# TAX YEAR 2019

## USER'S MANUAL

**DrakeTax**®

# Drake Tax
# User's Manual

## Tax Year 2019

*Support.DrakeSoftware.com*
**(828) 524-8020**

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# Quick Reference

*FOLLOWING IS INFORMATION ON DRAKE
SOFTWARE'S ONLINE RESOURCES, INFORMATION ON
HOW TO REGISTER YOUR EFIN WITH DRAKE
SOFTWARE, AND CONTACT INFORMATION FOR
DRAKE SOFTWARE'S BANKING DEPARTMENT AND
PARTNERS, DRAKE SOFTWARE SUPPORT, AND THE
INTERNAL REVENUE SERVICE.*

NOTE

Before you or your staff can take advantage of Drake Software's online sites—including Support, the Download Center, and the Enterprise Office Manager—you or your office administrator must set up a "User Account."

See "Drake Software's Web-Based Sites" on page 32 and "Enterprise Office Manager" on page 334 for details.

## Online Support

Drake Software's Support website (*Support.DrakeSoftware.com*) offers a wealth of resources available 24 hours a day. Included are links to all of Drake Software resources—from tax program information to Drake Software's mobile app to credit card processing to classroom training (including tutorials, videos, webinars and practice returns) to banking and Drake Software's banking partners. You can also access information on your Drake Tax account—from your password and serial numbers to your bank applications and EF database, website services.

Log in to *Support.DrakeSoftware.com* to see for yourself.

Chapter 10, "Resources and Support," includes details on these and many other Support options.

NOTE

To log in to the Support site through the tax program, from the **Home** window, click **Support > Drake Software Support Website**. (You'll need your user name and password. See "Drake Software's Web-Based Sites" on page 32.

# Drake Banking Department

Contact Information for Drake Software's Banking Department:

• Mail            Drake Software
                  ATTN: RAL Department
                  235 E. Palmer St.
                  Franklin, NC 28734

• Phone           (828) 524-8020
• Fax              (828) 349-5745
• Email           RALS@DrakeSoftware.com

## Bank Partners

For contact information on Drake Software's banking partners, go to *Support.Drake-Software.com* and enter your user name and password ("Drake Software's Web-Based Sites" on page 32) to reach the Support website. From the blue menu bar on the left, go to **Partner Programs > Bank Partners** and then choose your bank.

## Drake Accounting Department

Fax IRS EFIN information to Drake Software's Accounting Department: (828) 524-9549. Call Accounting at (828) 349-5900.

## Drake Compliance Department

Fax EFIN validation documents to (828) 349-5733. (To confirm your EFIN in the tax program after filing it with Drake Software, see "Confirming your EFIN" on page 347.)

# Contacting Drake Support

**Email Support —** *Support@DrakeSoftware.com* — Recommended for simpler Drake Software questions.

**Telephone Support —** (828) 524-8020 — Recommended for more complicated Drake Tax questions.

**Fax Support** — (828) 349-5701 — We reply to faxes with faxes, not phone calls

**GruntWorx Support** — Email *GruntWorxsupport@drakesoftware.com* or call (828) 349-5505

**Drake Accounting Software** — (828) 349-5908

| Drake Software Support Hours | |
|---|---|
| December 3, 2019 – April 19, 2020<br>Monday – Friday: 8 a.m. – 10 p.m. ET<br>Saturday: 8 a.m. – 6 p.m. ET | April 22 – November 29, 2020<br>Monday – Friday: 8 a.m. – 9 p.m. ET<br>Saturday: 9 a.m. – 5 p.m. ET |

## Other Drake Support Email Addresses

Following are department email addresses at Drake Software:

| Department | Contact |
|---|---|
| Accounting (department) | *Accounting@DrakeSoftware.com* |
| Education | *Education@DrakeSoftware.com* |
| e-File | *EF@DrakeSoftware.com* |
| Support (General) | *Support@DrakeSoftware.com* |
| Support (State-specific) | *XXstate@DrakeSoftware.com* (Replace XX with state abbreviation) |
| Conversions | *Support.DrakeSoftware.com* |
| Drake Accounting (write-up program) | *das@DrakeSoftware.com* |

For more on the many helpful resources provided by Drake Software, see Chapter 10, "Resources and Support."

# IRS Phone Numbers and Websites

Following are some other phone numbers and websites that might be helpful for you:

| | |
|---|---|
| Website | *www.irs.gov* |
| Individual return assistance | (800) 829-1040 |
| Business return assistance | (800) 829-4933 |
| Exempt organizations, Retirement Plan Administrators, Government Entities | (877) 829-5500 |
| People with hearing impairments | (800) 829-4059 (TDD) |
| Estate and gift | 866-699-4083 |
| e-File application and help | (866) 255-0654 |
| Help Desk (U.S./Canada) | (800) 876-1715 |
| Help Desk (International) | (915) 342-5654 |
| Refund hotline | (800) 829-1954 |
| Order forms and publications | (800) 829-3676 |

| | |
|---|---|
| Social Security Administration | (800) 772-1213 |
| Taxpayer Advocate Service | (877) 777-4778 |
| Suspected identity-theft victims | *identitytheft.com* or call (800) 908-4490 |
| Register for EFINs | *irs.gov* > **for Tax Pros > e-Services** |
| Information on PTINs | (877) 613-7846 or<br>*www.irs.gov* > **for Tax Pros > Preparer**<br>**Tax Identification (PTIN) Guidance** |

NOTE    To call, write, or visit the local taxpayer advocate office for your state, refer to Publication 1546 on the IRS website (*www.irs.gov).*

To report an individual or company that is not complying with the tax laws, phone, mail, or visit your local IRS walk-in office.

Phone:    From within the U.S.      (800) 829-0433

International callers      (215) 516-2000

Mail:     Send written correspondence to the IRS Service Center where the return was filed, or complete Form 3949-A and mail it to:

Internal Revenue Service
Fresno, CA  93888

# 1    Introduction

*THE FOLLOWING PAGES CONTAIN DETAILS ON
USING THIS MANUAL. TAKING TIME TO
FAMILIARIZE YOURSELF WITH THE 2019
DRAKE TAX USER'S MANUAL NOW WILL SAVE
YOU TIME LATER AND HELP YOU USE THE TAX
PROGRAM MORE EFFICIENTLY.*

*ALSO IN THIS SECTION WE DESCRIBE MANY THE
NEW FEATURES FOR TAX YEAR 2019.*

## About Your Drake Tax User's Manual

Use this manual in conjunction with other Drake Software resources, such as the online and onscreen help features, video tutorials, training, and phone support.

The electronic version of the manual is updated throughout the season. The best way get the latest edition of the manual is by logging in to *Support.DrakeSoftware.com*, and from the blue menu bar, select **Training Tools > Manuals**. (You can also connect to *Support.DrakeSoftware.com* through the tax program. From the toolbar of the **Home** window in Drake Tax, go to **Support > Drake Software Support Website**.)

The electronic version of the manual has the added benefits of active hyperlinks in the Table of Contents and in our extensive Index, along with active, linked cross-references. There is also the "search" feature that allows you to search for any word, phrase, form, or number in the manual.

We suggest copying the PDF manual to your desktop for easy access. Because Drake Tax updates the online manual whenever major changes occur, updating your online manual frequently.

This manual is also available in paper format you can purchase through the Drake Software Support site (*Support.DrakeSoftware.com* > **Training Tools > Manuals**) for $25 plus tax and shipping. To keep your printed manual updated, Drake Tax publishes addenda pages when changes are warranted. Addenda pages are shipped with each program CD and are available on the Drake Support site.

| IMPORTANT | Review the login procedure before trying to log in to any of Drake Software's online resources. See "Drake Software's Web-Based Sites" on page 32. |
|---|---|

# What's New in Drake Software for 2019

Each year, Drake Software strives to offer the most efficient and comprehensive tax program in the industry while staying current with the latest technology and latest tax law changes. To that end, we have continued our tradition of enhancing our various programs to help make the upcoming filing season the smoothest ever.

# Program Enhancements for 2019

Following are brief descriptions of changes we've made to the program and the 1040 tax package. For details, cross-references are provided to the relevant pages of this manual. for detail on changes made to the business packages (1120, 1120S, 1065, 1041, 990, and 707), see "New Features in Other Packages" on page 479.

## Improved Setup Assistant

The new Setup Assistant (Figure 1-1) not only guides new users through the setup process, but also makes it easier for returning customers to update their settings from the previous year (ERO, Forms, Preparers, Letters, Statuses, Drake Documents, etc.).
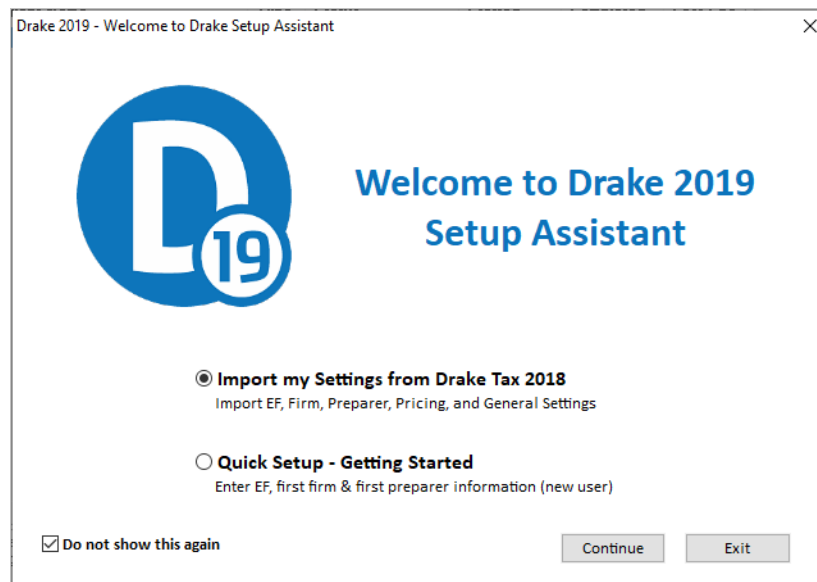


**Figure 1-1:**  The Setup Assistant has a new look

See "Setup Assistant" on page 41 for details.

## Update Settings Window

When you bring forward last year's settings to the 2019 version of the program without using the Setup Assistant – in other words, from the **Home** window menu bar you select **Last Year Data > Update Settings** – you will see the new **Update Settings** menu (figure next page).

For details on updating your previous year's settings without the Setup Assistant, see "Updating Settings" on page 122.
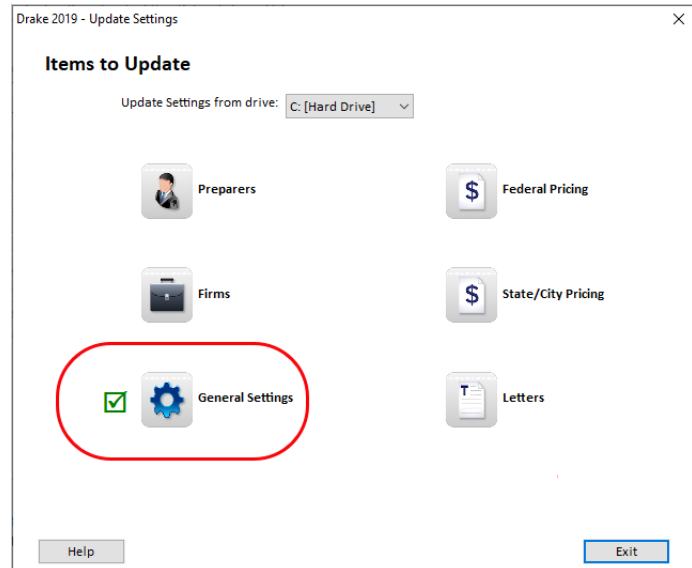


## New Client Communications Tab at Setup > Options

All the client results letters and federal and state filing instructions options have been moved to the new **Client Communications** tab of the **Setup > Options** dialog box. See "Setup Options" on page 50 and Table 2-9 on page 55 for details.

## Client Results Letters and Filing Instructions

The default position of the Drake Tax program now is that the preparer intends to e-file the return and, thus, will produce filing instructions and a client results letter with e-file informational paragraphs even if there are EF Messages still to be resolved in the return. (In the past, an EF Message would automatically generate paper-filing information on the filing instructions and client results letter until the EF Message was resolved.)

To automatically produce the paper-file paragraphs for all results letters and filing instructions, or the EF paragraphs in a paper-filed return, open the **COMM** screen, available from the **Miscellaneous** tab of the **Data Entry Menu**, and select **Paper** from the **Letter and Filing Instructions Options** section of the screen. The package type (**1040**, **1120S**, etc.), **Federal Extension**, **Federal Amended** letters and filing instructions are available, as are the letters and instructions for various state forms from the drop lists.

For more on using the letters program, see "Introduction to Letters in Drake Tax" on page 67.

## Suppress Envelope Coversheets

As has been the case in the past, options for selecting and generating envelopes and coversheets are available at **Setup > Options > Optional Documents**. New this year

is an option to print envelopes with the firm's return address and options to suppress printing of the taxpayer's and firm's envelope coversheets when generating organizers.

For more, see "Optional Documents" on page 54 and "Overriding Other Setup Options" on page 88.

## Customizing Batch-Printed Labels, Envelopes and Postcards

New options have been added for those occasions when you want to batch-print mailing labels, envelopes, and postcards.

The major change is the new **Print** dialog box. For instance, from the **Print Postcards** dialog box, you can change font size (item #1 in Figure 1-2), print one, two, or four postcard per page (#2), adjust placements of the mail-to and return addresses (#3), choose between portrait and landscape orientation. Click **Printer Adjustments** to move the cards horizontally or vertically. Preview – and edit – the address on the fly by clicking **Review "Main To" Addresses** or **Review Return Addresses** (#4).
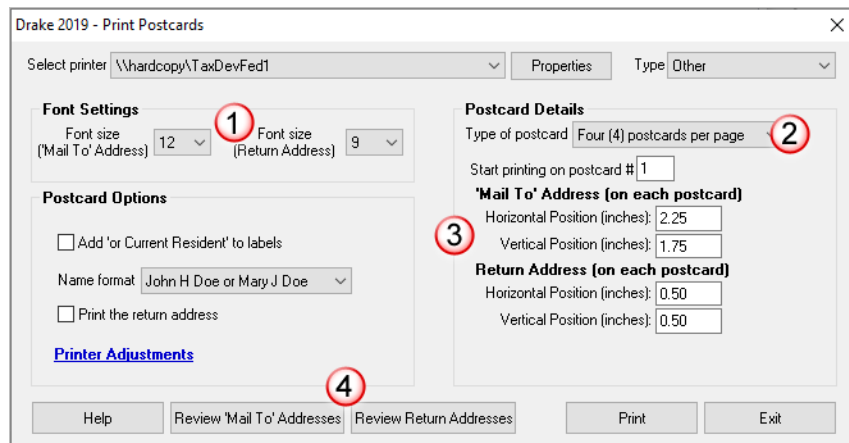


**Figure 1-2:** The new **Print Postcards** dialog box

These same options – or appropriate variations – are available in the **Print Labels**, the **Print Envelopes**, and **Print Postcards** dialog boxes.

From the **Home** window menu bar of Drake Tax, go to **Tools > Letters** to get started. For more details on batch printing, see "Letters" on page 422.

## Enhanced Client Search Windows

The client search windows in the program have a new look and enhanced functionality, allowing you to now search for clients by name or ID number.

Whether you are –

- Updating client files for last year (from the **Home** window menu bar, **Last Year Data > Update clients 2018 to 2019**)
- Setting up organizers or proformas (**Last Year Data > Organizers** or **Proformas)**

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- Doing batch calculations (from the toolbar, click **Calculate**), batch mailings (**Tools > Letters > Letters**, **Mailing Labels**, etc.), or depreciation lists (**Reports > Depreciation List**)

– you can now search for clients by typing in their SSN or EIN (or the last four digits of their SSN or EIN), or by name (first or last). As you type, the search feature begins eliminating any returns that don't match your data, making it easier to find files you're searching for.
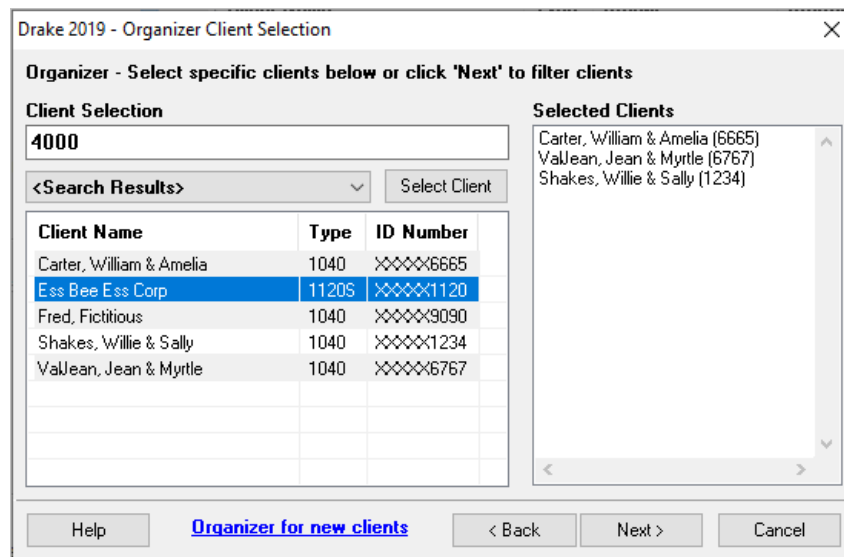


**Figure 1-3:** New client search feature

For instance, in Figure 1-3, the search program has filtered out any returns that do not begin with "4000."

You can also search for a return by typing in all or parts of the ID number, the first or last name of the taxpayer (or spouse), any words in the name of an entity (business) return. For instance, to locate the return for William and Amelia Carter (shown in Figure 1-3) you could search for `6665` or `William` or `Amelia` or `Carter`, even by consecutive letters in a name—such as `eli` from "Amelia."

Narrow your search by choosing only recently opened returns, or by selecting a particular tax package.

See "Update Returns Globally" on page 120, "Printing Organizers and Proformas" on page 127, "Calculating a Return" on page 299, and "Depreciation List" on page 443 for details on these changes.

## Enhanced Online Program Help

All Drake Tax windows (except the data entry screens) have a clickable **Help** button for accessing the Drake Tax Program Help System. Now, if your computer or network is connected to the Internet, you will see a new-look online Program Help, with new features to assist in finding you the information you need as quickly as possible.

When you access the Program Help System, you first see a "links page" containing links not only to the help you are looking for, but with the **Additional Resources** links, also to such helpful resources as the Drake Software KB, the *2019 Drake Tax User's Manual,* and the Drake Software Support website.

Click **View help documentation** and the Program Help is opened for the window you are in. If you go the **Additional Resources** section and click **Drake Software Knowledgebase**, the Drake Software KB is opened with a search for your topic already run and all relevant articles on view for you to choose from.

Internet access is required to use the new Program Help; computers without an Internet connection will still have access to the reliable off-line Program Help you're familiar with from past versions of Drake Tax.

See "Program Help" on page 390 for details.

# Changes to Practice Management

The following changes were made to Drake Software's practice management tools and programs.

## Enhancements to SecureFilePro

SecureFilePro should be even more manageable this year for both you and the taxpayer.

In terms of functionality, there will no longer be a need to differentiate between the "traditional" SFP client and SecureFilePro "Connect" clients. Taxpayers will automatically be routed to the SFP Connect website.

"Fillable" PDF documents (such as organizers) have been replaced by fillable Web forms. The client logs in, completes the Web form, and clicks **Submit**. That's it. You can then transcribe the client's information in Drake Tax.

For more information, and to see the new pricing structure, log in to *SecureFilePro.com*, or see "SecureFilePro" on page 476.

## Editable Miscellaneous Pages on Organizers

Client organizers help clients prepare for their appointments with their return preparer. When generating organizers, you choose from a list of predefined and customized pages to include. The custom pages are the "Checklist" and "Questionnaire."

In previous years, generated with the organizer, were "Miscellaneous Info" pages that included predefined questions (added through the Custom Editor). This year, those miscellaneous questions are part of the Questionnaire, allowing you to further customize the organizer by including the questions most pertinent to you and your clients.

For details, see "Customizable Organizers" on page 130.

# New Form 1040 and Schedules

Although not as dramatic as what we saw in 2018, there are some changes to tax law for 2019 that preparers should be aware of.

## Form 8997 Added to Most Packages

Form 8997, Initial and Annual Statement of Qualified Opportunity Fund (QOF) Investments, along with the corresponding data entry screens, has been added to the 1040, 1041, 1120, 1120S, and 1065 packages in Drake Tax. 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.

## Two-Page Form 1040

Form 1040 became a one-page form last year, but for 2019, the form has expanded again, this time to two pages.

## Schedules 1-6

Schedule 1-6 were introduced in 2018 as the IRS redesigned Form 1040 to more easily conform to the tax law changes brought about by the Tax Cuts and Jobs Act. For 2019, several of these schedules were streamlined and others discontinued.

See Table 5-1 on page 152 for details.

## Form 1040-SR Added tor 2019 Filing Season

Form 1040-SR, U.S. Tax Return for Seniors, has been added to Drake Tax for 2019. This form, filed in lieu of Form 1040, is for taxpayers–or their spouse–who are 65 years and older. (Drake Tax automatically produces the 1040-SR when the taxpayer is 65, as entered on screen **1**.)

Taxpayers (or their spouse) who reach their 65th birthday at any time during the tax year—even December 31—qualify for using the 1040-SR. The 1040-SR does not put a limit on interest, dividends, or capital gains, nor does it cap overall income. This form does impose a few other qualifying restrictions in addition to the age rule. For instance, it disallows itemized deductions.

Filers do not have to be retired yet to qualify.

**NOTE**: To have the program produce Form 1040 instead of the 1040-SR – even if the taxpayer is 65 and qualified for the 1040-SR – open the **PRNT** screen and select **Produce 1040 instead of 1040-SR**.

## Form 4506-T

Form 4506-T, Request for Transcript of Tax Return, has been added to the program for 2019. Use Form 4506-T to order a transcript or other return information from the IRS free of charge.

Access screen **456T** from the **Other Forms** tab of the **Data Entry Menu**.

Forms 4506, Request for Copy of Tax Return, and 4506-F, Identity Theft Victim's Request for Copy of Fraudulent Tax Return, are both available in as blank forms in Drake Tax (**Tools > Blank Forms**).

## Two FinCEN Form 114 Reports for Joint Accounts

A "J" option (for "Married Filing Jointly" returns) has been added to the **TSJ** drop list on screen **FRGN** to accommodate returns in which the taxpayer and spouse have separate banks accounts and a joint bank account.

Rather than having to enter the bank information twice—once for the taxpayer and once for the spouse—preparers can choose **J** from the **TSJ** drop list and the program generates two reports—one for the taxpayer and one for the spouse.

# Changes to Data Entry in Drake Tax

Following are brief descriptions of what has been, changed, added, or enhanced at Drake Tax. See Chapter 5, "Return Preparation," for details on completing Form 1040 in Drake Tax.

## Virtual Currency Question Added

On Schedule 1, Additional Income and Adjustments to Income, of Form 1040, on the line above Part I, is a question about the buying and selling and otherwise acquiring and disposing of virtual currency (such as Bitcoin, Litecoin, Ripple, etc.). This question can be answered in Drake Tax on screen **1**, in the **Foreign Account and Virtual Currency Questions** section, or on the **Foreign Account Questions and Schedule 1 Virtual Currency Questions** screen (click the **Foreign Account and Virtual Currency** link on screen **1**).

For more, see "Virtual Currency Question Added" on page 156.

## Changes to Health Care Screens

The Shared Responsibility Payment for 2019 has been reduced to $0, and for that reason, Form 8965, Health Coverage Exemptions, is no longer used. No health insurance information will flow to the 1040 return unless the taxpayer received Form 1095-A, Health Insurance Marketplace Statement, from the health insurance marketplace (or "Exchange").

The **Health Care** tab on the **Data Entry Menu** in the 1040 package now includes only four screens to help you complete the ACA information and forms. Screen **HC**,

**Health Care Coverage Information**, should be completed only if the taxpayer's dependents were required to file a federal income tax return for 2019.

See "General Health Care Coverage" on page 230 for more details on the screens needed for completing healthcare reporting requirements.

# New and Enhanced QBI Data Entry

The TCJA added Code Sec. 199A, "Qualified Business Income" (QBI), under which a noncorporate taxpayer—including a trust or estate—who has QBI from any trade or business, (not W-2 wages), including income from a pass-through entity, might be allowed to deduct up to 20% of that income from their taxable income.

QBI entries on screens **C**, **F**, **4835**, and **E** in Drake Tax are unchanged from 2018 but have been expanded. The new QBI Explanation Worksheet (available in View/Print mode) shows 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**, **4835**, and **K199** allow you to override individual calculations.

**Enhanced Screen K199**      All QBI reporting of income from pass-through entities to the taxpayer on Schedules K-1is now done on the expanded **K199** screen (available through links on the K1 screens, from the **Adjustments** tab of the **Data Entry Menu**, or by entering K199 in the selector field and pressing ENTER).

For details, see "Qualified Business Income (QBI) Deductions" on page 225.

# New Statements and Worksheets for QBI

When taxpayers 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-though Entity Aggregation Elections." Information from these statements is recorded on screen **K199** of the 1040 package.

See "Forms and Worksheets for "Pass-Through" Packages" on page 227

# QBI Deduction Adjustments

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 now provides override fields on screens **C**, **F**, **E**, **4835**, and **K199** that allow you to override individual calculations.

These overrides change the amounts appearing on the QBI Explanation Worksheet and on Form 8995 and affect the calculated amount of the QBI deduction.

## Form 8995 and 8995-A

The IRS released new forms—Form 8995, Qualified Business Income Deduction Simplified Computation, and Form 8995-A, QBI Deduction (Complex)—that take the place of the worksheets Drake Tax used last year to calculate QBI. These forms are available to the 1040 and 1041 packages.

There are no data entry screens in Drake Tax for completing either Form 8995 or 8995-A; the tax program completes and generates the form you need.

For details, see "QBI Deduction" on page 216 and "Forms 8995 and 8995-A" on page 229.

## New QBI Qualified Loss Carryfoward Screen

For taxpayers who, last year, had a net loss from QBI, and/or a net loss from REIT dividends and publicly traded partnerships (PTP), enter the carryforward amounts on the new **QBI** screen available from the **Adjustments** tab of the **Data Entry Menu**. These losses are not tracked separately per business.

For more, see "QBI Qualified Loss Carryfoward Screen" on page 230.

## Fields for Cooperative Payments

Fields have been added to the **K199** screen (accessible from the **K199** link on screen **K1P** (**1065 K1 13-20** tab), **K1S** screen (**1120S K1 12-17** tab), and **K1F** screen (**1041 K1 12-14** tab) to allow you to enter QBI allocable to cooperative payments and W-2 wages allocable to cooperative payments.



These entries flow to Schedule D of the Qualified Business Income Deduction Worksheet

("Form 8995-A – Sch D" in View/Print mode).

For more information on co-op payments, see "Cooperative Payments" on page 229.

## More on QBI Reporting

For more information on QBI reporting, see "Qualified Business Income (QBI) Deductions" on page 225. Also see "QBI Deductions for Schedule C" on page 175, "QBI Deductions for Schedule E" on page 195, and "QBI Deductions for Schedule F" on page 207.

## Pre-2018 Passive Activity Loss Carryovers

Added to screens **C**, **E**, **F**, and **4835** (click the **Carryover/State Info** tab) is a column for **Regular Tax Pre-2018**. When entering passive/at-risk carryforwards from 2018, type into these fields the portion of any prior-year unallowed passive loss carryovers that occurred prior to 2018. (Losses incurred prior to 2018 do not affect the QBI deduction in the year they are allowed and must be tracked separately.)

See "Pre-2018 Passive Activity Loss Carryovers" on page 205 for more.

## SE Health Insurance Deduction

In previous years, the Self-Employed Health Insurance and the Self-Employed Pension data entry fields were located in the same place: the **SEHI** screen. To accommodate data entry for the Qualified Business Income Deduction calculations, the Self-Employed Pension fields are now on the new **SEP** screen and the Self-Employed Health Insurance information stays on the **SEHI** screen. Both screens are located on the **Adjustments** tab of the **Data Entry Menu**. The **SEHI** screen is also available from the **Health Care** tab.



In the **Qualified Business Income Deduction** section of screen **SEHI** or **SEP**, select from the **For** drop list the form to be associated with the SEHI or SEP deduction. The QBI calculation will then flow to Form 8995, Qualified Business Income Deduction Simplified Computation. If there are multiple instances of a particular schedule or form – for instance, if the taxpayer has more than one Schedule C – enter the number denoting which instance of the form this deduction should be associated with in the **Multi-Form Code** field of the **SEP** or **SEHI** screen.

For more on using the **SEHI** and **SEP** screens, turn to "SE Health Insurance Deduction" and "Self-Employment Pensions" in Chapter 5 of the 2019 Drake Tax User's Manual.

# Other Changes to the 1040 Package

Here are some other changes for the 2019 filing season:

## Print Taxpayer's Phone number and Email Address

There are now optional lines in the signature space of Form 1040 for the taxpayer's and spouse's telephone numbers and email addresses. To have this information printed or omitted "globally" (for all 1040s you prepare), from the menu bar of the **Home** window of Drake Tax, go to **Setup > Options > Optional Items on Return** tab, and

mark or clear the **Taxpayer phone number** and **Taxpayer email address** check boxes to automatically include or omit this information for all 1040 returns.

To include or omit the phone number or email address on a per-return basis, open a return, go to screen **1**, and in the **Phone Number** section, make a selection from the **Print on Return** override drop list. Choose which number (**Daytime**, **Evening**, **Cell**) you want printed on that return, or select **None** to omit the phone number.

To print or omit the taxpayer's email address, open the return, go to the **PRNT** screen, and from the **Print client email address on return** drop list, make a selection to override your global decision.

## State Extensions

For extensions of returns for states that require an LLC (Limited Liability Company) number, and a taxpayer that has more than one LLC, open the State Extension screen (select **STEX** from the **States** tab of the **Data Entry Menu**) and enter a number in the **LLC/MFC** column that corresponds to the screen that contain the LLC number. For instance, if a California taxpayer has two limited liability companies, and the extension being requested corresponds to the second CA screen **Main**, then type *2* in the **LLC/MFC** column of the **STEX** screen.

Some states (New Hampshire and Oregon) and cities (New York City, Kansas City) require a separate extension for taxpayer and spouse. For those instances, make a selection from the drop list of the **T or S** column.

See "State and City Extensions" on page 275 for more on filing state extensions.

## Mileage Rates for 2019

The standard mileage rates for the use of a car (also vans, pickups or panel trucks) for 2019 are as follows:

- 58 cents per mile driven for business use
- 20 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

## Alimony Paid and Received

Alimony received should no longer be included in income if a divorce or separation agreement was entered into after December 31, 2018, and alimony paid is no longer deductible if a divorce or separation agreement is entered into after December 31, 2018. Enter alimony received in the **Schedule 1** section of screen **3**. Enter alimony paid on screen **4**.

Note that in both instances – for alimony paid and alimony received – there is a now a field on the screen for recording the date of the divorce or separation agreement.

If the divorce or separation agreement did occur after December 31, 2018, and a state requires the alimony amount, enter it is the prescribed fields. The amounts entered are ignored by the federal return but flow to the state return

For details on entering alimony in Drake Tax, see "Alimony Received" and "Alimony Paid" in Chapter 5 of the *2019 Drake Tax User's Manual*. For more information, see IRS Pub. 504.

## Verification Code

The IRS announced it would discontinue the Form W-2 Verification Code program for the 2019 tax year. Because federal law now requires employers to submit Forms W-2 by January 31 each year—helping the IRS combat fraud and identity theft—there is no longer a need for the verification code

The code field still appears on screen **W2** in Drake Tax this year, but the field is inactive.

## 1099-R Detail

The 1099-R Detail Listing ("1099-R Listing" in View/Print mode) now displays each state entered on screen **1099** and the taxable distribution allocated to each state.

## Acquisition Interest

For taxpayers who borrowed money to buy in to a business, the interest expense on that loan is deductible as a business expense against profits. You can now enter that amount in the "Acquisition interest" field on the **K1P** screen (**1065 K1 13-20** tab) and the **K1S** screen (**1120S K1 12-17** tab).



# Changes to the Drake Tax Business Packages

For changes to the business packages in Drake Tax packages—Corporation, S Corporation, Partnership, Fiduciary, Tax-Exempt, and Estate—see Chapter 14, "New Features in Other Packages."

# Manual Supplements

In early 2020, Drake Software will publish supplements to this manual. These supplements provide basic procedures for using Drake Tax's 1120, 1120S, 1065, 990, 1041, and 706 packages. They will be available from *Support.DrakeSoftware.com* (from the blue menu bar, select **Training Tools > Manuals**).

# Contacting Drake Software Support

In addition to the manual, on-screen Help, and online resources, Drake Software offers unparalleled telephone and email support. See "Contacting Drake Support" on page 12 for more information on contacting Drake Software Support.

NOTE
The filing deadline for 1040 returns is Tuesday, April 15, 2020. Note that Drake Software Support's tax-season hours are effective through April 20.

For more on the many helpful resources provided by Drake Software, see Chapter 10, "Resources and Support."

IMPORTANT
State and federal tax rules and regulations can change at any time. Read the Drake Tax shipment letters and broadcast email throughout the season to stay up to date on the latest changes to the software and in the state and federal tax laws.

# **2**    **Installation & Setup**

*READ THIS SECTION BEFORE INSTALLING YOUR*
*2019 DRAKE TAX PROGRAM.*

## Contents of Your Drake Tax Program

The program is available for download through the Drake Software Support website and via a CD service (available at an extra cost). All federal packages (1040, 1120, 1120S, 1065, 1041, 990, 706, and 709), the Drake Documents program, practice returns, banking practice files, and an e-file program used to transmit test returns to Drake Software are included when you install the tax program. The *2019 Drake Tax User's Manual* (in PDF format) is also available for download from the website and is included on the CD.

Programs for state returns, e-file, banking, the Tax Planner, city tax rates, and forms-based data entry become available in January through regular program updates (see "Update Manager" on page 407) or are included in a subsequent CD shipment in January for CD subscribers. Federal and state programs are updated with each program release thereafter.

IMPORTANT

Your serial number and Drake Software customer account number are required for installing the tax program. If you are installing Drake Tax from a CD, these numbers were included on your packing slip with the CD shipment. If you are downloading the program from the Support website, the serial number and account number are included in your confirmation email.

You can retrieve your account number and serial number from the Support website (*Support.DrakeSoftware.com >* **My Account > My Serial Numbers**.)

## System Requirements

Supported operating systems:

- Windows 8.1
- Windows 10
- Windows Server 2012
- Windows Server 2016
- Windows Server 2019

NOTE          All operating systems should be running the latest service pack.

## Minimum System Requirements

The following minimum system requirements support Drake Tax on most systems. For superior performance, Drake Tax recommends system upgrades above the stated minimums (see "System Recommendations," following). Actual requirements vary based on your system configuration and the features and other programs you install.

- 1 GHz processor
- 1 GB of RAM for 32-bit OS and 2 GB of RAM for 64-bit OS
- 2 GB of available hard drive space
- Optical drive – CD drive (only required for CD service)
- Monitor capable of 1024 x 768 screen resolution
- Internet access is required to install program updates and to use PPR software.

## System Recommendations

- Windows 10 Pro, 64-bit
- 2.0 GHz or faster multi-core processor
- 2 GB or more of available hard drive space (actual space requirements will vary based on the number of clients you serve)
- Monitor capable of 1920 x 1080 resolution
- Internet access is required to install program updates and to use PPR software. High-speed Internet access (such as DSL, cable, fiber optic) is recommended for GruntWorx, SecureFilePro, and Google and Outlook Calendar integration
- Windows GDI (Graphical Device Interface) or HP-compatible laser printer
- Internet Explorer 11 or Edge browser must be installed (other browsers such as Chrome and Firefox can be installed and used as the default)
- TWAIN-compliant scanner (for Drake Documents and GruntWorx)
- Microsoft® .NET Framework Version 4.7 or higher
- Adobe Reader

## Required TLS Setting

Does your system support TLS 1.2?

TLS is an industry standard security protocol designed to protect data communicated over the Internet. If your system does not support TLS 1.2, you must upgrade in order to download updates and e-file to Drake Software's systems.

To activate TLS:

1.  From your computer's Control Panel, select **Internet Options**.
2.  Select the **Advanced** tab.
3.  Scroll to the bottom of the dialog box and select **Use TLS 1.2**.

## Additional Recommended Requirements:

*   TWAIN compliant scanner for scanning capabilities within the Drake Documents (strongly recommended)
*   Microsoft .NET Framework v4.0 or greater (necessary for scanning functions in Drake Documents and the GruntWorx service)
*   Microsoft Excel

NOTES

*   The preceding specifications are *minimum* requirements. For best results, upgrade your system to exceed these requirements.
*   If you are running the Drake NWCLIENT network configuration, the oldest operating system supported is Windows 8. If you are running Windows server 2008, it must be Windows Server 2008 R2.
*   Windows Vista, Server 2003, Windows XP, and Windows 7 are out-of-date operating systems which are no longer supported or updated by Microsoft; this means they are more vulnerable to viruses, malware, data theft, and other malicious attacks. These operating systems do not meet Drake Software's minimum system requirements

# Installation and Download

Read to following section carefully, even if this is not your first season with Drake Tax.

For information on password requirements, see "Drake Software's Web-Based Sites" on page 32.

## Downloading the Program

Download the program from the Drake Software Support site by following these steps:

IMPORTANT

Read "Drake Software's Web-Based Sites" on page 32 before downloading your program from the Drake Software Support website.

(You will need your account number and the serial number which were included in the confirmation email you received when you purchased the program):

1.  Log in to *Support.DrakeSoftware.com*.

**2.** From the blue sidebar menu, select **Resources > Download Center** (or from the **Resources Overview** page, click **Download Center**).

**3.** From the **Drake Tax Software** list on the left side of the **Download Center** page, select **Drake Software 2019**.

**4.** Select a location where you want the program installed. Mark the **Install Test Return** check box, if desired. (See "Test Returns" on page 32). Click **Next**.

**5.** Accept the Drake Software 2019 License Agreement. Make sure **Licensed Version** is selected. Enter your account number and serial number. If you want to update your 2018 admin information to 2019, make a selection from the **Update Admin account from** drop list. Click **Next**.

**6.** Review the information displayed at the top of the window. Click **Install**.

## Installing from CD

To install Drake Tax from the CD:

**1.** Close all open programs on your computer.

**2.** Insert the 2019 Drake CD into the CD drive. Wait for the **Drake 2019 Software Installation** window to be opened, displaying two installation options: **2019 Drake Tax Software** and **Drake Accounting**. Click the icon to **Install Drake 2019 Tax Software**.

**3.** Select a location where you want the program installed. Mark the **Install Test Return** check box, if desired. (See "Test Returns," following). Click **Next**.

**4.** Accept the Drake Software 2019 License Agreement. Make sure **Licensed Version** is selected. Enter your account number and serial number. If you want to import your 2018 admin information into the 2019 program, make a selection from the **Update Admin account from** drop list. Click **Next**.

**5.** Review the information displayed at the top of the window. Click **Install**.

**Test Returns**     Test returns are included with new installations automatically; for re-installations, test returns are optional. For more on test returns, see "Test Returns and Practice Returns" on page 116.

**State Returns**     You can download your state packages from the Drake Software Support website, beginning in January. State packages can still be installed through the program (**Tools > Install State Programs**), and prior-year state packages (pre-2003) can be downloaded through the website. (See "Prior-Year State Programs" on page 388 for details on installing pre-2003 state packages.)

## Drake Software's Web-Based Sites

As part of the industry-wide initiative to set tougher security standards, Drake Software requires a "User Account" login for accessing such Drake Software websites as Support, Enterpriser Office Manager, Drake Software Status. User accounts are set up and maintained in the Enterprise Office Manager (EOM).

The first user account set up in the EOM will be the administrator, or "admin," account. The administrator selects a user name and Drake Software sends the adminis-

trator an email message to the address Drake Software has on file for the account. That email will contain a code that the administrator must enter on the site to proceed with account setup.

Once the admin account is set, the administrator uses the EOM to create user accounts for anyone needing access to Drake Software websites. The administrator enters a user name and unique email address for each user, and the user will receive an email notification prompting him or her to set up an account. User accounts require first name, last name, answers to three security questions, and a password.

Passwords must be a minimum of eight characters but can contain up to 64 characters. Passwords must be "strong" – that is, they must include at least one uppercase letter (A-Z), at least one lowercase letter (a-z), at least one numeral (0-9), and at least one special character (@, #, $, %, etc.).

Administrator can set user access ("access" or "no access") for the Drake Software Support site, the EOM, the EF Online Database, and the Download Center. Admin users have access to all the sites.

If a user forgets his or her user name or password, an account recovery option is available.

# e-File Passwords Required

Drake Software issues e-file passwords to help protect tax professionals from EFIN theft and taxpayer data theft.

IMPORTANT            This e-file password must be entered in the 2019 Drake Tax program in order to e-file tax returns.

To retrieve your e-file password and enter it in Drake Tax 2019:

**1.** Log in to *Support.DrakeSoftware.com* and from the blue menu bar, select **My Account > My Serial Numbers**. Your e-file password is displayed on this screen.

**2.** Open the 2019 Drake Tax program, and from the menu bar of the **Home** window, select **Setup > ERO & Account Information**.

**3.** Enter your e-file password in the **e-File Password** field. You also must enter your account number, EFIN, and transmitter information before you can e-file.

**4.** Click **OK** to save your changes.

NOTE            You can change your account password on the Drake Software Support website (*Support.DrakeSoftware.com* > **My Account > Change Password**).

# Initial Login

When you open and log in to Drake Tax for the first time, you are asked to enter your account number and serial number again. Then you must set up a password for the administrator (admin) (Figure 2-1). This must be a "strong" password, meeting the requirements in the Password Requirements section of the window (red circle on the right side of Figure 2-1).

1. Double-click the **Drake Tax** icon from your desktop (see figure at left).
2. When the **Password setup** window is opened, enter a "strong" password in the **Password** field.
3. Confirm the password by entering it again in the **Repeat password** field.

Note that the **Password requirements** change from a red **X** to a green check mark as you complete the steps.

4. Click **Next** to open the **Security question** window.

**Figure 2-1: Password Setup** window

5. Select a security question and then type in an **Answer**. (Note that the answer is case sensitive.)
6. Click **Finish**.

Each of the preparers and other personnel in your office requiring access to Drake Tax must also have a "strong" password to open the tax program.

Password recovery is available to preparers who forget their passwords. (Must have admin rights. See "Retrieving Forgotten Passwords" on page 35.)

**Passwords "Aging Out"**    For added security, passwords "age out" after 180 days, at which time preparers and ADMIN must to enter new and different passwords.

IMPORTANT       Admin passwords entered in **Setup > Preparer(s)** should be different from the EOM password used for access to the Drake Software websites. See "Drake Software's Web-Based Sites" on page 32.

**Passwords "Timing Out"**

After 15 minutes of inactivity (15 minutes for a preparer account; 10 minutes for an ADMIN account), the computer locks in place, requiring the preparer to re-enter his or her password. When the "time out" limit is reached, the preparer is offered the chance to stay logged in; otherwise, the preparer is logged out (with a possible loss of data) and must type in his or her password before opening the program again.

**Retrieving Forgotten Passwords**

If you forgot your password for opening the tax program, and you clicked **Password help** only to discover you cannot remember the answers to your security questions, you have relief.

Under the security question text box on the **Drake Tax Security** window, click the **Online password recovery** link. You are directed to the Drake Software's "Software Admin Password Recovery" website (your user name and password are required to log in to Drake Support). Sign in, answer three security questions, and click **Submit** to receive an email message containing a recovery code. Enter that code in the **Password** field of the tax program's login window.

The recovery code expires in one hour.

NOTE       This **Online password recovery** link is available only to users logged in as "ADMIN."

# Administrative Login

To complete all setup screens and functions, log in as "admin." The administrator can access all tools, functions, and setup routines in Drake Tax, including firm, preparer, and security setup, network setup, the **Administrative Options** tab at **Setup > Options,** and tracking information on the ADMIN screen in data entry. (These features can be made available or unavailable to non-administrative users. See "Setting Up Security" on page 47.)

# Multi-Factor Authentication

The tax preparation industry—including Drake Software and the IRS—is constantly working to improve security measures that protect both the taxpayer and the tax return practitioner from data theft. The next step forward is known as "multi-factor authentication" (MFA).

Many companies provide this service, including *Amazon.com*, Google, SecurAccess, and Semantec VIP, to name just a few. Some providers offer MFAs for free, others charge a fee per use and per number of users. Make a selection that best suits your purposes.

Setup varies by company but they're all similar and simple. Once the authenticator account is set up, the MFA requires users to complete a two-step process before being allowed access to Drake Tax. Through an "app" on a smart phone, the user receives a six-digit, one-time pass code that must be entered in to Drake Tax every time he or she logs in. Code numbers are erased and regenerated every 30 seconds.

In the coming years, the IRS is going to require practitioners to have MFAs; Drake Software is giving you the option of getting familiar with this security measure this year.

IMPORTANT          "Multi-factor authentication" requires use of a "smart" phone.

**Setting Up MFA**

There are several steps involved in setting up MFA, but once it is set up, the new security log-in process will include only two easy steps.

To get started, first visit your MFA's website and set up an authentication account. You (or your office administrator) might also have to set up accounts for each of your employees.

At the end of setup process, follow the steps to download the needed app onto your phone.

**Setting Up Drake Tax**

Once you have your MFA set up and your app downloaded to your phone, open Drake Tax and set up each preparer or employee who should have access to the clients' tax data. (This must be done by a person with Drake Tax admin rights.)

**1.** From the **Home** window menu bar of Drake Tax, go to **Setup > Preparer(s)**.

**2.** Select a preparer to edit. Double-click the preparer's name or click once and then select **Edit Preparer**.

**3.** In the **Login Information** section, select **Enable Multi-Factor Authentication** (figure at right).

**4.** Click **Yes** and then **OK**.

**5.** Click **Save** and then **Exit**.

**Logging into Drake Tax**

When that preparer attempts to access the program, after entering a user name and password on the **Login** window, he or she next sees the **Multi-Factor Authentication** window. Within that window is what's known as a "QR code" the black-and-white square on the right side of the window (see the figure in Step 3 on page 37). To continue the authentication process (the following steps may vary by MFA provider) the user must:

**1.** Activate the app on his or her cell phone.

2. Using the camera feature of the smart phone, place the QR code within the borders of the viewfinder and wait while the phone completes its scan. The authorization code is generated and displayed on the phone's screen.

3. Enter that code in the **Multi-Factor Authentication** window of Drake Tax and click **OK**.

The code on the phone screen is erased and regenerated every 30 seconds.

For more information on the regular log-in procedure for Drake Tax, see "Initial Login" on page 34. For more on preparer setup, see "Preparer Setup" on page 45.

## Missing Icons

In some cases, an OS released after the tax program's release may not produce the needed desktop icon.

IMPORTANT

If the NWCLIENT.EXE was run but there is no Drake Tax icon on the desktop, use the following steps or contact Drake Support for assistance at (828) 524-8020.

If you are comfortable navigating in the network file structure, from each workstation:

1. Go to **My Computer** (or click the **Start** button on the far left side of the task bar and select **Computer**). In Windows 10, click the "Windows" icon in the lower left-hand corner and select either **File Explorer** or **Settings** to find your network.
2. Select the network server.
3. Double-click **Drake19**.
4. Open the folder **FT**.
5. Right-click **Drake19.EXE** and select **Send to > Desktop (create shortcut)**.

## Running Drake Tax on a Network

Your network's designated server should meet or exceed the system requirements listed on page 29. As computers are added to the network, RAM and processing speed of the server and the workstations should be upgraded to improve performance.

NOTE

Your office's network must be properly configured for Drake Tax to run correctly. Drake Software cannot provide technical support for the network itself. Consult an IT professional for network setup and support.

## Single Workstations and Network Options

The location where you install Drake Tax will be the default location for all current and prior-year client files and returns, and the default location for such config-uration set-tings as firm and preparer setup, reports, macros, letters, pricing files, preparer notes, and sched-ules.
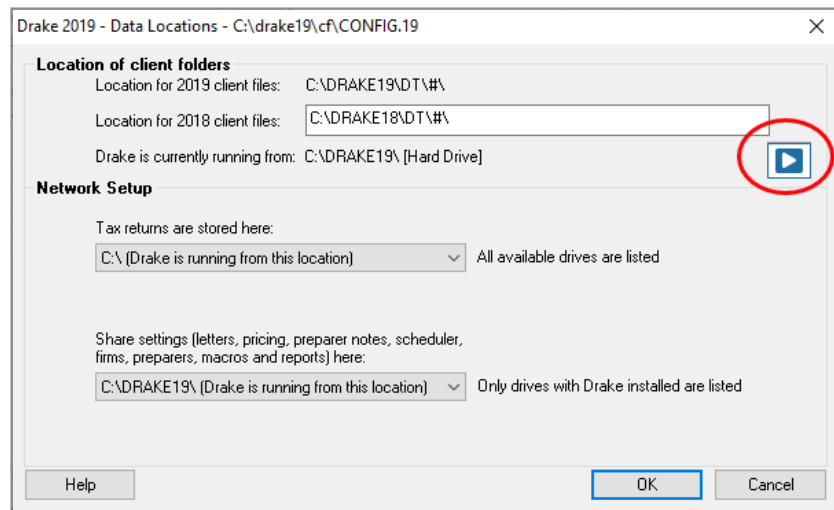
Unless you have files stored in different locations, or you have a unique network setup, it should not be necessary to make any changes to your data locations.

Administrators have the option of changing these data locations to conform to a par-ticular network setup. To do so, from the menu bar of the **Home** window, go to **Setup > Data Locations** to open the **Data Locations** dialog box (figure above). To see a video tutorial on setting data locations, click the blue button (circled in figure).

## Networks

Install Drake Tax to your network's server or to all workstations of a "peer-to-peer" network. Table 2-1 shows a comparison of the two network options:

**Table 2-1:** Comparison of Network Option

| Server Only (Preferred Setup) | All Workstations ("Peer-to-Peer" Setups) |
| --- | --- |
| For firms with a robust network setup | For firms without resources to use a single server |
| Simplified setup and updates | Updates must be installed to each computer |
| No need to "stagger" DCN counter | Could be necessary to "stagger" DCN counter |

**Server Networks**

Once your network has been mapped and Drake Tax is installed on a server, complete the following steps at *each* workstation:

**1.** Depending on your operating system:
   – (Windows 8) In the **Search** field of the toolbar at hte bottom of the window, type "RUN," then click **Run**.

    – (Window 10) Type `F:\DRAKE19\NWCLIENT\NWCLIENT.EXE` (substituting your server drive letter for "F") in the search field on the left side of the task bar. Skip Step 2.

**2.** Type `F:\DRAKE19\NWCLIENT\NWCLIENT.EXE` (substituting your server drive letter for "F") in the **Run** text box.

**3.** Click **OK**.

**4.** Click **OK**. The server-only system is now in place.

Once this process has been completed at *each* workstation that will be using Drake Tax, you should be able to access the program from *any* of these workstations.

By default, all workstations use the same configurations (for letters, pricing, firms, preparers, etc.), as those set up on the server. To use configurations set up elsewhere (for instance, on each individual workstation):

**1.** From the menu bar of the **Home** window in Drake Tax, go to **Setup > Data Locations** to open the **Data Locations** dialog box.

**2.** From the **Share settings (letters, pricing...)** drop list in the **Network Setup** section, choose the drive where you've made the configuration settings.

**3.** Click **OK**.

By default, all prior-year files are stored on the server. To access prior-year files stored elsewhere:

**1.** From the **Home** window in Drake Tax, go to **Setup > Data Locations** to open the **Data Locations** dialog box.

**2.** In the **Location of client folders** section, enter the location where you wish to store and access prior-year files in the **Location for 2018 client files** text box.

**3.** Click **OK**.

**Other Network Configurations**   Some network setups—such as "peer-to-peer" networks—do not have an actual server. Each station runs Drake Tax independently, but one computer—a designated "server"—is used for transmitting all returns. For such setups, follow the instructions in "Downloading the Program" on page 31 or "Installing from CD" on page 32 to install Drake Tax onto *each* workstation.

Once Drake Tax is installed on all your workstations and your network has been mapped, one of your workstations should be designated as the "server," and the other workstations should link to the "server" in the following manner:

**1.** From the menu bar of the **Home** window in Drake Tax, go to **Setup > Data Locations** to open the **Data Locations** dialog box.

**2.** In the **Network Setup** section, select the drive of the workstation designated as the "server" from the **Tax returns are stored here** drop list.

**3.** Click **OK**.

By default, all workstations using Drake Tax on a "peer-to-peer" network use the configuration files as set up on the individual workstations. To share the same configuration files as the "server" or some other workstation:

**1.** From the **Home** window in Drake Tax, go to **Setup > Data Locations** to open the **Data Locations** dialog box.

**2.** In the **Network Setup** section of the **Data Locations** dialog box, choose the drive letter where you've stored the configuration settings from the **Share settings...** drop list.

**3.** Click **OK**.

By default, all prior-year files are stored on the individual workstations. If your workstations should share the prior-year files:

**1.** From the **Home** window in Drake Tax, select **Setup > Data Locations** to open the **Data Locations** dialog box.

**2.** In the **Location of client folders** section of the **Data Locations** dialog box, enter the drive letter of the "server" workstation in the **Location for 2018 client files** text box.

**3.** Click **OK**.

IMPORTANT

All computers on the peer-to-peer network must have access to the "server's" drive – the drive on which the tax returns are stored and from which all returns will be e-filed. Map to the "server's" *drive*—not to the Drake19 *folder*.

All drives properly mapped and with Drake Tax installed appear in the **Tax returns are stored here** drop list and the **Share settings...** drop list. If the drive of the "server" does not appear in these lists, consult an IT professional. Drake Software cannot provide technical support for the network itself.

CAUTION

*Do not change the* **Data Locations** *settings during tax season!* If a change is necessary, contact Drake Software Support.

## Program Setup

Perform setup procedures *before* attempting to prepare or e-file returns. Some setup procedures are required; others are optional.

**Table 2-2:** Setup Procedures: Required and Optional

| Required Setup Procedures | Optional Setup Procedures |
|---|---|
| Firm(s) (See "Firm Setup" on page 42.) | Options (See "Setup Options" on page 50.) |
| ERO (See "ERO Setup" on page 44.) | Pricing (See "Pricing Setup" on page 63.) |
| Preparer(s) (See "Preparer Setup" on page 45.) | Macros (See "Macros Setup" on page 64.) |
| Data Locations (See "Single Workstations and Network Options" on page 38.) | Letters (See "Introduction to Letters in Drake Tax" on page 67.) |

**Table 2-2:** Setup Procedures: Required and Optional

| Required Setup Procedures | Optional Setup Procedures |
|---|---|
| Pay Per Return (PPR clients only; see PPR manual on CD or from *Support.DrakeSoftware.com*, go to **Training Tools > Manuals**.) | Colors (See "Color Setup" on page 81.) |
| | Printing (See "Printing Setup" on page 82.) |

If you used Drake Tax last year, you can bring forward most required program settings from your 2018 program. See "Updating Settings" on page 122 for details.

## Setup Assistant

Redesigned for 2019, the Setup Assistant not only makes it easier for first-time users to enter their basic e-file settings (ERO, Firms, Preparers) in Drake Tax, but also saves returning customers steps when importing the previous year's settings in Letters and Pricing, and other general



settings (colors, macros, reports, Drake Documents, Scheduler appointments, etc.) into Drake19.
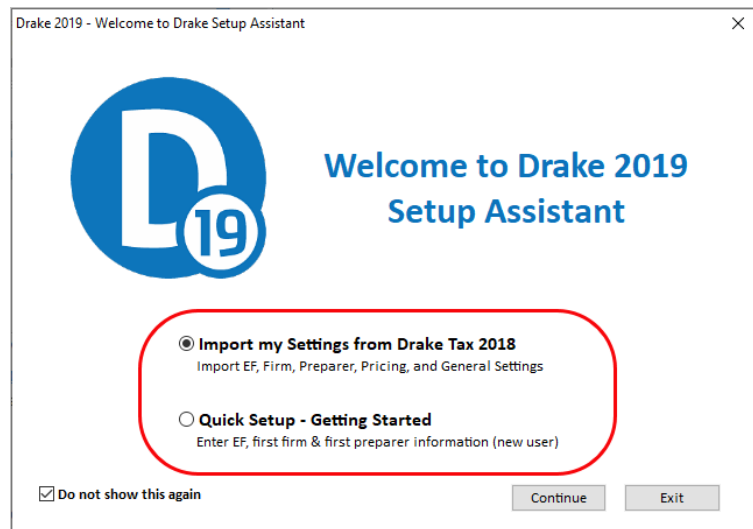
The **Drake Setup Assistant** window (see figure above) is opened automatically the first time you log in to Drake Tax. Select the proper option for your office.

**New Users:** For first-time Drake Tax users, select **Quick Setup - Getting Started** and click **Continue**. From the **Setup Assistant – Quick Setup** window, choose to set up your Electronic Filing Information, your firm information, or your preparers. A green check mark denotes which setup screens have been completed.

NOTE

When you set up your first preparer through **Setup Assistant – Quick Setup**, you must choose (in the **Security Options** section) to "Allow All Options" or "Allow No Options," giving that preparer access to all return preparation functions, or none of them.

To change the preparer's status, from the **Home** window menu bar, go to **Setup > Preparer(s)**, double-click the preparer from the list, click **Security** from the toolbar, and make a selection from the menu. For details on setting up security for preparers, see "Preparer Setup" on page 45.

**Returning Drake Users:** Returning users click **Import my settings from Drake Tax 2018** from the first window of the Setup Assistant and are presented update choices: updating their information on last year's preparers, their firm, their pricing filing, client results letters, and other general settings (e-file and account information, Scheduler appointments, colors, macros, reports, Drake Documents, etc.). A green check mark appears beside every item of the Drake Tax setup completed. (See circle in Figure 2-2.)

The Setup Assistant is opened every time you log in to Drake Tax until all setup steps are taken or unless you mark the **Do not show this again** check box on the **Drake Setup Assistant** window. You can re-open the Assistant at any time by going to the menu bar of the **Home** window and selecting **Help > Setup Assistant**.
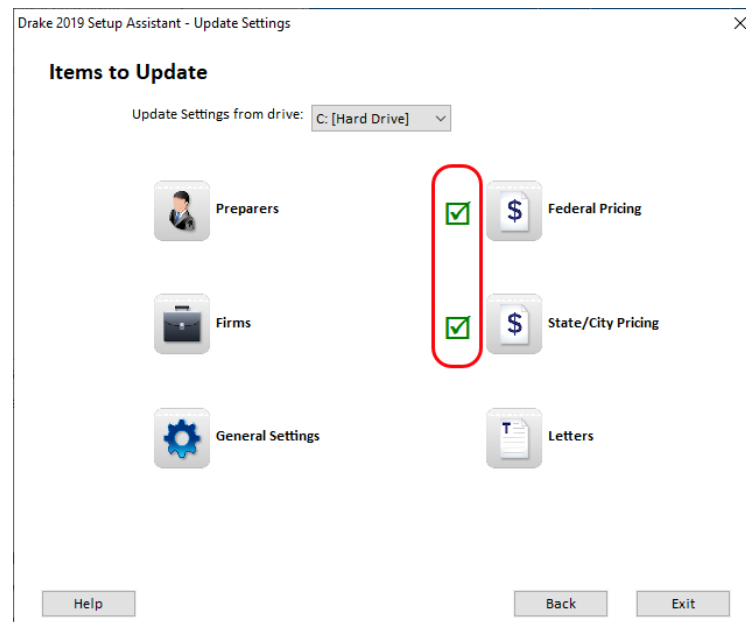


**Figure 2-2:** Two setup items (green check marks) are complete in the Setup Assistant

NOTE    You are not required to use the Setup Assistant. All setup options available through the Assistant are also available through Setup menu (from the **Home** window menu bar). See "Program Setup" on page 40 and "Setup Options" on page 50.

## Firm Setup

Firm setup must be completed before returns can be prepared and e-filed. If data is inaccurate or missing, tax returns might be e-filed with incorrect information.

NOTE    To ensure that all information needed for e-file is entered for a firm, required fields are highlighted in red in the **Firm Information** tab of the Firm Setup window.

## Adding a Firm

To add a firm in Firm Setup:

**1.** From the menu bar of the Drake Tax **Home** window, go to **Setup > Firm(s)**.

**2.** From the **Firm Setup** window's menu bar, click **Add** to activate the bottom half of the window.

Information fields required for e-file are indicated by red text.

NOTE   Banking and audit protection information flows to the screen only after a bank application and audit protection application has been completed in the Enterprise Office Manager and then your EFIN has been "confirmed." (For information on the EOM, see "Enterprise Office Manager" on page 334. Click links on the **Banking** tab or **Audit Protection** tab of Firm Setup to open the log-in window of the EOM, or log in at *eom.drakesoftwarecom*.)

- **EFIN Confirmation** — Be sure your firm's Electronic Filer's Identification Number (EFIN) is in the **EFIN** field and click **Confirm**. If you have properly verified your EFIN with Drake Software you receive a green check mark, and the words **You are approved to e-file** appear next to the **Confirm** button. For help with EFIN validation, contact the Drake Software Compliance Department at (866) 273-9032.

- **General Information** — The lower half of the **Firm Setup** window is divided into tabs. Enter contact and identification information, including firm name, address, phone and fax numbers, contact name, and email address on the **Firm Information** tab, and Employer Identification Number (EIN), any state ID numbers, optional DNC and invoice numbers, and state and local sales tax rates on the **Settings** tab.

  - If the firm is not located in the U.S., enter the applicable province or state, country, and postal code in the **Foreign Address** section of the **Firm Information** tab.

  - DCN serial numbers (entered on the **Settings** tab) are no longer assigned to returns for IRS purposes and no longer cause IRS rejects because of duplicate DCNs. DCNs are used by Drake Tax, however, for tracking purposes, and offices that e-file from multiple non-networked computers can still have DCN conflicts. See the following note.

NOTE   Offices that use multiple computers that are not networked must "stagger" DCNs to avoid duplication. DCNs should be staggered before any 2019 returns are created. For instructions on staggering DCNs, see "Staggering DCNs" on page 354.

  - **Non-paid-prep** — If the firm is not a paid preparer, enter on the **Settings** tab a non-paid code. Acceptable codes are **VI** (VITA), **VT** (VITA–T), **TE** (TCE–X), **IP** (IRS–PREPARED), AND **IR** (IRS–REVIEWED).

  - **Automatic Invoice Numbering** – An optional invoice number can be printed on the client's bill. The program automatically "increments" this number with each new return. To set up this option, on the **Settings** tab, mark the **Enable Automatic Invoice Numbering** check box. Type a

starting number of your invoices in the **Starting Invoice #** field. The automatic invoice numbering system begins with the next return you create. Override an invoice number with an entry in the **Invoice Number** field on screen **1** of a client's return.

— Enter state and local sales tax rates for the firm on the **Settings** tab. EROs who are responsible for more than one firm can enter a different sales tax rate for each firm. (Sales tax rates—state and local—can still be entered globally from **Setup > Options > Billing** tab.)

- **Banking Information** — If you've completed your online Drake Software bank application through the EOM, clicking **Confirm** not only confirms that your EFIN has been registered at Drake Software, but also imports your banking information directly from the bank application. To modify your bank information, you must return to the EOM bank application. (For details on the EOM, see "Enterprise Office Manager" on page 334.)

  — If you signed up for Audit Protection (see "Audit Protection" on page 150 for more details), your Protection Plus information is imported when you click **Confirm**. (To sign up for this audit protection plan, click the link to open your EOM and then complete an application at **Enrollment > Protection Plan Application**.)

NOTES

- To view Protection Plus reports, log in to the EOM with your EFIN and Drake Tax password, then, from the blue menu bar, click **Reporting > Protection Plus Summary** or **Protection Plus Enrollments.**
- To view a report of the revenue you've earned from the additional (add-on) fees for e-file, log in to the EOM, and from the blue menu bar, click **Reporting > Add on Fees**. (These add-on fees are listed when the returns are *funded*, not as the returns are transmitted.)

**3.** Click **Save**. The program assigns a number to each firm entered in **Firm Setup**.

**Additional Options**
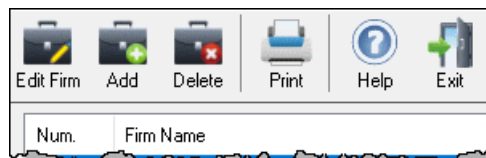


To edit, add, or delete firms, or to print a list of firms set up in Drake Tax, click one of the icons from the toolbar (figure at left).

**ERO Setup**     An Electronic Return Originator (ERO) must complete ERO Setup in order to e-file returns, download program updates, and access the online e-file database.

To set up your firm as an ERO in Drake Tax:

**1.** From the menu bar of the **Home** window, select **Setup > ERO & Account Information** to open the **ERO & Account Information** dialog box (Figure 2-3 on page 45).

2. In the **General Information** section, type in the **Account Number**, **EFIN**, and **e-File Password** (required), and the name, address, ZIP code, and EIN of the ERO (optional)

NOTE     Your Drake Software password is available through *Support.DrakeSoftware.com* **> My Account > My Serial Numbers**.



**Figure 2-3: Setup > ERO & Account Information**

NOTE     Click the **Use Firm #1 Info** button (circled in Figure 2-3) to import the information for the first firm listed in **Setup > Firm(s)** directly into the **General Information** section of the **Electronic Filing Setup** window.

3. In the (rare) event that you must edit your serial number, mark the **Edit Serial** check box (Figure 2-3) and enter the changes; otherwise, leave this section blank.

4. If your firm is a franchise or network, complete the **Franchise/Network Information** fields (see "Franchise/Network Requirements" on page 333); otherwise, leave this section blank.

5. If applicable, type in the **Disclosure or Use of Tax Information** field the name of the franchise or network to which tax information must be disclosed in order to apply for bank products. (The field facilitates compliance with IRS Regulation 7216; see "Tax Preparer Requirements" on page 330.)

6. Click **OK.**

## Preparer Setup

Preparer Setup fields and preparer security must be completed before a preparer can prepare and e-file returns. All preparers, data-entry personnel, front office workers who use the Scheduler—anyone who needs access to Drake Tax—must be entered in

Preparer Setup. Each time a name is added to Preparer Setup, a number is assigned to that name.

**Adding a Preparer**

Information entered determines what preparer information appears on the tax returns. To add a new preparer in Drake Tax:

1. From the **Home** window menu bar, select **Setup > Preparer(s)**.
2. Click **Add** (figure at left) to activate the **Preparer Setup** window.
3. Type relevant information about the preparer into the **General Information** section. Any punctuation (periods, commas, apostrophes) included with the **Preparer name** box appears whenever the preparer's name is printed, including with letters and bills generated with the return.
4. Fields required for e-filers (**Preparer Name**, **PTIN**, and **Username**) are indicated by red text and must be completed.

*To apply for a PTIN, go online at irs.gov/For-Tax-Pros.*

NOTE  When the preparer logs in for the first time, he or she sees the **Password setup** window (Figure 2-1 on page 34) and must complete the **Password setup** and **Security question** windows before being allowed access to Drake Tax.

5. Mark the **Enable Multi-Factor Authentication (MFA)** check box to force the preparer to activate Drake Tax using a multi-factor authentication code. See "Administrative Login" on page 35 for more information.
6. Mark the **Disable preparer** box (optional) to lock the preparer out of the program. Return to Preparer Setup and clear the box to allow access.
7. If applicable, click **Registration** to enter the preparer's state registration ID (California, Maryland, New York, Oregon, and Virginia only). Click **OK** to save.
8. Indicate **Return Signature Options**.
   - **PIN signature** — Enter a five-digit **PIN Signature**.
   - **Use PIN for:**
     - **8879 PIN Signature** — Select to activate the 8879 PIN signature.
     - **Alternative Electronic Signature** — Select to automatically fill any field requiring electronic signature with the preparer's name. (Do not select the **Alternative Electronic Signature** check box if you are planning to use the "Rubber Stamp" feature of the e-Signature tool. See Step 9.)

NOTE  The alternative electronic signature is printed on the "Preparer's signature" line at the bottom of returns that have not been e-filed and on returns where the preparer and ERO are different (for example, if an override field on screen **1** is used). To have the alternative electronic signature printed on a paper copy of a return that has been e-filed, you must re-enter this number in the **PIN for preparer's alternative e-signature** field on the **PRNT** screen for that return.

9. **PDF Rubberstamp** — For information on using the rubber stamp and electronic signature features, see "Electronic Signatures" on page 313. Click the blue arrow to see a short video tutorial on the use of electronic signature pads (Internet access required).

**10.** If applicable, enter the firm's **Republic Bank Identification** number (RBIN).

**11.** Enter **Power of Attorney Information** (necessary to generate Form 2848, Power of Attorney and Declaration of Representative).

–   **Preparer designation** — Select the designation under which the preparer is authorized to practice before the IRS.

–   **CAF Number** — Enter the preparer's Centralized Authorization File (CAF) number assigned by the IRS.

–   **Lic./Enrollment** — Enter a bar, license, certification, registration, or enrollment number, if applicable.

–   **Jurisdiction** — Enter the jurisdiction in which the preparer is authorized to practice before the IRS. If the preparer is an IRS Enrolled Agent (EA), enter the EA number here.

**12.** Enter **W-7 Acceptance Agent** information for the preparer, if applicable.

**13.** Select a **Preferred Language**. A selection here overrides the global selection made at **Setup > Options > Data Entry** tab, **Language Options** section. The default setting is English.

You are now ready to set up preparer security. If you click **Save** at this point, you are reminded that security rights must be set before the preparer can access any features in the program. If you choose to close Preparer Setup now, be aware that you have to return at some point to set the preparer's security rights.

NOTE     If no PTIN has been entered, you are asked if you want to exit the window without entering a PTIN. Click **Yes**, or click **No** and enter a PTIN before saving and exiting. A PTIN is required for e-file.

To proceed, go to Step 4 in "Setting Up Security," following.

**Setting Up Security**     This feature establishes security settings for an individual preparer. To assign the same security level to many preparers, the **Group Security** feature might be a better option. See "Setting Up Group Security" on page 48 for more information.

NOTE     Only administrative users can set security rights. Settings must be established before a preparer can begin working in the program.

To customize security settings for a preparer:
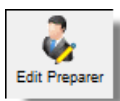
**1.** From the **Home** window of Drake Tax, select **Setup > Preparer(s)**.

**2.** From the **Preparer Setup** window, select a preparer and click **Edit Preparer**.

**3.** From the toolbar, select **Security > Custom Security**.

**4.** In the **Preparer Security Setup** window, select from the menu bar, and then select the items to which the preparer should be allowed access (figure right). Items left blank are inaccessible to the preparer. Be sure to select each heading from the menu bar and make a selection for each item.

**5.** Click **Save**. When prompted, click **OK**. Click **Save** and **Exit** to close **Preparer Setup**.
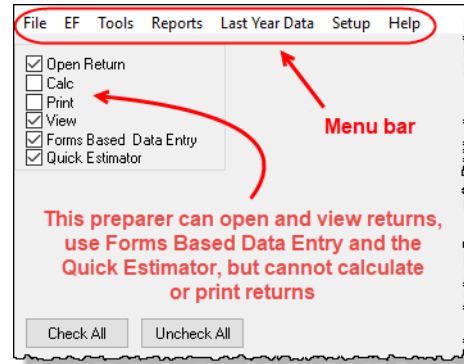
**Other Security Options**

Other options available under the **Security** button are shown in Table 2-3.

**Table 2-3:** Preparer Security Options

| Security Option | Description |
| --- | --- |
| Set Security to Allow No Options | Employee cannot access any part of the program. |
| Set Security to Allow All Options | Employee can access all parts of the program, except for ADMIN-only features. |
| Set Security Equal to Existing Preparer | Employee is given security settings to match those of another preparer on the list. |
| Add Preparer to Security Group | Add employee to a pre-established security group. (See "Setting Up Group Security," following.) |
| Front Office (Scheduling Only) | Employee can access the Scheduler only. |
| Administrator (Full ADMIN Rights) | Employee can access all parts of the program, including administrator-only features. |

To remove security rights from *all* preparers (other than administrative users), from the toolbar of the **Home** window of Drake Tax, click **Setup > Preparer(s)**, click **Security**, select **Remove rights for ALL preparers**, and click **Yes**. To remove rights for an *individual employee*, from the **Preparer Setup** window's toolbar, click **Edit Preparer** and then **Security**, and set that person's security to **Set Security to Allow No Options**.
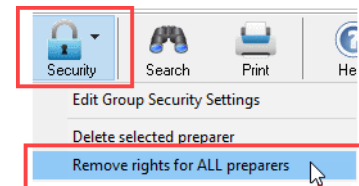


**Setting Up Group Security**

To make entering employees' security settings quicker and easier, set up Group Security. You can create as many security groups as needed (maybe one for preparers, one for front-office personnel, one for anyone authorized to admin rights, etc.), but an employee can belong to only one security group at a time. (If you add an employee to a second group, that employee is removed from his or her current group and added to the new one.)

Only an administrative user can apply security settings to a group of preparers.

To apply group security:

1. From the **Home** window, select **Setup > Preparer(s)**.

2. From the toolbar of the **Preparer Setup** window, click **Security** and then **Edit Group Security Settings** to open the **Group Security** dialog box (see figure below). Three security levels are available by default. If preparer data is brought forward from last year and there are preparers with any of these security levels, they are automatically added to the appropriate group.

   • **Admin** — Users with administrative rights; group cannot be deleted

   • **Full** — Users with full access to everything except administrative features

   • **Front Office** — Front Office rights for non-preparers (Scheduler access only)

3. Choose one of the following options:

   • To add a group, click **Add Group**. Under **Security Group General Information**, enter a **Group ID** name and a **Group Description** (item #1 in figure below).

   • To edit an existing group, double-click the group row near the top of the **Group Security** dialog box (or highlight the group and click **Edit Group**).



4. Under the **Security Settings** tab (#2 in figure right), click to mark the boxes representing the features to which the group should have access. (Accessible features cannot be edited for the Full or Admin groups.) Click **Check All** to mark all boxes shown in all menu categories. Click the menu bar (**File**, **EF**, **Tools**, **Reports**, etc.,) and make selections from the tabs.

5. Under the **Assign Preparers** tab:

   • To add a preparer, select the preparer to be assigned to the group from the **Available Preparers** list. (Double-click a name or click the name and click **Select**.)

   • To remove a preparer, select the preparer from the **Preparers in Security Group** list. Double-click a name or click the name and click **Unselect**.

6. Click **Save**.

NOTE    You do not have to assign preparers when creating a group. You may assign preparers to a group at any time by returning to the **Group Security** dialog box.

To delete a group, select the group's name, click the **Delete Group** icon from the toolbar, and then click **Yes**. Note that a group must be empty (must contain no preparers) in order to be deleted.

**Group
Security
Reports**

The Group Security feature allows you to view and print two reports related to group security settings:

- **Group Security** report — Includes group security settings for each group. Groups are listed in order of creation, with default groups first.
- **Group Preparers** report — Includes all groups and their assigned preparers.

Reports are shown in the Report Viewer, from which you can print or export the reports. To access reports, click **Print** in the **Group Security** toolbar. The program displays the "Group Security" report first. To access the "Group Preparers" report, click **Exit** in the **Report Viewer** toolbar. Once the "Group Preparers" report is open, click **Exit** again to return to the **Group Security** dialog box.

Once generated, both reports become available through the Report Viewer. (From the Drake Tax **Home** window menu bar, go to **Reports > Report Viewer**.)

**Other
Features**
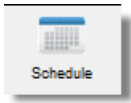
To create a preparer's daily schedule:

1. From **Setup > Preparer(s)**, double-click a name to select a preparer (or click **Edit Preparer**).
2. Click **Schedule** from the toolbar to open the **Scheduler Setup** dialog box.
3. Select day and "in" and "out" times.
4. Click **Apply**, and then click **Save** to save the schedule.

See "Scheduler" on page 135 for more information on using the Drake Scheduler.

From **Preparer Setup**, you can print a list of preparers or run a search on preparers. To access these features, click the icons on the **Preparer Setup** tool bar (Figure 2-4).



**Figure 2-4:** The **Search** and **Print** icons on the **Preparer Setup** toolbar

## Pay Per Return Setup

(*PPR Clients Only*) For information on setting up PPR, see Supple*ment: Pay Per Return (PPR)*, available on the Drake Software Support site at *Support.DrakeSoftware.com* (**Training Tools > Manuals**), through the tax program (from the toolbar on the **Home** window of Drake Tax, go to **Support > Drake Software Manual & Online Resources**) or from your Drake CD.
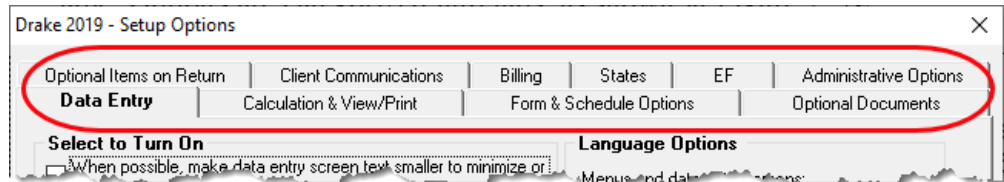
## Setup Options

*Options > Setup
is not required in
order to complete
or e-file tax
returns.*

The Drake Tax program is shipped with the most common preferences set as the defaults. Use Options Setup (accessible by clicking **Setup > Options** from the **Home**

window menu bar) to view or change the default settings for the various options available. Options are categorized into tabs, as shown in Figure 2-5.

NEW FOR

2019

The new **Client Communications** tab of the **Setup Options** window contains options for generating and printing client results letters and state and federal filing instructions. See Table 2-9 on page 55 for details.

(Only administrative users have access to the **Administrative Options** tab.)



**Figure 2-5:** Tabs in Options Setup

Table 2-4 through Table 2-12 on the following pages describe the options available on each tab in Options Setup.

**Data Entry Options**

Options under the **Data Entry** tab are described in Table 2-4.

**Table 2-4:** Options Setup: Data Entry

| Option | Description |
|--------|-------------|
| Size text on data entry screens | Automatically size the text on screens to minimize or eliminate scrolling. |
| Tab to ZIP code field (skip city/state and use ZIP code database) | Press the TAB key while entering an address in data entry to bypass the **City** and **State** fields and go directly to the **ZIP** field. **City** and **State** fields are completed automatically based on the ZIP code entered. |
| Show notes/reminders to preparer when opening a return | Show all notes and reminders from the **NOTE** and **PAD** screens every time you open a client file that contains notes or reminders. |
| Verify SSN when creating new return | Require double entry of SSN or EIN, helping eliminate erroneous entries. |
| Enable Windows standard keystrokes | CTRL+X = cut; CTRL+C = copy; CTRL+V = paste; SHIFT+CTRL+X = autofill amended screen; SHIFT+CTRL+C = calculate return; SHIFT+CTRL+V = view return |
| Autofill preparer and firm number on new returns | Automatically enter the firm number and preparer number where required on data entry screens. |
| Magnify data entry | Enlarge the active field for easier reading. |
| Activate W-2 wage and federal withholding verification fields | To ensure accuracy of data entry, require wage and withholding amounts be entered twice on the **W2** screen and of federal and state distributions and federal withholding amounts at the bottom of screen **1099**. |
| Do not restrict minimum font size in 800x600 | This is a sizing option for computers using an 800x600 resolution. If this option is selected, the program will not attempt a font substitution to retain readability. Text on screens will shrink to fit as needed. |

**Table 2-4:** Options Setup: Data Entry

| Option | Description |
|---|---|
| Use grid data entry format on available screens | Type information into a spreadsheet environment, which can result in faster data entry. This feature is available for the **Dependents**, **INT**, **DIV**, **8949**, **D**, and **4562** and **8283** screens. |
| Enable Data Entry toolbar | Mark the check box to activate the data entry screen toolbar; clear the check box to disable the data entry screen toolbar. (See "Data Entry Toolbar" on page 107 for details.) |
| Language Options (1040 package only) | Choose between English and Spanish for menus, data entry screens, field help text, and error codes (EF Messages). |
| Letter case for data entry | Choose between all uppercase letters and mixed case. |
| Display warning for missing required fields | Choose to receive a warning: whenever a required field is empty; once per data entry session; not at all. |

**View/Print Options**   Options under the **Calculation & View/Print** tab are described in Table 2-5.

**Table 2-5:** Options Setup: Calculation and View/Print modes

| Option | Description |
|---|---|
| Autocalculate tax return when exiting data entry | Returns are automatically calculated every time you exit the return. |
| Display client fee on Calculation screen | Allow the fees charged for return preparation to appear on the **Calculation Results** window. |
| Print only one overflow statement per page | Each overflow statement is printed on a separate piece of paper. |
| Go directly to form when accessing View or data entry mode | Go from a data entry screen to the corresponding form in View mode when you go to View/Print mode. When the **Data Entry** button is clicked in View/Print mode, the program returns to the data entry screen. |
| Audible notification of calculation error messages | When calculating a return, the program produces a "beep" to indicate an EF Message. |
| Mask SSN, EFIN, PTIN | Masks taxpayer's, preparer's, and ERO's identification number on printed sets. Use caution when masking SSNs and providing payment vouchers from Client and Preparer Sets.<br>When choosing this option be aware that the SSN will not be printed on the payment voucher or on the estimated tax payment voucher in either the "Client" or "Preparer" sets. If a voucher is sent to the IRS or a state tax agency without the taxpayer's SSN, the taxing authority will be unable to process the payment. Ensure the correct version of the voucher is used; these can be found in the "Federal" and "State" sets. |
| Layout for depreciation schedule | Select **Portrait** to produce the depreciation schedule vertically using 8.5 x 11 paper; select **Landscape** to produce it horizontally. |
| Pause option for calculation | Choose the circumstances under which the **Calculation Results** window appears, allowing a review of calculation results before proceeding to View/Print mode. |

**Table 2-5:** Options Setup: Calculation and View/Print modes

| Option | Description |
|---|---|
| Number of days to store print files | Select to store print files from 1 to 9 days, or to have them removed once the return is selected for e-file. If a return is needed after the print file is removed, recalculate the return to re-create the print file. |
| Print sort options for Interest/Dividends | Choose how items entered on the **INT** and **DIV** screens are sorted when printed on Schedule B: alphabetically, numerically, or not at all. |

**Form & Schedule**     Options under the **Form & Schedule Options** tab are described in Table 2-6.

NOTE     Many of these settings can be adjusted on a per-return basis. See "Making Changes on the Fly" on page 86.

**Table 2-6:** Options Setup: Form and Schedule Options

| Option | Description |
|---|---|
| Print Schedule A only when required | Produce Schedule A only when taxpayer qualifies to itemize. |
| Print Schedule B only when required | Produce Schedule B only when taxpayer has enough interest income to require filing Schedule B. |
| Print Form 4562 only when required | Produce Form 4562, Depreciation and Amortization, only when the tax return requires it. |
| Print Form 6251 only when required | Produce Form 6251, Alternative Minimum Tax, only when the tax return requires it. |
| Next year depreciation schedule | Produce a depreciation schedule for next year in addition to the one for this year. |
| W-2/1099 forms | Produce and display in View/Print mode all W-2 and 1099-R forms with the return. |
| Print two W-2/1099-Rs per page | If return has more than one W-2 or 1099-R form, print two per page. |
| Carryover worksheet | Produce any carryover worksheets associated with the return. |
| Print page 2 of Schedule K-1... | Produce page 2 of Schedule K-1 for Forms 1120S, 1065, and 1041. |
| Print ES vouchers... | Prints ES vouchers only when screen ES exists. |
| Always show reason for no EIC | Generate Return Note explaining reason taxpayer not getting EIC. |
| Always show tax computation worksheet | Generate Tax Computation Worksheet showing how the program calculates the tax on line 44 of the 1040 return |
| Print shareholder's/partner's adjusted basis worksheet | Make this selection to automatically print a partner's or shareholder's adjusted basis worksheet. |
| 1040-SR suppress | Choose to have Form 1040 generated and Form 1040-SR suppressed globally when the taxpayer would be eligible to use the 1040-SR. |
| Form 8879 bank account options | Select option for printing bank account information on Form 8879. |

**Table 2-6:** Options Setup: Form and Schedule Options

| Option | Description |
|---|---|
| Select to Turn On | Produce lists of these items (W-2, W-2G, 1099-M, 1099-R, federal withholding summaries (see "NOTES," below), dividends, interest, K-1s) when the selected number in the drop list is exceeded. |

NOTES

The program produces a "Federal Income Tax Withheld" worksheet that lists all forms and schedules on which federal withholding has been reported in the return. You can choose to set a lower limit for the number of forms and schedules that will trigger generation of the worksheet.

For instance, if you select "5," then the "Federal Income Tax Withheld" worksheet is not generated for returns with five or fewer forms and schedules that report federal withholding.

In the **Select to Turn On** section of the **Form & Schedule Options** tab, mark the **Federal Withholding Summary** check box, then choose a number.

**Optional Documents**

Options under the **Optional Documents** tab are described in Table 2-7. Make global selections here; make changes to coversheets and envelopes for a single return from the **COMM** screen (formerly the **LTR** screen) available from the **Miscellaneous** tab of the **Data Entry Menu**.

**Table 2-7:** Options Setup: Optional Documents

| Option | Description |
|---|---|
| Folder coversheet | Generate a folder cover sheet on which is printed the taxpayers' names and the name, address, and phone number of the preparer's firm. |
| Prior year(s) comparison form | Produce a comparison sheet containing data from the current-year and prior-year returns. |
| Return summary | Produce a return summary with every return prepared. |
| Bill summary | Produce a summary of the taxpayer's bill with each return. |
| Labels | Print a sheet of "mail to" addresses on Avery 5160 labels |
| Envelope Sheet (address drop lists) | Choose the size of the envelope on which to print the addresses of the taxpayer, the IRS Service Center, the state tax department, the city tax office, for Forms K-1, and the return preparer firm's address. |
| Do not print taxpayer envelope sheet with organizer | By default, the program produces the envelope coversheet addressed to the taxpayer when organizers are generated. Select this box to keep this coversheet from being included with organizers; any selection from the **Taxpayer address** drop list is still included when the return is printed. |
| Do not print firm envelope sheet with organizer | By default, the program produces the envelope coversheet addressed to your firm when organizers are generated. Select this box to keep this coversheet from being included with organizers; any selection the **Firm Address** drop list is still included when the return is printed. |
| Estimated payment coversheet | Print coversheet with the address for estimated payments to Nelco ENV500 envelope dimensions for 1040 and 1041 returns with quarterly taxes. |

**Table 2-7:** Options Setup: Optional Documents

| Option | Description |
|---|---|
| NELCO link | Click this link to go to the NELCO website to order such Drake Tax-compatible products as envelopes, IRS forms, and checks. |

**Optional Items on Return**

Options under the **Optional Items on Return** tab are described in Table 2-8.

**Table 2-8:** Options Setup: Optional Items on Return

| Option | Description |
|---|---|
| Date on return | Mark this box to have the current date printed on the return. To change the date printed on the return (or the due date on letters and filing instructions), enter the desired date on the **PRNT** screen (accessible from the **Miscellaneous** tab of the **Data Entry Menu**). |
| Print dates for taxpayer and spouse signatures (excludes 1040) | Select this option to print the signature dates for taxpayer and spouse signatures on the return (excluding 1040). |
| Taxpayer phone number. | Select this option to print the taxpayer's phone number entered on screen **1**. |
| Third party designee | Select the preparer number of the preparer designated as the third-party designee to be printed on the main form of the return. |
| Interest and Penalty Calculation | Calculate penalties and interest on returns filed after the due date based on interest rates entered. For more information, see "Penalty and Interest Calculation" on page 287. |

**Client Communications**

*New for 2019*: Options under the **Client Communications** tab are described in Table 2-9. Many of these options were previously available in the **Optional Documents** tab.

**Table 2-9:** Options Setup: Client Communications

| Option | Description |
|---|---|
| Letter Selection (all packages) | Select the client results letter templates to be used for each package. The selected template will be generated with each return in that package. For more information on each template, see Table 2-14 on page 73. |
| Additional Letter Options: | |
| – Include privacy letter with returns | Select this option to print the privacy disclosure letter with every return. |
| – Include engagement letter with returns | Select this option to generate engagement letters for all packages when the return is calculated. At the end of the letter template are spaces for client and preparer signatures. Engagement letters can also be produced prior to completion of the return using **Tools > Letters > Letters**. |
| – Include customized supplemental letter with returns | Print a customized letter that can be used for various purposes. (See Table 2-14 on page 73.) |

**Table 2-9:** Options Setup: Client Communications

| Option | Description |
|---|---|
| – Include K-1 letter with returns | Print the cover letter for individual K-1s (1065, 1120S, and 1041 packages). |
| – K-1 Letterhead | Choose to include the entity's information or your firm's information and logo in the letterhead of the K-1 letter, or select to use neither. |
| Filing Instructions: | |
| — Federal | A drop list provides options to always print federal filing instructions (a sheet of detailed federal filing information), never print filing instructions, or print filing instructions only for paper-filed returns. The federal filing instructions include the date to file, the form to be filed, mailing address to file the form, and any tax payment due. The federal instructions are listed as "Filing Instructions" in View/Print mode. Federal filing instructions are printed by default; make a global selection here or make a change for a single return from the **COMM** screen (formerly the **LTR** screen) available from the **Miscellaneous** tab of the **Data Entry Menu**. |
| — State | Produce a sheet of detailed state filing information that includes the date to file, the form to be filed, mailing address to file the form, and any tax payment due. The instructions are listed as "ST Instructions" ("ST" refers to the state abbreviation; for example, "OH Instructions" for Ohio instructions). State filing instructions are printed by default; make a global change here or make a change for a single return from the **COMM** screen (formerly the **LTR** screen) available from the **Miscellaneous** tab of the **Data Entry Menu**. |
| Print filing instructions for Forms 8878 and 8879 | *New for 2019:* Produce filing instructions for Form 8879, IRS e-file Signature Authorization or Form 8878 (extensions) |
| Use paper-filing information | Produce paper-file paragraphs in the client results letter and filing instructions. |
| Referral Coupons (3 per sheet) | Offer client a discount for referring another client (individual (1040) package only). Enter the number of sheets per return and the coupon amount. To customize the wording of your coupons, from the **Home** window menu bar, go to **Setup > Communications Editor**, click **Open**, select **Individual**, then scroll down to **Individual Referral Coupon**. Go to "Client Communications Editor" on page 68 for details on editing the coupon. |
| Do not print referral coupons with organizer | The program produces referral coupons when organizers are generated if a number in entered in the **Sheets per return** box. Select the **Do not print referral coupons with organizer** box to keep the coupons from being included with organizers; the coupons will be printed with the return if there is a number in the **Sheets per return** box. |

NOTE     To override the default client results letter for an individual client, see "Overriding Letters Setup" on page 92.

**Billing**     There are three bill selections: a comprehensive itemized bill, a one-page summary bill, and the "Classic" bill Drake Tax has always produced. See "Selecting a Bill" on page 80.

You can customize your clients' bills using the same Client Communications Editor you use to edit and customize your client results letters. See "Customizing a Bill" on page 81.

For information on accepting credit card payments from your customers, see "Accepting Payments" on page 326.

Options under the **Billing** options tab are described in Table 2-10.

**Table 2-10:** Options Setup: Billing

| Option | Description |
|---|---|
| Select Bill format: | |
| | Comprehensive Bill: Generates an itemized client's bill. (All packages) |
| | Summary Bill: Generates a summarized client's bill. (All packages) |
| | Classic Bill: Use the same format and features as prior years of Drake Tax. |
| Options for all billing formats: | |
| – Show preparer fees withheld from bank product | Print the preparer fees withheld from the bank product amount on the bill. |
| – State sales tax rate<br>– Local sales tax rate | Enter state and local sales tax rates to add to each bill as a decimal or a whole number. Number must be greater than "1." For example, "4.5" represents a sales tax rate of 4.5%. Can be adjusted per firm (see "Firm Setup" on page 42) or per return (see "Adjusting Individual Amounts" on page 91.) |
| – Billing statement format | Select from among six formatting options, including:<br>- Show only total amount; bill displays only a total, no itemized list of forms being billed for (affects Comprehensive and Classic bills only)<br>- Show form list and total; displays itemized list but no price-per-form, only a total (affects Comprehensive and Classic bills only)<br>- Show forms, forms prices, and total; displays itemized list, price-per-form, and total (affects Comprehensive and Classic bills only)<br>- Bill by time (bill based on time spent preparing return multiplied by preparer's hourly rate as defined in **Setup > Preparers**)<br>- Bill by form (bill based on forms necessary to complete return by price entered in **Setup > Pricing**)<br><br>Drake Tax prepares a bill summary along with whatever option is selected here unless the **Bill summary** check box is cleared at **Setup > Options**, **Optional Documents** tab. |
| – Header on bill | - If "Show preparer's name" is selected from the drop list, then the sentence, "Your (tax year) tax return was prepared by (return preparer's name)" will be printed on the bill. (Affects Comprehensive and Classic bills only.)<br>- If "Show only tax year" is selected, the sentence, "(tax year) Tax Year Statement" is printed on the bill. (Affects Comprehensive and Classic bills only.)<br>- If "Professional service statement" is selected, then the sentence, "For professional services rendered in connection with the preparation of your (tax year) tax return," is printed on the bill. (Affects Comprehensive and Classic bills only.) |
| Options for Classic Bill only: | |

**Table 2-10:** Options Setup: Billing

| Option | Description |
|---|---|
| – Print taxpayer's phone number on the bill | Print the taxpayer's phone number (entered on screen **1**) on the bill. |
| – Print taxpayer's e-mail address on the bill | Print the taxpayer's email address (entered on screen **1**) on the bill. |
| Custom Paragraph Options | |
| – Options | Choose to have a custom paragraph printed at the top of the customer's bill or at the bottom. |
| – Paragraph Content | Write the custom paragraph you want added to the customer's bill in the supplied text box. |

**States**  To select options for state returns, choose the **States** tab, and then select a state abbreviation from the drop list. When the options are displayed, select to activate or disable them as desired and click **OK**. Available options depend on the chosen state. For more on specific states, see the **FAQ** screen for each state program.

