2016 | <input type="text" value=""/> | 2013 | <input type="text" value=""/> |
| 2019 | <input type="text" value=""/> | 2015 | <input type="text" value=""/> | 2012 | <input type="text" value=""/> |
| 2018 | <input type="text" value=""/> | 2014 | <input type="text" value=""/> | pre-2011 | <input type="text" value=""/> |
| 2017 | <input type="text" value=""/> | | | | |

Record 2 of 2 Press Page Down for New Screen Press F1 or Right-Click for Help (Screen Help)

Depreciation

The **Depreciation** line of screen **C** has a link to screen **4562**. This field is an adjustment field, as indicated by the blue +/- sign. Amounts entered in this field will be added to or subtracted from the depreciation total from other screens pertaining to this activity.

13 Depreciation..... [Form 4562 +/-](#)

The **4562** screen allows for customization of assets being depreciated, and can generate state, AMT, and book depreciation as well.

Drake 2021 - Data Entry (400008007 - BAKER, BOBBY) - (CONTAINS SENSITIVE DATA)

Form 4562 For: 4 (A, C, E, F, 2106, 4835, AUTO, 8829, K1P, K1S) *Use <F3> to switch to grid mode* State Information [CA](#)

Multi-form code: 1 (1-999; 1 is assumed if left blank)

| Description | Date Acquired | Cost | Business % use | Used Prop | Listed Prop Type |
|-----------------|---------------|-------|----------------|--------------------------|------------------|
| COMMERCIAL OVEN | 01-01-2020 | 50000 | | <input type="checkbox"/> | |

Property type.....12 45

☐ Building qualifies for Section 1.263(a)-3(h) election

Method..... M

Life..... 10

Prior depreciation..... 5000

Salvage value.....

Override regular depreciation.....

☐ 179 expense elected this year.....

179 expense allowed this year.....

179 expense elected in prior years..... 0

179 expense allowed in prior years..... 0

☐ Bonus depreciation..... [Additional Depr Elections](#)

Prior bonus depreciation. Safe Harbor..... 0

Basis ONLY if different from cost.....

Land cost (Do NOT include in cost above).....

Date placed in service (ONLY if different than date acquired).....

☐ Force convention..... HY Do not use MACRS % tables.....

☐ Qualified Nonresidential Property.....

Amortization

☐ Code section..... ☐ Elect additional first-year deduction

Additional Asset Information

Date taken out of service IF NOT SOLD.....

☐ Do Not Update to next year ☐ Abandoned

☐ Recapture because business use dropped to 50% or less

☐ Main home for Form 8829

☐ Investment credit code.....

Fixed Asset Manager

Asset number..... 0002

Department number.....

Asset Category..... 300

State-Specific Information

State Asset type ITC code

For FL, IN, KY, and PA only

Occurrence of Schedule (1-99, default is '1' if left blank).....

Schedule form data flow.....

Removal Method.....

Indiana County.....

Federally declared disaster area

☐ Disaster assistance property ☐ GO Zone Extension property

If sold: F ☐ ST

Date sold.....

Sale price.....

Expense of sale.....

Form 4797, line 26d depreciation.....

Form 4797, other Part III depreciation.....

Installment Sale MFC.....

Like-Kind Exchange MFC.....

☐ 1099-S ☐ Sold to related party

☐ Involuntary conversion ☐ Do not carry personal portion to 8949

☐ Include gain/loss on 4797, line 1b or 1c (Partial disposition MACRS)

☐ Qualifying State Only Like-Kind Exchange

Group Sale Information

Group sale number.....

Group sales price.....

Group expense of sale.....

Fair market value of THIS asset.....

Expense of sale for THIS asset.....

Record 2 of 9 Press F1 or Right-Click for Help (Screen Help)

The top portion of screen **4562** is used to enter key information on each asset. Be sure to enter:

- **For** — The related form or worksheet the asset should be linked to
- **Multi-form code** — Indicate to which instance of the **For** form or worksheet the asset is related (applicable only if multiple of the respective screen exist).
- **Description**
- **Date Acquired**
- **Cost** — For buildings, be sure to separate land cost in **Land cost** field below. The full cost of the asset is the sum of the **Cost** (at the top of the screen) and the **Land cost**.
- **Business % use** — Use if not 100%.
- **Used Prop** or **Listed Prop Type** — If applicable (note that these options do not apply to buildings)
- **Property type** — 1245, 1250, etc.

- **Building qualifies for Section 1.263(a)–3(h) election** — For eligible buildings only. Qualifying small taxpayers (those who have average annual gross receipts of \$10 million or less) may elect to *not* apply improvement rules to an eligible building if the total amount paid for repairs, maintenance, improvements, and similar activities performed on the building do not exceed the lesser of \$10,000 or 2% of the unadjusted basis of the building.
- **Depreciation Method** — Use the **Federal** column.
- **Life** — Enter the **Life** of the asset in years.
- **Prior depreciation** — *(for new Drake Tax returns only)* Enter the amount of **Prior depreciation** for the asset. If the return was brought forward from Drake Tax 2020, this field is completed automatically.
 - **Prior bonus depreciation** — *(for new Drake Tax returns only)* Complete if applicable, and select the appropriate **Safe Harbor**.

The **State**, **AMT**, and **Book** depreciation columns allow for specialized entries if these amounts differ from those entered in the **Federal** column. Note that Drake Tax automatically calculates state and AMT depreciation based on federal entries.

DRAKE 2021 - Data Entry (400008007 - BAKER, BOBBY) - (CONTAINS SENSITIVE DATA)

Form 4562 For: (A, C, E, F, 2106, 4835, AUTO, 8829, K1P, K1S) *Use <F3> to switch to grid mode* State Information [CA](#)

Multi-form code: (1-999; 1 is assumed if left blank)

| Description | Date Acquired | Cost | Business % use | Used Prop | Listed Prop Type |
|--|---------------|----------------------|--------------------|--------------------------|------------------|
| COMMERCIAL OVEN | 01-01-2020 | 50000 | | <input type="checkbox"/> | |
| Property type.....12 45 | | | | | |
| <input type="checkbox"/> Building qualifies for Section 1.263(a)-3(h) election | | | | | |
| Method..... | Federal | State (if different) | AMT (if different) | Book (if different) | |
| Life..... | 10 | | | | |
| Prior depreciation..... | 5000 | | | | |
| Salvage value..... | | | | | |
| Override regular depreciation..... | | | | | |
| <input type="checkbox"/> 179 expense elected this year..... | | | | | |
| 179 expense allowed this year..... | | | | | |
| 179 expense elected in prior years..... | 0 | | | | |
| 179 expense allowed in prior years..... | 0 | | | | |
| <input type="checkbox"/> Bonus depreciation..... Additional Depr Elections | | | | | |
| Prior bonus depreciation. Safe Harbor..... | 0 | | | | |
| Basis ONLY if different from cost..... | | | | | |
| Land cost (Do NOT include in cost above)..... | | | | | |
| Date placed in service (ONLY if different than date acquired)..... | | | | | |
| <input type="checkbox"/> Force convention..... = HY | | | | | |
| Do not use MACRS % tables..... | | | | | |
| <input type="checkbox"/> Qualified Nonresidential Property..... | | | | | |

— Bonus Depreciation —

Bonus depreciation is taken automatically unless declined. Use the **Additional Depr Elections** hyperlink beside the **Bonus depreciation** field to open screen **10**. Make the desired selection for all or some classes of assets.

DRAKE 2021 - Data Entry (400008007 - BAKER, BOBBY) - (CONTAINS SENSITIVE DATA)

Additional Depreciation Elections

☐ To elect out of bonus depreciation for ALL classes of property, mark this box.

To elect out of bonus depreciation for only certain classes of property, use the section below.

| | Compute bonus depreciation | Elect out of bonus depreciation |
|-------------------------|-------------------------------------|---------------------------------------|
| 3 - Year Property..... | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 5 - Year Property..... | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 7 - Year Property..... | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 10 - Year Property..... | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 15 - Year Property..... | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 20 - Year Property..... | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

NOTE: These elections apply only to assets placed in service during the current tax year that qualify for bonus depreciation.

NOTE: Alternative Minimum Tax (AMT) depreciation will be the same as regular tax depreciation for any class of property when the election is made to NOT take the special bonus depreciation allowance as stated in the PATH Act.

Record 1 of 1 Press F1 or Right-Click for Help

De Minimis Safe Harbor Election

The de minimis safe harbor is an administrative convenience that generally allows the taxpayer to elect to deduct small-dollar expenditures for the acquisition or production of property that otherwise must be capitalized under the general rules. To apply this election, the taxpayer must:

- Expense up to:
 - \$2,500 (*without* an Applicable Financial Statement (AFS)¹)
 - \$5,000 (*with* an AFS)
- Limit per invoice or per item
- Have an accounting procedure in place at the beginning of the year
- Have an accounting procedure written for AFS taxpayers
- Make a non-revocable election each year on his or her tax return

See Regulation section 1.263(a)-1(f)(4) for further details.

¹ A financial statement required for SEC reporting, an audited financial statement by a CPA, or a financial statement required by certain government agencies

Use screen **ELEC** to make this election.