**e-File**  Options under the **EF** tab are described in Table 2-11. Some can be adjusted for an individual return from the **EF** screen in data entry:

**Table 2-11:** Options Setup: EF

| Option | Description |
|---|---|
| Auto-generate taxpayer(s) PIN | Have the program assign a randomly generated PIN (1040 only). |
| Require 'Ready for EF' indicator on EF screen | Require the **Ready for EF** indicator on the **EF** screen to be marked before a return can be selected for e-file. |
| Lock client data file after EF acceptance | Generate a reminder that the return has been filed and accepted when next you open the file. |
| Print 9325 when eligible for EF | Print Form 9325, Acknowledgment and General Information for Taxpayers Who File Returns Electronically, for every eligible return. |
| Suppress federal EF | Prevent e-file of federal return. |
| Print EF status page | Generate the **EF Status** page for any return that is eligible for e-file. |
| Alert preparer when bank product is not included | Alert the preparer via an EF Message that a return does not include a bank product. (To override, see "Overriding Bank-Product Alert" on page 357.) |
| Activate imperfect return election in data entry | Activate **Imperfect Return Election** check box on **EF** screen in data entry. |
| Allow selection for EF from the 'Calculation Results' screen | Allow preparer to send the currently active return directly from the **Calculations Results** window to the e-file queue. |
| Enable prompting before automatic transmission of 'Check Print Records' | Allow the program to notify you before it transmits the Check Print records. |

**Table 2-11:** Options Setup: EF

| Option | Description |
|---|---|
| Email 9325 Notice to Taxpayer (automatic from Drake Processing Center) | Form 9325, Acknowledgment and General Information for Taxpayers Who File Returns Electronically, is automatically emailed to taxpayer when return is accepted. (Client's email address must be present on screen **1**.) Override this selection on the **EF** screen. |
| Require E-Signatures on all electronically signable forms (1040 only) | Require all preparers to take advantage of Drake Tax's e-Signature capabilities For details on these capabilities, see "Electronic Signatures" on page 313. Override this selection on the **EF** screen. |
| Disallow EF for DoubleCheck flag | Requires all DoubleCheck flags in View/Pint mode be removed before return is EF-eligible. (See "DoubleCheck and LinkBacks" on page 309.) |
| Default ERO | Choose a preparer number, **Paid Preparer**, or **None** to indicate the ERO name that should appear on return documents. Override this selection on screen **1** and the **PREP** screen in data entry. |
| Combine EF steps (Select, Transmit, Post Acks) | Combine all e-file steps. From **EF > Transmit/Receive**, clicking **Send/Receive** transmits selected returns, picks up new acknowledgments, and processes acknowledgments in one step. |
| Upload Client Status Manager data to Drake for multi-office web reports | Send Client Status Manager (CSM) data automatically to the Multi-Office Manager (MOM) during the EF process. |
| State EF | Suppress e-file of all state returns, or select states to suppress while other state returns remain eligible. |
| EF Selection Report Options | Customize EF selection reports by specifying which columns (such as SSN/EIN, client name, refund/balance due, etc.) should be included in the EF selection report. |

**Admin. Options**    To access the **Administrative Options** tab, a user must have administrative rights. Options under the **Administrative Options** tab are described in Table 2-12.

**Table 2-12:** Options Setup: Administrative Options

| Option | Description |
|---|---|
| Use customized data entry selection menu | Make certain forms or screens accessible to any user other than those with administrative rights. See "Locking Screens" on page 60. |
| Customize user-defined data entry fields | Create option lists for the **Miscellaneous Codes** fields on screen **1** and the **Adjustments**, **Percentage**, and **Payments** fields on the **BILL** screen. See "Customized Drop Lists" on page 61. |
| Use customized flagged fields on all returns | Select this box, click **Flag**, and select a package type. When the **Data Entry Menu** is opened, click the desired screen and click each field to flag. Click a field a second time to clear it. Press Esc to save your changes. **Note**: This option is available for federal packages only. |
| — Lock fields | Select **Use customized flagged fields on all returns**, click **Flag**, and select a package type. When the **Data Entry Menu** is opened, click the desired screen, right-click a field, and select **Lock Field**. No one without Administrator access can enter data in a locked field. Click the field or right-click and select **Unlock Field** to remove the lock. Press Esc to save your changes. |

**Table 2-12:** Options Setup: Administrative Options

| Option | Description |
|---|---|
| Apply current-year Admin flag settings when updating from prior year | Flags set globally in 2018 are set globally after updating data from **Last Year Data > Update from 2018 to 2019**. |
| Print all due diligence assistance documents | Produce due diligence documents generated from the **DD1** and **DD2** screens. (To generate these documents on a per-return basis, go to **PRNT** screen and select **Produce DDASSIST**.) |
| Require due diligence assistance screens to be completed | Require that applicable fields on the **DD1** and **DD2** screens be completed before the return can be e-filed. |
| Enable logged in preparer's Personal Client Manager | Display the Personal Client Manager on the Drake **Home** window for the logged-in preparer (check box is marked by default). |
| Bank Products - State laws regarding fees: Charge ALL taxpayers the same fees | Select this box to charge all clients the same supplementary fees (software, franchise/network, and additional fees), regardless of whether a bank product is included. For more information, click the **Program Help** link. |
| Drake PDF Printer Password Options | Choose to automatically password-protect any generated PDF documents. Passwords can be assigned to PDF documents that are sent through Drake Tax. The default password format is the first four characters of the client's name plus the last five digits of the client's ID. The **Default password** drop list includes other format options. These settings can be overridden during printing from the **Print Selection** dialog box. |
| Return Status Notification Programs | Use this option to receive return status notification through ABCvoice. Select to generate 7216 consent forms for the customer to sign. Select to require contact information (phone number and email address on screen **1**, or on the **ABCV** screen, available from the **Miscellaneous** tab of the **Data Entry Menu**. |

**Locking Screens**      An administrative user can "lock" selected screens, making them inaccessible to other users. Selections made here do not apply to users with administrative rights.

**1.** Go to **Setup > Options** > **Administrative Options** tab.

**2.** Mark the **Use Customized data entry selection menu** check box.

**3.** Click **Customize**.

After selecting a **Package** and **Package Type**, click **Load Menu**. Click a screen's check box to lock the screen or to make it visible or hidden. (Default is "visible.") Examples are shown in the figure (right) and described following:

- **Visible** — Menu items with a *black check mark* are both visible and accessible.
- **Locked** — Menu items with a *dark square* are not visible or accessible.
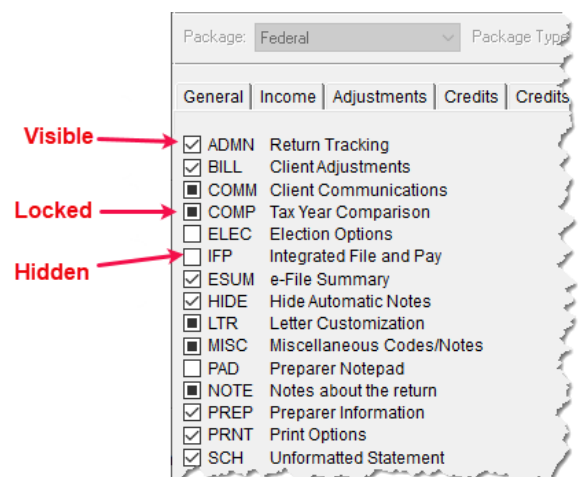
> • **Hidden** — Menu items with *a clear check box* are not visible but can be accessed using the selector field.

**4.** Click **Save** to save any changes or **Cancel** to close the menu with no changes saved. Click **Exit**.

**Customized Drop Lists**

You can create drop lists for the **Miscellaneous Codes** on screen **1** and for the **Adjustment** description field, the **Payment** description field, the **Percentage discount** field, and **Percentage increase** field of the **BILL** screen. Once created, the drop list appears in the selected field.

For instance, to help you decide the most effective form of advertising your business, you could survey your new clients and enter the results in **Miscellaneous Codes** section of screen **1**. In the
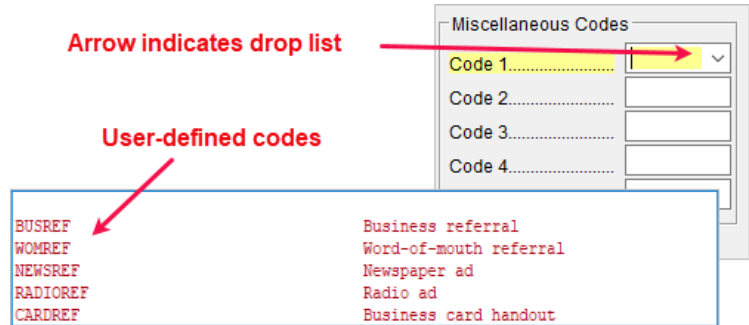


figure at right, a drop list was created for **Miscellaneous Code 1** with the user-defined referral codes BUSREF (business reference), WOMREF (word-of-mouth reference), NEWSREF (newspaper reference), etc.

To create a drop list like the one in the figure above:
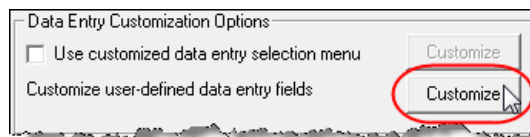


**1.** From the **Home** window, select **Setup > Options** > **Administrative Options** tab.

**2.** Click the second **Customize** button (figure left) to open the **Customizable Dropdowns in Data Entry** window.

*Double-click a field to select it quickly.*

**3.** Select an item (for instance, **Name and Address Screen - Miscellaneous Code 1**) and click **Edit** to open the **Customizable Dropdowns - Edit Entries** dialog box.

**4.** In the **Add Entry** section, type in a **Code** (eight or fewer characters) and a **Description** (49 or fewer characters). Click **Add** (figure right).

**5.** Repeat the previous two steps for additional drop list items. When added, items are displayed in the **Entry List** on the left side of the dialog box (figure, next page).
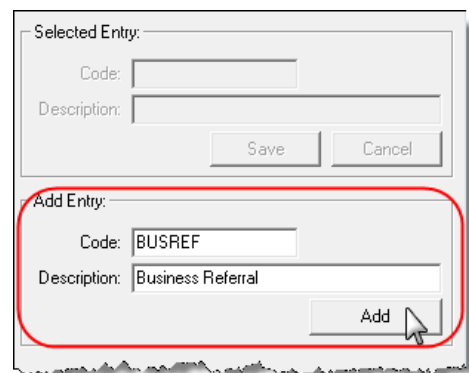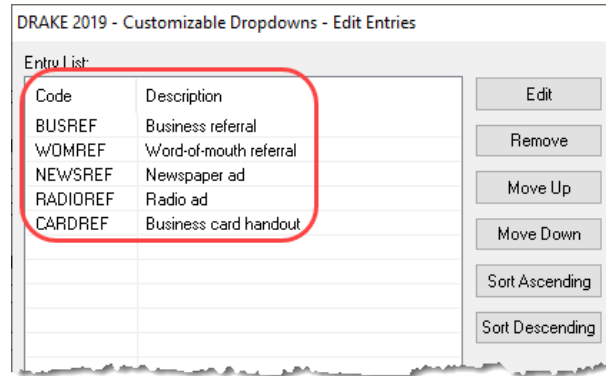
**6.** The **Edit Entries** dialog box also offers the fol lowing options:

- **Edit** — Select an item from the **Entry List** to edit and click **Edit**. The **Selected Entry** fields are activated.

- **Remove** — Select an item and click **Remove**.

- Changing the order of a listed item — Use the **Move Up**, **Move Down**, **Sort Ascending**, and **Sort Descending** buttons to change the order of items in the drop list.

When finished making any changes, click **Save Changes**, then click **Exit** to return to the **Administrative Options** tab. The drop lists are now available in data entry.

NOTE    When viewing a customized drop list in data entry, press F1 to see the item descriptions.

**Description Drop Lists**    Create drop lists for the **Adjustment** description fields, the **Payment** description fields, the **Percentage discount** field, and **Percentage increase** field of the **BILL** screen in the same way. Follow the procedure described in "Customized Drop Lists" on page 61, and in Step 3, scroll down to **Bill Screen - Adjustment Description**, **Bill Screen - Payment Description**, **Bill Screen - Percentage Discoun**t, or **Bill Screen - Percentage Increase**. Follow the rest of the procedure to add the drop lists to the **BILL** screen (Figure 2-6).
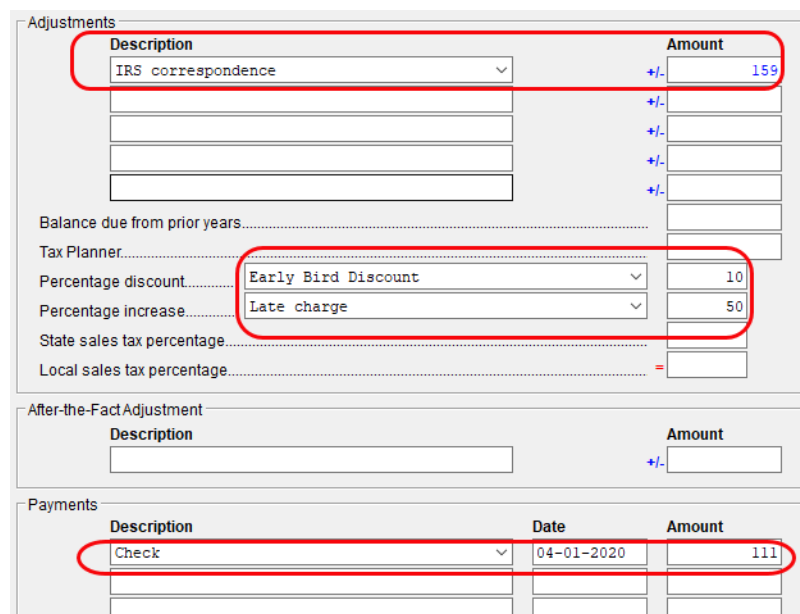


**Figure 2-6:** Add drop lists to fields of **BILL** screen

## Pricing Setup

Use Pricing Setup to enter the prices you charge for preparing forms, statements, and worksheets, and to allow the program to calculate the charges and generate them on the client's bill. Prices can be defined for each form and, on some forms, for each item. You can also enter minimum and maximum charges for a completed return.

To set up pricing:

1. From the menu bar of the **Home** window, go to **Setup > Pricing** to open the **Pricing Setup** dialog box.
2. Select a package from the **Form** box. All forms for that package are displayed in the grid below. View items by category by clicking the tabs at the top of the grid (Figure 2-7).



**Figure 2-7:** Tabs allow you to view categories of documents that can be priced.

*Use the scroll bar, arrow keys, or the **Find** function to locate forms.*

3. Select a form in the grid and press ENTER (or double-click the form).
4. (Optional) Edit the **Form description**. This description is printed on the client bill if **Include on Bill** is selected.

CAUTION          *Do not* edit the **Form name**.

5. Enter pricing information in the **Per item** and **Per form** fields.
   - When a **Per Item** entry is not applicable for a form, the field is unavailable.
   - If **Per Item** pricing is allowed, the price entered applies to *all* instances of the selected form printed for a return. (To view all items for which per-item pricing is allowed, click the **Per Item Charges** tab; see Figure 2-7.)
6. (Optional) If you wish to move an item from its default tab to a different tab, click the **Category** drop list and make a selection. The item will then appear under the newly selected tab.
7. Click **Update** and then click **Save**.

Repeat these steps for each form, or set pricing for only the most commonly used forms. You can price other forms from within the individual returns that require them. (For more information, see "Overriding the Bill Amount" on page 91.)

NOTE | Click the blue arrow button (Figure 2-7 on page 63) to view a video tutorial on using the Pricing Setup.

**Fee Options**  The program includes options to add a custom fee and a financial product assistance fee. Both fees are included in the "Forms" section of the bill.

- **Custom fee** — The custom fee is charged on all client returns. Use item 0387 in the **Pricing Setup** window to assign a fee name, description, and amount.
- **Financial Product Assistance Fee** — Use this option (item 0212 in Pricing Setup) to add a charge to all returns that include a bank product. This fee is *not* included on the bill if any of the following is true:
  - The firm's state is Arkansas, Connecticut, Illinois, Maine, Maryland, or New York. These states have regulations preventing preparers from charging extra fees to taxpayers opting to use a bank product to receive payment of their tax refund. (For more information, from the **Home** window of Drake Tax, go to **Setup > Options** > **Administrative Options** tab, and click the blue **Program Help** link in the **Bank Products** section of the window.)
  - In **Setup > Options** > **Administrative Options** tab, the option to charge all taxpayers the same fees (in the **Bank Products** section of the window) is marked.
  - In **Setup > Pricing**, the **Include on Bill** box is not marked for this fee.

**Minimum &**  To set minimum and maximum fees to be charged for a return:
**Maximum**
**Fees**
1. Scroll down to Forms 0255 and 0256 (the minimum and maximum fee settings).
*Use the scroll bar*  2. Double-click a row and enter the fee. Repeat for the other form, if desired.
*or arrow keys to*
*find forms.*  3. Click **Update**, and then click **Save**.

NOTE | If incorrect charges are generated on bills, check the minimum and maximum fees to see if the settings are affecting the totals.

## Macros Setup

Macros are commands and functions that allow you to accomplish tasks by pressing a combination of keys. Also called *keyboard shortcuts,* some macros are already available in the program; for example, the macro CTRL+V opens View/Print mode. You can edit existing macros or create new ones to meet your office's needs.

You can also use macros for data that is used often by your office. For example, if many of your local clients use Small Town Bank, you can arrange for the program to enter "Small Town Bank" every time you press a particular key combination.

**Using Macros**  To insert macro data, place the cursor in the field and press the applicable keyboard shortcut (macro) combination. To view available macros, press CTRL+SHIFT+M from within a field or right-click and select **Macros** from the right-click menu to open the **Data Entry - Macros** window. To insert macro data from the list, select a macro and click **Execute** (or double-click the row). The **Data Entry - Macros** window is closed automatically.

**Creating New Macros**  To create your own macros in Drake Tax:

**1.** From the menu bar of the Drake Tax **Home** window, go to **Setup > Macros**. The **Setup Macros** dialog box shows the macros (**Hot Key** column) and their associated tasks (**Data** column).

*To view a list of macros in data entry, press CTRL+SHIFT+M.*

**2.** Double-click a line to open the **Edit Macro** window.

**3.** Construct a simple formula of words and operators that will enter the data you choose. Symbols for non-character shortcuts are listed in Table 2-13 on page 66.

**4.** Click **Save.**

For instance, to create and use a macro to enter the address "1234 Peachtree Street, Atlanta, GA 30331, Fulton County," using the keys ALT+L for your macro:

**1.** From the Drake Tax **Home** window, go to **Setup > Macros**.

**2.** In the **Setup Macros** window, double click the **Alt-L** line.

**3.** In the **Setup Macros - Edit Macro** window, type `1234 Peachtree Street>> Atlanta>GA>30331>Fulton>>GA`

**4.** Click **Save** and then **Exit**.

**5.** Go to screen **1** in Drake Tax.

**6.** Click the **Street address** field and press ALT+L.

The macro enters `1234 Peachtree Street` for the **Street address** line, skips the **Apt #** field and enters `Atlanta` in the **City** field, enters `GA` in the **State** field, enters `30331` in the **ZIP** code, enters `Fulton` in the **County** field, then jumps ahead two fields and enters `GA` in the **Resident State** field.

> TIP
> If a single macro is to enter data in multiple fields, use heads-down mode and right angle brackets (>) to jump to a field.
>
> Example: The macro `EF>#25>X>#~` would open the **EF** screen (`EF>`), toggle heads-down data entry mode to ON (`#`), go to field 24 (`24>`), select the box to **Suppress Federal/State EF and all Bank Products** (`X`), toggle heads-down mode to OFF (`#`), and save the data and escape the **EF** screen (`~`).

**"Recording" Macros**  Click the **Record** button on the **Edit Macro** window and you can use key strokes to enter certain operators when building macros. For instance, click **Record** and:

• The ENTER key or the TAB key inserts the "field forward" (>) operator.

• SHIFT+ENTER or SHIFT+TAB inserts the "field back" (<) operator.

• ALT+D inserts the "date" ([D]) operator.

• ESC inserts the "escape from screen" (~) operator.

- CTRL+N inserts the "heads-down mode" (#) operator.

The following tables lists all the operators used in building macros:

**Table 2-13:** Macro Symbols

| Symbol | Action |
|---|---|
| < | Move cursor back one field. If the (<) symbol is inserted *in front of* selected data in a macro, the program moves the cursor back one field from the active field before inserting the data. If inserted *after* the data, the program inserts the data in the active field then moves the cursor back a field. To move two fields, enter two << symbols. |
| > | Move cursor forward one field. If the (>) symbol is inserted *in front of* the selected data in a macro, the program jumps ahead one field from the active field before inserting the data. If inserted *after* the selected data, the program inserts the data first, and then moves the cursor forward a field. To move two fields, enter two >> symbols. |
| ~ | Escape. If the (~) symbol is inserted *after* the selected data in a macro, the program inserts the selected data, saves the data, and exits the screen. |
| [D] | Insert date. If [D] is part of a macro, the program enters the current date into the active field. |
| # | Open heads-down data entry mode. If the (#) symbol is inserted *after* the selected data in a macro, the program enters the data then activates heads-down data entry. To have heads-down closed from the macro, add a second (#) symbol. (See "Heads-Down Data Entry" on page 116.) |
| * | Bypass the **Existing Forms List** when performing the task set by a macro. Enter an asterisk (*) only once in any macro, and place it at the beginning of the macro. (When you open a screen that has multiple records, an **Existing Forms List** is displayed, and you have the choice of selecting an existing record or creating a new one. To bypass the **New Record** option and open the first record listed, enter the (*) symbol in front of the macro. For example, *C opens the first Schedule **C** record. To open the second record, enter a **2** inside brackets ([2]), thus the macro *C[2] opens the second **C** screen, *C[3] opens the third, etc.) |
| [New] | Perform the assigned task on a new record. For example, *C[New] opens a new **C** screen. The asterisk (*) bypasses the **Existing Forms** list. It must be present for the [New] function to work properly. |
| [Home] | Return to first field on a screen. If [Home] is inserted into a macro, the cursor moves to the first field on the screen. |
| [End] | Move to last field on a screen. If [End] is inserted into a macro, the cursor moves to the last field on the screen. |
| [FF:#] | Cursor jumps ahead a prescribed number of fields. For instance, [FF:5] jumps the cursor ahead five fields. This macro is not compatible with macros that use, or are initiated in, heads-down mode. |
| [FB:#] | Cursor jumps back a prescribed number of fields. For instance, [FB:5] would jump the cursor back five fields. |
| [FJ:#] | Cursor jumps to the prescribed field number. For instance, [FJ:25] would jump the cursor to field # 25. (Obtain field numbers by viewing the screen in heads-down mode (press CTRL+N). This macro is not compatible with macros that use or are initiated in heads-down mode. |
| + | Prevents a macro from clearing a flagged field. |
| [PAGE-DOWN] | Move to the next screen in a list. For instance, in a return with several **W2** screens, **Dependents** screens, or **4562** detail screens, press the macro to move from one screen to the next. |

**Table 2-13:** Macro Symbols

| Symbol | Action |
|---|---|
| [PAGEUP] | Move to the previous screen in a list. For instance, in a return with several **W2** screens, **Dependents** screens, or **4562** detail screens, press the macro to move from one screen to the next. |
| [NEXTTAB] | Move from one linked screen to the next linked screen. For instance, for clients who receive a K-1 from a partnership, press the macro and go from the **1065 K1 13-20** screen to the **Basis Worksheet** screen. |
| [PREVTAB] | Move from a linked screen to the previous one. For instance, for clients who receive a K-1 from a partnership, press the macro and go from the **Basis Worksheet** screen to the **1065 K1 1-12** screen. |

# Introduction to Letters in Drake Tax

The letters program is designed to generate various types of client results letters, many of them based on data from the client's tax return and the client's filing, payment, or refund preferences. For example, if a return with a federal *balance due* has been *e-filed*, and the client has opted to *mail a check* to the IRS, the accompanying client results letter will state the *balance due amount*, provide the *e-file information*, and give *instructions and address for mailing the check*.

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2019

The default position of the program now is that you intend to e-file the return and will produce a client results letter with e-file informational paragraphs, even if there are EF Messages still to be resolved in the return. To produce the paper-file paragraphs in the letter, you can mark the **Use paper-filing information**... check box at S**etup > Options > Client Communication** tab or — a return-by-return basis — mark the **Paper** checkbox on the **COMM** screen, available from the **Miscellaneous** tab of the **Data Entry Menu**.

In the past, when EF Messages were present in the return, the program automatically generated a client results letter with paragraphs instructing the taxpayer how to paper-file the return even if the taxpayer wished to e-file the return. When all EF Messages were resolved and cleared, then the program would produce a letter with the e-file information (unless instructed otherwise).

There are also engagement letters, extension letters, letters with amended returns, payment reminders, appointment reminders, preseason and postseason letters, cover letters—all of which can be edited and customized in the letters program—and letter templates that can be used as a blueprint for building your own custom letters.

All editing is done through the Client Communications Editor. To open the editor, from menu bar of the **Home** window in Drake Tax, go to **Setup > Communications Editor**.

NEW FOR

2019

Client result letters will now include the e-file accepted date.

## Editing Modes

There are two "modes" used for viewing and editing letters: "Full Editing" mode and "Outline" mode.

Outline mode was designed to take away the complexity of editing the letter. Instead of scrolling through a long letter, looking for particular text, keywords, or paragraphs to edit, you can through Outline mode find the section you're looking for with just a few clicks. You can easily move entire sections of a letter with the drag-and-drop feature.

If you prefer editing letters as it has been done in the past, you can toggle between "Full Editing" mode and "Outline" mode of the letters program. For more, see "Outline Mode" on page 74.

## Choosing the Right Letter

There is a variety of letters to choose from in the Client Communications Editor, one to suit just about any need. For instance, if you do federal, state and city returns, you might choose the "Comprehensive Result Letter" that covers virtually every possible federal, state, and city tax return result: e-file, paper-file, balance due, credit or debit card payments, direct debit payments, zero due, refund, direct deposit, savings bond purchase with refunds, bank product refunds, installment agreements, estimated payments. The "Federal, States, Cities Only" letter has much the same information without the state "Other Tax" paragraphs.

Preparers who do only federal and state returns might choose the "Federal, States Only" letter. Those who complete and file only federal returns can choose the "Federal Only" letter.

There are also "Custom Results Letter" templates you can use to build your own custom letter from scratch.

Because so much of the letters program is automatic, you may never have to edit the letter templates at all. If you do need to make changes, the following pages help you understand how the templates and the Client Communications Editor are structured.

NOTE     To view a list of Rich Text Format (RTF) keyboard shortcuts for letters, from the menu bar at the top of the **Home** window, select **Help > Drake Software Help** (or press CTRL+F1). In the links window, select View help documentation.When the **Welcome to Drake** window is opened, from the **Contents** tab on the left, scroll down to **Setup**, double-click **Communications Editor**, then select **RTF Guide**.

## Client Communications Editor

The Client Communications Editor, accessed from the **Home** window menu bar at **Setup > Communications Editor**, is where you can read, edit, re-write, print, and save the letters contained in the program. You can also add your company letterhead and logo, borders, and footers to the letters. In Full Edit mode, the right pane of the Editor displays the letter template; the left pane displays, in tree view, the applicable

sections, paragraphs, and keywords (Figure 2-8 on page 69). Click [+] to expand a category, or click [-] to contract it.
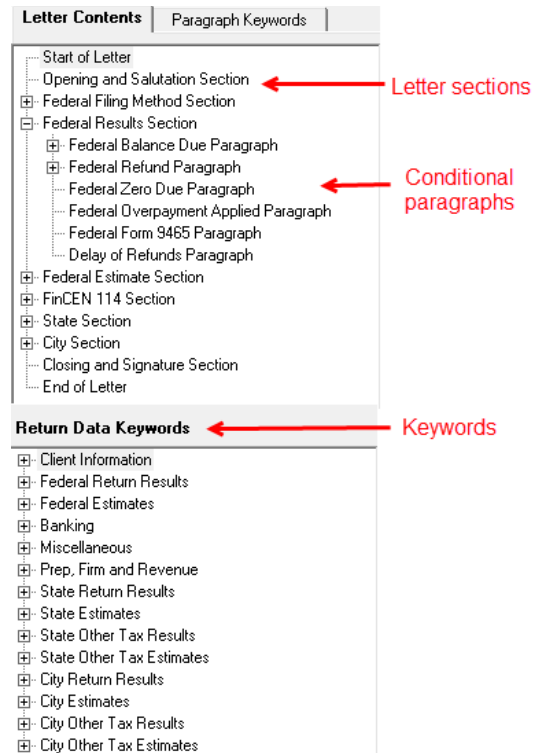


**Figure 2-8:** Category tree (left pane of Client Communications Editor)

While the results letters are designed with keywords inserted to handle most situations, additional keywords are available if you want to further customize the letter.

NOTE    By default, the Editor is opened in Outline Edit mode. Click the **Full Edit** mode to switch to the Full Edit mode. For more, see "Outline Mode" on page 74.

**Parts of a Letter**    A letter in the Client Communications Editor (as seen in Full Edit mode) contains four categories of letter elements: section headers, keywords, conditional paragraphs, and text (Figure 2-9 on page 70).
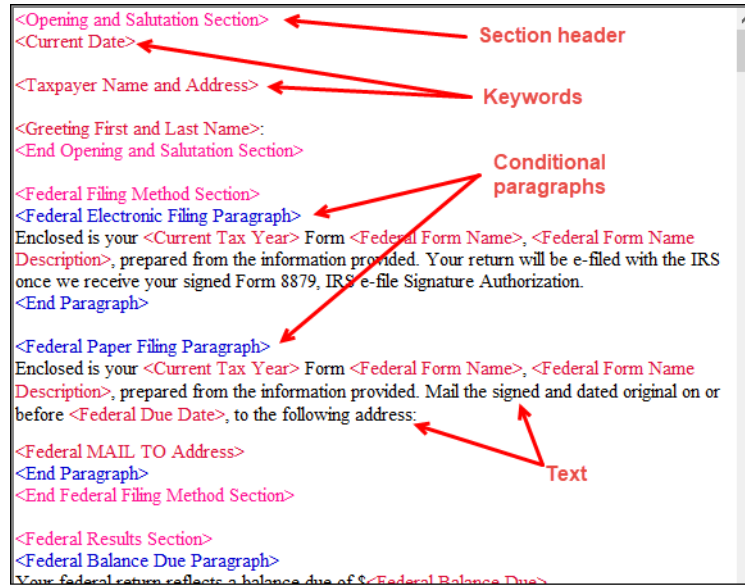
**Figure 2-9:** A letter template consists of sections, keywords, text, and conditional paragraphs

*Sections* make it easier to find the text and keywords you might want to edit. Sections are listed under the **Paragraph Keywords** tab and include such sections as "Opening and Salutation Section," "Federal Filing Method Section," "State Income Tax Section," etc.

*Keywords* are replaced with certain text when the letter is generated and certain criteria are met. For example, the keyword "Current Date" is at the top of each letter. When a letter is generated, the "Current Date" keyword is replaced with the current date. (For more on keywords, see Appendix B: Keywords.)

T IP          To change the formatting (bold, italics, underline, font size, etc.) of key-words, click anywhere within the angle brackets, then make a selection from the formatting bar. The entire keyword is changed.

I MPORTANT          You may delete a keyword from a letter, or change the formatting, but do not change the text *within* a keyword.

*Conditional paragraphs*, which appear as blue text, consist of a starting tag (such as <Federal Electronic Filing Paragraph>), the conditional text, and an <End Paragraph> tag. Note that both the starting and ending tags end with the word "Paragraph."

The enclosed conditional text is printed only if a particular situation (the *condition*) applies in that letter. For example, the conditional paragraph in Figure 2-10 on page 71 is generated only if the taxpayer has a *balance due*, is *paper-filing,* and has selected *not* to pay by direct debit.
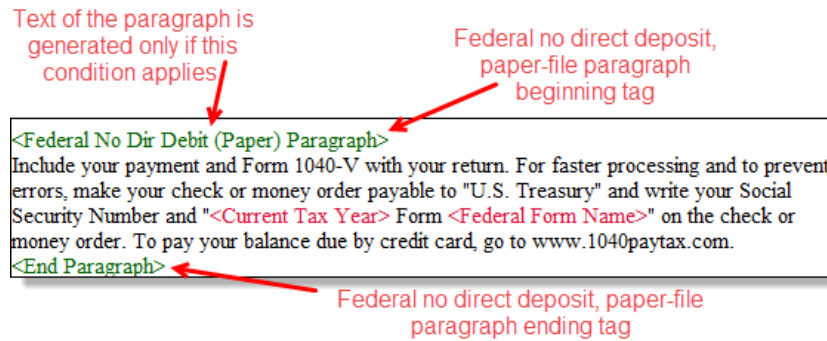
**Figure 2-10:** Conditional paragraph

The text of the letter (in black) is displayed exactly as it will be printed in the output of the letter.

TIP      To help you quickly find what you're looking for while in Full Edit mode, click the **Find** button from the toolbar (or press CTRL+F) to search for paragraphs and keywords within the letter. Click the arrow beside the **Find** icon and select **Replace** (or press CTRL+R) to replace the searched-for text with new text. Mark the **Match case** check box to replace only those instances of the word that matches the "case" (upper-case or lowercase) of the **Find what** word in the **Replace** window.

**Paragraph Nesting**      Many conditional paragraphs are nested within larger ones. Different nesting levels are indicated by different colors. In Figure 2-11, the **Federal Direct Debit Paragraph** is nested inside the **Federal Balance Due Paragraph**. The blue and green text show where each paragraph begins and ends.
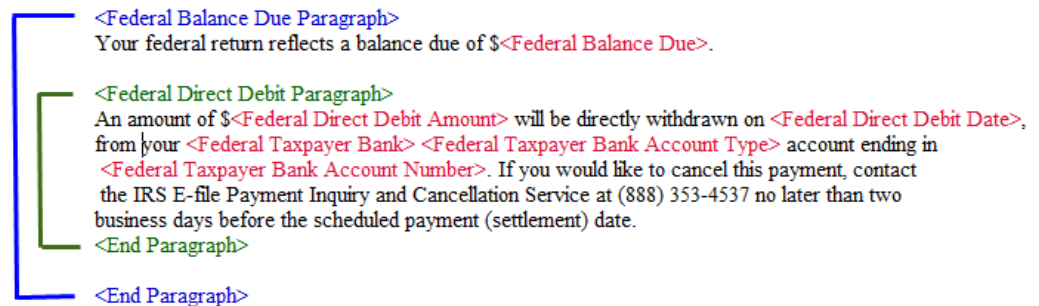


**Figure 2-11:** Nested Conditional Paragraph

In this example, the **Federal Direct Debit Paragraph** is generated *only* if the **Federal Balance Due Paragraph** is generated, and only if applicable for a return.

**Letter Editing Options**      To edit a letter:

**1.** In the Client Communications Editor, click **Open** and select a package and letter to edit.

   **a.** In Outline mode, double-click a Section tag (such as **Federal Filing Method Section**) in the right-side pane to reveal conditional paragraphs, then double-click a conditional paragraph to open an **Edit...Paragraph** dialog box. (See

"Outline Mode" on page 74 for more information on editing letters in Outline mode.)

**b.** In Full Edit mode, the pane on the right displays the selected template; from the pane, click conditional paragraphs you want to edit. Click **Find** to search for words or paragraphs.

*The Client Communications Editor is opened to the last letter template viewed.*

**3.** To edit the letter contents, add, edit, or delete text as you would in a writing and editing program like Microsoft Word. From the formatting bar specify font properties, typeface (bold, italic, underlined), and alignment. Click the buttons to undo and re-do, or to copy, cut, or paste.

**4.** To add a *paragraph* keyword to the letter, select one from **Paragraph Keywords**. (In Full Edit mode, look for the **Paragraph Keywords** tab at the top of the left column.) Click your mouse pointer in the letter pane where you want the new item to go. Double-click a keyword from the tree and the selected keyword is added to the letter with a line for new text. To delete a keyword, select it in the letter template and press DELETE.

**5.** To add a *data entry* keyword to the letter, select from the **Return Data Keywords** tree on the bottom of the left column (while in Full Edit mode) or from the tree on the left side of the **Edit...Paragraph** dialog box (Outline mode). Click your mouse pointer in the letter pane where you want the new item to go. Double-click a keyword from the tree and the selected keyword is added to the letter. To delete a keyword, select it in the letter template and press DELETE.

*CTRL+X also deletes a selected item.*

**6.** To change the formatting of a keyword, or to delete a keyword from a letter:

**a.** Highlight the entire keyword, including the angle brackets left and right of the keyword.

**b.** Make your formatting change (*Do not change the text within the keyword!*) and click **OK**.

**3.** Click **Save**.

**Naming a Template**

Each template has a default name (see Table 2-14 on page 73). To assign a new name:

**1.** From the Client Communications Editor, click **Open** and select a letter template.

*Press CTRL+N to quickly access the **Rename Letter** dialog box.*

**2.** Click **Setup > Rename Letter**.

**3.** Enter a new name in the **Rename Letter** dialog box and click **OK**.

The new name is displayed in the **Client Communications Editor** title bar.

**Restoring a Template**

To restore a template to its original (default) format, open the template and select **Setup > Restore Original Letter**.

**Viewing Letters for Sample Return**

The preview feature allows you to open View/Print mode and view a sample letter for one of 10 return types:

• An e-filed return with refund

• An e-filed return with balance due

• A paper-filed return with refund

• A paper-filed return with balance due

• An e-filed return with an extension

- An e-filed return with an extension and balance due
- A paper-filed return with a refund and an extension
- A paper-filed return with a balance due and an extension
- A paper-filed amended return with a refund
- A paper-filed amended return with a balance due

To access the preview feature, click the **Preview** button in the toolbar of the Client Communications Editor.

**Bringing Forward a Template**

To replace a current-year letter with a prior-year letter:

1. From the **Client Communications Editor**, toolbar, click **Setup > Update Prior Year Letter**.
2. Click **OK** to open the **Update Letters** dialog box.
3. Select the drive that contains the prior-year letter.
4. Select a prior-year letter.
5. Click **Continue.**
6. When prompted, click **Yes**.

NOTES
- If you bring 2018 letters forward into the 2019 program, you overwrite any changes you've made to the 2019 letters.
- Be sure to read through the replacement letter to ensure that the information is current.
- Only one letter at a time can be updated.

**Available Letters**

Table 2-14 lists all available letters. All letters can be modified using the Client Communications Editor. Letters with an asterisk (*) indicate letters that can be generated individually or in batches separately from the tax return. (See "Letters" on page 422.)

**Table 2-14:** Available Letter Templates

| Letter Template | Description |
|---|---|
| Comprehensive | Provides return results for the filed returns—federal, state, and city; gives info on federal, state, and city taxes (plus state and city "Other" taxes), bank products, refunds, payment methods, estimates, due dates, mailing instructions, etc., as applicable. |
| Custom Results (template) | Contains the same keywords and paragraph tags as the Comprehensive results letter but no pre-written letter is provided. |
| Summary (default letter) | Provides a summary of all pertinent return results: taxpayer information, return type, balance or refund due, payment or refund method, taxing authority mailing addresses or e-file information, estimates (if needed). This letter is shipped as the default letter. The select another default letter, go to **Setup > Options**, click the **Client Communications** tab, and make a selection from the **Letter Selection** drop lists. |
| Federal Results Only | Contains the same keywords and paragraph tags as the Comprehensive results letter for federal returns (no state or city returns). |
| Federal, States Only | Contains the same keywords and paragraph tags as the Comprehensive results letter for federal and state returns (no state "Other" taxes or city returns). |

**Table 2-14:** Available Letter Templates

| Letter Template | Description |
|---|---|
| Federal, States Cities Only | Contains the same keywords and paragraph tags as the Comprehensive results letter for federal, state, and city returns, including info on federal, state, and city taxes (but no state and city "Other" taxes) |
| Custom Results | Contains the same keywords and paragraph tags as the Comprehensive results letter but no pre-written letter is provided. |
| Extension Letter | Explains that an application for extension has been filed. Includes state and federal mailing instructions, if applicable. |
| Amended Letter | Similar to the results letter, but for an amended return. |
| Estimate Payment Reminder* | Provides details for making a 2020 estimate payment; individual (1040) package only. |
| Scheduled Appointment Reminder* | Informs prior-year clients of this year's appointment date and gives instructions for preparing for the appointment; individual (1040) package only. |
| Referral Coupon | Offers client a discount for referring another client; individual (1040) package only. |
| Preseason Letter* | Reminder to 2018 clients that tax season is coming up; all applicable packages. |
| Postseason Letter* | Letter thanking 2019 clients for their business; available for all applicable packages. |
| Customized Supplemental Letter | Fully customizable template that can be used to create a customer survey, package or product offering sheet, generic letter, client coupon, etc. (All packages) |
| Engagement Letter* | Standard engagement letter for tax services. (All packages) |
| e-File Status Letter* | Provides 2019 clients with an acknowledgment summary of their e-filed returns; available for all applicable packages. |
| Privacy Policy | Generic privacy policy for clients. (All packages) |
| Letterhead | Provides customization of letterhead. (All packages) |
| Footer | Add customer footers to your letters. |
| Comprehensive Bill | Allows customization of itemized client's bills. (All packages) |
| Summary Bill | Allows customization of summarized client's bill. (All packages) |
| K-1 Cover Letter | Cover letter for a shareholder, partner, or fiduciary receiving a Schedule K-1; S corporation, partnership, and fiduciary packages only. |
| K-1 Amended Letter | Cover letter for a shareholder, partner, or fiduciary receiving a Schedule K-1 that has been amended; S corp, partnership, and fiduciary packages only. |
| Grantor Trust Statement | Cover letter for grantor trust statement; fiduciary package only. |
| Results Letter 706-A | Provides return results for the Additional Estate Tax Return. (Estate package) |
| Engagement Letter 706-A | Engagement letter for the Additional Estate Tax Return services. (Estate package) |

# Outline Mode

Rather than search through a letter template for the text and keywords you wish to edit, through Outline mode you can more quickly find the paragraph you wish to edit.

The **Client Communications Editor**, as seen in Outline mode, displays Section tags in the standard option "tree" (Figure 2-12), with the various conditional paragraphs grouped under the Section tags.
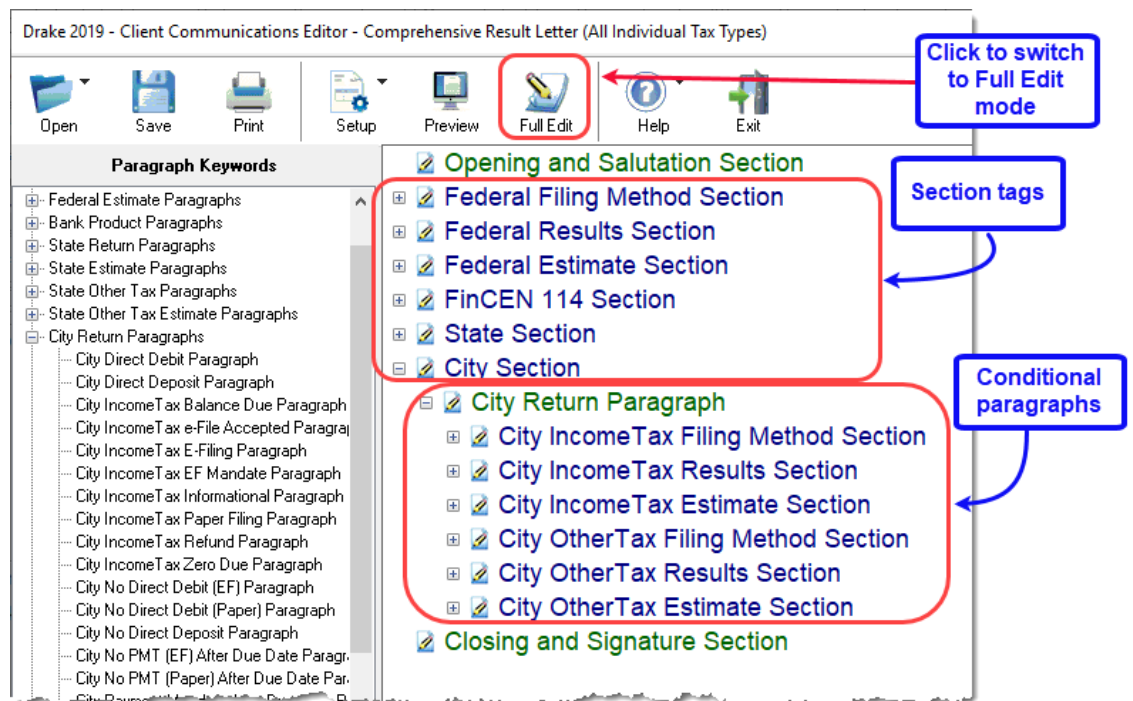


**Figure 2-12:** In Outline mode, the Section tags and conditions are displayed

Click the [+] sign in front of a Section tag to reveal the conditional paragraphs that relate to that section. Click, drag, and drop conditional paragraphs to a new location under the Section tag if desired.

NOTE
The **Full Edit** button is displayed on the toolbar when in Outline mode, and the **Outline** button is displayed when in Full Edit mode. Use these buttons to toggle back and forth between modes.

**Locating and Editing in Outline Mode**

To find the paragraph that pertains to, for instance, paying a balance due on an e-filed federal return with a credit card, click the PLUS SIGN [+] beside the **Federal Results Section** tag (#1 in Figure 2-13 on page 76), click the [+] beside **Federal Balance Due Paragraph**, (#2 in Figure 2-13 on page 76), and then double-click **Federal Credit Card Paragraph** (#3 in Figure 2-13 on page 76), to open the **Edit Paragraph** dialog box.
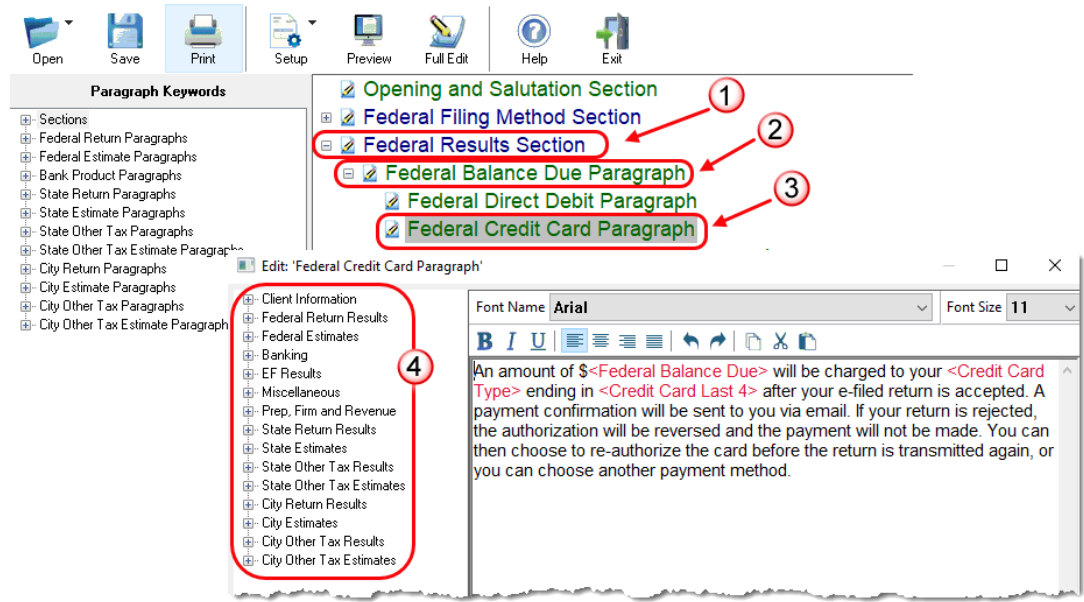
**Figure 2-13:** Open in **Edit Paragraph** dialog box in Outline mode

The paragraph inside the **Edit Paragraph** dialog box displays regular text and the keywords for that paragraph. Make any changes to the text you wish, including changing the font style and size using the formatting bar. Add new keywords (#4 in Figure 2-13) from the selections tree beside the paragraph.

## Letters Setup

Use the Client Communications Editor to not only edit letter templates, but also to adjust margins, add borders and footers, add a logo, set up the letterhead for letters and client bills, and to preview letters.

## Setting Up Letterheads, Logos, Footers, Margins, and Borders

To include and customize a letterhead or footers that will appear in your Drake Tax-generated letters and client bills, and to add a logo, adjust margins, and add a border, follow these steps:

**1.** From the **Client Communications Editor** toolbar, click **Setup > Page Layout** to open the **Page Layout** dialog box. (Figure 2-14 on page 77).

**Figure 2-14:** The **Page Layout** dialog box

**2.** Make selections from the check boxes in the upper-left corner of the **Letterhead Options** section to have the firm information and logo printed on the client results letters and clients' bills.

NOTE     To edit your letterhead, see "Customizing Letterheads and Footers" on page 79.

- Select the **Use logo on letters** check box if you wish to have a saved logo printed on your letters. Select the **Use logo on bill** check box if you wish to have a saved logo printed on your bills.
- Click **Browse for bitmap logo** to locate your saved logo. (Must be in bitmap format.) The full path and filename are required. To use the simple default graphic, enter `C:\Drake19\CF\LOGO.BMP` ("C" indicates the drive letter to which the Drake Tax program is installed. Change if necessary.)
- Use the **Letterhead margins** fields to position your letterhead on the page. Entries in the **Left Margin** and **Right Margin** fields position the letterhead between the margins.

- Use the **Logo position** fields to position your logo on the page. Entries in the **Top** field positions the logo up and down, and an entry in the **Left** field positions the logo left and right. The logo's position is adjusted in inches. An entry of 1, in the **Top** field, for example, sets the logo an inch below the top of the page, and an entry of .5 in the **Left** field sets the logo's position at half an inch from the left side of the page. Values can also be entered in increments of one-tenth of an inch. For example, an entry of .1 sets the logo's position at one-tenth of an inch from either the top or the left.

**3.** In the **Additional Options** section, use the **Letter Margins** fields to adjust margins of the letter as needed. An entry in the *first* **Top Margin** field affects only the first page of a letter or bill; an entry in the *second* **Top Margin** field affects all other pages of the letter or bill. The margins are adjusted in inches. An entry of 1 in the **Left margin** text box, for example, sets the left margin at one inch; an entry of .5 sets the left margin at half an inch. Values can also be entered in increments of one-tenth of an inch. For example, an entry of .1 sets the margin at one-tenth of an inch.

> **NOTES**
> The appearance of the margin in the letter *template* will not change; however, when a letter is generated with a return, you'll be able to see the margin change both in View/Print mode and on the printed letter.
>
> An entry of "0" applies the default margins. The program does not accept negative numbers or numbers with two decimal values (such as 1.25).

**4.** In the **Border Options** section, select to use a border around the margins of your letters and bills.

**5.** The **Footer Image** section gives you the opportunity to add a second bitmap image to the footers on your printed letters. (This image does not appear on the bill.) To add the second image:

- Select the **Use footer image on letters** check box.
- Click **Browse for footer image** to map the path to the image you want to use.
- Position the image from the **Top** and **Left** margin fields.
- To add a footer to your letters and bills, select the **Use footer on letters** check box in the **Footer Option** section.

> **NOTE**
> To edit your footers, see "Customizing Letterheads and Footers," following.

**6.** Click **OK** to return to the **Client Communications Editor**. Click **Save** to save your changes. Click **Exit**.

> **NOTE**
> Use the **E-Signature Options** section of the **Page Layout** dialog box to set up the program so that the taxpayer's and spouse's signatures, or that of a representative of a business entity, can be used for signing engagement letters. See "e-Signing Engagement Letters" on page 80.

**Customizing Letterheads and Footers**

To customize the letterhead or the footers (change the font and font size, use italics or underline, add keywords, etc.), from the toolbar of the **Client Communications Editor**'s toolbar, click **Open**, (item #1 in Figure 2-15) choose a tax package, and then from the drop list, select **Letterhead (All packages)** (or **Footer (All Packages)** (item #2 in Figure 2-15).
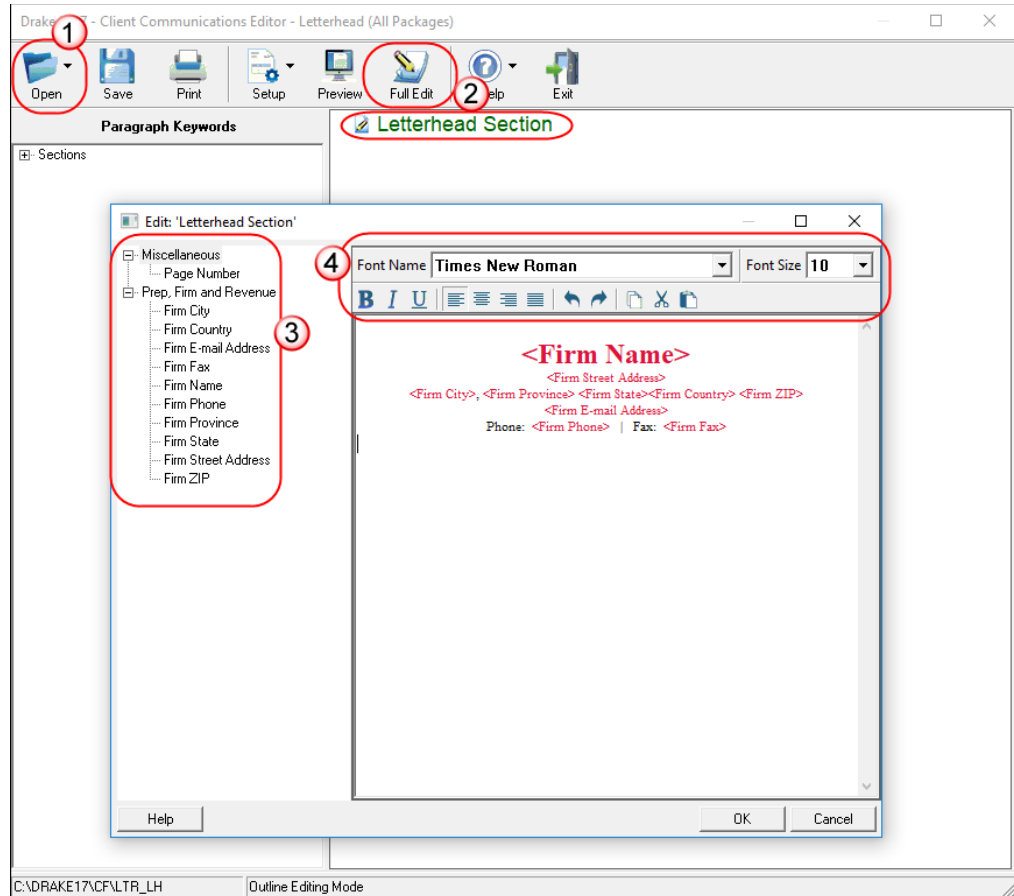


**Figure 2-15:** Double-click **Letterhead Section**, or click **Full Edit**

In the keywords tree on the left side of the window (#3 in Figure 2-15) are the keywords representing the information that will appear in the letterhead at the top of all generated letters and on the client's bill. (The selections for footers are limited to contact information, address data, and page number.)

To add items to the letterhead:

1. In the keywords tree, expand the **Miscellaneous** or **Prep, Firm and Revenue** category by clicking the PLUS SIGN [+]).
2. Click your mouse pointer in a position inside the right pane where you want to new item to appear.
3. From the keywords tree, double-click an item. That item appears in the letterhead or footer where you had placed the mouse pointer.
4. Click **OK**.

NOTE    To change the firm's information that appears in the letterhead, close the Client Communications Editor and return to the **Home** window, then go to **Setup > Firm(s)**.

To adjust font, size, weight (bold) and angle (italics) of the text, underline the text, align the text left, right, or centered, or cut, copy, or paste, use the formatting bar (#4 in Figure 2-15 on page 79).

## e-Signing Engagement Letters

You can set up your program to electronically sign engagement letters with the signature of the taxpayer and spouse on a 1040 return or a representative of a business or entity on an entity return (1120, 1120S, 1065, 1041, 990, or 706).

To set up your program, take the following steps:

**1.** From the menu bar of the **Home** window, go to **Setup > Communications Editor** to open the **Client Communications Editor**.

**2.** From the **Client Communications Editor** toolbar, click **Setup > Page Layout** to open the **Page Layout** dialog box (Figure 2-14 on page 77).

**3.** In the **E-Signature Options** section at the bottom of the **Page Layout** window, first mark the **Use E-Sig on Engagement letters** check box, and then choose a tax package from the **Select Package** drop list.

**4.** Use the **Top** and **Left** fields under the **Signature 1 position** to adjust the default position of the taxpayer's signature for 1040 returns or that of a business entity representative. (The default location is at the bottom of the letter's last page.) In the **Signature 2 position** fields, enter the signing positions of the spouse's signature for joint 1040 returns.

**5.** Click **Update**. Click **OK**. Click **Save**.

For details on signing engagement letters electronically, see "Client's e-Signature" on page 314.

## Choosing a Bill Format

There are three types of bills you can send your clients: a "comprehensive" bill that itemizes all the charges (the price for each form, worksheet, statement, etc., included in the return); a simplified one-page "summary" bill that includes only the return preparation fee, any bank product fees, certain other fees, and any items from the **Bill** screen of Drake Tax (see "Overriding the Bill Amount" on page 91); and the "Classic" bill, the style of bill that Drake Tax has produced for years. The Classic bill has a clean, straight-forward look without many of the customization possibilities offered by the comprehensive or summary bills.

**Selecting a Bill**    To make a selection of the bill you want the program to produce, take the following steps:

1. From the menu bar on the **Home** window of Drake Tax, go to **Setup > Options** and choose the **Billing** tab.
2. From the **Select Bill format** drop list, select **Comprehensive Bill**, **Summary Bill**, or **Classic Bill**.
3. Select the options you want. (For more information, see Table 2-10 on page 57.)
4. Click **OK**.

**Customizing a Bill**

If you chose **Comprehensive Bill** or **Summary Bill** and want to customize the look of your bills, take the following steps:

1. From the menu bar on the **Home** window, go to **Setup > Communications Editor** to open the **Client Communications Editor**.
2. From the toolbar in the upper-left, click **Open**, and choose a package from the resulting drop list.
3. From the second drop list, go to **Comprehensive Bill (All Packages)** or **Summary Bill (All Packages).**
4. Use either Full Edit mode or Outline Edit mode. If you use Outline Edit mode, double-click the **Custom Section** paragraph to open the editing pane.
5. Use the features from the formatting bar as you would in any editing program to change font style or font size, to use **bold**, *italics*, or <u>underlined</u> text, to align text left, center, or right, to justify your text, or to copy, cut, or paste text.
6. Change or add any keywords you choose. Click inside the editing pane to place the cursor where you want the new keyword to appear in the bill, then select the keyword from the keywords list on the left. Click a PLUS SIGN (+) from the key-words list to expand the list.
7. Click **OK**, **Save**, and **Exit**.

To add a letterhead, logo, and borders to your bill (summary, comprehensive, or "Classic"), from the **Client Communication Editor** toolbar, go to **Setup > Page Layout**. (See "Setting Up Letterheads, Logos, Footers, Margins, and Borders" on page 76.) To edit your letterhead information, see "Customizing Letterheads and Footers" on page 79.

# Color Setup

Use the Color Setup feature to tailor Drake Tax screens to meet your firm's preferences.

TIP    If you used Drake Tax last year, consider customizing colors to make your 2019 program look different from your 2018 program. If you must open the 2018 program during tax season, customized colors help you avoid entering current data into the old program by mistake.

**Program Colors**

To customize program colors:

1. From the menu bar of the Drake Tax **Home** window, go to **Setup > Colors** to open the **Color Selection** dialog box.
2. Under **Program Colors**, choose one of the following options:

- **Use Windows System Colors** — Program screens inherit the color scheme used by the operating system. (Default setting)

*Use **Define Custom Colors** to create a new color.*

- **Use Custom Created Colors** — The **Program text color** and **Program background color** boxes to the right become available. Click a box to view the Windows color palette and choose a color.

**3.** Click **OK** to save your changes and exit.

**Data Entry Colors**

To change the color of a specific area in data entry, from the **Color Selection** dialog box:

**1.** In the **Data Entry Colors** section, click a color box to open a Windows color palette.

**2.** Select a color and click **OK**.

**3.** Once all color selections are made, click **OK** to save your changes.

To restore the original color settings from the **Color Selection** dialog box, click **Restore**, and then click **OK**.

# Printing Setup

Use Printer Setup to:

- Establish the printer to be used with Drake Tax
- Establish "sets"
- Set up advanced printing options not related to a specific printer

NOTE    Your Windows default printer is designated as the Drake Tax default printer when Drake Tax is installed. Printer settings are carried forward automatically each year.

TIP    Watermarks can be added on the fly via the **Print Selection** dialog box (the box that is opened when you click **Print** in View/Print mode in Drake Tax). You can opt to print a custom watermark that you specify (see "Watermark Text" in Table 2-15) or to print "Client Set" or "Preparer Set" as a watermark.

**Editing Printer Settings**

To edit settings for the printer used for printing tax returns:

**1.** From the menu bar of the **Home** window, go to **Setup > Printing > Printer Setup**.

**2.** Enter setup changes as needed. Details on each tab are provided in Table 2-15 on page 83.

**3.** Click **Save** (If making changes to printer settings on the **F8** tab, click **Update**, then **Save**.)

**Table 2-15:** Printing Setup

| Tab | Field | Description |
|---|---|---|
| **(F5) General Setup** — displays the current default printer for **Tax Forms**, **Reports**, **Labels**, and **Checks**, and the default setting for the **Letterhead source tray** (which allows you to print letters from a printer tray other than the tray used for tax returns). | Tray | Default is "Main paper source." Change the default setting if you have a multiple-tray printer and will not be printing from the main tray. |
| | # Copies | Number of copies to print (not available for labels or checks). |
| | Duplex | Directs printer to print duplex. *Only forms that are approved for duplex will be printed as duplex.* |
| | Show dialog | Causes the **Print** dialog box to be opened before each print job. |
| **(F6) 'Sets' Setup** — displays the current default printer and the different types of sets that can be printed – EF Signature, Estimates/Extensions, etc.); see "Printing Sets" on page 84. | Tray | Default setting is "Main paper source." Change the default setting if you have a multiple-tray printer and will not be printing from the main tray. |
| | Duplex | Directs printer to print duplex. *Only forms that are approved for duplex will be printed as duplex.* |
| | Duplex all | Directs printer to duplex-print all forms (approved or not). (Not available for sets to be mailed to the IRS or a state.) |
| | Print set | Indicates which sets should be available for printing after a return is calculated. |
| | Watermark text | Watermarks to be displayed on the Client and Preparer copies, respectively. Default settings are "Client Copy" and "Preparer Copy." Delete and type in new text if desired. |
| **(F7) Options** — used to set up advanced printing options not related to a specific printer. | Classic print mode | For preparers who prefer Basic View (See "Viewing a Return (Enhanced Mode)" on page 306), Drake Tax's "Classic Print" mode will be displayed when in Print mode. |
| | Shading Options | If the GDI shading method does not produce acceptable results, mark this box and the program will attempt to print forms using a solid gray background. |
| | PCL 5e soft font option | Many printers require soft fonts to be downloaded before tax forms can be printed. Select the desired downloading option. |

**Table 2-15:** Printing Setup

| Tab | Field | Description |
|---|---|---|
| **(F8) Edit Printer Settings** — used to edit print settings for a selected printer and to test printers for compatibility with Drake. | Select printer | Select the printer. The fields listed below are activated when a selection is made. (If you select **Drake PDF Printer**, you'll be given the option to launch Adobe after printing to the Drake PDF Printer and to convert a color letterhead image to a more manageable black-and-white image.) |
| | Printer type | Select the printer type from the drop list. |
| | Use PCL when printing | This check box is available only to users who choose "LaserJet" from the **Printer Type** drop list and should be marked only when there is a printing issue (for instance, if the printer will not print anything). |
| | Check adjustment - vertical | Use this field if text is being printed too high or low on checks. Enter whole numbers to adjust the printed text 1/4-inch at a time. Enter $1$ to move the type 1/4 inch; $2$ to move 1/2 inch, etc. Positive numbers move the placement down; negative numbers move the placement up. |
| Additional Settings (Varies by printer; use to change **Tray** drop lists on the **F5 General Setup** tab) | Main paper source | Select the tray that is to be the main paper source for the selected printer. |
| | Alternate paper source | Select the paper source to be used when the main paper source is not available. |
| | Opt. large paper source | Select the tray to be used as the optional large paper source. |
| | Manual feed | Select the tray to be used for manual feed |
| | Adjust margin | Select this option if printed forms are running off the lower edge of the paper. |

**Printing Sets**    The **Printing Sets** feature allows you to print multiple sets of returns for different purposes. To define printing sets:
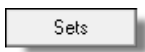
1. From the Drake Tax **Home** window, go to **Setup > Printing > Printer Setup**.
2. At the bottom of the **Printer Setup** window, click the **Sets** button to open the **Copies Per Set** dialog box.
3. Select a tax package from **Form Categories**. Your selection determines which forms are displayed in the grid below.
4. Double-click a form in the list. The default information for that form fills the text boxes above.
5. In the boxes under each set name, enter the number of copies of the form to be printed with each set. In the example in Figure 2-16 on page 85, three Schedules C will be printed with the **Client** set.

**Figure 2-16:** Example: Three copies of Schedule C for client

**6.** Click **Update**.

**7.** Click **Save**, and then click **OK**.

Repeat this procedure for other forms as needed.

**Changing Print Sets "On the Fly"**

You can make **Sets** changes "on the fly" (in other words, without going to Printer Setup), but this will modify settings globally—not just for the active return. In other words, if you change your **Sets** settings "on the fly," you change the settings for *all* returns.

To change or add print settings on the fly, complete the following steps while in Enhanced View/Print mode for a return:

**1.** Select a form from the directory tree.

**2.** From the toolbar, select **Setup > Form Properties** to open the **Properties** dialog box.

**3.** In the **Number of Copies** column on the right side, change the settings as needed and click **Save**.

NOTES

If using Basic View, access this feature by right-clicking a form and selecting **Properties** from the right-click menu.

Pricing can also be changed "on the fly"; see "Pricing for a Single Return" on page 92.

**Setting a Print Order**

Use Printer Setup to view or change the order in which forms are printed.

**1.** From the menu bar of Drake Tax **Home** window, go to **Setup > Printing > Printer Setup**.

**2.** Click **Set Form Order** (at the bottom of the **Printer Setup** dialog box) to open the **Sort Form Order** window.

**3.** Select a package series (for instance, "1040" and "Federal") from the drop lists at the top of the window, and then choose a set ("Normal," "Client Set," "EF Signature," etc.). Forms are listed with their order number in parentheses to the left. **Normal (Default)** is the established IRS order.

**4.** To change the sequence in which the forms are printed, click and drag form names until the forms are listed in the desired order.

**5.** Click **Save**.

**Setting up Drake Documents**

For details on how to set up and use the Drake Documents from Printer Setup, see Chapter 13, "Suite Products."

**e-Signature
Setup**

For details on how to set up the e-Signature feature from **Printer Setup**, see "Electronic Signatures" on page 313.

# Making Changes on the Fly

When you make changes "on the fly," you override program calculations and defaults (set by either the program or by the preparer in Setup) for the open return. The rest of this chapter focuses on actions you can take *while in data entry* to "override" these global settings in an individual (1040) return. Comparable options for other packages (such as the business packages) are provided in the manual supplements for those packages, available at *Support.DrakeSoftware.com*.

## Suppressing/Forcing Documents

The **PRNT** screen, available from the **Miscellaneous** tab of the **Data Entry Menu**, allows you to indicate which forms should and should not be generated for a return, regardless of program calculations and established defaults.

**Suppressing
Items**

Table 2-16 lists items that can be suppressed (prevented from being generated) using the **PRNT** screen in the 1040 package.

**Table 2-16:** Items That Can Be Suppressed From **PRNT** Screen

| Item | Description |
|---|---|
| State short form | Suppresses state short form, forcing state return to be printed on the state long form. |
| 8801 | Suppresses printing of Form 8801, Credit for Prior Year Minimum Tax - Individuals, Estates, and Trusts, if the form is not required. (This form is generated by default on certain returns that have a credit carryforward.) |
| Proforma/ organizer | Prevents proforma/organizer from being generated next year. See "Organizers and Proformas" on page 123. |

NOTES

- In the 1120S, 1065, and 1041 packages, if the option to print K-1 letters is selected at **Setup > Options > Optional Documents** tab, you can go to the **PRNT** screen to suppress the printing of K-1 letter.
- Override options for printing filing instructions and envelope coversheets have been moved to the new **COMM** screen, available from the **Miscellaneous** tab of the **Data Entry Menu** in all packages.

**Forcing Items
to Be
Generated**

The list in Table 2-17 is from a 1040 **PRNT** screen, includes items that can be "forced," even if the program calculations and established defaults would otherwise not generate them.

**Table 2-17:** Items That Can Be Forced from the PRNT Screen

| Item | Description |
|---|---|
| Schedule A | Choose from a drop list whether or not to have Schedule A, Itemized Deductions, printed with the return. |

**Table 2-17:** Items That Can Be Forced from the PRNT Screen

| Item | Description |
|------|-------------|
| Schedule B | Schedule B, Interest and Dividend Income |
| Form 461 | Form 461, Limitation on Business Losses. Produces the form when the result of Form 461 is "0" (zero) or more. |
| Form 1045 page 3 | Form 1045, page 3, when taxable income is less than "0" and did not result in a current-year NOL. |
| Form 4562 | Form 4562, Depreciation and Amortization |
| Form 4952 | Form 4952, Investment Interest Expense Deduction |
| Form 6198 | Form 6198, At-Risk Limitations |
| Form 6251 | Form 6251, Alternative Minimum Tax for Individuals |
| Form 8582 | Form 8582, Passive Activity Loss Limitations |
| Form 8615 | Form 8615, Tax for Certain Children Who Have Unearned Income |
| Form 8960 | Form 8960, Net Investment Income Tax - Individuals, Estates, and Trusts |
| Form 8962 | Form 8962, Premium Tax Credit |
| Summary | Individual Diagnostic Summary; appears as SUMMARY under **Miscellaneous** tab in View mode. |
| Compare | Tax return comparison; compares current-year return with returns from the two prior years and appears as COMPARE under **Miscellaneous** tab in View mode. (See "Comparing Data" on page 292 for more on creating a tax return comparison in Drake.) |
| WK_SSB | Social Security Benefits Worksheet provided by IRS for Forms 1040 and 1040A; allows taxpayer to see if any benefits are taxable. |
| Next-Year Depreciation List | Worksheet showing the depreciation to be carried forward to 2020. |
| Spanish Forms | Produce federal forms in Spanish (not all forms are available). |
| Produce DDASSIST | Produce the EIC Due Diligence Checklist as it appeared in 2018. |
| Produce Tax Computation Worksheet | Print the worksheet that explains how the tax was computed on this return. |
| Produce 1040 instead of 1040-SR | Produce Form 1040 instead of the 1040-SR – even if the taxpayer is 65 and is qualified for the 1040-SR |
| EIC Not Calculated? | On returns where you believe EIC is due but hasn't been calculated, marking this box generates a Return Note stating why the EIC calculation is not being made. |
| PIN for preparer's alternative e-signature | If the alternative electronic signature is being used by the return preparer for this tax return, enter the five-digit PIN that was chosen in Preparer Setup. An entry here causes the preparer's name to be printed on the return. This should be used for the client's and preparer's printed copies when the return has been e-filed. |

**Table 2-17:** Items That Can Be Forced from the PRNT Screen

| Item | Description |
|------|-------------|
| Print EIC due dili-gence documents | Override the global setting from **Setup > Options > Administrative Options** tab. |
| Date to print on returns | Override the default (current) date printed on the return set globally at **Setup > Option > Optional Items on Return**. |
| Print email address | Choose to print the email address entered on screen 1 on the return. |
| Print Overrides | See "Overriding Other Setup Options," following. |

## Overriding Other Setup Options

NEW FOR
2019

Override options for envelope coversheets and filing instructions have been moved from the **PRNT** screen to the new **COMM** screen, available from the **Miscellaneous** tab of the **Data Entry Menu**. See "Over-riding Letters Setup" on page 92 for more details.

**Envelope Coversheets**

When a return is generated in Drake Tax, envelope coversheets are also generated, if selected, for mailing copies of the return to the taxpayer and tax authorities. Default settings for envelope coversheets are set in the **Envelope Sheet** section of the **Setup > Options**, **Optional Documents** tab.

*New for 2019*: Use the override drop lists on the **COMM** screen to override cover-sheet options for a single return.

**Due Diligence Documents**

EIC due diligence information is entered on screens **DD1** and **DD2**. The **PRNT** screen includes options to produce EIC due-diligence documents with a selected return. (This option is set globally from the **Administrative Options** tab in **Setup > Options**.)

**Printed Dates**

A default due date for filing a return is printed on returns and all letters and filing instructions generated with a return.

To change the date printed on a return, from the **PRNT** screen, enter the desired date in the **Date to print on returns** override field. This date change cannot be set globally from Setup.

*New for 2019*: To change the date printed in the client results letter and the state and federal filing instructions, from the **COMM** screen, use the **Due date to be printed on letter and filing instructions** override field located at the bottom of the screen.

**Client Email Address**

*New for 2019*: To have the client's email address printed on the return, select "Yes" from the drop list on the **PRNT** screen. This address must be entered on screen **1** of the return. The address is printed on page 2 of the 1040, in the "Sign Here" section.

**State Overrides**

In some circumstances, a state return that normally would not be generated is needed; in some cases, a state return that would be generated is not needed. To force state returns to be generated, or to suppress them, use the drop lists in the **State Overrides** section of the **PRNT** screen.

**Billing Format**   The following global setup options are set from **Setup > Options** > **Billing** tab, and can be changed on the fly by using drop lists on the **BILL** screen in data entry:

**Table 2-18:** Options That Can Be Changed on the Fly from **BILL** screen

| Option | Choices |
|---|---|
| Billing option from **Bill statement format** drop lists | Total only; Forms and total; Forms, prices, and total; Bill by time; Charge per form |
| Custom paragraph option | None; Top of bill; Bottom of bill |

For more on the **BILL** screen, see "Overriding the Bill Amount" on page 91.

NOTE   Write the custom paragraph for the bill in the **Paragraph Content** text box at **Setup > Options > Billing** tab.

**Penalty & Interest Calculations**   The following global setup options are for penalty and interest calculations on late-filed returns. These are set from **Setup > Options** > **Optional Items on Return** tab, and can be changed from within a return from the **LATE** screen, available from the **Taxes** tab:

**Table 2-19:** Penalty & Interest Options That Can Be Changed on the Fly

| Global Setting | Available Overrides |
|---|---|
| Calculation of penalty and interest on all returns | If the global option is selected at **Setup > Options > Optional Items on Return** tab, it can be suppressed for a single return. If the global option is not selected, it can be forced for a single return. |
| Interest rates | Penalty and interest amounts can be entered manually for a single return to override program calculations based on updated or manually entered interest rates in **Setup > Options > Optional Items on Return** tab. |

For more on the setting up the global option in Options Setup and on using the **LATE** screen, see "Features for Late-Filed Returns" on page 287.

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

By default, the program prints the information shown in Table 2-20 on the return.

**Table 2-20:** Firm, Preparer, and ERO Data That Can Be Changed on the Fly

| Information | Description |
|---|---|
| Firm | Firm associated with Preparer #1 in **Setup > Preparer(s)** |
| Preparer | Preparer #1 (as entered in **Setup > Preparer(s)**) |
| ERO | ERO selected in **Setup > Options**, **EF** tab (default is "Paid Preparer") |

To override any of these defaults for a return, go to screen **1** of the return and select a firm, preparer number or name, or ERO under **Return Options** (Figure 2-17).



**Figure 2-17:** Setup override fields on screen **1**

Be aware of the following information when determining what information is to appear on the return:

- Because both the firm and ERO information is determined by the return's preparer, a selection in the **Preparer #** drop list causes both the firm and ERO information to be overridden with the corresponding information associated with the selected preparer.

- If, for **Preparer #**, you select **NONE/Self-Prepared Return (No Paid Preparer)**, or for **Firm #**, you have a blank line, nothing is printed on the applicable lines on the return. For ERO, the program uses the information entered on the **EF** tab in **Setup > Options**.

- Data entered on the **PREP** screen overrides the default data and the corresponding **Return Options** selections on screen **1**. ERO information is *not* affected by **PREP** screen entries but *is* affected by a selection from the **ERO #** drop list on screen **1**. For more on the **PREP** screen, see "Overriding Other Preparer Information," following.

- The **Data Entry #** field (shown in Figure 2-17) is for tracking purposes only.

- A firm or preparer must be entered in **Setup > Firm(s)** or **Setup > Preparer(s)** in order to show up as an option in the override drop lists on screen **1**.

**Overriding Other Preparer Information**

The **PREP** screen in data entry allows you to override the following data for a return:

- Third-party designee (See "Third-Party Designee" on page 256.)
- Federal preparer information (if the preparer is not set up at **Setup > Preparer(s)**)
- State preparer information (if the preparer is not set up at **Setup > Preparer(s)**)

If you make an entry in the **Federal Preparers** section of the **PREP** screen, the program requires that full override information for both the preparer and the firm also be entered in this section.

The **PREP** screen also includes an option to not print the preparer's information on the letter, bill, or summary.

At the bottom of the **PREP** screen is a check box declaring that you are either filing your own return or that you are not charging a fee for preparing the return and do not need to file Form 8867, Paid Preparer's Earned Income Credit Checklist.

NOTES

You can enter **State Preparer Registration** information for California, Maryland, New York, Oregon, and Virginia on the **PREP** screen. You can also enter a firm's foreign address information in both the federal and state preparer information sections.

The drop list at bottom of the **PREP** screen—"**If preparer set up in SETUP > PREPARERS**—is available if you want to use the alternative e-signature on the state forms. Select the preparer from the drop list at the left and enter that preparer's PIN in the field to the right.

## Overriding the Bill Amount

Standard rates must be established in Pricing Setup (see "Pricing Setup" on page 63), but you can change the billing amount for a return, either by overriding the total or by adjusting individual amounts.

**Overriding the Total**

To override the *total amount* on a client's bill, go to screen **1** and enter the desired amount in the **Fee override** field (located in the **Return Options** section).

**Adjusting Individual Amounts**

Use the **BILL** screen to adjust *individual amounts* on a client's bill. The following items are added to or subtracted from the bill using the **BILL** screen:

- **Adjustments** (write-in or select from user-defined drop lists) such as for coupons and other discounts and amounts charged for these adjustments
- Balance due from prior years
- Tax Planner fees
- Percentage increases and discounts
- State and local sales tax percentages
- **After-the-Fact Adjustments** (applied after all other adjustments have been applied and sales tax (if any) has been calculated)
- Prior **Payments** (See "Importing Payments" on page 327 for details on how to import payment information to the **BILL** screen.)

NOTE

To create user-defined drop lists for the write-in **Adjustments**, **Percentage discount**, **Percentage increase**, and **Payments** lines of the **BILL** screen, see "Customized Drop Lists" on page 61.

You can also indicate the following adjustments from the **BILL** screen:

- Exclude a charge for the Filing Status Optimization Report (See "About the MFJ/ MFS Report" on page 115.)
- Include the amount charged for a self-preparer EF return (item 0386 in **Setup > Pricing**)

The **BILL** screen also allows you to override the date printed on the bill, to add a short note (separate from the custom paragraph) to the bottom of the bill, and to add an audit protection service for your customers.

**Pricing for a Single Return**

*Right-click a form and select Setup > Form Properties from the right-click menu.*

To override Pricing Setup and establish prices for a single return:

1. Click **View/Print** from the toolbar to access View/Print mode for the return.

2. Select a form from the left column, then, from the toolbar, go to **Setup > Form Properties**. The **Properties** dialog box is displayed (Figure 2-18).
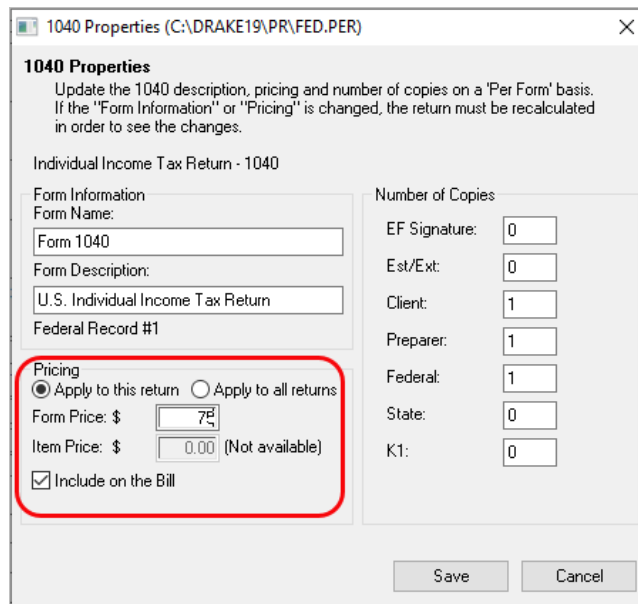


**Figure 2-18:** Pricing on the fly section of the **Properties** dialog box

3. In the **Form Information** section, edit the description of the form (if desired) and in the **Pricing** section, edit the price per form or per item.

4. Choose to **Apply to this return** or **Apply to all returns**. *Applying to all returns changes the pricing file globally (in other words, for* all *returns).*

5. Change **Number of Copies** to be printed in the sets (if desired) and then click **Save**.

You must calculate the return again before you can view your changes on the bill.

# Overriding Letters Setup

Letters options and defaults can be set from **Setup > Options**, **Optional Documents** tab, the new **Setup > Options** > **Client communications** tab, and at **Setup > Communications Editor**. Use the **COMM** screen (formerly the **LTR** screen), accessible from the **Miscellaneous** tab, to override global options on a per-return basis. Some of the options that were available on the **PRNT** screen in previous years are now available on the **COMM** screen.

The **COMM** screen allows you to make the following changes to the letters in a return:

- Have a client results letter other than the default letter printed with the return
- Enter a personalized letter greeting
- Add a custom paragraph

In addition, the **COMM** screen now provides the following options:

- Override whatever option you chose at **Setup > Options > Client Communications** tab and force-print (or suppress) a privacy policy letter, engagement letter, customized supplemental letter
- Override whatever option you chose at **Setup > Options > Client Communications** tab, and force-print or suppress federal and state filing instructions
- Override whatever option you chose at **Setup > Options**, **Optional Documents** tab and force-print or suppress for a single return.
- Force-print a federal or state client results letter for a *paper-filed* return or extension application, even if the return/application is *eligible* for e-file
- Force-print a federal or state client results letter for an *e-filed* return or extension application, even if the return/application is *ineligible* for e-file

**Default Results Letter**

The client results letter is the standard letter that is printed with a return. It tells the client that the return has been prepared from the information provided, states the amount of the refund or balance due, and provides instructions for mailing the return (if paper-filing). The program uses letter #3, the "Summary Results Letter," as the default.

To change the default letter for a single return, from the **COMM** screen select a new letter from the **Letter Selection** drop list (Figure 2-19).
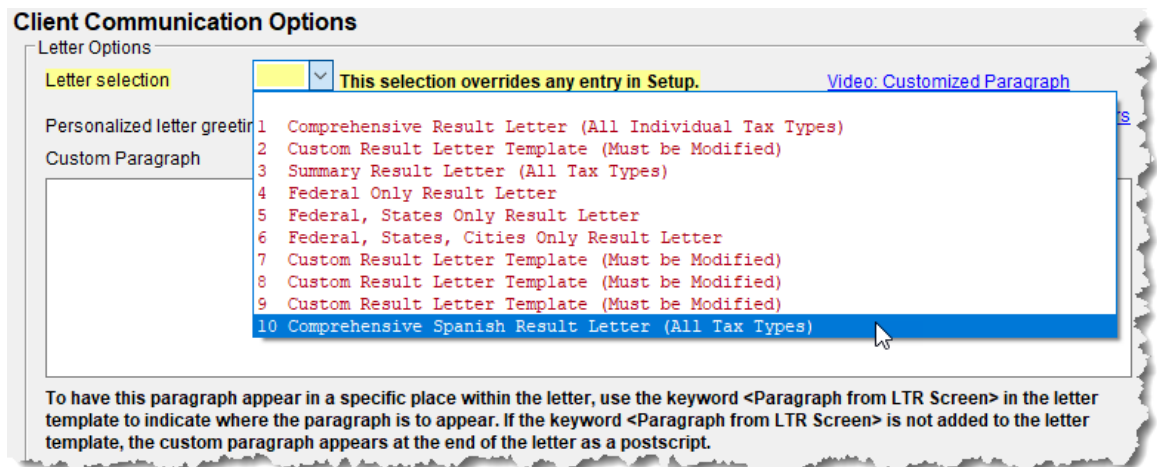


**Figure 2-19:** Selecting the Spanish letter as the default letter for a return (**LTR** screen)

> NOTE — To change the default letter for *all* returns, go to the **Client Communications** tab in **Setup > Options** and select a template from the applicable package in the **Letter Selection** section of the dialog box.

**Customized Greeting**    The default greeting for all letters is set in Letters Setup. To override the greeting for a return, go to the **COMM** screen and enter a new greeting in the **Personalized letter greeting** text box.

N OTE    To begin the greeting for the letter for one return with "Dear," enter the greeting, along with the name, in the **Personalized letter greeting** field. To have *all* letters for a package type begin with "Dear" (or another greeting of your choice), open the actual template from **Setup > Communications Editor** and change the **Opening and Salutation Section**. See "Adding a Custom Paragraph," following.

**Adding a Custom Paragraph**    To add a custom paragraph to a letter, write the paragraph in the **Custom paragraph** text box of the **COMM** screen. By default, the paragraph is printed at the bottom of the letter.

To have a custom paragraph appear elsewhere within the letter:

1. From the menu bar of the Drake Tax **Home** window, select **Setup > Communications Editor**.
2. Click **Open** from the toolbar and select the package and letter to be generated for the client.
3. If in Full Edit mode:
   a. Place the cursor on the line of the letter where you want the custom paragraph to appear.
   b. At the top-left corner, click to open the **Letter Contents** tab.
   c. From the **Return Data Keyword** tree in the lower half of the column, click the PLUS SIGN [+] sign next to **Miscellaneous**.
4. If in Outline mode:
   a. Click a Section tag and choose (double-click) the paragraph where you want the custom paragraph to appear.
   b. Place the cursor on the line of the paragraph where you want the custom paragraph to appear.
   c. From the keyword tree in the **Edit... Paragraph** dialog box, click the PLUS SIGN [+] next to **Miscellaneous**.
4. Double-click the **Paragraph from LTR screen** keyword. The keyword appears in the letter template.
5. Click **OK** (in Outline mode) or **Save** (in Full Edit mode).

When the return is generated, the letter displays the custom paragraph as directed.

**Engagement Letter**    Tax return firms use engagement letters to contract with clients to prepare their tax returns. At the end of the engagement letter are lines for the taxpayer and spouse to sign, and a "Date" line.

An engagement letter is generated when a return is calculated if the **Include engagement letter...** checkbox is selected from the **Additional Letter Options** section of **Setup > Options** > **Client Communications** tab. Make a per-return change from the **COMM** screen. Engagement letters can also be produced prior to completion of the

return by going to the **Home** window menu bar and selecting **Tools > Letters > Letters**.

**Privacy Letter**

The Privacy Policy letter gives your clients information about the gathering and use of personal information relating to completing their tax returns. The privacy policy letter is generated when a return is calculated and the **Include privacy letter...** checkbox is selected from the **Additional Letter Options** section of the **Setup > Options** > **Client Communications** tab. Make a per-return change from the **COMM** screen of a return.

**Custom Supplemental Letter**

A supplemental letter is available, customizable for use in various scenarios. To rewrite the letter to suit your office's needs, from the **Home** window, go to **Setup > Communications Editor**, select a package from the **Open** button on the toolbar, and scroll down to "(package type) **Customized Supplemental Letter**." (See "Client Communications Editor" on page 68.) The letter is not generated by default; change the default settings for all returns from **Setup > Options** > **Client Communications** tab, the **Additional Letter Options** section. Make a per-return change from the **COMM** screen of a return, available from the **Miscellaneous** tab of the **Data Entry Menu**.

NOTE

In the 1120S, 1065, and 1041 packages, you can print K-1 letters for a return with a name of an officer, partner, or fiduciary, the person's title, and either the name of the filing entity or the name of your firm by entering the signing information in the **K-1 Cover Letter** section of the **COMM** screen. This is necessary only if the global option to print K-1 letters is not selected at **Setup > Options > Client Communications** tab.

**Filing Instructions**

When a return is generated in Drake Tax, federal and state filing instructions are also generated if that option is selected globally from the **Filing Instructions** section of **Setup > Options** > **Client Communications** tab. To override the global setting and force or suppress federal or state filing instructions for individual returns, make a selection from **Filing Instructions Options** section of the **COMM** screen.

NEW FOR
2019

Print the filing instructions for Form 8879 and 8878 e-file signature authorization forms by selecting that option at **Setup > Options > Client Communications** tab.

**Envelope Coversheets**

When a return is generated in Drake Tax, envelope coversheets are also generated, if selected, for mailing copies of the return to the taxpayer and tax authorities. Default settings for envelope coversheets are set in **Setup > Options** > **Optional Documents** tab. Use the **Envelope Coversheet Options** section of the **COMM** screen to override coversheet options for a single return.

**e-File or Paper-File?**

*New for 2019*: The program no longer automatically produces the filing instructions and client results letter for a *paper-filed* return; instead, Drake Tax now automatically generates a client return letter and filing instructions for an *e-filed* return unless the return being filed is ineligible for e-file or e-file has been suppressed.

Override this default setting (or global selections made to suppress federal or state e-file at **Setup > Options > EF** tab) on the **COMM** screen. You can produce EF

results in the client letter and the filing instructions with a paper-filed return, or paper-filed results with an e-filed return, without changing the method of filing.

From the **Letter and Filing Instruction Options** section near the bottom of the **COMM** screen, select **EF** or **Paper** for the selected return. To indicate one or more state returns, select state abbreviations from the drop lists provided.



In the example at left, the letter will be worded as if both the federal 1040 and Arkansas returns are going to be e-filed— even if the return is not eligible for e-file or the taxpayer chooses to paper-file the return.

NOTE    Making a selection from the **Letter and Filing Instruction Options** section of the **COMM** screen does not change the filing method itself; it changes only the information appearing in the filing instructions and client results letter.

## Overriding EF Setup

The **EF** screen in data entry allows you to suppress federal and state e-file on a per-return basis. (The program default is that all eligible forms will be e-filed.) For more information on the **EF** screen, see "EF Override Options in Data Entry" on page 355.

# 3    **Basics**

*TO OPEN THE 2019 PROGRAM, DOUBLE-CLICK THE DRAKE 2019 ICON (FIGURE LEFT) ON YOUR DESKTOP. THE LOGIN WINDOW DISPLAYS THE LOGIN BOX (FIGURE BELOW) FOR THE USERNAME AND PASSWORD, AND, AT THE BOTTOM OF THE WINDOW, A BAR CONTAINING THE VERSION OF DRAKE TAX YOU ARE OPENING, THE DRIVE ON WHICH THE PROGRAM IS INSTALLED, AND THE CURRENT DATE.*

## Security Messaging

To help with security awareness, security messages are presented during the installation of Drake Tax 2019 and the first time users log in to Drake Tax.

Review the content provided in the messages before moving forward with the installation or logging in.

NOTE    For an extra layer of security, set up a multi-function authentication account. For details, see "Administrative Login" on page 35.

## Logging In and Out

To open Drake Tax:

**1.** In the fields of the **Login** box (figure, below), enter the preparer's user name and password.

**2.** In the fields of the **Login** box (figure at left), enter the preparer's username and password. If you are having trouble remembering your password, click **Password help** to see the security question entered during setup. (See "Initial Login" on page 34 for help.)

**3.** Click **Login** to open to the Drake Tax **Home** window (see Figure 3-1 on page 98).

IMPORTANT

If logging in for the first time after installation, you are asked to enter your account number and serial number in the appropriate fields of the **Software Activation** dialog box. Your account number and serial number can be retrieved at *Support.DrakeSoftware.com* **> My Account > My Serial Numbers**.

To log out without closing the program, from the menu bar of the **Home** window, select click **File > Logout Preparer**. To close the program, click **Exit**, then **Yes** (or click the **X** in the upper right corner).

## The Home Window

The Drake Tax **Home** window (Figure 3-1) has the following features:

- **Menu bar and toolbar** — These tools allow you to complete tasks in the program.
- **Recent Returns** — Lists the last nine returns opened in the program.
- **Appointments** — Shows the preparer's schedule and provides a link to open the Scheduler.
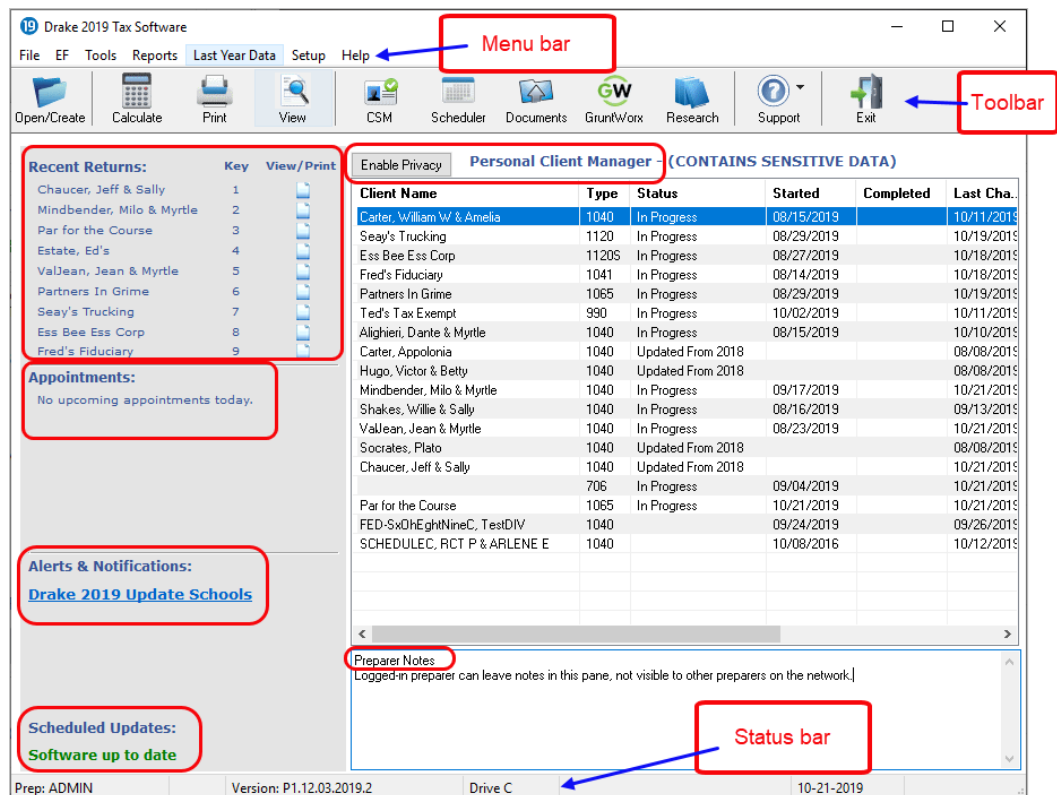


**Figure 3-1:** Drake19 **Home** window

- **Alerts & Notifications** — Alerts you to important dates, displaying the status of Drake Tax's system, and linking you to Drake Software broadcast email. Possible alerts might include reminders of filing deadlines or announcements of delayed e-file transmissions, "ack" returns, or bank transactions. Alerts are refreshed every 15 minutes. A list of acknowledgments to be processed. Information on pending and completed GruntWorx jobs also appear in this section. Your system must be connected to the Internet for this feature to work.