DRAKE 2021 - Data Entry (400008007 - BAKER, BOBBY) - (CONTAINS SENSITIVE DATA)

Election Options

Form 1040

- ☐ Sch A - Claim decedent medical expenses
- ☐ Elect retirement plan contribution sec 1.72-6
- ☐ Form 6251 - SLE 904 limitation to figure AMTFTC
- ☐ Elective Safe Harbor for oil and gas property
- ☐ Nonresident taxed as resident

Form 1040NR

- ☐ Elect income treated as from U.S. business

Schedule B

- ☐ Value of restricted stock included in W-2
- ☐ OID - include market discount in current income

Schedules C, E, F

- ☐ Deduct environmental cleanup costs
- ☐ Deduct up to \$5000 business startup costs
- ☐ Elect to deduct costs for developing a mine
- ☐ Elect to capitalize carrying charges
- ☐ ~~Real estate taxes notably assessed~~
- ☐ **Sec. 1.263(a)-1(f) de minimis election** ☐ **Taxpayer** ☐ **Spouse**
- ☐ Sec. 1.263(a)-3(n) election
- ☐ Sec. 1.263(a)-3(h) election is made on screen 4562

Schedule D

- ☐ Sales of securities to ESOP, postpone gain
- ☐ Postpone gain on QSB stock
- ☐ Rollover gain for Empowerment Zone Assets
- ☐ Mark-to-market election for traders

Schedule E

- ☐ Elective Safe Harbor for oil and gas property
- ☐ Sec 469(c)(7)(A) Treat all interests in rental real estate as single rental activity

Schedule F

- ☐ Election to deduct preproductive expenses
- ☐ Elect not to exclude payments
- ☐ Qualifying forest or reforestation costs
- ☐ Elect to treat tree cutting as sale or exchange
- ☐ Elect to use 2021 crop disaster payments in 2022

(Go to SCH screen to complete a statement for election)

Form 1099

- ☐ Tax-free transfers for cash distributions
- ☐ 92-44 transfer for sec 403(b) contracts

Form 1116

- ☐ Election to use exchange rate on date paid
- ☐ Recapture more overall loss than required
- ☐ Form 6251 SLE 904 limitation to figure AMTFTC
- ☐ Election to claim foreign tax credit without filing Form 1116

Form 4562

- ☐ Elect to exclude property from MACRS
- ☐ Tax preference items amortized - no AMT

Form 4797

- ☐ Recognize gain on disposition of intangibles
- ☐ Defer gain on qualifying electric transmission
- ☐ Rollover gain for Empowerment Zone 60 days
- ☐ Mark-to-market election for traders

Form 6252

- ☐ Election to pay interest on tax due from 6252

Other

Description

Description

Description

[PPP Loan - Rev Proc. 2021-20](#)

[PPP Loan - Rev Proc. 2021-48](#)

Record 1 of 1 Press F1 or Right-Click for Help

SE Health Insurance Deduction

Enter eligible premiums and other costs for self-employed health insurance. Be sure to read the field help (press F1 with your cursor in the field), and do not duplicate these expenses elsewhere in Drake Tax.

Family health coverage Read field help [SEHI](#)

☐ Income to be excluded per Notice 2014-7

Use the link to the **SEHI** screen to enter additional items, such as long-term care expenses.

DRAKE 2021 - Data Entry (400008007 - BAKER, BOBBY) - (CONTAINS SENSITIVE DATA)

Self-Employed Health Insurance Deduction [Video: Entering Self-Employed Health Insurance Deduction](#)

TSJ T ☐ F ☐ ST CA ☐

Qualified Business Income Deduction
For: C ☐ Multi-form code: ☐

1 Total payments made during the tax year for health insurance established under business for the taxpayer, spouse, or dependents. (Do not include amounts paid for months in which they were eligible under another plan.)
IMPORTANT! If a Form 1095-A was received for this insurance policy, this amount includes the taxpayer's out-of-pocket expense plus any advance payment of Premium Tax Credit the taxpayer received (in other words, the total of column A on Form 1095-A.) Do not duplicate this entry on screen C or screen F. =

2 Qualified long-term care amount.....

4 Net profit from the trade or business under which the insurance plan was established..... =

5 Total of all net profits from self-employed income..... =

9 Amount, if any, from Schedule 1, line 15, attributable to the same trade or business in which the health insurance plan is established..... =

11 Medicare wages from an S corporation.....

12 Amount from Form 2555, line 45, attributable to the amount entered on line 4 or 11 above.....

In the light of the IRS position, as explained in Frequently Asked Questions numbers 32 and 33 (click the link to the IRS website), the check box that prevented the SEHI deduction from affecting the QBI calculation has been removed from screen SEHI. Override fields are still available on screen K199.

[Qualified Business Income Deduction FAQs](#)

New Screen Press F1 or Right-Click for Help (Screen Help)

Additional Information

Mark any boxes that apply for additional information and special tax treatment.

☐ Taxpayer disposed of business during 2021 ☐ Exempt notary income

☐ Carry to Form 8960, line 7 ☐ Paper route excluded from SE

☐ Professional gambler ☐ Clergy Schedule C

Qualified Business Income (QBI) Deduction

Use the **Qualified Business Income (QBI) Deduction** section to treat the Schedule C as a Specified Service Business or aggregate the activity with other activities to maximize the QBI deduction.

Qualified Business Income (QBI) Deduction

☐ Treat as a "specified service business"

Business aggregation number (BAN).....

W-2 wages paid..... =

Unadjusted basis of all qualified property immediately after acquisition..... =

Override calculated qualified business income (or loss)..... =

Qualified business income allocable to cooperative payments..... +/-

W-2 wages allocable to cooperative payments.....

Section 179..... =

Section 1231 gain/loss..... =

Deduction for one-half of SE tax..... =

Self-employed Health Insurance Deduction..... =

Self-employed Pension Deduction..... =

Carryovers/State Info Tab

Use this tab to track prior unallowed passive losses and certain state information. There is also a check box to indicate that the entered data was from reconstructed client data and receipts.

DRAKE 2021 - Data Entry (400008007 - BAKER, BOBBY) - (CONTAINS SENSITIVE DATA)

Schedule C - Profit or Loss from Business

[Income/Expenses](#) **Carryovers/State Info** [Prior Year Compare](#)

Passive/At-Risk Carryforwards from 2020

| | Regular Tax Total | Regular Tax Pre-2018 | AMT |
|--|----------------------|-------------------------|----------------------|
| Prior unallowed passive operating..... | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| Prior unallowed passive 4797 Part 1..... | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| Prior unallowed passive 4797 Part 2..... | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| Prior unallowed at-risk losses..... | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| Disallowed mortgage Interest from 2020 8990..... | <input type="text"/> | | |
| Disallowed other Interest from 2020 8990..... | <input type="text"/> | | |

State use ONLY

☐ Native American income

☐ Military Spouses Residence Relief Act

☐ Classified as an employee for CA purposes

LLC #.....

Entertainment expenses.....

Adjustment to federal expenses..... +/-

Pre-CARES Passive/At-Risk Carryforwards from 2020 for New York and Kentucky

New York and Kentucky decoupled from certain provisions of the CARES Act and require a federal return to be calculated using pre-CARES Act law for state purposes. Use the fields below to show the amount of federal carryovers that would have existed had the CARES Act not been passed. The amounts in this section will be used instead of the values above to compute a federal return under pre-CARES Act law (for New York and Kentucky purposes only).

| | Regular Tax Total |
|--|----------------------|
| Prior unallowed passive operating..... | <input type="text"/> |
| Prior unallowed passive 4797 Part 1..... | <input type="text"/> |
| Prior unallowed passive 4797 Part 2..... | <input type="text"/> |
| Prior unallowed at-risk losses..... | <input type="text"/> |
| Disallowed mortgage interest from 2020 8990..... | <input type="text"/> |
| Disallowed other interest from 2020 8990..... | <input type="text"/> |

☒ **Reconstructed from client data/receipts. No bookkeeping records provided.**

New Screen Press Ctrl+Tab for Next Tab Press F1 or Right-Click for Help [Screen Help]

Prior Year Compare Tab

The data in the **Prior Year Compare** tab is filled in automatically if the return is carried forward from Drake Tax 2020. If the return was not carried forward, or no prior-year Schedule C existed for the activity, entries can be made manually.

DRAKE 2021 - Data Entry (400008007 - BAKER, BOBBY) - (CONTAINS SENSITIVE DATA)

Schedule C - Profit or Loss From Business

[Income/Expenses](#) [Carryovers/State Info](#) **Prior Year Compare**

BAKERY - BAKING SHOP

| | 2020 |
|--|---------------|
| Income | |
| Gross receipts or sales..... | 300000 |
| Returns and allowances..... | |
| Cost of goods sold..... | 21000 |
| Other income..... | |
| Expenses | |
| Advertising..... | |
| Car and truck expenses..... | 1488 |
| Commissions and fees..... | |
| Contract labor..... | |
| Depletion..... | |
| Depreciation and section 179..... | 57785 |
| Employee benefits..... | |
| Insurance..... | 5600 |
| Interest - mortgage..... | |
| Interest - other..... | |
| Legal and professional services..... | 5000 |
| Office expense..... | 1000 |
| Pension and profit-sharing..... | |
| Rent - vehicle, machinery..... | 500 |
| Rent - other..... | |
| Repairs and maintenance..... | 1000 |
| Supplies..... | |
| Taxes and licenses..... | 1800 |
| Travel..... | |
| Deductible meals..... | |
| Utilities..... | 8000 |
| Wages..... | 6000 |
| Other expenses..... | 3500 |
| Business use of your home..... | |
| Net Profit or Loss (allowed on return after limitations)..... | 178827 |

Record 1 of 1 Press Page Down for New Screen; Ctrl+Tab for Next Tab Press F1 or Right-Click for Help

If data is present on the **Prior Year Compare** tab of screen **C**, Drake Tax produces a Schedule C Comparison report for the activity ("Comparison Sch C" in View/Print mode).

| Schedule C Comparison | | 2021 |
|--|-------------|--------------------|
| (This page is not filed with the return. It is for your records only.) | | Taxpayer's EIN |
| Personal proprietor | | |
| BOBBY BAKER | | 400-00-8007 |
| Principal business: BAKERY | | |
| Business name: BAKING SHOP ✓ | | |
| | 2020 | 2021 |
| Income | | Difference |
| Gross Receipts or sales | 300,000 | 400,000 |
| Returns & allowances | | |
| Cost of goods sold | 21,000 | 52,000 |
| Gross profit | 279,000 | 348,000 |
| Other income | | |
| Gross income | 279,000 | 348,000 |
| Expenses | | |
| Advertising | | 7,000 |
| Car and truck expenses | 1,488 | 6,466 |
| Commissions and fees | | |
| Contract labor | | |
| Depletion | | |
| Depreciation & section 179 | 57,785 | 55,020 |
| Employee benefit programs | | |
| Insurance | 5,600 | 9,000 |
| Mortgage interest | | |
| Other interest | | |
| Legal & Professional services | 5,000 | 10,000 |
| Office expense | 1,000 | 2,000 |
| Pension & profit-sharing | | |
| Rent or lease - machinery | 500 | 1,000 |
| Rent or lease - other property | | |
| Repairs & maintenance | 1,000 | 8,000 |
| Supplies | | |
| Taxes and licenses | 1,800 | 9,000 |
| Travel | | |
| Deductible meals | | |
| Utilities | 8,000 | 20,000 |
| Wages | 6,000 | 25,000 |
| Other expenses | 3,500 | 10,000 |
| Total expenses | 91,673 | 162,486 |
| Business use of home | | |
| Net profit or (loss) | 187,327 | 185,514 |
| Allowed on return after Form 6198 and Form 8582 limitations | 178,827 | 185,514 |
| | | 6,687 |

Retirement Deductions

For profitable self-employed taxpayers, consider one of the following:

- **Solo 401(k)** — No employees; spouse as a joint owner is OK)
- **SIMPLE IRA or 401(k)** — up to \$13,500 if under the age of 50; up to \$16,500 if age 50 or older
- **SEP-IRA** — Can be established up to the due date of the tax return; 25% or \$58,000 deduction
- **Defined Benefit Plan** — Super-charge deductions

Use the **SEP** (SE Pensions) screen to enter the applicable percentage.

DRAKE 2021 - Data Entry (400008007 - BAKER, BOBBY) - (CONTAINS SENSITIVE DATA)

Self-Employed Pensions

TSJ ☐ F ☐ ST CA City

Qualified Business Income Deduction
For: C Multi-form code:

Plan contribution rate (as a decimal).....

Net profit from line 31, Schedule C; line 34, Schedule F; or box 14, code A, Schedule K-1 (1065)..... =

Allowable elective deferrals (including designated ROTH contributions) made during 2021.....

Catch-up contributions (including designated ROTH contributions).....

☐ Step 9 does not include any non-SEP amounts.

Amount of designated ROTH contributions included on lines 9 and 17.....

Use the "SEP and/or SIMPLE contributions" override field on screen 4 to override the calculated contribution amount.

[Screen 4 - Adjustments to Income](#)

New Screen Press F1 or Right-Click for Help [Screen Help]

To override SEP, SIMPLE, or solo 401(k) contributions, use screen **4** (Adjustments).

DRAKE 2021 - Data Entry (400008007 - BAKER, BOBBY) - (CONTAINS SENSITIVE DATA)

Schedule 1 - Part II - Adjustments to Income

F ☐ ST CA CITY

| Description | Taxpayer | Spouse |
|---|--------------------------|--------------------------|
| 11 Educator expenses..... | <input type="text"/> | <input type="text"/> |
| 16 SEP and/or SIMPLE or Solo 401K contributions..... SEP | = <input type="text"/> | = <input type="text"/> |
| KEOGH contribution to defined-contribution plan +/- | <input type="text"/> | +/- <input type="text"/> |
| KEOGH contributions to defined-benefit plan..... +/- | <input type="text"/> | +/- <input type="text"/> |
| 17 Self-employed health insurance deduction..... SEHI +/- | +/- <input type="text"/> | +/- <input type="text"/> |

Self-Employment Tax

Self-employment tax is automatically calculated by Drake Tax using data entered on screen **C** and related screens. Adjustments can be made on screen **SE**, if needed.

DRAKE 2021 - Data Entry (400008007 - BAKER, BOBBY) - (CONTAINS SENSITIVE DATA)

Schedule SE - Self-Employment Tax

ST

| | Taxpayer | Spouse |
|--|--------------------------|--------------------------|
| Part I - Self-Employment Tax | | |
| 1a Net farm profit (loss) from Schedule F and farm partnerships..... | +/- <input type="text"/> | +/- <input type="text"/> |
| 1b Conservation Reserve Program payments from Schedule F, or listed on Schedule K-1 (Form 1065)..... | <input type="text"/> | <input type="text"/> |
| 2 Service as a minister..... | +/- <input type="text"/> | +/- <input type="text"/> |
| 2 SE income from partnerships..... | +/- <input type="text"/> | +/- <input type="text"/> |
| 2 Other SE income..... | +/- <input type="text"/> | +/- <input type="text"/> |
| 5a Wages of church employee whose church elected out of Social Security and Medicare taxes..... | +/- <input type="text"/> | +/- <input type="text"/> |
| 8a Railroad retirement (tier 1) compensation..... | +/- <input type="text"/> | +/- <input type="text"/> |
| Part II - Optional Methods to Figure Net Earnings | | |
| 15 Farm optional method amount..... | <input type="text"/> | <input type="text"/> |
| 17 Nonfarm optional method amount..... | <input type="text"/> | <input type="text"/> |
| IRS Approved Form 4361 - Minister claims exemption from SE tax | <input type="checkbox"/> | <input type="checkbox"/> |
| IRS Approved Form 4029 - Member of religious group exempt from Social Security and Medicare taxes..... | <input type="checkbox"/> | <input type="checkbox"/> |
| Force Schedule SE to be printed..... | <input type="checkbox"/> | <input type="checkbox"/> |
| Chapter 11 bankruptcy income from 1041..... | <input type="text"/> | <input type="text"/> |
| Community Property States ONLY | | |
| Community income taxed to spouse..... | <input type="text"/> | <input type="text"/> |
| Exempt community income..... | <input type="text"/> | <input type="text"/> |
| Statement for Partner Expenses allowed against self-employment income | | |
| <p> Section 179 and unreimbursed partnership expenses is deducted from self-employment income when the "General Partner" box is selected on screen K1P. These expenses are automatically printed on this statement. The following expenses do not flow to this statement automatically and should be entered in the applicable fields. If these expenses have not already been deducted from self-employment income, then an entry should be made in one of the above adjustment fields to calculate the correct amount of self-employment income.</p> | | |
| Oil and gas depletion..... | <input type="text"/> | <input type="text"/> |
| Losses from Section 1256 contracts..... | <input type="text"/> | <input type="text"/> |
| Exempt Foreign | | |
| <p> If the taxpayer is self-employed in another country and is paying in to the other country's SE system, then he or she does not have to pay SE tax on that part of his or her income. Attach a copy of form showing that the taxpayer paid the tax there to the U.S. tax return. The return must be paper-filed.</p> | | |
| Exempt Foreign..... | <input type="text"/> | <input type="text"/> |

New Screen Press F1 or Right-Click for Help

If applicable, Drake Tax will produce Schedule SE, Self-Employment Tax (Form 1040), with the return, and deduct one-half of the SE tax (as appropriate).