- **Updates** — Keeps you informed that the program is up to date, provides link to update the program when necessary.

- **Status bar** — Provides system information.

- **Personal Client Manager (PCM)** — This is a personalized version of the Client Status Manager; see "Help Resources from the Toolbar," following, for more information.

- **Enable Privacy** — Hides the recent return list, the PCM, and the preparer notes. (Click **Disable Privacy** to view the list again.)

- **Preparer Notes** — Use this section to write brief notes, visible only to the preparer who wrote them, that remain in this section until they are deleted. (These notes are different from the **Preparer Notepad**. See "Preparer Notepad" on page 295 for details.)

## Help Resources from the Toolbar

The **Support** button (circled in figure below) on the **Home** window toolbar offers access to various help resources
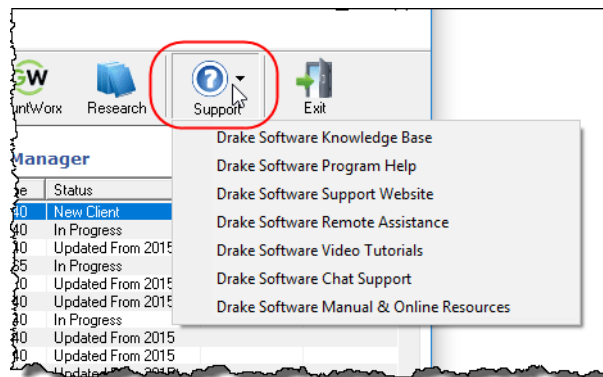


With just a few clicks, you can navigate your way to such help resources as:

- Drake Software's Knowledge Bases (Drake Tax program, Client Write-Up, Drake Accounting, IRS publications, explanations of tax law)

- A searchable program help for learning Drake Tax

- Drake Software's Support website

- Drake Software's Remote Assistance

- A webpage repository of all of Drake Software's video tutorials

- Drake Software's Chat Support

- .PDF copies of Drake Tax manuals, including the annual user's manual, all the manual supplements (1120, 1120S, 1041, 1065, 990, 706, and Pay Per Return), the "What's New" document for the tax year, the Quick Reference Guide of shortcut keys and macros, plus the latest state and federal shipment letters, informational and promotional fliers, Drake Tax data entry practice returns, and frequently read IRS publications.

## Research

Click the **Research** button from the **Home** window toolbar to access a customizable Web research function. For details, see "Tax Research" on page 395.

## Personal Client Manager

The Personal Client Manager (PCM) allows a logged-in preparer to manage client returns more easily with a personalized version of the Client Status Manager (CSM). Client records can be sorted by name, return type, status, date the return was started or completed, date of last change, transmission date, acknowledgment code or date, and phone number. To sort records, click a column header.

> NOTE     The PCM operates much the same as the CSM. For specific instructions on using these tools, see Chapter 9, "Client Status Manager."

**Activating the PCM**   To activate the PCM for logged-in preparers, an administrative user must go to **Setup > Options**, **Administrative Options** tab, and select the **Enable logged in preparer's Personal Client Manager** box (located in the **Main Dialog Options** section).

## General Navigation

You can use both the mouse and the keyboard for navigating within the program.

- **Left button** (mouse) — Move the pointer over an item and click the left mouse button to select that item. When this manual instructs you to "click" or "double-click" an item on the screen, use the left button on the mouse.
- **Right button** (mouse) — While in data entry, right-click the mouse anywhere on the screen to display a menu of common program functions. Right-click a specific field and view the return in View mode, use macros, undo an entry, reset the field, cut, copy, paste, delete, add worksheets, get help (from the Program Help, the Navigation Help, the Drake Software Support website, Drake's Knowledge Base, Drake Software's e-Training Center (ETC), field help, or the screen help), flag the field for later review, or remove an existing flag. Other options are available by right-clicking the **Data Entry Menu**, including calculating, splitting, viewing, and printing returns, opening the EF Database, Forms Based Data Entry, or the calculator, adding reminders, appointments, and notes, printing mailing labels, and clearing flags.
- **Keyboard shortcuts** (keyboard) — Use *keyboard shortcuts* to perform tasks from the **Home** window without using the mouse. Press ALT to display the underlined keyboard shortcut (note the underlined letters in the figure above) and then press the desired keyboard shortcut.
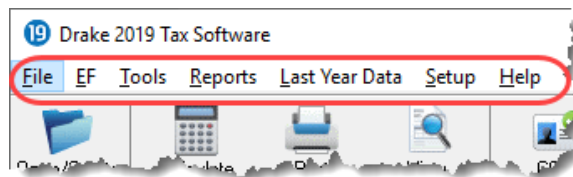
- For example, from the **Home** window, you can press ALT, F, O (F for File, O for Open) to open the **Open/Create a New Return** dialog box, or ALT, L, O (L for Last Year Data, O for Organizers) to open the **Organizer Client Selection** dialog box. In the example below, pressing ALT then F then O opens the **Create/Open Returns** window for either opening an existing file or creating a new one. Or you could instead press ALT then L then P to go to **Last-Year Data > Proformas**.
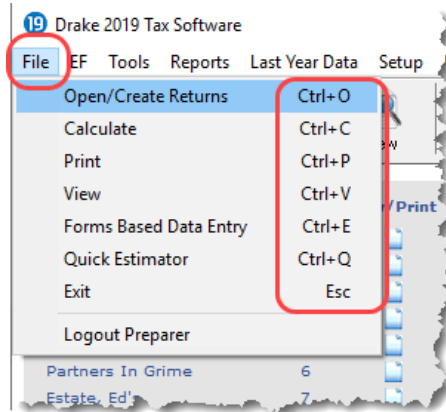


- **Key combinations** (keyboard) — Use *key combinations* as another way to perform tasks without using the mouse. Key combinations are written as two or more key names connected by a plus (+) sign (figure, left).

- Press and hold down one key, and then press a second key. Key combinations are shown to the right of each menu item.

## Hyperlinks

Hyperlinks within data entry screens allow you to more quickly get to related screens. Hyperlinks are available in all packages and fall into two categories: screen links and screen tabs.

**Screen Links**    Use screen links to move quickly from one screen to a related screen without having to return to the **Data Entry Menu**. The example in the figure below shows that the **Foreign Employer Compensation** screen, the **Household Employees** screen, the **INT** screen, the **DIV** screen, and the **Lump Sum Benefits** screen can all be directly accessed from screen **3** (the **Income** screen).

Federal-to-state screen links (figure, right) serve as shortcuts to related state screens. For example, the state links on screen **A** link to those state screens that need Schedule A information.
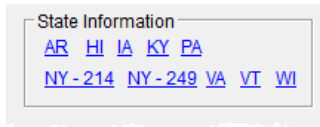
State links are located in a **State Information** section at the upper-right corner of a screen.

**Screen Tabs**   Screen tabs allow you to organize multiple instances of the same form and their associated worksheets. For instance, in the 1040 package of Drake Tax, the **K1P**, **K1S**, and **K1F** screens contain tabs (item #1 in Figure 3-2) to associate two **K1** screens (because Schedule K-1 requires two screens in Drake Tax), the **Additional entries** tab (to facilitate more complete K-1 reporting), the two tabs for the basis worksheet, and two 6198 at-risk limit worksheets with a particular K-1 issued to the taxpayer. For a new set of **K1** screens, press PAGE DOWN.
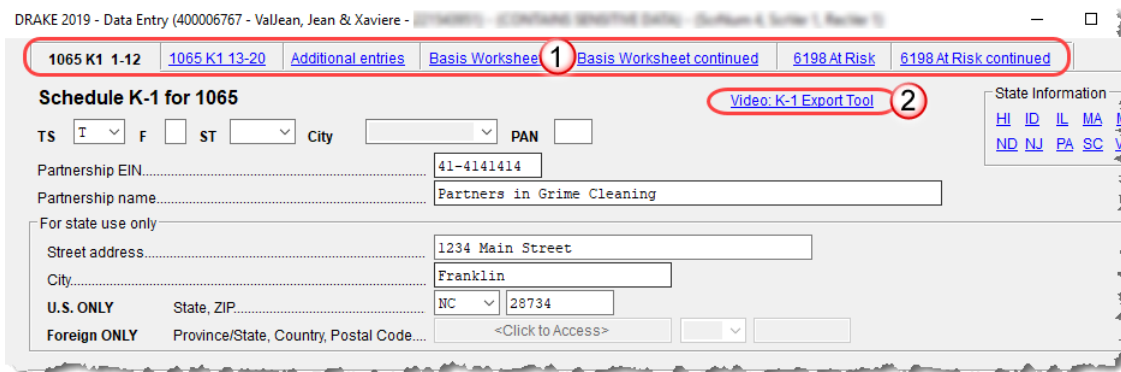


**Figure 3-2:** Tabs (item #1) on the **K1P** screen for an individual (1040) return

NOTE   On many screens and windows in Drake Tax, look for links to helpful instruction video tutorials (item #2 in Figure 3-2).

# Creating and Opening Returns

When you enter an ID number (SSN or EIN), Drake Tax searches both current- and prior-year files. If it finds a client record in the prior-year files only, you are given the opportunity to update the record from the previous year into this year's program (see "Updating Client Files" on page 120 to perform an update) or create a new record.

## Creating a Return

To create a return in Drake Tax:
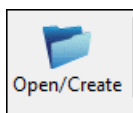
1. From the **Home** window, click **Open/Create** (or press ALT, F, O).
2. In the **Open/Create a New Return** box, enter the client's ID number (item #1 in the figure on page 109).
3. Click **OK**.

4. Click **Yes** when asked if you want to create a new return.

5. In the **New Return** dialog box, select the return type.

6. Enter the client's name.

7. Click **OK**. Data entry screen **1** for the new return is displayed.

NOTE   You may be required to verify the ID number for a new return. Verification is required for all Pay Per Return (PPR) clients.

## Opening a Return

*Recently accessed returns can be selected from the **Recent Returns** list in the **Home** window.*

To open an existing return in Drake Tax:

1. From the **Home** window's toolbar, click **Open/Create**. The **Open/Create a New Return** dialog box is displayed (figure, below).

2. Perform one of the following tasks:
   - Enter the ID number of the return (item #1 in figure, below).
   - Select one of the last nine returns opened (item #2). Click a row to select a return.
   - Select a return type (item #3). Returns are displayed in the grid to the left. Click a row to select a return.

3. Click **OK**. The **Data Entry Menu** is opened for the selected return.

## Creating a Return Without Valid ITIN

Click the box at the bottom of the **Open/Create a Return** dialog box (item #4 in figure, below) to create an individual return with a temporary ITIN when a valid ITIN is not yet available.



Note that the selections on the right side of the **Open/Create a New Return** dialog box become inactive—only 1040 returns can be created with an invalid ITIN—and that the ID field is also inactive.

Click **OK** and then **Yes** when prompted to open the **New Return** dialog box.

Type in the taxpayer's first and last name and click **OK**.

Obtain a valid ITIN by filing Form W-7 with the IRS. When the valid ITIN is received, update the return.

To do so, from the **Home** window menu bar, select **Tools > File Maintenance >**

**Change ID Number on Return**. Type in the old ITIN number in the **Incorrect ID Number** field and then the new ITIN in the **Correct ID Number** field. Click **Continue**, **Yes**, and **Exit** to update the client's ID.

The return with the invalid ITIN may be printed but not e-filed.

## Data Entry

Returns are prepared in data entry mode. Access data entry screens from the **Data Entry Menu** (see Figure 3-3 on page 105). To save your data, close a data entry screen, and return the **Data Entry Menu**, either:

- Press the ESC key
- Click the **X** in the upper right corner
- Click the **Exit** button from the data entry screen's toolbar

(To close the screen *without* saving your entries, either press CTRL+ESC or, from the data entry screen's toolbar, click the arrow beside the **Exit** button and select **Exit Without Save**. See "Managing Screens" on page 107 for more information.)

Pressing ESC from the **Data Entry Menu** returns you to the **Home** window (Figure 3-1 on page 98).

While in data entry, you can use the TAB key, and the UP ARROW and DOWN ARROW keys to move from field to field, and the PAGE UP and PAGE DOWN keys to move from screen to screen. When a return contains multiple instances of such screens as **W2**, pressing PAGE UP and PAGE DOWN moves you through the various instances of that screen. If there are no other instances of a screen—when only one screen has been entered—then pressing PAGE UP or PAGE DOWN moves you to the next connected screen. (See "Data Entry Toolbar" on page 107 for more methods of moving among screens.)

NOTE

If there is no activity in the program within 30 minutes, the open screen is locked, requiring the preparer to type in his or her password again to reopen the program.

Password recovery help is available for preparers who forget their passwords.

## Data Entry Menu

The **Data Entry Menu** (Figure 3-3 on page 105) is displayed when you open a return. It consists of a toolbar, tabs, codes and names, the selector field, and the status bar.
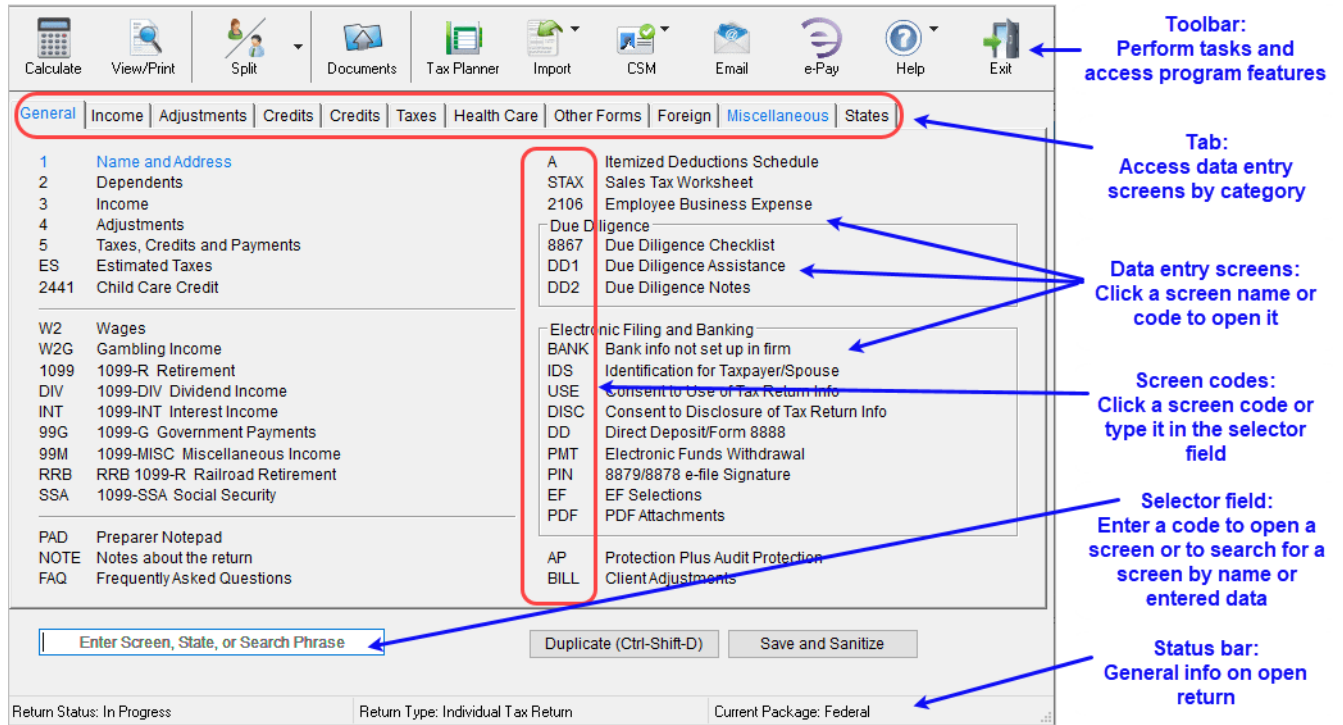
**Figure 3-3:** Data Entry Menu

Normally, to open a data entry screen, you click the screen link (code or name) from the **Data Entry Menu**, or enter the screen code in the selector field and press ENTER.

Alternately, you can use the search function in the selector field ("Searchable Selector Field," following) to find the screen you need.

## Searchable Selector Field

Search for screens by code, name or keyword using the selector field (figure below), located at the bottom of all **Data Entry Menus**.
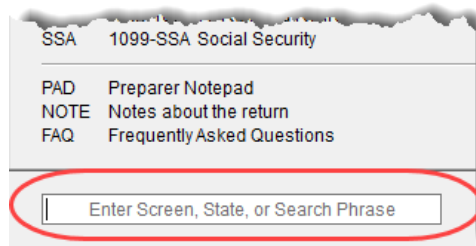


The selector field can find any instance of data entry in a return. See "Searching Data Entry" on page 106.

If you cannot remember the code or form number or on which tab of the **Data Entry Menu** the screen is located, you can search for the screen with keywords or phrases.

Type the code 2 in the selector field, press ENTER, and screen **2 Dependents** is opened (or the grid data entry window is opened, if you have that option selected). You can also type in a guess – say, DEP for "dependents" – and press ENTER to open screen **2**.

If, however, you know there are several other screens that might require entries for dependent children, you can type a keyword such as `Child` in the selector field, press ENTER, and a list of screens with the keyword "child" in the heading or within the screen is shown in the **Search Results** window (figure at right).

| Screen/State Code | Description |
| --- | --- |
| 8882 | Employer-Provided Child Care Credit |
| 8814 | Parents' Election to Report Child's Income |
| 8812 | Add'l Child Tax Credit/Combat Pay |
| 2 | Dependents |
| 2441 | Child Care Credit |

Double-click a line in the **Search Results** window or highlight the line and click **Load Screen** to open the selected screen.

**Searching Data Entry**

The search feature in Drake Tax can also find any data entered on any screen.
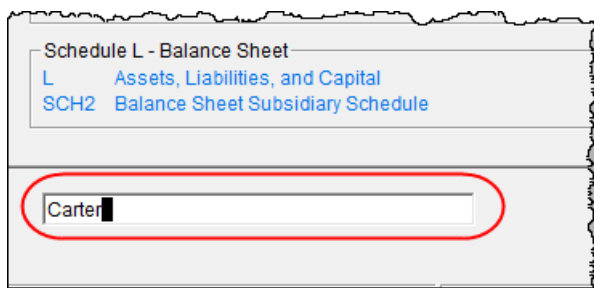
Enter a name, address, an amount, an ID number—anything from data entry—in the selector field at the bottom of every **Data Entry Menu** (figure, left), and press ENTER to locate every instance of that entry in that return.

If, for instance, you have a hundred partners in a partnership, but you want to review only those **K1** screens belonging to "William Carter," type `Carter` into the selector field and press ENTER. Every instance of that search—state or federal screens—appears in **Search Results** window. Note that in the figure below, the **OWN** screen (ownership changes), federal and state **K1** screens (for William Carter and Amelia Carter), and a **Preparer Note** concerning "Milo Carter" all appear in the **Search Results** window. (These search parameters allowed all instance of "Carter" to be listed.)

| Screen/State Code | Description | Return Data |
| --- | --- | --- |
| FED - OWN | Partner Ownership Changes | 400006665 William Carter |
| NC - K1 | Partner Information | 400006665 William Carter |
| NC - K1 | Partner Information | 400006666 Amelia Carter |
| FED - K1 | Schedule K-1 Partner Information | Carter |
| FED - K1 | Schedule K-1 Partner Information | Carter |
| FED - NOTE | Preparer Notes | Milo Carter wants two sets of Schedule K-1 |
| FED - K1 | Schedule K-1 Partner Information | Partnership's rental property income for Amelia Carter:Fr... |
| FED - PIN | e-file Signature | WCarter@dnet.net |

Double-click a line to open that screen, or select a line and click **Load Screen** from the bottom of the **Search Results** window.

# Working in a Tax Return

Prepare tax returns in Drake Tax by entering pertinent information on specific data entry screens. Entries are used to calculate the federal, state, and city tax returns.

To open a screen, use one of the following methods:

- **Keyboard** — From any tab, type a code in the selector field. Press ENTER. (See "Searchable Selector Field" on page 105 to search for screens.)
- **Mouse** — Select an item from any **Data Entry Menu** tab and click the screen name.

**Managing Screens**

Use the following methods to exit, save, reset, and delete screens in Drake Tax:

- Press ESC to save your changes and exit a screen. (Alternately, click the **X** in the upper right corner or click the **Exit** button from the data entry screen's toolbar.)
- Press SHIFT+ESC or click the arrow beside the **Exit** button (on the data entry toolbar) and select **Exit Without Save** to exit a screen without saving your changes.
- Press CTRL+U to reset a screen to the last save.
- Press CTRL+D to delete a screen. If multiple occurrences of a screen exist (for example, if a return has two Forms 1099), an **Existing Forms List** is opened. Select the screens to delete, and then click **Delete**. (See "Existing Forms List" on page 110.)

You can also use the right-click menu to take these actions.

See "Data Entry Toolbar," following, for other methods of managing screens.

**Navigating Fields**

A blinking cursor and yellow shading indicate an active field. Click a field to activate it. Following are keyboard-only methods of moving from field to field:

- Press TAB to move the cursor forward one field.
- Press SHIFT+TAB to move the cursor back one field.
- Press the DOWN ARROW (↓) or the UP ARROW (↑) to move the cursor down or up one field, respectively. If the field is a drop list, the DOWN ARROW (↓) or UP ARROW (↑) opens the list and moves through the selections. Press ENTER to make a selection, or press CTRL+DOWN ARROW (↓) or CTRL+UP ARROW (↑) to move beyond the drop list.

# Data Entry Toolbar

A toolbar (Figure 3-4 on page 108) is available on all data entry screens in all packages, federal and state, allowing you to perform several functions without the need to leave the screen, use a macro or keyboard combination, or select from a right-click menu.
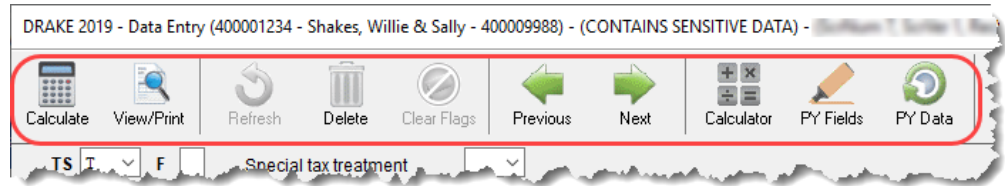
**Figure 3-4:** Toolbar available from all data entry screens

To view the toolbar, move your mouse pointer to the top of any data entry screen. Click the buttons of the toolbar to perform the various functions. Certain buttons are activated depending on previous-year's return or current-year entries. To hide the toolbar, click elsewhere on the screen.

To calculate the return or open it for viewing or printing click the **View/Print** icon on the data entry screen toolbar. Click **Delete** to delete the open screen. If the **Clear Flags** button is active, that means reminder "flags" were generated for the open screen. One click clears all flags on the screen.

TIP        Those reminder flags are there for a reason! Verify the data entered in those fields before deleting the flags.

The **Previous** and **Next** buttons operate just as the PAGE UP, PAGE DOWN, CTRL+PAGE UP, and CTRL+PAGE DOWN keys on your keyboard function. When a return contains multiple instances of such screens as **W2**, clicking **Previous** and **Next** moves you through the various instances of that screen. If there are no other instances of a screen—when only one screen has been entered—then clicking **Previous** and **Next** moves you to the next connected screen; for instance, if you open screen **3** (**Income**), and click the **Next** button, the program opens screen **4** (**Adjustments**). Click **Next** again and move to screen **5** (**Taxes, Credits, and Payments**). Click **Previous** to move back to the previous linked screen.

If there are no connected screens available, the **Previous** and **Next** buttons are inactive.

The **Calculator** button opens a calculator function in the program.

The **PY Fields** and **PY Data** buttons (in figure right) activate the LookBack feature, displaying which fields on the open screen had data entered in the prior year's return (if that return was done in the Drake Tax program) and what that data was. Click **PY Fields** to see which fields contained data in 2018; click **PY Data** to see the data.



For more on this feature, see "LookBacks" on page 109.

Click **Help** to open a screen help for this screen. (An inactive **Help** button means no screen help exists for this screen.)

The **Exit** button gives you the option of closing the screen while saving the entered data, or (by clicking the arrow to the right of the **Exit** button), closing the screen without saving the data.

**Disabling Toolbar**     To keep the data entry toolbar from appearing on your screens, from the menu bar of the **Home** window of Drake Tax, go to **Setup > Options**, **Data Entry** tab, and on the lower left corner of the window, clear the **Enable Data Entry toolbar** check box.

**LookBacks**     The LookBacks feature allows you to compare data entry from last year's return to that required for the current tax year (provided that last year's return was prepared in Drake Tax '17).



Click **PY Fields** or press **F11** to see prior-year fields.

Click **PY Data** or press **F12** to see prior-year data.
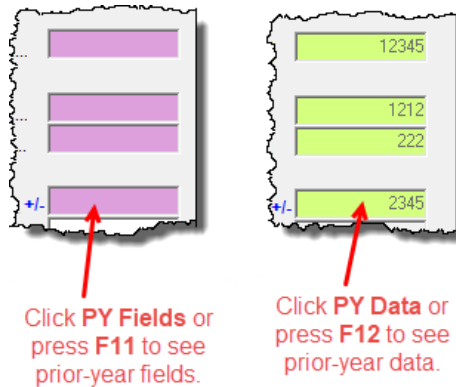
With Drake Tax open to a data entry screen, click the **PY Fields** button on the data entry toolbar (or press the F11 key on your keyboard) and any field on the open screen that contained data last year will be highlighted in a contrasting color (figure, left). To see what the actual entry was in the previous year, click the **PY Data** button (or press F12) to open a read-only version of the open screen (figure, right).

If multiple instances of the screen exist, a **Prior Year Forms List** will offer you the chance to select which screen instance to open. If the screen had no entries in 2018, you will be notified that no prior-year data exists.

NOTE     You can also right-click anywhere on an open screen and select **Highlight Prior Year Fields** or **Show Prior Year Data**. (Click your selection from the right-click menu a second time to close the LookBacks.)

LookBacks are available on all screens in all packages, federal and state.

To change the colors used for the LookBacks fields, see "Color Setup" on page 81.

**Grid Data Entry**     Grid data entry allows faster data entry for the **Dependents**, **INT**, **DIV**, **8283**, **8949**, and **4562** screens. In grid data entry mode, click a field to activate it, and then type data directly into the field (Figure 3-5).



DRAKE 2019 - Data Entry (400006665 - Carter, William & Amelia - 400006666) - (CONTAINS SENSITIVE DATA) -

|   | First Name | M.I. | Last Name | Suffix | SSN | Relationship | Months | Date of b |
|---|-----------|------|-----------|--------|-----|--------------|--------|-----------|
| 1 | Groucho | | | | 400-12-6661 | SON | 12 | 10-10-20 |
| 2 | Appolonia | | | | 400-13-6661 | DAUGHTER | 12 | 11-11-20 |
| 3 | Curley | | | | 400-50-0066 | UNCLE | 12 | 04-05-195 |
| 4 | Atticus | | | | 007-00-7 | | | |
| 5 | | | | | | | | |

**Figure 3-5:** Entering data directly with grid data entry

To access grid data entry from full-screen mode, press F3. Press F3 again (or click **Item Detail**) to return to full-screen mode. To delete a row in grid data entry, select a row number and click **Delete Row(s)** (or press CTRL+D).

|  |  |
|---|---|
| TIP | Right-click the grid and select **Grid Font Size** to change the font size for easier reading or select **Grid Export** to send the grid to an Excel worksheet, a CSV file, or to a printer. |

**Existing Forms List**

The **Existing Forms List** (Figure 3-6) is displayed if more than one instance of a screen has been saved in a return.



**Figure 3-6: Existing Forms List**

To open a screen from the list, double-click a row (or select it and click **Open**). To open a new, blank screen, select **New Record**.

|  |  |
|---|---|
| NOTE | Grid data entry replaces an **Existing Forms List** on the **Dependents**, **INT**, **DIV**, **8949**, and **4562** screens if grid data is the established default in Options Setup. Disable the default from **Setup > Options > Data Entry** tab. |

**Multiple Instances of a Form**

Many clients require multiple instances of such forms as Form W-2. In most cases, while in a screen such as the **W2** screen, press PAGE DOWN to open a new screen and enter data for a second form.

Each time a new screen is produced, Drake Tax indicates the record number on the status bar of the screen. The number of records is also shown on the **Data Entry Menu**. In the figure at right, the second of the four **Dependents** screens is being accessed.



**Detail Worksheet**

Use detail worksheets to enter up to 30 items for a numeric field. Totals are calculated automatically.

To use a detail worksheet:

**1.** Select the *numeric* field to which the worksheet will apply and take one of the following steps to open a **Detail Worksheet**:

    –    Double-click the field

    –    Press CTRL+W

    –    Right-click and select **Add Worksheet**

**2.** Enter or edit the worksheet **Title.**

| Part II - Expenses | | |
|---|---|---|
| 8 | Advertising................................... | 3637 |
| 9 | Car and truck expenses....... AUTO +/- | |
| 10 | Commissions and fees................ | |

**3.** Enter a **Description** and **Amount** for each item Do not skip lines. As needed, use F1, F2, F3, and F4 as shown at the top of the worksheet to sort items in the list.

**4.** Press ESC. Drake Tax saves your work and displays the total in data entry. Note that the field is shaded to indicate a worksheet is present. (Default color is red.)

NOTES

- Detail worksheets are produced as overflow statements but are *not* e-filed with the return.
- For fields that *require* worksheets, the worksheet screen is opened automatically when you begin typing in the field.
- To print a description on a statement without a corresponding dollar amount, enter a slash ( / ) in front of the description.
- Press CTRL+W (or double-click) in a **Depreciation** field and the program opens screen **4562** (**Depreciation**) with the **For** and **Multi-Form Code** boxes completed. (See "Associating One Screen with Another" on page 114.) If other **4562** screens contain data and are coded to a screen **C**, the **Existing Forms List** is opened.

**Field Flags**   Use field flags to set certain fields apart for review. Flagged fields are shaded (default color is green) and must be manually verified (cleared) prior to e-file.

To flag a field, click the field to activate it, and then press F2. You can also do this by right-clicking in the field and selecting **Flag For Review**. The field is displayed with the shaded background.

| 2210 Options | | |
|---|---|---|
| 2210 Code............................. | = | ⌄ |
| 2017 Fed tax.............. | | 33742 |
| 2017 State tax............ | | 6567 |

When a return with flagged fields is calculated, an EF Message is generated. All flagged fields must be cleared before the return can be e-filed. To clear a flagged field, place the cursor in the field and press F4, click **Clear Flags** from the data entry screen's toolbar, or from a right-click menu, select **Remove Flag**. To clear all flagged fields on an open screen, press CTRL+SHIFT+SPACE. To clear all flagged fields in the open return, go to the **Data Entry Menu** and press CTRL+SHIFT+SPACE.

**Global Flags**   A user with administrative rights can designate certain fields to be flagged in all returns. When flags are set globally, they apply to all returns. Global flags can be for *screens* or for *new returns*.

- **Screens** — The presence of an unverified flag produces an EF Message *only if the screen exists for the return*. For example, if the **Employer ID #** field on screen **C** is flagged, an EF Message for the unverified field is produced only if a Schedule C is present on the return and the **Employer ID #** field has not been verified. If there is no Schedule C, no verification is required.

- **New Returns** — When a field is flagged for all new returns, an unverified flag produces an EF Message *whether or not the screen has been opened for the return*. In the above example, an EF Message would be created even if no Schedule C were present in the new return. In effect, this type of global flagging would force the data entry operator to open the screen, even if only to clear the flag.
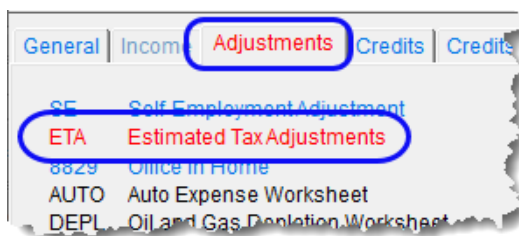


To prevent flagged fields from being overlooked, all flags cause the corresponding screen and tab names to appear as the color of the field flag (default color is green; red used here for visibility). Once the field has been verified, the highlighted tab and screen names go back to their original colors. In the example (figure, above) screen **ETA** under the **Adjustments** tab has a flagged field, thus both appear red.

**Flagging Fields Globally**   To flag one or more fields in all returns:

1. From the menu bar of the **Home** window, select **Setup > Options**, **Administrative Options**.

2. Select **Use customized flagged fields on all returns**.

3. Click **Flag** to open a dialog box with buttons for all Drake Tax packages.

4. Click a package button. The **Flag Fields for Review** window for that package is opened. Note that this window resembles the **Data Entry Menu**.

5. Select a screen to open it.

6. Choose one of the following options:

   

   - **Flag a field for a screen** — Click the fields to flag. The field is flagged with the word "Screen."

   - **Flag a field for all new returns** — Right-click a field and select **Flag For Review When Return is Created**. The field is flagged with the word "Return," as shown in the example above.
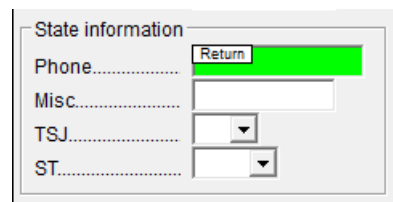
NOTE        Click a field a second time to remove the flag.

7. Return to **Setup > Options**. (Press Esc to exit each window, press Esc again to exit the **Flag Fields for Review** window, and then click **Exit**.)

8. Click **OK**.

**Locking Fields**

Lock fields to keep preparers without administrator access from entering data in those fields.

To lock a field:

1. From the menu bar of the **Home** window, select **Setup > Options**, **Administrative Options** tab.

2. Select **Use customized flagged fields on all returns**.

3. Click **Flag** to open a dialog box with buttons for all Drake Tax packages

4. Select a package type.

5. When the **Data Entry Menu** is opened, click a screen, right-click a field, and select **Lock Field**.

6. Press Esc to save your changes.

NOTES

To remove the lock, in step 5 above, click the field, or right-click and select **Unlock Field**.

The **Lock Field** option is available for federal packages only.

**Override and Adjustment Fields**

By default, fields that allow overrides are preceded by a red equal sign (=) and display red text.
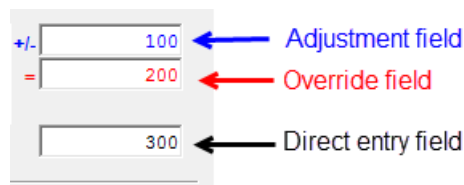
Data entered in these fields replaces, or overrides, program calculations.

Fields that allow adjustments are preceded by a blue plus/minus sign (+/-) and display blue text by default. Data in these fields adjust program calculations by the amount entered. A positive number increases the calculated amount; a negative number decreases it.

**ZIP Code Database**

When a ZIP code is entered on a screen, the city and state fields are filled by default from the program's ZIP code database. There is no need to enter the city and state manually.

**EIN Database**

When new employer data is entered on a screen, the program stores the EIN, business name, and business address in the EIN database. The next time the EIN is entered on a **W2**, **1099**, **8283**, or **2441** screen, the business name and address automatically appear in the required fields.

**Bank Name Database**

The program retains the names of all financial institutions when they are entered for the first time in data entry. The next time the first few letters of a saved name are entered, the program "auto-completes" the entry. To add, edit, or delete entries from the bank name database, place the cursor in a bank name field and press CTRL+SHIFT+E and follow the instructions displayed.

**Common Screen Fields**

Many screens in Drake Tax have fields and drop lists labeled **TS**, **F, ST,** and **City**.

Shown in the figure at right, these fields and drop lists are used to apply the data on the screen to the taxpayer or the spouse (or both), on federal, state, or city returns.

**Schedule C - Profit or Loss from Business**

| Income/Expenses | Carryovers/State Info | | |
|---|---|---|---|
| TS [I] | F [ ] | ST [OH] | City [DAYTON] |

- **TS** (**or TSJ**) — Select **T** if a screen applies to the primary taxpayer, **S** if it applies to the spouse, or **J** if it applies to each spouse equally. (Default is **T**.)
- **F** — All data on a screen automatically flows to the federal return as applicable. Enter 0 (zero) in the **F** field to prevent a screen's data from being carried to the federal return.
- **ST** — Code indicates whether the screen data should be used in calculating a specific state return. If this field is blank, the program uses the resident state by default. The data does not flow to *any* state or city if a zero (0) is selected here.
- **City** — Code indicates the source of the income on city returns.

Press F1 in a field to view all acceptable codes for that field.

**Associating One Screen with Another**

Drake Tax allows you to associate one screen with another, such as when an asset on one screen should be associated with a Schedule C. For example, to associate an asset screen to a **C** screen, complete the **For** field and the **Multi-form Code** field at the top of the asset screen. From the **For** drop list, select the form to be associated with the open screen, as shown in Figure 3-7.

**Form 4562**

Video: 4562 Import
Video: Group Sales

For: [C]   (A, C, E, F, 2106, 4835, AUTO, 8829, K1P, K1S)
Multi-form code: [2]   (1-999; 1 is assumed if left blank)

Description          Date Acquired      Cost

**Figure 3-7:** In this example, the **4562** screen is to be associated with the second Schedule C created in the return.

NOTE

For Schedule E rental properties, each property (in other words, each screen) has a separate multi-form code. The MFC number used on the asset screen (for instance, on screen **4562**) for a Schedule E should refer to the property (to the screen the property is listed on), not the instance of the Schedule E. (Up to three properties are printed on a Schedule E.)

**Splitting a Joint Return**

When you split a joint return in Drake Tax, the program calculates three returns: one for Married Filing Jointly (MFJ), and two for Married Filing Separately (MFS).

Before splitting a joint return, ensure that data on all screens clearly applies to either the taxpayer (T) or spouse (S) using the **TSJ** drop lists, and make sure **Ready for EF** is not marked on the **EF** screen. If this box is marked, all three returns will be marked eligible for e-file. (See "EF Override Options in Data Entry" on page 355.)

To split a joint return:
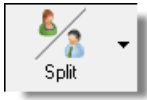
**1.** Open the return.

**2.** Choose one of the following options:

- To compare returns for two individuals who lived together for the entire year, click the **Split** button or press CTRL+S.

- To compare returns for two individuals who did *not* live together for the entire year, click the down arrow next to the **Split** button and select a category of MFS filing status. Results are displayed in the **Return Selector**.

> N○TE  At this point, if there is a Schedule A on the return and you have not specified on screen **A** whether to force itemized or standard deduction, you are prompted to select **Itemize**, **Standard**, or **Optimize** before proceeding. If you select **Optimize**, the program determines which is the better treatment of the Schedule A deductions.

**3.** Mark the check boxes to the left of the returns and click **Print**, **View**, or **Save**, as applicable. (To see an MFJ/MFS report, see "About the MFJ/MFS Report," following.)

**4.** Click **Exit**.

> N○TE  After clicking the **Split** button to split the joint return into two separate Married Filing Separately returns, the preparer has the option of canceling the split and stopping the action.

**About the MFJ/MFS Report**

To view the MFJ/MFS report, click the **MFJ/MFS Report** button. The Filing Status Optimization Report is displayed in View/Print mode as "Wks MFS Comp" (and OH_COMP, for Ohio returns). The report compares the taxpayer's and spouse's status if filing joint, combined, or separate returns, and to show the net effect of filing separate returns.

For more information on View mode, see "Viewing a Return (Enhanced Mode)" on page 306.

> N○TE  Currently, the state report feature is available for Ohio returns only.

The program saves the MFS data shown in the reports only if you save the split returns. If you are not planning to save the MFS versions of the returns but want to show the reports to your client later, print the reports now for your client's records. If the MFS versions are saved, the completed Wks MFS Comp and OH_COMP reports can be viewed only in the Joint return.

> N○TE  Billing for this report is done through **Setup > Pricing** (use item 350). For more on setting up pricing in Drake Tax, see "Pricing Setup" on page 63. To suppress the charge for an individual return, use the **BILL** screen. (See "Overriding the Bill Amount" on page 91.)

**Screen Captures**  Screen captures can be taken in data entry and sent to the clipboard, a printer, or a file.

To capture a data entry screen:

**1.** Right-click any open part of the screen (not within a field or text box).

**2.** Select **Screen Shot**. The program offers three choices for captures:

- **To File** — Save the screen as a bitmap (.bmp) file to a location you select.
- **To Printer** — Open the **Print** dialog box and print an image of the screen.
- **To Clipboard** — Copy an image of the screen to your clipboard in order to paste it into another program, such as Microsoft Outlook.

**3.** Save, print, or copy the image as directed, according to your selection.

## Calculator

A calculator feature is available in every numeric field in data entry. To access it, press F10 from within a field. Once results are calculated, press F1 to insert those results into the field.

## Macros

Macros are shortcuts that allow you to enter frequently used data entry items with minimal keystrokes. This feature is described in detail in "Macros Setup" on page 64.

## Heads-Down Data Entry

Heads-down data entry provides an efficient method of data entry when working from a proforma interview sheet. Information on this method is provided in the "Heads-Down Data Entry" on page 126.

## State Returns

When a return is prepared, Drake Tax automatically generates state returns based on data entered for the federal return. Calculation is based on the state entered on screen **1** for resident state and on the state codes indicated on other forms (W-2, Schedule C, 1099, Schedule B, etc.).

Click the **States** tab in data entry to view a list of states. Click any state from the list or enter the two-letter state code in the selector field to access the **Data Entry Menu** for that state. It is not necessary to return to the **States** tab to enter a new state code.

Access city screens by entering a city code into the selector field. Another option is to open a state menu, and then click the **Cities** tab (if available). Cities are listed with their two-letter codes.

## Test Returns and Practice Returns

Test returns, practice returns, and EF test returns are available on the Drake Software Support site and on the program CD:

- *Practice returns* help new Drake Tax clients become more familiar with how data is entered in Drake Tax. Practice preparing returns by completing data entry based on the practice scenarios provided. Practice returns and directions for using them can be found at *Support.DrakeSoftware.com* > **Training Tools > Practice Returns > Returns**. Practice returns also can be viewed at *DrakeETC.com*, and are included on the installation CD.
- *Test returns* allow you to practice e-filing returns (including those with bank products) in Drake Tax. The returns will be either accepted or rejected. Correct the rejected returns and resend them to receive acknowledgments. The SSNs for the test returns run from 500-00-1001 through 500-00-1008. Directions for using EF test returns can be found at *Support.DrakeSoftware.com* > **Training Tools > Practice Returns > EF**.

To access the Drake Software Support website from the program, from the **Home** window toolbar, click **Support > Drake Software Support Website**.

For more information on how practice returns, webinars, tutorials, and tax courses can help your firm, see "Drake Software's e-Training Center (ETC)" on page 379 and "Drake's AFTR Course" on page 386.

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# 4    Preseason Preparation

*THIS CHAPTER PROVIDES INSTRUCTIONS FOR BRINGING FORWARD INFORMATION FROM LAST YEAR, PRINTING PROFORMAS OR ORGANIZERS FOR CLIENTS, MAILING PRESEASON MATERIALS, AND SETTING UP SCHEDULES.*

## Prior-Year Updates

If your firm used Drake Tax last year, you can save time by updating prior-year returns, settings, letters, and EIN data. Before updating, you should (1) back up your files, and (2) ensure that your program's 2019 data path points to your firm's 2018 data files.

By default, Drake Tax accesses the previous year's client files from the workstation's local drive. If your prior-year files are stored elsewhere, enter the location in the **Data Location** dialog box:

1. Log in to the program as a user with administrative rights.
2. From the **Home** window menu bar, select **Setup > Data Locations**.
3. Look at the **Location for 2018 client files** field (Figure 4-1).
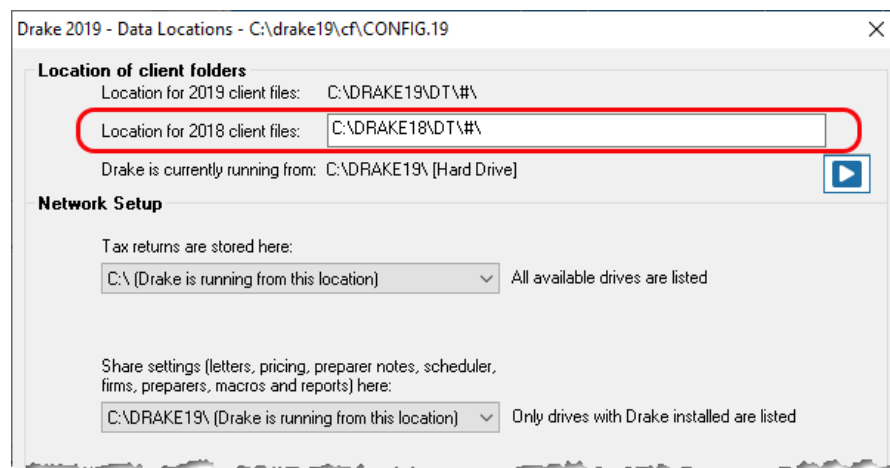


**Figure 4-1:** Ensure that the **Location for 2018 client files** is correct

4. If the correct path is not displayed, enter the correct path and click **OK.**

NOTES        For more on Drake19's Data Locations setup, see "Single Workstations and Network Options" on page 38.

## Updating Client Files

By default, the following client information is brought forward from the prior year:

- names and addresses
- filing statuses
- business names

- depreciation
- occupations
- installment sales

- ages
- dependent names
- ID numbers

You have the option of selecting other data to bring forward when you update client files, as explained in the following sections.

NOTE        To ensure that files are updated according to your clients' needs, update returns *individually* as you meet with your clients. Drake Tax does not recommend updating all returns in a package at once.

**Update Returns Individually**

To update an individual return (RECOMMENDED):

**1.** Open the return in Drake Tax 2019. An **Individual Update Options** dialog box lists all options for updating.

**2.** (*optional*) Select additional items to update. (Click **Select All** to choose all items.)

**3.** Click **Update 1040**.

Once updated, the return is opened to the **Data Entry Menu**.

**Update Returns Globally**

To update multiple returns in a package (NOT RECOMMENDED):

**1.** From the **Home** window, select **Last Year Data > Update Clients 2018 to 2019** to open the **Update Client Selection** dialog box.

**Figure 4-2: Update Client Selection** dialog box

All recently opened returns are listed in the **Client Name** pane in the lower left quadrant of the dialog box.

**2.** Choose an option for selecting returns to update:

- — Click a client from the **Client Name** list and click the **Select Client** button (or just double-click the client) to move that name to the **Selected Clients** list on the right.

- — Alternately, begin typing an ID number (SSN or EIN) in the **Client Selection** box. In the example in Figure 4-2, all clients with "400" as the first three digits of their ID numbers are displayed in the **Client Name** pane. Continue typing the complete ID number, and then press ENTER to add the return to the **Selected Clients** list.

- — To help narrow your search, click the **Recent Returns** drop list and choose a return type (1040, 1120, etc.).

**3.** Repeat the previous steps until all returns you wish to update are listed under **Selected Clients**. Click **Next** to open the **Update Options** window.

**4.** Select all options you wish updated from 2018 to 2019. (Click the **Select All** button to select all options listed, or **Unselect All** to clear all options.)

**5.** Click **Update 1040** (or whichever package you are updating). All returns are updated according to selections made in the **Update Options** window.

CAUTION      Updated returns *cannot be reversed!* To avoid oversights, you should update each return *individually*.

Once the program has updated the returns, it displays a report listing the updated returns. Click **Exit** to close the Report Viewer.

## Building the EIN/Name Index

Each time an employer is entered on a screen for a Form W-2, W-2G, 1099-R, 1099-G, 8283, or 2441, that employer's name, EIN (or SSN), address, and state ID number are automatically added to the EIN database.

To update the EIN/name database from 2018:

**1.** In the 2019 version of the program, select **Last Year Data > Build EIN/Name from 2018**. This opens the **Build EIN Database and Name Index** dialog box.

**2.** (*If necessary*) From the **Prior year Drake program location** drop list, select the drive where Drake Tax 2018 is located.

**3.** From the **EIN/Name Index Options** section, select the indexes to update and click **Continue**.

**4.** Change the location of the prior-year return, if necessary.

**5.** Wait for the program to finish scanning the files. (This update takes about one minute for every 2,000 client files.)

**6.** Click **Exit**.

## Updating Settings

You can apply your firm's 2018 settings to the 2019 program to save preseason preparation time. Once the settings are brought forward for the year, they can be individually adjusted.

CAUTION     Selecting an item that has already been updated can cause a loss of current-year data.

To update settings from 2018:

**1.** In the 2019 version of the program, go to **Last Year Data > Update Settings 2018 to 2019**. The **Update Settings** dialog box is displayed. (figure below).
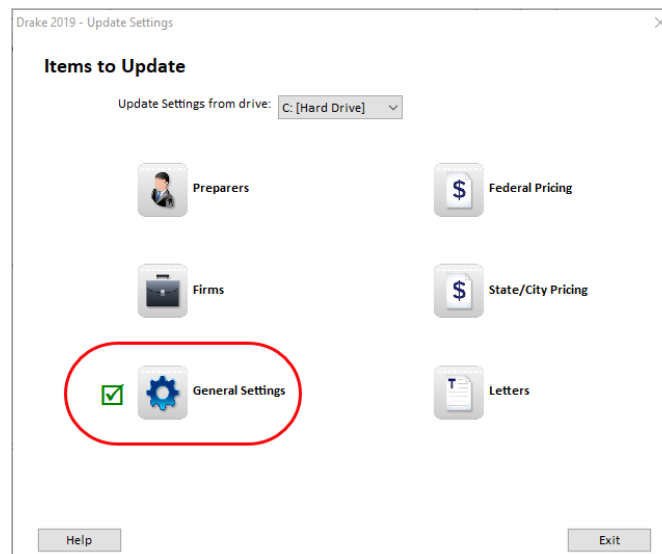


**2.** If necessary, select the drive where the 2018 data you want to bring forward is being stored.

**3.** Select the categories to bring forward from 2018 and update with 2019 settings.

**4.** When the **Update Settings Select...** window is opened, choose the items to be updated from the list. Click **Update**.

**5.** (*Optional*): If updating federal or state pricing files, include a pricing percentage increase if you wish to increase your pricing structure this season, make your changes by entering a percentage increase to apply per item, per form, or both, and the option to round to the nearest dollar; otherwise, simply click **Update Pricing**.)

When the update process is complete, a green check mark is displayed beside the items updated (see circle in figure above). Select another category to be updated, or click **Exit**.

NOTES

- Click the plus sign [+] in front of an item on the **Update Settings** window to expand it and view or select sub-items. If you select an item with sub-items, all sub-items are selected automatically.
- To update all your letters (client results letters, preseason letters, postseason letters, engagement letters, K-1 letters, letterheads and footers, referral coupons, bills, etc.), at once, from **Last Year Data > Update Settings 2018 to 2019**, select **Letters**. Click the PLUS SIGN [+] and clear the check mark from any item you *do not wish* updated. (All letters are selected by default.)
- To update letters one at a time, from the **Home** window menu bar of Drake Tax, go to **Setup > Communications Editor**, and from the toolbar click **Open** and select a letter, then click **Setup > Update Prior-Year Letter**.

## Organizers and Proformas

Available for the 1040 package, *organizers* help clients prepare for their tax appointments. Many organizer sheets feature two-column layouts, with one column containing automatically generated prior-year data, and the other intended to be completed by the taxpayer with current-year data (Figure 4-3).



**Figure 4-3:** Sample of "Wages and Salaries" page from an organizer

*Proformas*, on the other hand, are intended as internal office documents used by your staff during the interview process and to help facilitate data entry. Available for 1040 and business packages, proformas have numbered fields corresponding to the fields on Drake Tax data entry screens, allowing data entry operators to jump more quickly to the proper screens and fields for easier data entry.

See "Entering Information from Proformas" on page 126 for details.

## Organizer Options

You have three choices for organizers: Summary organizers, Comprehensive organizers, and New Client organizers.

The *Summary* organizers have fewer pages and less detail than the larger *Comprehensive* organizers. The Summary organizers might be a better fit for those clients with simple returns; Comprehensive organizers would, conversely, be a better fit for clients with complex returns.

As the name implies, the *New Client* organizers are for new clients or when you want to print a blank organizer. You have the option, however, of including a new or prospective client's ID number, name, and address in a blank organizer. (See "New Client Organizer" on page 125.) You have the option to send a new client a *personalized* organizer and choose which forms you want to include on the New Client organizer.

See "Printing Organizers and Proformas" on page 127 for details on generating and printing organizers and proformas.

See "Changing Form Order" on page 125 for instructions on changing the order of the forms that appear in organizers.

See "Customizable Organizers" on page 130 and "History" on page 132 for details on customizing organizers.

Blank organizers can also be printed from Blank Forms. (From the **Home** window menu bar, go to **Tools > Blank Forms**.)

"**Fillable**" **PDFs**    Drake Tax, when generating PDF copies of your organizers, gives you the option of generating "fillable" PDFs (circled in figure on next page).

With fillable PDFs, your clients can download their organizers, complete them on their computer, and send them back to you (via email or SecureFilePro) without the added steps of printing them out, completing them by hand, and either mailing them or scanning the completed forms back in to their computers before returning them via an email or SecureFilePro.

**New Client Organizer**

You have the option to send a new client a *personalized* organizer and choose which forms you want to include on the New Client organizer.

From the menu bar of the **Home** window of Drake Tax, go to **Last Year Data > Organizers** to open the **Organizer** window. Choose between a Summary and Comprehensive organizer and click **Next** to open the **Organizer Client Selection** search window. Double-click a client's name to move it to the **Selected Clients** column, or type a client's ID number (SSN, ITIN) or first or last name to begin a search.

Click **Organizer for new clients** to open the **New Client Information** dialog box. Proceed as you normally would to process an organizer. (To generate a blank organizer, enter a fictional ID number —such as "000000000"—in the **New Client Information** dialog box and proceed.)

## Organizer Checklist

A checklist is automatically printed with an organizer, offering your clients a way to quickly assure themselves they have gathered the information you need to file accurate and complete tax returns.

While the client's tax information is still imported from the previous year's return into the organizer, the checklist reminds the client of any new information (this year's W-2 form, Schedules 1099 and K-1, etc.) he or she still needs to gather for this year's return.

Edit the text or labels of the checklist with the Custom Editor function. See "Customizable Organizers" on page 130 for details.

**Changing Form Order**

Change the order of the forms as they appear in your organizers and proformas from the **Organizer Options** or **Proforma Options** dialog box.

Make a global change (to all organizers or all proformas) before generating the organizers or proformas, or make changes to individual proformas as you go.

See "Changing Form Order (Global)" on page 134 for more.

# Entering Information from Proformas

Available for individual and business packages, *proformas* have numbered fields corresponding to the fields on Drake Tax data entry screens (see red circles in Figure 4-4) in "head-down" data entry mode. (See "Heads-Down Data Entry," following.) Proformas are designed to be internal documents used during the interview process and to help data entry operators enter tax information from proformas following the interview.

Blank proformas can be viewed and printed from **Tools > Blank Forms**. See "Printing Organizers and Proformas" on page 127 for information on printing for selected clients.

Each sheet in a proforma has special codes printed on the left side of the page. For example, the blue square on the left side of Figure 4-4 shows that the proforma code for the **W2** screen is "2-6." As an alternative to using the screen code ("W2") to open the **W2** screen, the data entry operator or tax preparer can use the screen's proforma code, "2-6."



**Figure 4-4:** Sample of W-2 page from a proforma

To access a screen by entering its proforma code:

**1.** From the **Data Entry Menu**, press CTRL+I to change the selector field.

**2.** Enter the proforma code numbers, one in each text box. In the example (left), a "2" and a "6" would access the **W2** screen. (See the blue box in Figure 4-4.)

**3.** Press ENTER. The applicable screen is displayed for data entry.

**Heads-Down Data Entry**    Combine the proforma codes and heads-down mode to move efficiently to the proper areas of a screen for data entry.

To work in heads-down mode:

**1.** Open a screen in data entry.

**2.** Press CTRL+N. Numbers appear in black squares beside each field (as shown in figure at right).

**3.** In the **Heads Down Mode** box at the top of the screen (figure below), enter a field number in the first text box and press ENTER.
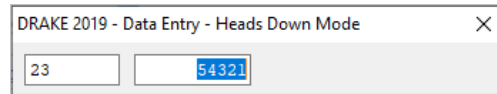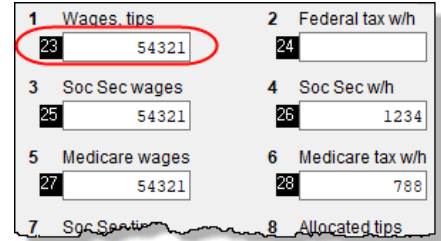
**4.** Enter data for the field in the second text box and press ENTER. The data is placed in the proper field (see circled field in figure above, right) and the system returns you to the first text box.

**5.** Repeat for all other fields, pressing ENTER after the data for each field is entered.

To return to the **Data Entry Menu**, press ESC.

TIP    Use CTRL+N to toggle between heads-down and data-entry modes.

## Printing Organizers and Proformas

To print organizers or proformas for selected clients:

**1.** From the **Home** window, select **Last Year Data > Organizers** or **Last Year Data > Proformas** to open the **Organizer Client Selection** search window (Figure 4-4 on page 126). (If creating **Organizers**, choose between **Summary** and **Comprehensive** and then click **Next**.) All recently opened returns are listed in the **Client Name** pane in the lower left quadrant of the window.
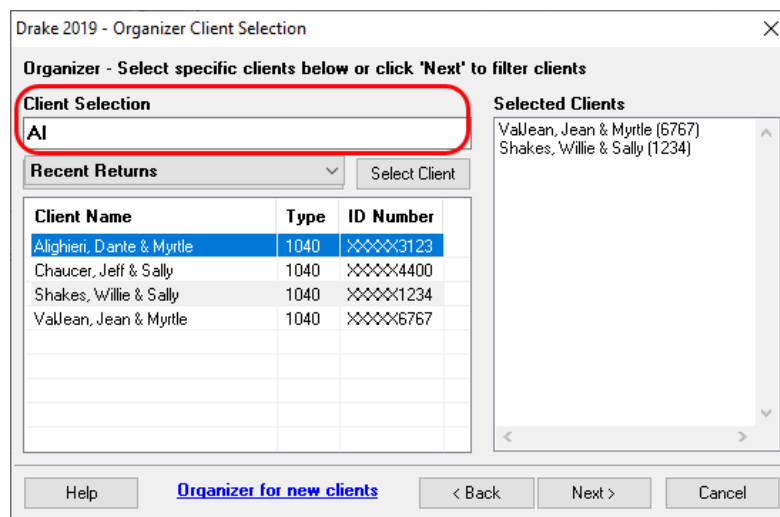
**Figure 4-5:** Client search window at **Last Year Data > Organizer**s

**2.** Choose an option for selecting returns to for organizers or proformas:

- Click a client from the **Client Name** list and click the **Select Client** but-ton (or just double-click the client) to move that name to the **Selected Clients** list on the right side.

- Alternately, begin typing an ID number (SSN or EIN) or name (first, last, or just consecutive letters) in the **Client Selection** box. In the example in Figure 4-5 on page 127, all clients with a name that contain "AL" are dis-played in the pane at the bottom under **Client Name**. Continue typing the complete name or number, and then press ENTER (or select it from the list of names and double-click) to add the return to the **Selected Clients** list on the right side of the **Organizer Client Selection or Proforma Client Selection** search window.

- To help narrow your search, click the **Recent Returns** drop list and choose a return type (Organizers are available only for 1040 returns).

**3.** Repeat the previous steps until all returns you wish to generate organizers or pro-formas for are listed under **Selected Clients**. Click **Next** to open the **Individual Summary Organizers** (or **Proform**a) **Options** window (Figure 4-6).



**Figure 4-6:** Select options for generating organizers or proformas from the **Options** window

NOTE

If you choose to produce organizers or proformas for *all* clients, when you click **Next** (Step 3) the program displays a **Filter Selection** window. When you click **Next** again, you will see a **Basic Search Conditions** window. Make any changes or selections, then click **Continue**. Pro-ceed to Step 4.

For details on using filters and search conditions, see "Filter Manager" on page 439 and "Search Conditions" on page 440.

**4.** From the **Proforma** or **Organizer Options** window, select any desired options (red box on left in Figure 4-6). For instance, Schedule A would normally be gen-erated with the organizer *only if* Schedule A had been included in the taxpayer's

2018 return. Mark the "Always include Schedule A" box to have Schedule A generated with the organizer regardless of whether or not Schedule A was included in the 2018 return. Select all options you wish included in the organizer or proforma. (Click the **Select All** button to select all options listed, or **Unselect All** to clear all options.)

**5.** To have a certain preparer's name appear in the organizer's letters (introductory letter, privacy policy, and engagement letter), select a name from the **Preparer Override** drop list of the **Individual Organizer Options** dialog box. All preparers entered at **Setup > Preparer(s)** are in the list. (This option is not available for proformas.)

**6.** Click **Process 1040** (bottom row of Figure 4-6 on page 128). (If printing proformas for multiple return types, additional **Process** buttons appear (1040, 1120, 1120S, 1065, etc. Click each **Process** button to proceed.) Clicking the **Process** buttons opens the **Print Organizers** (or **Print Proformas**) dialog box (Figure 4-7).



**Figure 4-7: Print Organizers** dialog box

**7.** Select options from the **Print Options** section (red square in Figure 4-7) to send the proformas or organizers to the printer, to Drake Documents, to the SecureFilePro portal, or generate fillable PDF documents. For information on how to use the Drake Documents and SecureFilePro, see Chapter 13, "Suite Products."

NOTE    When sending organizers from multiple taxpayers to Drake Documents or SecureFilePro portal, Drake19 automatically sends the organizers or proformas to the correct client file or SecureFilePro portal.

**8.** (Optional) You can change which forms are to be included in the organizer or proforma, and change the order in which they appear. See "Changing Form Order (Global)" and "Changing Form Order (Individual)" on page 134.

**9.** (Optional) To view one of the organizers or proformas in View/Print mode, highlight that organizer or proforma in the **Client List** of the **Print Organizer** (or **Print Proformas**) dialog box and click **View**. From View/Print mode, you can print, electronically sign, or email the individual organizer or proforma, change

the form order, change text colors, or send the organizer/proforma to Drake Documents. Click **Exit** to return to the **Print Organizers/Proformas** dialog box.

**10.** Click **Print**.

**11.** In the **Print Document** dialog box, choose a printer and any other options desired.

**12.** Click **Print**, and then click **Print** again. (If printing a PDF document, click **Save**.)

NOTE    Preseason letters can also be printed in batches, apart from proformas and organizers. See "Letters" on page 422.

## Customizable Organizers

Customize the organizer *Checklist* or create a custom *Questionnaire* using the Custom Editor. Add, delete, or rearrange the order in which the items appear in your organizers and proformas with the **Form Options** command.

The Checklist is built around preset "Standard" items (Text, Group, and Checkbox). You can edit any of those items, add more items, and delete any you don't need.

To open the Custom Editor:

**1.**  Follow the steps 1-3 on page 127. Click **Next**.

*See "Filter Manager" on page 439 for more on using filters.*

**2.**  From the toolbar at the bottom of the **Organizer Options** dialog box, click **Custom Editor** to open the **Custom Editor** dialog box (Figure 4-8). The Custom Editor is opened with the Checklist (item #1) selected for editing. Click the arrow beside the **Open** icon (item #2) to choose to create your own Questionnaire.
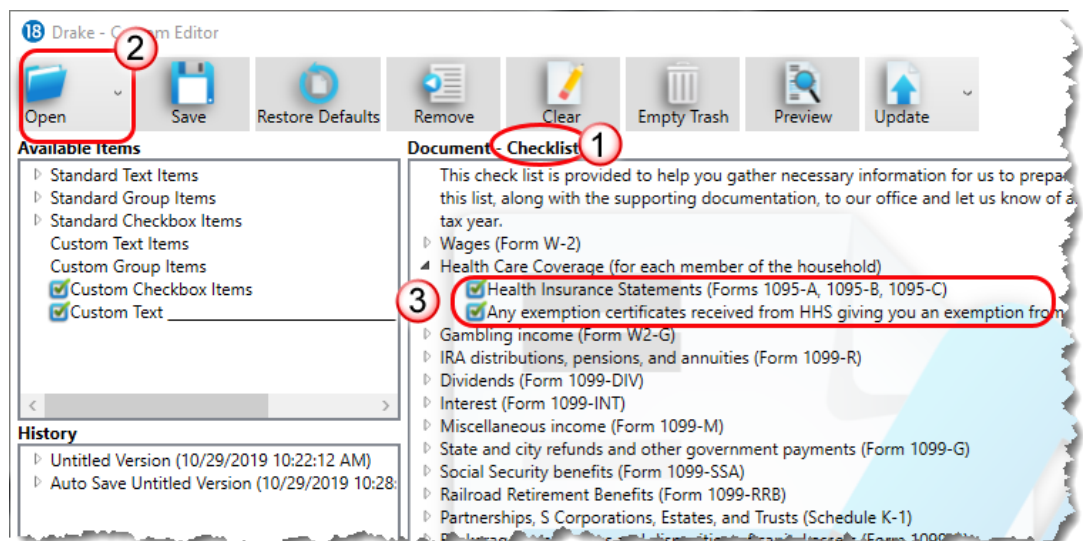


**Figure 4-8: Custom Editor** dialog box

**Parts of the Editor**

The Custom Editor consists of a toolbar at the top and boxes or "panes" beneath. In the large middle **Document** pane is a list of the items that appear in the selected document—the document in Figure 4-8 is the organizer Checklist. The items are displayed

in a forms "tree"; click an arrow to the left of the item to display a list of forms and other items nested underneath (item #3 in Figure 4-8 on page 130).

On the right side of the **Custom Editor** window are two smaller panes: a **How to Use** pane and a **Selected Item Detail** pane; on the left is an **Available Items** pane, a **History** pane, and a **Deleted Items** pane.

When you make a selection from the **Available Items** pane, a brief description is displayed in the **How to Use** pane. When you highlight an item in the **Document** pane, that same item is highlighted in the **Selected Item Details** pane, where you can edit the wording. (The text of **Checkbox Items** cannot be edited.)

**Editing Items**   From the two check boxes in the **Selected Item Details** pane (item #3 in Figure 4-8 on page 130), you can select to display the chosen item in bold text and to add a blank line just above the item in the checklist (visible when the checklist is viewed or printed). To edit or add text to the selected item, click anywhere within the item in the **Selected Item Details** pane and begin typing. Press **Delete** or **Backspace** to remove text. Press TAB to complete the changes to the item in the Checklist pane.

**Adding Items**   To add an item (Text, Group, or Checkbox) to the checklist, click and drag it from the **Available Items** pane to the desired location in the **Checklist** pane (or **Questionnaire** pane, if customizing Questionnaire). As you drag the new item through the checklist items, a blue positioning arrow (figure below) tells you if you are placing the dragged item above or below another item.
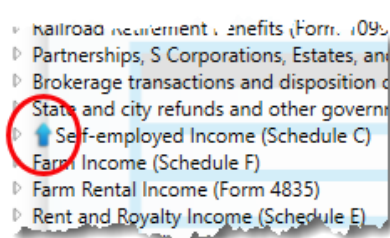


An arrow pointing to the right indicates the dragged item will become a **Checkbox** item under a **Group** heading.

Once the item is positioned, click and then edit it (optional) in the **Selected Item Detail** pane. Press TAB. To remove an item from the **Checklist** pane, drag it to the **Deleted Items** pane.

Click **Preview** from the toolbar to see how your changes look on the checklist.

NOTE   If you drag a new **Standard Group Item** into the **Checklist** pane, you are also adding all the standard items nested beneath the Standard Group Item. You can delete the check box items as needed after they are added to the checklist by clicking and dragging them to the **Deleted Items** pane.

**Available Items**   The following items are available for inclusion in your organizer checklist:

- **Text Items**: The only default **Standard Text Item** is the introductory paragraph at the top of the Checklist. This paragraph is roman text only (not **bold**), does not include a check box, and is not preceded by a blank line.

- **Group Items**: By default, a **Standard Group Item** is bold with a blank line above the text. Nested beneath the Group heading are all the Checkbox Items listed as part of that group. (For instance, **Health Care Coverage** has two nested items: "Health Insurance Statements" and "Any exemption certificates.") Neither the Group heading nor any of the Checkbox items beneath the heading are gener-

ated with the Checklist if the taxpayer's prior-year return did not include any of the checkbox items.

• **Checkbox Items**: Checkbox items are displayed when printed in roman text. The text of **Standard Checkbox Items** cannot be edited. (Note that the option to **Add Preceding Blank Line** is also not available for Standard Checkbox Items). The text of **Custom Checkbox Items**, however, can be edited, printed in boldface type, and preceded by a blank line. (See "Custom Items" on page 133.) Click and drag a new **Custom Checkbox Item** to beneath the proper **Group** heading. You will know the new check box item is "nested" beneath the heading when the blue positioning arrow points to the right as you drag it.

**History**       Any time you update your document's prior-year settings, empty the trash, or restore your default settings (see "Toolbar," below, for more on these functions), the version of the document in the **Document** pane is saved in the **History** pane. You can drag one of the versions of the documents from the **History** pane back into the **Document** pane, or, if you do not need any of the saved versions, you can drag them into the **Deleted Items** pane and click **Empty Trash** to delete them.

**Toolbar**       Icons on the toolbar include **Open**, **Save**, **Restore Defaults**, **Remove**, **Clear**, **Empty Trash**, **Preview**, **Update**, **Program Help**, and **Exit**.

Although the program automatically saves your work upon exiting, you can safeguard against sudden crashes by saving your work periodically. Click **Save**.

Restore the checklist to its original state (as shipped) by clicking the **Restore Defaults** icon.

Remove a Group heading while leaving any check boxes nested underneath with the **Remove** function. Highlight a Group item and click **Remove**. (The nested check boxes can also be removed individually by highlighting one and clicking **Remove**.)

Items in the **Deleted Items** pane can be dragged back into the checklist, or they can be deleted by clicking **Empty Trash**. These items cannot be recovered.

When you click **Exit**, all the changes you made are saved automatically. To exit without saving your work, click the arrow beside the **Exit** button and select **Exit without save**.

## Adding a Questionnaire

Make your own custom questionnaire to send to your clients with a list of items you want them to produce or specific questions you want answered.

Click the arrow beside the **Open** button and select **Questionnaire**.

From the **Available Items** pane on the right side, drag items into the large pane on the left. The choices include "**Yes No**" check boxes, **Custom Text Items**, **Custom Group Items**, **Custom Checkbox Items** (a single check box followed by text), **Custom Double Checkbox Items**, and **Custom Text**. (See "Custom Items" on page 133 for details on adding custom items.)

## Editable Miscellaneous Pages on Organizers

Client organizers are interview sheets that help clients prepare for their appointments with their return preparer. When generating organizers, you choose from a list of pre-defined and customized pages to include. The custom pages are the "Checklist" and "Questionnaire."

In previous years, generated with the organizer were "Miscellaneous Info" pages that included predefined and customizable questions (added through the Custom Editor).

This year, those miscellaneous questions are part of the Questionnaire, allowing you to further customize the organizer to include the questions that are most pertinent to you and your clients.

To edit the Questionnaire, follow the steps to produce organizers. From the **Organizer Options** dialog box, choose **Custom Editor**. From the **Open** drop list, choose the **Questionnaire**. Follow the direction under the **How to Use** pane to add or edit questions. Click **Save** and then **Exit**.

**Custom Items**

In the **Available Items** pane is a list of items available for inclusion in the questionnaire, including **Custom Text Items**, **Custom Group Items**, and **Custom Checkbox Items**. Click and drag any of these items into the **Questionnaire** pane, place them anywhere you wish, and edit the titles and text as needed. For instance, use **Custom Text** and **Custom Group** items to build a specialized list of questions you want your customers to answer.

Place **Custom Checkbox Items** (nested) beneath a **Custom Text** and **Custom Group** item. You will know the new check box item is "nested" beneath the heading when the blue positioning arrow points to the right as you drag it.

To add a line of custom text to the checklist, drag **Custom Text** _____ from the **Available Items** list to the pane on the left. Then, from the **Selected Item Details** pane, edit the "Custom Text" label as needed, then leave the line for the customer to write on (as in figure above).
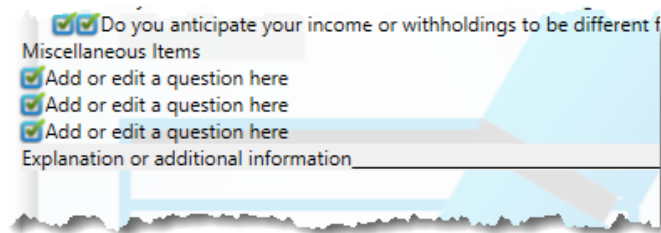


**Figure 4-9:** Add and edit questions and text lines for your questionnaire

Click **Preview** to see how the new text and blank line will appear in the Checklist.

Any items in the checklist you wish to delete, click and drag them to the **Deleted Items** pane on the lower right.

You can rearrange the items in the checklist by clicking and dragging.

# Changing Form Order (Global)

You can make a global change to the form order in all of your organizers or proformas from the **Organizer Options** or **Proforma Options** dialog box. You also choose any forms you wish *not* to be generated in your organizers or proformas).

To reorganize or delete forms:

**1.** Follow the first two steps for "Printing Organizers and Proformas" on page 127.

**2.** From the **Organizer Options** or **Proforma Options** dialog box toolbar (see Figure 4-5 on page 127), click **Form Options** to open the **Form Properties Editor**.

**3.** From the **Organizer/Proforma** drop list in the upper left corner of the **Form Properties Editor**, select a type of organizer or proforma:

  – For organizers, select a type – **Comprehensive, New**, or **Summary**, (available only from the 1040 package)

  – For proformas, select a **Return Type**.

**4.** Move a form to a new place in the list by clicking the line and then holding and dragging. Release the form in the new position on the list.

**5.** (Optional) To have any form omitted from organizers or proformas, clear the check box in the **Include in View/Print** column of the **Forms Properties Editor**. Select **Unselect All** to remove all items from the organizer or proforma. Choose **Select All** to add all items back to the organizer or proforma.

**6.** When finished, click **Exit**.

The toolbar of the **Forms Properties Editor** includes a **Search** button for finding a form within the list, a **Restore** button for resetting the organizer or proforma to its original state (when shipped).

**Changing Form Order (Individual)**

To change the form order or a *single* organizer or proforma:

**1.** From the menu bar of the **Home** window, click **Last Year Data** and select either **Organizers** or **Proformas**. (If selecting **Organizers**, choose between **Summary** and **Comprehensive** and then click **Next**.)

**2.** Enter the client's SSN or EIN and click **Add Client**. Click **Next**.

**3.** When the **Proforma** or **Organizer Options** dialog box is opened, select the desired forms to include from the check boxes on the left side of the dialog box (or click **Select All**).

**4.** Click **Process 1040** (or the **Process** button for the applicable package for proformas).

**5.** From the toolbar of the **Print Organizer/Proforma** dialog box, click **View**.

**6.** From the **View/Print** window, select **Setup > Allow Drag/Drop Form Ordering**.

**7.** Click any item and drag to another location in the list.

T IP
You can also change the form order globally from View/Print mode. Click **Setup > Form Order** to open the **Sort Form Order** dialog box. Select a type of organizer (**Summary**, **Comprehensive**, **New**) from the drop list at the top, drag-and-drop a new form order, and click **Save**. This new order will appear in all organizers of the type selected.

## Print Options for Organizers

As noted earlier, you can send organizers to a printer, to Drake Documents, or to the SecureFilePro portal. By sending them directly to your SecureFilePro portal, you save several steps in getting organizers into the hands of your clients. SecureFilePro alerts your client via email that the organizer is ready for download, and then sends you an email when your client accesses your SecureFilePro portal. Your client can either mail the organizer back, hand-deliver it, scan it and upload it to the portal, or, if you are sending fillable PDFs, complete the organizers on a computer, and upload them back to the portal. SecureFilePro will alert you by email when an uploaded organizer is ready for you to download.

For more on SecureFilePro, see "SecureFilePro" on page 476.

N OTE
You can also print organizers and proformas from the Scheduler. Open a new appointment in the Scheduler, and from the **Appointment Detail** toolbar, click the **Proforma** or **Organizer** icon (or press CTRL+O or CTRL+P). Log in again (depending on your setup), and then follow the procedure listed under "Printing Organizers and Proformas" on page 127. See "Scheduler," following.

## Scheduler

Use the Drake Scheduler to set up appointments for one preparer or a group of preparers, set daily schedules for an entire office, generate batch appointments, organizers, and proformas, and send email reminders to clients. There are tools for customizing, printing, and exporting schedules.

You can also import your Scheduler appointments from Windows Outlook, Outlook.com, or Google Calendars into your Drake Scheduler, or export your Drake schedule to an Outlook calendar, to an Outlook.com calendar, or to a Google calendar.

N EW FOR
2019
The Scheduler calendar is now synchronized to your outside calendar (Google or Outlook) so that a change on one will change the other. See "Synchronized Schedules" on page 143.

N OTE
A separate **Scheduler** icon is added to your desktop when Drake Tax is installed, giving you access to the Scheduler from outside of the tax program.

Following are directions for setting up, accessing, and using the Scheduler.

## Scheduler Modes

The Scheduler offers two levels of access: *Preparer mode* and *Front Office mode*.

**Preparer Mode**     When using Preparer mode, a preparer has full access to his or her calendars. Preparers can make appointments, manage schedules, and share calendars with other preparers. Preparer mode is the default setting for Scheduler users.

**Front Office Mode**     Designed for the receptionist and others who manage appointments but do not prepare tax returns, Front Office mode allows the user to set up viewing options and manage appointments.

To assign Front Office mode to an employee:

**1.** Log in to Drake Tax as an administrative user and, from the **Home** window, go to **Setup > Preparer(s)**.

**2.** Select a preparer and click **Edit Preparer**.

**3.** Click **Security > Front Office (Scheduling Only)**.

**4.** Click **Save**.

IMPORTANT     Preparer logins and Front Office mode assignments must be established in Drake Tax before the Scheduler can be used effectively.

## Accessing the Scheduler

There are several ways to access Scheduler, including through a desktop icon, from the **Home** window toolbar, or from the **Home** window menu bar (**Tools > Scheduler**).
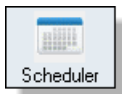
You can also add new appointments from the **Data Entry Menu** by right-clicking anywhere on the screen (away from the screen codes and links) and selecting **Add Appointment** from the right-click menu. (See "Synchronized Schedules" on page 143 for details on adding appointments.)

The **Scheduler** window has five main sections:

- A toolbar across the top
- A calendar overview in the left column
- A selection of **View Options** (daily, weekly, monthly, and by logged-in preparer)
- A list of preparer's calendars available for viewing
- A schedule grid, which shows scheduled appointments (depending on view options selected)

Figure 4-10 on page 137 shows the **Appointment Scheduler** window in Preparer mode for the preparer, Dante:
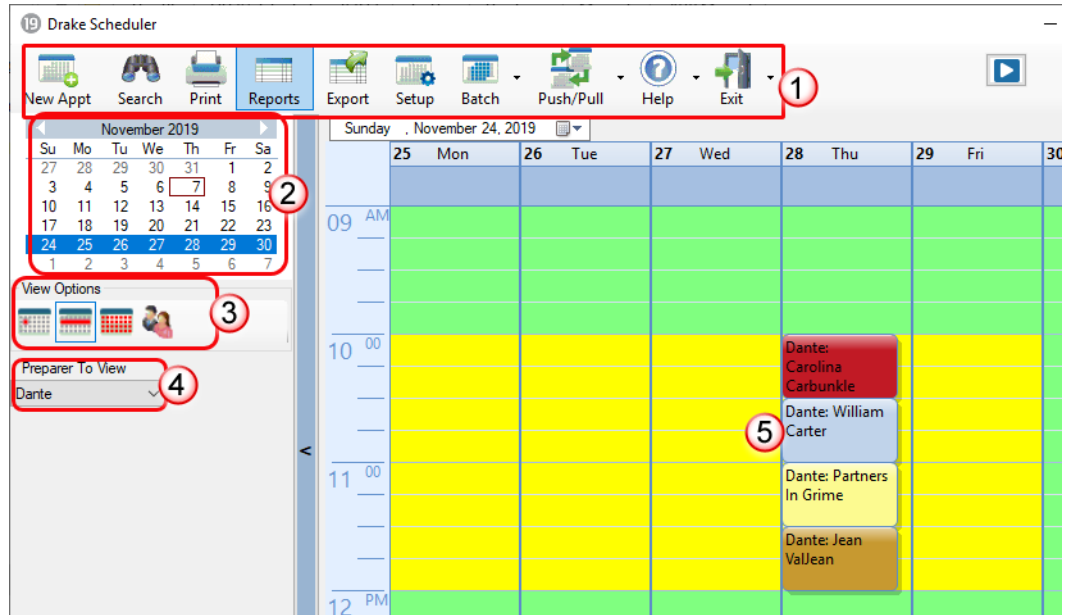
**Figure 4-10:** Drake Scheduler features a toolbar (#1); a calendar overview (#2); View Options (#3); selection of preparers (#4); and scheduled appointment list (#5)

> TIP
> - Make your appointments a different color so they stand out better against the Scheduler grid. Item #5 in Figure 4-10 shows different colors for different types of appointments: new client, returning clients, corporation clients, planning meetings, audits, etc. See "Selecting Colors for Types of Appointments" on page 142 for details.
> - Click the blue arrow in the upper right corner of the **Drake Scheduler** window to view a video tutorial on using your Scheduler.

Use the Scheduler Setup feature to establish the logged-in preparer's default settings for appointment durations, automatically filled data, and calendar views. Only the logged-in preparer's calendar and view are affected by any changes.

Click the **Setup** icon (figure at left) from the **Scheduler** toolbar (or press CTRL+T) to open the **Drake Scheduler - Setup** dialog box. The settings, divided into three tabs, allow you to choose how you view your Scheduler calendar, establish some parameters for your appointment settings, work with existing calendars (Outlook, Outlook.com, or Google) to share your scheduled appointments, and set up your email account (if necessary) so you (or the front-office worker) can send out appointment reminders automatically.

> NOTE
> If you already have an email program set up on your computer, it is not necessary to enter any email settings in the Scheduler.

Make your selections in Setup and click **OK**. Options are described in Table 4-1:

**Table 4-1:** Scheduler Setup Options

| Tab | Setup Option | Description |
|---|---|---|
| Calendar | Calendar viewing start time | Select the starting time to be displayed when the calendar is opened. |
| | Default calendar view | Choose in which mode your calendar will open: daily, weekly, or monthly or by the selected preparer. |
| | Default time increments | Set the default time increments that appear on the scheduler pane: 15-, 30-, or 60-minute increments. |
| | Colors | Select any color changes you wish to make to the default settings for the calendar's background color, the preparer's work hours, the color of the individual appointments, and the color of group appointments. Click **Reset** to revert to default color scheme. |
| | Calendar Maintenance | To avoid importing old meetings into your new calender, delete all old appointments prior to a selected date. |
| Appointment | Default appointment duration | Set the default duration of meetings with customers. (You can also change the duration on the fly when setting up an appointment or drag the top and bottom of an appointment on the calendar grid to change the duration time.) |
| | Use ZIP autofill for City & State | Activate the ZIP code autofill feature, which automatically displays a client's city and state information once the ZIP code has been entered. |
| | Mark all appointments Private | All appointments added to the Scheduler will be marked as "Private," meaning they will not be visible to other preparers. (Appointments can be marked "private" on the fly when setting up an appointment.) |
| | Use Reminders | Opt to send the preparer reminders of upcoming meetings, and select how long in advance the preparer will receive the reminders. (You can also select this option on the fly when setting up an appointment.) **NOTE**: When automatic reminders are on, you will have to temporarily turn them off from your computer's system tray before downloading updates. |
| | Print/Export - Block-out meeting | When you click **Print** or **Export** from the Scheduler toolbar, this option "blocks out" the entire appointment time on the printed output or the Excel spreadsheet rather than just showing one line with the starting time and ending time of the appointment. |
| | Display name as | Display the client's name by first name or last name. |
| | Working with External Calendars | Choose to share your Drake schedule with your Outlook, Outlook.com, or Google calendar. See "Importing and Exporting Calendars" on page 143. |
| | Edit preparer's schedule | Click **Edit** to establish a daily schedule for the logged-in preparer. Change the "in" and "out" times (lunch, vacations, holidays, etc.) for the staff. (Overrides settings from **Setup > Preparer(s) > Schedule**. See "Establishing Daily Schedules" on page 139 for details. |
| | Drag/Drop | Click the check box to turn on the drag-and-drop feature, allowing you to move appointments within the calendar grid. |

**Table 4-1:** Scheduler Setup Options

| Tab | Setup Option | Description |
|-----|-------------|-------------|
| Email | Default Subject line | Enter a message that will appear on the "Subject" line of all emailed appointment reminders sent to clients. |
| | I use an email program | Make this selection if you have an email program installed on your computer or network. |
| | Use my Drake Tax email account | If you have an email account set up in Drake's tax program and wish to use that program to send your scheduled appointment reminders, mark this option. |
| | Send Drake email immediately | Sends email through Drake Software with no intervening messages appearing on your screen. |

# Setting Up Email

Setting up the Scheduler to send appointment reminders via email is easy. You have the choice of using an email program installed on your computer or one you set up in Drake Tax.

To select an email program:

**1.** From the **Scheduler** toolbar, click **Setup**.

**2.** From the **Scheduler - Setup** dialog box, click the **Email** tab.

   – Select **I use an email program on my computer** if you wish to use an email program already installed on your computer.

   – Select **Use my Drake email account** if you wish to use an email program you selected for Drake Tax. (For details on setting up an email program in Drake Tax, see "Email Through Drake Tax" on page 396.)

**3.** Click **OK**.

**Establishing Daily Schedules**

The Scheduler allows you to view, at a glance, the planned daily schedules of selected preparers, including the times they are scheduled to be in and out of the office.

To establish a daily schedule for a preparer:

**1.** From the **Scheduler** toolbar, click **Setup**.

**2.** From the **Drake Scheduler - Setup** dialog box, select the **Appointment** tab and then click **Edit** to open the **Setup Preparer Schedule** dialog box (Figure 4-11 on page 140).

**Figure 4-11: Setup Preparer Scheduler** dialog box for a preparer

**3.** From the **Select Preparer** drop list, choose a preparer.

**4.** In the **Set up Times** section, mark the check boxes for the days of the week this schedule will cover (the days the preparer will regularly be in the office) or click **Check All Days**.

**5.** Select the **In** and **Out** times. For instance, the time the preparer arrives in the morning (**In (1)**), goes to lunch (**Out (1)**), returns to the office (**In (2)**), and leaves for the day (**Out (2)**) for each day selected with the check boxes.

**6.** When you're satisfied with the weekly scheduler, click **Apply** to apply these selections to the preparer's calendar.

You can enter or adjust these times on a daily basis in the **Standard Schedule** grid. Click **Save** when finished.

To set up schedules for others preparers based on one you just completed or edited, from the **Save Options** at the bottom of the **Setup Preparer Schedule** dialog box, select:

- **Save for All Preparers without schedules** – All preparers without a previous schedule will have the same schedule as the one just completed or edited.

- **Save for All Preparers** – All preparers will have the same schedule as the one just completed or edited.

To clear the setup, click **Clear Schedules**.

For planned changes or deviations from the regular schedule—such as days off, holidays, set times working in the field—click the **Detail Schedule** tab:

1. In the **Set up Times** section, select a starting date and ending date for these deviations: for instance, if the office is closed during June or if the preparer is on vacation from July 1-14, or if the preparer is out of the office visiting clients every Wednesday afternoon from September 1 through January 30.

2. Select the days of the week this schedule will cover (or select **Check All Days**).

3. Set the preparer's arrival time the morning (**In (1)**) and departure time (**Out (1)**). If the preparer will not come in at all, leave the **In** and **Out** times blank.

4. When you've finished, click **Apply** and then **Yes**.

5. To set up changes to individual days—for instance, holidays, personal time, etc.— below the **Detail Schedule** grid, click **Add** to start a new row.

6. Click in the **Date** column of the new row to access a calendar. Click the down arrow to see calendar grid, and click the left and right arrows in the upper corners of the opened calendar to change months. Click a day to select it.

7. Set the **In Time** and **Out Time** select "None" for days the preparer will be out of the office.

8. Add as many dates as needed. If necessary, select a line and click **Delete**.

9. When you're satisfied with the deviations to the preparer's regular calendar, click **Save**.

**Calendar Colors**
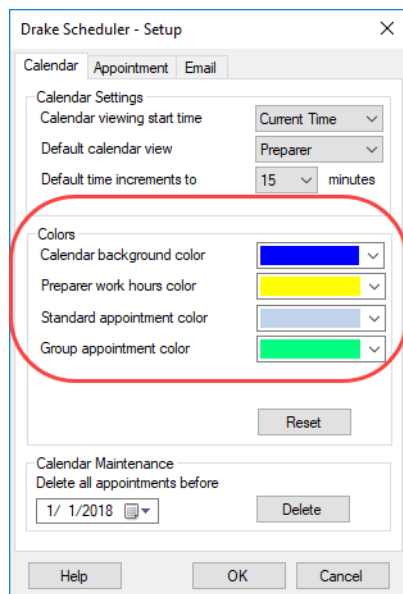


Use the **Colors** drop lists on the **Calendar** tab of the **Setup** dialog box (figure at left) to change the color of the background, the preparer's work hours, and the appointment times to more easily read the calendar.

To change the default colors displayed in the Scheduler calendar:

1. From the **Appointment Scheduler** toolbar, click **Setup** (or press CTRL+T) to open the **Setup** dialog box.

2. Select one of the **Colors** drop lists (figure at left) to open a **Color** options box. You can select a new background color, a new color to highlight the logged-in preparer's work hours, a new color for a standard appointment, or a new color for group appointments.

3. If desired, make a custom color and save it by clicking **Add to Custom Colors**.

4. Click **OK**.

5. (*Optional*) Click **Reset** to revert to the default color schedule.

## Selecting Colors for Types of Appointments

*New for 2018*: You can select different colors for different types of scheduled appointments—for instance, red for new individual clients, blue for *returning* individual clients, green for new *corporation* clients, orange for *returning* corporation clients, etc.—to help you more easily recognize appointments you're looking for on the calendar.

To add colors to your scheduled appointments:

1. Open the Scheduler (click the **Scheduler** icon on the **Home** window toolbar).
2. Click **New appt** to open the **Appointment Detail** window.
3. Set up your appointment in the usual way, but before you save the appointment.
   a. Select a color from the new **Color** drop list.
   b. Choose types from both the **Type** and **Client type** drop list.
   c. Click edit and give the color a name (for instance, "Returning 1040")
4. Click **Save**.
5. Save the appointment.

The appointment is saved to your Scheduler calendar in the selected color. You can choose a different color for every type in the **Type** list and in the **Client** type list.

## Printing and Exporting Preparer Schedules

Drake Tax allows you to print or export (to an Excel file) preparer schedules for a specified time range for a specific date or week. Schedules are printed or exported for all preparers.

NOTE    To print or export a schedule for a specified preparer, see "Creating Appointment Reports" on page 149.

**Printing**    The **Print** feature sends the appointments for the selected date, week, or month for any preparer selected from the **Preparer to View** list to the printer of your choice. From **View Options** (figure at right), select **Daily View**, **Weekly View**, or **Monthly View**. (Hover your mouse pointer over an icon to see a tooltip describing its function; circled in figure at right.) From the **Scheduler** toolbar, click **Print**. In the **Specify Desired Time Range** window, select a **Starting Time** and **Ending Time** and click **OK**. Results are displayed based on the view (daily, weekly, or monthly) selected.
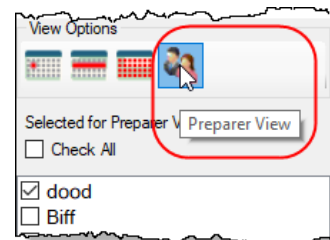
**Exporting**    The **Export** feature of the Scheduler sends the data for the selected view (daily, weekly, or monthly) to an Excel spreadsheet.

**Reporting**    The **Report** feature of the Scheduler allows you to build reports based on appointment data. For more details, see "Creating Appointment Reports" on page 149.

## Importing and Exporting Calendars

Drake Tax can export appointments in Scheduler to your Outlook, Outlook.com, or Google calendar, or pull appointments made in those calendars into your Scheduler calendar.

To import and export calendar appointments, you must first set up your Scheduler.

**1.** From the **Scheduler** toolbar, click **Setup** (or press CTRL+T).
**2.** From the **Appointment** tab of the **Schedule - Setup** dialog box (figure below) make a selection (Google, Outlook, or Outlook.com) from the **Select external calendar** drop list.



**3.** Click **OK**.

To export your Drake Tax calendar or import your Outlook or Google calendar, take the following steps:

**1.** From the **Scheduler** toolbar, click **Push/Pull**.
**2.** Select to "Pull future appointments from..." or "Send future appointments to..."

— If you select to pull appointments from your Outlook, Outlook.com, or Google calendar, when the **Pull Appointments** dialog box is opened, select those appointments you wish to bring into your Scheduler calendar and click **Import**.

— If you choose to send your Scheduler appointments to your Outlook calendar, all appointments are exported when you made that selection.

NOTES

- You can delete all previously imported appointments by selecting **Remove everyone's imported appointments** from the **Push/Pull** drop list.
- The **Push/Pull** feature in the Scheduler works only with Windows versions of Outlook 2007 and later.
- The Google **Sign out** button is used when moving appointments between Drake's Scheduler and several Google Calendars. You will be required to sign out of one account and sign in with a new Google account before you can use the Push/Pull feature with another preparer.

## Synchronized Schedules

The Scheduler calendar is now synchronized to your outside calendar (Google or Outlook only) so that a change on one will change the other. For instance, if your client

reschedules a meeting, make the change in your Scheduler calendar and your Google or Outlook calendar—whichever you set up in Scheduler—is changed automatically. If you're out of the office and can get to your Google or Outlook calendar, make the change there and your Drake Scheduler will be changed for you.

## Scheduling Appointments

Appointments can be scheduled for an individual preparer or a group of preparers.

To schedule an appointment:

**1.** From the **Scheduler** toolbar, click **New Appt,** press CTRL+N, or double-click an appointment time in the schedule grid. The **Appointment Detail** dialog box is displayed (figure below). (If you accessed the dialog box by double-clicking a time in the schedule grid, it is opened to that date and time.)



NOTE      Preparer schedules and appointments are carried forward each year. Go to **Last Year Data > Update Settings 2018 to 2019** and select **All Appointments and Preparer Settings**.

**2.** Select or change the appointment **Date**, **Start Time**, and **End Time** as needed.

**3.** Enter the client's SSN or EIN in the **ID** field. If a client record already exists in Drake Tax, you will be asked if you wish to autofill the rest of the information. If not, complete the applicable client-information fields manually: **Type** (individual, partnership, corporation, etc.,) **Client type** (returning, new) description (**Desc** field), name, address, phone, and email fields. (If you replace data in an autofilled field in the Scheduler, this information is not overwritten in the client record in Drake Tax.) You can also use the **Find** feature to access data for a client. For more on this feature, see "Finding a Client Record" on page 148.

**4.** (optional) Click **Send** to send an appointment reminder to the client via the email address entered.

**5.** (optional) Override selections made in **Setup** by selecting (or clearing) the **Add reminder** or **Private appointment** boxes.

- If **Add reminder** is marked, the preparer will receive automatic alerts regarding the appointment when logged in.

- If an appointment is marked **Private appointment**, the assigned preparer will be the only one allowed access to that appointment data.

- If an appointment should be a regularly schedule meeting, click **Recurrence**, and provide information about the frequency (**Daily**, **Weekly**, or **Monthly**), the day of the week, and the end date of the recurring appointment. Click **OK**.

**6.** (optional) Select **Send to external calendar on save** to send this appointment to the preparer's Google, Outlook, or Outlook.com external calendar automatically when the appointment is saved.

**7.** Assign the appointment to a preparer by selecting a name under **Preparers**. (More than one preparer can be selected.) To clear a selection, click the name a second time.

**8.** Click **Save**. The appointment will now be displayed on the schedule grid.

NOTES

- An appointment within a preparer's calendar can be changed by dragging and dropping it to another section of the calendar grid, and the duration can be changing by dragging the bottom of the appointment up or down. (Select the **Drag/Drop** check box from **Setup > Appointment** tab to turn on the drag-and-drop feature.)

- Appointments cannot be dragged from one preparer's schedule to another's.

- Recurring appointments must be changed on the **Appointment Detail** dialog box.

- To access the **Appointment Detail** dialog box from the **Data Entry Menu** within a return, right-click anywhere on the menu screen and select **Add Appointment** from the right-click menu. The **Appointment Detail** dialog box is opened to the time displayed on your computer's internal clock. Change the appointment time as necessary. Click **Save** to save the appointment information.

**Batch Appntmt. Generator**  The batch appointment generator reviews client and recurring appointments from the previous tax year and creates new appointments in the current year's Scheduler. You can set workday and holiday information that will roll forward (or backward) to an available appointment date.

NOTE  This feature is available only to users with administrative rights. Appointments marked "private" are excluded from the batch process.

To set up appointments using the batch appointment generator:
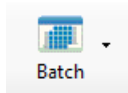
**Batch**

1. From the **Scheduler** toolbar, click the **Batch** icon and select **Generate Batch Appointments** (or press CTRL+X). The **Batch Appointment Generator** dialog box is displayed.

2. If necessary, select a location from the **Use last year's appointments found on drive** drop list.

3. Enter (or select from the calendars) a **Begin Date** and an **End Date**.

4. In the **Days Available for Appointments** section, select the days that should be available for appointments for this year.

5. Under **Dates Not Available for Appointments**, click **Add** to add any holidays or other days on which appointments should not be scheduled. (See Figure 4-12.)



**Figure 4-12:** Example of dates entered that are not available for appointments

NOTES

Double-click an item in the **Date** column to open a calendar.
To delete a date, click to the left of a date to highlight the line and then click **Delete**.

6. Select your preference for **Appointment Date Criteria**. Your preference applies when a rolled-forward appointment falls on a weekend or holiday. You can also select to keep the day of the week (for example, if a client wants a Monday appointment each year) or the date (for example, if a client wants to meet on the first day of a month).

7. Click **OK** to begin the batch appointment process.

The program creates appointments as defined by your specifications and preferences. Next, it displays the "Scheduler - Batch Created Appointments" report, which displays the following information:

• Summary of appointments that could not be generated (explanations provided)
• Number of appointments that had conflicts
• Number of new appointments generated successfully

In addition, the report shows (1) which appointments had conflicts, along with the new times scheduled; and (2) the new times scheduled for all other appointments.

NOTE    To undo batch-generated appointments, from the **Appointment Scheduler** toolbar, click **Batch**, select **Undo Batch-generated Appointments**, and click **Yes**. The batch-generated appointments will be removed from the current year's schedule.

**Find Next Available Appntmnt**    To locate the next available appointment time in the Scheduler:
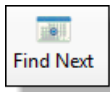
**1.** From the **Scheduler** toolbar, click **New Appt**, press CTRL+N, or double-click an appointment time in the schedule grid.

**2.** From the **Appointment Detail** dialog box, select a preparer and click **Find Next** (or press CTRL+F) to open the **Find Next Appointment** dialog box.

**3.** In the **Preparers** list, choose any other preparers you wish added to the search.

**4.** Make selections from the **Begin Date** and **End Date** drop lists.

**5.** Narrow the search by specifying days or times.

**6.** Click **Find**. All available appointment times from the selected preparers are listed. Double-click a row, or click a row and click **Select** to return to the **Appointment Detail** dialog box.

TIP    To see a complete list of open appointments based on preparer, **Begin Date**, **End Date**, and selected times, at the top of the **Find Next Appointment** dialog box, click the **Quick List** tab.
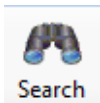
**Find Scheduled Appntmnt**    Find scheduled appointments by searching for names or ID numbers from the **Appointment Detail** information for all clients. To search for a client's appointment in the Scheduler:

**1.** From the **Scheduler** toolbar, click **Search** (or press CTRL+S) to open the **Scheduler Search**.

**2.** Select a starting date for the search.

**3.** Enter one or more keywords (SSN, EIN, or name of the client, name of the preparer, etc.,) in the **Search Text** field.

**4.** Click **Search**.

The program searches all **Appointment Detail** information for these keywords. Results are displayed in the **Scheduler Search** window, as shown in the example below. (All scheduled appointments with clients whose last name begins with "Car..." for preparer Dante are listed.)

**Figure 4-13:** Scheduler search results

Double-click an appointment row to open that appointment in the **Appointment Detail** dialog box.

**Finding a Client Record**

The **Lookup** feature allows you to find a client's record and insert the client information into an **Appointment Detail** dialog box.

To locate a client record:

1. From the Scheduler toolbar, click **New Appt** (or press CTRL+N) to open the **Appointment Detail** dialog box
2. From the **Appointment Detail** toolbar, click **Find**.
3. Select the drive to search from the **Select clients from this location** drop list.
4. Select a client name from the displayed list or type a name or SSN or EIN into the **Enter search text** field.
5. Select a client and click **OK**. You are asked if you wish to automatically fill the client information fields (client name, address, phone numbers, client type, appointment type, email address). If so, click **Yes**. The list is closed and several fields are filled with client data. (Content is determined by what was entered on screen **1** in data entry.)

**Changing Appntmnt Details**

To change the details of an appointment that has already been entered into the Scheduler, double-click the appointment in the appointment grid. When the **Appointment Detail** dialog box for the selected appointment is opened, make any changes necessary. Click **Save**.

**Deleting an Appntmnt**

To delete an appointment from the Scheduler:

1. Double-click the appointment in the appointment grid.
2. Click **Delete** in the **Appointment Detail** toolbar (or press CTRL+DEL).
3. Click **Yes** to confirm the deletion.

# Creating Appointment Reports

The Scheduler works with the Reports feature in Drake Tax to provide reports based on appointment data. To generate a Scheduler report:

**1.** Open the Scheduler and click **Reports**. The **Report Manager** is opened.

**2.** Expand the **Schedule Reports** and **Client Contact** menus to show the four types of reports that can be generated. These are listed in Table 4-2.

**Table 4-2:** Scheduler Report Types

| Scheduler Report | Description |
| --- | --- |
| Call List for all Preparers | Lists the appointments scheduled for all preparers; data types include preparer's name, appointment time and date, client name and ID number, duration of appointment, phone numbers, client type. |
| New Client Appointments | Lists new clients entered for a selected preparer; data types include appointment time, start time, client name, client SSN, and client phone numbers. |
| Preparer Appointments | Lists the appointments for all preparers. Data types include preparer name, appointment date, state time, appointment time, client name and ID number, duration of appointment, client phone numbers, and client type. |
| Preparer Call List | Lists the appointments for a preparer. Data types include preparer name, appointment date, start time, client name and ID number, and client phone numbers. |

**3.** Click a report type to select it.

**4.** Click **View Report**. You will be asked if you want to create the report again using current data; click **Yes** to do so.

**5.** Make any desired changes to the **Basic Search Conditions** dialog box (in the "Call List for all Preparers" and "New Client Appointment" reports only).

**6.** Select the parameters to the report from the **Comparison** drop list (in the "Preparer Appointments" report and "Preparer Call List" report only).

**7.** Set the report's date range by typing start and end dates in the **Value** fields (in the "New Client Appointments" report only).

**8.** Click **Continue**. The report is displayed in the Report Viewer. (For more information on reports, see Chapter 12, "Reports.")

Once you are in the Report Viewer, you can print or export the report output.

NOTE     Data does not flow to the **New Client List** from other parts of Drake Tax; data flows only from the Scheduler itself. To designate a client as a new client, select **New** from the **Client Type** drop list in the **Appointment Detail** dialog box.

# Audit Protection

A comprehensive audit assistance program is available through Protection Plus Audit Assistance. The service works with 1040 returns, including Schedules A, C, and E, handles ITIN W-7 rejections, assists in getting denied EIC claims funded, offers tax debt relief assistance, assists with IRS issues concerning identity theft, and pays up to $2,500 in penalties, interest, and tax liabilities should an error occur. (Nonresident federal returns (1040NR) are excluded from Protection Plus products.)

Protection Plus includes a pricing option so that tax offices that are franchisees or part of a network can charge an additional fee on top of the fees the ERO charges for tax preparation.

The audit protection program costs you nothing and costs the taxpayer a minimum of $44.95; you are allowed to mark up the price to a maximum of $54. If you are charging the **Protection Plus Markup Amount** and the **Franchise/Network Markup Amount**, the two cannot total more than $54.

If the taxpayer is receiving a bank product, the fee is automatically deducted from his or her refund and Drake Software will return the audit protection markup amount to you on a schedule to be announced. If the taxpayer is not receiving a bank product, you collect the fee when the customer pays for his or her tax return preparation and Protection Plus bills you for the Protection Plus fees that you collected.

For additional details, visit *Support.DrakeSoftware.com* > **Partner Program > Audit Assistance**.

To enroll with Protection Plus, from the **Data Entry Menu** of a 1040 return, open the **AP** screen and click **Yes, enroll with Protection Plus** or log in to *eom.1040.com* to open your Enterprise Office Manager. From the **Enterprise Office Manager** menu bar, select **Enrollment > Protection Plus Application**.

**Set up Audit Protection**   If you've completed your Protection Plus application through the EOM, go to the **Home** window of Drake Tax, and from the menu bar, click **Setup > Firm(s)** to open the **Firm Setup** dialog box. Double-click the firm to activate the tabs on the lower half of the dialog box. Click **Confirm**, which not only confirms your EFIN has been registered at Drake Software, but also imports your banking and audit protection information directly from the EOM applications. Note that the lower half of the window is not active. To modify your audit protection information, you must return to the EOM Protection Plus application. (From the **Audit Protection** tab of the **Firm Setup** dialog box, click the **Update Audit Protection Application** link.)

To set up a client to receive (and be charged for) Protection Plus:

**1.** Open a 1040 return.
**2.** From the **General** tab of the **Data Entry Menu**, click **AP** to open the Protection Plus Audit Protection screen.
**3.** Select the **Yes** check box to enroll this client in the audit protection program. (The default selection is **No**.)

For details on the EOM, see "Enterprise Office Manager" on page 334.

# 5      *RETURN PREPARATION*

*THIS CHAPTER FOCUSES ON USING DRAKE TAX TO
PRODUCE FORM 1040 AND THE SUPPLEMENTAL
FORMS, SCHEDULES, AND OTHER DOCUMENTS
THAT MIGHT BE PART OF A TAX RETURN. IT IS NOT
INTENDED AS A TAX COURSE BUT, RATHER, AS A
PRIMER FOR USING DRAKE TAX TO PREPARE A 1040
RETURN. IT ASSUMES A FUNDAMENTAL
KNOWLEDGE OF TAX LAW AND A FAMILIARITY WITH
DATA ENTRY. IF YOU ARE NOT FAMILIAR WITH DATA
ENTRY IN THIS PROGRAM, READ CHAPTER 3,
"BASICS," BEFORE ATTEMPTING TO PREPARE AND
FILE A TAX RETURN IN DRAKE TAX.*

## Data Entry for Form 1040 in Drake Tax

After all the changes 2018 brought to Form 1040, the form is still evolving. The Schedules — Schedule 1, Additional Income and Adjustments to Income, Schedule 2, Tax, Schedule 3, Nonrefundable Credits, Schedule 4, Other Taxes, Schedule 5, Other Payments and Refundable Credits, and Schedule 6, Foreign Address and Third Party Designee — have been consolidated for the 2019 filing season; still, most procedures remain the same for completing Form 1040 in Drake Tax.

NEW FOR

2019

Form 1040-SR, U.S. Tax Return for Seniors, has been added to Drake Tax for 2019. This form, filed in lieu of Form 1040, is for taxpayers 65 years and older. (Drake Tax automatically produces the 1040-SR when the taxpayer is 65, as entered on screen **1**.)

Taxpayers who reach their 65th birthday at any time during the tax year qualify for using the 1040-SR. The 1040-SR does not put a limit on interest, dividends, or capital gains, nor does it cap overall income.

Filers do not have to be retired yet to qualify.

## Schedules 1-6

As before, many taxpayers need only Form 1040 and no schedules; however, for a return that is more complicated (for example, for a taxpayer claiming certain deductions or credits or one that owes additional taxes) one or more of the new Form 1040 schedules will be generated and completed by Drake Tax.

Following is a brief description of the uses for the new schedules:

**Table 5-1:** New Schedules 1-6

| Schedule | Uses |
|---|---|
| Schedule 1 | Other than line-number changes, 2019's Schedule 1 is basically the same as in 2018, used for reporting the taxpayer's additional income (business income, capital gains, unemployment compensation, etc.) and claiming any deductions for such items as student loan interest, health savings accounts, self-employment tax, and educator expenses. |
| Schedule 2 | The 2018 Schedule 2, "Taxes," was combined with 2018's Schedule 4, "Other Taxes," into the 2019 Schedule 2, "Additional Taxes." This schedule reports alternative minimum tax and excess advance premier tax credit repayment, as Schedule 2 did last year, but also self-employment tax, household employment taxes, additional tax on IRAs or other qualified retirement plans and tax-favored accounts, as Schedule 4 did last year. |
| Schedule 3 | Schedule 3 has been merged with Schedule 5. the 2019 Schedule 3, "Additional Credits and Payments," is for reporting nonrefundable credits, such as foreign tax credit, child and dependent care expenses, retirement savings contributions, and "Other Payments and Refundable Credits," such as estimated tax payments, net premium tax credit, excess Social Security withheld, federal tax on fuels. |
| Schedule 6 | Obsolete |

# Taxpayer Information

Use screen **1** (**Name and Address**), accessible from the **General** tab, to enter information about the taxpayer (and spouse or "qualifying person, if appropriate) for the top section of a Form 1040.

## Selecting a Filing Status

Select a filing status from the **Filing Status** drop list at the top of screen **1**. Press F1 in the **Filing Status** field to view explanations for the available codes.
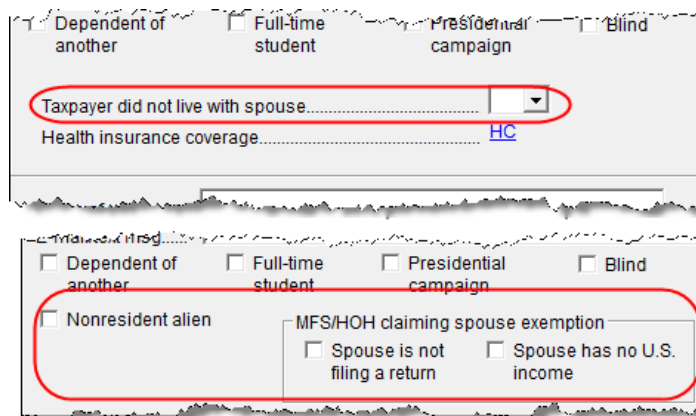


After making a selection from the **Filing Status** drop list, make any other selections necessary to explain the client's filing status, from entries on other sections of screen **1**:

- **Taxpayer did not live with spouse** drop list
- **Nonresident alien** check box for nonresident alien spouse

- **MFS/HOH** check boxes for Married Filing Separately or Head of Household returns

## Standard Deduction

The standard deduction for 2019 is $12,200 for taxpayers filing as Single or as Married Filing Separately, $24,400 for taxpayers filing jointly or as Qualifying Widow(er), and $18,350 for Head of Household filers. (As in past years, additional amounts are applicable for taxpayers who are over 65 or blind.)

The data that flows to the "Standard Deduction" section of the 2019 Form 1040 comes from entries on screen **1**. Mark the **Dependent of another** check box to indicate if someone can claim the taxpayer (or the spouse of the taxpayer) as a dependent. Indicate if the taxpayer or spouse is blind. Other information on page 1 of the 1040 is completed automatically (for example, the "You were born before January 2, 1955" check box for the taxpayer and spouse).

NOTE

The "Spouse itemizes on a separate return or you were a dual-status alien" box in the "Standard Deduction" section of the 1040 is marked by the program if you split the return and select **Itemize from the Deduction Optimization**, or if, on screen **A**, you select **Force Itemized** on a Married Filing Separately return.

## Filing Status of Qualifying Widow(er)

When filing Form 1040 with a filing status of **5 - Qualifying Widow(er)** selected from the **Filing Status** drop list on screen **1**, one of the following two items must be present in the return:

- Name and SSN of a *qualifying* person
- Number of children who lived with the taxpayer

The qualifying person's SSN must be within the valid ranges of SSNs/ITINs/ATINs; that is, it:

- Must include nine numerals
- Cannot be all zeros, ones, twos, threes, fours, fives, sixes, sevens, or eights
- Cannot be the same as the taxpayer's or the spouse's SSN

For a qualifying person who is not a dependent, enter the qualifying person's information on screen **2**. Include name, SSN, relationship, months in home, and birth date. At the bottom of screen **2**, mark the **Not a dependent – QW qualifier** check box.

NOTE

A taxpayer can claim the **Qualifying Widow(er)** filing status even if the child living in the home isn't claimed as a dependent.

## Entering Taxpayer Information

The taxpayer's name and SSN are entered as you create the return. Other data, such as the date of birth, occupation, and contact information (phone numbers and email address) for the taxpayer and spouse is entered on screen **1**. Note that not all fields in the **Spouse** column are activated if the filing status is other than "Married Filing Jointly." (All active fields should be completed.)

e-File specifications allow no more than 35 characters of a taxpayer's name to be transmitted on a tax return. In Drake Tax, names of more than 35 characters (taxpayer and spouse names combined) are automatically shortened, and a Return Note is generated. If, after the name is shortened, it is still too long, you will be directed in a Return Note to shorten the name manually on screen **1**. Press F1 in the taxpayer's **First name** field on screen **1** for further instructions.

NOTES

- If the taxpayer or spouse was a victim of identity theft, enter his or her IRS–assigned PIN in the **Identity Protection PIN** fields on the **PIN** screen.
- If a dependent of the taxpayer has received an Identity Protection PIN, enter it in the **IP PIN** box in the lower right corner of screen **2**.
- See the Identity Theft Affidavit (screen **1403**, accessible from the **Other Forms** tab of the **Data Entry Menu**) if your client was a victim, or is a potential victim, of identity theft. See the screen help for screen **1403** (press CTRL+ALT+?, select **Screen Help** from a right-click menu, or click **Help** from screen **1403** toolbar) for more information).

## Print Taxpayer's Phone number and Email Address

*New for 2019*: There are now optional lines in the signature space of Form 1040 for the taxpayer's and spouse's telephone numbers and email addresses. To have this information printed or omitted "globally" (for all 1040s you prepare), from the menu bar of the **Home** window of Drake Tax, go to **Setup > Options > Optional Items on Return** tab, and mark or clear the **Taxpayer phone number** and **Taxpayer email address** check boxes to automatically include or omit this information for all 1040 returns.

To include or omit the phone number or email address on a per-return basis, open a return, go to screen **1**, and in the **Phone Number** section, make a selection from the **Print on Return** override drop list. Choose which number (**Daytime**, **Evening**, **Cell**) you want printed on that return, or select **None** to omit the phone number.

To print or omit the taxpayer's email address, open the return, go to the **PRNT** screen, and from the **Print client email address on return** drop list, make a selection to override your global decision.

## Entering Residency Information

The **Mailing Address** section of screen **1** includes fields for either domestic or foreign addresses.

NOTE

To indicate a stateside military address, mark the **Stateside military address** check box on the right side of screen **1**. Enter combat and special processing code information on the **MISC** screen (accessible by clicking the **Combat Zone** link on screen **1** or from the **Miscellaneous** tab of the **Data Entry Menu**).

# Required Fields

Fields that require completion before a return is eligible for e-file, such as address fields, are highlighted in blue (figure, right).



Reminders appear when you try to escape from a screen on which required fields have not been completed. You can set up the program to remind you every time you leave a required field blank, to remind you only once per data-entry session, or not at all. From the **Home** window menu bar, go to **Setup > Options > Data Entry** tab to choose these setup options.

From the **Home** window menu bar, go to **Setup > Colors** to change the color of the required fields. (See "Color Setup" on page 81.)

## State and Local Data

Make a selection from the **Resident state** drop list if any of the following is true:

*   The resident state differs from the state in the mailing address (Select the appropriate state code.)
*   The taxpayer is a part-year resident of the state in the mailing address (Select **PY**.)
*   You do not want a state return to be calculated (Select **0**.)

The **Resident city** drop list is activated if a city return is required. The **School district** drop list is activated when needed.

TIP

Press CTRL+SHIFT+S in the **Resident city** or **School district** to search for options for those fields.

## Foreign Account and Virtual Currency Questions

*New for 2019*: The section of screen **1** for answering the Foreign Account questions— "...did the taxpayer have financial interest in or signature authority over a foreign account..."—for Schedule B, Part III, has been expanded to include a question about "virtual currency."

**Foreign Account**    For taxpayers who had an interest in or signature over such an account, click the **Foreign Accounts and Virtual Currency** link and answer questions 7a, 7b, and 8 on the **Foreign Account Questions and Schedule 1 Virtual Currency Questions** screen. (There is also a link to this screen from the **INT** and **DIV** screens.)

For taxpayers who did *not* have an interest in or signature over such a foreign account and *did not* buy, sell, and otherwise acquire or dispose of virtual currency, select the **Answer "No to Schedule B...."** check box on the right side. See "Virtual Currency Question Added," for more information.

For more on Schedule B, Part III, and completing the **Foreign Account** screen, see "Schedule B, Part III" on page 168.

## Virtual Currency Question Added

On Schedule 1, "Additional Income and Adjustments to Income, of Form 1040," on the line above Part I, is a question about the buying and selling and otherwise acquiring and disposing of virtual currency (such as Bitcoin, Litecoin, Ripple, etc.). This question can be answered in Drake Tax on screen **1**, in the **Foreign Account and Virtual Currency Questions** section, or on the **Foreign Account Questions and Schedule 1 Virtual Currency Questions** screen (click the **Foreign Account and Virtual Currency** link on screen **1**).

If the answer is "No" to both the foreign accounts and to the virtual currency questions, you can use the check box on screen **1** to answer "No" to all. If a Schedule B is required with the return, and the **Foreign Account** questions are ignored, the program generates a Return Note, reminding you to review your entries.

If the answer is "Yes" to any of the Part III questions or to the virtual currency question, click the **Foreign Accounts and Virtual Currency** link on screen **1** and answer *all* questions. If the **Foreign Accounts Questions and Virtual Currency Question** screen is used, all questions – Foreign Accounts and Virtual Currency – must be answered; otherwise, the program generates an EF Message and the return is ineligible for e-file.

The only thing that changes on the return when the virtual currency question is answered is that the box on Schedule 1 is marked; no calculations are affected regardless of how you answer the virtual currency question.

## Indicating a Deceased Taxpayer

If the taxpayer is deceased:

**1.** Enter the date of death in the **Date of death** field in the **Taxpayer** section at the top of screen **1**.
**2.** In the **In care of** field (just above the **Mailing Address** section), enter the name of someone (surviving spouse, child, legal representative, etc.,) to whom all tax-

related information should be addressed. (For MFJ returns, enter a name only if it someone *other than* the surviving spouse.)

NOTE  If there is a name in the **In care of** field, all correspondence generated by the program (letters, bills, etc.) will be addressed to that person.

## Foreign Addresses

Fields for adding foreign address information are included on many Drake Tax data entry screens.

These fields are locked to keep address data from being entered accidentally.



Click the field to unlock the foreign address fields throughout the return. (Alternately, right-click the screen and select **Enable Foreign Only Address Fields** from the right-click menu.) Close the return and re-open it to re-engage the lock for unused screens.

To use the foreign address fields, enter the street address and city in the appropriate fields (the same fields used for entering U.S. addresses), then the name of the foreign province or state. Select a foreign country from the drop list, and then enter the postal code, if appropriate.

## State-Issued Identification

In order for a return to be eligible for e-file (federal or state), taxpayers (and spouses, if appropriate) must either supply a driver's license or other form of state-issued identification, they must affirm that they do not have a state-issued photo ID, or they simply fail (or decline) to supply the preparer with such an ID.

In Drake Tax, enter this data on the **IDS** screen, available from the **Electronic Filing and Banking** section of the **General** tab of the **Data Entry Menu** (or by entering IDS in the selector field and pressing ENTER).

The **IDS** screen has fields and drop lists for recording forms of identification (figure, right). The two top sections of the screen have fields and drop lists for entering the most common forms of identification— driver's license and



state-issued photo IDs—while the middle section of the screen (**Taxpayer's** or **Spouse's Other Identification**) is for entering other forms of ID, such as military ID, passport, green card, or visa.

The lower section includes four check boxes, the top two stating that the taxpayer (and spouse, if appropriate) does not have a driver's license or other form of state-issued ID, and the other two boxes stating that the taxpayer (and spouse, if appropriate) failed to supply a driver's license or other form of state-issued ID.

See the "NOTES" box, below, for requirements.

If you offer your clients bank products, the ID information entered on the **IDS** screen is used automatically during the bank product transmission and does not have to be re-entered on the bank screen. (See "IMPORTANT" box, following.)

The ID information also flows to any state returns that require it.

NOTES

For a return to be eligible for e-file, one of the following must be true on the **IDS** screen:

- A driver's license or other form of state-issued photo ID was entered for the taxpayer (and spouse, if applicable).
- The check box indicating the taxpayer (and spouse, if applicable) had no driver's license or other form of state-issued photo ID was marked.
- The check box indicating that the taxpayer (and spouse, if applicable) failed to provide a driver's license or other form of state-issued photo ID was marked.
- No entry is required on the **IDS** screen for children under age 15 who file a return (taxpayer or spouse).

TIP

Scan a copy of ID forms into the client's Drake Documents file. See "Scanning a File" on page 465.

IMPORTANT

If the taxpayer or spouse has no state-issued photo ID, or declines to produce it, he or she is not eligible for a bank product.

# Dependents' Information

Use screen **2**, accessible from the **General** tab, to complete the "Dependents" section of Form 1040.
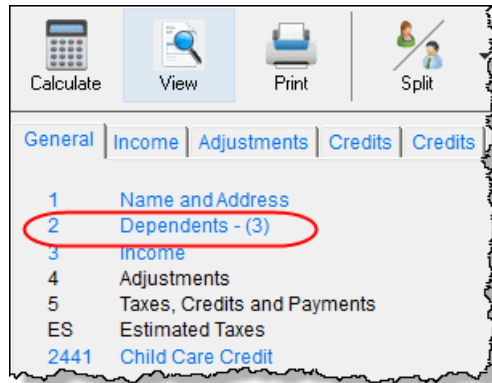


Use a separate screen for each dependent, pressing PAGE DOWN to open each new screen. Data is saved automatically when you exit a screen. The number of active **Dependents** screens is shown on the **Data Entry Menu** (figure at left).

Enter the required data, including the dependent's *full date of birth*, in the fields at the top of screen **2**.

The calculated age of the dependent is displayed once the date of birth is entered (figure at right).



TIP — Grid data entry can also be used for entering dependent information. To switch to grid data entry mode, press F3. See "Grid Data Entry" on page 109 for more information.

## Entering Dependents' Last Names

By default, the primary taxpayer's last name is used for all dependents. Complete the **Last Name** field on screen **2** only if the dependent's last is *different*.

## Dependent's ID Number

Enter the dependent's SSN, ITIN, or ATIN in the **SSN** field. A return with a non-numeric SSN cannot be e-filed.

NOTES

- If an ITIN is used as the ID number, the child does not qualify for EIC even if otherwise eligible.
- No credit will be allowed to a taxpayer with respect to any qualifying child unless the taxpayer provides the child's Social Security Number (SSN).

**Deceased Child**   If a child dies before receiving a Social Security Number, type `DIED` in the **SSN** field at the top of screen **2**. In the bottom right corner of screen **2**, select an item from the

**Deceased Child Document** drop list that will be attached to the return. (The document must show that the child was born alive.)

In order to e-file the return, you must attach a PDF copy of document to the return. Depending on the choice made from the **Deceased Child Document** drop list, the file name must be either "BirthCertificate.PDF." "DeathCertificate.PDF," or "Hospital-MedicalRecords.PDF." These file names are case sensitive and should be copied exactly.

For details on attaching PDF documents to e-filed returns, turn to "Binary Attachments" on page 289. Information is also available in the text and screen help on the **PDF** screen.

## Selecting "Months in Home"

By default, the program calculates the return as if a dependent lived with the taxpayer for the entire year. Complete the **Months in Home** field on screen **2** only if a dependent did *not* live with the taxpayer for all 12 months. (A dependent who was born or who died during the calendar year is considered to have lived in the home for 12 months. Enter 12 in the **Months in Home** field.)

If 0 is selected for the months in the home for a *son* or *daughter*, the dependent is classified as one who did not live with the taxpayer due to divorce or separation. If 0 is selected for another type of dependent (parent, grandchild, etc.,) the program applies the "Other Dependent" classification, regardless of the relationship. To override these classifications, select the applicable boxes in the **Additional Information** section at the bottom the screen.

NOTE | For a member of the taxpayer's "tax household" for ACA purposes who is eligible for the dependent exemption but is not being claimed as a dependent, go to the bottom of screen **2** and mark the **Not a Dependent - ACA Household member** check box.

## Claiming a Dependent (for Split Returns)

*T = Taxpayer*
*S = Spouse*
*J = Joint*

If taxpayers are married and want to split the return to see if filing separately would be more beneficial than filing jointly (see "Splitting a Joint Return" on page 114), use the **TSJ** drop list on screen **2** to assign the dependents' information to the correct person.

A **TSJ** code also should be selected if the state has an MFS (Married Filing Separately (combined)) option. The program default is **T (Belongs to the Primary Taxpayer)**.

**Entering State Data for a Dependent**

Select a state from the **State** drop list (circled in figure, next page) to specify which state should receive the dependent's data. This selection helps ensure that the dependent's credit information flows to the correct state return. This information is necessary in some situations (for example, if the parents of the dependent are filing as MFS and reside in different states).

Enter a code (disabled, adopted, jailed, etc.,) as applicable in the **State codes** field.

To view all state codes, click inside the **State codes** field and press F1. Review the information for the state and enter the appropriate term. (For example, `Disabled` or `NYDEP`.)

**Additional Dependent Information**

Screen **2** contains fields for other dependent-related data. Information on the below-listed fields is provided elsewhere in this document.

- **Childcare Expense Information** — See "Child and Dependent Care Expenses Credit" on page 234.
- **EIC Information** (and related due diligence questions) — See "Earned Income Credit (EIC) Due Diligence" on page 246.

It could be necessary to override or further clarify dependent information entered on screen **2**—for example, if a child is over 18, disabled, not a dependent, etc. Use the **Additional Information** section of screen **2** for this kind of data.

NEW FOR 2019

Note that question 12 of screen **2** now includes the addition of explaining to the taxpayer of the requirement of attaching Form 8332, Release/Revocation of Claim of Exemption for Child by Custodial Parent, or similar statement to the return, when necessary. Be sure you include the complete question when gathering information from your clients.

NOTE

If a dependent of the taxpayer received an Identity Protection PIN, enter it in the **IP PIN** box in the lower right corner of screen **2**.

# Personal Service Income

Use the **W2** (**Wages**) and **99M** (**1099-MISC**) screens, both accessible from the **General** tab of the **Data Entry Menu**, to enter personal service income data from a taxpayer's W-2 and 1099-MISC forms, respectively.

NOTE

Click the **Household Employee** link on screen **3** to open the **Household Employee Wages** screen to enter wages paid to a household employee. See "Wages for Household Employees" on page 164 for more.

## W-2 Wages

*Screen code: W2*   The **W2** screen is designed to reflect the IRS Form W-2, Wage and Tax Statement. Data entered here must match the client's W-2 forms. The following fields can be completed automatically by the program:

- **Names and Addresses** — If the employer's EIN is in your Drake Tax database, the employer's information is filled automatically once you enter the EIN. The

employee's information (for taxpayer or spouse) is filled automatically once **T** or **S** is selected at the top of the screen. Nothing need be typed into these fields unless the information differs from what was previously entered in the program.

•   **Wages and Withholding** — When wages are entered in box **1**, boxes 3–6 are filled automatically. These amounts should match those on the taxpayer's W-2.

NOTE   If, after contacting (or attempting to contact) the employer, you suspect fraud, immediately contact the nearest IRS Criminal Investigation office or file Form 3949-A, available from the IRS website (*www.irs.gov/individuals/how-do-you-report-suspected-tax-fraud-activity*), or order the form from the IRS's tax fraud hotline at (800) 829-0433. The IRS does not accept referrals of alleged tax law violation over the phone.

**Links**   Links are provided from the **W2** screen to screens **2441** (for entering Child and Dependent Care Expenses), screen **8880** (for entering data to calculate the Qualified Retirement Savings Contributions credit), and screen **SEHI** (for entering data to calculate the Self-Employed Health Insurance deduction), and **QSEHRA** (for data on a Qualified Small Employer Health Reimbursement Arrangement).

**Verification Code**   Because of new wage and income reporting requirements, the IRS announced it would discontinue the Form W-2 Verification Code program for the 2019 tax year. Because federal law now requires employers to submit Forms W-2 by January 31 each year—helping the IRS combat fraud and identity theft—there is no longer a need for the verification code

The code field appears on the **W2** screen in Drake Tax this year, but the field is inactive.

**Foreign Employers**   To indicate a foreign employer on screen **W2**, type the street address into the **Street** field and the city into the **City** field of the employer address, and in the **Foreign ONLY** section, enter the province or state, select a country from the **Country** drop



list, and enter any relevant **Postal Code**. (See example in figure above.) If no W-2 was issued by the foreign employer, use the **FEC** screen (**Foreign Employer Compensation**), accessible from the **Income** tab of the **Data Entry Menu**, to enter employee, employer, and income information.

NOTE   For information on the foreign income exclusion (Form 2555), see "Excluding Foreign Income" on page 212.

**Statutory Employees**   Because all statutory employees must file Schedule C for expenses related to W-2 income, Schedule C is created for a statutory employee.

To indicate a statutory employee and generate Schedule C:

**1.** Open a **W2** screen for the employee, and mark the **Stat employee** check box on line 13.

**2.** From the **Special tax treatment** drop list (Figure 5-1), elect the associated Schedule C.



**Figure 5-1:** Form W-2 in this example is associated with the second (#2) Schedule C entered.

The earnings amount from screen **W2** flows to Schedule C, line 1.

**Clergy**     Members of the clergy receive Form W-2 but do not have Social Security or Medicare taxes withheld from their wages. They report and pay their Social Security and Medicare taxes by filing Schedule SE. Report their wages on screen **W2**.

To indicate the wages are for a member of the clergy, from the **Special tax treatment** drop list, select **C** or **P**:

- Select **C** if the church is electing to treat the minister as a regular employee, is withholding Social Security, and is assisting the minister with payment of his or her Social Security and Medicare taxes.

- Select **P** if the minister is paying his or her own Social Security and Medicare taxes.

Also see "Clergy Expenses" on page 213, "Income From Church" on page 215, and "Ministerial Income Allocation" on page 221.

For more information see IRS Publication 517.

**Corrected or Altered W-2**     Near the bottom of the **W2** screen are check boxes to indicate that a W-2 was altered or handwritten (nonstandard), or corrected. Select the applicable box for a W-2 that has been changed.

**Do Not Update**     The **Do not update** check box will affect the 2020 tax return. If you mark this box, next year when you update your tax returns in Drake Tax (**Last Year Data > Update Clients 2019 to 2020**) W-2 info from this year's return will *not* be carried into 2020's **W2** screen.

**ITIN on Screen 1**

If either the taxpayer or the spouse has an ITIN entered on screen **1**, the taxpayer's TIN from Form W-2 *must* be entered in the field at the bottom of *all* **W2** screens for the taxpayer *and* the spouse. The program does not automatically use the ITIN entered on screen **1**, and a return with an ITIN cannot be e-filed unless this field on all screens **W2** is completed.

## W-2 Screen Tabs

Note the tabs across the top of screen **W2**:

**Additional Entries**

If the taxpayer has W-2 information from more than four states, click the **Additional Entries** tab at the top of the **W2** screen (figure, right) to access four more lines of data entry fields for boxes 12 and 14, and 10 more lines of data entry fields for box 15 of Form W-2. There are also four lines of **Ohio School District** fields.
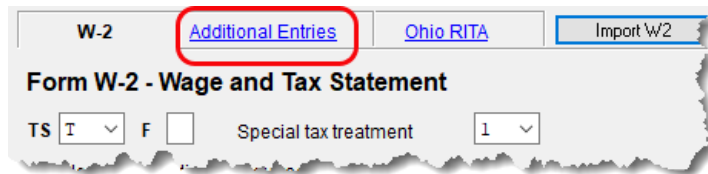
**Ohio RITA**

The **Ohio RITA** tab allows you to enter dates of employment for Ohio employees to correspond with box 15 on the **W-2** tab or the **Additional Entires** tab of the screen.

**W-2 Import**

If your client is an employee of a business that uses such W-2 managements companies as ADP, Equifax, BenefitMall, Gusto, and Paycor, you can download that client's W-2 information directly into Drake Tax. See the Drake Software Support site (*Support.DrakeSoftware.com* > **My Account** > **W-2 Import**) for information on purchasing W-2 downloads and a list of companies that supply employee W-2s using this service.

To import W-2 information:
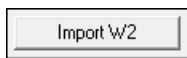
1. Open the client's **W2** screen in Drake Tax.
2. At the top of the screen, click **Import W2**.
3. Follow the on-screen directions.

For more information, log on to *Support.DrakeSoftware.com* > **My Account** > **W-2 Imports**.

NOTE

Purchase W-2 downloads in blocks of 15 ($25 per block, plus tax). Each instance of a *successfully** downloaded W-2 counts as one against your total (even if the same W-2 is downloaded twice).

   * A successful import is one where the employer is supported, the W-2 is available, and the data is imported to screen **W2** in Drake Tax.

## Wages for Household Employees

Wages the taxpayer received as a household employee are entered on the **Household Employee Wages** screen. Click the **Household Employee** link on screen **3** and enter

the employer's name and address (required), and, in the **Compensation** field, enter the wages the taxpayer received from the employer.

NOTE | Household employees include housekeepers, maids, babysitters, gardeners, and others who work in or around a private residence as an employee. Repairmen, plumbers, contractors, and other business people who provide their services as independent contractors, are not employees.

If the taxpayer worked for more than one employer, press PAGE DOWN to open a new **Household Employee Wages** screen. Totals flow to the "Wages, salaries, tips, etc.," line of Form 1040.

## "Other" Income

Other types of income are reported on screen **3**. Amounts entered in the **Schedule 1 - Additional Income** section flow to Schedule 1.

*New for 2019*: Note that there are more instances of line 21 income in the **Schedule 1** section of screen **3** than in previous years. These instances of line 21 cover different specific types of income that the IRS expects to see on line 21, "Other income," of Schedule 1. "Other" income is, basically, income that is not reported elsewhere in the program.

When an amount is entered in the one of the fields on line 21 of screen **3**, the program automatically generates a description when the return is viewed, and alerts you with a "literal" (an indicator or abbreviation of associated data) on the form (Figure 5-2). Such literals might be, for instance, "Indian Gaming Proceeds," "Airline Payment Amount Rollovers," or "W-2 Income Excluded per Notice 2014-7.")



**Figure 5-2:** A literal, such as "Indian Gaming Proceeds" is generated when "Other" forms of income are entered

If more than one item is entered in the line 21 fields of screen **3**, the program generates a statement and alerts you with a literal. (Figure 5-3 on page 166.) Select "Statement #1" from the forms "tree" in View/Print mode to see the listed items. (See NOTE, following.)

**Figure 5-3:** A statement combines all **Other Income** entries from screen **3**

NOTE    If, at **Setup > Options > Calculation & View/Print** tab, you selected to "Print only one overflow statement per page," the statement mentioned above will be listed as "Statement #1" in the forms tree (see Figure 5-3). If you did not choose to print one overflow statement per page, then several statements will be combined in one form named "STATMENT" in the forms tree.

**Substitute W-2, 1099-R**    Form 4852 serves as a substitute for Form W-2, Form W-2c, or Form 1099-R when a taxpayer either did not receive one of these forms or an employer issued an incorrect one. Form 4852 is not generally filed before the 1040 filing deadline (which, for the 2019 tax year, is April 15, 2020).

*Screen code: 4852*    Use screen **4852**, accessible from the **Other Forms** tab, to complete Form 4852.

NOTE    The generated Form 4852 uses data entered on the corresponding **W2** or **1099** screen (for Form 1099-R).

**2D Barcode Scanning**    For W-2 forms with a 2D barcode, W-2 and K-1 data can be scanned into Drake Tax (1040 package only). Open the program to the client's **Data Entry Menu** (*not* the **W2** or **K1** screen) and scan the barcode; the scanned information appears on the applicable screen. For example, if a W-2 is scanned, a **W2** screen is opened and filled with the data from the Form W-2. Guidelines for scanning are provided below.

- When the information is scanned, the program opens a new screen containing the information. It does not overwrite previously entered data on a **W2** or **K1** screen.
- The IRS issues guidelines for the 2D barcode. If the program producing the barcode follows these guidelines, the correct information is entered on the Drake Tax screen; if not, you must verify that the scanned data was correctly transferred to the screen.
- The 2D barcode scanner must read PDF 417 barcode symbol format.
- For Form W-2, the 2D barcode picks up only what is on the W-2. In the case of multiple city withholding (which is on a separate schedule that does not fit on the W-2), the extra information must be typed in after the barcode is scanned.

**W-2 Wages Verification**    *(optional)* Verification fields (activated from **Setup > Options > Data Entry** tab) help ensure that wage and withholding amounts are correct by requiring federal and state wage and withholding amounts be entered again at the bottom of screen **W2** (Figure 5-4 on page 167).

**Figure 5-4:** Verification fields for federal and state wages and withholdings

An EF Message is generated if a verification amount does not match the corresponding amount entered. Amounts must be corrected before the return can be e-filed.

# Passive and Investment Income (1099-DIV, etc.)

This section covers interest and dividend income from both domestic and foreign sources. For information on entering rental income data in Drake Tax, see "Supplemental Income" on page 190. For information on entering foreign earned income, see "Foreign Earned Income" on page 212.

NOTE    The **DOCS** screen, accessible from the **Miscellaneous** tab of the **Data Entry Menu**, comprises a list of links to screens in Drake Tax and Knowledge Base articles to help you find where data from certain seldom-used 1095, 1098, and 1099 forms is entered.

## Interest and Dividends

The **INT** and **DIV** screens in Drake Tax reflect the 1099-INT and 1099-DIV forms, respectively. Data from the **INT** and **DIV** screens is carried primarily to Schedule B, Interest and Dividends, and, when applicable, to Form 1116, Foreign Tax Credit.

**Income Less than $1,500**    In general, no Schedule B is required if interest and dividend income does not exceed $1,500; amounts can be entered instead directly on screen **3** (Figure 5-5).



**Figure 5-5:** Interest and dividend fields on screen **3**

The screen **3** amounts are calculated and the results flow directly into Form 1040. (See also "Wks EIC Investment Limit" worksheet in View/Print mode.) Any interest or dividend income entered on the **INT** or **DIV** screens is *combined with* the screen **3** amounts when the return is calculated. Do not duplicate entries.

**Income Exceeding $1,500**

Use the **INT** and **DIV** screens to report interest and dividend income that exceeds $1,500. Amounts are generated for Schedule B and flow to Form 1040.

NOTES

- Note the **Seller-financed mortgage** check box located at the top of screen **INT**. If the interest income reported on this **INT** screen is from a seller-financed mortgage, mark this check box and enter the payer's address information.
- Payer information fields for seller-financed mortgages are also included on the **DIV** screen.
- The **FATCA** check boxes on screens **1099**, **DIV**, and **INT** allow data entered on those screens to flow to the FinCEN report. For information on the **FATCA** check boxes, see "FATCA Filing Requirements" on page 188.

**Reporting Portions of Dividends**

Certain portions of ordinary dividends (domestic dividends not taxable by a state and ordinary dividends that are U.S. Government dividends) can be expressed on the **DIV** screen as either amounts or percentages (Figure 5-6).



**Figure 5-6:** Enter portions of ordinary (line 1a) dividends as amounts or as percentages of the total.

**Schedule B, Part III**

Some taxpayers with bank or other financial accounts in foreign countries must file Schedule B regardless of the income amount.

This foreign account data is reported on the **Foreign Accounts Questions** screen (Figure 5-7 on page 169), accessible through the **Foreign Accounts** link on screen **1** (see "Foreign Account and Virtual Currency Questions" on page 155), or the **Foreign Accounts Questions** link on screen **INT** or screen **DIV**.

**Figure 5-7:** The **Foreign Account Questions** and **Virtual Currency** screen

- Answer the Foreign Account and Virtual Currency questions for every taxpayer. If the answer is "No" to all, mark the check box on screen **1**.
- If the answer is "Yes" to any of the Foreign Accounts questions or to the Virtual Currency question, click the **Foreign Accounts and Virtual Currency** link on screen **1** and answer *all* questions. If the **Foreign Accounts Questions and Virtual Currency Question** screen is used, all questions – Foreign Accounts and Virtual Currency – must be answered; otherwise, the program generates an EF Message and the return is ineligible for e-file.
- If Schedule B is required with the return, and the **Foreign Account** questions are ignored, the program generates a Return Note, reminding you to review your entries.

NOTES
- If your client *does not* have to file an FBAR Report of Foreign Bank and Financial Accounts, open the **Foreign Accounts Questions and Virtual Currency Question** screen and select "No" for the second question of **7a** and *do not* make a selection from the **7B** drop list. (For information on who must file an FBAR, click the **Who Must File** link.)
- For taxpayers who file an FBAR who had interest in accounts in more than one country, or distributions from trusts in more than one foreign trust, select the countries from the drop lists in **7b**.
- If the taxpayer is required to file an FBAR, go to screens **FRGN** and **114** (accessible from the **Foreign** tab of the **Data Entry Menu**) and complete these screens to e-file through Drake Tax. The FBAR can still be filed through the Financial Crimes Enforcement Network's BSA e-Filing System's website. (A link to that website is located on screen **114** in Drake Tax.)

**State-Specific Information**

The **State-specific information** section of the **INT** screen has a **Bank Interest** drop list to designate Maine, Massachusetts,

Oklahoma, or Tennessee for a field for entering **IA taxable interest income**, and various selections for an **IL Schedule M**.

> NOTE    Some state returns require an LLC number. Enter that number in the **LLC#** field on screen **INT** or **DIV**, as applicable.

## 1099-Miscellaneous

Use screen **99M** to enter data from Form 1099-MISC. Select from the **TS** drop list at the top of the **99M** screen to whom (taxpayer or spouse) this 1099 information belongs. To associate the **99M** information with a specific line or form within the return, make a selection from the **For** drop list. If associating it with one of multiple forms, enter a **Multi-form code**. (See "Associating One Screen with Another" on page 114.)

**8919 "Reason" Check Box**

If **8919** has been selected from the **For** drop list at the top of screen **99M**, select the applicable reason code to explain filing this form from the **Reason** drop list based on the services performed for the firm on this line. The **Reason** drop list in located on the bottom-left corner of screen **99M**.

- A – I filed Form SS-8 and received a determination letter stating that I am an employee of this firm.
- C – I received other correspondence from the IRS that states I am an employee.
- G – I filed Form SS-8 with the IRS and have not received a reply.
- H – I received a Form W-2 and a Form 1099-MISC from this firm for 2019. The amount on Form 1099-MISC should have been included as wages on Form W-2.

## Form 1099-OID

Enter interest income from Form 1099-OID, Original Issue Discounts, on screen **OID**, available from the **Income** tab of the **Data Entry Menu**.

The screen resembles the actual form, with fields for entering all the information that appears on Form 1099-OID.

> NOTES
> - In the event some of the OID interest is nontaxable, enter the amount in the "Nontaxable IOD interest" field in the lower left side of the **OID** screen. To find out what part, if any, is nontaxable, click the link to the IRS **Publication 1212**.
> - The **State-specific information** section is for Iowa and Illinois filers only. The **LLC#** is for state purposes.

## Foreign Interest and Dividends

Report interest and dividend income from foreign accounts and trusts on the **INT** and **DIV** screens. As applicable, this data flows to Form 1116, Foreign Tax Credit. The following Form 1116 capabilities are included on the **INT** and **DIV** screens:

- A section for foreign tax credit information
- Ability to associate information from an **INT** or **DIV** screen to an **1116** screen
- Ability to suppress Form 1116 if it is not required for the return
- Ability to open the **1116** screen in the program via a **Form 1116** link

**Foreign Tax Credit Data**　　Use the **Form 1116/FTC information** section of the **INT** or **DIV** screens to report any interest and dividend income from foreign accounts and trusts. The figure at right shows this section as it appears on the **DIV** screen.



If data is entered in this section of the **DIV** or **INT** screen, Form 1116 is generated automatically. Data entered here should not be reentered on the **1116** screen or the program will combine the two amounts and print the total on the return.

**Associating Data with the 1116 Screen**　　Because the **INT** and **DIV** screens include the most commonly used Form 1116 fields, and because Form 1116 is generated if these fields contain data, it may not be necessary to enter anything onto screen **1116**. If, however, a return has a less-common foreign income factor, such as a carryover, you must enter that data on screen **1116**.

You can associate the **DIV** and **INT** screens with an **1116** screen so that the generated Form 1116 incorporates the applicable data from *all* applicable screens.



To associate the Foreign Tax Credit information in a **DIV** or **INT** screen to an **1116** screen:

1. Complete the **Form 1116/ FTC Information** section of the **DIV** or **INT** screen (see figure at top of this page).
2. Enter a number in the **FTC** field of this section.
3. Open the **1116** screen to be associated with the **DIV** or **INT** screen.
4. Type the same FTC number as in Step 2 into the **FTC** field (figure above).

The program uses this FTC number to associate the **1116** screen with the other screens and calculate the correct information for Form 1116.

**Suppressing Form 1116**　　By default, Form 1116 is generated with the return if any data is entered in the **Form 1116/FTC Information** fields. If these fields include data but a Form 1116 is not required and you don't want one generated, select **1116 NOT required**.

For more on Form 1116 in Drake Tax, see "General Business Credits" on page 236.

## FATCA Filing Requirements

Drake Tax has included **FATCA** check boxes on screens **1099**, **DIV**, and **INT.** Mark these boxes if the payer is reporting on this Form 1099 to satisfy its Chapter 4 account reporting requirement. The recipient also may have a filing requirement. See the Instructions to Form 8938.

The Foreign Account Tax Compliance Act (FATCA) helps combat tax evasion by U.S. persons who have financial assets offshore.

Under FATCA, certain U.S. taxpayers holding financial assets outside the United States must report those assets to the IRS on Form 8938, Statement of Specified Foreign Financial Assets. This FATCA requirement is in addition to the long-standing requirement to report foreign financial accounts on FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR) (formerly TD F 90-22.1).

There are serious penalties for not reporting these financial assets.

For more information, see:

- *irs.gov/businesses/corporations/foreign-account-tax-compliance-act-fatca*
- *irs.gov/businesses/corporations/fatca-current-alerts-and-other-news*

## Taxable Refunds

*Screen code: 99G*    Enter state and local taxable refunds for the current year on the **99G** screen (Form 1099-G, Certain Government Payments). Taxable refund amounts are calculated and carried to the "Taxable refunds" line of Form 1040. Because the amount shown on this line can be affected by limitations computed from the Drake Tax worksheets, the program allows you to adjust it.

*Screen code: 3*    To adjust the taxable refund amount shown on the 1040, go to screen **3** and enter in the **Taxable refunds** adjustment fields of the **Schedule 1 - Additional Income** section the amount of prior-year state or local refunds the taxpayer received in the current year. Be aware that no calculations are done on the amount entered on screen **3**. Use the **99G** screen if you want the system to compute the taxable amount.

NOTES
- A flagged **Taxable refunds** field indicates that the displayed amount was carried forward from a prior-year return. To clear the field, press F4 (if the amount is correct) or enter a new amount.
- Screen **99G** is also called the **Government Payments** screen. Unemployment compensation is entered on this screen and flows to Schedule 1.

**Form 1099-G Data Flow**    The **For** drop list on the **99G** screen allows you to select where in the return the 1099-G information will flow: Schedule 1, line 21; Schedule C; Schedule F; Form 4385.

The **MFC** (Multi-Form Code) box allows you to associate one screen with another, such as when one 1099-G should be associated with a particular schedule or form. For example, to associate a **99G** screen with the second **C** screen created, select **C** from the **For** drop list and in the **MFC** box, type the numeral 2.

# Alimony Received

Alimony received will no longer be included in income if a divorce or separation agreement was entered into on or before December 31, 2018, and the agreement is changed after December 31, 2018, to expressly provide that alimony received is not included in the former spouse's income.

Enter received alimony in the **Schedule 1** section of screen **3**, in the **Alimony received** field.

If the divorce or separation agreement did occur after December 31, 2018, and a state requires the alimony amount, enter it and the date of the divorce in the prescribed fields. The amount entered is ignored by the federal return but flows to the state return

For information on entering alimony paid, see "Alimony Paid" on page 218.

# Self-Employment Income (Schedule C)

*Screen code: C*

Screen **C**, **Self-Employed Income**, covers Schedule C, Profit or Loss from Business (Sole Proprietorship). Access screen **C** from the **Income** tab. Several screens in Drake Tax (such as the **99M**, **AUTO**, and **4562** screens) can be associated with a Schedule C using the **For** and **Multi-form Code** boxes of those screens. (See "Associating One Screen with Another" on page 114.)

NEW FOR
2019

Schedule C-EZ is obsolete for 2019**.**

NOTE

Enter data for Schedule C, Part IV, "Information on Your Vehicle," on the **AUTO** screen.

NEW FOR
2019

Screen **C** includes several changes for Qualified Business Income Deduction purposes.

Note that screen **C** now includes two parts: an **Income/Expenses** tab and a **Carryover/State** Info tab.

The **Qualified Business Income Deduction** section of the **Income/ Expenses** tab includes some new fields, and the new **Carryovers/ State Info** tab now includes the **State use ONLY** fields for **Native American income**, **Military Spouses Residence Relief Act**, **Enter- tainment expenses**, **Adjustment to federal expenses**, and **LLC#**.

There is also a new **Regular Tax Pre-2018** column in the **Passive/At- Risk carryforwards** section.

For more information on pre-2018 calculations see "Pre-2018 Passive Activity Loss Carryovers" on page 176.

## Program Defaults for Screen C

The program's default *accounting method* (item **F**) is *cash*. Select **Accrual** or **Other** for accounting methods other than cash, as applicable. If **Other**, include a description. (The description must be 20 characters or fewer in length.)

Select item **G** if the taxpayer *did not* materially participate in the business (thus, a *passive* activity); otherwise, the program assumes that the activity is not a passive activity. See Schedule C instructions and IRS Pub. 925 for details.

The program's default position for *investments* (item **32b**) is that all investments are *at risk*. If this is not true for your client, select **Some investment is NOT at risk**. (Note that item **32b** includes a link to screen **6198** for entering data to compute deductible losses for Form 6198, At-Risk Limitations.)

The program's default inventory valuation method (item **33**) is *cost*. If the valuation method is *not cost*, either:

- Mark the **Lower of cost or market** check box
- Mark the **Other** check box, then:
    - Click the **SCH** link to open the **SCH** screen for unformatted attachments.
    - From the **Type of attachments** drop list, select **097 - Sch C Ln 33, Close Inventory**.
    - Enter a number in the **Multi-form code** box (if appropriate)
    - Enter an explanation in the large text box under the **Multi-form code** field

## Business Codes

*Press CTRL+SHIFT+S to search codes.*

The codes are in numerical order, then listed again in alphabetical order halfway down the list. Rather that scrolling and searching, locate a specific business code by



placing the cursor in the **Business code** box (field **B**) of screen **C** and press CTRL+SHIFT+S to open a **Search** box. Type a search term and click **Go**. All codes that include the search term are displayed, as shown in the example. Double-click the desired code or select one and click **OK** or press ENTER.

NOTE

For taxpayers described on Schedule C by business code 813000 ("Religious, grantmaking, civic, professional, & similar") but for whom you do not want to generate "clergy" worksheets, open screen **C** and select "No" from the **Clergy Schedule C** drop list (in the lower right quadrant of the screen).

For taxpayers who are not described on Schedule C by business code 813000 but for whom you do want to generate "clergy" worksheets, select "Yes" from the **Clergy Schedule C** drop list on screen **C**.

**Family Health Coverage**    Enter the total amount paid for self-employed health insurance for taxpayer, spouse, and dependents. 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).

Deductible amounts flow first to Schedule 1, "Self-employed health insurance deduction," and the amount that is not used on Schedule 1 flows to Schedule A.

NOTE: Do not duplicate this entry in the "Family health coverage payments" field on screen **F** or line 1 of the **SEHI** screen.

## QBI Deductions for Schedule C

A non-corporate taxpayer who has qualified business income (QBI) from any trade or business, (not W-2 wages), including income from a pass-through entity, might be allowed to deduct up to 20% of that income from his or her taxable income.

For QBI deductions from Schedule C income, open screen **C** and complete the **Qualified Business Income (QBI) Deduction** section.

**Specified Service Trade or Business**    In certain circumstances, businesses are designated as a "Specified service trade or business" (SSTB). A specified service trade or business is any trade or business providing services in the fields of:

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

Any other trade or business where the taxpayer receives fees, compensation, or other income for endorsing products or services, for the use of the taxpayer's image, likeness, name, signature, voice, trademark, or any other symbols associated with the taxpayer's identity, or for appearing at an event or on radio, television, or another media format.

For more information, click in the **Treat as a "specified service business** check box and press F1, or see IRC Sec. 199A(d).

See "Qualified Business Income (QBI) Deductions" on page 225.

## QBI Deduction Adjustments

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

Section 179..................................................... =
Section 1231 Gain/Loss...................................... =
Deduction of half SE tax...................................... =
Self-Employed Health Insurance Deduction................. =
Self-Employed Pension Deduction.......................... =

event you wish to change the program's calculated amounts, Drake Tax now provides override fields on screens **C**, **F**, **E**, **4835**, and **K199** that allow you to override individual calculations.

These overrides change the amounts appearing on the QBI Explanation Worksheet and on Form 8995 (see "New QBI deductions fields on screens SEHI and SEP" on page 216), and affect the calculated amount of the QBI deduction.

## Pre-2018 Passive Activity Loss Carryovers

*New for 2019*: Added to screens **C**, **E**, **F**, and **4835** (click the **Carryover/State Info** tab) is a column for **Regular Tax Pre-2018**. When entering passive/at-risk carryforwards from 2018, type into these fields the portion of any prior-year unallowed passive loss carryovers that occurred prior to 2018. (Losses incurred prior to 2018 do not affect the QBI deduction in the year they are allowed and must be tracked separately.)

## Taxpayer Filing Form 1099

If the taxpayer made any payment in 2019 that would require him or her to file any Forms 1099, mark the **Yes** box on line **I** of screen **C**; otherwise, mark the **No** box.

If the taxpayer filed—or will file—the required Forms 1099s, mark the **Yes** box on line **J**; otherwise, mark **No**.

## Depreciation

Use screen **4562** (Depreciation Detail) to enter depreciable assets for Schedule C. Note that on screen **C,** the **Depreciation** field is an *adjustment* field, and that an amount entered there adjusts the calculated amount from the **4562** screen that flows to the "Depreciation and Section 179 expense deduction" line of Schedule C.

Screen **4562** in accessible from the **Income** tab of the **Data Entry Menu**, or you can click the **Form 4562** link on the "Depreciation" line of screen **C**.

For more on entering depreciation in Drake Tax, see "Completing Form 4562, Depreciation and Amortization" on page 260.

NOTE    The "Depletion" field of screen **C** is an override field. For information on entering oil and gas depletion on the **DEPL** screen, see "Oil and Gas Depletion Worksheet" on page 216.

## Loss on Schedule C

If Schedule C shows a loss and all investment is *not* at risk, the program produces Form 6198, At-Risk Limitations. If part of a loss may be disallowed, enter the required data on screen **6198**. If the taxpayer does not materially participate, the loss could be limited by Form 8582, Passive Activity Loss Limitations. This is computed automatically.

NOTE

Normally, amounts from Schedule C do not flow to Form 8960, but if you have a Schedule C with data that you want to flow to Form 8960, mark the **Carry to 8960 line 7** check box (in the lower right quadrant of screen **C**).

## Sales of Assets

Screens for entering gains, losses, and sales of assets are listed in Table 5-2. These screens can all be accessed from the **Income** tab of the **Data Entry Menu**.

**Table 5-2:** Screens for Entering Gains and Losses

| Screen | Screen or Form Name |
|---|---|
| 8949 or D | Form 8949, Sales and Other Dispositions of Capital Assets (This screen also covers Schedule D and Form 1099-B and can be accessed from the selector field by using codes `8949`, `D`, or `99B`.) |
| D2 | Loss Carryovers and Other Entries (not an IRS form) |
| 2439 | Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains |
| 4255 | Form 4255, Recapture of Investment Credit |
| 4684 | Form 4684, Casualties and Thefts (**NOTE**: The TCJA suspended the personal casualty and theft loss deduction, except for personal casualty losses incurred in a federally declared disaster.) |
| 4797 | Form 4797, Sales of Business Property |
| 6252 | Form 6252, Installment Sale Income |
| 6781 | Form 6781, Gains and Losses From Section 1256 Contracts and Straddles |
| 8824 | Form 8824, Like-Kind Exchanges |
| HOME | Worksheet for Sale of Residence (not an IRS form) |
| 99C | Form 1099-C, Cancellation of Debt |

When forms require identical data (such as when amounts from screens **4684** and **6252** must be carried to Form 4797), Drake Tax prints the data on the appropriate forms.

## Capital Asset Reporting

*Screen codes*
***8949**, **D**, **D2***

Capital gains and losses from stocks, bonds, mutual funds, and other investments are listed on Form 8949, Sales and Other Dispositions of Capital Assets, and summarized on Schedule D. Information for these forms is entered on screens **8849** and **D2**. These screens are available under the **Income** tab of the **Data Entry Menu.**

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** (or **D**).

**Form 8949, Schedule D, Form 1099-B**

Screen **8949** (or **D**) has fields for Form 8949, Schedule D, and Form 1099-B data. Following are some guidelines for data entry on this screen.

- **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** — Describe the capital gain or loss item. You can use stock ticker symbols or abbreviations to describe the property as long as they are based on the descriptions of the property as shown on Form 1099-B or 1099-S (or substitute statement).

- **Date acquired** — Enter the date acquired as an eight-digit number using the MMDDYYYY format. This date is used to determine whether the sale is short-term or long-term. Type in VARIOUS, INHERIT, or INH2010, as applicable. (Only "VARIOUS," "INHERIT," and "INH2010" are acceptable for e-file.)

- **Date sold or disposed** — If a single date does not apply, type Bankrupt, Worthlss, or Expired, as applicable. (If Expired is entered, the return must be paper-filed.) Do *not* type VARIOUS in this field.

- **Type of gain or loss** — Select from the drop list to describe the gain or loss as long term or short term.

- **Proceeds from sale...** — Enter the sale amount. If only the gain amount is available, enter the gain amount and leave the **Cost or other basis** field blank.

- **Cost or other basis** — Enter the cost or basis. If only the loss amount is available, enter the loss amount and leave the **Proceeds from sale...** field blank.

- **AMT cost basis** — Enter the cost basis for AMT purposes.

  - **US Real Property Sold By a Nonresident** — If this box is marked, the program might have to do a special calculation for line 30 of Form 6251 (AMT — Individuals); see Form 6251 instructions for more information.

- **Adjustments** — Up to three adjustments per screen are 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.

- **Mark if loss based...** — Mark this box if the loss is not allowed based on the amount in box **1d**.

- **Qualified Small Business Stock** — Choose from the **Amount of section 1202 gain** drop list the percentage of qualified small business stock that the taxpayer held for five years and then sold, then enter an amount in the second field:
  - 50% if acquired after 8/10/1993
  - 75% if acquired between 2/18/2009 and 09/27/2010
  - 100% if acquired between 09/28/2010 and 12/31/2013
- **State Use Only** — Check with your state for required codes.
- **Summaries** — If you are reporting only the *totals* of 1099-B transactions rather than reporting individual transactions, read the notes at the bottom of the **8949** screen. For information on using paper document indicators with e-filed returns, see "Paper-Filing Forms and Supporting Documentation (Form 8453)" on page 358. For information on attaching PDF documents to e-filed returns, see "Binary Attachments" on page 289.

NOTE | Click the **Additional Info** tab at the top of screen **8949** and complete the screen to produce a copy of Form 1099-B for those states that require this form for e-file purposes. No data entered on the **Additional Info** tab flows to any federal form.

**Screen D2, Carryovers & Other Entries**

Screen **D2** has fields for short-term gains/losses from other sources, long-term gains/losses from other sources, loss carryovers from the prior year, capital gain tax computation, and federal withholding. If the taxpayer's information was entered in Drake Tax last year, the gains/losses and carryover fields are updated automatically.

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.

**Short- and Long-Term Transactions**

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 of screen **D2**, 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 are not making an entry on screen **8949**.

## Form 8949 Imports

Use the Form 8949 Import tool to import capital gain and loss transaction data from an Excel or other worksheet into Drake Tax.

**Create a Worksheet**

Before you can use this feature, you must have a worksheet containing the transaction data. Create a worksheet or import one from Drake Software. (See "Import a Worksheet" on page 181.) This worksheet should be saved as a Microsoft Excel, TAB, or CSV file, with each column labeled (in order) for a field on screen **8949**. Part of a worksheet is shown in Figure 5-8 on page 180. Suggested labels are shown in Table 5-3 on page 180.

**Figure 5-8:** Screen **8949** fields as columns in Excel worksheet

Columns must be in the same order as the fields on screen **8949**. When looking at Table 5-3, which shows the field/column order, note that the column names do not have to match the field names exactly. A good place to save a worksheet is the "Documents" folder in Drake Documents for that client.

NOTE      Ignore the **EIN (QOF Only)** field on screen **8949** when building your 8949 spreadsheet.

**Table 5-3:** Spreadsheet Columns for Form 8949 Import

| Spreadsheet Column | Associated Field on Screen 8949 |
|---|---|
| A | TSJ |
| B | F |
| C | State |
| D | City |
| E | 8949 check box |
| F | Description of property |
| G | Date acquired |
| H | Date sold of disposed of |
| I | Type of gain or loss |
| J | Ordinary |
| K | Proceeds from sale of stocks, bonds, or other capital assets |
| L | Cost or other basis |
| M | AMT Cost basis |
| N | Accrued market discount |
| O | Wash sale loss disallowed |
| p | US Real Property (**Note**: To have a check mark appear in this field, enter any character into the spreadsheet column.) |
| Q | Adjustment 1 code |
| R | Adjustment 1 amount |
| S | Adjustment 1 AMT amount |
| T | Adjustment 2 code |

**Table 5-3:** Spreadsheet Columns for Form 8949 Import

| Spreadsheet Column | Associated Field on Screen 8949 |
| :---: | :--- |
| U | Adjustment 2 amount |
| V | Adjustment 2 AMT amount |
| W | Adjustment 3 code |
| X | Adjustment 3 amount |
| Y | Adjustment 3 AMT amount |
| Z | Federal tax withheld |
| AA | Loss not allowed |
| AB | Proceeds from collectibles |
| AC | QSBS Code |
| AD | QSBS Amount |
| AE | State |
| AF | State ID # |
| AG | State tax withholding |
| AH | State |
| AI | State ID # |
| AJ | State tax withholding |
| AK | State use code |
| AL | State adjustment |
| AM | State Cost/Basis |
| AN | LLC Number |

**Import a Worksheet**
To save yourself the trouble of building a blank worksheet, download one from Drake Software's Knowledge Base that has the headings already included:

1. From toolbar of the **Home** window of Drake Tax, click **Support** and select **Drake Software Knowledge Base** from the drop list.
2. When the KB is opened, type `Schedule D Import` in the **Quick Search** field and then press ENTER.
3. In the **Search Results** pane at the bottom of the window, select article # **10139: Schedule D Imports**.
4. Scroll to the bottom of the article and click the link: **2016 and Future Excel Blank Excel Spreadsheet with 8949 Import Headers**. (There is also a worksheet for 2015 and prior years.)
5. Save the worksheet as a Microsoft Excel, TAB, or CSV file. A good place to save the worksheet is in Drake Documents, in the "Documents" folder for that client.

**Importing Saved Data**

To import the information:

1. Open the client's file to the **Data Entry Menu** and click **Import > Form 8949 Import/GruntWorx Trades** from the toolbar. The **Form 8949 Import/Grunt-Worx Trades** instructions are displayed.

2. Click **Next** to open the **Step 1** dialog box.

3. Click **Browse** (to the right of the **1. Import File Name** text box) to locate the file to be imported.

4. Once you have selected the file to be imported, click **Open**. When the import function has been completed, the data path and file name are displayed, with the columns filled in the **Form 8949 Transaction Information** grid below it.

5. From the **Start import at** drop list, select the line at which to start the import. For example, if row **1** in the transaction list is column header information, choose to begin import at line **2**.

6. Click **Next**.

7. After verifying that the information is correct, click **Import.**

The **Existing Forms List** is opened (if you have that option selected at **Setup > Options**). Select a screen to open and click **Open**.

NOTE

The Form 8949 import also works in the business packages, but doesn't use the **Qualified Small Business Stock** section of screen **8949**. Include those columns when building your worksheet but enter no amounts in those columns. When you import the Form 8949 data into one of the business packages, those two columns are ignored.

## Sales of Assets

To enter nonrecaptured losses, use the **Part IV, Recapture Amounts when business use drops...** section of screen **4797**. For sold property listed on Form 4797, depreciation sometimes must be recaptured as ordinary income. (For more on depreciating sold assets in Drake Tax, see "Depreciating Sold Assets" on page 264.)

**Form 1099-S Transactions**

Enter data from Form 1099-S, Proceeds from Real Estate Transactions, on the **4797** screen. Mark the **1099-S transaction** box, located near the top of screen **4797**.

## Data Entry Streamlined for Group and Installment Sales

Much of the information needed on Form 6252, Installment Sale Income, flows to the form from screen **4562** or screen **4797**. The program then completes Forms 6252 automatically, unless you tell it not to. (See "Completing Your Own Form 6252" on page 185 for more.)

## Reporting Installment Sales

Follow these steps when entering an installment sale of an asset that is not a business asset.

1. Open screen **6252**, available from the **Income** tab of the **Data Entry Menu**.

    **2.** At the top of screen **6252**, enter a **Description of property** and the amount of payment received in the current year in the **Receipt category** section.

    **3.** On the left side of the screen, under **Current Year Sale Information**, complete the required fields (lines 2 through 8, plus 11 (and 15, if applicable).

Drake Tax produces Form 6252 and sends any gain to Schedule D.

NOTE    For nonbusiness assets, mark the **Qualified Small Business Stock**, **Collectible**, or **Noncapital asset** check boxes, as applicable.

Follow these steps when entering an installment sale of an asset that is a business asset.

If the **4562** screen is *not* used:

    **1.** Complete the **4797** screen for the sold asset. Be sure to make a selection from the **Property Type** drop list.

*Screen code: 4797*    **2.** Indicate with a multi-form code number in the **Installment sale MFC** field that the sale is also reported on Form 6252. (For more on how multi-form codes work, see "Associating One Screen with Another" on page 114.) You can create a **6252** screen by clicking **6252** from the **Income** tab of the **Data Entry Menu** and entering payments in the **Receipt category** section at the top of the screen. Press PAGE DOWN for a fresh instance of screen **6252**.

    **3.** Open the **6252** screen indicated by the MFC number. (For instance, if you entered "2" in the **Installment sale MFC** field of screen **4797**, indicating the second screen **6252**, then open the second instance of the **6252** screen.)

NOTE    Item #1 of Figure 5-9 on page 184 shows the **MFC** number used on screen **4562**, but MFC procedure works the same for the **4797** screen.

*Screen code: 6252*    **4.** Complete any fields at the top of the **6252** screen (those fields above the **Current Year Sale Information** section), including the payment received in the current year in the **Receipt category** section.

To enter an installment sale using the **4562** screen:

*Screen code: 4562*    **1.** For the sold asset, open screen **4562** and complete the **Date sold** field in the **If sold** section on the lower right quadrant of the screen. This causes the program to stop calculating depreciation.

    **2.** Indicate with a multi-form code number in the **Installment Sale MFC** field that the sale is also reported on Form 6252.

    **3.** Enter a **Sales price** and an **Expense of sale**.

    **4.** Make a selection from the **Listed Prop Type** drop list (in the top right quadrant of the screen).

**Figure 5-9:** Linking an installment sale from screen **4562** to the second screen **6252** (item #1) and linking an asset to the third "group" sale of assets (item #2)

TIP

As an alternative, and only if the current year is not the year of sale, you can enter the **Gross Profit Percentage** on the **6252** screen. Use a whole number, not the decimal equivalent. For example, enter 62% as `62`, not as `.62`.

- **Line 19** and **Receipt category** section of screen **6252** (Part II of Form 6252) — Complete line 19 if not a current-year sale. (Use a whole number, not a decimal equivalent). Enter any interest or principal received in the current year in the **Receipt category** section.

- **Part III (Related Party Sale Income)** — Complete Part III of Form 6252 if (a) the sale was made to a related party, and (b) the income is *not* from the final payment in the current tax year. (Click the new **Part III** tab at the top of screen **6252**.)

- **Unrecaptured Section 1250 Gain** — If unrecaptured §1250 gain is present, enter the gain amount in the **Unrecaptured Section 1250 Gain** field. (Find that field just below line 25 of the **6252** screen.) The taxable amount is calculated on the WK_1250 worksheet and is carried to Schedule D, line 19, based on these calculations.

5. View the return. See line 35 of Form 4797 for the recapture amount (if any).

NOTE

For selling a nonbusiness asset on the installment basis, complete all relevant lines on screen **6252**.

**Group Sales**   For sales of multiple assets in one sale ("group" sales), you can enter a **Group sale number** (item #2 in Figure 5-9). Similar to MFCs, group sale numbers link all like-

numbered items in one sale. In the example #2 in Figure 5-9 on page 184, the sale of all assets reported on screens **4562** with a **Group sale number** of "3" will be grouped in one sale. See "Group Sales" on page 264 for more details on group sales.

**Other Screen Changes**

Also on screen **4562** is the **Date taken out of service** field (figure below). Entry in this field stops calculation of depreciation on this asset. The program continues to keep track of this asset when you update this year's return into next year's program unless you mark the **Do Not Update to next year** check box.



On screen **4797**, along with the installment sale and group sale fields, additional fields now include check boxes for indicating **Involuntary conversion**, **Abandoned**, and **Sold to a related party**.

## Completing Your Own Form 6252

On the **6252** screen is the option to not use data flowing from the **4562** and **4797** screens, but to complete your own Form 6252. Although this procedure is not recommended, there might be an occasion you would want to adjust the computed numbers on a Form 6252 and Drake Tax accommodates this contingency.



If you select the **Asset data will NOT flow to this form 6252** check box on screen **6252** (figure at left), the data you entered on neither the **4562** nor **4797** screen for this sale flow to this Form 6252, even if you marked the **Installment sale MFC** check boxes on those screens.

If you enter data on the **6252** screen and *do not* mark the **Asset data will NOT flow to this form 6252** check box, the program uses the information entered at the top of the **6252** screen, and any data on lines 6 or 15, but ignores anything else entered on the **6252** screen, using instead data flowing from the **4562** or **4797** screens to complete the Form 6252.

**Part III Tab of screen 6252**

Part III of Form 6252, Related Party Installment Sale Income, is reported on the **Part III** tab of the **6252** screen.

## Like-Kind Exchanges

If an asset has been traded and requires continued depreciation and there is an increase in basis that must be depreciated, you can link like-kind exchange information to the appropriate depreciation details.

To enter an asset as a like-kind exchange:

*Screen code: 4562*
1. Open the **4562** (**Depreciation Detail**) screen for the asset that the taxpayer traded (or gave up).
2. Make an on-screen notation to indicate that the asset was traded (for example, type an A before the description in the **Description** field).

*Screen code: 8824*
3. Open the **8824** (**Like-Kind Exchanges**) screen and complete the fields for the like-kind exchange.
4. Calculate the return. In View/Print mode, view Form 8824 and note the amount calculated for the "Basis of like-kind property received" line. (Generally, this amount becomes the adjusted basis of the new asset, unless an additional amount was incurred in obtaining it.)

*Screen code: 4562*
5. Open the **4562** screen for the new asset. In the **Description** field, make a notation to indicate that the asset was traded (such as an A before the description).

   (As an example, if a Ford 150 is traded for a Chevy Blazer, the descriptions on the **4562** screens might be "A-Ford F150" and "A-Chevy Blazer." This notation makes the traded assets easier to identify.)
6. Enter any increase in basis as the beginning cost.

The depreciation on the old asset continues over the remaining life, and depreciation for the new asset starts, using the 8824 basis for the correct number of years.

## Basis of Primary Residence

*Screen code:*
*HOME*
Use the **HOME, Sale of Residence** screen to complete the following tasks:

- Report the sale of a primary residence
- Enter data to determine the taxpayer's basis in the primary residence and calculate the tax implications of the transaction
- Allow the program to reduce the maximum exclusion if the taxpayer is eligible for part, but not all, of the gain exclusion
- Apply the appropriate treatment for the gain (loss) on the transaction
- Indicate that a surviving spouse is taking the MFJ exclusion for gain on the sale
- Enter data to calculate the amount of recapture in a year of sale if the First-Time Homebuyer Credit (Form 5405) was taken on the home

**Related Worksheets**
A Primary Residence Calculations worksheet (Wks 2119) is generated with the return when the **HOME** screen is used. It consists of three parts:

- Worksheet 1: Adjusted Basis of Home Sold
- Worksheet 2: Taxable Gain on Sale of Home
- Worksheet 3: Reduced Maximum Exclusion

These pages are for informative purposes only to allow the basis in the home to be tracked. If no date of sale is entered, only Worksheet 1 contains data when generated with the return.

**Updating from the Prior Year**

Data entered in the **Date home was purchased** field, the fields in the **Basis of Home** section, and the fields in the **Form 5405 Repayment Information** section are included in the Drake Tax update routine. These fields are updated as long as there is no date in the **Date home was sold** field. Once the home is sold, there is no need to continue tracking the basis.

**Schedule D**

The home sale flows to Schedule D only if the gain on the sale exceeds the exclusion amount. If Schedule D is generated, both the gain on the home and the Section 121 exclusion (if applicable) appears on Schedule D. The Wks 2119 worksheet is still generated, but Schedule D is added to report the taxable gain on the sale.

**Section 121 Calculation**

The program calculates the section 121 exclusion using the number of days during the last five years that the taxpayer used the home and the number of days the home was owned during the past five years. Enter this information in the **Calculate Section 121 Exclusion** section of the **HOME** screen.

**Conversion to Business Use**

If a home was lived in and then converted entirely to rental or business use and subsequently sold, the transaction must be shown on Form 4797. Mark the **Carry taxable gain to 4797** box (in the **Miscellaneous** section) to have the applicable **HOME** screen information flow to Form 4797.

**Exclusion for Surviving Spouse**

For two years after the death of a taxpayer, a spouse is permitted to take the MFJ exclusion for gain on the sale of a principal residence, assuming the normal requirements for the exclusion are met. To indicate that the surviving spouse is taking the exclusion, mark the **Recently widowed taxpayer eligible for MFJ exclusion** box in the **Miscellaneous** section of the **HOME** screen.

**First-Time Homebuyer Credit**

If the First-Time Homebuyer Credit was taken for the residence in 2008 or 2009 and there has been a disposition or change in the use of the residence *or* the credit is now being repaid, complete the applicable fields in the **Form 5405 Repayment Information** section of the **HOME** screen.

# Retirement Income

Use the **1099**, **8606**, and **ROTH** screens to enter most retirement income data. Screens **3** and **4** include fields for entering retirement data directly into the generated 1040. Amounts entered in these fields are combined with any corresponding calculations from the **1099**, **8606**, and **ROTH** screens.

## Form 1099-R

Use screen **1099** screen to enter data, including distribution amounts, from Form 1099-R.

The **1099** screen consists of two tabs: **1099-R** and **Special Tax Treatments**. The **Special Tax Treatments** screen has fields for the Simplified General Rule Worksheet,

qualified charitable distributions, HSA funding distributions, public safety officers, and check box for indicating income received because of the death of a spouse (state-use only).

**1099 Verification**

Optional verification fields help ensure that distribution and withholding amounts are correct by requiring re-entry of federal and state distributions and federal withholding amounts at the bottom of screen **1099**. Activate or disable this feature from **Setup > Options > Data Entry** tab by clearing the **Activate W-2 wages and withholding verification fields** check box.

**Items Not Reported on 1099-R**

Use screen **3** for IRA and pension distribution amounts that were *not* reported on a 1099-R. Enter total and taxable portions of these amounts (Figure 5-10).



**Figure 5-10:** Adjustment fields for IRA and pension distributions (screen **3**)

These amounts are calculated with the corresponding amounts from the **1099** and **8606** screens and carried to the "IRAs, pensions, and annuities" line of Form 1040. Do not duplicate entries made on the **1099** or **8606** screens.

NOTE    Mark the applicable check box on this screen to have the program calculate the penalty for early distribution of the taxable portion of IRA distributions or pensions entered in one of the fields of line 4b.

**Substitute 1099-R**

To file a substitute 1099-R (Form 4852), refer to "Substitute W-2, 1099-R" on page 166.

**Rollover of Pensions/ Annuities**

If a 1099-R distribution should be excluded from income because it was rolled over into another qualified plan, indicate this using the **Exclude from income** drop list on the **1099** screen (under the **Rollover Information** heading; see figure below).

Select **S** if the distribution was rolled over into the same type of account. Select **X** if it was rolled over into another plan. If **S** is selected, the word "ROLLOVER" is displayed on "IRAs, pensions, and annuities" line of Form 1040.



**FATCA Filing Require- ments**

Mark the **FATCA** check box (between items 11 and 12 in the middle of screen **1099**) if distributions entered on this screen fall under the FATCA requirements.

See "FATCA Filing Requirements" on page 172 for more information.

## 501(c)(18) Contributions

Enter contributions to a 501(c)(18) pension plan on screen **4**, but do not include amounts that have been assigned Code H ("Elective deferrals to a section 501(c)(18)(D) tax-exempt organization plan") in box 12 of the W-2. Those amounts flow automatically from the **W2** screen to Form 1040.

## IRA Contributions

*Screen codes:*
*8606, ROTH*

For *traditional* IRA contributions, use the **8606** screen, which addresses Part I of Form 8606, Nondeductible IRAs. For *Roth* IRA contributions, use the **ROTH** screen, which addresses Parts II and III of Form 8606.

Both the **ROTH** screen and screen **8606** are accessible from the **Adjustments** tab of the **Data Entry Menu**.

Deductible IRA contributions are calculated from the **8606** screen and displayed on the "IRA pensions, and annuities" line in the "Adjustments to Income" section of Schedule 1. If an amount is entered into the **Deductible IRA** field on screen **4**, it is combined with the amount from the **8606** screen.

If a taxpayer is covered by a pension plan, use the **8606** screen instead of screen **4.** If the program determines that the contribution amount exceeds the maximum allowed, it generates a Return Note with the return.

TIP     If Form 8606 is not required but you want to generate it anyway, go to the **8606** screen and select **Print Form 8606 even if not needed**.

**Inherited IRA**     If the taxpayer had an inherited IRA, mark the **Inherited IRA** check box for screen **8606**. The program then tracks the basis of this IRA separately from any other IRAs the taxpayers has, and produces a separate Form 8606 for the inherited IRA.

**Converting to a Roth IRA**     To report the transfer of an amount from a traditional IRA to a Roth IRA, enter the amount on the **ROTH** screen (Figure 5-11).



**Figure 5-11: ROTH** screen field for amount to be transferred to a Roth IRA

This amount flows to the appropriate line of Form 8606.

## IRA Penalty Computations

*Screen code: 5329*     IRA penalties are calculated using data entered on screen **5329** (Form 5329, Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts).

**Carrying 1099-R Data to Form 5329**

It might not be necessary to enter data directly onto screen **5329**.



If a distribution code of **1** ("Early (pre-mature) distribution, no known exception") has been selected from the **Dist. code** (box 7) drop list of the **1099** screen, you can force the distribution amount from a **1099** screen to flow to Form 5329 and have the taxable amount of the distribution subject to the 10% penalty. To do so, go to the desired **1099** screen and select the applicable box under **Additional Information for this Distribution** (figure at left).

To access the **5329** screen directly from the **1099** screen, click the **Form 5329** link shown in the figure above. To force the program to generate Form 5329, mark the **Force 5329** check box on screen **5329**.

NOTE

If a penalty applies and no known exception exists, Form 5329 is not required. In this case, the program computes the penalty and sends it to Form 1040 but won't generate Form 5329. To force the program to print Form 5329, go to the **5329** screen and mark the **Force 5329** check box.

**Exception Numbers**

Refer to IRS instructions for details on which exception numbers apply to which forms. To view full descriptions of each exception number, click inside the **Exception number** field on screen **5329** and press F1.

## Supplemental Income

Links for Schedule E and K-1 screens are located in the **Schedules E and K-1** section of the **Income** tab of the **Data Entry Menu** (Figure 5-12).
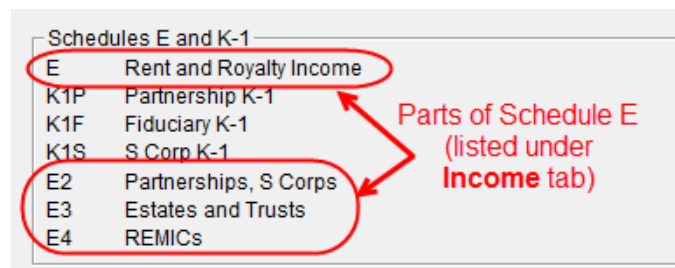


**Figure 5-12:** Screens for entering Schedule E data

## Schedule E

*Screen code: E*

Enter information on rental property on the first tab of the **E** screen, **Property Info**. Property usage for fair rental and for personal purposes, and income derived from rental property, is entered on the **Income/Expenses** tab (Figure 5-13 on page 191).

**Figure 5-13: Income** moved to the **Income/Expense** tab of screen **E**

**Completing Schedule E**

Use the two tabs on the **E** screen—**Property Info** and **Income/Expenses**—to complete page 1 of Schedule E (Part I: Income or Loss From Rental Real Estate and Royalties).

Page 2 of Schedule E (Parts II through V) is calculated from entries on the **K1** screens. (The corresponding screens in Drake Tax are **E2**, **E3**, and **E4**.)

NOTE

A non-corporate taxpayer who has qualified business income (QBI) from any trade or business, (not W-2 wages), including income from a pass-through entity, might be allowed to deduct up to 20% of that income from his or her taxable income.

For QBI deductions from Schedule E income, screen **E** has a **Qualified Business Income (QBI) Deduction** section for entering this income information. Note that **This activity is a trade or business** drop list is a required field: you must select an answer from the drop list if filing Schedule E, Supplemental Income and Loss (from rental real estate, royalties, etc.).

For more information on QBI deductions, see "Qualified Business Income (QBI) Deductions" on page 225.

**Passive/ At Risk Carryforward**

*New for 2019*: In the **Passive/At-Risk carryforwards from 2018** section of the **Property Info** tab of screen **E** is a column for **Regular Tax Pre-2018**. Put in this column the portion of any prior-year unallowed passive loss carryovers entered in the **Regular Tax Total** column that are being carried forward from 2017 or earlier.

**Property Usage**

Item **2** on the **Income/Expense** tab of screen **E** contains fields for indicating how much a property was used for fair rental and for personal purposes.

**Schedule E Expenses**

Expenses incurred from a rental property are entered on the **Income/Expenses** tab of screen **E**, in the first column, **Expenses attributable to rental unit**. For multi-occupancy units, such as a duplex in which the owner lives in one unit and rents out the other unit, enter the expenses related to only the rental unit in the first column of the **Expenses attributable to rental unit** column, and enter expenses related to the entire property in the second column, **Expenses attributable to entire property**, (red box in Figure 5-14 on page 192). Be sure to enter the occupancy percentage in the **Taxpayer or spouse occupancy percentage** field at the top of this column.

**Figure 5-14:** Expenses for entire property in the **Income/Expenses** tab on screen **E**

There are **Override program calculation** fields for every expense except line 18 (see NOTE, following) on the **Income/Expenses** tab. These overrides are limited to the sum of the **Expenses attributable to rental unit** ("direct expenses") and **Expenses attributable to entire property** ("indirect expenses") columns for that expense. Entries in these fields bypass the limitations for ownership percentage, multi-unit occupancy percentage, and personal-use percentage. They *do not* bypass the "Schedule E - Rental Limitations on Deductions When Used for Personal Use" worksheet ("Wks Sch E Personal" in View/Print mode).

N OTE          Drake Tax does not recommend using these override fields.

Line 18, "Depreciation/Depletion," on the **Income/Expenses** tab is divided into three fields: "Depreciation ONLY," "Depreciation adjustment (AMT)," and "Depletion." The two depreciation fields are still adjustment fields, but "Depletion" is an override

field, allowing you to override amounts flowing to the return from the "Oil and Gas Depletion" worksheet (screen **DEPL**).

NOTE    The program produces one Form 4562 for each property on Schedule E and Form 8825 instead of one Form 4562 for each Schedule E or Form 8825.

IMPORTANT    Use screens **E2**, **E3**, and **E4** only if transcribing the information from a previously calculated Schedule E.

**Form 1099 Reporting**    Screen **E** includes check boxes for indicating (A) if any Forms 1099 were required to be filed, and (B) whether the required Forms 1099 were filed.



**Figure 5-15:** Form 1099 boxes on screen E

NOTE    If more than one Schedule E is required, questions A and B should be answered on only the first screen **E**.

**General Property Information**    Information entered in the **Property description for reporting** field at the top of the **Property Info** tab of screen **E** (shown in Figure 5-15) appears in the headings of all generated worksheets associated with the activity.

The following fields are also located on the **Property Info** tab of screen **E**:

- **Activity Type** — **Active rental real estate** is the default selection. If **Nonpassive** is selected and EIC is involved, the program prints "NPA" on the appropriate line of Schedule E. For more on selecting activity types, see "Activity Types" on page 197.
- **Address and Type of Property** — Enter the property address in the fields provided, and select the property type from the options below those fields. If **8 - Other**, type a brief (20 characters or fewer) description of the property type.
- **Property was disposed of in 2019** — Mark this box if the property was sold or otherwise disposed of in the current tax year.

NOTE    If the property was 100% disposed of, and the **If sold** section of a **4562** screen has been completed, the program automatically determines if the disposal was at an overall loss or gain and prepares Form 8582, Passive Activity Loss Limitations, and its worksheets accordingly.