| SCHEDULE SE (Form 1040) <small>Department of the Treasury Internal Revenue Service (IRS)</small> | | Self-Employment Tax <small>Go to www.irs.gov/ScheduleSE for instructions and the latest information.</small> <small>Attach to Form 1040, 1040-SR, or 1040-NR</small> | | <small>OMB No. 1545-0074</small> 2021 <small>Attachment Sequence No. 17</small> |
|---|--|---|--|--|
| Name of person with self-employment income (as shown on Form 1040, 1040-SR, or 1040-NR) | | Social security number of person with self-employment income | | |
| ROBBY BAKER | | 400-00-8007 | | |
| Part I Self-Employment Tax | | | | |
| Note: If your only income subject to self-employment tax is church employee income, see instructions for how to report your income and the definition of church employee income. | | | | |
| A If you are a minister, member of a religious order, or Christian Science practitioner and you filed Form 4361, but you had \$400 or more of other net earnings from self-employment, check here and continue with Part II. <input type="checkbox"/> | | | | |
| Skip lines 1a and 1b if you use the farm optional method in Part II. See instructions. | | | | |
| 1a Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A | | 1a | | |
| b If you received social security retirement or disability benefits, enter the amount of Conservation Reserve Program payments included on Schedule F, line 4b, or listed on Schedule K-1 (Form 1065), box 20, code AH. | | 1b () | | |
| Skip line 2 if you use the nonfarm optional method in Part II. See instructions. | | | | |
| 2 Net profit or (loss) from Schedule C, line 31; and Schedule K-1 (Form 1065), box 14, code A (other than farming). See instructions for other income to report or if you are a minister or member of a religious order. | | 2 185,514 | | |
| 3 Combine lines 1a, 1b, and 2 | | 3 185,514 | | |
| 4a If line 3 is more than zero, multiply line 3 by 92.35% (0.9235). Otherwise, enter amount from line 3. | | 4a 171,322 | | |
| Note: If line 4a is less than \$400 due to Conservation Reserve Program payments on line 1b, see instructions. | | | | |
| b If you elect one or both of the optional methods, enter the total of lines 15 and 17 here. | | 4b | | |
| c Combine lines 4a and 4b. If less than \$400, stop; you don't owe self-employment tax. Exception: If less than \$400 and you had church employee income, enter -0- and continue. | | 4c 171,322 | | |
| 5a Enter your church employee income from Form W-2. See instructions for definition of church employee income. | | 5a | | |
| b Multiply line 5a by 92.35% (0.9235). If less than \$100, enter -0- | | 5b | | |
| 6 Add lines 4c and 5b | | 6 171,322 | | |
| 7 Maximum amount of combined wages and self-employment earnings subject to social security tax or the 6.2% portion of the 7.65% railroad retirement (tier 1) tax for 2021. | | 7 142,800 | | |
| 8a Total social security wages and tips (total of boxes 3 and 7 on Form(s) W-2) and railroad retirement (tier 1) compensation. If \$142,800 or more, skip lines 8b through 10, and go to line 11. | | 8a | | |
| b Unreported tips subject to social security tax from Form 4137, line 10. | | 8b | | |
| c Wages subject to social security tax from Form 8919, line 10. | | 8c | | |
| d Add lines 8a, 8b, and 8c. | | 8d | | |
| 9 Subtract line 8d from line 7. If zero or less, enter -0- here and on line 10 and go to line 11. | | 9 142,800 | | |
| 10 Multiply the smaller of line 6 or line 9 by 12.4% (0.124). | | 10 17,797 | | |
| 11 Multiply line 6 by 2.9% (0.029). | | 11 4,968 | | |
| 12 Self-employment tax. Add lines 10 and 11. Enter here and on Schedule 2 (Form 1040), line 4. | | 12 22,675 | | |
| 13 Deduction for one-half of self-employment tax. Multiply line 12 by 50% (0.50). Enter here and on Schedule 1 (Form 1040). | | 13 11,338 | | |
| Part II Optional Methods To Figure Net Earnings (see instructions) | | | | |
| Farm Optional Method. You may use this method only if (a) your gross farm income ¹ wasn't more than \$8,820, or (b) your net farm profits ² were less than \$6,367. | | | | |
| 14 Maximum income for optional methods | | 14 5,880 | | |
| 15 Enter the smaller of: two-thirds (2/3) of gross farm income ¹ (not less than zero) or \$5,880. Also, include this amount on line 4b above. | | 15 | | |
| Nonfarm Optional Method. You may use this method only if (a) your net nonfarm profits ² were less than \$6,367 and also less than 72.189% of your gross nonfarm income, and (b) you had net earnings from self-employment of at least \$400 in 2 of the prior 3 years. Caution: You may use this method no more than five times. | | | | |
| 16 Subtract line 15 from line 14. | | 16 | | |
| 17 Enter the smaller of: two-thirds (2/3) of gross nonfarm income (not less than zero) or the amount on line 16. Also, include this amount on line 4b above. | | 17 | | |
| ¹ From Sch. F, line 9; and Sch. K-1 (Form 1065), box 14, code B. | | ² From Sch. C, line 31; and Sch. K-1 (Form 1065), box 14, code A. | | |
| ³ From Sch. F, line 34; and Sch. K-1 (Form 1065), box 14, code A minus the amount you would have entered on line 1b had you not used the optional method. | | ⁴ From Sch. C, line 7; and Sch. K-1 (Form 1065), box 14, code C. | | |
| For Paperwork Reduction Act Notice, see your tax return instructions. | | | | |
| Schedule SE (Form 1040) 2021 | | | | |

Estimated Taxes and Overpayments

Drake Tax automatically generates federal estimated tax payment vouchers when they are required—for instance, when the taxpayer has a balance of \$1,000 or more—unless you choose to not generate the vouchers.

- You can opt to *not* generate the vouchers globally (for all returns) by navigating to **Setup > Options > Form & Schedule Options** tab and selecting **Print ES voucher only when screen ES indicates**. If this option is marked, estimates must be generated manually by making entries on the **ES** screen for each return for which estimates are needed.
- You can choose to generate a set of blank vouchers on a per-return basis by opening the **ES** screen and choosing **P** from the **ES Code** drop list.



Blank vouchers are not allowed for all states. See [Knowledge Base article "14868: State Returns — Blank Estimated Vouchers Not Allowed"](#) for the complete list of states.

DRAKE 2021 - Data Entry (400008007 - BAKER, BOBBY) - (CONTAINS SENSITIVE DATA)

Form 1040-ES - Estimated Tax Payments for 2021 and Overrides for 2022

[Video: Using ES Vouchers](#)
[Pay federal ES tax payments with debit card or credit card \(MC, Visa, Discover, AMEX\)](#)
[Estimated Tax Adjustment](#)

TSJ If taxpayer filed 1040ES for 2021 with a former spouse, enter that SSN here.....
 If taxpayer filed 1040ES for 2021 jointly with spouse and is filing his or her return as "Married Filing Separately," use screen [SCH](#) to create STM 21 explaining how the estimated payments are being divided.

Federal Section ☐ On the 2022 vouchers, print ONLY the person indicated in TSJ box

2021 ESTIMATED TAXES ALREADY PAID FOR THIS YEAR

Overpayment applied from 2020.....

| | Date paid | Amount paid |
|-------------|-----------|-------------|
| 1st Quarter | = | 12650 |
| 2nd Quarter | = | 12650 |
| 3rd Quarter | = | 12650 |
| 4th Quarter | = | 12650 |

2022 ESTIMATED TAXES TO BE PAID FOR NEXT YEAR

ES Code OP Code

Amount of overpayment to apply to 2022.....

| | Estimate amt | Overpayment | e-file/Electronic Funds Withdrawal |
|-----------|--------------|-------------|---|
| Voucher 1 | = | = | To e-file federal ES payments, use screen PMT |
| Voucher 2 | = | = | |
| Voucher 3 | = | = | |
| Voucher 4 | = | = | |

Increase/Decrease calculated estimates by..... +/-

State and City Section

2021 ESTIMATED TAXES ALREADY PAID FOR THIS YEAR

St/City: Type: LLC #.....

Overpayment applied from 2020.....

| | Date paid | Amount paid |
|-------------|-----------|-------------|
| 1st Quarter | = | 3750 |
| 2nd Quarter | = | 3750 |
| 3rd Quarter | = | 3750 |
| 4th Quarter | = | 3750 |

2022 ESTIMATED TAXES TO BE PAID FOR NEXT YEAR

St/City: Type: ES Code OP Code

Amount of overpayment to apply to 2022.....

| | Estimate amt | Overpayment | e-file/Electronic Funds Withdrawal |
|-----------|--------------|-------------|---|
| Voucher 1 | = | = | <input type="checkbox"/> e-file <input type="checkbox"/> Direct debit date |
| Voucher 2 | = | = | |
| Voucher 3 | = | = | |
| Voucher 4 | = | = | |

Increase/Decrease calculated estimates by..... +/-

NOTE: To e-file ES vouchers, select the corresponding "e-file" check boxes above and provide account information below.

☐ Use Account #1 information from the federal Electronic Funds Withdrawal (PMT) screen
 OR
 Name of financial institution.....

RTN Account number Type of account ☐ Checking ☐ Savings

Record 1 of 1 Press Page Down for New Screen Press F1 or Right-Click for Help (Screen Help)

- You can also choose to *not* generate vouchers on a per-return basis by opening the **ES** screen and choosing **N** from the **ES Code** drop list.

☐ On the 2022 vouchers, print ONLY the person indicated in 'TSJ' box

2022 ESTIMATED TAXES TO BE PAID FOR NEXT YEAR

ES Code OP Code

Amount of overpayment to apply to 2022.....

| | Estimate amt | Overpayment |
|----------|------------------------|------------------------|
| Person 1 | = <input type="text"/> | = <input type="text"/> |
| Person 2 | = <input type="text"/> | = <input type="text"/> |
| Person 3 | = <input type="text"/> | = <input type="text"/> |
| Person 4 | = <input type="text"/> | = <input type="text"/> |

Increase/Decrease calculated estimates by:..... +/-

P - No dollar amounts are printed, only SSN, Name, Address

D - Rounds voucher payments to nearest \$1

X - Rounds voucher payments to nearest \$5

T - Rounds voucher payments to nearest \$10

F - Rounds voucher payments to nearest \$25

H - Rounds voucher payments to nearest \$100

M - Rounds voucher payments to nearest \$1,000

N - Prevents vouchers from being printed

Overpayments can be applied by making the desired selection from the **OP Code** drop list. You can designate different options for the federal return and state returns.