- **This is taxpayer's main home or second home** — Select this box if the property is the taxpayer's main or second home. If personal use is indicated by an entry in the **Personal use days** box on line 2 of the **Income/Expense** tab, and the **This is taxpayer's main home or second home** box is marked on the **Property Info** tab, mortgage interest flows to Schedule A. (See "Property Usage" on page 191.)

- **Qualified Joint Venture** — Mark this box to indicate that a taxpayer owned a property as a member of a qualified joint venture that is reporting rental income not subject to self-employment tax

- **Some investment is NOT at risk** — Mark this box if portions of the real-estate investment are not at risk. To enter data for computing deductible profit or loss from at-risk activities, click the **Form 6198** link to open the **6198** screen (for Form 6198, At-Risk Limitations). When you exit the **6198** screen, the program returns you to the **Property Info./Income** tab of screen **E**.

- **Operating expense carryover** — Enter the amount of operating expenses that are carried forward from 2018 that could not be deducted in 2018 because this property was also used as a home. An entry in this field flows to the Rental Limitation on Deductions worksheet (listed as "Wks Sch E Personal" in View/Print mode).

- **Ownership percent —** Enter the percentage of ownership. If a percentage is entered here, the full amounts must be entered on Schedule E so the program can calculate the correct percentages. Amounts for Form 4562 must be prorated.

- **To use Tax Court method...** — Mark this check box to use the tax court method to calculate the amount of mortgage interest and taxes for this rental property. If the number of days owned if not 365, enter the correct number of days in the override text box. (If the text box is left blank, the program uses 365 as the default.)

- **LLC#** — State use only

NOTES    The program uses the percentages entered when calculating the business percentage of expenses and taking deductions. The remaining percentage of taxes entered flow to Schedule A. Mortgage interest flows to Schedule A only if the **This is your main home or second home** box is marked on the **Property Info** tab of screen **E**.

A taxpayer with more than 10% use of a rental can deduct expenses up to the amount of income, regardless of percent use.

**Sale of Property**    If a property was sold and reported on screen **4797** (Form 4797, Sales of Assets) instead of on screen **4562**, the proper Schedule E must be associated with the proper **4797** screen. Use a passive activity number (PAN) code to tie them together. Entering a number in the **PAN** box at the top of the **Property Info** tab of screen **E**, and then enter the same number in the **PAN** box of the applicable **4797** screen.

**Rental of Personal Property**

Enter income from "casual" rental of personal property on screen **3**. Enter expenses from "casual" rental (if any) on screen **4**, in the **Expenses from casual rental of personal property** field under line 36. Do not use screen **E** for these entries. The literal "Personal Property Rental" and the amount of rental income is printed on line 21 of Schedule 1, and the letters "PPR" and the amount of any expenses appears on line 36 of Schedule 1 (Figure 5-16).



**Figure 5-16:** Income form renting "casual" personal property appears on line 21 of the return, and expenses from renting "casual" personal property appear on line 36

- To have amounts from Schedule E or from screen **4835** flow to Form 8960, line 4b, mark the **Carry to 8960 line 4b** check box on the **Property Info** tab of screen **E** or on screen **4835**.

- On the **Income/Expenses** tab of screen **E**, the **DEPL** link opens the Oil and Gas Depletion Worksheet screen. See "Oil and Gas Depletion Worksheet" on page 216.

NOTES

- Generally, a depletion deduction flows to page 2 of Schedule E. When there are royalties income from oil and gas, that depletion deduction is subtracted from the royalties income and shown on page 1 of Schedule E. An **Oil and gas partnership** check box on screen **K1P** (or an **Oil and gas corporation** check box on screen **K1S**) forces the depletion deduction to stay on page 2 of Schedule E.

- If there are other sources of "Other" income, a statement number appears on line 21.

## QBI Deductions for Schedule E

A non-corporate taxpayer who has qualified business income (QBI) from any trade or business, (not W-2 wages), including income from a pass-through entity, might be allowed to deduct up to 20% of that income from his or her taxable income.

For QBI deductions 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.

**Specified Service Trade or Business**

In rare circumstances, a rental activity should be designated as a "Specified service trade or business" (SSTB). This could occur when the property is rented to an SSTB and the same person or group of persons owns 50% or more of both the SSTB and the rental activity. If this is the case, mark the **Rented to a "specified service business"** check box. See "Specified Service Trade or Business" on page 175, or press F1 in the **Rented to a "specified service business"** check box to view details on what constitutes an SSTB.

See "Qualified Business Income (QBI) Deductions" on page 225, or see IRC Sec. 199A(d) for more information on QBI.

**Safe Harbor**

The **Meets Section 199A rental "safe harbor"** drop list on screen **E** (and on screen **4835**, Farm Rental Income) allows a preparer to indicate when a rental activity qualifies for the safe harbor described in Notice 2019-07. Preparers can indicate either that the rental qualifies as a single activity or as part of a group. The required statement will be printed with the return. The preparer must have the statement signed by the taxpayer. (Scan the statement and attach it to the return as a .PDF file.

For more information on entering QBI deductions data in Drake Tax, see "Qualified Business Income (QBI) Deductions" on page 225.

For details on scanning documents into Drake Tax or Drake Documents, see Chapter 13, "Suite Products." For information on attaching .PDF documents to returns, turn to "Binary Attachments" on page 289. There is also information available on the **PDF** screen and in item "GG" on the **FAQ** screen.

For more information on QBI deductions, see "Qualified Business Income (QBI) Deductions" on page 225.

# Schedule K-1

*Screen codes: K1, K1F, K1S*

Screens for Schedule K-1 are accessible from the **Income** tab of the **Data Entry Menu**. The program contains three types of **K1** screens: **K1P** for partnership income; **K1S** for S corporation income; and **K1F** for fiduciary income. Enter information directly into a **K1** screen or import K-1 information from a pass-through entity into an individual return. (See "K-1 Exports" on page 200.)

NOTE
The **K1P** and **K1S** screens include **6198 At Risk** tabs and a **Pre-2018 At Risk** tab, for tracking partner or shareholder basis for at-risk activities before and after 2018. For more information on using these tabs, see "Tracking At-Risk Basis" on page 204.

**Accessing K-1 Data Fields**

Two screens are used to complete the lines on a Schedule K-1 (see red circle in the figure on the next page) from an S corporation or partnership.

When a **K1**
screen is
opened, the
first "page"
of the
selected **K1**
screen is
displayed.
From the
**K1P** screen,
click the



**1065 K1 13-20** tab (red square in the figure above) to complete lines 13 through 20.
(From a **K1S** screen, select **1120S K1 12-17** to complete lines 12-17.)

The **Add'l entries** tab (the blue circle in figure above) on both the **K1P** and **K1S**
screens allows a more complete K-1 export from a partnership's or a S corporation's
K-1s.

**Activity**
**Types**

Screens **K1P, K1F, K1S**, **E**, **E2**, **E3**, and **4835** feature check boxes used for designat-
ing an activity as passive or nonpassive. The selection controls what income data, if
any, goes to Form 8582, Passive Activity Loss Limitations. Available activity types
are described in Table 5-4.

**Table 5-4:** Activity Type Check Boxes for Screens **K1P, K1F, K1S**, **E**, and **4835**

| Activity Type | Description |
|---|---|
| A - Active rental real estate | Activity is a rental real estate activity with active participation. Calculation flows to the "Rental Real Estate Activities With Active Participation" section in Part I of Form 8582 and to the Wks 85821 worksheet. (This is the default selection for screen **4835**.) |
| B - Other passive activity | Activity is a passive activity but is not a rental real estate activity. Calculation flows to the "All Other Passive Activities" section in Part I of Form 8582 and to "Worksheet 3 for Lines 3a, 3b, and 3c" (Wks 85823). |
| C - Real estate professional | Activity is that of a real estate professional and does not flow to Form 8582. |
| D - Nonpassive activity | Activity is not a passive activity. Because it is nonpassive, the calculations from this screen do *not* flow to Form 8582. (Option available on screens **K1** and **E** only.) This is the default selection for screens **K1P**, **K1F**, **K1S**, and **E**. |

If **A** or **B** is selected, the activity is considered a currently passive activity because "A"
is rental real estate and "B" is other passive activity.

NOTES

If the **General partner** check box is marked on the **K1P** screen, self-employment income is automatically reduced by any amount entered in the **Section 179 deduction** field.

Unreimbursed partnership expense flows to a separate line on Part II of Schedule E.

**State K-1 Amounts (If Different)**

By default, the program uses the federal K-1 amounts for both federal and state calculations.



In cases where the state K-1 amounts differ from federal K-1 amounts (such as when a state does not take the federal limits on depreciation), enter the state

amounts in the **State** column fields of a **K1** screen (circled in figure, above).

**Multiple States**

In some cases, an entity issues Schedules K-1 for multiple states, requiring the preparer to enter two or more amounts for the same state K-1 items.

To enter federal and state K-1 information where multiple state K-1s are issued:

**1.** Enter all information for federal and the first state on the **K1** screen. (Enter data in the **State** column only if the state amount differs from the federal).



**2.** Press PAGE DOWN to start a new screen.

**3.** In the **F** text box at the top of the screen, type 0 (zero) to exclude the information on this screen from the federal return (item #1 in the figure above).

**4.** Select a state from the **ST** drop list. In the figure above, "NC" (North Carolina) has been selected.

**5.** Complete all applicable fields. Basic information, such as ID number and name, must be re-entered. Because the program does not use the entries on this screen for federal purposes, it is not necessary to enter the federal amounts; however, all applicable state amounts are required, even if they are identical to the federal amounts entered on the previous screen.

**6.** Click the linked tab at the top of the screen for the next "page" (item #2 in figure on previous page) and continue entering state amounts.

**7.** (if applicable) Complete the **For State Use Only** fields on the second "page."

To enter data for another state, repeat Step 2 through Step 7 above.

**Form 8960 Entries**   The section for Form 8960 entries (figure below) is used for entering amounts that you want to flow to Form 8960, Net Investment Income Tax.



Access this section by clicking the **1065 K1 13-20** tab at the top of the **K1P** screen, the **1041 K1 12-14** tab at the top of the **K1F** screen, or the **1120S K1 12-17** tab at the top of the **K1S** screen.

The fields in this section are adjustment fields that add to or subtract from the calculated amount of Form 8960 by whatever adjusting amount you enter.

The new calculated amount appears on Form 8960 and worksheets are generated to show the calculations.

## Qualified Business Income Deduction

For information on completing the fields in the **Qualified Business Income Deduction** section of screen **K1P** (**1065 K1 13-20** tab) turn to "Qualified Business Income (QBI) Deductions" on page 225.

## Acquisition Interest



For taxpayers who borrowed money to buy in to a business, the interest expense on that loan is deducible as a business expense against profits. You can now enter that amount in the "Acquisition interest" field on the **K1P** screen (**1065 K1 13-20** tab) and the **K1S** screen (**1120S K1 12-17** tab).

## K-1 Exports

Schedule K-1 data can be *exported from* a partnership, S corporation, or fiduciary *into* a 1040 return through the K-1 Export feature.

NOTE    The K-1 Export feature sends K-1 data *from* S corporation, partnership, or fiduciary returns into the K-1 "source" screens (**K1P**, **K1S**, **K1F**) in any of the Drake Tax packages—1120, 1120S, 1065, 1041, 990, or 706.

**Greater Flexibility**    The **Additional Entries** tab on the K1 source screens (**K1P**, **K1S**, and **K1F**) offers 40 fields for entering additional K-1 item.

Make selections from the **Box/Code** drop lists and enter amounts that correspond to the **Box/Code** selections in the **Federal** and **State** columns.



## Exporting K-1 Data

To export K-1 data, you must first have the following items:

- An entity return (1120S, 1065, or 1041) in Drake Tax with Schedule K-1 data included
- A return in Drake Tax for each shareholder, partner, or beneficiary listed in the entity's return (1120S, 1065, or 1041) that will receive a Schedule K-1 from the entity

To export K-1 data into an individual return:

**1.** Open the 1120S, 1065, or 1041 return in Drake Tax that contains the data to be exported.

**2.** Click **View** from the toolbar (or press CTRL+V) to calculate the return and open View/Print mode

**3.** Click the **K1 Export** button in the **View/Print** toolbar.

**4.** If any taxpayer K-1s are not eligible for export, they will be listed on the **Export K1s** window. Click **Next**; otherwise, proceed to the next step.

**5.** The **Export K1s** window (Figure 5-17 on page 201) lists all taxpayer SSNs for exporting. All rows are selected by default.

**6.** (optional) Click a row to clear it if you do not wish to export K-1 data to all individuals listed.
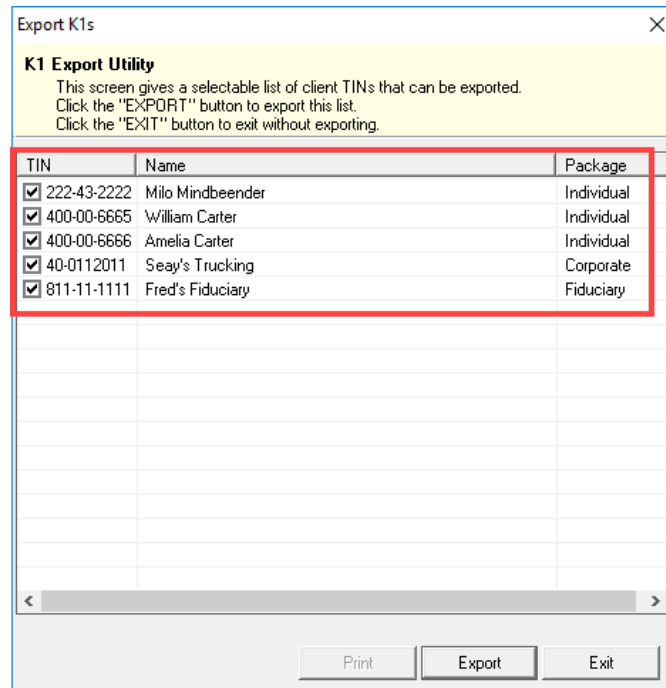


**Figure 5-17:** The **Export K1s** window

**7.** Click **Export**. When the **Export complete** window is displayed, click **OK** and then **Exit**.

NOTES

Once the export is complete, any state K-1 amounts, if different from the federal, must be entered manually. (See "State K-1 Amounts (If Different)" on page 198).

The Basis Worksheet is *not* exported with the Schedule K-1 information.

## Sorting Schedules K-1

For convenience when dealing with pass-through entities that have a large number of partners, shareholders, or beneficiaries, you can sort the list of Schedules K-1 by recipient's name, ID number, ownership percentage, or by the **Control** number.

For more details on sorting K-1s, see Drake Tax's user manuals for the entity packages, available for download from the Drake Software Support website (*Support.DrakeSoftware.com* > **Training Tools** > **Manuals**) available Winter 2020.

**Adjusted Basis**      Drake Tax takes current-year basis limitations into account when calculating K-1 amounts and tracks the adjusted basis for a K-1 from a pass-through entity (partnership or S corporation). The program also limits any losses based on the basis calculation and carries forward to subsequent years the adjusted basis and any disallowed losses.

When a return with adjusted basis data is calculated, the amounts entered on the **K1P** and **K1S** screens undergo the basis limitation calculation. The limited amounts are then used in at-risk and passive loss limitation calculations, if applicable. Because amounts flow from both the **K1** and **Basis Worksheet** screens to determine the amount of basis the taxpayer has for deducting losses from the K-1, it is necessary to enter all basis data on the **Basis Worksheet** screens. These are accessed from either the **K1P** or **K1S** screen. (Tabs are shown in Figure 5-18 on page 203.)

NOTES

- If you calculate a return with K-1 information, but have not entered anything on the **Basis Worksheet** screens, the program generates a Return Note advising you to do so.
- On the **Basis Worksheet** tab of screen **K1S** is a link to the **Shareholder's Debt Basis Information** screen. If the taxpayer made a loan to the S corporation, click the **Shareholder's Debt Basis Information** link (item #2 in Figure 5-18 on page 203) and enter the information. If there is more than one **K1S** screen, enter in the **K1S Number** field the number (in order they were created) of which **K1S** screen the loan information pertains to. If there were more than three such loans, from the **Shareholder's Debt Basis Information** screen, press PAGE DOWN to open a new screen.

**How the Calculation is Applied**

Once it is able to calculate the adjusted basis, the program takes steps based on calculation results:

- **Adjusted Basis More than Zero** — If the adjusted basis is greater than "0" (zero) based on current- and prior-year entries, amounts flow to the return and the program tracks and updates the adjusted basis amounts going forward.
- **Adjusted Basis Zero or Less** — If the adjusted basis is "0" (zero) or less based on current- and prior-year entries, amounts flow to page 2 of the printed Adjusted Basis Worksheet (see "Printed Worksheets" on page 204) to determine how much loss is allowed in the current year. Disallowed amounts are stored and updated to the next year.

**Adjusted Basis**

The first **Basis Worksheet** screen contains fields that are necessary to properly calculate adjusted basis for the 1040 return. Figure 5-18 on page 203 shows the adjusted basis fields for an S corporation and the link to the second screen, **Basis Worksheet continued** (item #1).

**Figure 5-18: Shareholder Basis** fields on **Basis Worksheet** screen

The fields in the **Partner Basis** (or **Stock Basis** for an S corporation) and **Debt Basis** sections for the current year must be completed manually.

NOTE  Data flows directly from the two **K1** screens into the "Current Year Losses and Deductions" column on page 2 of the "Shareholder's or Partner's Adjusted Basis Worksheet" (shown as "Wks K1P Detail Adj Basis" for partners or as "Wks K1S Detail Adj Basis for shareholders in View/Print mode), beginning on the first **Basis Worksheet** screen and continues to the **Basis Worksheet continued** screen.

**Calculating Loss Allocation**

Loss allocation percentage is calculated by:

**1.** Taking the total losses and deductions allowed

**2.** Dividing them by the total losses and deductions to figure the loss allocation percentage

**3.** Multiplying the loss allocation percentage by each category of loss applicable to the return

Once these calculations are complete:

- The product flows to column (D), "Allowed Losses and Deductions in Current Year," on page 2 of the Adjusted Basis Worksheet.
- The difference between the total losses and deductions and the allowed losses and deductions flows to column (E), "Disallowed Losses and Deductions in Current Year," on page 2 of the Adjusted Basis Worksheet.

NOTE  The Shareholder's Adjusted Basis Worksheet ("Wks K1S Detail Adj Basis") and the Partner's Adjusted Basis Worksheet ("Wks K1P Detail Adj Basis") are generated when the return is calculated.

**Prior-Year Unallowed Losses**

Enter prior-year unallowed losses in the **Prior-year carryover losses and deductions** column, which spans the **Basis Worksheet** tab (see Figure 5-19) and **Basis Worksheet continued** tab. The program automatically updates prior-year unallowed losses entered in the 2018 program.



**Figure 5-19:** Some of the fields for shareholder's
prior-year unallowed losses (**Basis Worksheet** screen)

**Printed Worksheets**

Basis worksheets are generated when the return is calculated. A worksheet consists of two pages: page 1 shows the adjusted basis calculations; page 2 shows the losses and deductions calculations.

TIP    You can force page 2 to be printed, even if it does not contain data. To do so, mark the **Force page 2...** check box at the bottom of the **Basis Worksheet continued** tab in data entry.

IMPORTANT    There are several options for producing and attaching basis worksheets to a return at the bottom of the **Basis Worksheet continued** tab of the **K1S** screen. Read the field helps for each of the check boxes for more information.

**Updating to Next Year**

The following basis information will be updated to the next year's program:

- Adjusted basis amount at the end of the year
- Amounts in the "Disallowed Losses" column of the printed Adjusted Basis Worksheet, page 2

**Tracking At-Risk Basis**

At-Risk Limit Worksheets can help track shareholder and partner basis if any amounts not at risk were invested in an at-risk activity. This includes nonrecourse financing and amounts protected by a stop-loss agreement. When applicable, the program produces At-Risk Limit Worksheets with the calculated return. In View/Print mode, the worksheets are listed as "Wks K1P At-Risk" (for partnerships) and "Wks K1P At-Risk" (for shareholders). Two copies of the worksheet are printed for each Schedule K-1:

one for regular tax and one for the alternative minimum tax (AMT). Use the scroll bar in View/Print mode to see both copies.

Use the **6198 At-Risk** tabs on **K1P** and **K1S** screens to enter data for these worksheets.

CAUTION　　Do not duplicate entries from the **6198 At-Risk** screens on the **Basis Worksheet** screens. These are separate limitation calculations.

The top half of the **6198 At Risk** tab has the following groups of fields:

- **Part I, Profit (Loss) from the Activity** — If the basis worksheet was used, the amount entered there for "Gain from Section 179 asset disposition" will flow to line 2b of Form 6198. If that worksheet was not used, then this field on the **6198 At-Risk** tab must be used. (If data is entered in both places, then the amount on the **6198 At-Risk** tab will be used.)
- **Part II/III Simplified/Detailed Computations** — If the **Part III Detailed Computation** fields (located in the following section on the screen) are used, then the program uses Part III to calculate the amount at risk for these fields. If amounts are entered in this section only, then Part II is used.
- **Part III Detailed Computation** — Use this section to complete lines 15, 16, and 18 of Form 6198. If data is entered here, the program uses Part III to calculate the amount at risk for these fields.

The lower portion of the screen has fields for entering prior-year carryover and current-year losses and deductions. Use these fields for the following types of amounts:

- Prior-year losses that were not deductible due to the at-risk limitations
- Current-year amounts to override either (a) the equivalent fields on other **K1** screens or (b) the at-risk calculation

NOTES　　Most of the entries on the **6198 At-Risk** tabs are used for calculating Form 6198, line 4, "Other deductions and losses..."

To force the program to produce the At-Risk Limit Worksheets even when they are not needed, mark the check box at the bottom of the **6198 At Risk continued** tab.

## Pre-2018 Passive Activity Loss Carryovers

*New for 2019*: For a taxpayer who is a partner in a partnership and receives a Schedule K-1, open screen **K1P** in Drake Tax and, for any prior-year losses and deductions that were not deductible because the partner did not have enough basis in the partnership to deduct them in a prior year, enter them on the new **Pre-2018 Basis** tab, and on the **Pre-2018 At Risk** tab, enter the prior-year losses and deductions that were not deductible because the partner did not have an amount at-risk in the partnership to deduct them in a prior year. (Losses incurred prior to 2018 do not affect the QBI deduction in the year they are allowed and must be tracked separately.)

For a taxpayer who is a partner in a partnership, a shareholder in an S corporation, or a beneficiary of an estate or trust and who receives a Schedule K-1:

- Losses or deductions that were not deductible in a prior year because the taxpayer did not have enough basis in the entity are entered on the **Basis Wkst**, **Basis Wkst (cont.)**, **6198 At Risk**, or **6198 At Risk (cont.)** tab on screen **K1P**, **K1S**, or **K1F**.
- If any of those losses or deductions were disallowed in a year prior to 2018, they should also be entered on one of the new tabs entitled **Pre-2018 Basis** or **Pre-2018 At Risk**. Prior-year disallowed losses that were incurred during 2018 should *not* be entered on one of the new tabs.

# Farm Income

Data entry fields for the following farm-related forms are located under the **Income** tab:

*Screen codes:*
*F, J, 4835*

- Schedule F, Profit or Loss From Farming (can also be used with a 1065 return)
- Schedule J, Income Averaging for Farmers and Fishermen
- Form 4835, Farm Rental Income and Expenses

NOTES
- Enter crop insurance and disaster payments for Schedule F and Form 4835 on the **Crop Insurance and Disaster Payments** (**CIDP**) screen.
- The Auto Expense Worksheet (**AUTO**) screen can be applied to the **F** and **4835** screens. See "Auto Expenses" on page 268.

## Schedule F, Profit or Loss From Farming

*Screen code: F*

Use screen **F**, accessible from the **Income** tab, to enter data for Schedule F, Profit or Loss From Farming.

**Screen F Defaults**

The program's default *accounting method* (item **C**) is *cash*. Select the **Accrual** check box if the taxpayer's accounting method is not *cash*.

The default position for *material participation* (item **E**) is that the taxpayer "materially participated" in the current year. If the taxpayer did *not* materially participate, mark the **Did NOT materially participate in 2019** check box.

The default position for *investments* is that all investments are at risk. If this is not true for your client, select **Some investment is NOT at risk** (line 36b in **Part II - Expenses**).

**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** or click the **PATR** link on screen **F**.

You can enter PATR distributions in the **Co-op total distributions** field in **Part I Income** section of screen **F**, but the **PATR** screen gives you access to all the data fields available on Form 1099-PATR, plus it has:

- A **For** drop list, allowing you to direct the distributions to Schedule F, Schedule C, or Form 4835

- A **Multi-form code** box that allows you to associate one screen with another, such as when one screen **PATR** should be associated with a particular Schedule F (See "Associating One Screen with Another" on page 114 for details on using the Multi-form code box.)
- A drop list for sending investment credit information to Part II or Part III of Form 3468
- Drop lists for selecting certain credits and deductions

NOTES

You can enter PATR distributions in the **Co-op total distributions** field in Part I of screen **F**, or you can enter the distributions on the **PATR** screen, but do not enter the data on both screens.

Normally, amounts from Schedules F do not flow to Form 8960, but if you have Schedule F amounts that you want to flow to Form 8960, mark the **Carry to 8960 line 7** check box on screen **F**.

## QBI Deductions for Schedule F

A non-corporate taxpayer who has qualified business income (QBI) from any trade or business, (not W-2 wages), including income from a pass-through entity, might be allowed to deduct up to 20% of that income from his or her taxable income.

For QBI deductions from Schedule F income, open screen **F** and complete the **Qualified Business Income (QBI) Deduction** section.

See "Qualified Business Income (QBI) Deductions" on page 225 for more information on QBI.

## Pre-2018 Passive Activity Loss Carryovers

*New for 2019*: Added to screens **F** and **4835** (open the screen and click the **Carry-over/State Info** tab) is a column for **Regular Tax Pre-2018**. When entering passive/at-risk carryforwards from 2018, type in these fields the portion of any prior-year unallowed passive loss carryovers that occurred prior to 2018. (Losses incurred prior to 2018 do not affect the QBI deduction in the year they are allowed and must be tracked separately.)

## Form 4835, Farm Rental Income and Expenses

*Screen code: 4835*      Use screen **4835** to enter data for Form 4835, Farm Rental Income and Expenses. Note that this form is for individual (1040) returns only; estates and trusts must file Schedule E, Part I, to report rental income and expenses from crop and livestock shares.

## Farm Asset Depreciation

Use screen **4562** (**Depreciation Detail**) to create depreciation schedules for Schedule F and Form 4835. From the **For** drop list on screen **4562**, select either **F** or **4835**, as applicable. For more on entering depreciation data, see "Completing Form 4562, Depreciation and Amortization" on page 260.

## Unemployment Compensation

Unemployment compensation amounts should be entered, as applicable, in the fields described in Table 5-5.

**Table 5-5:** Entering Unemployment Compensation in Drake Tax

| Unemployment Compensation | Where to Enter in Drake |
|---|---|
| Information from 1099-G | Screen: **99G**<br>Fields: As applicable |
| Any prior-year amounts, repaid; to claim repayments<br>(See Pub. 17 for guidance) | Screen: **A**<br>Field: **Other not subject to 2% limit**; (choose **Claim Repayments**) |
| Prior-year supplemental (employer-provided) amounts, repaid | Screen: **4**<br>Field: **Repaid sub-pay previously reported** (Enter the repaid amount.) |
| Current year, total | Screen: **3**<br>Field: **Unemployment compensation** (adjustment field; added to **99G** amount) |
| Current year, repaid | Screen: **3**<br>Field: **Portion of above unemployment repaid in 2019** (adjustment field; added to **99G** amount) |

Note that the **Unemployment compensation** field and the **Portion of above unemployment repaid** field on screen **3** are adjustment fields. Any amounts entered in these fields are added to the amounts from the **99G** screen and carried to the "Unemployment compensation" line of Form 1040. Do not duplicate the **99G** entries on screen **3**.

## Social Security and Railroad Benefits

*Screen code: SSA*　Use the **SSA** screen to enter data from Form SSA-1099. If this form was not distributed, use screen **3** to enter the following Social Security (or equivalent) benefit amounts (see Figure 5-20 on page 209):

- Social Security benefits that apply for the current year
- Lump-sum benefits from prior years (total received and taxable portion)
- Railroad Tier 1 benefits for the current year

**Figure 5-20:** Screen **3** fields for Social Security benefit amounts

These figures are combined with any Social Security or equivalent benefit amounts from the **SSA** screen, calculated, and displayed on the "Social security benefits" line of Form 1040.

NOTES
- If the taxpayer received lump-sum Social Security benefits for earlier years, and a portion should be reported on this return, open screen **3** and click the **Lump Sum Benefits** link to open screen **LSSA** for Lump Sums Social Security Distributions. Complete any necessary fields and the program generates the required Lump Sum Benefits worksheets.
- Preparers can override the amounts calculated on the Lump Sum Benefits worksheets using the line 5a override fields on screen **3**. (No "Lump Sum Benefits" worksheet is generated if the overrides are used.)
- See Pub 915 for details on Social Security lump sum benefits.
- Screen **LSSA** is also available from the **Income** tab of the **Data Entry Menu**.

*Screen code: RRB* To enter data from the federal RRB-1099R form, use the **RRB** screen. This screen reflects the federal form.

NOTES
- To treat Medicare premiums as self-employed healthcare coverage, mark the **To treat Medicare premiums...** check box on the **SSA** screen. Medicare premiums flow to the Self-Employed Health Insurance Deduction Worksheet (Wks SEHID) instead of Schedule A.
- Railroad Retirement Board payments should be reported on the **SSA** screen.

## Other Income

The **Other income** fields on screen **3** are available for reporting taxable income not reported elsewhere on the return. Amounts entered here are produced on the "Other income" line of Schedule 1, and descriptions are listed in a statement.

Several screens are available in Drake Tax for entering other types of income, as described in the following sections.

NOTE — Various **Line 21** lines on screen **3** cover different specific types of income that the IRS would expect to see on line 21 of the Schedule 1, including Indian gaming proceeds and distributions, ABLE distributions, and section 965(a) income.

## Taxable Distributions

Following are brief descriptions of how to report distributions from various kinds of tax-free savings plans in Drake Tax.

**Medical & Health Savings Accounts** — Enter distributions from Medical Savings Accounts (MSAs) on screen **8853** (Form 8853, Archer MSAs and Long-Term Care Insurance Contracts). Enter distributions from Health Savings Accounts (HSAs) on screen **8889** (Form 8889, Health Savings Accounts (HSAs)). The distributions flow to Schedule 1 as income; the taxable amounts from these screens flow to Schedule 4. (Access screens **8853** and **8889** from the **Adjustments** tab of the **Data Entry Menu**.).

IMPORTANT — Lines 1 (coverage indication) and 2 (HSA contributions for the year) of screen **8889** are required if Form 8889 is to be e-filed with the return.

**ABLE Account** — ABLE (Achieving a Better Life Experience) accounts allow individuals with disabilities and their families to fund a tax- preferred savings account to pay for qualified disability related expenses.

The annual limitation on contributions in the past was the amount of the annual gift-tax exemption ($15,000 in 2018). The TCJA increased the contribution limitation to ABLE accounts with respect to contributions made by the designated beneficiary and other changes are in effect:

• After the overall limitation on contributions is reached ($15,000), an ABLE account's designated beneficiary can contribute an additional amount, up to the lesser of:
  – The federal poverty line for a one-person household
  – The individual's compensation for the tax year

Enter excess contributions and the value of the ABLE account at year's end in **Part VIII** in the right column of screen **5329**. (Access screen **5329** from the **Adjustments** tab of the **Data Entry Menu**.) The tax on excess contributions and on distributions appears on line 59 of Schedule 4. Distributions from ABLE account are recorded on line 5 in the left-hand column of screen **5329** and flow to Schedule 1 as income.

**1099-Q** — If the amount on Form 1099-Q, Payments From Qualified Education Programs, *exceeds* the amount of education expenses, compute the taxable amount of the distributions and enter it on screen **5329** (Part II, line 5) *and* the "Other Income" fields on screen **3**, line 21. (Access screen **5329** from the link on screen **1099** or from the **Adjustments** tab of the **Data Entry Menu**.)

## Gambling Income and Loss

*Screen code: W2G*    Use screen **W2G**, accessible from the **General** tab, to enter gambling income information from Form W-2G. Data from screen **W2G** is carried to line 21 of Schedule 1.

N OTES
- The **W2G** screen has check boxes for **Lottery Winnings** and **Electronic Games of Skil**l. Not all states tax the winnings from lotteries and electronic games. Select boxes as applicable, but first press F1 in a field to access further information on each item.
- At the top of screen **W2G** is a field linking the screen to a particular screen with a particular screen **C**, so professional gamblers can claim business expenses on Schedule C.

Other gambling winnings can be entered in the **Gambling winnings** field near the bottom of screen **3**.

Gambling losses should be listed on screen **A**, in one of the **Other Miscellaneous Deductions** fields. Select **Gambling losses** from the drop list and enter the amount in the field to the right. Gambling losses include, but are not limited to, the cost of non-winning bingo, lottery, and raffle tickets, but only to the extent of gambling winnings entered on screen **W2G** and screen **3** and reported on line 21, "Other income," on Schedule 1.

## Cancellation of Debt

*Screen code: 99C*    Use screen **99C**, accessible from the right column of the **Income** tab, to enter data from Form 1099-C, Cancellation of Debt. From the **For** drop list at the top of the **99C** screen, select **1040** to indicate a non-business debt and the debt cannot be excluded from income. If the debt can be excluded from income, choose **982**. If it is a business debt than can be excluded from income, choose **C**, **E**, **F** or **4835**, as appropriate. The selections, along with the line on the tax return where the canceled debt amount flows, are shown in Table 5-6.

**Table 5-6:** Cancellation of Debt

| "For" Field Item | Where Flows on Tax Return |
|---|---|
| 1040 | Schedule 1, "Other income" line |
| C | Schedule C, "Other income" line |
| E | Schedule E, "Rents received" line |
| F | Schedule F, "Other income" line |
| 4835 | Form 4835, "Other income" line |
| 982 | Form 982, "Total amount of discharged indebtedness excluded from gross income" line |

## Foreign Earned Income

Enter foreign earned income amounts on the applicable income screen (**W2**, **C**, **FEC**, etc.; see "Foreign Employers" on page 162). Foreign earned income flows to Schedule 1 and is calculated into the "Wages, salaries, tips" on line 1 of Form 1040.

**Excluding Foreign Income**

If the taxpayer qualifies for the foreign earned income exclusion, use the **2555** screen (accessible from the **Foreign** tab) to complete Form 2555, Foreign Earned Income. The income amount from this screen flows to Schedule 1 and Form 1040 *as a negative number*; in other words, it is subtracted (excluded) from the total income shown on line 6 of Form 1040.

NOTES

Foreign income must be *included* in total income (via a Form W-2, Schedule C, etc.,) before it is *excluded* from total income using Form 2555.

The **2555** screen consists of five screens or "pages," accessible by clicking the tab links at the top of the screen. To create a new **2555** screen, press PAGE DOWN.

## Form 965, Deferred Foreign Income

*Available February 2020*

## Educator Expenses

*Screen code: 4*

Enter educator expenses in the **Educator expenses** field on screen **4**.

Teachers, counselors principals, instructors, and aides of kindergarten through grade 12 who worked at least 900 hours in a school year can take up to $250 of education expenses paid by the taxpayer and not reimbursed by the employer. If the taxpayer is filing a Married Filing Jointly return, and the spouse is a qualified educator, the deduction allowed is a total of $500.

Qualifying expenses include books, supplies, supplementary materials, and certain software. Qualified expenses do not include expenses for home schooling or for non-athletic supplies for courses in health or physical education. Qualified expenses must be reduced by the following amounts:

- Excludable U.S. series EE and I savings bond interest from Form 8815
- Nontaxable qualified tuition program earnings or distributions
- Any nontaxable distribution of Coverdell education savings account earnings
- Any reimbursements received for these expenses that were not reported in box 1 of Form W-2

For more details, search Tax Topic 458 at *irs.gov,* or see Pub. 529.

## Employee Business Expenses

*Screen code: 2106*

Form 2106, Employee Business Expenses, is for only certain categories of employee:

- Qualified performing artists
- Fee-based state or local government officials
- Armed forces reservists
- Employees with impairment-related work expenses

If a taxpayer does not fall into one of those categories, screen **2106** in Drake Tax should be completed only if it is needed for a state return.

The **2106** screen is accessible from the **General** tab of the Data Entry Menu.

NOTE    For employees with impairment-related work expenses, expenses flow from screen **2106** to the "Job Expenses and Certain Miscellaneous Deductions" section of Schedule A. Expenses for other of the above-mentioned categories of taxpayer flow directly to Schedule 1.

## Clergy Expenses

If the taxpayer or spouse is a member of the clergy, mark the **Pastor** check box, located at the bottom of the right-hand column of screen **2106**. The program carries the employee business expenses to the clergy worksheets (Wks Clergy) when the return is generated. This amount is used to offset self-employed income only and does not flow to Schedule A.

See "Ministerial Income Allocation" on page 221 for more on data entry for clergy.

## Directing Data Entry to Form 2106

To associate the data from a **2106** screen to that of another screen (such as the **4562** screen for depreciation), select **2106** from the **For** drop list at the top of the other screen (Figure 5-21).
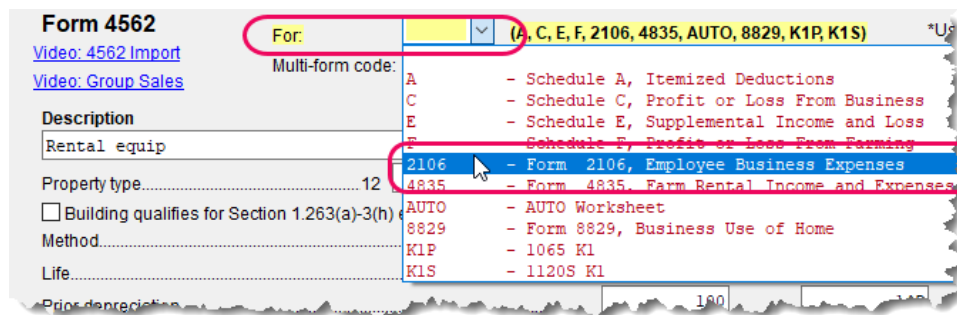


**Figure 5-21:** Associating this screen **4562** with Form 2106

Use the **Multi-form code** field as needed. (See "Associating One Screen with Another" on page 114 for more on multi-form codes.) See **Screen Help** on the **2106** screen for more assistance in directing data entry to Form 2106.

NOTES
- Be sure that either **T** (for taxpayer) or **S** (for spouse) is selected from the **TS** drop list, as applicable, on the **2106** screen.
- Be sure that the taxpayer is one of the employee types eligible to deduct business expenses with Form 2106. (See field helps.)
- If a taxpayer does not fall into one of those categories, screen **2106** in Drake Tax should be completed only if it is needed for a state return.

# Health Savings Account (HSA) Deduction

*Screen codes:*
*8889, HSA*

Use the **8889** screen, accessible from the **Adjustments** tab, to enter HSA data for Form 8889, Health Savings Accounts. Fields 1 (coverage indications) and 2 (HSA contributions for the year) of this screen are required in order to e-file Form 8889.

# Moving Expenses

*Screen code: 3903*

You can deduct a taxpayer's moving expenses on the federal return only if he or she is a member of the armed forces on active duty and the move is due to a permanent change of station. If the taxpayer is *not* a member of the armed forces, complete screen **3903** in Drake Tax only if it is needed on the state return.

# Self-Employment Adjustments

Table 5-7 lists screens in Drake Tax used for entering adjustments to self-employment income.

**Table 5-7:** Self-Employment Adjustment Screens

| Screen | Purpose |
| --- | --- |
| **SE** (Self-Employment Adjustment) | Schedule SE |
| **SEHI** (SE Health Insurance) | Self-Employed Health Insurance Deduction |
| **4** (Adjustments) | Adjustments to SEP, SIMPLE, and Qualified Plans |

*Screen codes:*
*SE, SEHI*

The **SE** and **SEHI** screens are located under the **Adjustments** tab. Screen **4** is located under the **General** tab.

## Self-Employment Tax (Schedule SE)

Schedule SE is required if net earnings from self-employment exceed $400 ($108.28 for church employees). If these conditions are not met, the program does not produce Schedule SE with the return. To force Schedule SE to be printed, select the applicable **Force Schedule SE** box on the **SE** screen.

Data from Schedules C and F, along with any self-employment income from partnerships, flow to Schedule SE of the return. All other self-employment income should be entered directly on the **SE** screen.

**Short or Long SE**

Depending upon the employment terms, the taxpayer must complete a short (Schedule SE, page 1) or long (Schedule SE, page 2) Schedule SE. Drake Tax determines the form required and processes it accordingly. To force the long form, select an applicable **Force Schedule SE** box in the middle of the **SE** screen.

NOTES

Use the **Statement for Partner Expenses...** in the lower half of the **SE** screen to enter certain items that are deducted from self-employed income that don't normally flow to the "Schedule SE - Partner's Allowable Expense" statement. Entries in these fields flow to the statement.

The **Exempt Foreign** fields on the **SE** screen are for income that was earned in foreign counties and for which self-employment tax was paid to the foreign country. If the taxpayer or spouse is self-employed in another country and is paying in to that country's self-employment system, then the taxpayer or spouse does not have to pay self-employment tax on that income on his or her 1040 income. Attach a copy of a form showing that the tax was paid in the foreign country to the U.S. tax return. The return must be paper-filed.

**Income From Church**

Indicate on screen **W2** that income from a church is either **C** or **P**. (Select the correct code from the **Special tax treatment** drop list at the top of the screen.) Any income entered on the **SE** screen in the **Service as a minister** or **Wages of church employee...** fields is *added to* the Form W-2 amount. (For more information on entering data for clergy, see "Clergy" on page 163, "Clergy Expenses" on page 213, and "Ministerial Income Allocation" on page 221.)

## SE Health Insurance Deduction

NEW FOR

2019

In the past, the Self-Employed Health Insurance and the Self-Employed Pension data entry fields were located in the same place in Drake Tax: the **SEHI** screen. To accommodate data entry for the Qualified Business Income Deduction calculations, the Self-Employed Pension data entry fields are now on the new **SEP** screen. Both the **SEHI** and **SEP** screens are located on the **Adjustments** tab of the **Data Entry Menu**. The **SEHI** screen is also available on the **Health Care** tab.

Enter insurance deductions for a self-employed taxpayer in one of four places:

- The **Family health coverage** field of screen **C**
- The **Family health coverage** field of screen **F**
- Line 1 of the **SEHI** screen (An entry here overrides system calculations from screen **C** or **F**.)
- The **Self-employed health insurance deduction** field of screen **4** (An entry here overrides system calculations from the screens listed above.)

Be aware that most **SEHI** fields are override fields and that field on screen **4** is an adjustment field. Do not duplicate entries.

**QBI Deduction**     In the **Qualified Business Income Deduction** section of screen **SEHI** or **SEP**, (see Figure 5-22) select from the **For** drop list the form to be associated with the SEHI or SEP deduction. The QBI calculation will then flow to Form 8995, Qualified Business Income Deduction Simplified Computation. If there are multiple instances of a particular schedule or form – for instance, if the taxpayer has more than one Schedule C – enter the number denoting which instance of the form this deduction should be associated with in the **Multi-Form Code** field of the **SEP** or **SEHI** screen.



**Figure 5-22:** New QBI deductions fields on screens **SEHI** and **SEP**

**SEHID Worksheet**     Entries on the **SEHI** screen are used to make calculations for the Self-Employed Health Insurance Deduction Worksheet (Wks SEHID in View/Print mode of Drake Tax) from the 1040 instructions.

If entering an adjustment on screen **4**, enter the deduction allowed—not the total premium paid. To have the program calculate the Wks SEHID worksheet, leave the screen **4** field blank and enter the total insurance premium paid (including any Advance Premium Tax Credit the taxpayer received) on the **C** or **F** screen as applicable.

IMPORTANT     For taxpayers who had SEHID and can claim the Premium Tax Credit, the amount of the credit is limited to the amount the taxpayer contributed.

## Self-Employment Pensions

*Screen code: SEP*     **SEP** screen data flows to the Wks SEP worksheet for Self-Employed Rate and Deduction. To have the program calculate the maximum SEP contribution, enter the plan contribution rate as a decimal number on the **SEP** screen.

## Adjustments to SEP, SIMPLE, and Qualified Plans

Self-employed health insurance deduction information entered on the **SEHI** or **SEP** screen will be adjusted by any entries made in the **SEP and/or SIMPLE Contributions** and **KEOGH contributions** adjustment fields on screen **4**.

## Oil and Gas Depletion Worksheet

The Oil and Gas Depletion Worksheet in the 1040 package calculates oil and gas depletion and gives your clients the best possible deduction.

*Screen code:*
*DEPL*

Accessible from the **Adjustments** tab of the **Data Entry Menu**, the **DEPL** screen includes a **For** drop list to direct the calculations to either Schedule C or E, or to the Schedules K-1 for partnerships or S corporations.

There is also a multi-form code (**MFC**) box to associate a **DEPL** screen with the proper schedule. For instance, if a **DEPL** screen should be associated with the second Schedule C you created, enter 2 in the **MFC** box of that **DEPL** screen.

To open a new **DEPL** screen, press PAGE DOWN on your keyboard.

**Entering Data**

Before you enter any data on a **DEPL** screen, view the return and find the amount of taxable income (line 11b of Form 1040). Return to the **DEPL** screen and enter that amount on line 17. Then, enter the rest of data, being sure to complete the **TSJ** drop list, 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.

NOTES

- The **Depletion** fields on screen **C** and on the **6198 at Risk continue** tabs of the **K1P** and **K1S** screens are override fields. An entry in one of those fields overrides the calculated amount from the Oil and Gas Depletion Worksheet.
- There is also a link to the **DEPL** screen on the **Income/Expenses** tab of screen **E**.
- Generally, a depletion deduction flows to page 2 of Schedule E. When there are royalties income from oil and gas, that depletion deduction is subtracted from the royalties income and shown on page 1 of Schedule E. An **Oil and Gas Partnership** check box on screen **K1P** and a **Oil and Gas corporation** check box on screen **K1S** forces the depletion deduction to stay on page 2 of Schedule E.

**Section 59e Deduction**

If the taxpayer has a section 59e deduction—for instance, a newspaper's "Circulation Costs" or a mining company's "Intangible drilling costs"—select that deductible item from the **Other deductions** drop list on a **K1** screen (on the **K1P** screen, click the **K1 1065 13-20** tab; on the **K1S** screen, click the **1120 K1 12-17** tab). The amount of that deduction flows to page 2 of Schedule E and makes an entry on Form 6251, Alternative Minimum Tax.

The program also generates a Return Note informing you that if you want to amortize the 59e deduction, go to the applicable **K1P** or **K1S** screen, remove the "Other deduction," and enter that amount on screen **4562**.

To track unamortized AMT section 59e deductions (for "circulation costs," "mining costs," research and experimental costs," or "intangible drilling costs"), open screen **59E** (accessible from the **Taxes** tab of the **Data Entry Menu** and from an **Unamortized Section 59e Deductions** link of screen **6251**.). The **59E** screen tracks these adjustments as you make them from year to year.

# Penalties

This section of the manual covers penalties for *withdrawals*. Penalties on *estimated taxes* are covered in "Estimated Tax Penalty" on page 246.

## Early Withdrawal Penalty

If the taxpayer is subject to a penalty for early withdrawal of savings, enter the penalty amount on screen **4**. Do not duplicate entries made in this field on the **INT** screen; the 1099-INT form asks for the interest or principal that was *forfeited* due to early withdrawal, while screen **4** asks for the *actual amount* of the penalty.

## IRA Withdrawal Penalty

*Screen code: 5329*     Use the **5329** screen, accessible from the **Adjustments** tab of the **Data Entry Menu**, to calculate what penalties apply regarding IRA withdrawals.

NOTE    Refer to IRS instructions for details on exception numbers. To view descriptions of each exception number, click inside the **Exception number** field and press F1.

See also "IRA Penalty Computations" on page 189.

## Alimony Paid

Alimony paid is not deductible if a divorce or separation agreement is entered into after December 31, 2018, or if a divorce or separation agreement was entered into on or before December 31, 2018, and the agreement is changed after December 31, 2018, to expressly provide that alimony received is not included in the former spouse's income.

Enter recipient's name, SSN, the date of the divorce, and the amount of alimony paid on screen **4** in the **Alimony paid to** section.

If the divorce or separation agreement did occur after December 31, 2018, and a state requires the alimony amount, enter it and the date of divorce in the prescribed fields. The amounts entered are ignored by the federal return but do flow to the state return

For information on entering alimony received, see "Alimony Received" on page 173.

## IRA Adjustments

For details on entering IRA adjustments, see "Retirement Income" on page 187.

## Student Loan Interest Deduction

Enter student loan interest deduction amounts (Form 1098-E, Student Loan Interest Statement) into the **Student loan interest deduction** field on screen **4**.

# Education Expenses

*Screen codes:*
*8917, 8863*

Entry fields for Forms 8863 (Education Credits) and 8917 (Tuition and Fees Deduction) are located on the same screen, **8863**, accessible from the second **Credits** tab. Enter information on that screen about the student and the educational institution the student attended. *All* education expenses—regardless of whether the student is the taxpayer, the spouse, or the dependent—are entered on the **8863/8917** screen.

NOTE  If a dependent does not qualify for an education credit, Drake Tax does not apply this information when calculating the federal return.

**Student and School Info**  At the top of the **8863** screen, select the SSN and name of the student from the **Student's SSN** drop list. (Only the taxpayer, spouse, and the dependents qualify for this credit and, thus, are the only names on the list.) Answer the questions and enter the qualifying expenses. If more than one **8863** screen is needed (for families with more than one student or for students who attended more than two schools), press PAGE DOWN to get a new **8863** screen. Enter the information on lines 23-26 and the qualifying expenses only on the first screen for each student. In the lower section of the **8863** screen, enter the information about the schools the student attended.

If claiming the **American Opportunity Tax Credit**, select the number of years the credit has been claimed form the **Years AOTC taken** drop list. The AOTC is available for no more than four years.

If the student attended more than one qualified institution, click the **Additional Educ. Inst** tab to open the **Additional Educational Institutions** screen. Enter the second educational institution's information in the section at the top of the screen. There are fields enough for information on five educational institutions.

**Form 1098-T**  If the amounts of qualifying expenses came from a Form 1098-T, Tuition Payments Statement, supplied by the educational institution, enter the amount of qualifying expenses, then mark the proper check boxes in the **8867 Due diligence requirements** section, located below the address sections of screen **8863**. For an amount received from any taxable scholarship that was not reported on a Form W-2, enter the amounts on screen **3**.

# Domestic Production Activities Deduction

The Domestic Production Activities Deduction (DPAD) has been repealed for tax years beginning after 2017, with limited exceptions. For those exceptions, the **8903** screen, used to complete Form 8903, Domestic Production Activities Deduction, is still accessible from the **Adjustments** tab of the **Data Entry Menu**.

Only one Form 8903 can be attached to a taxpayer's e-filed return. To e-file data from multiple 8903 forms on a return, calculate the total for each of the 8903 items and enter the combined totals on the **8903** screen.

# Other Adjustments

Other adjustment-related screens in Drake Tax are listed in Table 5-8. These screens are all available from the **Adjustments** tab.

**Table 5-8:** Other Adjustment Screens Available from **Adjustments** Tab

| Screen | Form or Worksheet | Notes |
|--------|-------------------|-------|
| **ETA** | Estimated tax Adjustment | Use this screen if the taxpayer expects income to change significantly. Most of the amounts entered on this screen adjust amounts from 2018. |
| **CLGY** | Ministerial Income Allocation | See "Ministerial Income Allocation," following. |
| **CDIP** | Schedule F, Profit/Loss from Farming 4835, Farm Rental Income | Information on payments received for insurance payments from crop damage |
| **FDDL** | Form 4684 - Section D Election to Deduct Federally Declared Disaster Loss | Complete this to screen if selecting to deduct a disaster loss on a tax return for the preceding year. Section D is also used to revoke a previous election to deduct a disaster loss in the tax year immediately preceding the disaster year |
| **8082** | Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request | Use to notify IRS of any such inconsistency between the tax treatment of an item and the way the pass-through entity treated and reported the same item on its return. |
| **8958** | Community Property Allocation | Used for MFS in a community property state |
| **8873** | Form 8873, Extraterritorial Income Exclusion | Used to report the amount of extra-territorial income excluded from gross income. |
| **915A** | Form 8915B, Qualified 2016 Disaster Retirement Plan Distributions and Repayments | Used if taxpayer was adversely affected by a 2016 disaster and received a distribution that qualifies for favorable tax treatment. |
| **915B** | Form 8915B, Qualified 2017 Disaster Retirement Plan Distributions and Repayments | Use if taxpayer was adversely affected by a 2017 disaster and received a distribution that qualifies for favorable tax treatment. |
| **K199** | Qualified Business Deduction - Schedule K-1 | Used to list the trade or business income from an entity that passes through to the taxpayer via a Schedule K-1. |
| **BAN** | Aggregation of Business Activities | Use to aggregate (combine) businesses for purposes of computing the Qualified Business Income deduction. |
| **461** | Limitation on Business Losses | Taxpayers can't deduct an excess business loss in the current year; however, the excess business loss is treated as a net operating loss (NOL) carryover. Use Form 461 to figure the excess business loss. |

## Ministerial Income Allocation

Use the **CLGY** screen for taxpayers with housing allowance in the form of a parsonage or rental, or a parsonage allowance from the church (generally reported on Form W-2, box 14).

NOTES

- The **CLGY** screen is only for those taxpayers whose income has been coded "P" from the **Special tax treatment** drop list on screen **W2**.
- For taxpayers described on Schedule C by business code 813000 ("Religious, grantmaking, civic, professional, & similar") but for whom you do not want to generate "clergy" worksheets, open screen **C** and select "No" from the **Clergy Schedule C** drop list.
- For taxpayers who are not described on Schedule C by business code 813000 but for whom you do want to generate "clergy" worksheets, select "Yes" from the **Clergy Schedule C** drop list on screen **C**.

The **CLGY** screen allows the following items to be calculated:

- Percentage of tax-free income to be applied to Schedule C expenses marked with business code 813000
- Percentage of tax-free income to be applied to Form 2106 expenses (The **Pastor - Carry 2106 amount to CLGY worksheet** check box must be marked on screen **2106**.)
- Appropriate self-employment income to flow to the Schedule SE

**Parsonage**    If a parsonage is provided, enter its **Fair Rental Value**. If a separate utility allowance is provided, enter the amount of the allowance in the **Utility allowance, if separate** field and the actual utility expenses in the **Actual expenses for utilities** field. Enter an amount in the **Fair Rental Value** field if the house or parsonage (including utilities) is furnished as part of a minister's pay.

**Rental/ Parsonage Allowance**    If the church provides a rental or parsonage allowance (but no parsonage), enter the **Parsonage or rental allowance** and the **Actual expenses for parsonage**. If a separate utility allowance is provided, enter the amount of the allowance in the **Utility allowance, if separate** field and the actual utility expenses in the **Actual expenses for utilities** field. Finally, enter the **Fair Rental Value** of the housing used.

# Standard and Itemized Deductions

Based on its calculations, the program determines whether to apply the standard deduction or to generate Schedule A, Itemized Deductions, for a taxpayer. If your client is itemizing deductions, enter descriptions and amounts on any or all of the following screens, as applicable:

*Screen codes: A, 4952, 8283, 1098, STAX*

- Screen **A** (for Schedule A, Itemized Deductions)
- **4952** screen (for Form 4952, Investment Interest Expense Deduction)
- **8283** screen (for Form 8283, Noncash Charitable Contributions)
- **1098** screen (for mortgage interest and real estate taxes)
- **STAX** screen (for sales tax)

Access screen **A** and the **STAX** screen from the **General** tab. Access screens **4952** and **8283** from the **Additional Itemized Deductions** section of the **Adjustments** tab. Access the **1098** screen from the **Other Forms** tab.

NOTE

The program includes self-employment losses when calculating the standard deduction. To override this default per the Briggs court case, go to the **Miscellaneous** tab, open the **MISC** screen, and select **Standard deduction by Briggs case method**, located in the **Dependent filer special situation** box.

## Schedule A, Itemized Deductions

*Screen code: A*

Use screen **A** to enter data for Schedule A, Itemized Deductions.

### Generating Schedule A

If screen **A** has been completed for a return, the program determines which is more advantageous for the taxpayer—itemizing, or taking the standard deduction. To select one or the other, mark the applicable **Force** box at the top of screen **A**.
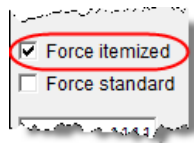
If screen **A** has been completed for a return, Schedule A will be generated—even if the standard deduction is being taken. You can set up the option to have the program generate Schedule A only when it is required. To do so, go to **Setup > Options** > **Form & Schedule Options** tab and select **Print Schedule A only when required**.

From the **PRNT** screen of a return, you can choose to have Schedule A generated with the return—or suppressed—whether or not it's needed or the screen completed. Click the **Print Options** link at the top of screen **A**, or type PRNT in the selector field of the **Data Entry Menu** and press ENTER. Select **Yes** or **No** from the **Produce Schedule A** drop list.

### Health Insurance

Enter the total amount paid for health insurance premiums on line 1 of screen **A**. If health insurance premiums are entered on screens **C**, **F**, or **SEHI**, do not enter them on screen **A**. The amounts entered on screens **C**, **F**, or **SEHI** that are not deductible on Schedule 1 of the 1040 flow to Schedule A.

### Long-Term Care

The **Long-Term Care Premiums** (**LTC**) screen gives you a place to report the premiums paid in 2019, and for whom they were paid, for long-term health care.

*Screen Code: LTC*

The **LTC** screen is accessible through the **Health Care** tab of the **Data Entry Menu** or from the **Long Term Care Premiums** link on screen **A**.

If the premiums were paid for the taxpayer or the spouse, enter the amount paid in one of the top two fields on the **LTC** screen. If the premiums were paid for a dependent, select the dependent from the drop list on the left side of the screen. (The dependent's name will be filled in automatically.) Enter the amount of the premiums paid in 2019 in the column on the right side of the screen.

The amount entered that is not deductible on Form 1040 is carried to Schedule A.

The program applies a limit to the deduction based on the age of the person as entered on screen **1** (for the taxpayer and spouse) or screen **2** for dependents.

NOTE    If the long-term care insurance premiums have been entered on screen **SEHI**, do not enter them on the **LTC** screen.

## Sales Tax Worksheet

*Screen code:*
*STAX*

The program uses data entered into the **State & Local General Sales Tax Deduction Worksheet** (the **STAX** screen, accessible from the **General** tab) to determine which tax is better to take: the state sales tax or the income tax. Lines **1** and **4** of this screen are calculated by the program, but you can enter overrides as necessary. As applicable, lines **2**, **3**, and **7** should be completed in order to calculate the maximum deduction.

More information on the **STAX** screen is available by pressing F1 in the individual fields.

For tax years beginning after December 31, 2017 and before Jan.uary 1, 2026, subject to certain exceptions, state, local, and foreign property taxes, and state and local sales taxes, are deductible only when paid or accrued in carrying on a trade or business or an activity described in Code Sec. 212 (generally, for the production of income). State and local income, war profits, and excess profits are not allowable as a deduction.

NOTES

Check boxes on screen **A** (in the **Taxes You Paid** section) allow you to force the program to use income tax instead of sales tax for line 5 of Schedule A, or to force the program to use sales tax instead of income tax for line 5.

The **STAX** screen includes a link to an IRS website where you can find information and guidance for understanding sales tax deduction, and a sale tax deduction calculator. From the **STAX** screen, click **Sales Tax Calculator**.

**SALT Worksheet**

Tax reform laws limit deductions for taxes paid by individual taxpayers in the following ways:

- Limits the aggregate deduction for state and local real property taxes, state and local personal property taxes, state, local, and foreign, income, and general sales taxes (if elected) for any tax year to $10,000 ($5,000 for taxpayers filing as Married Filing Separately)
- Eliminates the deduction for foreign real property taxes unless paid or accrued in carrying on a trade or business or in an activity engaged in for profit

A new worksheet in Drake Tax — Wks SALT — calculates the $10,000 limit for SALT (State and Local Taxes) to the advantage of the taxpayer.

NOTE    If the sales tax plus property tax and real estate tax is at least $10,000, Drake Tax will use the sales tax for the deduction instead of income tax, even if the income tax is larger. This keeps the taxpayer from having a taxable state refund.

This worksheet is available in View/Print mode.

**Mortgage Interest Paid**

Use line 8b in the **Interest Taxpayer Paid** section of screen **A** to enter mortgage interest *not* reported on Form 1098, Mortgage Interest Statement. For mortgage interest that *is* reported on Form 1098, use the **1098** screen (click in the link on line 8a). Do not duplicate in this field screen **A** entries made on screen **1098**.

IMPORTANT

The **Home mortgage interest and points reported on Form 1098** field on screen **A** is an adjustment field; any amount entered there is added to or subtracted from the calculated amount from other screens — such as screen **1098** or **E**.

**State Deductible Interest**

On the *right* side of screen **A**, near the bottom, is the **Home Mortgage Interest** section. Enter in the field there the amount of home equity interest that is not deductible on the federal return but can be deducted from a state return.

**Form 1098-C**

Enter amounts from Form 1098-C, Contribution of Motor Vehicles, Boats, & Airplanes, on either screen **A** (if *less than* $500) or screen **8283** (if *more than* $500).

**Charitable Contributions**

Click the **Charitable Contributions Carried Over** … link on screen **A** to open the **Charitable Contributions Carryovers** screen. Fields on this screen give you a place to keep track of charitable contributions carried over from prior years.

## "For states not conforming" section

Some states are not conforming to the federal Schedule A changes. For those states, data entered in the **For states not conforming ...** section of screen **A** will flow to the state return automatically. If Form 2106 is also being prepared, the results from Form 2106 flow automatically to Schedule A.

## Overriding Line 5e of Schedule A

Enter in these fields the amount of real estate taxes or personal property taxes that are being claimed on line 5e of Schedule A. An amount entered here overrides the program's calculations for this field from the Wks SALT worksheet.

## Additional Itemized Deductions

*Screen codes: 4952, 8283*

Use screen **4952** for data used to calculate Form 4952, Investment Interest Expense Deduction. Use the **8283** screen to enter data for Form 8283, Noncash Charitable Contributions. Calculations from the **8283** screen flow to the "Gifts by cash or check" line of Schedule A. There is also a direct entry "Gifts by cash or check" field on screen **A**. Do not enter duplicate amounts.

NOTE

When a **Donee ID** number is entered on the **8283** screen, the program automatically stores the number in the EIN database.

## Computing AMT Taxable State Tax Refunds

Drake Tax performs the calculations needed to arrive at the correct amount of taxable state refund to carry to next year's return when the taxpayer is subject to Alternative Minimum Tax (AMT) in the current year.

State income tax refunds generally must be included in income if the tax was deducted in a prior year. There are times, however, if there was AMT calculated on the return, there was no tax benefit to the state income tax deduction.

If a taxpayer is subject to AMT, has itemized deductions, state income tax deduction entered on Schedule A, and has a state refund in the current year, a Return Note is generated with the return.

Drake Tax can perform an iterative or "circular" calculation to arrive at the correct number and carry the proper amount forward to next year.

To perform the calculation, open the **MISC** screen, available from the **Miscellaneous** tab of the **Data Entry Menu** in Drake Tax, and mark the **Tax return complete; compute the taxable state refund** check box. This calculation may take up to a minute. (The program calculates the return, on average, 15 times during this process.)

TIP      Wait until the return is complete before marking the **Tax return complete; compute the taxable state refund** check box and calculating the return.

The results of these calculations appear on the "Projected State and Local Income Tax Refund Worksheet" (listed as "Wks Refunds" in View/Print mode). Line 1 of that worksheet has been divided into lines 1a, 1b, and 1c in order to show you the calculated amounts.

# Qualified Business Income (QBI) Deductions

The TCJA added Code Sec. 199A, "Qualified Business Income" (QBI), under which a noncorporate taxpayer—including a trust or estate—who has QBI from any trade or business, (not W-2 wages), including income from a pass-through entity, might be allowed to deduct up to 20% of that income from their taxable income.

*Screen code:K199*     *New for 2019*: The **Qualified Business Income (QBI) Deduction** section on screens **K1P**, **K1S**, and **K1F** have been moved. The QBI reporting of income from pass-through entities to the taxpayer on Schedules K-1is now done on the expanded **K199** screen (available through links on the **K1** screens or from the **Adjustments** tab of the **Data Entry Menu** or by entering K199 in the selector field and pressing ENTER).

QBI entries on screens **C**, **F**, **4835**, and **E** are unchanged from 2018 but have been expanded. 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**, **4835**, and **K199** allow you to override individual calculations.

**Using QBI on K199 Screen**

For a taxpayer taking a QBI deduction on income from, for example, a partnership, go to screen **K1P** and click the **1065 13-20** tab.
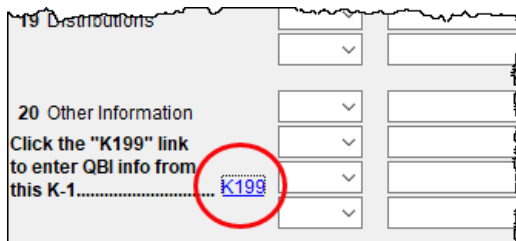
In the bottom left corner of the screen, click in **K199** link (figure at left) to open the **Qualified Business Income (QBI) Entries for Schedule K-1** screen. (Figure 5-23).

In the **For** drop list, select the screen this activity is related to. (For our example in Figure 5-23, we chose **K1P**.) When the taxpayer 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.

**Figure 5-23:** Screen **K199** for reporting multiple QBI income sources

If the entity is a specified service business, or a publicly traded partnership, mark the appropriate check boxes. (For details, see "Denoting a Specified Service Trade or Business" on page 228 or click inside the **Treat as "specified service business"** check box and press F1.)

If you have another K-1 and Statement A, press PAGE DOWN for another **K199** screen.

QBI deduction information can also be included on screens **E**, **C**, **F**, **4835**, **K1S**, and **K1F**.

For more information on the self-employed health insurance deduction and pension deduction override fields, see "SE Health Insurance Deduction" on page 215.

**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.

**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 1040 column...**—that allow you to override individual calculations.

## Forms and Worksheets for "Pass-Through" Packages

*New for 2019*: When taxpayers 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-though Entity Aggregation Elections." Information from these statements is recorded on screen **K199**.

**Statement A**    Statement A includes a list of QBI or qualified publicly traded partnerships items. The "Qualified Business Income Information" worksheet – a summary of items reported on Statement A – will also be generated with the return. This worksheet is not filed and is intended for the entity's records.

**Statement B**    In the "Statement B – QBI Pass-through Entity Aggregation Elections" section, will be attached and filed with the Schedule K-1, and a "Qualified Business Income Aggregation" worksheet – a summary of Statement B – will be generated for entity's records.

## Denoting a Specified Service Trade or Business

Specified services trades or businesses are generally excluded from the definition of qualified trade or business.

If the income is from a "Specified Service Trade or Business" (SSTB), the taxpayer could be subject to the income limitations. You must, therefore, mark the **Treat as a "specified service business"** check box, where appropriate (figure above from screen **K199**).

See "Specified Service Trade or Business" on page 196, or press F1 in the **Treat as a "specified service business"** check box to view details on what constitutes an SSTB.

See IRC Sec. 199A(d) for more information on QBI.

## QBI Deduction Adjustments

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 on screens **C**, **F**, **E**, **4835**, and **K199** that allow you to override individual calculations.

These overrides change the amounts appearing on the QBI Explanation Worksheet and on Form 8995 (see "New QBI deductions fields on screens SEHI and SEP" on page 216), and affect the calculated amount of the QBI deduction.

## Cooperative Payments

*Screen Code:*
*K199*



*New for 2019*: Fields have been added to the **K199** screen (accessible from the **K199** link on screen **K1P** (**1065 K1 13-20** tab), **K1S** screen (**1120S K1 12-17** tab), and **K1F** screen (**1041 K1 12-14** tab) to allow you to enter QBI allocable to cooperative payments, and W-2 wages allocable to cooperative payments.

In the first field, enter any income from a trade or business received from a specified agricultural or horticultural cooperative.

In the second field, enter the amount of W-2 wages paid by this business that are allocable to the income received from cooperatives and entered on the field above.

These entries flow to Schedule D of the Qualified Business Income Deduction Worksheet ("Form 8995-A – Sch D" in View/Print mode).

## Forms 8995 and 8995-A

*New for 2019*: Last year, Drake Tax used worksheets from the IRS Pub 535 to calculate QBI – one worksheet "simplified" and one more complex that included aggregation of business operations, allocations of losses, and income from agricultural and horticultural cooperatives.

This year, the IRS released new forms that take the place of the worksheets: Form 8995, Qualified Business Income Deduction Simplified Computation, and Form 8995-A, QBI Deduction (Complex). The 8995-A form includes:

*   Schedule A, Specified Service Trades or Businesses
*   Schedule B, Aggregation of Business Operations
*   Schedule C, Loss Netting and Carryforward
*   Schedule D, Special Rules for Patrons of Agricultural or Horticultural Cooperatives

There are no data entry screens in Drake Tax for completing either Form 8995 or 8995-A; the tax program completes and generates the form you need. Form 8995 (Simplified) is generated unless either:

*   The taxpayer had dividends from an agricultural cooperative
*   The taxpayer had taxable income of more than:
    *   $160,700 for Single, Head of Household, or Qualifying Widow(er))
    *   $160,725 for Married Filing Separately
    *   $321,400 for Married Filing Jointly

## QBI Qualified Loss Carryfoward Screen

*New for 2019*: For taxpayers who, last year, had a net loss from QBI or a net loss from REIT dividends and publicly traded partnerships (PTP), enter the carryforward amounts on the new **QBI** screen, available from the **Adjustments** tab of the **Data Entry Menu**. These losses are not tracked separately per business.

# Alternative Minimum Tax

*Screen code: 6251*    Use the **6251** screen, accessible from the **Taxes** tab, to enter information for Form 6251, Alternative Minimum Tax.

## Forcing Form 6251

Although Form 6251 amounts are computed on all returns, the form itself is generated with a return only when required. You can force this form to be generated for a single return, or you can force it to be generated with all returns.

**For a Single Return**    To force Form 6251 for a single return, go to the **PRNT** screen of the return (accessible from the **Miscellaneous** tab) and select the **Produce Form 6251** box from the list on the left side of the screen.

**For All Returns**    To have the program print Form 6251 for *all* returns, from the **Home** window of Drake tax, go to **Setup > Options > Form & Schedule Options** tab, and clear the **Print Form 6251 only when required** check box.

# General Health Care Coverage

*New for 2019*: The Shared Responsibility Payment for 2019 has been reduced to $0, and for that reason, Form 8965, Health Coverage Exemptions, is no longer used. No health insurance information flows to the 1040 return unless the taxpayer received Form 1095-A, Health Insurance Marketplace Statement, from the health insurance marketplace (or "Exchange") and that information entered on screens **8962** or **95A**.

## ACA Forms

The **Health Care** tab on the **Data Entry Menu** now includes only four screens to help you complete the ACA information and forms.
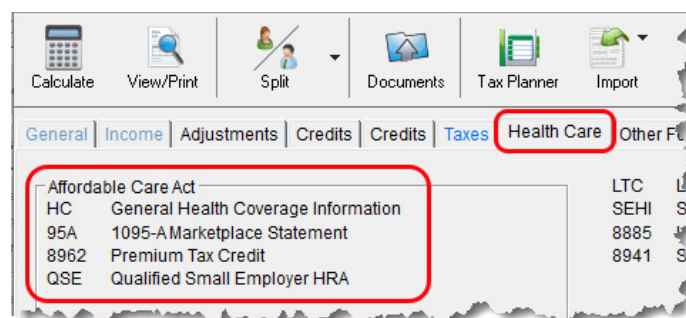


- Screen **HC** — For 2019, this screen is used only if the taxpayer's dependent was required to file a federal income tax for the 2019 tax year.

- Screen **95A** — Used to complete Form 8962, to calculate the amount of the Premium Tax Credit, and reconcile that amount with any Advance Payment Tax Credit paid. (This information is available from the taxpayer's Form 1095-A, Health Insurance Marketplace Statement).

- Screen **8962** — Used in special circumstance, such as a married taxpayer seeking relief from the requirement to file a joint tax return in order to claim the Premium Tax Credit, a taxpayer moving to or from Alaska or Hawaii during the tax year, or a taxpayer using alternative calculation for year of marriage. (See "Screen 8962" on page 233 for more information.)

- Screen **QSE** — Used to complete worksheets needed to determine the tax implications of a Qualifying Small Employer Health Reimbursement Arrangement (QSEHRA). See the screen help on the **QSE** screen for details.

IMPORTANT
The ACA Notes and Preparer's Summary are no longer generated with every 1040 return. Any useful or required information concerning completion of the healthcare screens now appears as regular Return Notes in View/Print mode.

**Screen HC**
*New for 2019*: Since the Shared Responsibility Payment no longer applies, and no health insurance information flows to Form 1040, complete screen **HC** only if the taxpayer's dependents were required to file a federal income tax return for 2019.

*Optional:* If you wish to keep track of whether or not the taxpayer complied with the requirements to have minimum essential coverage, there is a **Notes** text box on screen **HC** for recording this information.

*Screen codes: 95A, 8962*
If client's insurance coverage came through the Marketplace (or "Exchange"), complete screen **95A** (and screen **8962**, if applicable). Links are provided on the **HC** screen. (See "Premium Tax Credit" and "Form 1095-A" (following) and "Screen 8962" on page 233, for more information on completing these screens.)

**Premium Tax Credit**
The Premium Tax Credit (PTC) is for taxpayers who got their health care insurance through the Marketplace. This credit helps people with moderate income afford the health care coverage required by the ACA. In essence, the government pays part of the taxpayer's insurance coverage with an "Advance Premium Tax Payment" (APTC) and the taxpayer covers the rest by paying the monthly premiums.

*Screen codes: 95A, 8962*
Form 8962 is included in Form 1040 to compute this tax credit, but which, in most cases, is calculated from entries on screen **95A**, not screen **8962**. (See "Screen 8962" on page 233 for more on using screen **8962**).

NOTES
- Not everyone receives an APTC. Generally, the APTC is available only to taxpayers whose filing status is Married Filing Jointly.
- Everyone who got their insurance through the Marketplace is required to file Form 8962.
- Do not file the 1040 return until the taxpayer has received Form 1095-A, as it is needed to correctly complete Form 8962.

**Form 1095-A**     If the taxpayer or any family members enrolled at the Marketplace in one or more qualified health care policies, that person will receive a Form 1095-A, Health Insurance Marketplace Statement, for each policy. Form 1095-A provides information you need to complete Form 8962, Premium Tax Credit (PTC).

The Marketplace has also reported this information to the IRS.

Under certain circumstances, the Marketplace provides Form 1095-A to one taxpayer, but another taxpayer also needs the information from that form to complete Form 8962. The recipient of Form 1095-A should provide a copy to other taxpayers as needed.

Enter on screen **95A** information from Form 1095-A. If the taxpayer, for instance, moved, changed insurance policies, got married, or had children, he or she might have more than one Form 1095-A. For a fresh **95A** screen press PAGE DOWN.

Enter the insurer's information in **Part I** and the select from the SSN drop list the members of the tax household in **Part II**. Each member of the "tax household" entered elsewhere in the program appears in the **SSN** drop list. If there are more than five people in the taxpayer's tax household, press PAGE DOWN twice for a new screen.

In **Part III**, if all the amounts for all three columns are the same, then complete only line 33, "Annual Totals" (Figure 5-24). If you enter an amount in the **Monthly Premium Amount** column, you must enter amounts in the fields in the other two columns for that month, even if it is 0 (zero).



**Figure 5-24:** Enter the annual totals from Form 1095A on line 33 of Part **III**

Use the **Shared Policy Allocation** section of screen **95A** if the taxpayer had, for instance, a child that the spouse was claiming as a dependent but that the taxpayer was paying for part of the dependent's insurance coverage.

**Schedule A**     There are two check boxes at the bottom of the **95A** screen (see figure on next page)
**Deductions**     concerning Schedule A.

Select the first box to automatically carry all of the taxpayer's net out-of-pocket insurance premiums from Form 8962 to Schedule A, line 1. Do not enter this amount on screen **A** if you mark this check box. If claiming the deduction for self-employed health insurance, do not mark this box.



By marking the second box, you are indicating that the health care insurance premiums paid to the Marketplace cannot be considered for the self-employed health insurance deduction on Form 1040, line 29. The program will therefore *not* perform the iterative (circular) calculation described in Rev. Proc. 2014-41 to compute the Premium Tax Credit and SEHI deduction.

**Screen 8962**    Screen **8962** is used most often for special circumstances:

- The **Exception** check box is for taxpayers who were abandoned or abused by a spouse and wish to claim a Premium Tax Credit even though he or she is using the MFS filing status.

- The program bases its poverty-level calculations on the federal poverty level for the resident state selected on screen **1**, but if the taxpayer moved during the tax year, select an override check box on line 4 of screen **8962** to have the calculations based on the federal poverty level of **Alaska**, **Hawaii**, or the **Other 48 states and DC**.

- In the middle of screen **8962** are optional override fields for changing the calculated amounts for the monthly premiums entered on all **95A** screens.

- The lines in the optional **Part 5: Alternate Calculations for Year of Marriage** section are for the taxpayer who married during the tax year and whose family size and coverage status changed. (For people who got divorced, go to screen **95A** and use the **Shared Policy Allocation** section.) The **Start month** drop list is for selecting the month when the taxpayer's insurance policy coverage began, and the second drop list is for entering the earlier of: the month the policy ended; the month when the taxpayer stopped being single (got married).

- At the bottom of the **8962** screen is a section for repaying advance premium credit payments the taxpayer received for which he or she was not eligible. Mark the check boxes for months—if any—during which the taxpayer had available from another source affordable minimal essential coverage yet received an advance premium credit payment.

## Form 8885, Health Coverage Tax Credit

Form 8885 is used to calculate the Health Coverage Tax Credit. The HCTC is a federally funded tax credit that makes health coverage more affordable for eligible individuals and their families. If a taxpayer takes the HCTC and also got Advance Premium Tax Credit, then there are no repayment limitations (line 28 of Form 8962) and the taxpayer must repay the entire APTC.

The link to screen **8885** is located on the **Health Care** tab of the **Data Entry Menu.**

IMPORTANT | The Health Coverage Tax Credit (HCTC) expired at the end of 2019. The HCTC cannot be claimed for coverage months beginning in 2020. The advance monthly payment program continued through December 2019 but will not accept HCTC payments in 2020

## Foreign Tax Credit

If the amount of foreign tax credit (FTC) is less than $300 ($600 for MFJ) and no Form 1116 is required, you can enter this amount directly into the **Foreign Tax Credit** field on screen **5** (figure at left).



For amounts greater than $300 ($600 for MFJ), use the **Form 1116/FTC Information** sections of the **INT** and **DIV** screens to enter data regarding foreign interests and dividends, respectively, or use the **1116** screen, available from the **Foreign** tab of the **Data Entry Menu**.

### FTC Code

If an **1116** screen is to be linked with an **INT** or **DIV** screen (for foreign interest or dividends), enter a number into the **FTC** box at the top of the **1116** screen. Enter this same number on the **INT** or **DIV** screen. For more on entering foreign interests and dividends, see "Foreign Interest and Dividends" on page 171.

### Required Statements

A statement may be required with Form 1116. Use the **SCH** screen to attach the statement. From the **Type of Attachment/statement number and title** drop list on the **SCH** screen, select the applicable 1116 item (beginning with item 394).

## Child and Dependent Care Expenses Credit

*Screen code: 2441*      Use screen **2441**, accessible from the **General** tab (and from the first **Credits** tab), for Form 2441, Child and Dependent Care Expenses.

NOTES

- A $500 nonrefundable credit is provided for certain non-child dependents.
- No credit is allowed to a taxpayer with respect to any qualifying child unless the taxpayer provides the child's SSN.
- For tax years beginning after December 31, 2017, the Child Tax Credit is $2,000.
- The refundable amount of the Child Tax Credit is to $1,400 per qualifying child.
- For more, see "Additional Child Tax Credit and Combat Pay" on page 249.

## Where to Enter Data

Enter data on *both* the **2441** screen and on screen **2** for each dependent for whom expenses were incurred.

## No Income for Spouse

To qualify for the childcare credit, parents must have earned income, be full-time students, or be disabled. If a spouse does not have income but is disabled or a student, then enter $250 (one child) or $500 (two or more children) for each month the spouse was a student or disabled. This information is entered near the bottom of the **2441** screen in the **Earned income for 2441 purposes ONLY** field (Figure 5-25).



**Figure 5-25:** Earned income fields on **2441** screen

An entry in these fields affects Form 2441 amounts only and must be at least as great as the childcare expenses.

## Employer-Provided Dependent Care Benefits

Dependent care benefits provided by the employer (box **10** on the **W2** screen) adjust the credit by the amount provided. Any amounts above the allowed credit appears on the "Wages, salaries, tips, etc." line of Form 1040 with the notation "DCB."

Dependent care benefits should also be entered on screen **2**.

## Ineligible Filing Statuses

A taxpayer with a filing status of Married Filing Separately is not eligible for the child and dependent care credit.

## Carryover from Prior Year

For a carryover of dependent care credit from the prior year, enter the amounts and create a statement listing the circumstances and amounts. Use statement number **441** on the **SCH** screen. For more information on adding an unformatted statement in Drake, see "Unformatted Schedules" on page 296.

## Elderly/Disabled Credit

*Screen code: R*     Use screen **R**, accessible from the first **Credits** tab, for Schedule R, Credit for the Elderly or the Disabled.

TIP     If the credit does not show up in the calculated return, make sure the taxpayer's AGI is not too high to qualify for the credit.

## Home Energy Credits

*Screen code: 5695*     Use the **5695** screen, accessible from the first **Credits** tab, for Form 5695, Residential Energy Credits.

NOTE     Nonbusiness energy property credit has expired.

## General Business Credits

Screen **3800** (General Business Credits) and screen **GBC** (General Business Credits Carryforwards and Carrybacks) are used to claim business credits and enter credit carryforwards and carrybacks. Both screen **3800** and screen **GBC** can be accessed from the first **Credits** tab of the **Data Entry Menu**.

### Form 3800, General Business Credit

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

*Screen code: 3800*     In **Part III - General Business Credits**, enter the amounts of nonpassive and passive activities of the unsupported credits.

NOTES
- Returns with these current-year credit forms that are not supported by Drake Tax must be paper-filed.
- Pass-through credits from those unsupported forms *are* supported by Drake Tax. Enter these pass-through credits on screen **K1P**, **K1S**, **K1F**, or **PATR**. Enter carryforwards on screen **GBC**.
- To enter data for credits that are supported by Drake Tax, use the credit's screen. For example, use the **8820** screen for Form 8820, Orphan Drug Credit.

Also on screen **3800**, if the taxpayer is filing as Married Filing Separately, and the tax-payer's spouse is filing for a General Business Credit, mark the line **13** check box.

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

**Carrybacks and Carry-forwards**

Use screen **GBC** for reporting general business credit (GBC) and eligible small busi-ness credit (ESBC) carrybacks and carryforwards, and to enter passive activity credit carryforwards for Form 8582-CR.

*Screen code: GBC*

Passive activities credit carryforwards are updated to screen **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 matches 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 cor-rectly).
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 gener-ated and the amount of the credit for the year generated.

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

TIP

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

**Form 8582-CR**

Form 8582-CR, Passive Activity Credit Limitations, is used by non-corporate taxpay-ers to figure the amount of any passive activity credit (PAC) for the current tax year (including any prior-year unallowed credits) and the amount of credit allowed for the current year. It also is used to make the election to increase the basis of credit property when a taxpayer disposes of his or her interest in an activity. PACs that are not allowed in the current year are carried forward until they are allowed against the tax on either net passive income or the special allowance, if applicable.

Screen **CR** is available on the first **Credits** tab of the **Data Entry Menu**.

# Child Tax Credit

The Child Tax Credit is calculated automatically in the program. See "Additional Child Tax Credit and Combat Pay" on page 249.

# Retirement Savings Contributions Credit

*Screen code: 8880*   Use screen **8880**, accessible from the second **Credits** tab, for Form 8880, Credit for Qualified Retirement Savings Contributions.

N~OTE~   When this credit can be applied, Form 8880 is generated automatically and a Return Note is produced stating that retirement plan contributions have been carried to Form 8880. The Note also provides instructions for preventing Form 8880 from being generated.

# Other Credits

Table 5-9 lists all credit forms not mentioned previously for which Drake Tax provides screens. Most forms for which no screen is available in Drake Tax can be found at **Tools > Blank Forms.**

**Table 5-9:** Other Credits Calculated in Drake Tax

| Screen | Form and Credit |
|---|---|
| 4136 | Form 4136, Credit for Federal Tax Paid on Fuels |
| 3468 | Form 3468, Investment Credit |
| 5884 | Form 5884, Work Opportunity Credit |
| 588A | Form 5884-A, Credits for Affected Disaster Area Employers |
| 6765 | Form 6765, Credit for Increasing Research Activities |
| 8396 | Form 8396, Mortgage Interest Credit |
| 8609 | Form 8609, Low-Income Housing Credit Allocation and Certification |
| 8801 | Form 8801, Credit for Prior Year Minimum Tax - Individuals, Estates, and Trusts |
| 8820 | Form 8820, Orphan Drug Credit |
| 8826 | Form 8826, Disabled Access Credit |
| 8834 | Form 8834, Qualified Electric Vehicle Credit |
| 8835 | Form 8835, Renewable Electricity, Refined Coal, and Indian Coal Production Credit |
| 8839 | Form 8839, Qualified Adoption Expenses |
| 8846 | Form 8846, Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips |
| 8859 | Form 8859, D. C. First-Time Homebuyer Credit (This credit expired in 2009. The **8859** screen in Drake Tax contains **TSJ** and carryforward fields only.) |
| 8874 | Form 8874, New Markets Credit |
| 8881 | Form 8881, Credit for Small Employer Pension Plan Startup Costs |
| 8882 | Form 8882, Credit for Employer-Provided Childcare Facilities and Services |
| 8896 | Form 8896, Low Sulfur Diesel Fuel Production Credit |

**Table 5-9:** Other Credits Calculated in Drake Tax

| Screen | Form and Credit |
|--------|-----------------|
| 8910 | Form 8910, Alternative Motor Vehicle 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 |
| 8994 | Employer Credit for Paid Family and Medical Leave |

## Unreported Social Security and Medicare Tax

In Drake Tax, use screen **4137** or screen **8919** (accessible from the **Taxes** tab) for Form 4137, Social Security and Medicare Tax on Unreported Tip Income, and Form 8919, Uncollected Social Security and Medicare Tax on Wages.

## Additional Tax on Qualified Plans, etc.

Drake Tax automatically calculates the taxable income from Qualified Tuition Program (QTP) and Coverdell Education Savings Account (ESA) distributions. The calculated amount flows to the following places in the tax return:

• Schedule 1, line 8, "Other income"

• Form 5329, Additional Taxes on Qualified Plans (including IRAs) and Other Tax-Favored Accounts, line 5, "Distributions included in income from a Coverdell ESA, a QTP, or an ABLE account"



Enter qualified education expenses and contributions to and distributions from a QTP or ESA in the **QTP/ESA Taxable Distributions** section of screen **5329**, accessible from the **Adjustment** tab of the **Data Entry Menu**.

The program uses information entered in these fields to calculate the taxable portion of distributions and to generate the calculated amounts on the return. Table 5-10 shows which fields are required in order to ensure correct calculations.

**Table 5-10:** Required Information for Accurate Calculation of Distribution Income

| To Calculate Income from an ESA Distribution | To Calculate Income from a QTP Distribution |
|----------------------------------------------|---------------------------------------------|
| Adjusted qualified education expenses - 2019 | Adjusted qualified education expenses - 2019 |

**Table 5-10:** Required Information for Accurate Calculation of Distribution Income

| To Calculate Income from an ESA Distribution | To Calculate Income from a QTP Distribution |
|---|---|
| Gross distribution from Coverdell ESA | Gross distribution from QTP |
| Basis in Coverdell ESA as of 12/31/2018 | Portion of QTP distribution that is earnings |
| Education account type | Education account type |
| 2019 contributions for this ESA | |
| Value of Coverdell ESA on last day of 2019 (entered at top-left of screen **5329** in the **Coverdell ESA** column) | |

Along with the automatic calculation, the program produces worksheet a worksheet – Wks QTP_ESA – that shows how the taxable amount was calculated.

NOTE    The penalty is calculated and includes any amount that is income from a Coverdell ESA or QTP.

# Household Employment Taxes

*Screen code: H*    Use screen **H**, under the **Taxes** tab, for Schedule H, Household Employment Taxes.

# Other Taxes

Screens for the following other forms are available under the **Taxes** tab in Drake Tax:

**Table 5-11:** Other Tax Forms That Can Be Calculated in Drake Tax

| Screen/ Form | Form and Tax |
|---|---|
| 4137 | Form 4137, Tax on Tips |
| 4970 | Form 4970, Tax on Accumulation Distribution of Trusts |
| 4972 | Form 4972, Tax on Lump-Sum Distributions |
| 8611 | Form 8611, Recapture of Low-Income Housing Credit |
| 8615* | Form 8615, "Kiddie Tax" * |
| 8814 | Form 8814, Parents' Election to Report Child's Income |
| 8828 | Form 8828, Recapture of Federal Mortgage Subsidy |

*If both parents are deceased, go to the **MISC** screen and select **Both parents deceased** in the **Dependent filer special situation** section.

**Net Investment Income Tax**

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

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

NOTE    Check boxes on screens **E** (Rent and Royalty Income) and **4835** (Farm Rental Income) to send amounts entered on those screens to line 4b, "Adjustment for net income or loss derived in the ordinary course of a non-section 1411 trade or business," of Form 8960.

**Additional Medicare Tax**

Use screen **8959** to complete Form 8959, Additional Medicare Tax, to report the 0.9 percent Additional Medicare Tax that applies to an individual's wages, Railroad Retirement Tax Act compensation, and self-employment income that exceeds a threshold amount based on the individual's filing status.

*Screen code: 8959*    Enter amounts as necessary for lines 14 and 23 of Form 8959; the remainder of the form is completed by the program from calculations and data entered elsewhere. If necessary, use the line 19 adjustment field to round amounts from multiple Forms W-2.

# Estimated Taxes

This section focuses on the following information in Drake Tax:

- Estimated taxes paid in 2019
- Estimated payments for 2020
- Estimated tax adjustments
- Applying 2019 overpayment to 2020
- e-Filing state vouchers and making payments
- Underpayment of estimated tax
- Estimated tax penalty

NOTE    The **ES** screen allows you to e-file state estimated tax payments and vouchers, which is permitted in some states. See "Estimated Taxes and Vouchers (States and Cities)" on page 244.

## Estimated Taxes Already Paid in 2019

Use the **ES** screen to enter, by quarter, the 2018 overpayment that was applied to and the estimated taxes paid for 2019. The program applies the standard estimate payment dates. If any of these dates is different, enter the correct date in the applicable override field.

**Figure 5-26:** Entering estimated taxes paid for 2019

## Estimated Payments To Be Paid for 2020

Estimated payments for 2020 are shown on the payment vouchers in View/Print mode.

NOTES

- Make estimated *federal* tax payments by debit card or credit card using the Drake Tax e-Payment Center at *www.1040paytax.com.* See the **Pay federal ES tax payments...** link at the top of the **ES** screen; otherwise, make payments through the **PMT** screen. Use the **PMT** link in the **e-file/Electronic Funds Withdrawal** section on the right side of the **ES** screen.
- For *state* estimated tax payments, see "Making Payments" on page 245.
- The program automatically generates federal payment vouchers when they're required—for instance, when the taxpayer has a federal balance due of $1,000 or more—unless you choose to *not* generate the vouchers. See "Printing Estimate Vouchers," following.

**Printing Estimate Vouchers**

Drake Tax calculates the balance due and generates this year's federal payment vouchers (Form 1040-V), and generates federal *estimate* vouchers for next year's payments, by default. To suppress the printing of estimate vouchers, you must indicate this by selecting "N" from the **ES Code** drop list on the **ES** screen.

Click the **ES Code** field and press F1 to see the codes and their descriptions.

All vouchers include the taxpayer's SSN, name, and address.

**Overriding Voucher Amounts**

The program divides the estimate amounts equally among the four vouchers. To have different payment amounts displayed on the vouchers, you must enter the amounts manually in the fields of the **Estimate Amt** columns of the **ES** screen (shown in figure below)

NOTE

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" (zero) in the **Voucher** field of the **Estimate Amt** column for the quarter the payment was not be made.

The **Increase/Decrease...** text box allows you to adjust the total estimated taxes due.

## Estimated Tax Adjustments

*Screen code: ETA*   Use the Estimated Tax Adjustments (**ETA**) screen if the taxpayer expects a significant change in income the following year. If entries are made on this screen, the program generates an estimated tax worksheet (Wks ES) that shows the calculated estimates. See the **ETA** screen help for more information. (Click the **Estimated Tax Adjustment** link at the top of the **ES** screen to open the **ETA** screen, or type ETA in the selector field of the **Data Entry Menu** and press ENTER.)

## Applying 2019 Overpayment to 2020

To apply part of a 2019 overpayment to the 2020 estimate, enter the total overpayment to apply to all estimates (item #1 in Figure 5-27 on page 243) on the **ES** screen.



**Figure 5-27:** Apply estimated tax payments on **ES** screen

The program applies the overpayment according to the overpayment **OP Code** selected (item #2; see "OP Codes" on page 244). To override the OP code selection, enter amounts to be applied into the **Overpayment** override fields for each voucher (item #3).

**Changing Calculated Estimates**   A positive amount entered in the **Increase/Decrease calculated estimates by** field item #4 in Figure 5-27) adjusts the total estimated tax calculated by the program.A negative amount is subtracted from total estimated tax calculated by the program.

For example, if the program determines that $8,000 should be paid in estimated taxes for 2020, and the preparer is aware that $10,000 should actually be paid due to increased income in 2020, enter $2,000 in this field.

**OP Codes**     If applying an overpayment to the 2020 estimated tax, it is necessary to indicate how that overpayment should be applied on the estimate vouchers. Do this by selecting an **OP Code** (overpayment code) on the **ES** screen (item #2 in Figure 5-27 on page 243).

View code descriptions by clicking in the **OP Code** field and pressing F1.

## Estimated Taxes and Vouchers (States and Cities)

Use the **ES** screen to enter, by quarter and *by state and city*, the 2018 overpayment and the estimated taxes paid in 2019. You can also e-file state payment vouchers and make direct debit payments—for those states and cities that allow electronic payments and e-filed vouchers—from the **ES** screen.

IMPORTANT

State rules concerning electronic payments and e-filed vouchers vary. Some states allow e-filed vouchers; some states allow e-filed vouchers and payments to be sent separately from the main form; some require e-filed vouchers and payments to be filed only with the main form by the due date.

To see a list of which states allow e-filed vouchers, view the field help for the **e-file** check box in the **e-file/Electronic Funds Withdrawal** section in the lower right quadrant of the **EF** screen. To see a complete list of e-file options by state and by tax package, see Knowledge Base article 13370.

**Selecting a State**     On the left side of the **State and City Section** of the **ES** screen, select a state or city from the **St/City** drop list and a **Type** (if appropriate). The program applies the standard estimate payment dates. If any of these dates is different, enter the correct date in the applicable override field. If you want to vary the amounts for the quarterly payments, make those adjustments in the **Amount paid** fields.

IMPORTANT

Filing deadlines vary by state. Most states will follow the federal due date of Tuesday, April 15, 2020. Be sure you know which due date your state is using.

**Applying Overpayments**     Apply overpayments in the state section just as you did in the federal section. See "Applying 2019 Overpayment to 2020" on page 243.

**ES Code**     Have the program print estimate vouchers for states/cities just as you did in the federal section. See "Applying 2019 Overpayment to 2020" on page 243.

**e-Filing Vouchers**     You can e-file your state estimated tax vouchers and make payments electronically.

To e-file the vouchers, mark which voucher you wish to transmit with a check mark in

the **e-file** column of the **e-file/Electronic Funds Withdrawal** section (item #1 in Figure 5-28). To choose a date other than the due date to authorize the direct debit of the account, enter a date in the **Direct Debit Date** override field.

**Making Payments**   When making payments, you have the choice of using the **Account #1** information entered on the **PMT** screen (item #2 in Figure 5-28) or entering new bank account information on the **ES** screen (item #3 in Figure 5-28).



**Figure 5-28:** e-File vouchers and make state tax payments from the **ES** screen

**Multiple States**   If the taxpayer has estimated taxes to file and pay in more than one state, press PAGE DOWN to get a fresh **ES** screen.

## Underpayment of Estimated Tax

By default, the program calculates the estimated tax penalty and generates Form 2210 if there is an underpayment and the form is required. If Form 2210 is required, mark the reason for the requirement in the upper-left corner of the **2210** screen.



Override the default setting for a single return in the **2210 Options** section of screen **1** (figure at right). To print or suppress Form 2210 (or Form 2210F) for a return, select one of from the **2210 Code** drop list (see Table 5-12 on page 246)

**Table 5-12:** 2210 Codes in Drake Tax

| 2210 Code | Program Action |
|---|---|
| X | Calculates the estimated penalty; produces Form 2210 if necessary. |
| P | Calculates the estimated penalty; produces Form 2210 even if not required. |
| F | Calculates the estimated penalty; produces Form 2210F if necessary. |
| G | Calculates the estimated penalty; produces Form 2210F even if not required. |
| N | Does not calculate the estimated penalty. (If this option is chosen, no form for underpayment of estimated tax is generated with the return.) |

If a return is updated from the previous year, the program displays the prior-year tax in the **2018 Fed tax** and **2018 State tax** fields of screen **1** (see figure in "Underpayment of Estimated Tax" on page 245). To override an amount shown, enter a new amount. Based on this amount, program calculations determine whether the taxpayer must pay the underpayment penalty.

## Estimated Tax Penalty

The program automatically calculates a penalty for underpayment of estimated taxes and prints that amount on the "Estimated tax penalty" line of Form 1040. To override the system calculation, use the **Estimated tax penalty** field on screen **5**.

NOTE    For information on calculating interest and penalty amounts for future years, see "Penalty and Interest Calculation" on page 287.

# Earned Income Credit (EIC) Due Diligence

Because a thorough interview is necessary to ensure that all information is gathered about income, deductions, credits, etc., a comprehensive interview process should be part of a tax preparer's office operating procedures. This same logic extends to EIC due diligence requirements. Since individual tax scenarios change from year to year, all clients—including returning clients—should be interviewed in order to obtain a clear picture for the current-year tax return.

The IRS requires tax return preparers complete Form 8867, Paid Preparers' Earned Income Credit Checklist, for all taxpayer applying for EIC. Use Drake Tax's Due Diligence screens to record and retain inquiries made of taxpayers to ensure that they meet EIC and other credit eligibility requirements.

NOTE    Questions on Form 8867 cover the Earned Income Credit (EIC), the Child Tax Credit (CTC) and Additional Child Tax Credit (ACTC), and the American Opportunity Tax Credit (AOTC).

Screen **8867** is available from the **General** tab of the **Data Entry Menu**, in the **Due Diligence** section, (figure at right).

The questions on screen **8867** are used to complete parts of Form 8867 that are not addressed on screen **8863** (Education Credits) and screen **2** (Dependents).

The fields at the bottom of screen **8867** is to be used when someone other than the "signing preparer" verifies that the taxpayer is eligible for HOH filing status. Select from the drop lists of all preparers set up with this firm.
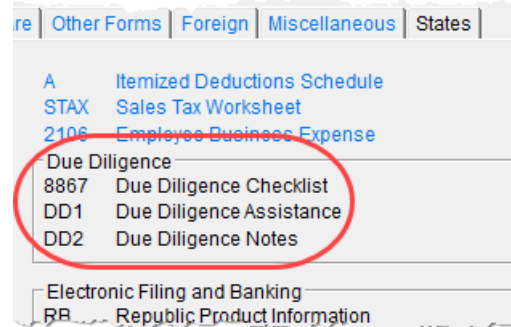
**Due Diligence Assistance**

The Due Diligence Assistance screen (**DD1**) provides supplemental questions to help ensure a more comprehensive interview with each taxpayer.

Screen **DD1** is a tabbed screen, with a tab for answering qualifying child questions, income questions, and for Head of Household questions. While the IRS does not require answers to these supplemental questions to be submitted with the return, these screens provide a means of collecting valuable supporting documentation in case of a due diligence audit.

Screen **DD2**, EIC Due Diligence Notes, provides a place to record information unique to each client and provides additional supporting documentation in case of a due diligence audit.

The **DD1** and **DD2** screens are supplemental to the required Due Diligence Checklist (**8867** screen), but you can require that the screens be completed with each Form 8867. To do so, from the **Home** window menu bar, select **Setup > Options >Administrative Options** tab and select **Require due diligence assistance screen to be completed**. You can also select to print these due diligence documents with all eligible returns (see Table 2-12 on page 59), or on a per-return basis (open the **PRNT** screen and select **Produce DDASSIST**).

See Screen Help, FAQs, and online help for further information and links to IRS documents and other resources relating to EIC.

## EIC Information for Dependents

If the taxpayer has EIC with qualifying dependents, the **EIC** section of screen **2** (item #1 in Figure 5-29 on page 248) *must* be completed for *each* qualifying dependent.

**Figure 5-29:** One example of a completed **EIC Information** section (screen **2**)

If a child is *not* eligible for EIC, this ineligibility *must be specified* by selecting the **Not eligible for EIC** box (item #2 in Figure 5-29).

NOTES
- EIC questions have changed. Read this section of screen **2** carefully.
- For a child who is not a dependent but who is a qualifying person for a taxpayer filing as a Qualifying Widow(er), mark the **Not a dependent - QW qualifier** check box in the **Additional Information** section of screen **2**.
- Click the links (item #3 in Figure 5-29) to view instructional videos on completing EIC.

## Due Diligence Requirements

The IRS provided a comprehensive website covering all topics dealing with the due diligence requirements at *eitc.irs.gov*

## EIC and Combat Pay

Combat pay entered in box 12 of screen **W2** with a code of "Q" ("nontaxable combat pay") is automatically accounted for in the program calculation. You can include combat pay from Form W-2 in the calculation of EIC. On screen **8812** (available from the first **Credits** tab of the **Data Entry Menu**), mark the **Include combat pay in EIC calculation**.

## Missing EIC Calculations?

There might come a time when a preparer is expecting a client to be eligible for Earned Income Credit, but when the preparer completes and views the return, it shows no EIC.

*Screen code:*
*PRNT*

To discover what might be blocking the calculation of EIC for the return, go to the **PRNT** screen (available from the **Miscellaneous** tab of the **Data Entry Menu**). In the left column, near the bottom, select **EIC not being calculated?** View the return and a Return Note will be generated, explaining why EIC has not been calculated for this return.

> TIP
> From the **Home** window menu bar of Drake Tax, go to **Setup > Options > Form & Schedule Options** tab and select **Always show reason for no EIC** to automatically generate the Return Note stating why the EIC calculation is not being made for the open return.

## Blocking EIC Calculations

In some cases, a taxpayer may not be eligible for EIC, even though the information on the tax return indicates otherwise. To block the program from calculating EIC, type NO into the **EIC Blocker** in the **Additional EIC Information** section of screen **8867**.

## Additional Child Tax Credit and Combat Pay

Along with the check box for including combat pay applicable to Additional Child Tax Credit and EIC, screen **8812** also contains override fields for the following items:

• Total earned income for Form 8812, Additional Child Tax Credit
• Calculated amount for withheld Social Security, Medicare, and Additional Medicare taxes from Forms W-2, boxes 4 and 6, and reported on Form 8812

The program automatically calculates the amount for earned income. If Form 8812 applies, the program makes the calculations and generates the form. Use the **Additional Child Tax Credit** section on the **8812** screen only if you must override the calculation for total earned income.

## Producing Wks 8812 for Form W-7 Filers

A taxpayer with a dependent child who has no taxpayer ID is not eligible for the Child Tax Credit but might be eligible for the $500 nonrefundable credit provided for certain non-qualifying children and other dependents. For such situations, Drake Tax produces a worksheet (Wks 8812) in View/Print mode.

To apply for this credit:

**1.** Open screen **2, Dependents**, and complete the required fields.
**2.** In the **SSN** field, type Applied and press Ctrl+F to force the program to accept the entry. If there is more than one such dependent, take note of the dependent's number in the left column of grid data entry (blue box in Figure 5-30 on page 250).

**Figure 5-30:** Note the dependent's number in the left column

**3.** Close screen **2** and open screen **W7** (Figure 5-31), available on the **Foreign** tab of the **Data Entry Menu**, or by entering W7 in the selector field and pressing ENTER.



**Figure 5-31: W7** screen with new fields, new tab

**4.** In the **Dependent** field at the top of screen **W7** (red circle in figure at left), enter the dependent's number from the column on the left (see blue square Figure 5-30, above).

View the return to confirm the results. The Wks 8812 worksheet and the Forms W-7 are generated in View/Print mode.

# Other Payments

Use the following screens to enter other payments from credits.

**Table 5-13:** Other Payments from Credits

| Screen | Name of Form |
|--------|--------------|
| **2439** | Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains |
| **4136** | Form 4136, Credit for Federal Tax Paid on Fuels |
| **8801** | Form 8801, Credit for Prior Year Minimum Tax - Individuals, Estates, and Trusts |

With the exception of the Form 4136 amount, these amounts flow to the "Credits from Form" line of Form 1040. The amount from Form 4136 flows to the "Credit for federal tax on fuels" line.

NOTE

Use the **Other credits from** field at the bottom of screen **5** to force an amount to flow to line 13, "Credits from Form," of Schedule 3, Additional Credits and Payments, and then to line 18d on page 2 of the 1040. Be aware that although a literal specifying whatever form number you entered on screen **5** is printed on line 13 of Schedule 3, no documentation justifying the forced amount is included with the return when using this field.

# First-Time Homebuyer Credit

*Screen code:*
*HOME*

Taxpayers who bought a home in 2008 and took advantage of the first-time homebuyers credit must repay the amount in 15 equal installments, beginning with the 2010 return. If you have prepared the client's tax returns using Drake Tax, the **Home** screen keeps track of the amount repaid every year.

If you didn't prepare this taxpayer's return previously using Drake Tax, go to the **Home** screen (accessible from the **Income** tab of the **Data Entry Menu**), and in the **Form 5405 Repayment Information** section on the right side of the screen, enter the required information. If the taxpayer no longer used the house as his or her main home, enter the **Date home ceased to be main home if not sold** field.

For more information, see the Screen Help for the **Home** screen (press CTRL+ALT+? or right-click the window and select **Screen Help** from the right-click menu). Note the hyperlink to the **First-Time Home Buyer's Account Look-up Tool** at the top of the Screen Help window.

# Direct Deposit

*Screen codes: DD,*
*8888*

Use the **DD** screen, accessible from the **General** tab, to indicate that a refund is to be deposited directly into the taxpayer's account.

NOTES

The **DD** screen contains fields for completing IRS Form 8888, Direct Deposit of Refund to More Than One Account, and a link to screen Form **8888-Bonds** for purchasing U.S. Savings Bonds with the refund.

This section refers to refunds that are *not* in the form of bank products. Enter account information for bank products on the applicable bank screen. For information on bank products, see "Bank Products" on page 334.

## Required Information

The name of the financial institution, the bank's routing number (RTN), the client's account number, and the type of account (checking or savings) are required. The **RTN**, **Account number**, and **Type of account** information must be entered twice (Figure 5-32 on page 252) or an EF Message is generated and the return cannot be e-filed.

**Figure 5-32:** Repeat account information for RTN, account number, and type of account

If the bank account is an IRA, select the **IRA** check box (Figure 5-32). If the information entered is for an account located outside of the United States, mark the **Foreign** check box.

> **NOTE** Due to banking regulations regarding international ACH transactions (IAT), state taxing agencies handle foreign transactions differently from domestic transactions. For filing season 2019, *no* states are supporting IATs; therefore, marking the **Foreign** check box will generate an EF Message instructing you to change the account to one located in the United States. See Screen Help on the **DD** screen for more details.

# Direct Deposit of Federal Refund

If a single account is entered on the **DD** screen, the information flows to the "Refund" section of Form 1040. If multiple accounts are entered, the program produces Form 8888, Allocation of Refund. You can enter up to three accounts.

> **NOTE** You can use direct deposit no more than three refunds into one account or onto a prepaid debit card. Any subsequent refunds using the same routing/account information will be refunded with a check mailed to the address of record for the SSN/EIN. Taxpayers will also receive a notice informing them that the account has exceeded the direct deposit limits.

## Form 8888 Conditions

The following conditions *must* apply for the taxpayer to file Form 8888:

- The accounts indicated for the refund deposit are checking, savings, or other accounts such as an IRA, MSA, etc.
- The accounts are in the taxpayer's name.

Multiple accounts are not allowed if filing Form 8279, Injured Spouse Allocation.

> **NOTE** A taxpayer cannot request a refund deposit to an account that is in the name of someone else (such as the tax preparer).

**Multiple Accounts**

By default, the program directs the federal refund to the first account entered on the **DD** screen. If depositing funds into multiple accounts, select **Yes** or **No** from the **Federal selection** drop list to indicate whether the first account entered should be used for the federal refund. The default selection is **Yes**. Select **No** if the federal refund is not to go to the account listed.
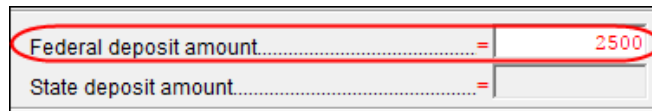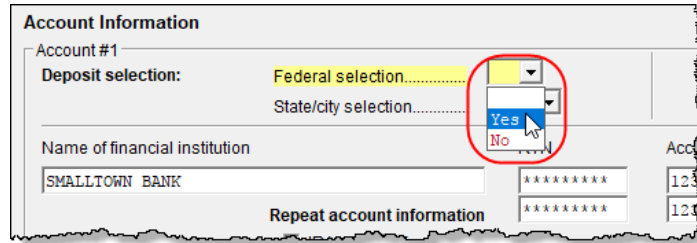
To indicate that a refund should be distributed into multiple accounts, enter the portions for each account in the appropriate **Federal deposit amount** field on the **DD** screen. To have part of the refund disbursed as a paper check, enter the amounts to be direct deposited in the **Federal deposit amount** override fields, then press PAGE DOWN to open the **Bond** screen and mark the box in the **Paper Check** section.

NOTE     Because not all states support multi-account direct deposit, the **State deposit amount** field is inactive by default.

**Series I Savings Bonds**

To indicate that a taxpayer wishes to make a Series I Savings Bond purchase from the tax refund, press PAGE DOWN from the **DD** screen (or click the **U.S. Savings Bond Purchases** link at the top of the **DD** screen) and fill out the **BOND** screen. If the taxpayer wishes to receive the remainder of the refund disbursed as a paper check, mark the box in the **Paper Check** section.

# Direct Deposit of State or City Refund

To have a state or city refund deposited into an account, select the state abbreviation from the **State/city selection** field for the account.
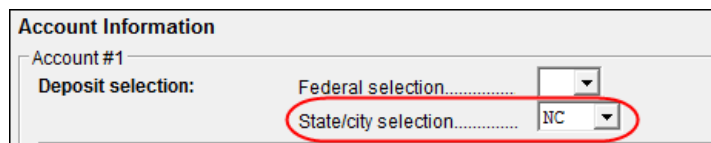
If this field is left blank, no state refund will be deposited into the account.

**Multiple State Refunds**

If the taxpayer receives refunds for more than one state or city return and wants to deposit refunds into separate accounts, indicate this on the **DD** screen by choosing a code from the **State/city selection** drop list for each account (figure above). To have the refunds from all eligible state returns deposited into one account, select "A" from the **State/city selection** drop list.

**GA, OH, NY**
**Refunds**
Georgia and Ohio have unique requirements for direct deposit. Note the section near at the bottom of the **DD** screen if the return is to be e-filed for either of these states.

Click the **Ohio College 529 plans** link or the **NY College 529 plans** link to deposit refunds into one of these 529-plan accounts.

# Electronic Payment Options

Electronic payments can be made by credit card, debit card, or electronic funds withdrawal ("direct debit").

## Pay Balance Due with Credit or Debit Card

Drake Tax offers two options for paying a balance due with a credit or debit card (MasterCard®, Visa®, American Express®, or Discover®):

• **Integrated File and Pay (IFP)** — Authorize payment via credit card or debit card prior to e-filing the return. Once the e-filed return is accepted by the IRS, the debit card or credit card is charged.
• **Drake e-Payment Center** — Taxpayers can use the Drake e-Payment Center, located at *www.1040paytax.com* (or click the **Pay federal ES tax payments ...** link at the top of the **ES** screen) to pay a balance due by debit or credit card after the return has been filed.

**Using the**
**IFP Screen**
Use the **IFP** screen, accessible from the **Miscellaneous** tab or from the link on the **PMT** screen, to the tax due with a return. Use this screen *after* the return is completed but *before* it is e-filed.

IMPORTANT

In order to use IFP, you must enter the taxpayer's first and last name, SSN, full address, phone number including area code, and email address on screen **1**.

A return must be e-filed and accepted within 21 days of card authorization in order to complete the payment transaction. If a return is not accepted (or is rejected) within 21 days, the authorization is, in effect, canceled. Reauthorization would be required.

*Screen code: IFP*
On the **IFP** screen, indicate the form being e-filed (**1040** or **4868** extension), *recalculate the return*, then return to the **IFP** screen and click the **Authorize Credit Card** button. You will be directed to a website where you can enter the taxpayer's credit card information and authorize a hold on the card.

To have the client results letter refer to the payment method used, enter the last four digits of the credit card number in the **Optional Letter Information** section of the **IFP** screen. The client results letter will then reference the amount that to be charged to the credit card and display the card's last four digits.

NOTE

A website, *www.integratedfileandpay.com/status*, is available for clients to check their payment statuses. See the screen help for the **IFP** screen (select **Help** from the data entry screen toolbar or press CTRL+ALT+?) and click the **Verify Tax Payment** hyperlink to the website.

## Electronic Funds Withdrawal (Direct Debit)

*Screen code: PMT*

Use the **PMT** screen, accessible from the **General** tab, to indicate that funds are to be electronically withdrawn (direct-debited) from the taxpayer's account for payment of taxes owed.

**Program Defaults and Overrides**

By default, the program indicates that the entire balance (the "Amount You Owe" section of Form 1040) is to be electronically withdrawn on the return due date, unless otherwise indicated using the override fields for each account entered. (See the **Requested payment date** override field highlighted in Figure 5-33.) If the return is e-filed on or before April 15, 2020, the requested payment date cannot be later than April 15. If the return is transmitted after April 15, the requested payment date cannot be later than the current date.

**Required Information**

A **Withdrawal selection** (item #1 in Figure 5-33) is required if the program is to direct tax authorities to electronically withdraw funds from the taxpayer's account.



**Figure 5-33:** Required fields on **PMT** screen: withdrawal selection (1); bank and account information (2); specified return (3)

The name of the financial institution, the bank's routing number (RTN), the client's account number, and the type of account (checking or savings) are required (item #2 in Figure 5-33). The **RTN**, **Account number**, and **Type of account** must be entered twice.

Finally, the **PMT** screen must indicate the return to which the payment data applies (item #3 in Figure 5-33). Mark the box of the applicable return type.

**Withdrawal from Multiple Accounts**

Neither a federal payment nor a state direct debit payment can be made from more than one account. To have a *state* payment withdrawn from an account other than the account indicated for *federal*, complete the fields in the **Account #2** section of the **PMT** screen. (To have a payment for a second state withdrawn from a third account, complete **Account #3**.)

**Direct Debit of Estimates**    To indicate direct debit of estimate payments only, select **Estimates Only** from the **Federal selection** drop list at the top of the screen. By default, the estimate payment amounts and dates are calculated from the information entered on the **ES** screen. Use the fields in the **Federal 1040-ES** section of the **PMT** screen to override that data.

For more information, see the Screen Help for the **PMT** screen.

# Third-Party Designee

To set up a preparer as a third-party designee, the preparer's PIN must first be entered in Preparer Setup (see "For All Returns (Default)," following). A default third-party designee can be set up for all returns. You can override the default for a single return as needed.

## For All Returns (Default)

To set up the third-party designee for all returns, from the **Home** window of Drake Tax, go to **Setup > Options** > **Optional Items on Return** tab and make a selection from the **Third party designee** drop list. Options are shown in Table 5-14, along with descriptions of how the options affect the "Third Party Designee" section on page 2 of Form 1040.

**Table 5-14:** Setup Options for Third-Party Designee

| Selection | "Third Party Designee" Section of Schedule 6 |
|-----------|----------------------------------------------|
| None | Blank; The "No" box is marked on Schedule 6. (This default selection can be overridden from the **PREP** screen; see "For a Single Return (Override)" following.) |
| Preparer (1-9)* | Designated preparer (for preparer numbers, see list in **Preparer Setup**); "3rd Party Designee" box on 1040 is marked; Schedule 6 is not generated (unless otherwise required). |
| Return Preparer* | Preparer who prepared the return; "3rd Party Designee" box on 1040 is marked; Schedule 6 is not generated (unless otherwise required). |
| ERO* | Preparer indicated at **Setup > Options > EF** tab as **Default ERO**; "3rd Party Designee" box on 1040 is marked; Schedule 6 is not generated (unless otherwise required). |

*If a preparer or ERO is selected, a PIN *must* be entered for that preparer; otherwise, no preparer's name shows up as the third-party designee on Form 1040.

## For a Single Return (Override)

*Screen code: PREP*    Use the **PREP** screen to override the setup options for third-party designee for a single return. Enter the designee's name, phone, and PIN in the fields provided. (Email address is optional.)

**Figure 5-34:** Third-party designee fields on **PREP** screen

In the "Paid Preparer Use Only" section on page 2 of the 1040, the preparer's name, PTIN, phone number, and the firm's name, address, and EIN will be printed, but the "3rd Party Designee" box will not be marked.

In the "Third Party Designee" section on page 2, the name, phone number, and PIN of the third-party designee entered on the **PREP** screen (Figure 5-34) will be printed and the "Yes" box will be marked.

For more on how to use the **PREP** screen to override preparer information, see "Overriding Other Preparer Information" on page 90.

## No Third-Party Designee

To override the selection of a third-party designee from **Setup > Options > Optional Items on Return** and indicate that no one other than the taxpayer is allowed to discuss the return with the IRS, go to the **PREP** screen and select **No** from the **Allow another person...** drop list in the **Third Party Designee** section. All lines in the "Third Party Designee" section on page 2 of Form 1040, are blank and the "No" box is marked.

NOTES
- If no third-party designee is indicated in **Setup > Options > Optional Items on Return** tab, the "3rd Party Designee" box in the "Paid Preparer Use Only" section on page 2 of Form 1040 is not marked and the "No" box in the "Third Party Designee" section is marked.
- If you select **Yes** on the **PREP** screen but leave the other fields blank, the "Yes" box will be marked in the "Third Party Designee" section but all third-party information fields will be blank.

# Signing the Return

An e-filed tax return must contain electronic signatures of both the taxpayer and the ERO in order to be accepted. Electronic signatures are produced using PINs.

## Form 8879

Form 8879, an electronic signature document used to authorize e-file, allows taxpayers to select PIN signatures (or have the tax program choose a random numbers for

them). It also authorizes the ERO to enter the taxpayers' PIN signatures authorizing electronic withdrawal of funds for tax payments.

NOTE
- The signed Form 8879 or 8878 should not be mailed to the IRS. It must instead be retained by the ERO for three years. See Form 8879 instructions for more information.
- To print the 8879 or 8878 filing instructions, from the **Home** window menu bar, go to **Setup > Options > Client Communications** tab.

*Screen codes:*
*8879, PIN*

Use the **PIN** screen, accessible from the **General** tab, to complete Form 8879. The generated return uses both the taxpayer's PIN and the ERO's Practitioner PIN.

IMPORTANT
The PIN entered must match either the PIN of the **Default ERO** (selected at **Setup > Options > EF** tab) or the PIN of the preparer specified in the **Preparer #** override field on screen **1**.

**Signature Date**

A PIN signature date is required at the top of the **PIN** screen. If no date is entered, an EF Message is generated and the return cannot be e-filed.

**Obtaining Client PIN Signatures**

Ideally, the client signs Form 8879 in your office. If the client is not available to sign, you can email Form 8879 as a PDF file to the client and have the client sign the form and return it to you.

The taxpayer can select his or her own PIN (any five-digit number except 00000). On the **PIN** screen, have your client enter his or her PIN, and then indicate either **Taxpayer entered** or **Spouse entered**. If the client is not available and you enter the PIN signatures, leave the check boxes blank.

NOTE
The taxpayer can elect to use the PIN generated by the program. To turn off the option to generate PINs, go to **Setup > Options > EF** tab and clear the check mark from **Auto-generate taxpayer(s) PIN (1040 Only)** option.

**Direct Debit Consent**

If there will be a direct debit from the client's bank account to make a tax payment, you must mark the **Direct Debit Consent** on the **PIN** screen to indicate that the taxpayer authorizes funds to be electronically withdrawn from his or her account.

## PIN Signatures for Forms Other than the 1040

By default, Form 8879 is printed with Form 1040. If an electronic signature form is to be printed with any of the following other forms, indicate this by selecting the applicable box in the **Select Form** section of the **PIN** screen:

- Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return (with payment)
- Form 2350, Application for Extension of Time to File U.S. Income Tax Return
- Form 9465, Installment Agreement Request
- Form 56, Notice Concerning Fiduciary Relationship

Note that the electronic signature form is required with Form 4868 only if making a payment. For Forms 4868 and 2350, the program produces Form 8878, IRS e-file Signature Authorization for Form 4868 or Form 2350.

NOTE  Prior-year AGI amounts are required if Forms 2350, 9465, and 56 are to be e-filed. Enter this data in the **Prior year AGI** section of the **PIN** screen.

## Special Conditions

There are special conditions for instances when someone other than the taxpayer signs a tax return.

**Power of Attorney**  If the return is being signed by someone with Power of Attorney for the taxpayer, you must indicate this in the program and provide the IRS with a copy of Form 2848, Power of Attorney. (Screen **2848** is available from the **Other Forms** tab of the **Data Entry Menu**.) Because Form 2848 is not e-filable, it must be mailed or faxed to the IRS.

NOTE  You can enter an unlimited number of representatives when filling out Form 2848, Power of Attorney. From screen **2848**, press PAGE DOWN to open another screen for information on another representative.

**Mail or Fax Form 2848**  A transmittal (Form 8453) can be e-filed with the return, alerting the IRS that a paper document is being sent that corresponds with this e-filed return. To generate the transmittal:

1.  Open screen **MISC** (accessible from the **Miscellaneous** tab of the **Data Entry Menu**).
2.  In the **Special Signatures** section, mark the **Return signed by Power of Attorney** check box and enter the name of the person signing by use of the power of attorney.
3.  Open and complete screen **2848**.
4.  View the return. (Form 8453 is generated with the paper-document indicator marked for Form 2848.)
5.  Print Form 2848 and mail or fax it to the IRS.

NOTE  For MFJ returns, there will be two Forms 2848 to print and mail.

**Taxpayer Signing for Spouse**  If the taxpayer is signing the return for the spouse, mark the box in the **Signing for Spouse** section of the **MISC** screen and provide an explanation using the **SCH** screen, code **023**. (See "Unformatted Schedules" on page 296.)

# Completing Form 4562, Depreciation and Amortization

Form 4562, Depreciation and Amortization, is used to claim deductions for depreciation and amortization, to elect to expense certain property under Section 179, and to indicate automobile and other listed property use for business/investment purposes.

## Where the Information Flows

Data entered on the **4562** screen (accessible from the **Income** tab of the **Data Entry Menu**) flows to the applicable sections of Form 4562. The information is also used to calculate data for other related forms and schedules.

**Form 4562**      Because the data entered into the **4562** screen flows to Form 4562, you should not have to use screens **6**, **7**, **8**, and **9** (4562 Parts 1 through 5c) *unless* entering a pre-prepared return with no supporting documentation. Data also flows, as applicable, from the **4562** screen to Form 4797 (Sales of Business Assets) and Form 3468 (Investment Tax Credit).

**Depreci-ation Schedules**      Screen **4562** is used to create depreciation or amortization schedules for Schedules A, C, E, and F; for Forms 2106, 4835, and 8829; and for tax returns of partners in a partnership and shareholders in an S corporation.

Depreciation data is also used for the Auto Expense Worksheets for Schedules C, E, and F, and Form 4835. To create an auto worksheet, see "Auto Expenses" on page 268. To associate a depreciable asset with another screen in Drake Tax, see "Associating One Screen with Another" on page 114.

## Entering Depreciable Assets

*Screen code: 4562*      Use the **4562** screen to enter depreciation data. Enter each asset on a separate **4562** screen. (To open a new screen, press PAGE DOWN.)

TIP      Grid data entry can be used for the **4562** screen. Press F3 to switch to and from grid data. See "Grid Data Entry" on page 109.

**Required Fields**      Required fields on the **4562** screen are described in Table 5-15.

**Table 5-15:** Required Fields on **4562** screen

| Field | Description |
|---|---|
| **For** | Used for associating an asset with a form or schedule; see "Associating One Screen with Another" on page 114. |
| **Description** | Description of asset. This field supports 42 characters. |
| **Date Acquired** | Date the asset was placed in service |
| **Cost** | Depreciable basis of the asset (press F1 for further details) |
| **Method** | Depreciation method |

**Table 5-15:** Required Fields on **4562** screen

| Field | Description |
|-------|-------------|
| **Life** | Class life; press F1 for a recovery-period listing. |

NOTE
> If **EXP** (Section 179) is selected as the depreciation method, the useful life/recovery period entered in the **Life** field is used to calculate depreciation adjustments for Form 6251 (AMT). See "Section 179 Expensing" (following), for more on Section 179.

**Business % Use**

The default business percent use is 100%. Enter a number in this field only if business percent use for the asset is not 100%.

If business use dropped to 50% or less, complete the **Business % use** field and select the **Recapture because...** box in the **Additional Asset Information** section. The program recaptures any excess Section 179 or depreciation and carries it to Form 4797, Part IV, and to the "Other income" line on the form being associated with the **4562** screen.

IMPORTANT
> Do not enter a **Business % use** if the asset is for Form 2106, Form 8829, or an Auto Expense Worksheet (**AUTO** screen).
>
> **EXP** cannot be the selected method if the **Recapture** box is marked. The **Method** field must contain an acceptable IRS method for the recapture to be calculated correctly.

**Listed Property Type**

A selection in the **Listed Prop Type** field is required for an asset that could be used for personal, entertainment, recreation, or amusement purposes. An entry here lists the asset as "Listed Property" in Part V of Form 4562. Depreciation limitations could apply.

**Prior Depreciation**

The amount in the **Prior depreciation** field flows from the previous year (if the information is available); otherwise, enter this information directly.

## Section 179 Expensing

Drake Tax calculates the amount up to the established current-year limit for all properties expensed under the Section 179 deduction. If Section 179 (**EXP** in the **Method** drop list) is selected as the depreciation method on more than one **4562** screen, the program expenses the initially entered items first, regardless of which schedule lists the asset. The limitation occurs when the total of the expensed assets reaches the established limit for the current year (again regardless of schedule).

To conform with IRS mandates, Drake Tax reports Section 179 expense on the first Form 4562 generated with the return. If multiple activities have Section 179 expens-

ing, a Section 179 summary is produced on the first Form 4562. (All additional 4562 forms produced have only the "Section 179 expense deduction" lines completed.)

NOTE            Section 179 expense cannot be claimed on assets related to a passive activity.

**Indicating Sec. 179 Expensing**

Indicate Section 179 expensing on the **4562** screen. In most cases, you do not have to use screen **6**, which contains override fields for Form 4562, Part I, Election to Expense (Section 179). If screen **6** contains a Section 179 expense override, clear that field and enter the amount on the **4562** screen. The entry appears on Form 4562.

To expense the *entire* amount of an asset under Section 179, select **EXP** as the depreciation method *or* enter the entire cost or basis in the **179 expense elected this year** field. Choose a **Method** and **Life** and dollar amount of depreciation. To expense only a *portion* of the tangible property under Section 179, enter all information as if depreciating the full amount, then enter the amount to expense in the **179 expense elected this year** field.

If the asset is listed property, make a selection from the **Listed Prop Type** drop list in the upper-right section of the **4562** screen. (See "Listed Property Type" on page 261.) A selection from that list carries the information to Part V of Form 4562.

IMPORTANT       For returns being prepared in Drake Tax for the first time, the prior Section 179 expense must be entered manually for the depreciation to be calculated correctly. In the future, the **179 expense allowed in prior years** field will be updated based on system calculations.

**Indicating Prior-Year Sec. 179 Expensing**

If you enter an amount in the **179 expense *elected* in prior years** field (figure, below) you must also enter an amount in the **179 expense *allowed* in prior years** field.



If your taxpayer was *allowed* the whole amount *elected*, the entry in the fields should be the same; if the taxpayer was not allowed all the 179 expense elected, enter the amount allowed on the **179 expense allowed in prior years** field.

If the taxpayer expenses assets using Section 179, the program produces a Wks 179 Limit, "Section 179 Business Income Limit," with the return.

## Investment Credit Codes

If an investment credit code is required, select the code from the **Investment credit code** drop list in the **Additional Asset Information** section of the **4562** screen.

## Asset and Department Numbers

The **Asset number**, **Department number**, and **Asset Category** fields in the **Fixed Asset Manager** section of the **4562** screen are for tracking purposes in the Fixed Asset Manager (see "Fixed Asset Manager" on page 445) and can be used in reports.

NOTE    Select asset categories from the **Asset Category** drop list in order to group items by asset category in the Fixed Asset Manager.

## Land Cost

Use the **Land cost** field to enter cost/basis of the land. An amount entered here should *not* be included in the cost/basis of the asset. For example, if the purchase price including the land was $100,000 and the cost of the land was $10,000, you would enter $10,000 for **Land cost** field and $90,000 for **Cost/Basis** at the top of the screen.

## Depreciating Home Used for Business

If a **4562** screen is to be associated with a Form 8829, Business Use of Home, select **8829** from the **For** drop list at the top of the **4562** screen and do not make an entry in the **Business % use** field. If the home was the taxpayer's main home, mark **Main home for Form 8829** (in the **Additional Asset Information** section on the left side of the **4562** screen).

## Amortization

Select an amortization codes from the **Amortization code section** drop list on the **4562** screen, under **Amortization Information**. To allow the extra $5,000 deduction in the first year of amortization, mark the **Elect additional first-year deduction** check box. The method of depreciation selected must be **AMT**.

## State-Specific Depreciation Information

For state-specific depreciation information, make selections from the applicable drop lists under the **State-Specific Information** section (near the bottom of the left column).

**FL, IN, KY, and PA**    State-specific fields for Florida, Indiana, Kentucky, and Pennsylvania returns are located at the bottom of screen **4562**.

- **Occurrence of Schedule** field: Choose the occurrence of the state form or schedule to which the asset relates (default is "1"). For PA entries, this field applies only when the asset is sold.
- **Schedule form data flow** list: Select the state form or schedule to which the asset data should flow. For PA, this field applies only when the asset is sold.
- **Removal Method** field (FL only): Press F1 to view valid entries. If left blank and a 2019 **Date sold** is entered, the program uses the default "02 - FL Sold."

- **Indiana County**: Select the Indiana county where the asset is located from the drop list.

## Placed in Service and Like-Kind Exchange Information (Overrides)

The **4562** screen has the following placed-in-service override fields:

- **Force convention** — MQ (mid-quarter) or HY (half-year). If **MQ** is selected, the program calculates which quarter to use.
- **Do not use MACRS % tables** — Options include **Qualified Indian Reservation Property**.
- **Qualified Real Property** — Certain real property placed in service from 2011 to 2014 qualifies for special tax treatment. If this asset qualifies for this special tax treatment, indicate which class of property it is.

## Stopping Depreciation on an Asset

An entry in the **Date taken out of service** field stops calculation of depreciation on this asset. The program continues to keep track of this asset



when you update this year's return into next year's program unless you mark the **Do Not Update to next year** check box.

## Depreciating Sold Assets

To indicate the sale of an asset for depreciation purposes, complete the applicable fields in the **If sold** section of the **4562** screen.

(See figure on next page.)

**Group Sales**    To enter group sales in Drake Tax:

**1.** Open a **4562** screen for the first asset of the group sale.

**2.** In the **If sold** section of the screen, complete the appl-cable fields for the asset, including **Date sold**, **Sales price**, and **Expense of sale** fields, and the **Group sale price** and **Group expense of sale** in the **Group Sale Information** section.

**3.** Enter a **Group Sale num-ber** to link the sale of this asset with other assets in the same sale. In the example at left, the asset is part of group sale "3" (blue arrow)

**4.** Open a **4562** screen for the next asset in the group sale.

**5.** Complete the applicable fields for the asset. In the **If sold** section, only the **Date sold**, **Property type** are required, and in the **Group Sale Information** section, only the **Group sale number** field is required.

**6.** Repeat steps 4 and 5 for all assets in the group sale.

NOTES

- Complete the **Date sold**, **Property type**, and **Group sale number** fields for all assets in a group sale. The **Group sales price** and **Group expense of sale** fields are required for *only the first asset* listed.
- Note the new **Qualifying State Only Like-Kind Exchange** check box on the figure above. Mark this box only if this asset was sold for federal purposes and was part of a like-kind exchange for state purposes and you want to continue depreciating the basis of this asset instead of including it with the new asset.

The sales price and the expenses is prorated among the assets based on the cost/basis of the assets and flows to Form 4797, Sales of Assets.

**Fair Market Value**

If the taxpayer is selling multiple assets in group sale, in order to prevent the program from allocating a sales price based on the cost of *each* asset, use the **Fair Market Value** override field for higher-valued assets and older assets and let the program allocate the remaining sales price to the remaining assets.



If you enter an FMV for *each* asset, then the total must equal the group sale price.

**Form 4797, Sales of Assets**

If data is entered for **Date sold** and **Property type**, the asset data flows to Form 4797, Sales of Assets. If only the **Date sold** field contains data, nothing flows to Form 4797.

For a Section 1250 property, an entry in the **Form 4797, line 26d depreciation** field flows to that line of Form 4797. An entry in the **Form 4797, other Part III depreciation** field flows to the appropriate line of Form 4797, depending on the property type.

**Installment Sales**     Unlike Form 4797, Form 6252, Installment Sales, is not generated automatically if the **If sold** fields are completed. For information on entering installment sales, see "Reporting Installment Sales" on page 182.

## Depreciation Elections

*Screen code: 10*     Two screens are used for indicating depreciation elections. Use screen **10** (Additional Depreciation Elections), to elect out of 50% bonus depreciation for some or all of the assets placed in service in 2019. You also can access this screen for an asset by clicking the **Additional Depr Elections** link on screen **4562** for that asset.

Open the **ELEC** screen, available from the **Miscellaneous** tab of the **Data Entry Menu**, and use the check boxes in the **Form 4562** section for other Form 4562 elections.

For more on the **ELEC** screen, see "Safe Harbor Election for Buildings" on page 272.

## Federally Declared Disaster

If the **Disaster assistance property** check box in the **Federal declared disaster area** section of screen **4562** is marked, the property will qualify for additional Section 179 deduction and also for 50% bonus depreciation. A selection here increases the Section 179 limits on Form 4562, lines 1 and 3, accordingly.

Marking the **GO Zone Extension property** check box will not change any 2019 calculations in Drake Tax. The box remains on the screen to alert the preparer if the asset is sold and anything must be recaptured due to additional GO Zone deductions in a prior year. All federal GO Zone provisions have expired.

# Form 4562 Import

You can import information on depreciable assets from an Excel spreadsheet, TAB (tab delimited) file, or CVS (comma delimited) file directly into the Drake Tax program.

For your convenience, Drake Software has also made available a pre-designed Excel worksheet for your use. Simply download it from the Drake Software Knowledge Base (see Step 1 on page 267), fill in your client's details, and export the information directly into Drake Tax. After import, each transaction appears on a separate **4562** detail screen.

## Completing the Spreadsheet

Take the following steps to import data on depreciable assets from an Excel worksheet into the **4562** screens of Drake Tax:

**1.** Open a return in Drake Tax, and from the **Data Entry Menu** toolbar, click **Import > Form 4562 Import**. Click the **Form 4562 Import information and sample spreadsheet** link to open the Drake Software Knowledge base (Internet access is required). Scroll down to the bottom of the window and click to download the desired template.

**2.** Complete the worksheet with your data and save it to a convenient location (such as the client's file in the "DT" folder of Drake Tax or to the client's Drake Documents file).

IMPORTANT | If you choose to make your own worksheet, you must include specific columns in a specific order. Each column in the worksheet represents a field on the 4562 screen in Drake Tax. Compare your worksheet to the Knowledge Base worksheet to ensure you have all the required columns in the required order.

**3.** Click **Next**.

**4.** In Step 1, from the **Import File Nam**e line, click **Browse** and find the worksheet, select it, and click **Open** (or select it and double-click).

**5.** In Step 2, choose the row on which to begin the import. (For instance, if the first row of the worksheet contains the column headers, begins the import with column **2**.)

**6.** Click **Next**. Click **Import**.



When the import is complete, the tax program is opened to the Existing Forms List.

NOTES

- Except for column headers, do not put anything in the Excel worksheet that should not be imported.
- If totals are present in your Excel worksheet, remove them before saving the worksheet to the "DT" folder (or to Drake Documents). The totals may inadvertently be imported, doubling your data.
- Ensure that date formats in the **Date Sold** and **Date Acquired** columns are formatted correctly.
- 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).
- For more information, see KB article 15982: "4562 - Import Assets from Spreadsheet." (To quickly open the KB, from the **Home** window of Drake Tax, go to **Support > Drake Software Knowledge Base** and search for "15982.")

# Auto Expenses

*Screen code:*
*AUTO*

The Auto Expense Worksheet (**AUTO** screen), accessible from the **Adjustments** tab, is used for calculating automobile expenses related to certain types of income. The program calculates the mileage rate automatically.

NOTE Enter data for Schedule C, Part IV, Information on Your Vehicle, on the **AUTO** screen (click the **AUTO** link on screen **C**). Use the **For** and **MFC** fields to associate the **AUTO** screen with the correct **C** screen.

## Applying Auto Expenses to a Form

**AUTO** screens can be applied to Schedules C, E, and F, and Form 4835. Use a separate **AUTO** screen for each vehicle. An "Auto Expense Worksheet" (Wks Auto) is generated in View/Print mode for each **AUTO** screen created.

To apply an **AUTO** screen to a specific form, select the form type from the **For** menu. Use the multi-form code (**MFC**) box as necessary; see "Associating One Screen with Another" on page 114 for more on using the **For** and **Multi-form code** boxes in Drake Tax.

NOTE You can enter unreimbursed partnership auto expenses on the **AUTO** screen, selecting **K1P** from the **For** drop list to send the expenses to page 2 of Schedule E, Supplemental Income and Loss.

## Business Mileage

The 2019 standard business mileage deduction rate for the 2019 tax year was 58 cents per mile. Use the applicable field on the **AUTO** screen to enter business miles driven in 2019.

## Prior-Years Mileage

The **Prior Years Mileage** fields allow you to keep a running total of the mileage covered by the vehicle since being placed in service. The total amount is used to calculate the cumulative business percentage for the life of the vehicle. It is also used to calculate the business cost and sales price when the vehicle is sold.

Prior-year mileage data is updated each year when you update your system.

IMPORTANT The business mileage fields must be completed to compute business use percentage for depreciation (Form 4562).

# Office in Home

*Screen code: 8829*

Enter information for Form 8829, Expenses for Business Use of Your Home, on the **8829** screen, accessible from the **Adjustments** tab.

## Applying 8829 Data to a Form

Screen **8829** can be applied to Schedules C and F, Form 2106, and Schedule K-1 for Partnership. Select the form type from the **For** menu at the top of the **8829** screen. Use the **Multi-form code** box as needed (default is "1"). (See "Associating One Screen with Another" on page 114.)

**Special Conditions: Form 2106**

The multi-form code information must be modified slightly if the **8829** screen is being associated with a Form 2106 (Employee Business Expenses) and the spouse has a 2106 form. The program numbers all *primary taxpayer* 2106 forms before numbering the *spouse's* 2106 forms, as shown in Table 5-16.

**Table 5-16:** Screen **8829** Multi-form Codes for Form 2106

| If the 2106 is for ... | Enter this code: |
|---|---|
| Primary taxpayer | 1 |
| Primary taxpayer (and it is the primary taxpayer's *second* 2106) | 2 |
| Spouse (and the primary taxpayer does *not* have a 2106) | 1 |
| Spouse (and the primary taxpayer *does* have a 2106) | 2 |
| Spouse (and the taxpayer has *two* 2106 forms) | 3 |

NOTE   Remember that if a taxpayer does not fall into one of four categories, Form 2106 should be completed *only if* it is needed for a state return. See "Employee Business Expenses" on page 212 for more.

## Depreciation of Home

Generally, home depreciation data should be entered under Part III of the **8829** screen. If the home was placed into service *during the current tax* year, however, leave Part III blank, start a **4562** screen for the home, and enter the data shown in Table 5-17:

**Table 5-17:** Screen **4562** Fields to Complete for First-Year 8829

| Screen | 8829 Information or Text to be Entered |
|---|---|
| **For** | Select **8829**. |
| **Multi-form code** | Enter the instance of Form 8829 to be associated with this **4562** screen. (See "Associating One Screen with Another" on page 114.) |
| **Description** | Enter a description of the asset. |
| **Date Acquired** | Enter the date the home was placed in service. |
| **Cost** | Enter the smaller amount — the cost/basis or the fair market value. (This amount would normally be entered in Part III of the **8829** screen.) Do not include the cost of the land. |
| **Business % Use** | Leave this field blank; default is 100%. |

**Table 5-17:** Screen **4562** Fields to Complete for First-Year 8829

| Screen | 8829 Information or Text to be Entered |
|---|---|
| **Method** (Federal column) | Select **SL - Straight Line**. |
| **Life** (Federal column) | Enter the number 39. |
| **Land cost** | Enter the cost of the land only. This amount should not be included in **Cost/Basis** above. (This amount would normally be entered in Part III of the **8829** screen.) |
| **Main Home for 8829** | Select this box if the asset was the main home. This information is posted to the bottom of Form 8829 when the return is generated. |

CAUTION

Options from the **For** drop list on screen **8829** include **4835** and **E**. Under a narrow set of circumstances, a home office deduction on rental property is allowed, but only if the property meets section 165 definition of a "trade or business." A disallowed deduction can lead to penalties and interest.

Review Pub. 597 for details.

# Net Operating Losses

This section explains how to enter carrybacks and carryforwards of net operating losses (NOLs) in Drake Tax.

For information on AMT NOLs, see "Calculating and Tracking AMT NOL Carryovers" on page 272.

## Carrybacks from Future Years

*Screen code: 3*

Enter NOL carryback amounts from future years in the "NOL" field in the **Schedule 1** section of screen **3** (Figure 5-35). This field can also be used to amend the current-year amount or to adjust carryback amounts calculated from the **LOSS** screen.
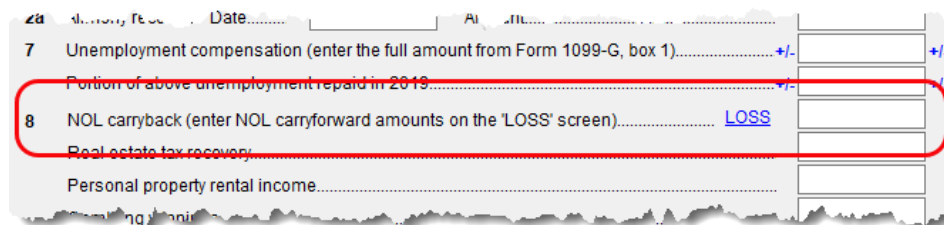


**Figure 5-35:** "NOL carryback" field on screen **3**

An amount entered here flows to the "Other income" line of Schedule 1. Click the **LOSS** link as needed to access the **LOSS** screen.

NOTE     Beginning in 2018, only farms and insurance companies can carry a loss back; all other taxpayers must carry all losses forward.

## Carryforwards from Prior Years

*Screen code: LOSS*   Use the **LOSS** screen to enter NOL carryforward amounts from prior years. In the **Regular Tax** section, enter amounts for each year using the **Available carryforward** and **Used Prior to 2019** columns on this screen.

NOTE     Never add a **LOSS** screen for a current-year NOL. The program carries forward any current-year NOL and displays the carryforward on the Wks CARRY worksheet. The results of your data entry are reflected on the Wks NOLCO worksheet. Both of these worksheets are available in View/Print mode.

## NOL Carryovers on Form 1045

*Screen code: NOL*   Form 1045, Application for Tentative Refund, includes Schedule A (NOL) and Schedule B (NOL Carryover). Use the **NOL** and **1045** screens, accessible from the **Other Forms** tab, to enter amounts for these schedules into Drake Tax.

NOTE     The fields in the **Schedule A** section of screen **NOL** are mostly override fields. Entries override system calculations for Schedule A.

**NOL Carryforward Only**   To indicate that the taxpayer elects to carry an NOL forward and not back, go to the **NOL** screen and select **Election to carry forward ONLY** in the Schedule A-NOL section. When the return is generated, it includes an ELECTIONS statement, stating that the taxpayer is electing under Section 172(b)(3) to relinquish the entire carryback period.

## Calculating and Tracking AMT NOL Carryovers

*Screen code:*
*LOSS*

| Regular Tax | | |
| --- | --- | --- |
| | **Available Carryforward** | **Used Prior to 2019** |
| 1999 | | |
| 2000 | | |
| 2001 | | |
| 2002 | | |
| 2003 | | |
| 2004 | | |
| 2005 | | |
| 2006 | | |
| 2007 | | |
| 2008 | | |
| 2009 | | |
| 2010 | | |
| 2011 | | |
| 2012 | | |
| 2013 | | |
| 2014 | | |
| 2015 | | |
| 2016 | | |
| 2017 | | |
| 2018 | | |

For taxpayers with alternative minimum tax (AMT) net operating loss (NOL) that you need to carry back two years to qualify for a refund, or carry forward a year to offset taxes, Drake Tax calculates and tracks these carrybacks and carryforwards with an **Alternative Minimum Tax** section of the **LOSS** screen. The **LOSS** screen is accessible from the **Other Forms** tab of the **Data Entry Menu**.

Drake Tax automatically calculates line 11 of Form 6251, Alternative Minimum Tax – Individuals, and tracks the AMT NOL with a Net Operating Loss Carryover/Carryback Worksheet (available as Wks NOL in View/Print mode).

# Election Options

The **ELEC** screen, accessible from the **Miscellaneous** tab of the **Data Entry Menu**, has check boxes to indicate "elections" from the IRS code. If any boxes on this screen are marked, "Election" pages listing the elections are generated with the return and accessible in View/Print mode. To attach an additional statement detailing an election, go to the **SCH** screen and select **E – Election Explanation** for the type of schedule. (For more on unformatted schedules, see "Unformatted Schedules" on page 296.)

## Safe Harbor Election for Buildings

A check box near the top of the **4562** screen, **Building qualifies for Section 1.263(a)-3(h) election**, applies a small taxpayer Safe Harbor election to a building listed in the **Description** field. An election statement will be produced in View/Print mode and the building description as entered in the **Description** field will be included in the election statement.

NOTE     This Safe Harbor election covers buildings only.

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

# Special Returns

This section explains how to complete the following return types in Drake Tax:

- Form 1040X, Amended U.S. Individual Income Tax Return
- Extension Applications:
  - Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return
  - Form 2350, Application for Extension of Time To File U.S. Income Tax Return For U.S. Citizens and Resident Aliens Abroad Who Expect To Qualify for Special Tax Treatment
- Form 1040NR, U.S. Nonresident Alien Income Tax Return
- Form 706, Estate Tax Return
- Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return
- Form 1040-SR, U.S. Tax Return for Seniors

NOTE  Neither amended returns nor Form 709 can be e-filed. An electronic signature is required for all other returns and applications for extensions. See "Signing the Return" on page 257 for more on electronic signatures.

## Amended Returns

A return must be established in Drake Tax before the amended version can be created. If the original return was created using a different program, you must create the return in Drake Tax and enter basic taxpayer information (filing status, address, etc.) before amending the return. (Drake Tax will not duplicate incorrect calculations.).

NOTE  Make sure you have a backup copy of a return before you change any data. You can create both a PDF copy and a backup client file in the Drake Documents if you archive the return. (See "Archive Manager" on page 324.)

To create an amended return in Drake Tax:

**1.** Open the return to be amended.

**2.** From the **Other Forms** tab, click screen **X**.

*Screen code: X* **3.** To have the program autofill the **1040X** screen with data from the original return, click **Yes**. To leave the fields blank, click **No**.

**4.** Enter all applicable data in the **Form 1040X** screen.

**5.** Revise any other sections of the original return as needed.

The **1040X** screen contains the following sections:

- **Amounts as on ORIGINAL return** — These amounts can be autofilled by the program. A manual entry in any of these fields overrides program calculations for the original return.

- **Part I - Exemptions** — These numbers can be autofilled by the program. A manual entry in any of these fields overrides program calculations for the original return.
- **Amounts and information for AMENDED return** — These fields must be completed manually as applicable.
- **Part II - Presidential Election Campaign** — If the taxpayer or spouse did not want $3 to go to the Presidential Election Campaign Fund but does now, mark the appropriate box.
- **Part III - Explanation of Changes** — Type an explanation of the changes in this text box.

Any additional changes in income will be incorporated into the amended return.

**Preparer Number Drop List**

If the person preparing the amended return is different from the preparer of the originally filed return, make a selection from the drop list at the bottom of the screen. An entry here overrides the selection made during Preparer Setup. An override entered here uses the firm associated with the preparer entered and the ERO will be the preparer entered.

If no preparer number is indicated in this field, the program uses preparer number "1" by default. If this return is your own return or is a preprepared return, enter None in this field and the preparer and firm information will be blank.

The following special codes are acceptable:

- `IRS-PR` (IRS-Prepared)
- `IRS-RE` (IRS-Reviewed)

These two non-paid preparer codes (IRS-PR and IRS-RE) are to be used only by those participating in government taxpayer assistance programs. The first few characters identify the program.

# Extensions

To apply for an extension using Drake Tax:

**1.** Open the return for which an extension application is being filed.

*Screen code: EXT*

**2.** From the **Other Forms** tab, click the screen **EXT** link.

**3.** Make the applicable selection from the **4868** drop list (if filing Form 4868) or the **2350** drop list (if filing Form 2350). Selections are described in Table 5-18.

**Table 5-18: Extension Forms** Screen Selections for Forms 4868 and 2350

| Code | Description |
|------|-------------|
| X | Produces Form 4868 or Form 2350, whichever is selected. |
| B | Produces Form 2350. Taxpayer's name and address are printed at the bottom of the form. |
| P | Produces Form 2350. Taxpayer's name, preparer's name, and firm address are printed at the bottom. |

**4.** Enter all applicable information.

For further instructions, see the Screen Help for the **EXT** screen (click **Help** from the toolbar or press CTRL+ALT+?)

**e-Filing an Extension**

If e-filing an extension application, complete the **EXT** screen, and then select the applicable form number from the **Federal E-File Override** section of the **EF** screen (accessible from the **General** tab). For more information on the **EF** screen, see "EF Override Options in Data Entry" on page 355.

**ETD Messages**

Before a 1040 extension can be e-filed, it is necessary to clear all of the messages shown on the ETD_MSG page in View/Print mode. Because you are not sending the actual return, it is not necessary to address other EF messages. *Only the ETD_MSG page must be addressed.*

**Payments**

Use the **EXT** screen to indicate the amount being paid with the extension.

NOTE   To pay with vouchers, a printed paper copy of Form 4868 must accompany the mailed check. Print and complete the vouchers from the program (from the **Home** window menu bar, go to **Tools > Blank Forms**). Extension payments with vouchers cannot be made electronically.

Enter the **Amount paid with extension** or, if the entire amount of tax is being paid with the extension, mark the **Taxpayer is paying the entire amount of tax due** check box (red rectangle in Figure 5-36).



**Figure 5-36:** Payment-related fields on the **EXT** screen

NOTE   If the extension has been filed without the return, before e-filing the actual return, open the **EXT** screen and mark the box labeled **Extension was previously filed; ready to file tax return**. (Blue rectangle in Figure 5-36.)

## State and City Extensions

Screen **STEX** (Figure 5-37 on page 276), accessible from the **States** tab of the **Data Entry Menu**, gives you a place to go to prepare any and all state or city extensions.

**Figure 5-37:** The **STEX** screen allows preparers to complete state and city extensions

Mark the check box at the top of the **State Extensions** tab (red circle in Figure 5-37) of the **STEX** screen and Drake Tax prepares all eligible state and city extensions. Mark the second check box to generate "$0" extensions for those states or cities that allow or require an extension to be filed even when no payment is due.

To send a payment with a state or city extension, select that state or city from the drop lists in the **State/City** column. Supply a breakdown of the payment by clicking the **Extension Payment Worksheet** link for that state or city. Close the **Extension Payment Worksheet** tab and the calculated amount from the worksheet appears in the **Payment Amount** field of the **State Extension** tab. If desired, override that amount by entering an amount in the **Payment Amount** override field.

On the right side of the **State Extension** tab are links to states and cities that require more information than is available from the **STEX** screens.

**Multiple/ Additional Products**

*New for 2019:* For extensions of returns for states that require an LLC (Limited Liability Company) number, and a taxpayer that has more than one LLC, enter a number in the **LLC/MFC** column (blue circle in Figure 5-37) that corresponds to the screen that contain the LLC number. For instance, if a California taxpayer has two limited liability companies, and the extension being requested corresponds to the second CA screen **Main**, then type 2 in the **LLC/MFC** column of the **STEX** screen.

Some states (New Hampshire and Oregon) and cities (New York City, Kansas City) require a separate extension for taxpayer and spouse. For those instances, make a selection from the drop list of the **T or S** column.

**Reason for Extension**   If the state requires a reason for requesting an extension, type that reason into the **Reason for Extension** text box. (Only Connecticut, Georgia, Kentucky, New Mexico, and Pennsylvania require such a statement.) If the state does not require such a statement, nothing typed into the **Reason for Extension** text box will flow to the state return.

**Filing Regular Returns**   When it's time to file a regular return, return to the **Amount Paid with Extension** tab and mark the **Ready to file...**" check box at the top of the screen. This required for the amount paid with the extension to flow to main state return.

NOTE   Any information entered on a state extension screen overrides any information entered on a **STEX** screen.

## Nonresident Alien Returns

*Screen codes: NR, NR2, NR3*   Use the **NR** screens to enter data for Form 1040-NR, U.S. Nonresident Alien Income Tax Return. The 1040-NR in Drake Tax consists of three screens: screen **NR**, for the personal information used on Form 1040-NR; screen **NR2**, used to complete Schedule NEC, Tax on Income Not Effectively Connected With a U.S. Trade or Business, and screen **NR3**, for completing Schedule OI, Other Income. Access them on the **Foreign** tab or, from within any of the three screens, press PAGE UP or PAGE DOWN to move through the screens.

NOTES
- Form 1040-NR, Nonresident Alien Income Tax Return, can be e-filed.
- For information on e-filing FinCEN Report 114, see "Screen 114" on page 278.

Also on the **Foreign** tab are screens used for other nonresident returns, including screen **W7**, used for applying for or renewing a taxpayer's ITIN, and screens **8833**, used for filing Form 8833, Treaty-Based Return Position Disclosure, **8840**, for filing Form 8840, Closer Connection Exception Statement for Aliens, and **8843**, for filing Form 8843, Statement for Exempt Individuals and Individual with a Medical Condition.

## Foreign Financial Accounts

In the **Foreign Accounts and Assets** section of the **Foreign** tab, the Foreign Accounts screen (**FRGN**) and **114** screen are used to complete and file FinCEN Report 114, Report of Foreign Bank and Financial Accounts or Form 8938, Statement of Specified Foreign Financial Assets. Screen **8938** is also used in completing Form 8938. (See "Screens 8938 and CO38" on page 278.)

Screens used to complete Form 5471, Information return of U.S. Persons with Respect to Certain Foreign Corporations, are also found of the **Foreign** tab.

Following are brief descriptions of these screens and their uses:

**FRGN Screen**   Use the Foreign Accounts screen (**FRGN**) to complete FinCEN Form 114 and Form 8938.

From the **Account is for:** drop list at the top of the **FRGN** screen, choose to prepare just FinCEN Form 114, just Form 8938, Part V, both the 114 and the 8938, or neither.

## Two FinCEN Form 114 Reports for Joint Accounts

A "J" option (for "Married Filing Jointly" returns) has been added to the **TSJ** drop list on screen **FRGN** to accommodate returns in which the taxpayer and spouse have separate banks accounts and a joint bank account.

Rather than having to enter the bank information twice—once for the taxpayer and once for the spouse—preparers can choose **J** from the **TSJ** drop list and the program generates two reports—one for the taxpayer and one for the spouse.

**Screen 114**     The **114** screen could be considered the "PIN" screen for the FinCEN Form 114 transmission. It includes some miscellaneous filer information and required authorization information allowing FinCEN Form 114 to be e-filed. There are also fields included that override any of the third-party filing information that would otherwise automatically flow from **Setup > Firm(s)** and **Setup > Preparer(s)**.

IMPORTANT     You must mark the **FinCEN Form 114 is ready for transmission** check box at the top of screen **114** before the form can be e-filed.

**Screens 8938 and CO38**     The fields on screens **CO38** and **8938**, used to complete Form 8938, Statement of Specified Foreign Financial Assets. The program makes the necessary calculations for completing Parts I and II. Information for Parts III and IV is entered on screen **8938**. Data for Part V now flows from screen **FRGN**, and data for Part VI flows from screen **CO38**, Other Foreign Assets.

**Screen W7**     Form W-7 is used for applying for or renewing a taxpayer's Individual Tax Identification Number (ITIN).

NEW FOR
2019     Note that screen **W7** is now a tabbed screen.

**Screen 1042**     Data from Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, should be entered on screen **1042**. For amounts paid on or after January 1, 2016, a U.S. financial institution or a U.S. branch of a foreign financial institution maintaining an account within the U.S. is required to report payments of the same type of income (as determined by the **Income code** in box 1) made to multiple financial accounts held by the same beneficial owner on separate Forms 1042-S for each account.

The check boxes used to designate which chapter a withholding agent is reporting under have been consolidated into box 3. Select which withholding agents is filing a given Form 1042-S from the **Chapter Indicator** drop list. Withholding agents must enter both a chapter 3 and chapter 4 **Status Code** regardless of the type of payment being made.

See IRS instructions for Form 1042-S for more details.

**Screen 8833**     Use the **8833** screens to complete Form 8833, Treaty-Based Return Position Disclosure. This form must be used by taxpayers to make the treaty-based return position disclosure required by section 6114. The form must also be used by dual-resident taxpayers to make the treaty-based return position disclosure required by Regulations section 301.7701(b)-7. A separate form is required for each treaty-based return position taken by the taxpayer.

Be sure to click the **Line 6** tab at the top of the screen and enter an explanation of the treaty-based return position taken.

Failure to disclose treaty-based positions carries a $1,000 fine.

**Screen 8840**     Complete Form 8840, Closer Connection Exception Statement for Aliens, through screen **8840**. This form is used by alien individuals who meet the closer connection exception to the substantial presence test. Each alien individual must file a separate Form 8840 to claim the closer connection exception.

Note that Parts I, II, and III are located on the first screen. Click the **Part IV** tab at the top of the screen to complete that section of the form.

For more details on the substantial presence test and the closer connection exception, see Pub. 519, U.S. Tax Guide for Aliens.

**Screen 8843**     Screen **8843** (available from the **Foreign** tab of the **Data Entry Menu**) is used to complete Form 8843, Statement for Exempt Individuals and Individual with a Medical Condition. The screen is divided into three tabs: **Part I**, **Parts II, III**, and **Parts IV, V**. The form is used by alien individuals to explain the basis of a claim to exclude days of presence in the United States for purposes of the substantial presence test if the taxpayer was:

- An exempt individual
- Unable to leave the United States because of a medical condition or medical problem

Screens for **Parts II, III** and **Parts IV, V** are accessible from the tabs at the top of screen **8843**.

**Form 5471**     Screens used to complete Form 5471, Information Return of U.S. Persons with Respect to Certain Foreign Corporations, are also found on the **Foreign** tab. This form is used by certain U.S. citizens and residents who are officers, directors, or shareholders in certain foreign corporations. Taxpayers who must file this form are described in the IRS instructions.

Form 5471 can be e-filed with the 1040 return. File by the due date (including extensions) for that return.

For details on using this form, see the IRS instructions for Form 5471.

TIP | A link to the "Foreign Account" questions for Schedule B, Part III, is located on screen **1** (see "Foreign Account and Virtual Currency Questions" on page 155). Alternately, click **B3** from the **Foreign** tab. For details, go to "Schedule B, Part III" on page 168.

## e-File FinCEN Form 114

When you calculate a return in Drake Tax, any required information missing from screens **114** and **FRGN** generates EF Messages unique to the FinCEN Form 114 – listed in "FBAR Messages Pg" in View/Print mode. Before the FinCEN Form 114 can be eligible for e-file, all FinCEN 114 EF Messages on the "FBAR Messages Pg" must be cleared (and FinCEN has a green check mark on the **Calculation Results** window if you have the **Pause option** selected at **Setup > Options > Calculation & View/ Print**).

In data entry, open screen **EF** and mark the **FinCEN 114 only** check box. Click **View** (or press CTRL+V). "FinCEN114" will be indicated on the EF Status page in View/ Print mode and "Form 114" is displayed in the forms "tree" and is listed on the bill.

Close the return, and from the **Home** window toolbar, go to **EF > Select Returns for EF**. "FinCEN 114" will be displayed in the **EF Documents** column of the **EF Return Selector**.

Proceed as you would to e-file any other return in Drake Tax.

NOTES | • No other returns—state or federal—can be transmitted with the FinCEN Form 114 through Drake Tax.
• Form 114, Report of Foreign Bank and Financial Accounts (FBAR), can be e-filed through Drake Tax in the same way all returns are e-filed through Drake Tax (see "e-Filing a Return" on page 348). This report can also be completed on, and submitted through, the BSA E-Filing System for the Financial Crimes Enforcement Network website at *http://bsaefiling.fincen.treas.gov/main.html*
• The link to the **BSA e-Filing System** website is still available on screen **114** for those who prefer that method of filing or who are seeking more information on the BSA E-Filing System for the Financial Crimes Enforcement Network.

## Gift Tax Returns

*Screen code: 709*    Form 709, U.S. Gift Tax Return, consists of several parts and schedules, all located on the **709** menu, accessible from the **Taxes** tab of the **Data Entry Menu** (figure right).

Click an item to open it, or type its code into the selector field and press ENTER.

NOTE     Neither Form 709, Gift (and Generation-Skipping Transfer) Tax Return, nor Form 8892, Application for Automatic Extension of Time to File Form 709, can be e-filed. They must be paper-filed.

**Pricing for Form 709**     To set up pricing for Form 709, from the **Home** window menu bar, go to **Setup > Pricing**. By default, the pricing list is for individual (1040 package) forms. From the **State/City** drop list, select **GF - Gift Tax (709)** to display a list of the gift tax forms. Double-click a form name to adjust the pricing. (For details on setting up pricing, see "Pricing Setup" on page 63.)

**Attached Statements**     If Form 709 requires an attachment (for example, if an election option requires the amounts in question to be identified), click the **ATT** screen on the 709 **Data Entry Menu**.

**Extension Request for Form 709**     Form 4868 covers extension requests for both a 1040 and a 709 return. No separate extension request is required. For more information, see "Extensions" on page 274.

To request an extension for Form 709 *only*, complete Form 8892. This form is not available in Drake Tax but can be accessed from the IRS website (*irs.gov*). See IRS instructions for more on submitting a 709 extension request to the IRS.

## Donee Screen

Use the **Gifts** screen and **Donee** screen to link a gift with a donee. This saves you data-entry time when donees receive multiple gifts, and allows Drake Tax to limit the maximum gifts to $14,000 per year for each specific donee.

To use this feature:

1.  Open the **Donee Information** screen.
2.  Enter a unique **Donee number** for each donee.
3.  Complete the rest of the fields.
4.  For more donees, press PAGE DOWN.
5.  When finished entering donees, close the **Donee** screen.
6.  Open the **Gifts** screen.
7.  Select a donee from the **Donee** drop list. (All donees entered on the **Donee Information** screen will be available from the **Donee** drop list on the **Gifts** screen.)
8.  Complete the rest of the applicable fields.

NOTE     Form 843, Claim for a Refund and Request for Abatement, can be used in the 709 package to claim a refund or request an abatement of certain taxes, interest, penalties, fees, and additions to tax. Complete the form in Drake Tax, then print and mail the form to the service center where you would be required to file a current-year 709 return (unless responding to IRS letter or notice). See the 709 instructions for more information.

## Form 1040-SR, U.S. Tax Return for Seniors

Available to many older Americans, Form 1040-SR is a two-page form that is easier and less restrictive than Form 1040-EZ. Taxpayers (or their spouse) who reach their 65th birthday at any time during the tax year qualify for using the 1040-SR. The 1040-SR does not put a limit on interest, dividends, or capital gains, nor does it cap overall income.

Drake Tax automatically produces the 1040-SR when the taxpayer – or the spouse, if appropriate – is 65, as entered on screen **1**.

Filers do not have to be retired yet to qualify.

**NOTE**: To have the program produce Form 1040 instead of the 1040-SR – even if the taxpayer (and spouse, if appropriate) is 65 and qualified for the 1040-SR – open the **PRNT** screen and select **Produce 1040 instead of 1040-SR**. To make the selection globally (for all 1040 taxpayers) from the **Home** window menu bar, go to **Setup > Options > Form & Schedule Options,** and make a selection from the **1040-SR suppress** drop list.

# Requests, Claims, and Other Forms

The screens described in this section are available from the **Other Forms** tab of the **Data Entry Menu**. Most forms listed here are e-filable unless otherwise specified, and most can be obtained in Drake from **Tools > Blank Forms**.

## Applications and Requests

Table 5-19 lists additional screens for application and request forms listed on the **Other Forms** tab in the **Data Entry Menu.**

**Table 5-19:** Application and Request Forms Available from the **Other Forms** Tab in Drake Tax

| Screen | Form | Notes |
|--------|------|-------|
| 970 | Form 970, Application to Use LIFO Inventory Method | Use the **SCH** screen for required attachments; select the appropriate code on that screen. |
| 1045 | Form 1045, Application for Tentative Refund | Press PAGE DOWN to access the **NOL** screen. This form is not e-filable. See "Net Operating Losses" on page 270 for more on the **NOL** screen. |
| 4506 | Form 4506, Request for Copy of Tax Return | Form 4605 is not e-fileable. To request a transcript of a tax return, use Form 4506-T (available from *irs.gov.*). |
| 8379 | Form 8379, Injured Spouse Allocation | By filing Form 8379, the injured spouse may be able to get back his or her share of the joint refund. |
| 8857 | Form 8857, Request for Innocent Spouse Relief | Press PAGE DOWN to view all three screens. |
| 9465 | Form 9465, Installment Agreement Request | For e-file, a PIN is required; mark the **9465** box and enter prior-year AGI on the **PIN** screen, and mark the **9465 only** box on the **EF** screen. Click link on screen **9464** to file online (recommended). |

## Statements and Claims

Table 5-20 lists additional screens for statement and claim forms on the **Other Forms** tab in the **Data Entry Menu**.

**Table 5-20:** Statement and Claim Forms Available from **Other Forms** Tab in Drake Tax

| Screen | Form | Notes |
|---|---|---|
| 1310 | Form 1310, Statement of Person Claiming Refund Due a Deceased Taxpayer | If anything other than box **C** is selected in Part I of the screen, or if box **2a** is selected in Part II, the return cannot be e-filed. |
| 2120; 8332 | Form 2120, Multiple Support Declaration Form 8332, Release of Claim to Exemption for Child of Divorced or Separated Parents | The rules for multiple support agreements still apply to claiming an exemption for a qualifying relative, but they no longer apply to claiming an exemption for a qualifying child. Supporting documentation can be attached to an e-filed return as a PDF. (See "The PDF Attachment Process" on page 290 for details.) For the definitions of "qualifying relative" and "qualifying child," see your tax return instruction booklet. |
| 2848 | Form 2848, Power of Attorney and Declaration of Representative | This form is not e-filable but can be attached as a PDF document. (See "The PDF Attachment Process" on page 290 for details.) |
| 8275 | Form 8275, Disclosure Statement Form 8275-R, Regulation Disclosure Statement | To print Form 8275-R, select **8275-R** at the top of the screen. |
| 8379 | Form 8379, Injured Spouse Allocation | By filing Form 8379, the injured spouse may be able to get back his or her share of the joint refund. |
| 8594 | Form 8594, Asset Acquisition Statement Under Section 1060 | If this form is being amended, state the reasons for the change in the field provided. |
| 8862 | Form 8862, Information to Claim Earned Income Credit After Disallowance | To enter data for additional qualifying children, press PAGE DOWN to start a new screen **8862**. |
| 1403 | Form 14039, Identity Theft Affidavit | See "Identity Theft," following |

NOTE

To seek relief from late-filing penalties for a taxpayer serving in a combat zone or as a result of a terrorist or military action, go to the **MISC** screen, select the applicable code for **Special procession code for active military** drop list, and enter the date the taxpayer entered the combat zone.

**Identity Theft**          Screen **1403** allows you to help your client in the event of identity theft.

*Screen code: 1403*          If someone has stolen a client's identity, or if the client believes such a theft has occurred and would like the IRS to mark his or her account to identify questionable activity, you can complete Form 14039, Identity Theft Affidavit, through screen **1403**, accessible through the **Other Forms** tab of the **Data Entry Menu**.

Form 14039 is not e-filable. Submit Form 14039, along with clear and legible copies of required documentation, using either mail or fax, but not both. Mailing *and* faxing this form will result in a processing delay.

You can also submit Form 14039 for a deceased spouse.

See **Screen Help** on screen **1043** for more details and for mailing and faxing instructions.

## Other Forms

Table 5-21 lists screens for other forms available under the **Other Forms** tab:

**Table 5-21:** Other Forms Available from **Other Forms** Tab in Drake

| Screen | Form | Notes |
|---|---|---|
| W4 | Form W-4, Employee's Withholding Allowance Certificate | This form is not e-fileable. |
| W4P | Form W-4P, Withholding Certificate for Pension or Annuity Payments | The taxpayer should provide this form to the payer of a pension or annuity so the correct amount of federal income tax will be withheld from payments to the taxpayer. This form is used by recipients of pensions, annuities, and certain other deferred compensation to tell payers the correct amount of federal income tax to withhold from payments. |
| 843 | Claim for a Refund and Request for Abatement | Use Form 843 to claim a refund or request an abatement of certain taxes, interest, penalties, fees, and additions to tax. Mail to the service center where you would be required to file a current-year tax return for the tax to which the claim or request relates unless responding to IRS letter or notice. See the instructions for the return you are filing. |
| 56 | Form 56, Notice Concerning Fiduciary Relationship | Enter PIN and prior-year AGI, and indicate Form 56, on the **PIN** screen. |
| 982 | Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness | |
| 8815 | Form 8815, Exclusion of Interest from Series EE and I U.S. Savings Bonds Issued After 1989 | |
| 8822 | Form 8822, Change of Address | This form is not e-filable. |
| 8866 | Form 8866, Interest Computation Under the Look-Back Method | |
| 8948 | Preparer Explanation for Not Filing Electronically | For preparers whose clients choose not to have returns e-filed, or when preparers meet certain conditions for exception. |

**Table 5-21:** Other Forms Available from **Other Forms** Tab in Drake

| Screen | Form | Notes |
|---|---|---|
| W4P | Form W-4P, Withholding Certificate for Pension or Annuity Payments | The taxpayer should provide this form to the payer of a pension or annuity so the correct amount of federal income tax will be withheld from payments to the taxpayer. This form is used by recipients of pensions, annuities, and certain other deferred compensation to tell payers the correct amount of federal income tax to withhold from payments. |
| W9 | Form W-9, Request for Taxpayer Identification Number and Certification | Use Form W-9 to request the taxpayer identification number (TIN) of a U.S. person (including a resident alien) and to request certain certifications and claims for exemption. |
| FAFS | 2021-2022 FAFSA Worksheet | Use the fields on this screen to override the amounts generated by the program when printing the Free Application for Federal Student Aid (FAFSA) worksheet. This worksheet helps your client collect and organize financial information needed to complete the application. Log in to *fafsa.ed.gov.* |
| DOCS | 1098/1099 Source Document Guide | The **DOCS** screen comprises a list of links to Knowledge Base articles to help you find where data from certain seldom-used 1095, 1098, and 1099 forms is entered in Drake Tax. |

# 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 a taxpayer's overall accounting method or the accounting treatment of any material item.

Form 3115, Application for Change in Accounting Method, is eligible for e-file, but an additional copy of the form must be mailed to the IRS national office unless the Appendix of Rev. Proc. 2011-14 of other published guidance requires the copy to be filed with the IRS office in Ogden, UT. (See IRS instructions for details.).

Drake customers can fill out and e-file Forms 3115 and related schedules and attachments for 1040 returns.

## Accessing Screens for Changing Accounting Method

Several screens may be required for completing Form 3115. These screens are accessible from the **Change in Accounting Method** box, located under the **Other Forms** tab of the **Data Entry Menu** (see figure at top of next page).
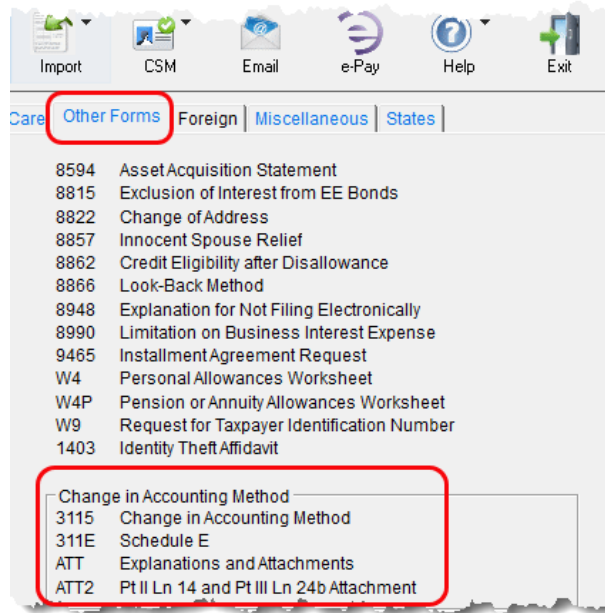
The screens accessible from the **Change in Accounting Method** section include:

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

•Screen **311E** (**Schedule E**) — Used to request a change in depreciation or amortization methods

•Screen **ATT** (**Explanations and Attachments**) — Used to create and view certain attachments to be generated by the software

•Screen **ATT2** (**Pt II Ln 12 & Pt III Ln 23b Attachment**) — Used to complete certain parts of Form 3115 that require specific attachments

**Multi-form Codes**　　All **3115** and related screens contain a **Multi-form code** text box (shown in Figure 5-38 on page 287) 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 five **3115** screens. These five screens are:

• **Part I** (Form 3115, Part I)
• **Part II** (Form 3115, Part II)
• **Parts III, IV** (Form 3115, Parts III and IV)
• **A, B, C** (Form 3115, Schedules A, B, and C)
• **D - I, II** (Form 3115, Schedule D, Parts I and II)
• **D - III** (Form 3115, Schedule D, Part III)

As shown in Figure 5-38, you can access these **3115** screens by clicking a link at the top of any other **3115** screen.
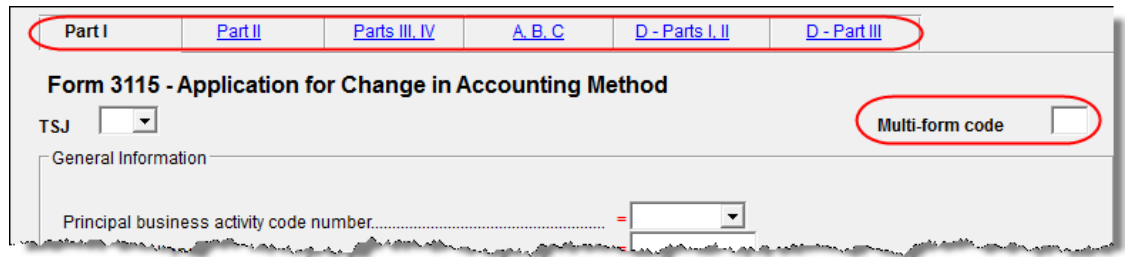


**Figure 5-38:** Tab links on **3115** screen

For details on how to file Form 3115, see IRS Revenue Procedure 2015-13.

| NOTE | 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. |
|---|---|

| TIP | View **Screen Help** for screen **3115** (select **Help** from the data entry screen toolbar or press CTRL+ALT+?) to access a link to the IRS instructions for Form 3115. |
|---|---|

# Features for Late-Filed Returns

Drake Tax calculates the late-filing penalty, late payment of tax penalty, and interest on late-filed 1040 returns. You can manually enter interest rates as needed and override certain components (such as interest owed) that affect system calculations of penalty and interest.

## Penalty and Interest Calculation

You can set up the program to calculate penalties and interest for all late-filed returns, or you can have penalties and interest calculated on a per-return ("on-the-fly") basis.

**Global Option**   To have the program calculate penalties and interest for all late-filing clients based on the filing dates:

**1.** From the **Home** window menu bar, go to **Setup > Options > Optional Items on Return**.
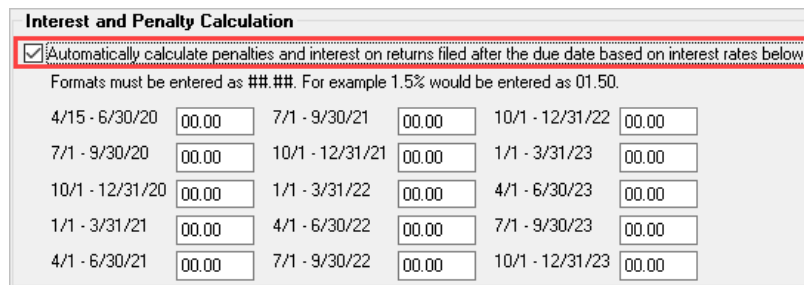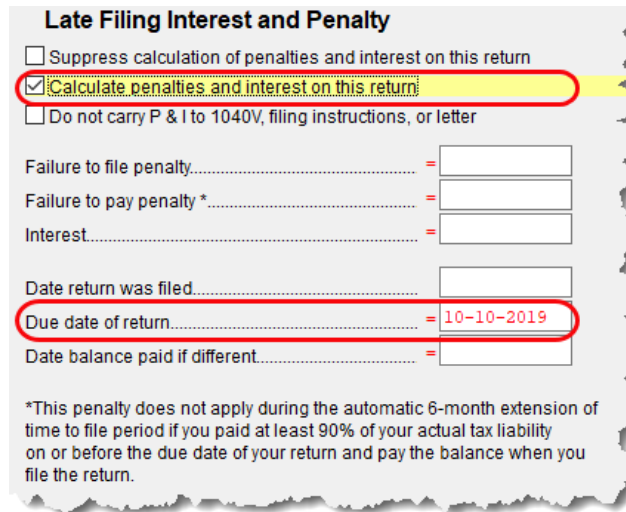


**2.** Ensure that the **Automatically calculate...** box is marked (figure at left).

3. Click **OK**. The program now calculates penalties and interest on all late returns calculated.

**"On the Fly" Option**

The per-return option can be used if the global option (shown in figure with "Global Option" on page 287) is not selected. To have the program calculate penalties and interest for a single return:



1. Open the **LATE** screen (accessible from the **Taxes** tab) in Drake Tax.

2. Mark the **Calculate penalties and interest on this return** box.

3. Complete the **Date return was filed** text box. If this field is blank, the program uses the **Date balance paid** entry from the **2210** screen by default.

**Other LATE Screen Features**

You can also use the **LATE** screen to override these additional default settings:

- **Including calculated amounts elsewhere** — By default, the calculated amounts are incorporated into the payment voucher, filing instructions, and client result letter for the return. To override this default, go to the **LATE** screen and mark the **Do not carry P&I to 1040V...** box.

- **Suppressing calculation "on the fly"** — If the option to calculate penalties and interest for all late returns is selected in **Setup > Options > Optional Items on Return** tab, and you want to suppress the calculation for a single return, mark the **Suppress calculation of penalties...** box at the top of the **LATE** screen (figure above) for that return.

- **Due date of return** — An entry here overrides the default of April 15 of the year the return is due (April 15, 2020, for 2019 returns). (An override would be necessary for a special circumstance, such as for returns affected by disasters or other IRS–extended due date occurrences.)

- **Date balance paid if different** — An entry overrides the calculated balance due.

## Interest Rates

If the global option is selected at **Setup > Options > Optional Items on Return** tab, the program bases its penalty-and-interest calculations on the interest rate for the quarter. You can override program calculations by manually entering penalty or interest amounts on the **LATE** screen. You can also manually enter interest rates at **Setup > Options > Optional Items on Return** tab.

**Manually Entering Rates**

Drake Tax automatically updates quarterly interest rates for the current and following year as they are announced by the IRS. For tax year 2019, for example, interest rates will be updated for 2019 and 2020. After 2020, quarterly rates must be manually entered in the 2019 program for late returns for tax year 2019.

To enter quarterly rates manually:

**1.** From the **Home** window menu bar, select **Setup > Options > Optional Items on Return**.

**2.** Enter the available rates for each applicable quarter (see figure with Step 2 on page 287). Percentages should be entered using four digits, with the last two digits coming after the decimal (for example, you would enter 1.5% as 01.50).

**3.** Click **OK** to exit the screen and save the settings.

NOTES

- If the **Automatically calculate...** box is marked (red circle in figure with figure with Step 2 on page 287), the program applies the rates to all late-filed returns. If it is not marked, the program applies the rates *only* if the **LATE** screen is used for a return.
- If an interest rate is entered for a quarter that has received (or will receive) an automatic update, the entry overrides the updated rate. Updated rates are not visible in **Setup > Options > Optional Items on Return** tab; all rates appear as 00.00 unless a new rate is entered.

**Overriding Program Calculations**

The **LATE** screen has the following fields for overriding penalty and interest amounts that would otherwise be calculated by the program:

- **Failure to file penalty** — Enter the penalty amount for failing to file on time.
- **Failure to pay penalty** — Enter the penalty amount for failing to pay.
- **Interest** — Enter the amount of interest incurred.

# Other Special Features in Data Entry

Special features are available to help tax preparers transmit certain documents with returns, and compare and review information more effectively, include all required details on a return, and track a return's progress.

# Binary Attachments

Binary, or PDF, files can be attached to certain tax forms. These attachments are generally signature or third-party documents such as a copy of a divorce decree, bankruptcy papers, signed lease, or a signed appraisal statement, transmitted with the return to support or explain an entry in the return. In either case, a PDF must be available to be attached to the return in order to be e-filed with the return.

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

# The PDF Attachment Process

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

**1.** Creating a PDF file to be attached

**2.** Informing the program that a PDF file will be sent with the return

**3.** Attaching the PDF file for e-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 as a PDF.

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

**2.** Save the document to your client's Drake Documents, to 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 files if you have a PDF printer (such as Adobe Reader) installed.

**Adding PDF Files**

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

**1.** Go to the **PDF** screen in data entry.

**2.** Fill out the columns on the screen. See Table 5-22 for examples.

**3.** Exit the **PDF** screen.

TIP    From screen **PDF**, go to Screen Help (move your mouse pointer to the top of the **PDF** screen and select **Help** from the toolbar, or press CTRL+ALT+?) to access links to two documents with recommended names for PDF attachments.

**Table 5-22: PDF Attachment Window Columns**

| Column | Description | Examples |
|---|---|---|
| **Reference Source** (This field is for your records only, is not transmitted with the PDF) | Name or number of regulation, publication, or form instruction that makes attachments necessary | - IRS Pub 4163<br>- Form Instructions for 4466 |
| **Description** | Description of form or document to be attached | - Divorce decree<br>- Bonus depreciation worksheet |
| **File name** | Distinctive, easily recognizable file name, followed by ".pdf" | - JohnsonDivorce.pdf<br>- SmithInsolvency.pdf |

Because you've indicated that a PDF file is attached, the program generates an EF Message in View/Print mode, containing the procedure for attaching the PDF to your return.

**Attaching Documents to the Return**

To attach a PDF file to a return:

1. From the return, click **View**. If anything was entered on the **PDF** screen, there will be three PDF–related items in the **View/Print** window:
   - A **MESSAGES** alert (item #1 in figure below)
   - An **EF PDF** worksheet that lists all items entered on the **PDF** screen and any required attachments determined by the program (item #2)
   - An **Attach PDF** button on the toolbar (item #3)
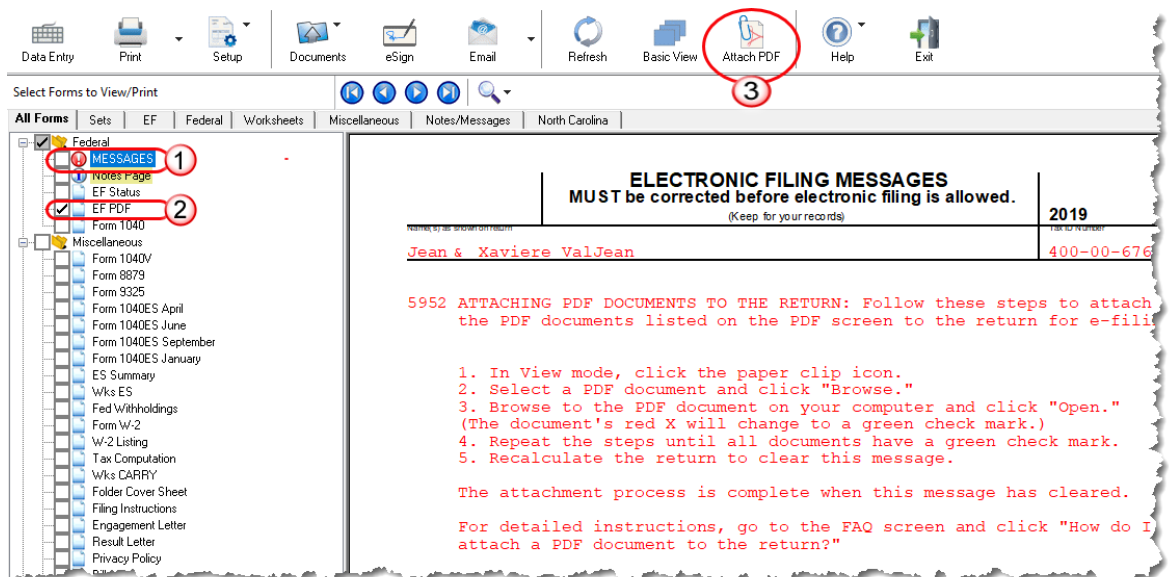


2. Click **MESSAGES** file to view EF Messages, which provide information on how to attach the required documents to the return.

3. Click the **Attach PDF** button in the toolbar at the top of the window (#3 in figure above). The **EF PDF Attachments** window (figure at right) displays the information entered on the



**PDF Attachments** screen in data entry. A red **X** means the document has not yet
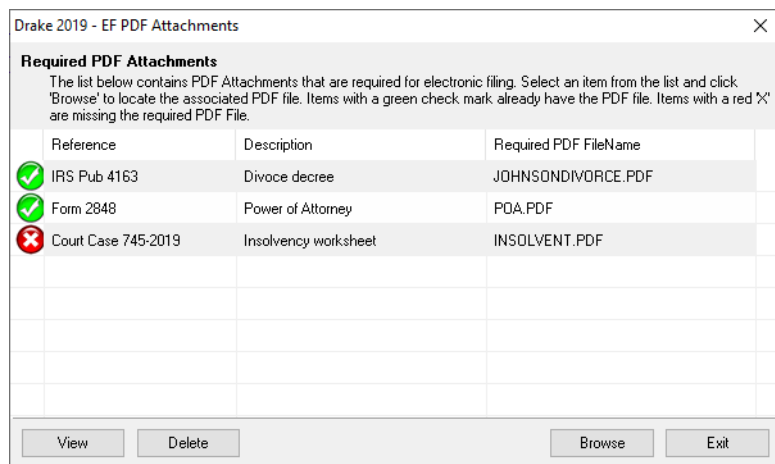
been attached; a green check mark indicates an attached document. Click the row of a document to attach (one with a red X).