2022 ESTIMATED TAXES TO BE PAID FOR NEXT YEAR

ES Code OP Code

Amount of overpayment to apply to 2022.....

| | Estimate amt | Overpayment |
|-----------|------------------------|------------------------|
| Voucher 1 | = <input type="text"/> | = <input type="text"/> |
| Voucher 2 | = <input type="text"/> | = <input type="text"/> |
| Voucher 3 | = <input type="text"/> | = <input type="text"/> |
| Voucher 4 | = <input type="text"/> | = <input type="text"/> |

Increase/Decrease calculated estimates by:..... +/-

A - Applies overpayment to vouchers in order until used up

R - Applies overpayment to first voucher and refunds remainder

E - Makes the estimate equal to the overpayment

O - Applies overpayment to 2022 estimate, no vouchers printed

4 - Applies overpayment to all four vouchers equally

N - Applies overpayment to 2022, does not affect estimate amounts

2210 Underpayment

Form 2210, Underpayment of Estimated Tax by Individuals, Estates, and Trusts, is used to calculate a penalty when the taxpayer has underpaid on his or her estimated taxes (quarterly ES vouchers) or under-withheld. This penalty is different from the penalty for paying taxes late.

Form 2210 is not generated unless there is an underpayment and the form is required.



Drake Tax does not calculate any interest that may be charged by the IRS on the underpayment penalty.

By default, Drake Tax calculates the estimated tax penalty and displays it on the “Estimated tax penalty” line of Form 1040. This default setting can be changed on a per-return basis by navigating to screen **1**, and under **2210 Options**, making the appropriate selection from the **2210 Code** drop list.

Form 2210 can also be forced to print by selecting the applicable code from the **2210 Code** drop list. If you choose to force Form 2210 but it is not generated, the amount owed on the return is less than \$1,000; therefore, no penalty is calculated, and Form 2210 is not required.

☐ Yes ☐ No

2210 Options

2210 Code..... = [dropdown menu]

2020 Fed tax..... 45991

2020 State tax..... 14918

Code 3.....

Code 4.....

Code 5.....

X - Produce Form 2210. Press F1 for further instructions
P - Force the Form 2210 to be printed
F - Produce a Form 2210F (Underpayment by Farmers and Fishermen)
G - Force the Form 2210F to be printed
N - Do not calculate or print Form 2210

If the return was updated from Drake Tax 2020, unless you have entered a different amount, the **2020 Fed tax** field on screen **1** contains the total federal tax from the prior year (from line 16 of Form 1040, for example). Similarly, the field **2020 State tax** displays the equivalent tax from the prior year resident state return. Both the **2020 Fed tax** and **2020 State tax** fields on screen **1** are flagged as a green “unverified” field if the return was updated from Drake Tax 2020. If you did not prepare the prior-year return in Drake Tax and update it to Drake Tax 2021, you can manually enter the prior-year tax amount to calculate Form 2210, if needed.

If you want to mark a Part II waiver option on Form 2210, select the most applicable check box in the upper-left corner of screen **2210**.

DRAKE 2021 - Data Entry (400008007 - BAKER, BOBBY) - (CONTAINS SENSITIVE DATA)

Form 2210 - Penalty for Underpayment of Estimated Tax

1 Required to file due to:

a ☐ Full waiver

b ☐ Partial waiver

c ☐ Annualized income

d ☐ Actually withheld

e ☐ **Required installment**

☐ Use Form 2210-F

☐ No prior year return filed

Amount actually withheld if box 1d is selected

1st Quarter.....

2nd Quarter.....

3rd Quarter.....

4th Quarter.....

Amount paid w/extension..... [EXT](#)

Quarterly estimated payments and overpayment applied..... [ES](#)

Date balance paid.....

Prior-year tax..... =

Prior-year AGI..... =

If taxpayer qualifies for a waiver of penalty, AMOUNT to be waived.....

[Explain waiver:](#)

Annualized Income Installment Worksheet

| | 3 mos | 5 mos | 8 mos |
|--|-------|-------|-------|
| 1 AGI for each period..... | | | |
| 4 Itemized deductions for each period..... | | | |
| 9 Deduction for qualified business income..... | | | |
| 16 Other taxes for each period..... | | | |
| 18 Allowed credits for each period..... | | | |
| Medical & dental, investment interest, casualty & theft losses, & gambling losses..... | | | |
| Net long-term capital gains..... | | | |
| Qualified dividends..... | | | |
| Unrecaptured 1250 Gains..... | | | |
| 28% Capital Gains..... | | | |
| Form 4952 Line e..... | | | |
| Form 4952 Line g..... | | | |

Annualized Self-Employment Tax Worksheet

Taxpayer

28 Net SE earnings for each period.....

30 SS wages for each period.....

Spouse

28 Net SE earnings for each period.....

30 SS wages for each period.....

12 Override tax calculation done by program..... =

32 Override annualization amounts - Taxpayer..... =

32 Override annualization amounts - Spouse..... =

New Screen

Press F1 or Right-Click for Help

(Screen Help)

Elections

To indicate that a return will be taking an “election” described in the IRS code, check the appropriate box on the **ELEC** screen.

For most **ELEC** screen elections, marking a box will cause Drake Tax to automatically produce an explanation for that election on an **Elections** page in View/Print mode (“ELECTION”). After you select an election, View the return (press CTRL+V) and review the **Elections** page. If there is no explanation, or if the explanation is not sufficient, complete a **SCH** screen by selecting **E — Election Explanation** from the **Type of attachment** drop list and entering an explanation. This produces a separate **Elections** page that is printed and transmitted with the return.

DRAKE 2021 - Data Entry (500001001 - SHOEMAKER, OXFORD & LOAFER - 500001000) - (CONTAINS SENSITIVE DATA)

Election Options

Form 1040

- ☐ Sch A - Claim decedent medical expenses
- ☐ Elect retirement plan contribution sec 1.72-6
- ☐ Form 6251 - SLE 904 limitation to figure AMTFTC
- ☐ Elective Safe Harbor for oil and gas property
- ☐ Nonresident taxed as resident

Form 1040NR

- ☐ Elect income treated as from U.S. business

Schedule B

- ☐ Value of restricted stock included in W-2
- ☐ OID - include market discount in current income

Schedules C, E, F

- ☐ Deduct environmental cleanup costs
- ☐ Deduct up to \$5000 business startup costs
- ☐ Elect to deduct costs for developing a mine
- ☐ Elect to capitalize carrying charges
- ☐ Real estate taxes ratably accrued
- ☐ Sec. 1.263(a)-1(f) de minimis election
- ☐ Sec. 1.263(a)-3(n) election
- ☐ Sec. 1.263(a)-3(h) election is made on screen 4562

| | Taxpayer | Spouse |
|---|--------------------------|--------------------------|
| <input type="checkbox"/> Sec. 1.263(a)-1(f) de minimis election | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> Sec. 1.263(a)-3(n) election | <input type="checkbox"/> | <input type="checkbox"/> |

Schedule D

- ☐ Sales of securities to ESOP, postpone gain
- ☐ Postpone gain on QSB stock
- ☐ Rollover gain for Empowerment Zone Assets
- ☐ Mark-to-market election for traders

Schedule E

- ☐ Elective Safe Harbor for oil and gas property
- ☐ Sec 469(c)(7)(A) Treat all interests in rental real estate as single rental activity

Schedule F

- ☐ Election to deduct preproductive expenses
- ☐ Elect not to exclude payments
- ☐ Qualifying forest or reforestation costs
- ☐ Elect to treat tree cutting as sale or exchange
- ☐ Elect to use 2021 crop disaster payments in 2022

(Go to SCH screen to complete a statement for election)

Form 1099

- ☐ Tax-free transfers for cash distributions
- ☐ 92-44 transfer for sec 403(b) contracts

Form 1116

- ☐ Election to use exchange rate on date paid
- ☐ Recapture more overall loss than required
- ☐ Form 6251 SLE 904 limitation to figure AMTFTC
- ☐ Election to claim foreign tax credit without filing Form 1116

Form 4562

- ☐ Elect to exclude property from MACRS
- ☐ Tax preference items amortized - no AMT

Form 4797

- ☐ Recognize gain on disposition of intangibles
- ☐ Defer gain on qualifying electric transmission
- ☐ Rollover gain for Empowerment Zone 60 days
- ☐ Mark-to-market election for traders

Form 6252

- ☐ Election to pay interest on tax due from 6252

Other

Description

Description

Description

[PPP Loan - Rev. Proc. 2021-20](#)

[PPP Loan - Rev. Proc. 2021-48](#)

Record 1 of 1

Press F1 or Right-Click for Help

Sales of Assets

The **4562** screen includes a section for recording the sale of the asset, as well as installment and group sale transactions.