4.  Click **Browse**.

5.  Browse to the proper folder (where you saved the PDF document), select the PDF file to attach, and click **Open** (or double-click the file name).

Repeat for all documents with a red **X**. When all documents have been attached to a completed return, recalculate the return to make sure all EF Messages have been cleared. If so, the return is ready to be e-filed.

NOTE    To view the attachment, click View while in the **EF PDF Attachments** window.

**Drake Tax-Generated PDFs**    Some required PDF attachments are generated by the program through data entry. These forms appear on the "EF PDF" page automatically and require no information be entered on the **PDF** screen. These attachments still must be "attached," using the steps provided in "Attaching Documents to the Return" on page 291.

# Comparing Data

In Drake Tax, you can compare data between two versions of the same tax return. You can also produce a tax return comparison worksheet that shows data for a client's returns for the current year and the two prior years.

The **Tax Return Comparison** screen is used for comparing a current-year tax return with data from the two prior tax years. The screen itself has parallel columns of data entry fields—one column for the prior year, and one for the year before that.

*Screen code:*
*COMP*    If a return was updated from the prior year, the **COMP** screen already contains data. If not, the screen must be completed manually for an accurate comparison. When a return is generated, the "Comparison" worksheet displays the data comparisons.

## Tax Computation Worksheet

The new Tax Computation Worksheet (Figure 5-39 on page 293), generated in View/Print mode, shows how the program calculates the tax on line 12a of the 1040 return.

```
┌──────────────────┬─────────────────────────────────────────┬────────────────┐
│                  │        Computation of Regular Tax       │                │
│                  │          (Keep for your records)        │  2019          │
│                  ├─────────────────────────────────────────┤  TaxID Number  │
│ Name(s) as shown on return                                 │                │
│ William W & Amelia Carter                                  │  400-00-6665   │
└──────────────────┴────────────────────────────────────────┴────────────────┘

              Statement for line 12a of Form 1040

      Tax Rate Schedule for Married Filing Joint Filing Status
      If taxable income is                               of the
                  but not                       % on     amount
         over      over          pay     plus   excess   over
            0     19,400          0.00           10%          0
       19,400     78,950      1,940.00           12%     19,400
       78,950    168,400      9,086.00           22%     78,950
      168,400    321,450     28,765.50           24%    168,400
      321,450    408,200     65,497.50           32%    321,450
      408,200    612,350     93,257.50           35%    408,200
      612,350    . . . . .   164,709.50          37%    612,350

      $28,765.00 + (($219,473.00 - $168,400.00) x 24.0%) = $41,023

      Tax from Tax Rate Schedule                     $    41,023
      Tax from Qualified Dividends/Capital Gain Worksheet $  39,079

      $   39,079     Tax computed using the most advantageous method allowed
```

**Figure 5-39:** Tax Computation Worksheet

When more than one method is available for calculating tax, the program uses the most advantageous method.

This worksheet can be generated or suppressed globally (for all returns) from Setup Options (from the menu bar of **Home** window of Drake Tax, select **Setup > Options > Forms & Schedule Options** tab). If you choose not to set this option globally, you can print the worksheet on an individual basis from the **Produce Tax Computation Worksheet** option on the **PRNT** screen.

# Miscellaneous Codes

The **Miscellaneous Codes** fields on screen **1** are for use in tracking returns and creating customized reports. For example, you might decide to use **Misc Code 1** to track the different ways that clients learned of your service. For each return, you might enter "Ad," "Flier," "Referral," etc. (whichever is applicable) into the **Code 1** field.

Later, when designing a report of all clients in the Report Manager, you would select **Misc Code 1** as one of the columns. The report displays the information from the **Misc Code 1** field on screen **1** for each client, and you would be able to see, at a glance, which clients were referred, which responded to an advertisement or flier, etc.

NOTE    To create customized drop lists for miscellaneous code fields, see "Customized Drop Lists" on page 61.

# Notes about the Return

*Shortcut: CTRL+R*    Use the **NOTE** screen to ensure that specific reminders (in the forms of Return Notes and EF Messages) appear for specific returns. By default, all notes from the **Notes** window are printed with the Return Notes on the **NOTES** page generated with the return. These Return Notes can also be made to appear every time you open the return in Drake Tax.

## Entering a Note

To include a Return Note with a return, click **NOTE** from the **General** tab of the **Data Entry Menu**, or press CTRL+R, or right-click any screen and selecting **Add Reminder**. Enter all relevant information in the fields provided at the top of the **Notes** window (item #1 in Figure 5-40). The window includes fields for names, dates, and any screen or form to which the note refers.

TIP    To have notes appear when a return is opened, go to **Setup > Options > Data Entry** tab and select **Show notes/reminders to preparer when opening a return**.



**Figure 5-40:** Fields in **Notes** window

Any notes you enter at the top of the window (item #1 in Figure 5-40) and any you enter in the **Miscellaneous Notes** pane at the bottom of the **Notes** window (item #2 in Figure 5-40) appear every time you open the return.

The maximum number of characters allowed in one of the **Notes** fields is 120. Up to four notes can be entered on a single **Notes** window. For additional windows, press PAGE DOWN.

NOTES

- In the **Date Completed** field, enter the date that the note should be discontinued. The note entered in the top field (item #1 in Figure 5-40 on page 294) will no longer appear when the return is opened but will still appear in NOTES in View/Print mode.
- Mark the **Print on NOTES** check box and the Miscellaneous Notes will be generated with other Return Notes on the NOTES page in View/Print mode.

**Delaying e-File**

In Drake Tax, a return cannot be e-filed until all EF Messages are eliminated.

The **NOTE** screen can be used to delay e-file of a prepared return, even if the return is eligible for e-file. To have a Return Note delay e-file, select **Hold EF** (see Figure 5-40 on page 294) for the note, and the note shows up as an EF Message. When you are ready to e-file the return, return to the **NOTE** screen and clear the **Hold EF** box.

**Other Options**

If you selected the global option of showing notes whenever you open a return, you can override that setup option on the **Notes** screen by selecting the **Don't show** check box. The **Miscellaneous Note** (item #2 in Figure 5-40 on page 294) will not appear when you open that return.

**Notes to Organizer**

Mark the **Print to Organizer** check box and the **Miscellaneous Notes** will be included when you print an organizer for that client for next year.

**Notes to be Updated**

Notes in the top section of the **Notes** windows (item #1 in Figure 5-40 on page 294) apply for the current year only. The **Miscellaneous Notes** (item #2 in Figure 5-40 on page 294) at the bottom of the **Notes** window are updated each year when the return is updated.

# Preparer Notepad

*Screen code: PAD*

The Preparer Notepad screen (**PAD**), offers an area for keeping more extensive notes and other pertinent return information. The contents of this screen are brought forward each year when the return is updated, and appear when the return is opened to data entry, provided **Show notes/reminders to preparer when opening a return** is selected at **Setup > Options > Data Entry** tab.

Access the **PAD** screen using any of these methods:

- Select it from the **General** tab of the **Data Entry Menu**
- Press CTRL+SHIFT+N
- Right-click any screen and select **Preparer Notepad** from the right-click menu

Press PAGE DOWN for additional **PAD** screens.

# Unformatted Schedules

The **SCH** screen, accessible from the **Miscellaneous** tab and via links from certain screens, is available for adding statements and explanations not supported elsewhere in the return. Not all unformatted schedules can be e-filed. Amounts entered on **SCH** screens do not flow to any other form or schedule.

For *required* attachments, select the attachment information (title and statement number) from the **Type of attachment/statement number and title** drop list on the **SCH** screen. For *optional* attachments, use the **Title** field below the explanation pane and make a selection from the **Type of attachment/statement number and title** drop list based on the information in Table 5-23.

## Optional Attachments

If an attachment is optional, select the applicable category from the **Type of attachment/statement number and title** drop list. Categories are described in Table 5-23.

**Table 5-23:** Attachment Types and How They Appear in View mode

| Type | Description | View/Print |
|------|-------------|------------|
| X | Preparer's EFT note; use for including voluntary information that is related to the tax return but (unlike a statement) is not required | EF Note |
| E | Explanation for certain IRS code elections where no official IRS form is designed for that purpose | Election |
| R | Explanation for certain regulatory elections where no official IRS form is designed for that purpose | EF Reg Note |

Note that statements are generated automatically with the number already assigned. Verify this by reviewing the calculated return.
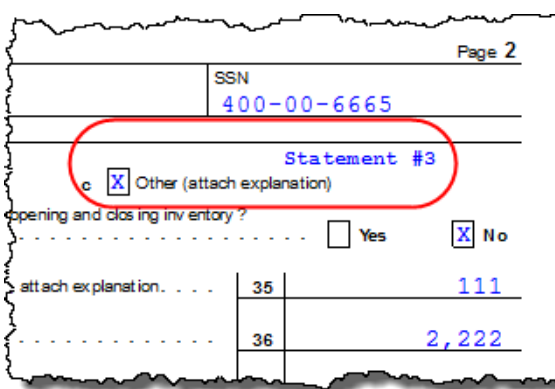


The program numbers required statements in the order in which you create them and provides a reference where applicable on the printed return

# Return Tracking

Use the **Administrative Tracking** (**ADMN**) and **EF Summary** (**ESUM**) screens to track the progress of each return. The **ADMN** screen shows, at a glance, who did the

work, who reviewed it, and how much time was spent on the return. It also shows bank product information. The **ESUM** screen provides an e-file summary of the return. You can also review e-filing and bank product information.

Use the **ADMN** screen to track the data shown in Table 5-24:

**Table 5-24: ADMN and ESUM Screen Information**

| Type of Information | Description |
|---|---|
| Fee and Payments (**ADMN**) | Amounts are updated from prior year. |
| First came in, interview (**ADMN**) | Used in timed billing. (optional feature) |
| Preparer Contribution (**ADMN**) | Used to track which preparers made contributions to the return. (preparer entry) |
| Reviewer Contribution (**ADMN**) | Used to track which preparers reviewed the return. (preparer entry) |
| Approved, Copy/assemble, Client contact, Client pickup, Date promised. Date completed (**ADMN**) | Used to track the various stages of return completion. (preparer entry) |
| Data entry history for the return (ADMIN users only) (**ADMN**) | These fields are completed automatically |
| EF transmission data (admin. users only) (**ESUM**) | These fields are completed automatically |
| Non-traditional return types (admin. users only) **(ESUM)** | These fields are completed automatically (PA and NY only) |
| Bank product data (**ADMN**) | Number and amount of check are completed automatically; preparer must enter the date the check is picked up. |
| Bank code (admin. users only) (**ADMN**) | This field is completed automatically. |

Note that some **ADMN** screen fields are automatically filled with data from elsewhere, while other fields require direct entries. Note also that some fields are "admin-only" and are not visible to users who do not have administrative rights.

NOTE    Some data from these screens can be incorporated into Report Manager and Client Status Manager (CSM) reports.

## ADMN Screen Reports

Two reports can be generated directly from the **ADMN** screen:

- **Return Preparation Data** — Consists of data entered by preparers in the **Return Preparation Data** section of the **ADMN** screen
- **ADMIN ONLY Return Data** — Consists of information generated by the software and displayed in the **ADMIN ONLY** side of the **ADMN** screen. (The **ADMIN ONLY** fields can be viewed only by users with administrative rights.)

To generate a report, go to the **ADMN** screen and mark the applicable check box:

- The **Generate Return Preparation Data Report** box is located in the **Return Preparation Data** section of the **ADMN** screen.
- The **Generate ADMIN ONLY Return Data Report** box in the **ADMIN ONLY** section of the **ADMN** screen.

**ADMN** screen reports are generated when the return is calculated and appear as "TRAC" and "TRACADM" with the federal forms in View/Print mode.

# 6     Return Results

*THIS CHAPTER COVERS CALCULATING, VIEWING,*
*AND PRINTING RETURNS. A RETURN MUST BE*
*CALCULATED BEFORE IT CAN BE VIEWED, PRINTED,*
*OR E-FILED. CALCULATE RETURNS AS OFTEN AS*
*NEEDED.*

## Calculating a Return
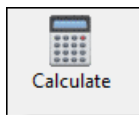
To calculate a return from data entry, open the return and click **Calculate** (or press
CTRL+C). By default, results are displayed in the **Calculation Results** window. (See
Figure 6-2 on page 301.) To calculate one or more returns from the **Home** window
(without using data entry):

1.  From the **Home** window's toolbar, click **Calculate** to open the **Batch Calculation
    Client Selection** dialog box (Figure 6-1) Recently opened returns are listed in the
    **Client Name** pane.



**Figure 6-1: Batch Calculation** dialog box

2.  Choose an option for selecting returns to calculate:
    –   Begin typing an ID number (SSN or EIN) in the **Client Selection** box. In
        the example in Figure 6-1, all clients with "4000" as the first four digits of
        their ID numbers are displayed in the pane at the bottom under **Client
        Name**. Continue typing the complete ID number, and then press ENTER to

> add the return to the **Selected Clients** list on the right side of the **Batch Calculations** window.
>
> – Alternately, click a client from the **Client Name** list and click the **Select Client** button (or just double-click the client) to move that name to the **Selected Clients** list.
>
> – To help narrow your search, click the **Recent Returns** drop list and choose a return type (1040, 1120, etc.).

**3.** Repeat the previous steps until all returns you wish to calculate are listed under **Selected Clients**.

**4.** Click **Next** and the program calculates the returns.

# Calculation Results Window

When you calculate a return from data entry, the **Calculation Results** window (Figure 6-2 on page 301) is displayed by default. You can also choose to display the **Calculation Results** window when you view a return or calculate a return from the **Calculate** button of the **Home** window of Drake Tax.

NOTE    The "pause" option available from the **Calculation & View/Print** tab at **Setup > Options** must be selected for the calculation results to be displayed when you click **View** or **Calculate**. For more information, see Table 2-5 on page 52.

## Calculation Summary

The **Summary** tab, shown in Figure 6-2 on page 301, has four main sections: the calculation **Summary**, **EF Messages**, **Return Notes**, and the preparation fee, bank fee, and the net amount of any refund check in the **Fee Type** and **Amount** section. (See "Fee Type, Amount" on page 304 for details.)
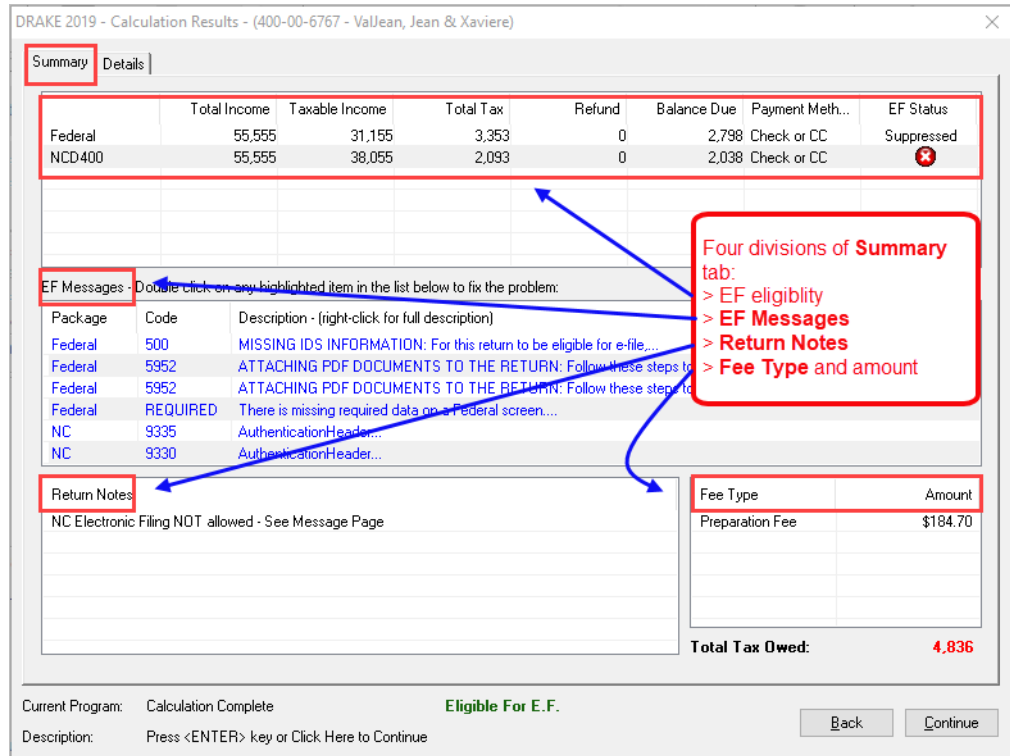
**Figure 6-2: Calculation Results** window

The **Summary** tab displays the taxpayer's total income, taxable income, total tax, refund amount, balance due, and payment method, plus the e-file eligibility of the return. (See "EF Status Column," following.)

## EF Status Column

The **EF Status** column of the **Calculation Results** window displays the e-file eligibility of any federal and state forms calculated for the selected return. A green check mark (Figure 6-3 on page 302) is displayed when the default product (Form 1040) is eligible for e-file—that is, when there are no EF Messages and no other products have been selected on the **EF** screen. A red **X** indicates that a prepared product is not eligible for e-file, having received an EF Message.

Any of the other federal products that are eligible to be e-filed (for instance, extension requests, amended returns, Forms 4868, 2350, 9465, or 56) and that will be a part of the e-file transmission also receive green check marks when they have been selected for e-file on the **EF** screen and they have no EF Messages.

NEW FOR
2019

The **EF Status** column of the **Calculation Results** window will "now display the status of state products. "Accepted," Paper-Filed," or "Suppressed."

**Figure 6-3:** Indicators in the **EF Status** column

Other indicators give the status of other returns and forms, and vary by package. Table 6-1 describes all the EF indicators and what they mean.

**Table 6-1:** EF indicators and eligibility on **Calculation Results** window

| Indicator | EF eligibility |
|---|---|
| Green check mark ✅ | Default product is eligible and has no EF Messages; other eligible products have been selected for e-file and have no EF messages |
| Red **X** ❌ | Product not eligible for e-file due to EF Messages |
| **Accepted** | Product has already been transmitted and has received "A" acknowledgment. (Product appears on **ESUM** screen with "A" ack) |
| **Suppressed** | Product included in the return is ready for e-file (no EF Messages) but a **Do NOT send Federal**, **Do not send any states**, **Suppress federal/state EF** check box has been selected on the **EF** screen or at **Setup > Options, EF** tab |
| **Paper-File** | **Suppress federal/state EF...** check box has been selected on the **EF** screen or at **Setup > Options, EF** tab. |
| **Not Selected** | Product included in the return is ready for e-file (no EF Message) but has not been selected on the **EF** screen. |
| **Not Available** | e-File is not available for a specific state product. Can be used in a federal product for forms that are part of the federal product but will not be e-filed with the return. (For instance, Form 5227 in the 1041 package. Even though you can complete the form in Drake Tax, the 5227 will receive a "Not Available" indicator because the IRS accepts the 5227 in paper form only.) |

Notes on the 1040 **Calculation Results** window when filing Form 9465, Installment Agreement Request:

- The IRS recommends filing Form 9465 online. Go to screen **9465** and click the **IRS OPA Application** link to go to the IRS Online Payment Agreement Application website.
- If Form 9465 is prepared along with Form 1040, and there are no EF messages and nothing has been selected on the **EF** screen, then both the **Federal** and **Form**

**9465** lines of the **Calculation Results** window will display green check marks in the **EF Status** column and both forms will be marked on the EF Status page in View/Print mode as ready to be e-filed.

- If Form 9465 is prepared along with Form 1040, and there are no EF messages and **9465 only** has been selected on the **EF** screen and **9465** is selected on the **PIN** screen, then the **Form 9465** line of the **Calculation Results** window will display a green check mark in the **EF Status** column and the **Federal** line will display a "Not selected" indicator. Only the 9465 will be marked for e-file on the EF Status page and be available for e-file.

- If Form 9465 is prepared along with Form 1040, and there is an EF Message or ETD_MSG, and the **9465 only** check box has been selected on the **EF** screen and the **9465** check box has been selected on the **PIN** screen, then the **9465** line of the **Calculation Results** window will show a green check mark and the **Federal** line will display a red "X." Only the 9465 will be marked on the EF Status page and available for e-file.

- The **ESUM** screen has a line for Form 1040 and a separate line for Form 9465 (top photo in Figure 6-4). If the 9465 is e-filed with the 1040 and the preparer receives an acknowledgment for the 1040 (which includes the 9465 transmission), the **ESUM** screen displays each product as having been accepted, triggering the "Accepted" indicator to be displayed on the **Calculation Results** window. The preparer will not receive a separate acknowledgment for the 9465 in this case. If the 9465 is sent separately from Form 1040, the **9465** line will display an "Accepted" indicator on the **Calculation Results** window (see bottom photo in Figure 6-4) and the preparer will receive a separate acknowledgment for the 9465.
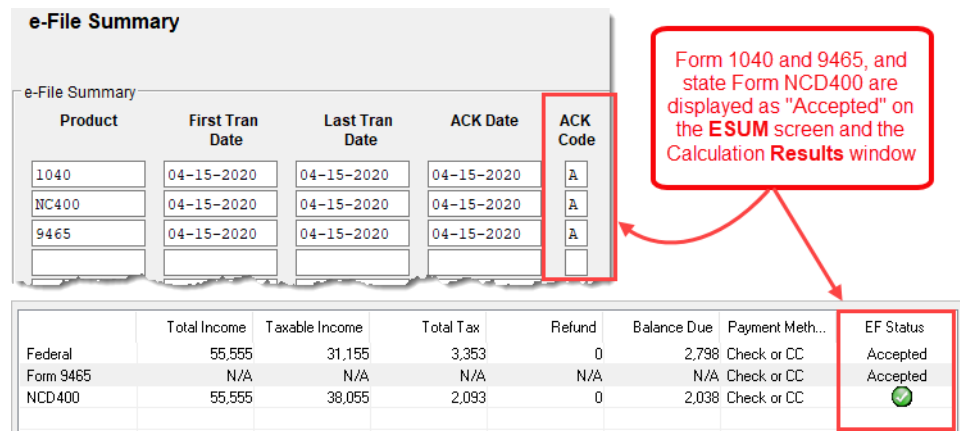


**Figure 6-4: ESUM** screen (top) showing federal accepted "acks" for federal Forms 1040 and 9465 and NC Form 400, and (bottom) displaying "Accepted" indicators on the **Calculation Results** window

**EF Messages**   The **EF Messages** section of the **Calculation Results** window (see Figure 6-2 on page 301) lists e-file message codes and descriptions by package. EF Messages pinpoint the reason a return is ineligible for e-file. Identified issues must be corrected for a return to be eligible for e-file.

- **Accessing full messages** — Some messages do not fit in the **Description** row. To view a full message, right-click a row and select **View Full Text Of EF Message**.

- **Accessing message link**s — If an EF Message is blue, double-clicking it opens the data entry screen that contains the error. If applicable, the field that caused the EF message is activated.

NOTE

If you double-click an EF Message in black text, a window with the full EF Message is displayed. Only messages in blue text link to screens within the return.

EF Messages appear on the MESSAGES page in View/Print mode. For more information on viewing and eliminating EF Messages, see "e-Filing a Return" on page 348.

**Return Notes**

The **Return Notes** section (see Figure 6-2 on page 301) displays informational notes about the return. These notes provide details about the return, but they do not require that changes be made, and they do not prevent e-file. They appear on the NOTES page in View/Print mode. To keep a specific Return Note from being generated whenever you view this return, go to the **Miscellaneous** tab of the **Data Entry Menu**, select the **HIDE** screen, enter the number of the note to hide in one of the boxes, and then recalculate the return.

**Fee Type, Amount**

The **Fee Type** and **Amount** columns (see Figure 6-2 on page 301) list the preparation fees, and when bank products are present, the bank fees and the net amount of any refund check (or the total of all fees charged if the return has a balance due). (To have the fee type and amount displayed here, the **Display client fee on Calculation screen** option must be selected from **Setup > Options**, **Calculation & View/Print** tab.) Fee breakdowns appear on the bank product information page in View/Print mode when bank products are present.

## Calculation Details

The **Details** tab displays return amounts in an easy-to-read format (Figure 6-5).



**Figure 6-5:** Calculation **Details** tab

Click **Print** (at the bottom of the **Details** window) to print the details displayed

## Federal Withholding Summary

The program produces a "Federal Income Tax Withheld" worksheet (listed as "Fed Withholdings" in View/Print mode) that lists all forms and schedules on which federal withholding has been reported in the return. You can choose to set a lower limit for the number of forms and schedules that will trigger generation of the "Federal Income Tax Withheld" worksheet.

For instance, if you select "5," then the "Federal Income Tax Withheld" worksheet will not be generated for returns with five or fewer forms and schedules that report federal withholding.

From the menu bar of the **Home** window in Drake Tax, select **Setup > Options**, **Form & Schedule Options** tab. In the **Select to Turn On** section, mark the **Federal Withholding Summary** check box, then select a number.

# Viewing and Printing a Return

There are several ways to view or print a return:

- Click **View** or **Print** from the toolbar of the **Home** window (without opening a return)
- Press CTRL+V (to view) or CTRL+P (to print) from the **Home** window or from within any data entry screen
- Click **View** or **Print** from the toolbar of any **Data Entry Menu** within a return
- Click **View** or **Print** from the toolbar from within any data entry screen
- Right-click any data entry screen and select **View Return** or **Print Return**

If results are first displayed in **Calculation Results**, click **Continue** to proceed.

NOTE — If you selected **Enable Windows standard keystrokes** at **Setup > Options**, **Data Entry** tab, then to calculate or view the return from data entry, you must press CTRL+SHIFT+V (to view) or CTRL+SHIFT+P (to print).
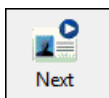
If you view or print more than on return at time by clicking the **View** or **Print** icon from the **Home** window toolbar and making more than one selection from the Return Selector, a **Next** icon (figure at left) appears on the toolbar in View/Print mode. Click this **Next** icon to move from the first return to the next.

Returns can be viewed in either Enhanced mode or Basic mode. In Enhanced mode, expand the tree view as needed and click the name of a form to view it. In Basic mode, view a form by double-clicking the label in the cascade of forms.

NOTE — To view helpful video tutorials on printing, archiving, or emailing returns, click the arrow beside the **Print**, **Archive**, **Email**, or **Help** icons on the Enhanced mode toolbar.

## Viewing a Return (Enhanced Mode)

Enhanced mode, the default View/Print mode, consists of five main components:

- A *toolbar* has icons for performing actions regarding the return. (See item #1 in Figure 6-6; see also Table 6-2.)
- A *viewing tool* allows zooming and clicking through the various forms. (See item #2 in Figure 6-6.)
- *Category tabs* group documents within a return; select a tab to view all documents within a category. (See item #3 in Figure 6-6.)
- A *tree view* showing all documents in a return can be expanded or collapsed. (See item #4 in Figure 6-6.)
- A *viewing panel* displays the selected document. (See item #5 in Figure 6-6.)

These five components are described in the following sections.
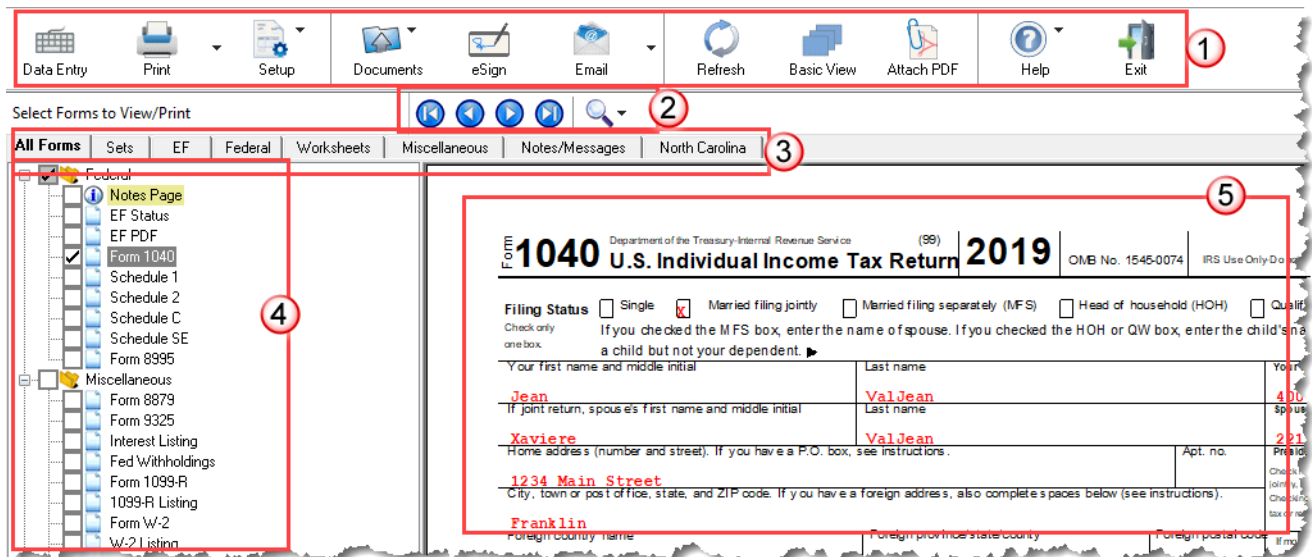


**Figure 6-6:** Enhanced Mode

NOTE    "Basic" mode (the View and Print screens used prior to 2008) is available for those who prefer it; see Table 6-2.

**Toolbar**    The Enhanced mode toolbar consists of the buttons described in Table 6-2.

**Table 6-2:** Enhanced mode Toolbar

| Button | Description |
|---|---|
| Data Entry | Leave View/Print mode and return to data entry. |

**Table 6-2:** Enhanced mode Toolbar

| Button | Description |
|---|---|
| **Print** | Send selected forms to printer, including the Drake PDF printer (includes option to password-protect PDF file); email selected forms; "quick print" only the form open in the viewer. Links to video tutorials are also available. |
| **Setup** | Mask SSNs; set up form properties, color, and order, including drag-and-drop ordering. Access other setup options available in the program. There are also links to Drake Documents, Pricing, Printing, and Sets setup. |
| **Documents** | Click the arrow on the side of the icon to open the taxpayer's folder in Drake Documents, to archive the open the return, to open the Archive manager, or to view video tutorials on archiving and printing returns in Drake Documents. For more, see "Archive Manager" on page 324 and "Drake Documents" on page 449. |
| **eSign** | Use with electronic signature pad to digitally sign tax forms in View/Print mode or from Drake Documents. See "Electronic Signatures" on page 313. |
| **Email** | Email the return to a selected recipient. Links to video tutorials are also available. |
| **Refresh** | Update the viewed return to reflect any changes made by another preparer working in the open return. |
| **Basic View** | Switch to the cascade view (the exclusive view used by Drake Software before 2008). |
| **Attach PDF** | Directions for attaching PDF documents to the return. Links to video tutorials are also available. This button is visible only when PDF attachments have been created for the return. |
| **K1 Export** | Open the K-1 Export tool. (This button is visible only for certain business returns.) |
| **Help** | Access Drake Software's program help and view several video tutorials dealing with items as LinkBacks, LookBack, DoubleCheck, and archiving, emailing and printing to Drake Documents. |
| **Exit** | Exit View mode. |

**Viewing Tool**   Use the arrows and zoom icon (figure below) when viewing in Enhanced mode.



Click the arrows to move forward or backward through the forms; click the magnifying glass icon to zoom in or out.

**Trouble-
shooting**

If you have issues when *viewing* (not *printing*) your client's bill or any of the client results letters (listed in View/Print mode as "Results Letter," "Engagement Letter," "Customized Letter," "Privacy Policy," and "Amended Letter"), such as text that's too large or running off the page, follow these steps to remedy the problem:

1. Open a return and view it.
2. Select the letter or bill from the document tree on the left side of the screen.
3. In the viewing pane (item #5 in Figure 6-6 on page 306), right-click the screen, and from the right-click menu, select **Fit Width**, **Fit Height**, or **Fit Page**.
4. Alternately:
   – Click the magnifying glass at the top-right corner of the viewing pane.
   – Select **Fit Width**, **Fit Height**, or **Fit Page**.
   – Select a sizing percentages from **Zoom Percentage** until the letter or bill looks the way you want.

If you are using Basic view mode and wish to change the viewing percentage:

1. Double-click a letter or bill in the cascade of forms. (Alternately, right-click the letter or bill and choose **View Form** from the right-click menu.)
2. Right-click the letter or bill and select **Fit Width**, **Fit Height**, or **Zoom Percentage**. If you choose **Zoom Percentage**, select a sizing percentages until the letter or bill looks the way you want.

NOTE
These procedures are for *viewing* problems, not printing problems. If you are experiencing problems when printing your letters or bills, see "Printing Setup" on page 82.

**Category
Tabs**

Labeled tabs allow you to view sections of the return according to selected categories. For example, if you click the **EF** tab (figure right), only the documents directly related to e-file are displayed in the tree view.

Category tabs and descriptions are provided in Table 6-3:
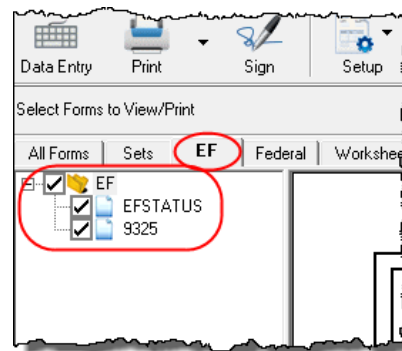


**Table 6-3:** Category Tabs and Descriptions

| Tab | Items Shown in Tree View |
| --- | --- |
| All Forms | Every form generated during production of the return |
| Sets | Forms as distributed into the printer sets selected in **Setup > Printing > Printer Setup** |
| EF | All forms for e-file, in addition to any EF Messages |

**Table 6-3:** Category Tabs and Descriptions

| Tab | Items Shown in Tree View |
|---|---|
| Federal | All forms for filing the federal tax return |
| Worksheets | All worksheets produced with the return |
| Miscellaneous | Such items as W-2 forms, letters, overflow statements, depreciation lists, bill summary, direct deposit summary, notes, etc. |
| Notes/Messages | Return Notes and EF Messages only (To keep a specific Return Note from being generated whenever you view this return, go to the Miscellaneous tab of the Data Entry Menu, select the HIDE screen, enter the number of the note to hide in one of the boxes, and then recalculate the return.) |
| State | All forms for filing the state tax return |
| Gift tax | Form 709 documents, if applicable |

**Tree View Directory**  A tree view directory of all forms, worksheets, and other documents in a return allows you to see all the components of a return. (See Figure 6-6 on page 306.) Expand or collapse the tree as necessary for your viewing needs.

**Viewing Panel**  The viewing panel (item #5 in Figure 6-6 on page 306) provides a preview of a selected document within the return. To preview a document, click the document name in the tree view.

## DoubleCheck and LinkBacks

LinkBacks help you to quickly find the source of data within the tax return. The DoubleCheck feature helps you review your data entry and find problems before returns are e-filed.

These features offer another way to review and verify your work before you transmit a return.

**LinkBacks**  LinkBacks help you locate the source of data on a tax return—in other words, the data entry screens on which the information was entered—and the forms, schedules, and worksheets to which the information flows. They can also help you find the proper screens for entering data from unfamiliar forms or sources.

For instance, if you want to know how income data gets to line 1 of Form 1040, view the return (Enhanced mode only), open the LinkBack for line 1 (right-click the amount on line 1), click **Review Input Sources,** and view a list of the screens from which the program pulls income sources that flow into the line 1 total—for instance, screen **W2 (Wages)**, screen **2441 (Child Care Credit)**, screen **3 (Income)**, among others. Double-click a line on that list to open a screen and go directly to the relevant line to make changes. (The **Source Entry** column of the LinkBacks window contains data only if data was entered on the linked screen. See item #3 in Figure 6-7 on page 311.)
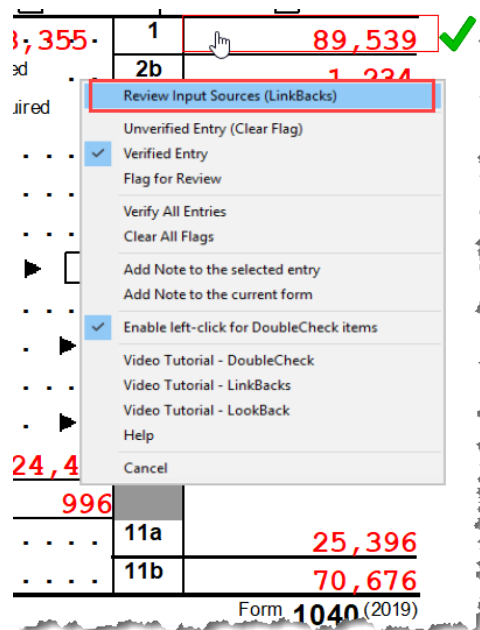
**Using LinkBacks**  At the top of the **LinkBacks** window (item #1 in Figure 6-7 on page 311) is a note reminding you of which form and which line of the form you selected. If an amount was entered or calculated, that amount is also shown.

Below that are three tabs (item #2 in Figure 6-7 on page 311):

- **All Sources** – All items that appear on the other two tabs appear here.
- **Data Entry** – The data entry screens from which the program pulls data are listed here. If an amount was entered on one of these screens, that amount is listed to the right side of the screen in the **Source Entry** column (item #3 in Figure 6-7 on page 311). Double-click a line (or click it once and click **View Source**; item #4 Figure 6-7 on page 311) to return to the data entry screen where the amount was entered. The screen is opened and the line and data entry field are highlighted in yellow.
- **Tax Forms, Schedules, and Worksheets** – The items listed on this tab are the forms that have been generated by data entry. Double-click one of the items on the **Tax Forms, Schedules, and Worksheets** tab and you open the actual form that was generated with the return.
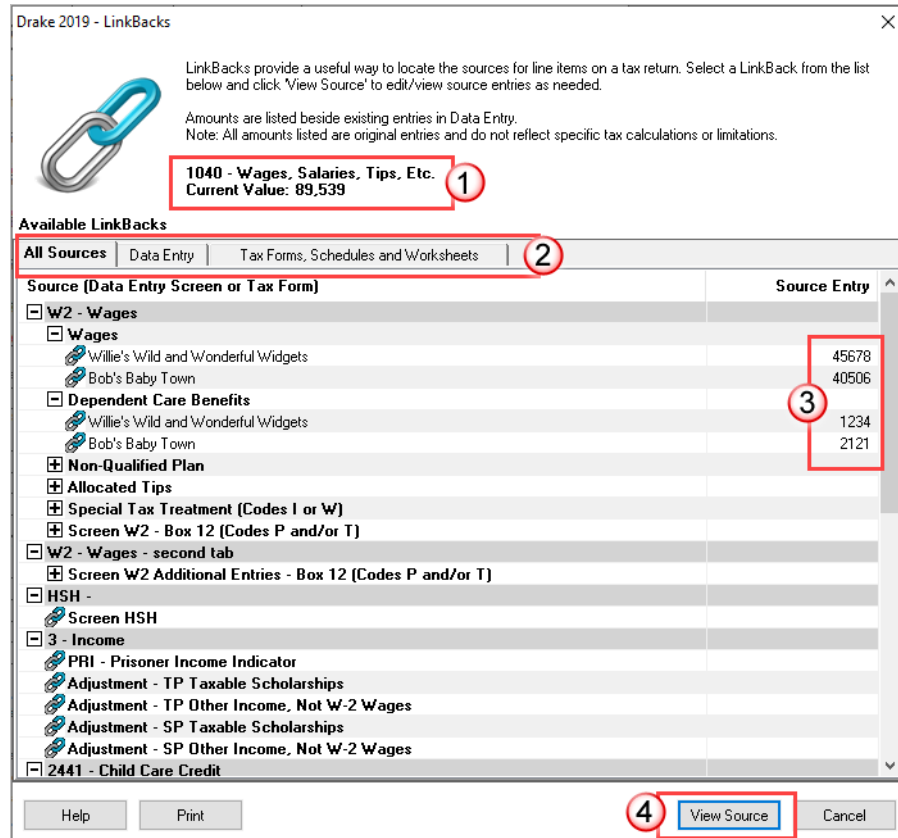
**Figure 6-7:** The **LinkBacks** window

**Available LinkBacks**     Active LinkBacks are available for the following forms, schedules, and tax packages:

- Most forms and Schedules A through F (federal 1040 package)
- Main forms (federal 1041, 1120, 1120S, 1065 packages)
- Individual resident and nonresident main forms (all state 1040 packages)

**Double-Check**     Mark items on a return as "reviewed" or "in need of review" using the DoubleCheck feature in Enhanced View mode. This feature allows you to either verify or flag for review any item on any form, statement, or document within a return.

In Enhanced View mode, select any item from the document tree in the left side of the window to open it in the document viewing pane on the right side of the window. In the viewing pane, roll your mouse pointer over any text box, check box, or amount on the document to see a gray check mark. Click the item once to place a green check mark beside it (see figure on next page), indicating that this result has been verified. Click the box twice to place a red flag beside it, indicating that this entry or amount should be reviewed further. When the flagged item has been reviewed and verified, return to the form in Enhanced View mode and click the item once more to remove the flag and replace it with a green "Verified" check mark.

As you work your way through the fields and check boxes, the document in the document tree receives either a green check mark (indicating that items on that form have been verified), a red flag, (indicating something on the form has been flagged), or a yellow box (indicating a note has been placed on an item; see

"Notes" (following) for details).

When an item is marked as "verified" (green check mark) in View/Print mode, and then a change is made in data entry that affects the verified amount, the green check mark is changed to a red flag, requiring re-verification.

## e-File Eligibility of Flagged Returns

Flags on a return do not make an otherwise EF-eligible return ineligible for e-file unless you select that option in Setup. From the **Home** window, go to **Setup > Options**, **EF** tab, and at the bottom of the left-hand column, select **Disallow EF selection if DoubleCheck Review flag exists**. This selection automatically makes an otherwise EF-eligible return ineligible on the **EF Return Selector**. To restore the return's e-file eligibility, remove the flag from the return (in View/Print mode, click the flag once or right-click the page and from the right-click menu, select **Clear all flags**) and recalculate the return.

IMPORTANT

> No EF Message is generated for returns made ineligible by DoubleCheck flags.
>
> The green check marks have no effect on e-file. Check marks do not make an otherwise ineligible return e-fileable. These check marks are for preparer information only.

**Right-Click Menu**

Another way to use the DoubleCheck feature is through the right-click menu. Right-click any text box, check box, or calculated amount on the document and from the right-click menu, select **Unverified Entry** (remove a check mark or flag), **Verified Entry** (add a check mark), or **Flag for Review** (add a red flag).

You can also verify all entries on a form from the right-click menu by selecting **Verify All Entries**. This places a green check mark beside every box or field on the form that contains entries. Clear all green check mark and all red flags from the form by selecting **Clear All Flags** from the right-click menu.

**Notes**

The DoubleCheck feature also includes a **Notes** tool, allowing you to make notes about any of the items on the open document, or a general note about the document as a whole.

To make a note about a text box, check box, or calculated amount in the document, right-click it and select **Add Note to selected entry**. This opens a **Note Editor** win-

dow. Type your note in the **Notes** pane and click **Save**. A small yellow "note" box then appears beside the item in the document (figure at top of previous page), reminding you that a note was made about this item.

You can make general notes about the open form by selecting **Add note to the current form** from the right-click menu. When the **Note Editor** is opened, make your notes and slick **Save**. The yellow "note" reminder box then appears in the upper-left corner of the document viewing pane, reminding you of the notes.

You can edit the notes—the screen note or the entry note—by selecting **Edit Note...** from the right-click menu, or delete the notes by selecting **Remove Note** from the **Note Editor** window. You can also click the yellow reminder box in the upper-left corner of the window to make or edit a general note.

When notes have been added to the form or to an item of the form, a yellow "note" reminder also appears in the document tree.

TIP   To deactivate the DoubleCheck feature, right-click any item, and from the right-click menu, select **Enable left-click for DoubleCheck items**, and when prompted, select **Yes**. To reactivate, repeat these steps.

# Electronic Signatures

Drake Tax supports electronic signature pads. This feature allows taxpayers and tax preparers to digitally sign a variety of documents, including bank applications, authorizations forms, and consent forms. This is truly a paperless process, allowing you to produce forms and get them signed and saved to Drake Documents without ever printing on a piece of paper.

TIP
- You can set up your program to electronically sign engagement letters for the taxpayer, spouse, or business entity. For details, see "e-Signing Engagement Letters" on page 80.
- Some forms can be electronically signed by the taxpayer using Secure-FilePro. For details, see "SecureFilePro" on page 476.
- You can access the **Electronically Sign Return** dialog box from the **eSign** icon on the toolbar in View/Print mode.

**Preparer Setup**   Begin the process by setting up the program and the preparer's signature. This can be done in two places: at **Setup > Printing > E-Signature Setup** or at **Setup > Preparers**. Both accessible from the **Home** window menu bar.

1. From the menu bar of the **Home** window of Drake Tax, go to **Setup > Printing > E-Signature Setup** to open the **E-Signature Setup** dialog box (see figure on next page).

**2.** If your signature pad features an LCD screen that displays the signature as it is being signed, mark the **Signature pad has LCD** check box.

**3.** Select a preparer from the list and click **Sign** to open the **Preparer Signature Capture** window (bottom half of figure at right).

**4.** Have the preparer sign the signature pad. Click **Save**. This should be done for all preparers at the start of the tax season but shouldn't be necessary for the rest of the season.

**5.** To remove a preparer's signature, right-click the signature you wish to delete and click **Remove**. When prompted, click **Yes** and then **OK**.
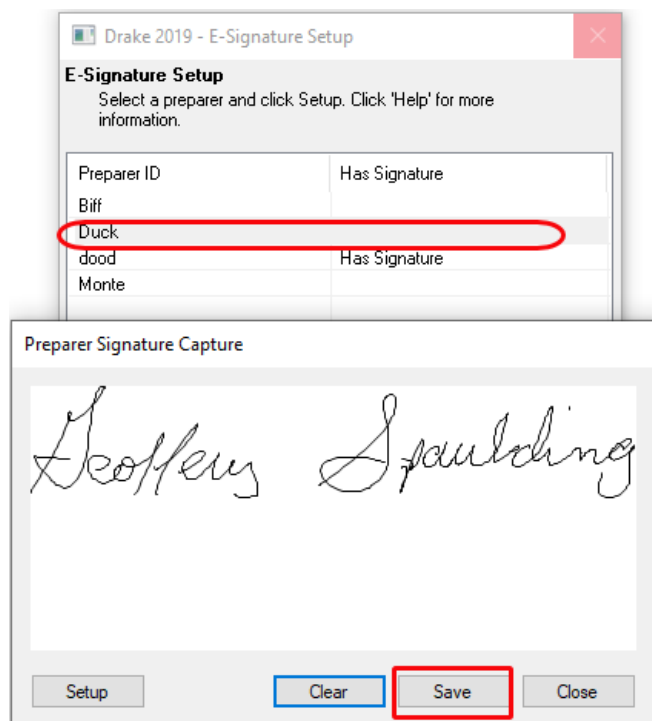
When you're finished, click **OK** to close **E-Signature Setup**.

**Rubber Stamp**　　The "rubber stamp" feature allows you to electronically sign the preparer's signature to all selected signature documents at once. The rubber stamp is for the *preparer's* signature only.

To set up your rubber stamp:

**1.** From the **Home** window menu bar of Drake Tax, go to **Setup > Preparer(s)**.

**2.** Select a preparer from the **Preparer Setup** window and click **Edit Preparer**.

**3.** In the **Return Signature Options** section, select **8879 PIN Signature**. *Do not mark* the **Alternative Electronic Signature** check box.

**4.** Click **Setup Signature**, have the preparer sign the pad, then click **Save**.

NOTE　　The "rubber stamp" feature (used to electronically sign the preparer's signature to all selected signature documents at once) is not available when the **Alternative Electronic Signature** check box is marked at **Setup > Preparer(s)** and there is a **PIN** screen present in the return.

**Client's e-Signature**　　The process of having the taxpayer and spouse sign the documents begins in View/Print mode, and any documents the preparer must sign can also be rubber-stamped during the process. The documents are saved to the client's Drake Tax folder and (depending on setup) to the client's Drake Documents folder (see "Setting up Drake Documents" on page 451). Documents saved but not signed can be recalled from Drake Documents and signed later.

To have the taxpayer and spouse sign forms:

**1.** Open the taxpayer's tax return and click **View** (or press CTRL+V).

**2.** From the document tree on the left side of the window in View/Print mode, select the forms to sign (for instance, 8879 e-file authorization, Consent to Use, bank application, engagement, etc.).

**3.** Click **eSign** from the View/Print mode toolbar to open the **Electronically Sign Return** dialog box (Figure 6-8). If the forms have been previously signed and saved to Drake Documents, you'll be notified that proceeding overwrites existing signatures. Select **No** to open the documents without overwriting.
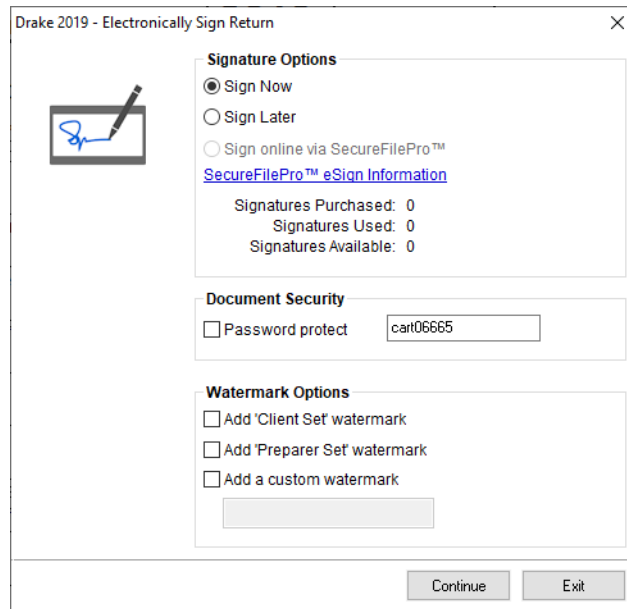


**Figure 6-8: Electronically Sign Return** dialog box

**4.** (optional) The default setting is to require a password for opening the documents. The password is composed of the first four letters of the taxpayer's last name and the last five numerals of the taxpayer's SSN/EIN. Clear the **Password Protect** checkbox if you do not wish to require a password. To change the default password style, from the **Home** window of Drake Tax, go to S**etup > Options > Administrative Options**. (For more, see "About Passwords" on page 321.)

**5.** (optional) Choose to print a watermark on the printed forms.

**6.** Click to **Sign Now** to open the **Save As** dialog box, then click **Continue** and then **Save**. The documents are saved (depending on your setup) to the client's folder and to the client's Drake Documents folder. (The steps for **Sign Later** are slightly different. See "Sign Later" on page 317)

**7.** The **Drake e-Sign** window is opened and a message asks if you would like to rubber stamp all the documents that the preparer must sign. Click **Yes** or **No**. A list appears in the left pane of those (taxpayer, spouse, preparer) who can sign the open form, and the form appears in the right pane.

**8.** Double-click the taxpayer or spouse (or preparer, if you chose not to rubber stamp in step 6), or select a name and click **Sign** from the tool bar.
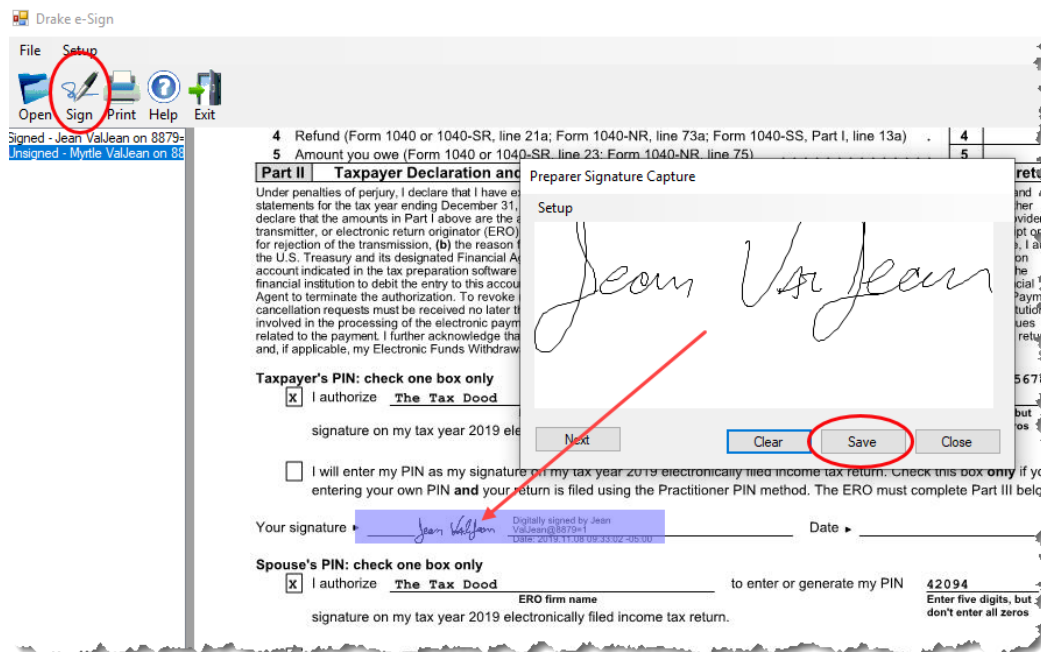
**Figure 6-9:** Client signs electronically

**9.** When the **Drake e-Sign** window is opened (Figure 6-9), have the client sign the
signature pad. The signature appears on the **Signature Capture** window.

**10.** To clear the signature and start over, click **Clear**. To apply the signature to the
form, either:

– Click **Save**. The signature is added to the signature line of the document.

– Click **Next**. The signature is added to the signature line of the document and
the next signature line for that person in the document becomes active. (You
are alerted if there are no more signature lines in the document.)

**11.** Scroll through the documents chosen for signature using the **Page Selection**
arrows to the right of the toolbar, or click another signature document from the list
below the toolbar on the left side of the window.

**12.** Click **Exit** when finished.

**Other
Options**     Also on the **Drake e-Sign** toolbar is the option to **Open** other documents in the cli-
ent's folder that can accept an electronic signature (any PDF document with an active
signature line can be signed using the e-signature pad). Click **Open** (or from the menu
bar, select **File > Open**), select a form, and click **Open**.

Click the **Print** icon on the toolbar to print a selected document.

On the menu bar above the toolbar, click **Setup > Options** if you need to change the
selections you made in Preparer Setup (see "Preparer Setup" on page 313). Usually,
there is no need to make any selections from this box.

Click the **Help** button to get program help for the e-signature tool.

NOTES

- To require all preparers to use the e-Signature feature for all sign-able documents, from the toolbar of the **Home** window, go to **Setup > Options**, **EF** tab and mark the check box **Require E-Signatures on all electronically signable forms**. (This option applies to 1040 returns only.)
- Override this global option for an individual return on the **EF** screen in data entry, using the **e-signature NOT required...** check box.
- When using the option to require e-signatures, and you view or calculate a return, you generate a document titled "eSign," available from the forms tree in View/Print mode, that lists all the forms that *require* an e-signature. All of these forms must be electronically signed before the return can be e-filed. *No EF Message is generated.*

**Sign Later**   If you chose **Sign Later** in Step 6 on page 315, and you want to retrieve the documents for signing, click **Documents > Drake Documents** from the View/Print mode toolbar, or from the **Data Entry Menu** toolbar, click **Documents** to open Drake Documents.

Select a document to sign from the **Document Name** pane on the right half of the **Drake Documents** window (unsigned documents are listed as "Unsigned"), then click **Sign** from the toolbar to open the **Drake e-Sign** window.

Click **Yes** or **No** to rubber stamp the forms with the preparer's e-signature (if applicable), then follow steps 7-11 from the steps in "Client's e-Signature" on page 314.

IMPORTANT

According to the IRS, EROs may use an electronic signature pad to have taxpayers sign Forms 8878 and 8879. Taxpayers must be "physically present" in the ERO's office where the electronic signature pad is located to sign using the signature pad. The ERO must retain the forms with the taxpayers' signatures and provide a copy to the taxpayer upon request."

For information on making an electronic signature from a remote location—one in which the taxpayer is electronically signing the form and the ERO *is not* physically present with the taxpayer—review "New esignature Guidance" at the IRS website (*irs.gov*).

NOTE

To have the engagement letter signed electronically by the taxpayer and spouse on a 1040 return or by the representative of a business entity, see "e-Signing Engagement Letters" on page 80.

## Printing a Return

You can print selected forms, selected sets of forms, or individual forms in a return. The instructions in this section refer to Enhanced mode. If you are using Basic mode, click the **F1-Help** icon on the toolbar for printing instructions.

TIP
As explained in the procedure that follows, you can opt to open Adobe when the PDF document is created. This option prevents your having to go to Drake Documents to locate the new PDF for viewing.

**Printing Forms in a Return**

To print tax return forms and other documents:

1. View a return in Enhanced mode. The **All Forms** tab is shown by default. (See item #4 in Figure 6-6 on page 306.)

2. Collapse or expand the tree view as needed, and select the forms to be printed by marking the check box to the left of each form. To print all forms in a set, select all of the boxes in the tree view under **All Forms**.

NOTE
If the main box of a set is selected, all sub-boxes are automatically selected. (For instance, mark the **Federal** check box and all federal forms listed under **Federal** are automatically marked.)

*Shortcut: Press CTRL+P for the **Print Selection** option.*

3. Click **Print** to open the **Print Document** dialog box. (If you click the arrow next to the **Print** icon, select **Print Selected Forms**.)

4. Choose a printer from the **Printer** drop list.

5. (optional) Select any printing options shown in the **Print Document** dialog box.

6. Click **Print** again. All of the selected items are printed using the printer selected from the **Printer** dialog box.

**Printing to Drake PDF**

To print tax return forms and other documents as PDF documents:

1. View a return in Enhanced mode. The **All Forms** tab is shown by default.

2. Select the forms to be printed. To print all forms in a set, select all the boxes in the tree view under **All Forms**.

3. Click the arrow next to the **Print** icon on the toolbar and select **Print Selected Forms to PDF Document** (or press CTRL+D). The **Print Document** dialog box is displayed (figure right) with the **Drake PDF Printer** selected from the **Printer** drop list.



4. (optional) The program is set up to password-protect the PDF document. By default, the program uses the first four letters of the taxpayer's last name and the

last five numerals of the taxpayer's SSN/EIN as the password. An administrative user can change this default in **Setup > Options > Administrative Options** tab. (See "About Passwords" on page 321.) To print the PDF document without having to enter the password, clear the check mark from the **Password Protect** check box.

**5.** (optional) To have the program open Adobe once the PDF document is created, click **Drake Settings** and make sure the **Launch Adobe after creating a 'Drake PDF'** check box is selected. Click **Save.**

**6.** Select any other options, as desired, from the **Print Selection** dialog box.

NOTES

- Among the options in the **Print Documents** dialog box is the **Drake Documents/SecureFilePro Options** checkbox used for sending a PDF copy of the printed forms to the SecureFilePro^TM portal. For more, see Chapter 13, "Suite Products."
- If you are using a PDF printer besides the Drake PDF Printer, you also will have the option of storing the PDF document in Drake Documents.

**7.** Click **Print** to open the **Save As** dialog box.

**8.** If necessary, assign a filename and select a location for the document (the default location is the client's current-year folder in Drake Tax).

**9.** Click **Save**.

NOTE   If you password-protected the PDF document, the password is required for anyone—the taxpayer, Drake Tax Support, etc.,—to open the file.

**Printing Printer Sets**   Default printer sets are established in Printer Setup (see "Printing Sets" on page 84). You can override the defaults from Enhanced mode.

To print specific sets of a return from Enhanced mode:

**1.** Select the **Sets** tab. All sets in the return are shown in the tree view.
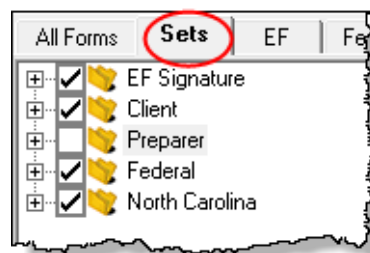


**2.** Select the sets to be printed.

**3.** Click **Print** to open the **Print Sets** dialog box. (If you click the arrow next to the **Print** icon, select **Print Selected Forms**.) Select any printing options shown in the **Print Sets** dialog box (optional).

**4.** To change the number of forms to be printed, click **Sets Setup** to open the **Copies Per Set** dialog box. (A change here changes the number globally (for all returns). For more information see "Printing Sets" on page 84.) Click **Save**.

**5.** Click **Print** again. All of the selected items are printed.

**Quick-Printing a Single Form**   Enhanced mode allows you to print the document currently in view by pressing CTRL+Q or by clicking the arrow beside the **Print** button and selecting **Quick Print**. You can select any printing options shown in the **Print Selection** dialog box, then click **Print**. Printing a single form in this manner is referred to as *quick printing*.

# Email from View/Print

You can email tax returns to your clients directly from both Basic and Enhanced modes. Before emailing returns this way, set up View/Print email preferences.

## Setting Up Preferences

Use **Email Setup** in View/Print mode to indicate the email method you want to use and specify default settings.

IMPORTANT   Even though you must open a specific return to indicate your settings, those settings apply for *all* emailed returns.

The steps below are optional; you may not need to make any changes if you are happy with the program defaults. To set up your email program for sending returns:

1.   View any return in Enhanced or Basic mode.
2.   Click the arrow on the **Email** button and select **Email Setup**.
3.   In the **Email Setup** dialog box, select your preferred email program from the **Select Email Method** drop list.
4.   To include a default **Cc** or **Bcc** address (one to which *all* emailed returns will be sent), type the address in the applicable field under **Email Default Settings**. (See CAUTION below.) If entering multiple addresses, use a semicolon (;) as a separator between addresses.

CAUTION   It is recommended that you *not* enter a default **To** address. If an address is entered in the **To** field of this window, *every return* emailed through View/Print mode will be sent to that address.

5.   Make any changes to the default message.
6.   Click **Save**.

Your default settings will be applied for *all* emailed returns.

## Sending a Return to a Client

To send a return to a client from Enhanced mode:

1.   Open the return.
2.   Click **View** or **Print** to access View/Print mode.
3.   Select the forms to be included in the email. (In Enhanced mode, select forms from the Forms tree; in Basic Print mode, make sure you're in Print mode then right-click a form and choose **Select Form** from the right-click menu.)

4. Click **Email** to use the
   default email method, or
   click the arrow next to the
   **Email** button to choose a
   method. The **Email Return**
   dialog box is opened (figure
   right), showing options for
   using a password and print-
   ing watermarks; see "About
   Passwords," following, for
   more information on pass-
   words.
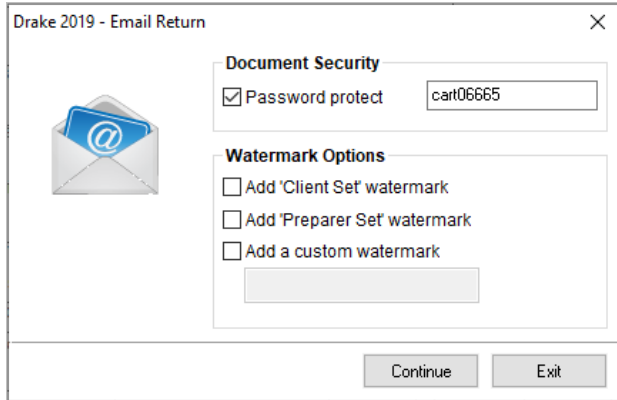
5. Click **Continue**. The **Save As** dialog box is opened so you can save the PDF ver-
   sion of the return in the client's Drake Tax folder. Click **Save**.

6. The email message is opened in the desired program, with the selected return doc-
   uments attached. The client's and spouse's email addresses are automatically dis-
   played in the **To** field if the addresses were entered on screen **1**. (Any address you
   added in **Email > Setup** will also be in the **To** field; see "Setting Up Preferences"
   on page 320).

7. If no further changes to the message are needed, click **Send**.

**About**
**Passwords**

The use of passwords is optional, but if you choose to use passwords, remember that
the client must know his or her return's password in order to open emailed returns.

The default format for passwords is the first four letters of the client's last name (or
the first four letters of the entity's name) followed by the last five numbers of the SSN
for individual returns or the last five numbers of the EIN for entity returns. (See
above, for an example.) An administrative user can change the password format at
**Setup > Options** > **Administrative Options** tab.)

IMPORTANT

Drake Software Support *cannot recover a lost pass-
word*. If you opt to replace a password with a new one
in the **Email Return** dialog box, be sure to write down
the new password and keep it in a secure location in
case you forget it.

## Sending Client Files to Drake Software Support

When you send an email to Drake Support from View/Print mode, the program automati-
cally sends both the print file and the data file. (These files allow the Customer Support
Representative to view the return in data entry.) When working in Enhanced mode, you
have the option of including PDF attachments with the email.

To send files to Drake Software Support from Enhanced mode:

1. Go to View/Print mode of the return.

2. (optional) Select any forms to be included as PDF documents in the email.

3. Click the arrow on the **Email** button and select **Email to Drake Support**.

   – If you selected any forms in Step 2, the **Email Return** dialog box is opened;
     make your selections (including the use of passwords) and click **Continue**.

– If you selected any forms in Step 2, save the attachment as a PDF document to the client's file. Click **Save**. The **Compose Message** window is opened, showing the attached files in the **Attachments** list (red square in Figure 6-10)
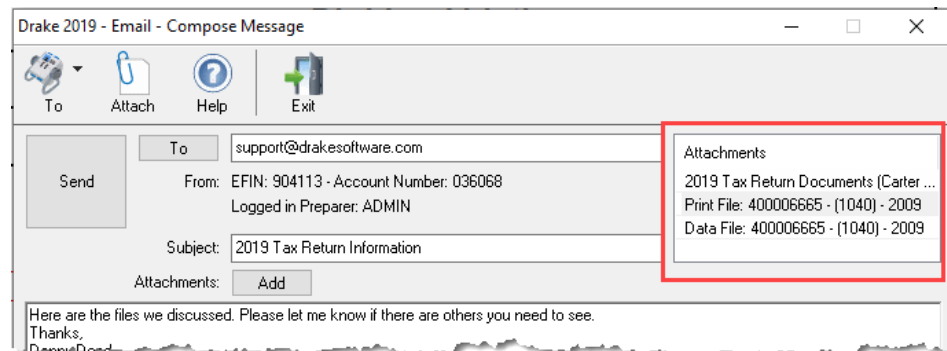


**Figure 6-10:** Attachments to an email

NOTE | A PDF copy of the return's print file and data file are automatically included as attachments (red in figure above).

**4.** Click the **To** button and double-click an email address from the Drake Software Support Address Book. Click **OK**.

**5.** Click **Send**.

IMPORTANT | If you password-protected the PDF document, Drake Support will need that password in order to open the file.

# Setting Up View/Print Options

Set up form properties, colors, printing order, and other options within Drake Tax using the **Setup** feature.

## Setting Form Properties

The **Form Properties** setup function allows you to change the form description, pricing information, and numbers of copies to print of a form within a return. To access this feature in Enhanced mode, select a document and click **Setup > Form Properties**.

## Setting Form Colors

Colors can be customized in both Basic and Enhanced modes.

**Enhanced Mode** The **Form Color**, **Background Color**, and **Text (Data) Color** can each be changed in Enhanced mode. Drake Tax's default colors for these three items, as shown in Figure 6-11 on page 323, are black, white, and red, respectively.

**Figure 6-11:** Customizable colors in Enhanced mode

To change colors in Enhanced mode, select **Setup > Form Colors**. In the **View Mode Color Selection** dialog box, select a color from **Form Color**, **Background Color**, or **Text (Data) Color**. After selecting a basic or custom color from the color palette, click **OK**. To revert to the Drake Tax default colors, click **Reset**.

**Basic Mode**   Because Basic mode uses the multicolor cascade of forms, it offers more opportunity for color configuration on the screen. In addition to changing the form, background, and text (data) colors, you can customize the following items in Basic mode:

- The folders in View/Print mode (View mode only)
- The folders in View/Print mode (Print mode only)
- The folders containing EF Messages
- The folders containing Return Notes

To change the colors shown in the cascade of forms in Basic mode:

**1.** Select **Setup > Color Configuration**. The **View/Print Mode Color Configuration** dialog box displays the default colors for Basic mode.

**2.** Click a color box and select a new color from the **Color** palette. You can also click **Define Custom Colors** to create any desired color.

**3.** Click **OK**. The corresponding color box changes to the color you selected.

**4.** To restore the default color palette, click **Restore Colors**.

NOTE   If the form, background, or text (data) colors are changed in one mode, the changes apply in both Enhanced and Basic modes.

# Setting Form Order

To change the order in which the documents of a return are printed:

**1.** In Enhanced mode, elect **Setup > Form Order** to open the **Sort Form Order** dialog box (figure right).

**2.** Select a set (default is **Normal.**)

**3.** Click and drag the form names to put them in the desired order. The document at the top of the list, if it has been generated with the return, will be printed first.

**4.** Click **Save**.
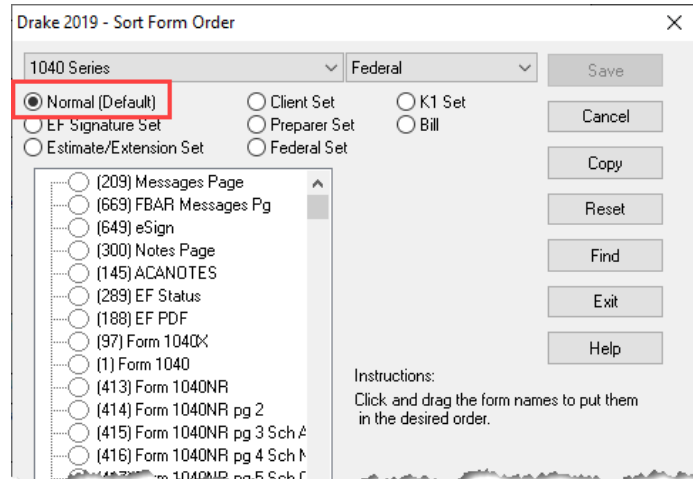
To restore the default settings, click **Reset** in the **Sort Form Order** dialog box.

NOTE    From the two drop lists at the top of the **Sort Form Order** dialog box, you can select to reorder the forms printed with any of Drake Tax's federal or state tax packages, or with the organizers and proformas.

## Setting Up Drag/Drop Ordering

Select **Setup > Allow Drag/Drop Ordering** to activate drag-and-drop ordering while in Enhanced mode. This feature allows you to "drag" a form in the directory tree to another area of the tree and "drop" it into the new location. To drag a form, press and hold the left mouse button on the form to be moved, and then move the form up or down the tree. To drop the form into the new location, release the mouse button.

## Other Setup Options

The following setup options are also available in both Basic and Enhanced modes:

- Pricing setup (See "Pricing Setup" on page 63.)
- Printing setup (See "Printing Setup" on page 82.)
- Printing sets setup (See "Printing Setup" on page 82.)
- Drake Documents setup (See "Using Drake Documents" on page 450.)
- Page layout for letterhead, footers, borders, and electronic signatures of engagement letters (See "Setting Up Letterheads, Logos, Footers, Margins, and Borders" on page 76.)

## Archive Manager

Use the Archive Manager to archive returns and to review, restore, or delete archived returns. This means you can save various versions of a return, such as the amended

return *and* the original return prior to amending. The Archive Manager is accessible from both Basic and Enhanced modes.

## Creating an Archive

To create an archive of an open return:

**1.** From the toolbar in View/Print mode, select **Documents > Archive Client Return** (or select **Documents > Archive Manager** and click the **Archive** icon in the **Archive Manager** toolbar).

**2.** In the **Archive Client Return** dialog box, enter a description of the archived file (figure right), and click **OK**

**3.** After the program has created the archive, click **OK** again. The program adds the archived return to the **Archive Manager** list.
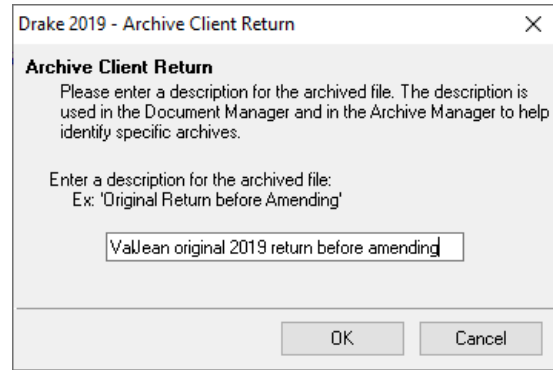
> **N**OTE    The archived return is also saved to the client's file in Drake Tax and to the client's Drake Documents folder. Reach Drake Documents from View/Print mode by clicking **Documents > Drake Documents**.

## Restoring an Archived Return

When you restore an archive, you replace the open version of a return with a saved (archived) version. A built-in prompt suggests that you archive the latest version of a return before restoring an older version (recommended).

To restore an archive:

**1.** From the toolbar in View/Print mode, select **Documents > Archive Manager**.

**2.** Click the row of the archive to restore.

**3.** Click **Restore**. A program prompt suggests that you create a new archive of the current version of the return before restoring the older version.

 • To create a new archive, click **Yes**. The **Archive Client Return** dialog box is opened so you can name and save the new archive.

 • To proceed without creating a new archive, click **No**. A final warning is displayed; click **OK** to proceed.

**4.** When the archive has been created, click **OK**.

## Deleting a Return from the Archive Manager

To delete an archive of a return from the Archive Manager:

**1.** From View/Print mode of the return, select **Documents > Archive Manager**.

2. Click the row of the archive to delete.

3. Click **Delete**. You are prompted to confirm the deletion.

4. Click **Yes** to delete the file from the archive.

Once deleted, the previously archived file cannot be recovered.

# Accepting Payments

Drake Tax allows you to accept credit card payments from your clients. You can also import from an Excel, CSV, or tab delimited worksheet containing payment information directly into Drake.

## Merchant Credit Card Processing

Sign up to accept your customers' credit and debit cards as payment for your services with EPS Financial's credit card processing program. If you are already taking credit cards, find out if EPS Financial's programs can save you money.

NOTE     Although EPS Financial is offering this service, you can take advantage of it regardless of which of Drake Tax's banking partners you choose.

To apply, go to the EOM. (See "Enterprise Office Manager" on page 334 for details on the EOM.) From the EOM menu bar, click **Enrollment > Merchant Credit Card Processing**, choose a program (ePay Simple Fee Program or ePay Monthly Fee Program) complete an application, and click **Save**. (If you've completed a bank application, much of the information is filled out for you.) After the application is submitted, you'll receive an email confirmation and an EPS enrollment account executive will contact you.

For more information, email EPS Financial at *merchantsales@epsfinancial.net* or call (844) 244-1787 to speak with an Account Executive regarding the status of the application.

**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.)

**Data Entry**     To accept payment from a customer's credit card:

1. Calculate the return.

2. From the **Data Entry Menu** toolbar, click the **e-Pay** icon to open the **e-Pay** dialog box (Figure 6-12 on page 327). The calculated preparation fees appear in the **Amount Due** and **Amount to Pay** fields. Adjust the amount to pay as needed.

**Figure 6-12:** Select **Swiped Credit Card** or **Keyed Credit Card** tab on the **E-Pay** dialog box

**3.** Select the **Swiped Credit Card** (for using a card reading device) or **Keyed Credit Card** tab (for entering the card numbers manually):

– Select **Use Taxpayer Information** to autofill the **Billing Information** fields with taxpayer data from screen **1** of the return, or complete the fields manually.

– Complete the **Credit Card Information** fields.

– If using a card reader, select the **Swiped Credit Card** tab then run the card through the reader.

**4.** (optional) For the customer to receive an electronic receipt and payment notifications, type in the customer's email address. (An email address entered on screen **1** automatically flows to this field.)

**5.** Click **Process**.

Once accepted, the credit card payment automatically flows to the client's **BILL** screen in Drake Tax and the payment appears on the client's bill.

## Importing Payments

You can import client payment information from any number of clients from an Excel, CSV, or tab delimited worksheet, or enter payment information to one return at a time, directly into the **BILL** screen of tax returns without having to open the returns. This feature is particularly helpful to offices where front-office personnel work in accounts receivable but not in return preparation.

**Importing Multiple Payments**



To take advantage of this feature, you first need to have a worksheet with payment information. The work-

sheet must include the same column headers in the same order as in the figure above (column headers circled).

Save the worksheet. A good location is the FT folder in Drake19, but you can save it anywhere you can later find it.

Next:

1. From the menu bar of the **Home** window of Drake Tax, go to **Tools > File Maintenance > Import Data** to open the **Import Data** dialog box.
2. Select the **Return Preparation Payment Information (Excel, CSV, Tab Delimited)** option. Click **Next**.
3. Read the instructions. Click **Next**.
4. Click **Browse** and find your worksheet. Click **Open**.
5. Make sure the import starts on the proper row. (In the example in figure on previous page, the starting row is "2" so the headings will not be included.) Click **Next**.
6. Click **Import**.

The payment information is imported into the return of every TIN on the worksheet. (There must be a return in the program for each TIN.) The information goes to the **BILL** screen (available from the **Miscellaneous** tab of the **Data Entry Menu**) and appears on the client's bill.

**Entering Individual Payments**

The program also allows you to enter payment information to one return at a time without opening the return. To do so:

1. From the **Home** window, go to **Tools > File Maintenance > Import Data** to open the **Import Data** dialog box.
2. Select **Return Preparation Payment Information (Manual Entry)**. Click **Next** to open the **Apply Payment** dialog box.
3. In the **Apply Payment** dialog box, type a client's SSN or EIN, select a payment method from the **Description** drop list, change the payment date (if necessary), and enter the payment amount. Click **Save**. Click **Yes**. Click **OK**.

The payment information appears on the client's **BILL** screen and on the client's bill.

NOTE     To have payment methods appear on the **Description** drop list of the **Apply Payment** dialog box, you must first customize some of the **Bill Screen - Payment Description** user-defined data entry fields. See "Customized Drop Lists" on page 61 for details.

# 7    Banking

*THIS CHAPTER CONTAINS INFORMATION YOU WILL NEED WHEN OFFERING YOUR CLIENTS SUCH BANK PRODUCTS AS ADVANCE PAYMENTS, CASHIER'S CHECKS, DIRECT DEPOSITS, DEBIT CARDS, AND THE WALMART DIRECT2CASH (D2C) PROGRAM. IN THE FOLLOWING PAGES FIND BANK CONTACT INFORMATION, EXPLANATIONS FOR WHAT BANK PRODUCTS ARE, HOW TO MANAGE THEM THROUGH THE ENTERPRISE OFFICE MANAGER (EOM), AND HOW TO SET UP YOUR PROGRAM TO OFFER THEM.*

NOTE

Advance products provide your clients a quick, no-cost advance against their tax refund in the form of a check, debit card, or direct deposit. Amounts of the advance and disbursement options vary by financial institution.

See "Advance Products" on page 337.

## Drake Tax's Bank Partners

Drake Tax's bank partners and their contact information are listed in Table 7-1.

**Table 7-1:** Drake Banking Partners

| Bank | Phone | Website |
|------|-------|---------|
| EPS Financial | (888) 782-0850 | epstax.net |
| E1 Visa card | (844) 280-7851 | e1Card.com |
| Refund Advantage | (800) 967-4934 | taxpayerinfo.com |
| FasterMoney Visa card | (855) 638-2226 | myfastermoney.com |
| Refundo | (908) 445-5544 | refundo.com |
| Republic Bank & Trust | (866) 491-1040 | republicrefund.com |
| River City Bank | (888) 820-7848 | rcbtaxdivision.com |
| Tax Products Group | (800) 779-7228 | sbtpg.com |

# Tax Preparer Requirements

IRS Regulation 7216 provides guidance to tax preparers regarding the use and disclosure of their clients' tax information to parties outside of the tax preparer's firm. The Consent to Use of Tax Information must be signed and dated by the taxpayer (and spouse, if the filing status is Married Filing Jointly) before the return is prepared. The Consent to Disclosure of Tax Information must be signed and dated by the taxpayers before the return is e-filed and the information submitted to a third party.

Drake Tax offers several options for making these forms available to your clients, including printing forms in batches and having clients provide their signatures electronically. These methods are described in the following sections.

## Consent to Use of Tax Return Information

The Consent to Use of Tax Return Information explains the IRS Regulation 7216 requirement to the taxpayer. It must be signed *before* the return is prepared.

- **Paper Forms** — There are several ways to generate paper forms:
  - Open a return, and from the **General** tab of **Data Entry Menu**, click to open the **USE** screen. Enter a date, view the return (use both **Date** fields if filing status is Married Filing Jointly), then print the document titled "7216 Use."
  - Log in to the Drake Software Support site (*Support.DrakeSoftware.com* or from the toolbar on the **Home** window of the tax program, click **Support > Drake Software Support Website)**, and from the blue sidebar menu, go to **Resources > 7216 Sample Letters**. Click to open the generic **Consent to Use of Tax Return Information**, in English or Spanish. Print or save to your computer desktop. Be sure to put your firm's name at the top of the page. Clients must sign and date this form manually.
  - From the menu bar of the **Home** window in the tax program, go to **Tools > Blank Forms**, and search for "`7216`." Choose the form for your bank or the generic "Use" form ("7216_Use").

*Code: USE*
- **Electronic Signatures** — There are two ways to obtain electronic consent:
  - Through the e-Signature feature
  - Through the **USE** screen in the software

To use the e-Signature feature:

1. From the **General** tab of **Data Entry Menu**, open the **USE** screen. (Each bank screens also has a link to the **USE** screen.)
2. Enter a date in the **Date** field. (Use both **Date** fields if filing status is Married Filing Jointly) and view the return.
3. Follow the steps for using the e-Signature feature as described in "Client's e-Signature" on page 314.

To use the **USE** screen in the program:

**1.** From the **General** tab of **Data Entry Menu**, open the **USE** screen. (Each bank screens also has a link to the **USE** screen.)

> authorize us to use the information you provided to us during the preparation of your 2019 tax return to determine whether to present you with the opportunity to apply for these products and services.
>
> Electronic signatures
> Name of taxpayer (must be entered by the taxpayer)          Date
> Geoffery Chaucer                                             03-03-2020
> Name of joint taxpayer (must be entered by the taxpayer)     Date
> Myrtle Jean Chaucer                                          03-03-2020

**2.** Have the taxpayer and spouse (if filing status is Married Filing Jointly) type his or her name and the date onto the screen (figure, preceding page).)

Once the required fields on the applicable screen are completed, the Consent to Use of Tax Return Information will be generated with the return with the preparer's name already entered and is considered "signed" electronically.

## Consent to Disclosure of Tax Return Information

The Consent to Disclosure of Tax Return Information contains banking-option information and explains the IRS Regulation 7216 requirement to the taxpayer. It must be signed *before* the return is e-filed.

- **Paper Forms** — Paper copies of the 7216 Consent to Disclosure of Tax Return Information can be accessed by several means:

  - The program generates the disclosure form as part of the return (if a bank screen has been entered). This form can be signed with other signature documents prior to e-file.

  - Log in to the Drake Software Support site (*Support.DrakeSoftware.com* or from the toolbar on the **Home** window of the tax program, click **Support > Drake Software Support Website)**, and from the blue menu bar, go to **Resources > 7216 Sample Letters**. Click to open the generic **Consent to Disclosure of Tax Return Information** or any of the bank consent forms, in English or Spanish. Print or save to your computer's desktop. Be sure to choose the correct form for your firm's selected bank.

  - From the menu bar of the **Home** window in Drake Tax, go to **Tools > Blank Forms**, and search for "Consent." Choose the form for your bank or the generic disclosure form (OF_7216D).

*Code: DISC*

- **Electronic Signatures** — There are two ways to obtain electronic consent:

  - Through the e-Signature feature
  - Through the **DISC** screen in the program

To use the e-Signature feature to obtain electronic consent:

**1.** Complete a bank screen.

**2.** View the return.

**3.** Follow the steps for using the e-Signature feature as described in "Client's e-Signature" on page 314.

To obtain electronic consent through the program:

**1.** From the **General** tab of **Data Entry Menu**, click to open the **DISC** screen.

**2.** Have the taxpayer (and spouse, if filing status is Married Filing Jointly) type his or her name and the date onto the screen.

Once the required fields on the applicable screen are completed, the Consent to Disclosure of Tax Return Information will be generated with the return and is considered "signed" electronically.

NOTES
If using ABCvoice, go to the **ABCV** screen available from the **Miscellaneous** tab of the **Data Entry Menu**) to indicate whether the taxpayer has signed the Consent to Disclosure of Tax Return Information.

## Consent to Disclosure: Franchises/Networks

The Consent to Disclosure of Tax Return Information to franchises or networks (formerly, service bureaus) is required for *all* returns (not just bank-product returns) prepared by firms that are part of a franchise or network. The form is similar to the disclosure form for banks described previously and must be signed *before* the return is e-filed.

- **Paper Forms** — Log in to the Drake Software Support site, and from the blue menu bar, select **Resources > 7216 Sample Letters**. Click **Consent to Disclosure of Tax Return Information** in English or Spanish. Print the documents and enter the names of the preparer, taxpayer, (and spouse, if applicable). The taxpayer (and spouse) must sign and date the form prior to e-file.

- Next, in the program, open the **CONS** screen (accessible from the **Miscellaneous** tab of the **Data Entry Menu**) and select the first box in the **Paper Consent** section (figure right).



*Code: **CONS***

- **Electronic Signatures** — To obtain electronic consent, the taxpayer (and spouse, if the filing status is Married Filing Jointly) must enter their names and the date onto the **CONS** screen. The Consent to Disclosure of Tax Return Information is generated with the return and includes the name of the franchise or network from **Setup > ERO & Account Information**.

IMPORTANT
If your firm uses a franchise or network, the **CONS** screen *must* be used—even if the client refuses to sign the form. If the client declines to give consent, select the second box in the **Paper Consent** section of the **CONS** screen (figure above).

A franchise or network EFIN must be entered in **Setup > ERO & Account Information** in order to produce the correct letter from the **CONS** screen and ensure that consent can be obtained for every return. See "ERO Setup" on page 44.

# Taxpayer Requirements

For a taxpayer to be eligible for one of the banking options offered, the return must be eligible for e-file. The taxpayer must be 18 or older. If filing as Married Filing Jointly, both taxpayers must be 18 or older.

## Application Forms

Both preparer and client must complete *all* parts of the appropriate application form. Form names vary by bank. If a bank application is completed in the Enterprise Office Manager and bank information is imported into Drake Tax at **Setup > Firm(s)**, and a bank product is indicated in the return's bank screen, the appropriate application will be included in the forms produced with the return.

Banks typically have specific minimum and maximum refund requirements. For more information, consult the bank.

NOTE | Do not confuse the applications described above with the bank application that an ERO must complete in order to offer bank products. The application discussed above is generated in View/Print mode with *every* return that includes a bank product and must be completed by the customer *and* ERO; the annual application for offering bank products is completed online by the ERO. For more, see "Preparing to Offer Bank Products" on page 334.

## Franchise/Network Requirements

If your firm collects tax returns for e-file from outside companies or individuals, it might be considered part of franchise or network. Franchises and networks can be required to provide additional information when applying for banking services.

A preparer or firm can be considered a franchise or network if:

- The preparer accepts returns from other businesses that the preparer does not own
- A preparer issues Form 1099 for contract labor at other locations
- A preparer contracts with another to provide e-file and banking options
- A preparer issues W-2s to a non-employee who performs functions as a preparer

Your firm is *not* a franchise or network if it issues W-2s to employees who are under direct control of the firm and collect returns at the other locations.

NOTE | Protection Plus has a pricing option for its audit protection plan so that tax offices that are franchisees or part of a network can charge an additional fee on top of the fees charged by the ERO for tax preparation. See "Audit Protection" on page 150 for details on setting up Protection Plus in Drake Tax.

# Bank Products

Traditional bank products allow taxpayers a way to pay their preparation fees from their refund rather than having to pay their fees up front. They also give taxpayers without bank accounts an alternate way to receive their refunds.

To provide a traditional bank product, the bank sets up a temporary account for direct deposit of the taxpayer's refund. Once the IRS deposits the refund into the temporary account, the bank deducts applicable fees and deposits the preparer's fees into the preparer's account while issuing the remaining funds to the taxpayer via check, direct deposit, debit card, or Walmart D2C.

*Advance* products are different: the bank does not withhold preparer fees from the taxpayer's refund. Preparers who offer the Advance-only products are responsible for collecting tax preparation fees from their customer up front. Preparers who offer the Advance with a refund transfer (RT) will have their fees withheld from the RT as with traditional bank products.

See "Advance Products" on page 337 for more information.

NOTES | Banks provide certain products for state refunds. Check with your bank for a list of eligible states.
A bank product cannot be added once the IRS has acknowledged an e-filed return.

## Preparing to Offer Bank Products

To offer bank products through Drake Tax, you must first submit a bank application, get accepted, then import the bank information into Drake Tax.

IMPORTANT | This bank application must be submitted annually.

### Enterprise Office Manager

The EOM is an online site that allows you to:

- Complete, submit, and manage bank applications
- Apply for Protection Plus audit assistance
- Sign up to accept payment via credit cards
- Sign up for the Software Assistance program
- Manage fee direct deposits
- Manage EFIN data and create a login page for master EFINs and sub-EFINs
- Build reports for add-on fees and Protection Plus information
- Manage your account and add users

**Accessing the EOM**   There are several ways to reach the EOM:

- From *Support.DrakeSoftware.com* > **My Account > Bank Application** (or **Account Management**)

- From the toolbar on the **Home** window of Drake Tax, click **Support > Drake Software Support Website** > **My Account > Bank Application** (or **Account Management**)

- Go directly to the EOM website (*eom.1040.com*).

IMPORTANT
- Turn to "Installation and Download" on page 31 for more information on login procedures.
- Multi-offices must sign in with the Master EFIN and complete the required settings before the sub-offices can log in and access the EOM information.

**Applying for a Bank**

In the procedure that follows, be aware that applications vary by bank selected.

To access and complete a bank application:

1. Access the EOM sign-in window.

2. Enter your EFIN and Drake Tax password and click **Sign In**.

3. (single office site) If this is your first visit to the EOM, select the **Account Info** tab from the blue menu bar of the EOM home page, complete the **Company Information** fields, address fields, and **Ownership Information** and click **Save** before proceeding. It's a good idea to review this information each time you log in to the EOM. (If this is not your first visit and you have worked on or completed your application, the EOM is opened to the **Account Info** tab.)

4. From the blue menu bar of the EOM home page, go to **Enrollment > Bank Application**.

5. Select a bank from the **Active Bank** column. The application for that bank is displayed.

6. Complete the application. (If you're unable to complete the application in a single sitting, or if you want to come back and review the application later before submitting it, click **Save and Finish Later** at the bottom of the window.)

7. Click **Current Active Bank** at the bottom of the window only if you are changing banks and completing a new application.

8. Click **Submit Completed Application**. When you submit the application, Drake Software forwards it to the appropriate bank.

NOTES
All of Drake Tax's bank partners require some form of compliance training before allowing bank products. Contact your bank for details.

Check with your bank for limitations on add-on fees before completing your bank application. Once an amount is set and a bank application has been submitted, the amount should never be changed. The banks closely monitor the amounts charged for application fees

**Checking Application Status**    To check the status of your submitted application, log in to the EOM and select **Enrollment > Bank Application** from the menu. The **Application Status** appears in the box at the top of the page.

CAUTION    Making changes to an application and resubmitting it can change its status.

Application statuses are listed below.

- A = Accepted
- B = Accepted, post-acceptance changes rejected
- C = Accepted, post-acceptance changes pending
- D = Declined (Call the selected bank to resolve any issues.)
- E = Accepted, awaiting bank account information
- G = Approved pending state registration
- I = Incomplete
- J = Accepted, SPA accepted
- K = Accepted, SPA declined
- N = Needs compliance training
- P = Pending
- Q = Accepted Conditionally
- R = Rejected (available for correction and resubmission)
- S = Suspended; contact the bank
- W = Withdrawn

Most status updates are available within hours of submitting the application. Once your application has been approved, contact the bank to order check stock and card stock and complete any additional agreements.

## Importing Bank Data into Drake Tax

When you're notified of acceptance, take the following steps to import the bank information into Drake Tax:

**1.** From the menu bar of the **Home** window of Drake Tax, select **Setup > Firm(s)**.

**2.** Double-click the firm (or select a row and click **Edit Firm**).

**3.** Click **Confirm**. This not only confirms your EFIN has been registered at Drake Software, but also imports your banking information directly from the bank application. Note that the lower half of the window is no longer active. To modify your bank information, you must return to the EOM bank application. (From the **Banking** tab of the **Firm Setup** dialog box, click the **Update Drake Bank Application** link.)

For more on entering firm information in Drake, see "Firm Setup" on page 42.

**Viewing in Data Entry**   Once your bank information has been imported and saved at **Setup Firms**, you can access the bank's data entry screen. In the **Electronic Filing and Banking** section of the **General** tab of the **Data Entry Menu**, click the bank's name (figure right).

| Electronic Filing and Banking | |
|---|---|
| EPS | EPS Product Information |
| IDS | Identification for Taxpayer/Spouse |
| USE | Consent to Use of Tax Return Info |
| DISC | Consent to Disclosure of Tax Return Info |
| DD | Direct Deposit/Form 8888 |
| PMT | Electronic Funds Withdrawal |
| PIN | 8879/8878 e-file Signature |
| EF | EF Selections |
| PDF | PDF Attachments |

# Completing Bank Screens

The bank screens in Drake Tax are similar in layout and content, but they all require the same basic selections and taxpayer information, as described in the following paragraphs.

TIP    After completing a bank screen, view the return and review the bank documents that are generated for the taxpayer, so you will have a thorough understanding of all fees and costs.

## 7216 Signature

Links at the top of a bank screen open either the **USE** (Consent to Use) screen or the **DISC** (Consent to Disclosure) screen. Review "Consent to Use of Tax Return Information" on page 330 and "Consent to Disclosure of Tax Return Information" on page 331 for information on these requirements.