DRAKE 2021 - Data Entry (400008006 - LANDLORD, LORNA & LARRY - 400208006) - (CONTAINS SENSITIVE DATA)

Form 4562 For: **E** (A, C, E, F, 2106, 4835, AUTO, 8829, K1P, K1S) *Use <F3> to switch to grid mode* State Information **CA**

Multi-form code: **1** (1-999; 1 is assumed if left blank)

Description: **123 BEACH BLVD** Date Acquired: **01-01-2020** Cost: **2000000** Business % use: **50** Used Prop: ☐ Listed Prop Type: **1**

Property type: **12** **50** ☐ Building qualifies for Section 1.263(a)-3(h) election

Method: **ARR** Life: **27.5** Federal: **34850** State (if different): **0** AMT (if different): **0** Book (if different): **0**

Prior depreciation: **0** Salvage value: **0** Override regular depreciation: **0** 179 expense elected this year: **0** 179 expense allowed this year: **0** 179 expense elected in prior years: **0** 179 expense allowed in prior years: **0** Bonus depreciation: **0** Prior bonus depreciation: **0** Basis ONLY if different from cost: **0** Land cost (Do NOT include in cost above): **500000** Date placed in service (ONLY if different than date acquired): **01-01-2020**

Force convention: **0** Do not use MACRS % tables: **0** Qualified Nonresidential Property: **0** Federally declared disaster area: **0** Disaster assistance property: **0** GO Zone Extension property: **0**

Amortization: **0** Code section: **0** Elect additional first-year deduction: **0**

Additional Asset Information

Date taken out of service IF NOT SOLD: **0** Do Not Update to next year: ☐ Abandoned: ☐ Recapture because business use dropped to 50% or less: ☐ Main home for Form 8829: ☐ Investment credit code: **0**

Fixed Asset Manager

Asset number: **0001** Department number: **01** Asset Category: **406**

State-Specific Information

State: **CA** Asset type: **22** ITC code: **0**

For FL, IN, KY, and PA only

Occurrence of Schedule (1-99, default is '1' if left blank): **0** Schedule form data flow: **0** Removal Method: **0** Indiana County: **0**

If sold: **F** **ST** **0**

Date sold: **01-01-2020** Sale price: **0** Expense of sale: **0** Form 4797, line 26d depreciation: **0** Form 4797, other Part III depreciation: **0** Installment Sale MFC: **0** Like-Kind Exchange MFC: **0** 1099-S: ☐ Sold to related party: ☐ Involuntary conversion: ☐ Do not carry personal portion to 8949: ☐ Include gain/loss on 4797, line 1b or 1c (Partial disposition MACRS): ☐ Qualifying State Only Like-Kind Exchange: ☐

Group Sale Information

Group sale number: **0** Group sales price: **0** Group expense of sale: **0** Fair market value of THIS asset: **0** Expense of sale for THIS asset: **0**

Record 1 of 6 Press F1 or Right-Click for Help (Screen Help)

The Tax Planner can be used to evaluate future tax consequences if an asset is sold.

Installment Sales

An installment sale is a sale where the taxpayer receives at least one payment after the tax year of the sale. To enter an installment sale, both the **4562** and **6252** screens must be used. To enter an installment sale:

1. On the appropriate **4562** screen, enter the **Date sold**, **Sale price**, and **Expense of sale** for the asset being sold.
2. Enter the **Installment Sale MFC**. Use 1 if there is only one installment sale; otherwise, enter 2 for the second installment sale, 3 for the third, etc.

If sold: F ☐ ST ☐

Date sold: 09-01-2021

Sale price: 900000

Expense of sale: 25000

Form 4797, line 26d depreciation:

Form 4797, other Part III depreciation:

Installment Sale MFC: 1

Like-Kind Exchange MFC:

☐ 1099-S ☐ Sold to related party

☐ Involuntary conversion ☐ Do not carry personal portion to 8949

☐ Include gain/loss on 4797, line 1b or 1c (Partial disposition MACRS)

☐ Qualifying State Only Like-Kind Exchange

Group Sale Information

Group sale number:

Group sales price:

Group expense of sale:

Fair market value of THIS asset:

Expense of sale for THIS asset:

3. Open the **6252** screen, accessible from the **Income** tab of the **Data Entry Menu**.

DRAKE 2021 - Data Entry (400008006 - LANDLORD, LORNA & LARRY - 400208006) - (CONTAINS SENSITIVE DATA)

Calculate View/Print Split Documents Tax Planner Import CSM Email e-Pay Help Exit

General Income Adjustments Credits Credits Taxes Health Care Other Forms Foreign Miscellaneous States

C Self-Employed Income
F Farm/Co-Op Income
J Farmer's Income Averaging
4835 Farm Rental Income
6198 Amount Not at Risk
8582 Modified AGI Worksheet
FEC Foreign Employer Compensation
OID 1099-OID Original Issue Discount
PATR 1099-PATR Distribution from Co-Op
RRB RRB-1099-R Railroad Retirement Pension Benefits
RRP RRB-1099 Railroad Retirement (Soc. Security)
LSSA Lump Sum 1099-SSA
FAQ Frequently Asked Questions

Schedules E and K-1
E Rent and Royalty Income - (3)
K1P Partnership K-1
K1F Fiduciary K-1
K1S S Corp K-1
E2 Partnerships, S Corps
E3 Estates and Trusts
E4 REMICs

Sale of Assets
8949 Sales and Other Dispositions of Assets
D Capital Gains and Losses
D2 Schedule D - Loss Carryovers and other entries
2439 Undistributed Long-term Gains
4255 Recapture Investment Credit
4684 Casualty and Theft Losses
4797 Sales of Assets
6252 Installment Sale
6781 Futures and Straddles
8824 Like-Kind Exchanges
HOME Sale of Residence
99C 1099-C Cancellation of Debt

Depreciable Assets
4562 Depreciation Detail - (6)
6 4562 Part 1
7 4562 Parts 2 and 3
8 4562 Parts 4, 5a, and 6
9 4562 Parts 5b and 5c
10 Additional Depreciation Elections

Enter Screen, State, or Search Phrase

Return Status: In Progress Return Type: Individual Tax Return Current Package: Federal

4. On screen **6252**, enter the form header information, including the proper **Code**. Most sales are type **4**.

Drake 2021 - Data Entry (400008006 - LANDLORD, LORNA & LARRY - 400208006) - (CONTAINS SENSITIVE DATA)

Part I / Part II [Part III](#)

Form 6252 - Installment Sale Income [Video: Entering Installment Sale](#)

State Information: [CA](#) [PA](#)

TSJ ☐ F ☐ ST ☐ CA ☐ City PAN

1 Code..... Description of property..... 45 DESERT DRIVE COMM L BLDG

3 Was the property sold to a related party after May 14, 1980?..... ☐ Yes ☐ No

4 If "Yes," was the property a marketable security?..... ☐ Yes ☐ No

☐ Final year of installment sale

Receipt category:

| Interest..... | Current Year | Prior Years |
|----------------|--------------|-------------|
| Principal..... | | |

Current Year: Drake Software - Data Entry - Help

NOTE: Business Code (direct entry)**

Select a code from the list below that best describes the installment sale:

- 1 - Sale property is timeshare or residential lot.
- 2 - Sale by an individual of personal use property (within the meaning of section 1275(b)(3)).
- 3 - Sale of any property used or produced in the trade or business of farming (within the meaning of section 2032A(e)(4) or (5)).
- 4 - All other installment sales not listed.

5. Check the applicable boxes if the asset is a related party sale.
6. In the **Receipt category** section, enter the interest and principal amounts received in the current tax year.

[Video: Entering Installment Sale](#)

State Information: [CA](#) [PA](#)

PAN

5 DESERT DRIVE COMM L BLDG

☐ Yes ☒ No

☐ Yes ☐ No

Receipt category:

| Interest..... | Current Year | Prior Years |
|----------------|--------------|-------------|
| Principal..... | 15742 | |
| | 500000 | |

Entries are generally not needed for other sections. Data entered on the associated **4562** screen is used to calculate reportable gain for the current tax year.

Any remaining unrecognized gain is carried over to the next tax year. When the return is updated to Drake Tax 2022, the **Prior Years** column is updated automatically.

In the appropriate future tax year, when all sale proceeds have been received, mark the **Final year of installment sale** check box at the top of screen **6252**.

DRAKE 2021 - Data Entry (400008006 - LANDLORD, LORNA & LARRY - 400208006) - (CONTAINS SENSITIVE DATA)

Part I / Part II [Part III](#)

Form 6252 - Installment Sale Income

[Video: Entering Installment Sale](#)

State Information: [CA](#) [PA](#)

TSJ ☐ J ☐ F ☐ ST ☐ CA ☐ City PAN

1 Code 4 Description of property: 45 DESERT DRIVE COMM BLDG

3 Was the property sold to a related party after May 14, 1980? ☐ Yes ☒ No

4 If "Yes," was the property a marketable security? ☐ Yes ☐ No

☐ Final year of installment sale

Receipt category:

| | Current Year | Prior Years |
|-----------|--------------|-------------|
| Interest | 15742 | |
| Principal | 500000 | |

Current Year Sale Information

NOTE: Business assets being sold in the current year using the installment method should be entered on screens 4562 or 4797 and directed to this Form 6252 by making an entry in the "Installment sale MFC" field on those screens. Complete any of the fields above that are applicable. The following fields (below), with the exception of lines 6 and 15 (if applicable), are not required if you are directing a screen 4562 or 4797 to this screen.

| | | |
|---|----------------------|--|
| 2a Date acquired | <input type="text"/> | <input type="checkbox"/> Force gain to Form 4797 |
| 2b Date sold | <input type="text"/> | <input checked="" type="checkbox"/> Qualified small business stock |
| 5 Selling price | <input type="text"/> | Section 1202 rate <input type="text"/> |
| 6 Seller's debts assumed by buyer | <input type="text"/> | <input type="checkbox"/> Section 1250 property |
| 8 Cost of property sold | <input type="text"/> | <input type="checkbox"/> U.S. real property sold by a nonresident |
| 9 Depreciation allowed or allowable | <input type="text"/> | <input checked="" type="checkbox"/> Collectible |
| AMT depreciation allowed or allowable (if different) | <input type="text"/> | <input type="checkbox"/> Noncapital asset (treat as ordinary income) |
| 11 Commissions and expense of sale | <input type="text"/> | CAUTION: Use of the check box below is NOT RECOMMENDED. Selecting this box means you are completing your own Form 6252 and ignoring the "Multi-form code" on screens 4562 or 4797 directing data to this screen. |
| 12 Depreciation recaptured on Form 4797 | <input type="text"/> | |
| AMT depreciation recaptured on Form 4797 (if different) | <input type="text"/> | |
| 15 Home sale excluded gain | <input type="text"/> | |
| | | <input type="checkbox"/> Asset data will NOT flow to this Form 6252 |

Prior Year Sale Information

NOTE: Portions of gross profit percentage (entered below) must equal line 19, if used

| | Regular Tax | AMT |
|---|----------------------|----------------------|
| 19 Gross profit % | <input type="text"/> | <input type="text"/> |
| Portion of gross profit % applicable to unrecaptured Section 1250 gains (if multi-asset sale) | <input type="text"/> | <input type="text"/> |
| Portion of gross profit % applicable to all other long-term gains NOT included in field above (if multi-asset sale) | <input type="text"/> | <input type="text"/> |
| Portion of gross profit % applicable to short-term gains (if multi-asset sale) | <input type="text"/> | <input type="text"/> |
| Percentage of total group sales price that relates to the installment-eligible assets (if multi-asset sale) | <input type="text"/> | <input type="text"/> |
| 25 Part of line 24 (Form 6252) that is ordinary income (if sold prior to 6/07/1984) | <input type="text"/> | <input type="text"/> |
| Unrecaptured 1250 gain remaining to be taxed | <input type="text"/> | <input type="text"/> |

If seller financed mortgage, enter payer information for Schedule B:

SSN

Name

Street address

City

U.S. ONLY State, ZIP

Foreign ONLY Province/state, country, postal code

LLC # (State use ONLY)

Record 1 of 1 Press Page Down for New Screen; Ctrl+Tab for Next Tab Press F1 or Right-Click for Help (Screen Help)

Group Sales

A group sale is when more than one asset is sold in a single transaction.

Go to the **4562** screen that belongs to the *first* asset in the group sale. In the **If sold** section (lower-right quadrant of screen **4562**), enter: the

- **Date sold**
- **Group sale number** — Indicate which sales group the asset belongs to. Enter 1 unless there are multiple sales groups in the return, in which case, enter 1 if the asset is part of the first group, 2 for the second group, etc.)
- **Group sales price** — Total sales price of the group

- **Group expense of sale** — Total expenses for the respective group sale
- (optional) **Fair market value of THIS asset**
- (optional) **Expense of sale for THIS asset**

For the other assets sold in the group, enter the:

- **Date sold**
- **Group sale number**
- (optional) **Fair market value of THIS asset**
- (optional) **Expense of sale for THIS asset**

If sold: F ☐ ST ☐

Date sold..... 09-01-2021

Sale price.....

Expense of sale.....

Form 4797, line 26d depreciation.....

Form 4797, other Part III depreciation.....

Installment Sale MFC..... ☐

Like-Kind Exchange MFC..... ☐

☐ 1099-S ☐ Sold to related party

☐ Involuntary conversion ☐ Do not carry personal portion to 8949

☐ Include gain/loss on 4797, line 1b or 1c (Partial disposition MACRS)

☐ Qualifying State Only Like-Kind Exchange

Group Sale Information

Group sale number..... 1

Group sales price..... 5000000

Group expense of sale..... 100000

Fair market value of THIS asset..... =

Expense of sale for THIS asset..... =

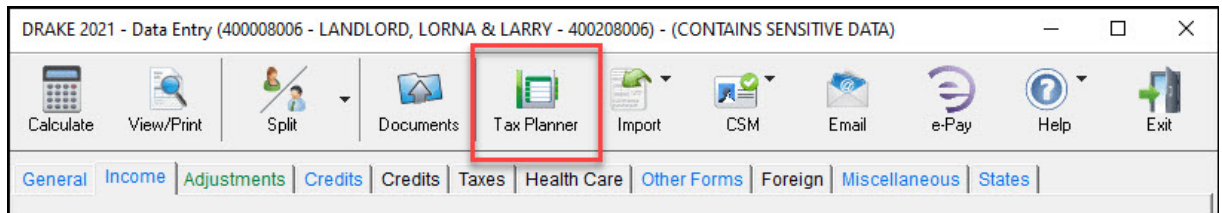
Drake Tax reports the sale as appropriate on Form 4797 and Schedule D. A **Group Sale Summary Report** ("Group Sale Summary" in View/Print) is generated for informational purposes.

| Group Sale Summary Report | | | | | | | | | |
|--|------------|-----------|------------|--------------------------|---------|---------|-----------|---------------|-----------|
| (This page is not filed with the return. It is for your records only.) | | | | | | | | 2021 | P001 |
| Name(s) as shown on return | | | | | | | | Tax ID Number | |
| LORNA & LARRY LANDLORD | | | | | | | | 400-00-8006 | |
| Group Sale Information: | | | | | | | | | |
| DESCRIPTION: GROUP SALE 01 | | | | SALE PRICE: 5,000,000 | | | | | |
| DATE SOLD: 09-01-2021 | | | | E/PENSE OF SALE: 100,000 | | | | | |
| TYPE OF SALE: STANDARD | | | | | | | | | |
| DESCRIPTION | ACQUIRED | PROP TYPE | SALE PRICE | COST/BASIS | E/PENSE | DEPR. | GAIN/LOSS | RECAPTURE | NET |
| 450 OCEAN AVE APT | 01-01-2020 | 1250 | 4,768,392 | 3,500,000 | 95,368 | 181,830 | 1,354,854 | 0 | 1,354,854 |
| 450 OCEAN AVE LOBB | 03-01-2020 | 1245 | 27,248 | 20,000 | 545 | 20,000 | 26,703 | 20,000 | 6,703 |
| 450 OCEAN AVE HVAC | 04-01-2020 | 1245 | 204,360 | 150,000 | 4,087 | 150,000 | 200,273 | 150,000 | 50,273 |
| TOTAL | | | 5,000,000 | 3,670,000 | 100,000 | 351,830 | 1,581,830 | 170,000 | 1,411,830 |

Tax Planner

The Drake Tax Planner is designed to help you assist your clients in planning for the future. By comparing a client's current tax situation to different scenarios that could occur—such as buying or selling a rental property, a change in income, etc.—you can see how these changes may affect their finances and tax liability. Because scenarios are set up using the same **Data Entry Menu** and data entry screens that you are already familiar with, building different scenarios is quick and easy.

Open a client's return, and click the **Tax Planner** icon to open the **Tax Planner** dialog box.



The original return is listed, as are any other scenarios you have created.

Toolbar Functions

- **New** — Create a new scenario for 2020 or 2021. (2021 scenarios incorporate known tax changes for the coming year, once available.) Select the tax year, enter a scenario name, and click **OK**. A new scenario containing data from the original return appears in the list, available for you to open to data entry.
- **Open** — Select a scenario, and click **Open**. The scenario is opened to the Tax Planner **Data Entry Menu**.
- **Remove** — Select a scenario from the scenario pane, and click **Remove** to delete the scenario.
- **Compare** — Select up to three scenarios, and click **Compare** to compare them to the client's original return. A Tax Scenario Planning Comparison ("Tax Planning Comparison" in View/Print mode) is opened, displaying the results of the comparison.
- **Help** — Click **Help** to get explanations and direction for using the planner.
- **Exit** — Click **Exit** to close the planner and return to the **Data Entry Menu** of the original return. You can also exit the planner by opening the original return from the scenario list.

| Drake 2021 - Tax Planner | | | | | | | |
|--------------------------|------|---------|---------|-------------|----------------|--------|--------|
| New | Open | Remove | Compare | Help | Video Tutorial | Exit | |
| 2021 Scenario | Year | Income | AGI | Tax. Income | Total Tax | Refund | BalDue |
| 2022 Scenario | 2021 | 1573436 | 1573436 | 1548297 | 371510 | 0 | 367010 |
| Selected Scenario | | | | | | | |

Scenarios

Each scenario looks and behaves like a normal return, except:

- The **Data Entry Menu** displays the notice “Tax Planner.”
- Documents in View/Print display a “Tax Planner” watermark (except letters).

DRAKE 2021 - Tax Planner (400008006 - LANDLORD, LORNA & LARRY - 400208006) - (CONTAINS SENSITIVE DATA)

Calculate View/Print Documents Tax Planner Email e-Pay Help Exit

General Income Adjustments Credits Credits Taxes Health Care Other Forms Foreign Miscellaneous States

| | |
|---------------------------------------|---|
| 1 Name and Address | A Itemized Deductions Schedule |
| 2 Dependents | STAX Sales Tax Worksheet |
| 3 Income | 2106 Employee Business Expense |
| 4 Adjustments | Due Diligence |
| 5 Taxes, Credits and Payments | 8867 Due Diligence Checklist |
| ES Estimated Taxes | DD1 Due Diligence Assistance |
| 2441 Child Care Credit | DD2 Due Diligence Notes |
| Electronic Filing and Banking | |
| W2 Wages | EPS Product Information |
| W2G Gambling Income | IDS Identification for Taxpayer/Spouse |
| 1099 1099-R Retirement | USE Consent to Use of Tax Return Info |
| DIV 1099-DIV Dividend Income | DISC Consent to Disclosure of Tax Return Info |
| INT 1099-INT Interest Income | DD Direct Deposit/Form 8888 |
| 99G 1099-G Government Payments | PMT Electronic Funds Withdrawal |
| 99M 1099-MISC Miscellaneous Income | PIN 8879/8878 e-file Signature |
| 99N 1099-NEC Nonemployee Compensation | EF EF Selections |
| SSA 1099-SSA Social Security | PDF PDF Attachments |
| PAD Preparer Notepad | AP Protection Plus Audit Protection |
| NOTE Notes about the return | BILL Client Adjustments |
| FAQ Frequently Asked Questions | |

Enter Screen, State, or Search Phrase

Tax Planner

Tax Planner: 2022 Sell Comm'l Bldg Current Package: Federal

Drake Tax generates a Tax Scenario Planning Comparison ("Tax Planning Comparison") within the Tax Planner return, comparing the Tax Planner scenario to the original return.

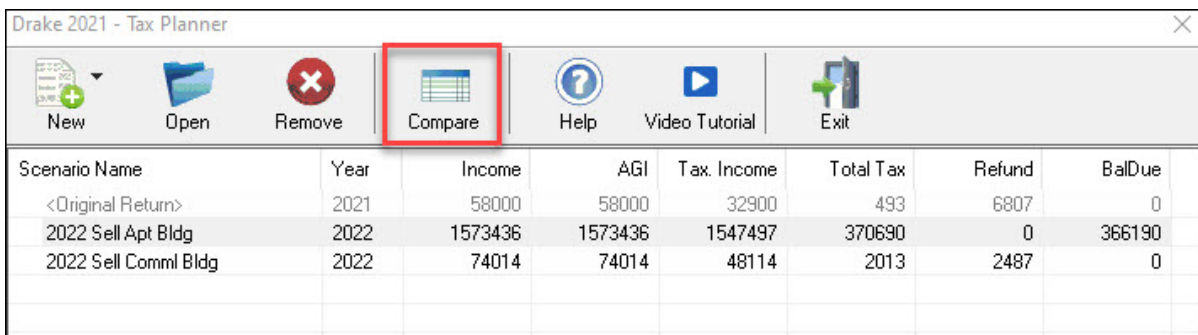
| Tax Scenario Planning Comparison | | | |
|-------------------------------------|-------------|-------------|--|
| Name(s) as shown on return | | | |
| LORNA & LARRY LANDLORD | | | |
| | Org. Return | Cur. Return | |
| Filing Status | 2 | 2 | |
| Number of Exemptions | 2 | 2 | |
| Income: | | | |
| Wages, salaries, tips, etc | 45,000 | 45,000 | |
| Taxable interest and dividends | 38,000 | 38,000 | |
| Business Income (loss) | | | |
| Gains (losses) | 1,581,830 | | |
| Pension and IRA distributions | | | |
| Rental & Pass-through Income (loss) | (91,394) | (8,986) | |
| Farm Income (loss) | | | |
| Taxable Social Security Income | | | |
| Other Income | | | |
| Total Income | 1,573,436 | 74,014 | |
| Adjustments to income: | | | |
| Self-Employment Tax Adjustment | | | |
| IRA deduction | | | |
| Other Adjustments | | | |
| Adjusted Gross Income | 1,573,436 | 74,014 | |
| Itemized or Standard Deduction | 25,100 | 25,900 | |
| Personal Exemption or QBI Deduction | 39 | | |
| Taxable Income | 1,548,297 | 48,114 | |
| Tax and Credits: | | | |
| Tax | 321,219 | 2,013 | |
| Credits | | | |
| Self-employment tax | | | |
| Other taxes | 50,291 | | |
| Total Tax | 371,510 | 2,013 | |
| Payments: | | | |
| Withholdings | 4,500 | 4,500 | |
| Estimated Tax Payments | | | |
| Refundable credits & other payments | | | |
| Total Payments | 4,500 | 4,500 | |
| Refund | | 2,487 | |
| Balance Due | 367,010 | | |
| Marginal Tax Rate | 37.00 | 12.00 | |
| Effective Tax Rate | 21 | 4 | |
| States | | | |
| Resident Tax | 60,687 | 479 | |
| Total Tax | 60,687 | 1,700 | |

1P-000010

To compare more than one scenario to the original return, create several Tax Planner scenarios, and save them in Drake Tax. To do so:

1. From the **Tax Planner** toolbar, choose **Compare**.

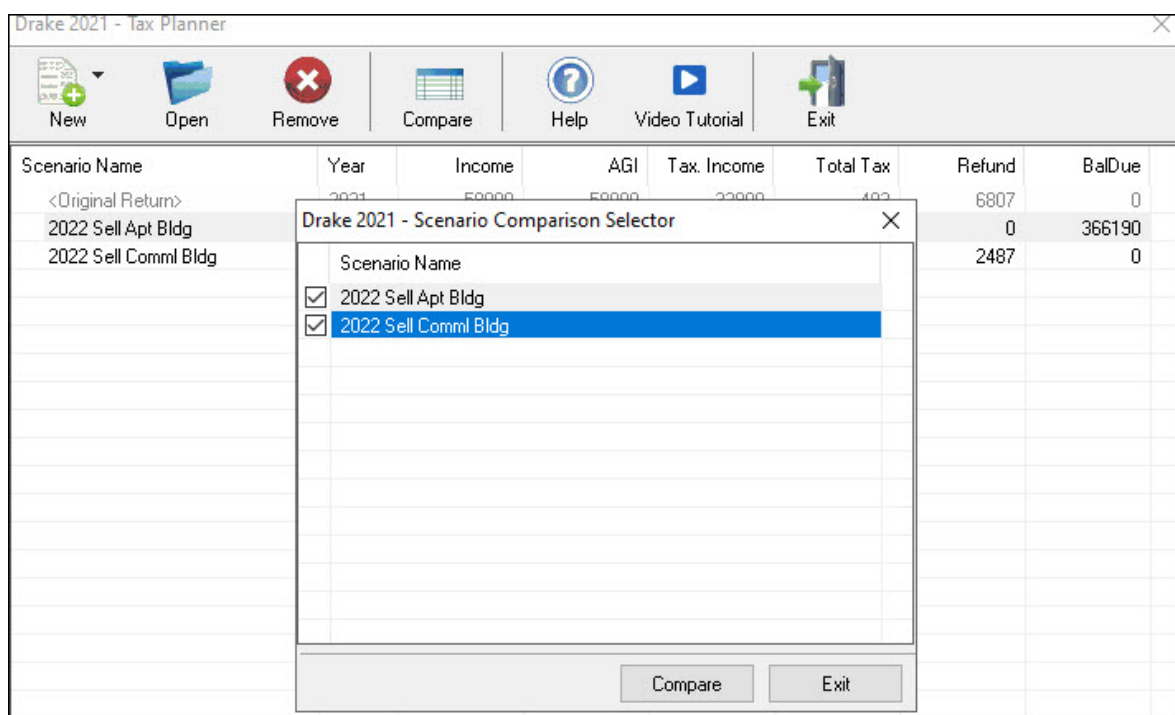
Drake 2021 - Tax Planner



| Scenario Name | Year | Income | AGI | Tax. Income | Total Tax | Refund | BalDue |
|-----------------------|------|---------|---------|-------------|-----------|--------|--------|
| <Original Return> | 2021 | 58000 | 58000 | 32900 | 493 | 6807 | 0 |
| 2022 Sell Apt Bldg | 2022 | 1573436 | 1573436 | 1547497 | 370690 | 0 | 366190 |
| 2022 Sell Comm'l Bldg | 2022 | 74014 | 74014 | 48114 | 2013 | 2487 | 0 |

2. Select the scenarios you wish to compare to the original return. Click **Compare**.

Drake 2021 - Tax Planner



| Scenario Name | Year | Income | AGI | Tax. Income | Total Tax | Refund | BalDue |
|-----------------------|------|--------|-------|-------------|-----------|--------|--------|
| <Original Return> | 2021 | 58000 | 58000 | 32900 | 493 | 6807 | 0 |
| 2022 Sell Apt Bldg | | | | | | 0 | 366190 |
| 2022 Sell Comm'l Bldg | | | | | | 2487 | 0 |

Drake 2021 - Scenario Comparison Selector

| Scenario Name |
|---|
| <input checked="" type="checkbox"/> 2022 Sell Apt Bldg |
| <input checked="" type="checkbox"/> 2022 Sell Comm'l Bldg |

Compare Exit

Drake Tax generates a Tax Scenario Planning Comparison ("Tax Planning Comparison"), comparing up to three scenarios with the original return.

| Tax Scenario Planning Comparison | | | | |
|-------------------------------------|-----------------|--------------------|----------------------|--|
| Name(s) and address on return | | | | |
| LANDLORD, LORNA | | | | |
| | Original Return | 2022 Sell Apt Bldg | 2022 Sell Condo Bldg | |
| Filing Status | 2 | 2 | 2 | |
| Number of Exemptions | 2 | 2 | 2 | |
| Income: | | | | |
| Wages, salaries, tips, etc | 45,000 | 45,000 | 45,000 | |
| Taxable interest and dividends | 38,000 | 38,000 | 38,000 | |
| Business Income (loss) | | | | |
| Gains (losses) | | 1,581,830 | | |
| Pension and IRA distributions | | | | |
| Rental & Pass-through Income (loss) | -25,000 | -91,394 | -8,986 | |
| Farm Income (loss) | | | | |
| Taxable Social Security Income | | | | |
| Other Income | | | | |
| Total Income | 58,000 | 1,573,436 | 74,014 | |

— Meet the Expert —



Ann Campbell, CPA, CIA
Tax Software Trainer
Drake Software

Ann Campbell, CPA, CIA, joined Drake Software in 2021. She is a Certified Public Accountant licensed to practice in California and North Carolina. She has many years of experience as a tax preparer using Drake Software. Ann has also worked as a CFO and Controller in various industries. She was one of four finalists for Plastic News CFO of the Year 2019 and is a graduate of the Wharton School at the University of Pennsylvania.