## Product Selection

The **Product Selection** section of the bank screens offers taxpayer options for receiving an Advance payment against his or her refund. The name of the product, the method of receiving the balance of the refund, and the options for the preparer collecting fees up front vary by bank. Review your bank agreement for more information.

**Bank Product Costs**   Fees are charged for each method of traditional bank product disbursement. Notify your client that the following fees can be subtracted from the refund amount:

- Tax return preparation fees
- Add-on fees
- Bank fees
- Transmitter fees
- Franchise/network fees

**Advance Products**   All of Drake Tax's bank partners offer "Advance" products. These Advance products get money into the hands of your clients quickly, they cost your clients nothing, and in some cases, they cost you nothing. Some banks, however, do charge the ERO a fee for every Advance product funded.

Advance products have certain limitations set by the financial institutions, varying from $400 to $1,250. Depending on the bank, the Advance can be in the form of a

check printed in your office, a debit card, a Walmart Direct2Cash disbursement, or a direct deposit. Some banks require an RT (Refund Transfer) with the Advance, and some offer an Advance-only option.

With the Advance-only option, you are responsible for collecting the tax return preparation fees from your customer up front. The bank does not withhold fees from the refund and deposit them into the preparer's account with an Advance product as it does with traditional bank products.

Refer to your bank agreement for details on all fees and procedures.

## Disbursement Methods

Bank products, including the Advance product, are disbursed to the taxpayer through a refund check printed in your office, by direct deposit into taxpayer's bank account, and through prepaid debit cards, including the Walmart Direct2Cash cards. All of Drake Tax's banking partners offer variations of these products.

**Direct Deposit**    Most bank products include a direct deposit option. If a taxpayer has a checking or savings account, funds can be deposited directly into the taxpayer's account, bypassing a trip back to the tax office to pick up a paper check. Note that the **RTN**, **Account Number**, and **Type of Account** must be entered twice for verification

**Cashier's Check**    The most frequently used method of bank-product delivery is a cashier's check printed in the tax preparer's office. For more information, see "Printing Checks for Bank Products" on page 340.

**Debit Card**    Drake Tax's bank partners provide the option of delivering bank products via debit card and the Walmart D2C card. The steps to select a debit card for your clients are similar on most bank screens in Drake Tax. For specific details regarding bank products, refer to your bank agreement. Contact information is available from the Drake Software Support site (*Support.DrakeSoftware.com,* or from the toolbar on the **Home** window of the tax program, click **Support > Drake Software Support Website**. Select **Partner Programs > Bank Partners** and select a bank partner.)

**Walmart Direct2Cash**    The Walmart D2C card is available from all Drake Tax bank partners. Conditions apply. Review the bank documents generated with the return in View/Print mode.

IMPORTANT    An email or cell phone number must be entered on screen **1** for a client to be notified when funds are loaded on a debit card. If no email address or cell phone number can be found, the taxpayer will not be notified automatically when funds are loaded

**ID Info**    Drake Tax's bank partners require a taxpayer ID in order for him or her to qualify for a bank product. From the bank screen, click the **IDS** link and supply the required identification information. The **IDS** screen is also available from the **General** tab of the **Data Entry Menu**.

**Fee Withholding Override**     All bank screens offer an override field the preparer can use to override the calculated fee for preparing bank products. An amount entered in one of these fields appears on the client's bill as "Preparer fees to be withheld from bank product."

**Check and Card Stock**     Obtain all check and debit card stock from your bank. All stock must be verified and secured upon receipt. Read and retain all information included with the checks or cards.

**Address Override**     The address fields on the bank screens (figure below) are override fields; if an address is entered on screen **1**, you do not have to enter it again on the bank screen.



If the taxpayer's address differs from the one entered on screen **1**, or if the screen **1** address is a P.O. box, enter a physical address on the bank screen to help avoid delays in processing the application.

# Bank Product Transmission

Several transmissions occur when you e-file a tax return with bank information using Drake Tax:

- Drake Software transmits the tax return to the IRS and the appropriate bank.
- The IRS sends an acknowledgment ("ack") to Drake Software. If the return has been accepted, Drake Software transmits the bank information to the bank.
- The bank sends an acknowledgment back to Drake Software.

The bank also sends a "Fees to ACH" (Automated Clearing House) acknowledgment when applicable to inform preparers that their fees have been distributed to their direct deposit account.

Your system picks up any new bank acks whenever you initiate a connection with Drake Tax (transmit or receive from **EF > Transmit/Receive**).

# Processing the Check

The following process is necessary for firms that print checks in-house. (If your firm does not print the checks, post the bank-acceptance acks to the EF database so your database will always reflect the most current client status.)

## Testing Check Print

Before printing checks, test your printing procedure to ensure that checks will be printed correctly. One test check for each bank is loaded into Drake Tax; when you test-print a check, the program uses the test check matching the bank that is set up for "Firm 1" in **Setup > Firm(s)**.

To print the test check:

1. Ensure that paper for printing has been loaded into the printer. (Drake Tax recommends using a blank sheet of paper.)

2. From the **Home** window, select **EF > Check Print**. If no checks are ready, a message prompts you to reprint any previous checks. Click **Yes**.

3. At the bottom of the **Reprint Checks** dialog box, click **Test**.

4. Click **Print** in the **Print** dialog box.

NOTE    You can test check printing only for banks actually having checks printed through Drake Tax and not through the bank's website.

## Printing Checks for Bank Products

Before you print checks:

- Be aware that you *cannot print checks* until you have *received* the appropriate IRS and bank acknowledgments.
- Make sure the computer for EF transmissions has the correct date.
- Make sure the check number on the computer matches the check number on the next available physical check.

CAUTION    *Do not transmit returns from more than one computer* unless the program is on a dedicated server. Transmitting and receiving from more than one computer can affect your ability to print checks correctly.

To print a check for a bank product:

1. From the **Home** window, select **EF > Check Print** to open the **Select Checks** window.

2. Select the checks to be printed or use **Select All** or **Unselect All**.

3. Click **Continue** to open the **Setup Check Range** dialog box. Select your bank from the **Bank name** drop list, then enter the starting and ending check numbers. Mark the box if your printer prints the checks in reverse order. Click **OK** to open the **Check Print Options** dialog box.

4. The **Check Print Options** dialog box displays the client's name, ID number, check amount, and check number.

Choose from the available options, listed in Table 7-2:

**Table 7-2:** Check Printing Options

| Option | Description |
| --- | --- |
| **Print this check on #___** | Prints the check on the displayed check number. |
| **Delete this Client's check** | Deletes the check from the system. The check will not be displayed for printing again. |
| **Skip this Client's check for now** | Excludes the check from the current print job. |

**Table 7-2:** Check Printing Options

| Option | Description |
|---|---|
| **Print ALL selected checks starting on #___** | Prints all previously selected checks starting at the displayed check number. |

IMPORTANT     Only the first time you print checks will you be asked to set up a check range. You can also click **Setup Checks** from the **Check Print Options** dialog box to change the check number if necessary.

**5.** Click **Continue**. In the **Print Selection** dialog box, make sure the correct printer is selected. Click **Print**.

Immediately after the checks are printed, your system should initiate the process to transmit the check register to Drake Tax.

IMPORTANT     The check register *must be transmitted to* Drake Tax before the taxpayer can cash or deposit the check. Drake Tax recommends running **EF > Transmit/Receive** after printing large batches of checks.

## Reprinting Checks

To reprint a check:

**1.** From the **Home** window, select **EF > Check Print**.
   - If no new checks are ready for printing, you are prompted to reprint checks. Click **Yes** to open the **Reprint Checks** dialog box.
   - If new checks are ready, the **Select Checks** dialog box is displayed. Click **Exit**, and then click **Yes** to open the **Reprint Checks** dialog box.
**2.** Type an SSN and press ENTER. The **Reprint Checks** dialog box displays any previous taxpayer and check information.
**3.** Click **Print**. You are asked if you have the prior check in your possession. Click **Yes** and the program automatically voids the prior check number.
**4.** In the **Check Print Options** dialog box, select your options and click **Continue**.
**5.** Select your printer in the **Print Selections** dialog box and click **Print**.

NOTE     You must write "VOID" on the face of the check that is no longer valid. Follow your bank's guidelines for disposition of voided checks.

## Check Register

To access a detailed register of checks printed by your office:

**1.** From the **Home** window, select **EF > Check Register**.

2. In the **Check Register** dialog box, select the **Starting Date**, **Ending Date**, and **EFIN/Firm Name**.

3. Click **Continue**. The Report Viewer displays the check number, date, amount, EFIN, sequence number, client ID, and client name for all checks within the parameters.

4. (optional) Print or export the register as needed.

5. Click **Exit** to close the Report Viewer.

## Resetting Check Numbers

Occasionally, you might have to reset the check range. Follow the process outlined in "Printing Checks for Bank Products" on page 340. When you get to the **Check Print Options** dialog box, click **Setup Checks** to access the feature for resetting check range.

## Lost or Stolen Checks

If you do not physically possess a check that must be reissued (for example, if a check is lost, missing, or stolen), follow your bank's procedures for a lost or stolen check. *Do not reprint the check.*

# Troubleshooting Check Printing

Listed below are some common issues that preparers encounter when printing checks. Please read the following information before contacting Drake Software Support.

## Checks Aren't Being Printed

There are many reasons that a check might not be printed. Before contacting Drake Software Support, review the following questions to ensure that the necessary conditions for printing checks have been met:

- Is the correct printer selected? (Go to **Setup > Printing > Printer Setup**, and look in the **Checks** drop lists of the **(F5) General Setup** tab. Select another printer from the drop list if necessary.)
- Are you using the same computer from which the return was transmitted?
- Have you received the bank acceptance acknowledgment for this taxpayer?
- Has the correct SSN been entered (if reprinting)?

## Text Won't Line Up

If the text is not lining up correctly on the check, you may have to modify the adjustment settings for the printer. To adjust these settings:

1. From the **Home** window, go to **Setup > Printing > Printer Setup**.

2. Select the **(F8) Edit Printer Settings** tab.

3. Select the printer being used to print the checks. Once a printer is selected, all other fields are activated.

**4.** Enter a number in the **Check Adjustment - Vertical** field. Each whole number represents a fourth of a line. Enter a positive number ("1") to move the check *down* a fourth of a line (text will show up higher on the check). Enter a negative number ("-1") to move the check *up* a fourth of a line (text will show up lower on the check). Remember to click **Update** and then **Save** before closing the **Edit Printer Settings** window.

If the text is showing up too far to the left or right, you may have to adjust the printer itself. Consult the user manual for your printer.

## Program Won't Allow Reprinting

If trying to reprint a check that was printed before the current date, you will get a **Reprint Not Allowed** message. If this happens, click **OK**, and then press F5. You will be asked if you have the prior check in hand. *A prior check must be physically in your possession in order for you to reprint a check.* If you have the check, select **Yes**.

If the check has already cleared, there will be a date in the **Clear Date** field. You cannot reprint this check. Contact your bank for additional assistance.

## Misfeeds and Paper Jams

If a check is damaged and rendered unusable during printing, write "VOID" on the face of the check and reprint using a new check. (See "Reprinting Checks" on page 341.) If you accidentally print a check on something other than the check stock (such as a blank sheet of paper), print the check again, then guarantee that the original check cannot be cashed.

If the check is still usable, you can reload and reprint it. In the **Check Print Options** dialog box, the check number displayed should match the number on the next check to be printed. If it doesn't, see "Resetting Check Numbers" on page 342.

# Tracking Prior-Year Information

The **ADMN** screen in data entry displays prior-year bank product information, including check number, amount, and date picked up. Data must be entered manually the first year these fields are used.

## Postseason Procedures

Required postseason procedures vary from bank to bank. Refer to your bank's operating procedures to determine the proper method of storing or returning taxpayer bank applications and the proper handling of excess check stock.

If your office is closing for any extended period between April and October, notify Drake Software and your bank so the bank can print any late checks, if the service is available.

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# 8    e-File

*THIS CHAPTER PROVIDES AN OVERVIEW OF THE*
*E-FILE PROCESS AND OUTLINES PROCEDURES FOR:*

- *SETTING UP AN E-FILE ACCOUNT*
- *TESTING YOUR E-FILE SYSTEM*
- *E-FILING FEDERAL AND STATE TAX RETURNS*
- *READING ACKNOWLEDGMENT CODES*
- *USING THE EF DATABASE AND ONLINE EF DATABASE*

## Prepare For Filing Season

Drake Tax incorporates IRS regulations where feasible to ensure that returns are e-filed correctly; however, as a tax preparer, you should be well-versed in the IRS rules and processes. Before tax season begins, all tax preparers should:

- Read relevant IRS publications — IRS Pubs 1345 and 1346 have information on the processes, laws, regulations, and specifications for e-filing tax returns.
- Register for a PTIN — Regulations require that all tax return preparers must register for a PTIN. To apply for a PTIN, go to *irs.gov/tax-professionals*, and on the right side of the window, click **Renew or Register** in the **PTIN System** box.

NOTE    You are still required to obtain a PTIN but the IRS does not charge a fee to tax return preparers who apply for or renew a PTIN.

- Obtain Circular 230 — All tax preparers must comply with the standards of conduct set by Treasury Department Circular 230.
- Know the applicable banking requirements — In addition to consulting your bank's handbooks and brochures, see Chapter 7, "Banking."

NOTE    A detailed flow chart showing the e-file process as it occurs for most tax preparers is included in Appendix B.

## Preparing to e-File

In order to e-file tax returns, your firm or office must be an Electronic Return Originator (ERO), have an Electronic Filing Identification Number (EFIN), and be an autho-

rized IRS e-Services provider. ERO and EFIN information must be entered in ERO Setup before a return can be transmitted.

All tax professionals who e-file tax returns *must* register their EFIN through their e-file software/transmitter. This requirement is part of an industry-wide initiative to protect tax professionals from EFIN theft and taxpayer data theft, both of which have become serious concerns.

To comply with the EFIN Registration requirement, you must send a copy of your IRS e-Services Application Summary to Drake Software for *every* EFIN you will use to e-file through Drake Tax. This applies to *each firm and EFIN* you enter into **Setup > Firm(s)** in Drake Tax. You will *not* be able to transmit returns to the IRS for any EFIN that has not been registered.

See "Confirming your EFIN" on page 347 for details.

## Applying for ERO Status

The IRS accepts ERO applications throughout the year. All new EROs must apply to the IRS to become an e-Services provider in order to receive an EFIN. If you are a new ERO and are not a CPA, EA, attorney, banking official, or officer of a publicly held company, you must also submit a fingerprint card.

An established ERO must make changes to its e-file application only if the information in its original application has changed. Changes are made online.

IMPORTANT | If you plan to e-file business returns this year after filing only 1040 returns in the past, you must update your e-file application online or your e-filed returns will be rejected by the IRS.

To register as an e-Services provider online through the IRS website:

1.  Log in to *www.irs.gov/tax-professionals*
2.  Click **Access e-Services**.
3.  Follow the directions on your screen.

NOTES | Be aware that it takes time to complete the application. You may save your work and complete it at another time.
Processing your application can take up to 45 days.

To request federal e-file program fingerprint cards, contact Drake Software's Education Department at *education@DrakeSoftware.com*, call Drake Software at (828) 524-8020, or contact the IRS e-Help Desk at (866) 255-0654.

Once your application is processed, the IRS assigns you an EFIN. If your firm has applied for an EFIN but does not have one yet, Drake Software will assign you a temporary EFIN. Your temporary EFIN cannot be used to e-file returns, but it does allow you to transmit Drake Software test returns.

If you submit via email or fax, be sure to include:

- The Drake Software account number to which you want the EFIN registered
- A statement identifying the EFIN to be replaced (if you are replacing a previously registered EFIN)
- A statement that the EFIN you are submitting is to be a sub-EFIN (If you are adding a sub-EFIN)

When you receive your EFIN or make changes to the ERO status, forward a copy of the response letter from the IRS to *accounting@DrakeSoftware*.com so we can update your Drake Software customer account.

**Confirming your EFIN**

You must confirm that your EFIN has be validated by Drake Software.

Open Drake Tax, and from the **Home** window menu bar, select **Setup > Firm(s)**, then select and open (double-click or select **Edit Firm** from the toolbar) a firm.

In the **E-File Confirmation** section of the **Firm Setup** window (figure at right), enter your EFIN in the **EFIN** field and click **Confirm**. If you have properly verified your EFIN with Drake Software, you will receive a green check mark, and the words **You are approved to e-file** appear on the line.



For help with EFIN validation, contact the Drake Software Compliance Department at (866) 273-9032.

## Testing Transmission

Once you have an EFIN, Drake Tax strongly recommends that you run an initial transmission test to become familiar with the e-file process and ensure that your system is working properly. Open a test return and calculate it before testing transmission.

NOTES

See "Test Returns and Practice Returns" on page 116 for more on using test returns.

Your account number must be entered in ERO Setup in order to transmit returns. See "ERO Setup" on page 44.

To test system transmission:

*Shortcut: CTRL+S*

**1.** From the **Home** window menu bar of Drake Tax, select **EF > Select Returns for EF**.

**2.** From the **EF Return Selector**, select the test returns to transmit.

CAUTION    Select only the returns in the 500-00 series provided in the pro-
gram. All other returns are processed as actual ("live") tax
returns and can result in a charge of filing fraudulent returns.

**3.** Click **Continue**. The Report Viewer displays the selected returns.

**4.** Click **Exit** to close the Report Viewer.

*Shortcut: CTRL+T*     **5.** From the **Home** window, select **EF > Transmit/Receive**.

**6.** Click **Send/Receive** in the **Transmit/Receive** dialog box that is opened.

NOTE    A green progress bar appears, assuring you that the transmission is
proceeding normally during the transmittal of large files.

**7.** When the process is complete, return to the **Home** window and select
**EF > Process Acks** to view acknowledgments.

An IRS acknowledgment of "T" indicates a successful test transmission.

NOTE    Transmission unsuccessful? Go to **Setup > ERO & Account Informa-
tion** and add or correct your ERO information as needed and re-trans-
mit. If transmission is still unsuccessful, make sure your Internet
connection is working properly.

TIP    You can save time—and mouse clicks—by combining the previous
seven steps into one. From the **Home** window menu bar in Drake Tax,
go to **Setup > Options**, **EF** tab. In the **Session Options** section, select
**Combine EF Steps (Select, Transmit, Post Acks)**. You can still view
the reports by going to **Reports > Reports Viewer** from the **Home** win-
dow.

# e-Filing a Return

The e-file process can be said to consist of up to five main steps, starting with return
calculation and ending with the processing of bank products.

## Step 1: Calculate the Return

Calculate the return to determine if it is ready to be e-filed. (See "Calculating a
Return" on page 299 for instructions on calculating returns in Drake Tax.)
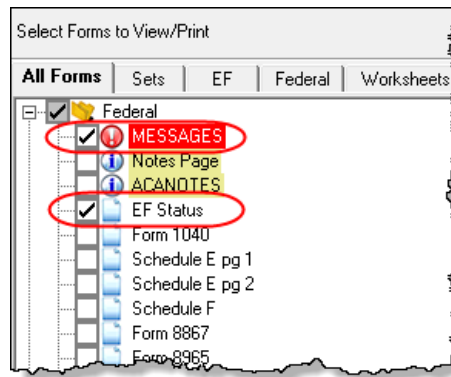
The program generates an "EF Status" document and, if necessary, EF Messages, shown in the figure at left) directory tree and described in the following list:

- **MESSAGES** — EF Messages are generated only if issues within the return cause it to be ineligible for e-file. Messages include error codes, descriptions of the issues, and identification of fields that must be verified.
- **EFSTATUS** — The "EF Status" page shows which federal and state returns will

be transmitted and which returns have been suppressed and will not be transmitted. It also states whether any federal EF Messages were generated.

NOTE    Error codes above 5000 are Drake Tax error codes. All other codes are federal or state error codes.

TIP    Be sure to take advantage of the LinkBacks and DoubleCheck features when viewing your returns. See "DoubleCheck and LinkBacks" on page 309 for details.

**Eliminating EF Messages**    All EF Messages must be eliminated ("cleared") before a return can be e-filed. To clear an EF Message:

1. Open the return and click **View** to calculate it and go to View/Print mode.
2. Select either the **All Forms** or **EF** tab at the top of the forms tree, then click **MESSAGES** to view.
   - EF Messages are displayed in red and are listed by error code.
   - Any unverified fields are identified at the end of the EF Message.

NOTE    It's easiest to view all EF Messages from View/Print mode, but individual issues can be viewed, and in some cases accessed, from the **Calculation Results** window. See "Calculation Results" on page 180.

3. Return to data entry and correct the issues that are preventing e-file.
4. Re-calculate the return.

Repeat the above steps until all federal and state EF Messages are cleared.

## Step 2: Prepare the Transmission File

TIP    To bypass this step, select the return directly from the **Calculation Results** screen. (See Figure 8-2 on page 350.)

To prepare the transmission file:

*Shortcut: CTRL+S*   **1.** From the Drake Tax **Home** window menu bar, select **EF > Select Returns for EF**. The **EF Return Selector** displays a list of recently calculated returns. Those eligible for e-file are indicated by a check box (Figure 8-1).
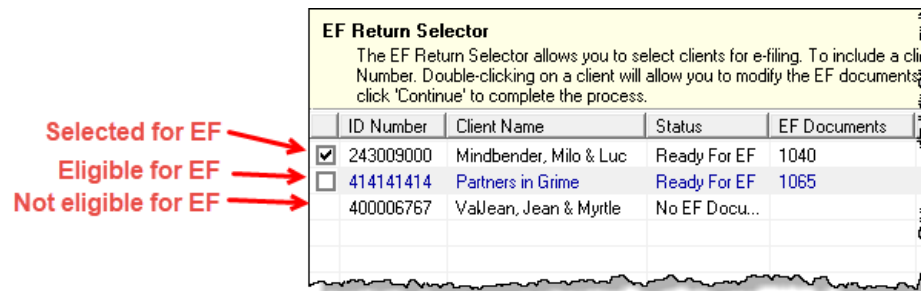


**Figure 8-1:** Eligible returns are indicated by boxes

**2.** Select the boxes of the returns to transmit. Use the **Select All** or **Unselect All** buttons as needed.

TIP        Click column headers to sort returns by column.

**3.** (optional) Double-click a return to open an **EF Transmission Detail** box for the return. This box displays the client name, ID number, EF status, and federal and state forms to be filed and allows you to finalize the specific returns (1040, 4868, 1120, etc.) to be transmitted. Click **Save** to retain any changes you make.

**4.** Click **Continue**. The Report Viewer shows the **EF Selection Report**, which lists all returns that are awaiting transmission. See "Report Viewer" on page 293 for details on Report Viewer features.

**5.** Click **Exit** to close the Report Viewer.

The selected returns are now in the "send" queue and are ready for transmission.

**EF Select Button**      The **EF Select** button is available in all packages and is located at the bottom of the **Calculation Results** window. By default, the button is activated if the calculated return is eligible for e-file (Figure 8-2).
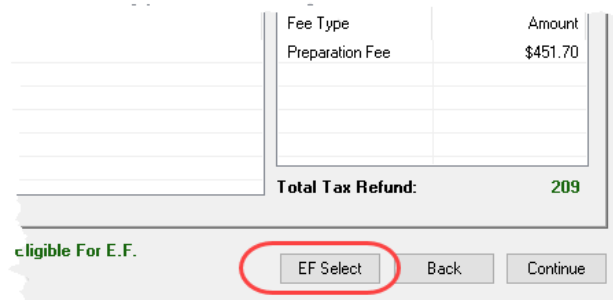


**Figure 8-2: EF Select** button at bottom of **Calculation Results** window

By clicking **EF Select**, you can send federal and state returns directly to the e-file "send" queue.

NOTE     The option to pause at the **Calculations Results** window must be selected at **Setup > Options > Calculation & View Print** tab. You also must go to **Setup > Options**, **EF** tab and select **Allow selection for EF from the 'Calculation Results' screen**.

## Changed Returns Removed from Queue

If a return is selected for e-file and has entered the "queue" of the EF Return Selector (From the **Home** window menu bar, go to **EF > Select Returns for EF**, mark a return, and click **Continue**. That return is now "in the queue."), and then you return to data entry for that return and make a change, that return will automatically be removed from the queue.

- You will receive an EF Message alerting you that the return is no longer in the EF queue.
- The return will be recalculated automatically upon exiting data entry, (even if **Autocalculate tax return when exiting data entry** is *not* selected at **Setup > Options > Calculation & View/Print** tab), moving the return back into the **EF Return Selector**—assuming your changes did not trigger an EF Message.
- You must reopen the **EF Return Selector** (go to **EF > Select Returns for EF**), mark the check box again, and click **Continue** to put the return back into the queue.

**Trouble-shooting**     If a return is not in the **EF Return Selector**, consider these troubleshooting actions:

- Recalculate the return.
- Make sure that both federal and state EF Messages have been cleared.
- From the **Home** window menu bar, go to **Setup > Options** and select the **EF** tab to see if **Require 'Ready for EF' Indicator on EF screen** is selected. If it is, go to the **EF** screen in the return. In the **Ready for EF** box at the top, select **X – Ready for EF**.
- Check to see if the return contains forms that are not e-filable.

## Step 3: Transmit Return

CAUTION     Never transmit from more than one computer unless the program is installed on a dedicated server.

To transmit a return:

1. Ensure that the Internet connection is working properly and that the returns are selected for e-file. (See "Step 2: Prepare the Transmission File" on page 349.)
2. From the **Home** window menu bar, select **EF > Transmit/Receive** to open the **Transmit/Receive** dialog box, which displays the types of returns to be e-filed.

**3.** (optional) To review and, if necessary, eliminate files from the "send" queue, select a file from the **File for EF** pane and click **Review**. The **Transmit File Editor** lists individual returns. To remove a return from the queue, select it and click **Remove.**

**4.** Click **Send/Receive**. The Report Viewer displays the **EF Transmission Record**.

**5.** Click **Exit**.

NOTE     The **EF Transmission Record** lists returns that are *planned* for transmission. Because transmittal can be interrupted or a return rejected, this list is *not* a suitable record of *transmitted* files.

The program immediately logs in to Drake Software's servers and performs the following tasks:

• Checks for new acknowledgments

• Transmits files to Drake Software

• Retrieves pending acknowledgments of the transmitted files (if available)

• Logs out of Drake Software

Transmission notes appear in the **Communications** box of the **Transmit/Receive** window as transmission progresses. When transmission is complete, all returns transmitted through Drake Software are forwarded to the correct IRS processing center.

**6.** Click **Exit** to close the **Transmit/Receive** box.

**Receiving "Acks Only"**     To check for acknowledgments without transmitting any files to Drake Software, go to **EF > Transmit/Receive** and click **Acks Only**. The program checks for federal and state acknowledgments, bank-product acknowledgments, and check authorizations. See "Step 4: Process Acknowledgments," following, for more on acknowledgments.

## Step 4: Process Acknowledgments

When Drake Software receives a transmission, it immediately returns a one-letter acknowledgment, or "ack." When the IRS Submission Processing Center receives the return, it sends an ack to Drake Software, which you can "pick up" by logging in to Drake Software servers through the tax program (**EF > Transmit/Receive**).

**Ack Processing**     To process acks, from the **Home** window menu bar, select **EF > Process Acks**. The **Process Acknowledgments** box displays progress. This data is copied to the EF database for later access. (See "EF Database" on page 358.) If no new acknowledgments are found, Drake Tax asks if you want to review old ones. After you read the acknowledgment file, an **Acknowledgment Report** shows the acknowledgment code and batch ID.

**Ack Codes**    Drake Tax codes are shown in Table 8-1. Re-send any return that receives a "B" ack.

**Table 8-1:** Drake Tax Acknowledgment Codes

| Code | Description |
|------|-------------|
| P | Tax return transmitted successfully to Drake Software. Return is being processed. |
| T | TEST return transmitted successfully to Drake Software. |
| B | Bad transmission |

NOTES

- A new EF Message will be produced when e-filed returns are pending—when a "P" ack has been received from Drake Software and is on **ESUM** screen in Drake Tax. This EF Message is produced to keep preparers from unnecessarily re-transmitting returns that have not yet been accepted (received an "A" ack) or been rejected (with an "R" ack). This "P" ack and the accompanying EF Message are available in all packages, federal and state.
- Resubmitting a "Pending" return is not necessary, will not replace the return that was previously sent to Drake Software, and will not expedite the receipt of an IRS acknowledgment file.
- A "B" ack received for a return sent in a batch with other returns means that only *that* return received the "B" ack; the other returns in the transmission will still be processed if they each generated a "P" ack.

IRS acknowledgment codes are shown in Table 8-2. IRS acknowledgments are usually processed within 24 hours.

**Table 8-2:** IRS Acknowledgment Codes

| Code | Description |
|------|-------------|
| A | Tax return has been accepted by the IRS. |
| R | Tax return has been rejected by the IRS. |
| E | Imperfect return; see "Imperfect Returns" on page 355. |

Bank acknowledgments, listed in Table 8-3, are usually processed within hours of IRS acknowledgments, depending on volume.

**Table 8-3:** Bank Acknowledgment Codes

| Code | Description |
|------|-------------|
| Bank Product Accepted | Bank product application has been approved. |
| Bank Product Declined | Bank product application has been declined. |
| Check Print | Checks are available for printing. |
| Prep Fees Deposited | Preparer fees have been deposited. |

State acknowledgment codes are not listed here, as codes and processing times vary.

**Trouble-shooting Acks**

Described below are some troubleshooting steps for commonly received acks.

- **B** — A "B" ack can occur for several reasons. The reason (for instance, if program updates are missing) is included with the acknowledgment. If you receive a "B" ack, correct the described problem, recalculate the return, and re-transmit.

- **R** — An "R" ack indicates that the return has been rejected by the IRS. A reject code showing the reason for the rejection is provided. Look up reject codes in the EF database (see "Reject Code Lookup" on page 359), address the issue, and re-transmit. Be sure to download and install the latest Drake Tax updates (see "Update Manager" on page 261).

**Staggering DCNs**

Each computer assigns a Declaration Control Number (DCN) to every calculated return. Although the IRS no longer uses DCNs, Drake Tax still tracks returns by these numbers, and duplicating DCNs can lead to problems for "peer-to-peer" setups and offices where multiple non-networked computers are running Drake Tax.

Returns in Drake Tax are assigned a DCN in sequential order, starting with 01001 (for instance, 01001, 01002, 01003, etc.). If an office is not networked and uses multiple workstations for data entry, each workstation must adjust ("stagger") its DCN counter.

IMPORTANT        Stagger the starting DCNs *before* creating 2019 returns.

To stagger the DCNs, complete the following steps on *each* workstation:

1. From the menu bar of the **Home** window in Drake Tax, go to **Setup > Firm(s)**.
2. Double-click the firm, or select it and click **Edit Firm**. The bottom half of **Firm Setup** becomes active.
3. Click the **Settings** tab.
4. Change the **DCN serial number** (figure at right). Drake Tax suggests choosing starting DCNs that are at least 2,000 numbers apart.
5. Click **Save** to save changes, or click **Cancel** to exit without saving changes.



Depending on the amount chosen to stagger the numbers, each workstation now produces DCNs based on a different starting number. For example, if you chose to stagger by 2,000 with the first computer starting at 01000, the sec-

ond computer would start at 03000, the third at 05000, and so on. In this case, each computer can process 2,000 returns before duplicating a DCN.

CAUTION   Be careful if changing DCNs after tax season begins and returns have already been transmitted. If DCN staggering is done improperly, your ability to receive acks and your EF database could be adversely affected.

**Imperfect Returns**   Two common error codes (listed below) for IRS rejection of 1040 returns relate to "name" and "SSN" mismatches on either Form 1040 or Schedule EIC:

- **Error Code 0501** — A dependent's SSN or name on Schedule EIC does not match the SSN or name in the IRS master file.
- **Error Code 0504** — A dependent's SSN or name on Form 1040 does not match the SSN or name on the IRS master file.

The IRS will accept such returns with these error codes (as "imperfect" returns), but you must set up the program for e-filing them.

To set up your program:

**1.** From menu bar of the **Home** window, go to **Setup > Options**, **EF** tab.
**2.** Select **Activate imperfect return election in data entry**.

To e-file an imperfect return:

**1.** Open the return and go to the **EF** screen in data entry.
**2.** Under **Additional Options**, select **Imperfect return election**.
**3.** Calculate the return.

When you view the return, Drake Tax generates a Return Note indicating the return is imperfect. When you e-file the return, the IRS will accept it (provided there are no other, unrelated issues), but with an "E" ack. Processing of an imperfect return can take up to six weeks.

NOTES   Because IRS acceptance is not guaranteed for an imperfect return, no bank products can be e-filed with the return.
Any refund amount could be adjusted as the return goes through exception processing if an exemption claimed is deemed invalid.

# EF Override Options in Data Entry

By default, the program designates all eligible federal and state forms for e-file. Use the **EF** screen to override program defaults on a per-return basis.

## Marking "Ready for EF"

At the top of the **EF** screen is a **Ready for EF** drop list. If the **Require 'Ready for EF' indicator on EF screen** option is selected in **Setup > Options, EF** tab, you must select **Ready for EF** on the **EF** screen before the return is put into the "send" queue

for e-file—even if it is otherwise ready to go. Because you must manually indicate that each return is ready to be e-filed, selecting this option can help prevent accidental e-file.

## Suppressing e-File

To suppress a return that is otherwise eligible for e-file:

**1.** Open the return and go to the **EF** screen, accessible from the **General** tab.
**2.** Select one of the following check boxes, as appropriate:
   • **Do NOT send Federal** (suppresses e-file of federal return; see figure on next page)
   • **Do NOT send any states** (suppresses e-file of all state returns)
   • **Suppress federal/state EF and all bank products** (suppresses e-file of both the federal and state returns, plus any bank products)

The selected returns are not e-filed until the check boxes are cleared.

## e-Filing Special Returns and Forms

The **EF** screen includes the options to e-file the following forms *only* (without transmitting any other forms):

   • Extensions (Forms 4868 and 2350)
   • Form 9465, Installment Agreement Request
   • Form 56, Notice Concerning Fiduciary Relationship

To e-file one of these types of forms:

**1.** Open the return and go to the **EF** screen, accessible from the **General** tab.
**2.** Under **Federal E-File Override** (figure below), select the forms to e-file.



FEDERAL E-FILE OVERRIDE:
Select one of the options below:
☐ 1040 (includes 9465 if present)
☐ 4868
☐ 2350
☐ 9465 only
☐ FinCEN 114 only
☑ 56
☐ Do NOT send Federal
Tip:   To send a federal form and NO state forms, select the 'Do NOT send any states' box in the State E-File Override section to the right.

Be aware that if the **9465** *screen* is completed, Form 9465 will be transmitted *with* the 1040, but if the **9465 only** *box* is marked on the **EF** screen, *only* Form 9465 will be transmitted; the 1040 will *not* be transmitted. Similarly, by selecting the check boxes for **4868**, **2350**, or **56**, you are indicating that the program should transmit *only* the form you've selected; no other forms will be transmitted.

IMPORTANT

Leaving the **1040** box blank does *not* prevent the 1040 from being transmitted if it is otherwise ready to be e-filed. It *will not* be transmitted, however, if you've marked one of the other check boxes in the **Federal EF Override** section of the **EF** screen.

If you're filing an extension, the applicable box (**4868** or **2350**) *must* be selected on the **EF** screen in order for the program to transmit it.

TIP

To expedite submission and acceptance of Form 9465, Installment Agreement Request, go to screen **9465** and click the **IRS OPA Application** link to go to the IRS Online Payment Agreement Application website. In most cases, eligible taxpayers receive immediate notification of approval status. Restrictions apply. See details at the website.

## Suppressing State Returns

By default, all eligible returns are transmitted—unless you indicate otherwise on the **EF** screen. To suppress one state or city return while e-filing others, select the states or cities *you want to e-file* from the **Select the states/cities to e-file** drop lists. The selected states will be e-filed, but no other state returns will be transmitted, even if those other returns are eligible.

NOTE

If nothing is selected from the **Select the states/cities to e-file** drop lists, or no check mark is placed in the **Do NOT send any states** check box, the program sends all eligible state returns.

## e-Signature Not Required

If you have marked the **Require E-Signatures on all electronically signable forms** option at **Setup > Options > EF** tab, and this return is not required to have electronic signatures, mark the **E-signature NOT required on this return** check box on the **EF** screen, located under **Additional Options**.

## Emailing Form 9325

Form 9325, Acknowledgment and General Information for Taxpayers Who File Returns Electronically, can be automatically emailed to the taxpayer. (To set up this option, from menu bar of the **Home** window, go to **Setup > Options > EF** tab and mark the **Email 9325 notice to Taxpayer**... check box). Whichever option you choose can be overridden on the **EF** screen with the **Email 9325 Notice to taxpayer** drop list, located under **Additional Options**.

## Overriding Bank-Product Alert

Under the **EF** tab of **Setup > Options** is an option to alert the preparer via an EF Message if no bank screen (for a bank product) has been included for a return. There are two ways to eliminate this EF Message: complete a bank screen for the return, or, if

the taxpayer is ineligible for a bank product, go to the **EF** screen and mark the **Return not eligible for a bank product** check box, located under **Additional Options**.

## Paper-Filing Forms and Supporting Documentation (Form 8453)

A return can be e-filed even if it contains certain forms that must be paper-filed. The IRS requires that Form 8453, U.S. Individual Income Tax Transmittal for an IRS e-file Return, be e-filed in lieu of these required paper documents, and that these required documents be mailed. Form 8453 must indicate which forms are being mailed separately.

To produce Form 8453 for the paper documents to be mailed:

1. Open the return and go to the **EF** screen, accessible from the **General** tab of the **Data Entry Menu**.

2. Select the appropriate forms in the **Form 8453 Paper Document Indicators** box (figure at right)

When the return is generated, Form 8453 is also generated, showing which forms are to be mailed.

| Form 8453 Paper Document Indicators | |
| --- | --- |
| ☐ Form 1098-C | ☐ Form 8332 |
| ☐ Form 3115 | ☐ Form 8858 |
| ☐ Form 3468 | ☐ Form 8885 |
| ☐ Form 5713 | ☐ Form 8949 |
| ☐ Form 8283 | |

NOTES

To mark the Power of Attorney as a PDI on Form 8453, go to the **MISC** screen and complete the **Power of Attorney** fields. (Mark the **Return signed by Power of Attorney** check box and enter the name of the person functioning under the power of attorney.)

For more information on Form 8453, open **Screen Help** for the **EF** screen (press CTRL+ALT+?).

## EF Database

The EF database is a searchable database that displays information about all returns your office has e-filed for the current tax year.

To search the EF database:

1. From the **Home** window menu bar, click **EF > Search EF Database**.

2. Enter an SSN, EIN, or name in the **SSN/EIN/Name To Search For** field of the **Search EF Database** window (Figure 8-3). To browse all records, leave this field blank.

**Figure 8-3: Search EF Database** window

**3.** Click **Go**. To scroll through the records for that taxpayer, use the arrows at the bottom of the screen or press PAGE UP or PAGE DOWN on your keyboard.

To close the EF database, click **Exit**.

# EF Database Content

The EF database stores data about the return and the associated bank products, fees, and reject codes. Different types of data are stored under tabs. (See Figure 8-3 on page 358.)

**General Information**

The **F1-General Information** tab displays basic taxpayer information along with:

- **IRS acknowledgments** — Federal code and date, transmission date, filing status, and refund amount or balance due are displayed in the left column. This data is from the federal "accepted" record; otherwise, the most recent transmission record for the client file is displayed.

- **State acknowledgments** — The **State** column displays the state code and date, filing status, and refund amount or balance due. This data is from the federal "accepted" record; otherwise, the most recent transmission record for the client file is displayed.

- **Reject Codes** — On the right side of the window are fields for the reject code, form ID, form number, and sequence number. Double-click a reject code to jump to the **F4 Reject Code Lookup** tab. (See "Reject Code Lookup," following.)

**Bank/Direct Deposit Info**

The **F2 - Bank/Direct Deposit** tab contains detailed data about any bank products.

- Bank product information is located on the left side of the window.

- Direct-deposit information is located on the right side of the window. This information includes amounts paid to the bank, amounts paid to the preparer, and the dates of the payments.

- Account information can be found at the bottom of the window. Account type and number are displayed for each type of direct deposit.

**Fees/Misc Info**
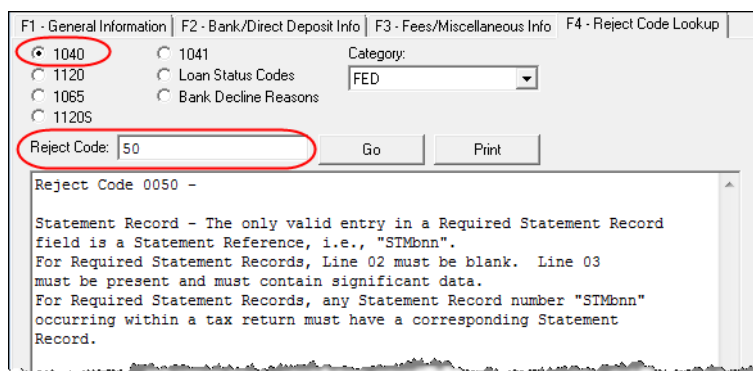
The **F3 - Fees/Miscellaneous Info** tab contains general return information about the taxpayer, the firm, and fees distribution.

**Reject Code Lookup**

The **F4 - Reject Code Lookup** tab is a search tool for accessing and understanding IRS reject codes. To look up an IRS reject code for a federal return:

**1.** Select a federal return type (1040, 1120/1120S, 1065, or 1041; see figure below).

**2.** Enter the reject code in the **Reject Code** field.

**3.** Click **Go**. The IRS explanation of the code is displayed in the lower box

**4.** (optional) Click **Print** to print the code explanation.

To search for a state reject code for an individual return, select **1040**, and then select the state from the **Category** drop list before entering the reject code. To view bank product status, select **Bank Codes** (wording



varies by bank). Explanations are displayed in the lower box. To view **Bank Decline Reasons**, select that option, and then choose a bank from the drop list. Explanations are displayed in the lower box. (Not all bank have codes listed.)

## Leaving the EF Database

Take one of the following actions to close the EF database or access another application from within it.

- To close the EF database and return to the Drake Tax **Home** window**,** click **Exit**.
- To open the **Online EF Database** (an Internet connection is required), click **F10 - Online DB** (or press F10). The EF database in Drake Tax remains open.
- To close the EF database and access data entry for a selected return, click **F5 - Data Entry** (or press F5).

IMPORTANT

Peer-to-peer networks only: For non-transmitting workstations to view the EF database, those workstations must share their settings with the transmitting "server" computer. Go to **Setup > Data Locations**, and from the **Share setting (letters, pricing...)** drop list at the bottom of the window, select the drive letter that is being used by the "server" computer. See "Other Network Configurations" on page 39.

## Online EF Database

The online EF database displays real-time data on e-filed returns. You can run reports on returns, bank products, checks, and fees, search for e-file information for a single SSN or EIN, access the Multi-Office Manager (MOM), view CSM data for one or multiple offices, and check the status of each IRS Service Center.

To access your online EF database from within the tax program.

**1.** From the tool bar of the **Home** window, click **Support > Drake Software Support Website**.

**2.** When prompted, enter your EFIN and Drake Software password and click **Sign In**.

**3.** From the blue sidebar menu, click **My Account > EF Database**.

By default, the database displays information for the current tax year. To view another tax year, select the year from the **Tax Year** drop list under the blue sidebar menu on the left side of the page.

Below the tax year drop list is the **SSN/Last Name** search field. To find information on a specific return, enter the SSN or last name in this field and click the blue arrow.

Most of the options in the blue sidebar menu of the online EF database window are for viewing and running reports. You can also access these options by clicking the blue headings on the main part of the window (see Figure 8-4). Reports available are listed in Table 8-4.

**Table 8-4:** Reports Options Available from Online EF Database

| Category | Description |
|---|---|
| Returns | Filtered by: type, status, date, with and without bank products, EFIN |
| Bank Products | Filtered by: type, status, date, EFIN |
| Checks | Filtered by: Disbursement, status, date, EFIN |
| Fees | Filtered by: status, date, EFIN, preparer (and as summary) |
| Summary | Filtered by type (EF, preparer, ZIP code, returns, returns by Ack date) and by date |
| Options | Configure report security, manage saved reports, manage suppressed returns |
| Tools | 94x reports (for Client Write-Up users; see "94x Reports" on page 363); download ABCvoice Files, generate client contact information lists |
| MOM (Multi-Office Manager) | Multiple office reports; see "Multi-Office Manager (MOM)" on page 363. |
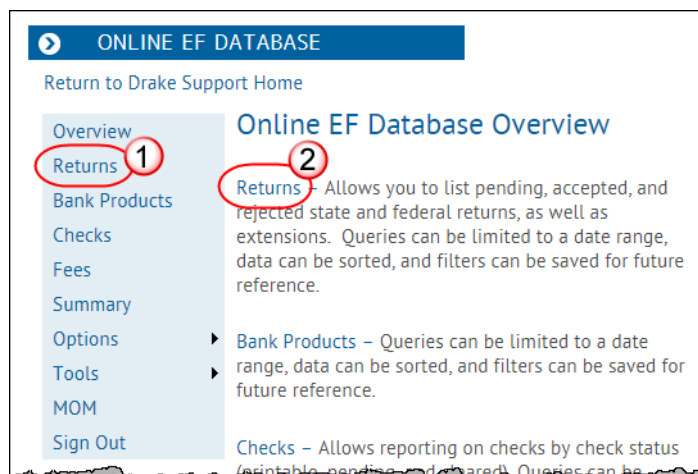


**Figure 8-4:** Two methods of selecting "Returns" from the
Online EF database report categories

**Viewing a Report**   To view a report:

1. Click a category option to select a report category (Figure 8-4 on page 361).

2. Select report criteria. (The criteria vary by report type.) The report pulls information from only those returns with records that fall within the date range based on the criteria selected.

3. (optional: for multiple-EFIN offices only) Select **MOM**, then **Restrict to**, and choose an EFIN to filter the report by returns for a particular EFIN.

4. Click **Create Report**.

Click **Download** and **Print**, respectively, to export a report in worksheet format (suitable for Microsoft Excel) or to print the report.

**Saving Report Criteria**

To save a set of report criteria for future use:

1. Click a category to select a report category (Figure 8-4 on page 361).

2. Enter the report criteria.

3. Click **Create Report**, then click **Save Report**.

4. Type a report name in the **Save Report As** field.

5. Click **OK**.

In the future, when you want to view reports that meet those criteria, select the report name from the **Saved Reports** drop list.

**Deleting Reports**

When you are ready to delete a saved report, select **Options** from the blue sidebar menu and click **Manage Saved Reports**. Reports are displayed in columns on the **Saved Report** page. Select a report and click **Delete**. Sort reports by clicking column headers.

## Using the Database for Multiple EFINs

If your company has multiple EFINs, you can provide different levels of access to the online EF database for different EFINs.

NOTE    Hierarchies are built and maintained through the EOM. Access the EOM through the Drake Support webpage (*Support.DrakeSoftware.com*) by selecting **My Account > Bank Application** or **My Account > Account Management** from the toolbar.

## Setting Security Levels

Security settings allow you to password-protect reports in the online EF database. To define security settings:

1. Log in to the online EF database. (See "Online EF Database" on page 360.)

2. Go to **Options > Configure Report Security** and click **Add/Update Security Password**.

   • From the **Tab Security** section, click **False** or **True** for a whole report category. (**False** leaves the report unprotected; **True** requires the password for access.)

- From the **Report Security** section, click **False** or **True** as desired for a specific saved report.

From the **Options** menu, you can now suppressed returns, and saved reports.

## Tools

Three functions are available from the **Tools** option: **Run 94x Report**; **Download ABC Voice**; and **Generate Contact List**.

**94x Reports**   If you use Drake Accounting to e-file 940, 941, and 944 reports and returns, the online EF database allows you to run reports on those clients. To run a report:

**1.** From the online EF database sidebar menu, click **Tools** > **94x Report**.

**2.** Choose the **Return Type** and **Date Range.**

**3.** Select a **Status**. The available statuses are:
- **A** — Include only returns with "A" (accepted) acks
- **P** — Include only returns with "P" (pending) acks
- **R** — Include only returns with "R" (rejected) acks
- **S** — Include state returns with no federal return

**4.** Click **Create Report**.

**ABCvoice**   Also in **Tools**, the option to **Download ABC Voice** applies to preparers using the
**Files**   ABCvoice File tool. For more information, call Versicom at (937) 438-3700.

> N○TE   If using ABCvoice, go to the **ABCV** screen (accessible from the **Miscellaneous** tab of the **Data Entry Menu** in Drake Tax) and indicate whether the taxpayer has signed the Consent to Disclosure of Tax Return Information.

**Generate**   To build lists containing contact information for your clients:
**Contact Lists**

**1.** From the online EF database toolbar, click **Tools > Generate Contact List**.

**2.** Enter report criteria by selecting or clearing the check boxes.

**3.** To further restrict the results, enter start and end dates to search.

**4.** Click **Create Report**.

**5.** (optional) To export the report into a worksheet, click **Download**. You are asked whether you want to open or save the file. Click **Open** or **Save** as desired. If you click **Open**, you will have another opportunity to save the report from within Excel.

## Multi-Office Manager (MOM)

The Multi-Office Manager (MOM) is the online version of the Client Status Manager (CSM). (See Chapter 9, "Client Status Manager.") Designed for the multi-office environment, MOM allows you to track workflow of multiple offices, providing a snapshot of your entire business. Reports and statistics on return status, return type, bank, payments, fees, and billing information are available.

**Transferring Data to MOM**

For CSM data to be transferred to MOM, the program must be configured to send CSM data to Drake Software during the e-file process. Each Level-1 and Level-2 EFIN office in a multi-office environment must complete the following steps:

1. From the **Home** window of Drake Tax, go to **Setup > Options**, **EF** tab.
2. Under **Session Options**, select **Transmit return data to Drake for multi-office web reports**.
3. Click **OK**.

Any changes made in CSM will be transmitted to MOM during e-file transmissions.

**Running a MOM Report**

To run a MOM report:

1. In the online EF database sidebar menu, click **MOM** to view filters. (Figure 8-5).



**Figure 8-5:** Multi-Office Manager (MOM) filters

2. Select an option from each filter and click **Create Report**.

The report displays all of the data columns available in the CSM. Scroll down or across the report screen to view all the available data.

If a report contains more than a specified number of rows (default is 20), it is paginated. Page numbers appear in the upper- and lower-left corners. The number of rows displayed per page can be changed via the **Lines Per Page** drop list above the report.

Print

- To *print the report*, click **Print**. Only the data on the report is printed.
- To *sort data* based on the column selected, click a column header.
- To *view e-file details* for a particular return, click the record's **ID number**.

Download

- To *export the report* into a worksheet, click the **Download**.

All data for the given report criteria is saved—not just the data shown on the current page. Once the report is exported and saved as a worksheet, access it from either Excel or Access.

# Copying EF Data

Firms with multiple computers but no network might have to copy data from computer to computer using a disc, USB flash drive, or other memory storage device.

IMPORTANT    For firms that use a network, copying EF data from one computer to another is not recommended.

## Copying to Another Location

To copy EF data from a computer to a memory storage device:

1. From the menu bar of the **Home** window in Drake Tax, select **EF > Copy EF Returns to Disk** to open the **EF Return Selector**. Choose the returns to copy. Click **Select All** or **Unselect All** as needed.

TIP    Click column headers to sort in ascending or descending order.

2. Click **OK** after files are copied
3. Click **Continue**.
4. Select the output drive from the **Select Drive** drop list (figure at right).
5. Click **Copy Files**.

Drake 2019 - Copy EF Returns to Disk                                    ✕

**Copy EF Returns to Disk**
If this computer is not configured to transmit files, the files can be copied to a computer that is.

Use this feature to copy files needed for e-filing to a back-up location. The files can also be kept as a backup. Note: You must use third-party software to back up to CD/DVD.

Select Drive:    C: [Hard Disk]Drake19\Export         ⌄

Help                                    Copy Files      Exit

## Copying From a Storage Device

To copy EF information from a data storage device to a computer:

1. From the **Home** window menu bar of Drake Tax, select **EF > Copy EF Returns from Disk**.
2. In the **Copy EF Return from Disk** dialog box, select the drive to copy files from.
3. Click **Copy Files**.
4. Click **OK** to copy each file. Click **Exit** to close.

# About State e-File

Most states accept e-filed returns and some require it or have regulations that determine at what point a tax professional can or must begin to e-file. (Mandates don't

apply to taxpayers who e-file their own returns.) Some states with mandates have their own application process for EROs and tax preparers who offer bank products. These processes and the rules and regulations pertaining to e-file vary from state to state.

The state **FAQ** screens in data entry includes links to state e-file information. Information on individual state requirements is available at *Support.DrakeSoftware.com* and in "Appendix D: State e-File Mandates" of this manual.

# 9     Client Status Manager

*USE THE CLIENT STATUS MANAGER (CSM) FOR TRACKING WORKFLOW WITHIN AN OFFICE. THE CSM CAN SHOW YOU THE STATUS OF ALL RETURNS IN THEIR VARIOUS STAGES OF COMPLETION: WHEN A RETURN WAS BEGUN, WHEN IT WAS COMPLETED, WHO WORKED ON IT, THE CURRENT FILING STATUS AND PAYMENT STATUS, AND CLIENT CONTACT INFORMATION. THE CSM CAN BE USED FOR SEARCHING FOR, VIEWING, ORGANIZING, AND PRINTING DATA.*

NOTE    The logged-in preparer can see his or her CSM data upon login using the Personal Client Manager (PCM). Much of this chapter applies to the PCM and the CSM; see notes throughout these pages.

## Accessing the CSM

You can use any of the following methods to open the CSM:
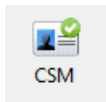
- From the toolbar of the Drake Tax **Home** window, click **CSM**.
- From the menu bar of the Drake Tax **Home** window, select **Reports > Client Status Manager**.
- From your keyboard, press CTRL+L.

You cannot access the CSM from data entry, but you can change the client's status. To do so, click the **CSM** icon in the **Data Entry Menu** toolbar and select a new status.

## About Client Statuses

The CSM categorizes clients by status. A *client status* is the stage of a return in the return-preparation cycle. The CSM's predefined client statuses are set automatically as the return progresses through the cycle (Figure 9-1), or manually as needed. You can also define new statuses.
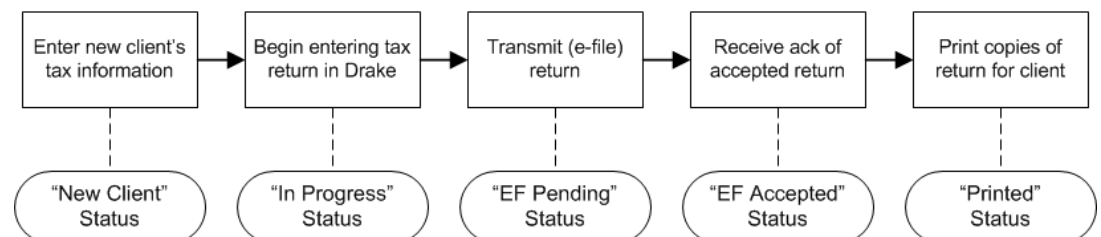


**Figure 9-1:** Some statuses are set automatically as the return is processed.

---

## Predefined Statuses

Table 9-1 displays the predefined statuses in the CSM. Note that some are set automatically while others must be set manually.

**Table 9-1:** Predefined Statuses in the CSM

| Set Automatically | | | Set Manually | | |
|---|---|---|---|---|---|
| New Client | EF Pending | Printed | Complete | On Hold | Signed |
| In Progress | EF Accepted | EF Rejected | Under Extension | Under Review | Delivered |
| Updated from 2018 | EF Extension Accepted | | | | |

Set statuses manually as appropriate. Note that the program never automatically assigns a return a status of **Complete**.

N OTE       When a status changes in the CSM, it also changes in the PCM.

## Custom Statuses

You can define as many as 10 custom statuses. Custom statuses must be set and changed manually. We recommend creating custom statuses before tax season begins.

To define a custom status in the CSM:

1. From the **Client Status Manager** toolbar, click **Customize**. The **Customize Display** dialog box is opened (figure below).

2. Click the **Status Settings** tab, and then select a status description to rename. Five of the custom statuses have suggested descriptions that can be changed.

3. Click **Edit**.

4. Enter a status description in the **Status Description** text box and click **OK** to close the **Status Description** text box and again to close the **Customize Display** dialog box.
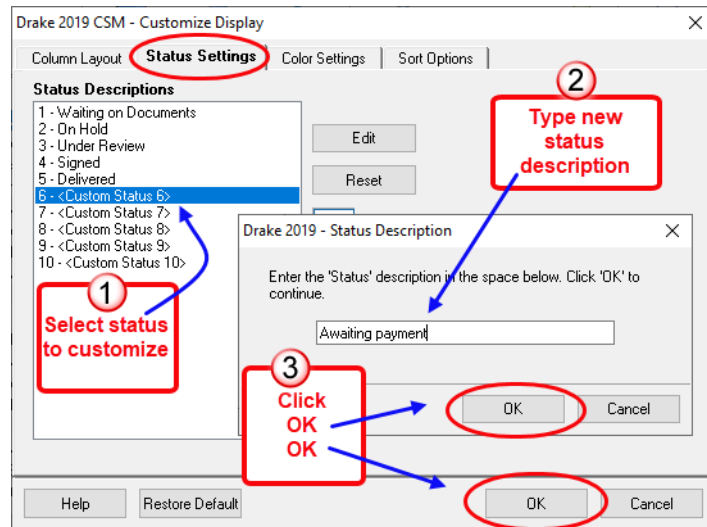


To restore all original statuses, click **Restore Default.**

NOTE    When a custom status is changed or created in the CSM, it is also
        changed or created in the PCM.

# Setting Statuses

Set return statuses at any time during the return-preparation cycle. A status can be set from within the CSM or from data entry. For consistent and valid CSM status reports, set statuses for each stage of a return.

TIP     You can ensure that the CSM **Status** column is always correct. From
        the menu bar on the **Home** window, go to **Setup > Options**. Under the
        **Calculation & View/Print** tab, select **Autocalculate tax return when
        exiting data entry**. When the return is calculated upon exit, the **Status**
        column is automatically updated.

## Setting a Status from the CSM

To set the status of a return from within the CSM:

**1.** Click the **CSM** icon on the **Home** window toolbar.
**2.** Right-click a return record in the **Client Status Manager** list.
**3.** Select **Set Client Status**. A status drop list is displayed.
**4.** Select a return status from the list.

The status is updated in the **Status** column.

## Setting a Status from Data Entry

To set the status of a return from within a return, click the **CSM** button from the **Data Entry Menu** toolbar to display a status list, and then select a return status from the list. The status is automatically updated in the CSM.

## Adding a Client to the CSM

If your client has a data file in Drake Tax, that client also has a record in the CSM. New client records can be added to the CSM from the **Home** window in three ways:

• From the menu bar, click **Last Year Data > Update 2018 to 2019** and update the return. The client's record goes into the 2019 version of the CSM.
• From the menu bar, go to **File > Open/Create**.
• From the toolbar of the **Home** window, click **Open/Create**.

## Opening a Return from the CSM

Returns can be opened or created from the CSM.

To *open* a return from within the CSM, highlight a client record from the list and click **Open** (or double-click the record to open in **Client Quick View**, and then click **Open**. See "Quick View" on page 238.) The return is opened to the **General** tab in data entry. When you exit the return, you are brought back to the CSM.

To *create* a return from within the CSM:

1. Click the arrow next to the **Open** button and select **New Client**.
2. Enter the SSN or EIN for the return in the **Open Client File** dialog box.
3. Press **Open**, and then click **Yes**.

When prompted, you can begin entering data for the new return.

## Customizing the Display

Because custom views are saved and displayed according to the logged-in preparer, each preparer can set his or her own display.

N OTE
Changing the custom view in the CSM does not change the custom view in the PCM. To change the PCM's custom view, right-click within the PCM window and select **Customize Display** from the right-click menu. Use the same **Customize Display** dialog box used with the CSM, as described in the following steps.

To customize the CSM display:

1. From the **Client Status Manager** toolbar, click **Customize**. In the **Column Layout** tab of the **Customize Display** dialog box (figure below), **Available Columns** are listed in the left pane, and **Columns in Current View** are listed in the right.

2. To *add* a column to your view, select an item in the left pane and click **Select** (or double-click the item) to move it to the right pane. To add all items, click **Select All**.
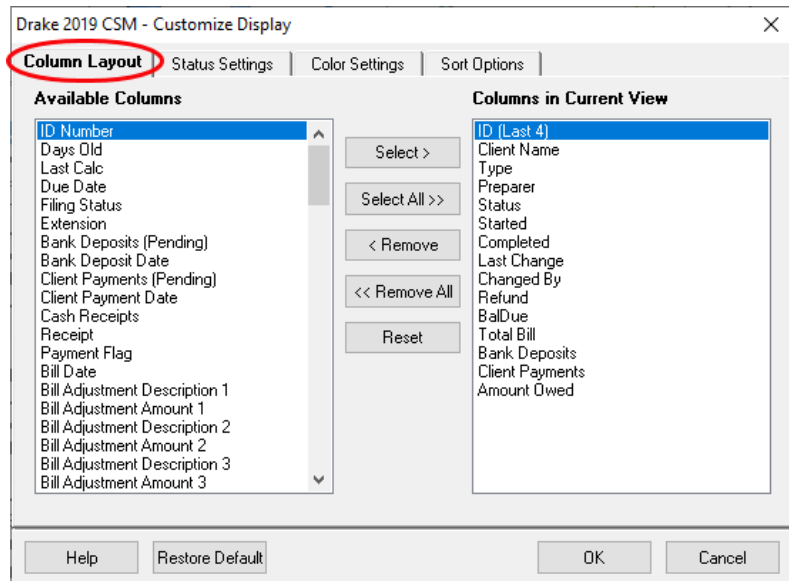


3. To *remove* a column from your view, select an item in the *right* pane and click **Remove** (or double-click the item) to move it to the left pane. To remove all items, click **Remove All**. To *change* the column order, click, hold, and drag items up or down the list in the right pane.

4. To *reset* columns to the original view, click **Reset**.

**5.** Click **OK** to save your changes.

**6.** (optional) To restore the CSM to its default settings, click **Restore Default**.

**Custom Colors**  Customize the look of your CSM by changing the color of the items as they appear in the CSM grid. A quick glance can then tell you which clients are new and which returns are "In Progress," "EF Pending," "On Hold," "Delivered," etc. You can also color-code any of the custom statuses. (See "Custom Statuses" on page 368.)

**1.** Click the CSM icon from the **Data Entry Menu** toolbar.

**2.** From the **CSM - Custom Display** window (see figure above), click the **Color Settings** tab.

**3.** Select an item from the **Status Selection** list, then click the **Status Color** color bar (or click **Edit**) to open a color selector.

**4.** From the color selector, choose a color for that item and click **OK**. (Alternately, click **Define Custom Colors** to develop a special color for that item.)

**5.** Choose another item from the **Status Selection** list and follow the same steps to choose a color for that item.

**6.** When finished, click **OK**.

The color of items in the CSM grid will automatically change when the status of the return changes (say, from "In Progress" to "EF Pending").

## Other Ways to Customize the Display

Listed (following page) are other ways to customize the column display:

- Click **Customize** from the **Client Status Manager** toolbar and click the **Sort Options** tab. Select multiple columns by which to sort records from the **Column** and **Sort Order** drop lists.

- From the main window of the **Client Status Manager**:
  - **Headers** — Click the column headers to sort records in ascending or descending order.
  - **Adjust widths** — Drag the edge of a column to the desired width.
  - **Size to fit** — Double-click a column header's right border.
  - **Change column order** — Click and drag a column header left or right, and release to reposition the column. (This new order is saved upon exit and is automatically updated in the **Customize Display** dialog box. See figure above.)
  - *New for 2018* — From the **Column Layout** tab, choose **ID (Last 4)** to display your clients ID by only the last four digits.

# Searching, Updating, Filtering, and Viewing

The following tools will help you find and use data stored within the CSM.

## Searching the CSM
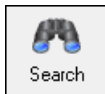
To find a return in the CSM, click **Search**, or press CTRL+F to open the **Find Client Record** text box. As you type the client name or ID, the CSM searches for and highlights the matching record. Click **Close** to exit.

## Updating the CSM

To incorporate the latest return updates when the CSM is open, either click the **Refresh** button or press F5 on your keyboard.

> NOTE    CSM data is updated automatically through different components of the program. Processes affecting CSM data include data entry changes, return printing, e-file, and check-printing functions.

## Filtering Data in the CSM
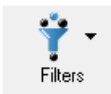
Filters allow you to control which records are shown in the CSM. To select filters:

**1.** From the toolbar of the **Home** window of Drake Tax, click **CSM**.

*Shortcut: Press CTRL+L to view the filter list.*

**2.** Click **Filters**. The filter list is divided into four sections (figure right).

**3.** Select filters. You can select one filter from each of the first three lists, and any or all of the filters in the bottom list. A selected filter is indicated by a check mark.

The CSM displays the files that fall within the selected filters.

Filter by preparer →
- ✓ All Preparers
- Current Preparer

Filter by status →
- ✓ All Status Types
- Work in Progress
- Completed Returns
- EF not Sent
- EF Pending
- EF Accepted
- EF Rejected
- Missing Files

Filter by return type →
- ✓ All Return Types
- All Business Returns
- Individual (1040)
- Corporate (1120)
- S Corp (1120S)
- Partnership (1065)
- Fiduciary (1041)
- Estate Tax (706)
- Tax Exempt (990)

Hide or display returns →
- Hide Inactive Returns
- Hide Completed Returns
- Hide Deleted Returns
- Display Deleted CSM Records

> NOTES    In the **Status** column of the CSM, a red **File Not Found** or **File Deleted** message indicates a deleted return. Records of deleted return files stay in the CSM for tracking purposes.
>
> Filters are also available in the PCM; select **Filter Client List** from the PCM's right-click menu.

## Quick View

The **Client Quick View** window summarizes the CSM data for a selected record.
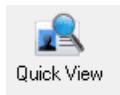
To open this window for a client in the CSM, select a client row and click **Quick View** or double-click the line. Displayed is information about the client and the status of the return, billing, banking, and EF information, state information, and any customized **Misc Code** drop lists. (For details on these miscellaneous codes, see "Customized Drop Lists" on page 61.)

NOTE    To access Quick View from the PCM, double-click a record or right-click the record and choose **Quick View** from the PCM's right-click menu.

# CSM Reports

Seven predefined status and financial reports (Table 9-2) are available in the CSM.

**Table 9-2:** CSM reports

| Report Title | Description |
|---|---|
| CSM Data | Report is based solely on the data in the CSM current view. |
| Cash Receipts | Report lists cash amounts from bank deposits (resulting from bank products) and client payments from the **BILL** screen in data entry. |
| Cash Receipts - Bank Deposits | Report lists cash amounts received from bank deposits only. The data in this report is pulled from the EF database. |
| Cash Receipts - Client Payments | Report lists amounts entered on the **BILL** screen in data entry. |
| Completed Returns | Report lists SSN/EINs and client names of returns with a **Complete** status. The program pulls the date completed from the **ADMN** screen, which is automatically set when you select a status of **Complete**. (An administrative user can manually set the completion date by completing the **Date complete** field on the **ADMN** screen.) |
| Problem Returns - 'Old' Returns | Report lists returns that have taken longer than a specified number of days to complete. |
| Problem Returns - 'Missing' Files | For this report, the CSM scans client files for **File Deleted** and **File Not Found** statuses. |

Many reports rely on data entry for accuracy. To take full advantage of the CSM's reporting features, you must use the data entry screens mentioned in Table 9-2.

To generate a report from the CSM, select **Reports**, select a type of report from the **Select Report** drop list, enter the requested data, and click **Report**. The report data is

displayed in the Report Viewer. For information on using the Report Viewer, see "Report Viewer" on page 443.

> NOTE      To access the **CSM Reports** dialog box from the **Home** window of Drake Tax, select **Reports > Report Manager**. Next, under **Other Report Options**, double-click **Client Status Manager Reports**.

## Exporting CSM Data

To export CSM data to a Microsoft Excel worksheet, click **Export** in the CSM toolbar. The worksheet is opened and filled automatically.

## Admin-only Features

Users with administrative rights can delete records from the CSM display, restore CSM data, and remove duplicate entries.

## Deleting a Record from the CSM Display

When a record is deleted from the CSM display, it is no longer visible in the CSM, but it still exists in the tax program. To delete a record from the CSM display, right-click the record and select **Delete CSM Record (This Client)**. To view a deleted record, click **Filters > Display Deleted CSM Records**.

> NOTE      To delete a client file from Drake Tax, see "Deleting Files from the Program" on page 418. A client file cannot be deleted from within the PCM.

## Restoring Data

When restoring data, the CSM scans a client file, calculates the return, searches the EF database, and updates the data. To restore data to the CSM, right-click a record and select **Restore CSM Data (This Client)**. Click **OK**.

## Removing Duplicates

To remove a duplicate entry in the CSM, right-click a record and select **Remove Duplicate Entries (Entire Database)**.

> NOTE      Duplicate CSM (and PCM) entries must be removed from *within the CSM*; they cannot be removed from the PCM.

# 10 Resources and Support

*DRAKE SOFTWARE OFFERS A WIDE RANGE OF
SUPPORT RESOURCES. IN ADDITION TO OUR
UNPARALLELED TELEPHONE SUPPORT, DRAKE
SOFTWARE HAS A VARIETY OF ONLINE AND
PROGRAM HELP RESOURCES TO GIVE YOU 24-HOUR
ACCESS TO THE LATEST INFORMATION.*

*OTHER RESOURCES AVAILABLE TO HELP YOU
PREPARE TAX RETURNS ARE ALSO INCLUDED IN THIS
CHAPTER.*

| NOTE | Before you can take advantage of Drake Software's online sites—including Support, the Download Center, and the Enterprise Office Manager—you or your office administrator must set up a new "User Account." |
|---|---|
| | See "Drake Software's Web-Based Sites" on page 32 and "Enterprise Office Manager" on page 334 for details. |

| IMPORTANT | Help resources are available to assist you in making the most of our return preparation program and using it successfully. Support is provided as an aid to tax return completion only. Preparers are responsible for knowing tax preparation and for the accuracy of returns filed with the IRS and state tax authorities. |
|---|---|
| | *Drake Software Support does not provide tax law advice.* |

## Drake Tax User's Manual

| TIP | Keep a copy of the *2019 Drake Tax User's Manual* on your computer's desktop. Because Drake Tax updates the online manual whenever major changes occur, update your copy frequently. |
|---|---|

Your *2019 Drake Tax User's Manual* has a comprehensive index to help you quickly find the information you want. Save the electronic version to your desktop or print your own paper copy. Access the manual from:

• Support website — *Support.DrakeSoftware.com* > **Training Tools > Manuals**
• Drake Tax **Home** window toolbar — Select **Support > Drake Software Support Website > Training Tools > Manuals**
• Drake Tax **Home** window toolbar — Select **Support > Drake Software Manual & Online Resources**

• Program CD — For customers with the CD service, the latest version of the manual is shipped with each CD

To purchase a printed copy of the manual ($25 plus tax and shipping), log on to *Support.DrakeSoftware.com* and go to either **Training Tools > Manuals** or **Resources > Supplemental Resources**. Drake Tax posts addenda pages online that can be added to the printed manual wherever major changes to the tax law or the tax program warrant

# Online Support

Drake Software's Support website (*Support.DrakeSoftware.com*) offers a wealth of resources available 24 hours a day. In addition to current tax information, it provides the online support options discussed here. A reliable Internet connection is necessary to take full advantage of Drake Software's online resources.

# Knowledge Base

The Drake Software Knowledge Base (KB) is a searchable database of articles submitted by clients, programmers, the IRS, and state revenue departments covering most of the topics that generate support questions. There are more than 3,200 articles covering many aspects of the Drake Tax program and the tools and programs that go with it, changes in state and federal tax laws, tax-return troubleshooting, tax-law research, bank products, e-file, SecureFilePro, GruntWorx, Drake Accounting, and other topics related to your tax preparation practice.

To access the KB, go to the Drake Software Support site (*Support.DrakeSoftware.com*) and select **Resources > Knowledge Bases** to open the KB's **Home** window.

TIP     To bypass the Drake Support site and go directly to the KB from the tax program, from the **Home** window toolbar of Drake Tax, click **Support > Drake Software Knowledge Base**.

From there, you can view the latest articles submitted to the KB, search or browse through the various KB topics, or do a quick search of the entire KB database. You can also choose to restrict your search to the Drake Software tax knowledge base, the CWU knowledge base, or the Drake Accounting knowledge base. there are also compilations of the update notes released for each of these products.

Figure 10-1 on page 377 shows the **Home** window of the Drake Software Knowledge Base:
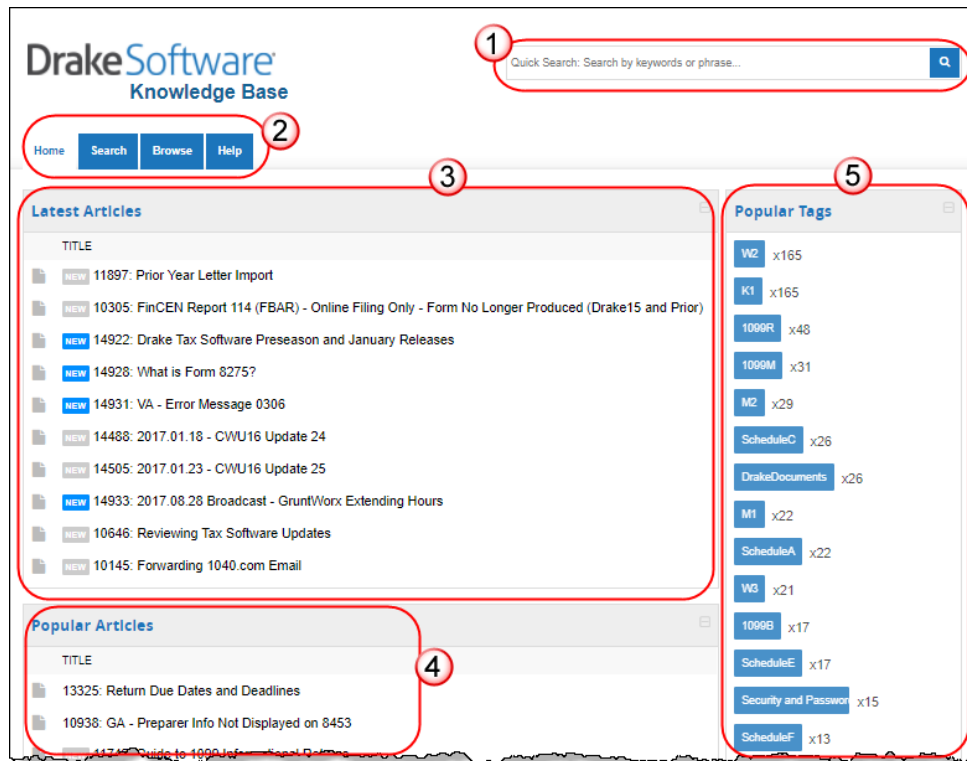
**Figure 10-1:** Knowledge Base quick search (item #1); KB tabs (item #2); Latest articles (item #3); Tags for often-searched-for subjects (item #4); and popular articles (item #5)

NOTE     Depending on the Web browser you use, the location of items on the Knowledge Base webpage may vary.

**Searching the KB**

There are several methods of searching for a topic or article, beginning at the **Home** window of the KB:

- **Quick Search** field
- **Search** tab
- **Browse** tab
- **Latest Articles**
- **Popular Tags**
- **Popular Articles**

The results of searches appear in the **Search Results** in the lower half of the window, allowing you to quickly find the articles you are most interested in.

NOTE     The green bars next to the results of a search show *relevancy* – the frequency and placement of keywords in that article.

**Advanced Search Options**

Direct your search by selecting options from **Advanced Search**. From the drop lists, choose to search:

- **Using: All Keywords** (searches for articles containing all search terms entered); **Any Keyword** (searches for articles containing any one of the search terms); **Exact Match** (searches for articles containing the exact phrase entered); by Comments.

- **By: relevancy** (frequency and placement of keywords in article); **last modified** (when the article was last changed); **ratings** (how helpful others found the article); **views** (how many times this article has been viewed); **comments**.

- **In**: Ascending (**ASC**) order or descending (**DESC**) order.

**Browsing the KB**

The **Browse** window gives you access to all available KB articles. The articles are stored in folders displayed in a "tree" to the left side of the **Browse** window (see figure below):

- **Drake Software**: All articles related to the Drake Tax program, the tools and programs that go with it, tax-return troubleshooting, tax-law research, bank products, e-file, Drake Documents, SecureFilePro, GruntWorx, and other topics related to your tax preparation practice.

- **Drake Tax Update Notes**: Notes related to all updates for Drake Tax available for download throughout the current and past tax season.

- **Client Write-Up**: All articles related to the Client Write-Up accounting and write-up program, including articles on bookkeeping, payroll, direct deposit, accounts payable, accounts receivable, and e-file options.

- **CWU Update Notes**: Notes related to all CWU updates available for download throughout the past two tax seasons.

- **Drake Accounting**: All articles related to Drake Accounting, including articles on training, installation, setup, firm, client, employees, payroll, payables and receivables, generating and printing reports, just to name a few.

- **DAS Update Notes**: Notes related to all Drake Accounting updates available for download for 2019 and 2020 version of the program.
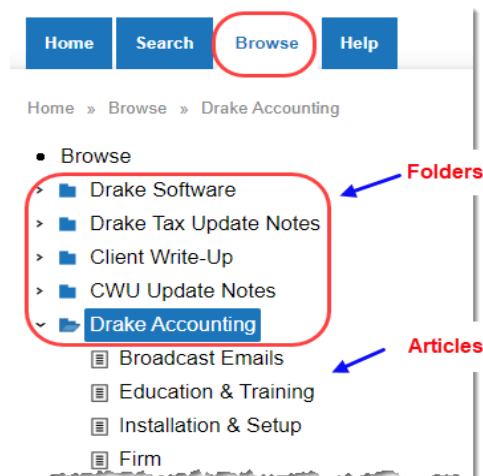


Click a folder to open the tree of categories, then click a category to list all relevant articles in the document pane on the right side of the window. Click an article to open it.

On the right side of the **Browse** window is a list of the latest articles produced by the Drake Software Support team.

To return to the **Browse** window from the tree or from an article, click the **Browse** tab again, or click the "back" arrow at the top of your browser, right-click and then select **Back**, or press ALT+LEFT ARROW.

**Printing Articles**   On the right side of every KB article is the **Print Article** link that opens the **Print** dialog box.

**Related Articles**   If there are other articles in the KB related to the one you queried, **Related Links** appear at the end of the article. Click a link to view those articles.

**Attachments**   Some articles have links that take you to other documents that you can download and view. The attached documents provide additional detail beyond that provided in the text of the article.

## Drake Software Mobile App

Drake Software offers a cell phone application that can help you keep up with your e-filed returns. The app is available in the App Store for iOS phones and Google Play for Android phones.

With the Drake Software mobile app, you can:

- Look up the status of your e-filed returns by name, SSN or EIN. Easily display all rejected returns with the click of one button. Access reject codes. (Reject code descriptions are available for most federal 1040 reject codes.)
- Taxpayer email address and phone number are provided so you can contact your clients from your mobile device, if necessary.
- Review office e-file summary data. Five summary reports are available with date range capabilities.
- Access the Drake Software Status page for status of Drake Software services.
- View reports of federal rejects, state rejects, all rejects, or all pending returns.
- Contact Drake Software Support from the contact page via phone or email.

Usage tips are available within the app.

Log in to *Support.DrakeSoftware.com* from your mobile phone, and from the blue menu bar, select **Resources > Drake Mobile App**.

## Drake Software's e-Training Center (ETC)

DrakeETC is a convenient resource for training your office staff and earning continuing professional education (CPE) credits through the use of tutorials, practice returns, videos, webinars, interactive tax courses, and self-study courses. ETC also provides tracking tools and interactive testing so individuals and group administrators can monitor their personal and collective progress.

NOTE

Take advantage of DrakeETC and DrakeCPE for training and continuing education.

Tax-related webinars, tutorials, training courses, and Drake Software's Annual Federal Tax Refresher Course and Comprehension Test, are available at *DrakeCPE.com*, the online training site for tax professionals. Training tools related to the use of Drake Tax are still at *DrakeETC.com.*

For more information on continuing education credits, visit *Support.DrakeSoftware.com* > **Training Tools** > **CPE**.

For more on the AFTR training, see "Drake's AFTR Course" on page 386 of this manual.

**Accessing DrakeETC**

Take either of these paths to access DrakeETC:

- From the tax program's **Home** window toolbar, click **Support > Drake Software Support Website**
- Point your Web browser to *Support.DrakeSoftware.com*
- Point your Web browser to *DrakeETC.com*

From the Support page, select **Training Tools > Drake ETC**.

The first page displayed at DrakeETC is the **Welcome** page, which includes news and information on what's happening in DrakeETC (Figure 10-2).
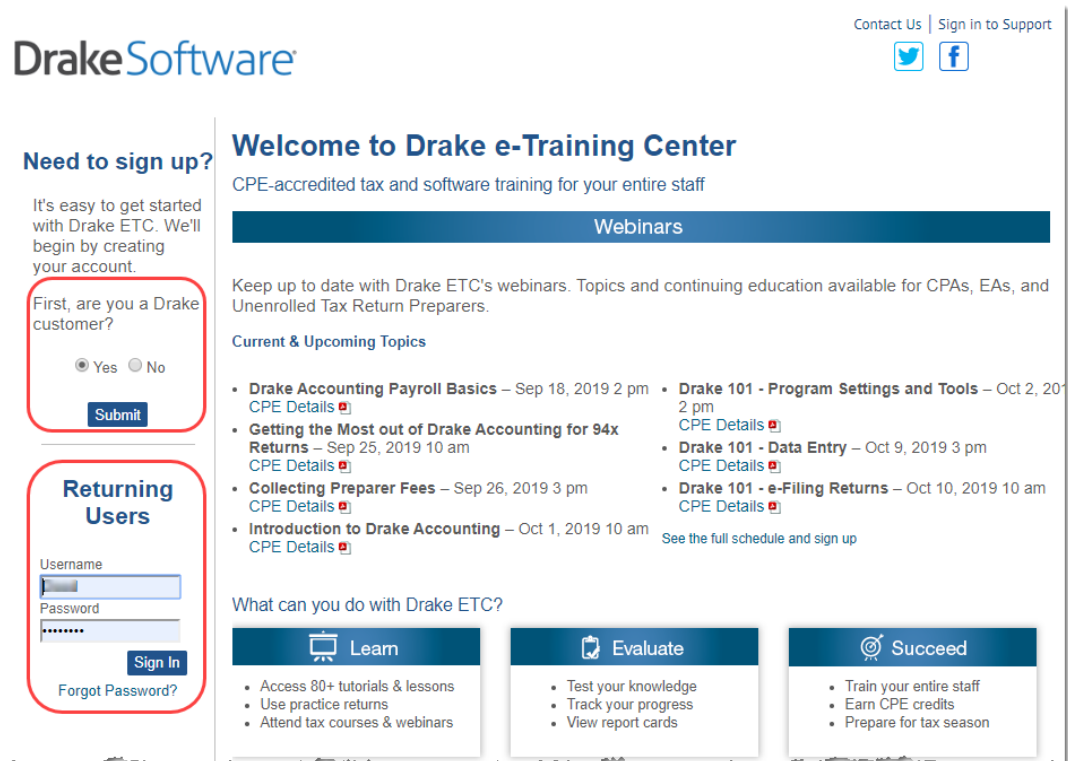


**Figure 10-2:** The ETC **Welcome** page

**Creating an ETC Admin Account**

Before you can log in to ETC, your office must have an ETC administrator (Admin) account. Once the account is established, you can create student accounts and begin tracking student progress. With their own user names and passwords, students can log in to ETC on their own.

Admin accounts are created using the **Need to sign up?** section of the **Welcome** page. To create an Admin account:

1. In the **Need to sign up?** section, Drake Tax customers who have never signed up for DrakeETC select **Yes** and click **Submit**. (Non-Drake Tax customers click **No** and complete the **Your Information** window. Go to step 3, below.)

2. Enter your EFIN and Drake Tax password and click **Submit**.

3. In the **Welcome** window, complete all applicable fields, making sure that you select "Yes" in the **Administrator** field.

4. To earn CPE credit for completing ETC courses, select **Yes** from the **CPE Credits** drop list.

5. Preparers registered in California should enter their CTEC number; Preparers registered in Texas or Pennsylvania should mark their respective boxes in order to receive CPE credits in those states.

6. Enrolled Agents should mark the **Enrolled Agent** box, while other, non-CPA tax return preparers should mark the **Unenrolled/Other Tax Return Preparer** box.

7. Enter your PTIN.

8. Click **Save Information**. When the system has saved your data, click **Next**.

**Creating an ETC Student Account**

To create a student account, log in to ETC (See "Logging In," following), click the **Administration** link, and click **Add New Student**. After completing all applicable fields (see steps 4-7 in the "Admin account" setup above, making sure that you select "No" in the **Administrator** field), click **Save Information**.

N O T E

When creating a DrakeETC student account, each student must enter a unique email address, even if all students are part of the same administrative account.

**Logging In**

To log on to ETC:

1. In the **Returning Users** section, enter a **Username** and **Password**.

2. Click **Sign In**.

Once you're logged on, the ETC **Welcome** page is opened (figure right). On the left side of this page is
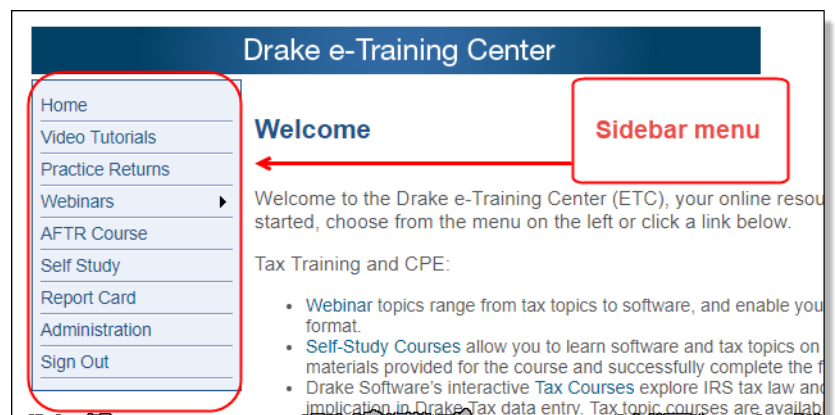
a blue sidebar menu. From the menu bar, access the following tools available from
DrakeETC:

**Video**
**Tutorials**

Tutorials teach the basics of Drake Tax through text, sound, and animation. For a list
of available tutorials in ETC, from the blue sidebar menu, click **Video Tutorials**. The
**Video Tutorials** page displays a list of Drake Tax tutorials, (Figure 10-3), with green
check marks indicating tutorials completed and red **X**s indicating tutorials not yet
begun.



**Figure 10-3:** Tutorial list

Click **Launch Tutorial** for the desired tutorial. (Tutorials do not have to be completed
in the order listed.)

NOTE   Tutorials are added throughout the season, so it's a good idea to check
often for new tutorials.

**Practice**
**Returns**

Practice returns have been designed to help your firm become familiar with the basics
of data entry and e-file in Drake Tax. To access practice returns in ETC, click **Practice**
**Returns**. The **Practice Returns** page displays instructions and a list of available prac-
tice returns (Figure 10-4).



**Figure 10-4:** List of practice returns on the **Practice Returns** page

Click **View Return** to view the basic return scenario in a PDF file. Open the Drake
Tax program and prepare the return according to the scenario. Once you've calculated
the return, go back to the **Practice Returns** page and click **View Solution** to compare
your return to the solution return.

DrakeETC offers 10 practice returns for the 1040 package and one practice return
each for the 1120, 1120S, and 1065 packages. To practice e-filing, click **EF** and click
**View Return**. Follow the instructions located in the PDF file.

NOTES

Practice returns are also available outside of ETC. To work on the practice returns without signing on to ETC, go to the Support website and click **Training Tools > Practice Returns > Returns**. To access them through the tax program, from the toolbar on the **Home** window, click **Support > Drake Software Manual & Online Resources**. Open a year folder and click **Practice**. (Internet access is required.)

For those signed up for the CD service, practice returns are also available on all Drake Tax CDs.

Solutions to the practice returns are kept online so that we can make adjustments when changes to the tax laws or the tax program affect the solutions.

**Live Webinars**

DrakeETC provides live webinars on various topics with new webinars added every month. The live webinars are presented with panelists available to answer viewers' questions during the event. CPE credits are available (no test required). Review the CPE details provided with each Drake Software webinar to determine CPE eligibility.

**Registration for Webinars**

To register for a webinar from DrakeETC:

1. From the sidebar menu, go to **Webinars > Available Webinars**.

2. From the list of **Available Webinars**, click **Register** on the right side of the window for the webinar you wish to participate in (see Figure 10-5 on page 383). A fee is required for most live webinars. Follow the on-screen instructions to register and participate.



**Figure 10-5:** Signing up for webinars on the ETC webpage

IMPORTANT

If you register with an email address that is different from your current DrakeETC account email address, your DrakeETC account email address will be changed to the new email address.

After your registration is processed, you will receive:

- A confirmation email message containing details of the upcoming webinar, an appointment you can add to your calendar, and a link you can click in order to join the webinar.

- Reminder email one day before the event and one hour before the event.

**Webinar CPE**    To earn CPE credits, attendees must respond to at least 75% of the poll questions
**Credits**    posed during the webinar and complete a short evaluation after the event.

Webinar attendees receive an email notification when the CPE credits are made avail-
able (usually within 48 hours). More information on hardware and software require-
ments, registration, pricing, refunds, CPE details, and other webinar-related topics is
available at **Webinars > My Webinars**.

**Recorded**    Some of our Drake Tax-related live webinars have been recorded and can be viewed at
**Webinars**    any time. Although these recorded webinars do not earn you CPE credits, they can
help familiarize you with many Drake Tax topics. New webinars are added during the
year.

To view a recorded webinar:

**1.**  From the sidebar menu at the left of the DrakeETC window, select **Webinars >
    Recorded Webinars**.

**2.**  Select from the **Course** drop list.

**3.**  Click **Launch Recorded Webinar**.

The first time you view a webinar, the WebEx Manager is automatically downloaded
to your computer. For help with WebEx Manager, call WebEx Support at (866) 229-
3239.

**Self-Study**    Self-paced study courses help preparers learn Drake Tax and various tax topics. Avail-
**Courses**    ability of courses varies and more courses are added during the year. CPE credits are
available for the completion of each course. There in no charge to take a course, but
there is a fee to receive CPE credit and print the completion certificate.

To view a list of available **Software Topics**, from the sidebar menu, click **Self-Study**
to open the **Self-Study Courses** window. The available topics are listed under **Soft-
ware Topics**.

To view a list of **Tax Courses**, click **Click Here** to open the **Tax Courses** page.

**Tax Courses**    The **Tax Courses** page displays the units of the **Basic Tax Course**, just like the **Tuto-
rial** page and **Practice Return** page. (See Figure 10-3 on page 382 and Figure 10-
4 on page 382). Click the **Course** drop list to select the course to take: Basic 1040,
Basic Corporation, Basic S Corporation, Basic Partnership.

Drake Software's tax courses introduce the fundamentals of tax return preparation
using Drake Tax in an interactive format. Each course is an introductory course
designed for the novice tax.

IMPORTANT    Click **System Requirements** on the **Tax Courses** page
to ensure that your system supports the tax course pro-
grams. Make sure your speaker volume is turned up to
hear the audio.

NOTE
These tax courses are introductory courses designed to teach the novice tax return preparer the fundamentals of each type of return.

For more intensive training, click the **DrakeCPE** link at the bottom of the **Self-Study Courses** page (or log on to *DrakeCPE.com*).

To open a unit in a Tax Course:

**1.** Click **Launch Course** for the selected unit. The unit is opened in your browser.

**2.** Use the navigation buttons (**Previous** and **Next**) in the lower-right corner of the window to move through the course. When a course unit, tutorial, practice return, recorded webinar, or video has been viewed, a green check mark replaces the red "X" next to the completed item.

**3.** When you finish a unit, click **Exit** to return to the **Tax Courses** page.

View completed units again at any time. Once all course units are completed, the **Launch Exam** button will become available. Click it to begin the test. Submit your score upon completion of the test.

To earn CPE credits for taking a tax course in DrakeETC, you must score 70% or higher on the course exam and submit a course evaluation. Review the CPE details (click the word "**here**" at the end of the "**Cost**" paragraph) to determine CPE eligibility. Other CPE information is available from the main Drake Support page, under **Training Tools > CPE**.

NOTE
To reprint a CPE certificate, click **Report Card** in the DrakeETC sidebar menu. Select a **Tax Year** or **Calendar Year** filter, scroll to the **CPE Credits** list, and click **Print** for the desired certificate.

**Report Card**     Click **Report Card** from the ETC sidebar menu to view CPE credits earned, test results, and webinar progress for a selected year. You can also check training progress on practice returns, self-study courses, tax course, tutorials, and videos, and the AFTR course.

**Admin**     The **Administration** page is available only for users logged in as Admin. To access this ETC page, click **Administration**. Displayed are a list of students, buttons for adding students and searching student records, and a drop list for displaying **Active Students**, **Inactive Students**, or **All Students**.

Click to view a student's **Report Card**, or click **Edit** to view and edit a student's account information. (Click **Save** to save it.)

# IRS's AFSP Program

The IRS's Annual Filing Season Program (AFSP) is a voluntarily program designed to encourage tax return preparers to participate in continuing professional education (CPE) courses. Unenrolled return preparers can elect to voluntarily take continuing education each year in preparation for filing season and receive an AFSP Record of Completion.

Preparers who complete the AFSP will also be included in a public directory on the *IRS.gov* website, where taxpayers can search for qualified tax return preparers. The directory includes the name, city, state, ZIP code, and credentials of all attorneys, certified public accountants (CPAs), enrolled agents, enrolled retirement plan agents (ERPAs), and enrolled actuaries with valid PTINs. It also includes information on individuals who have received an AFSP Record of Completion.

**Drake's
AFTR
Course**

In preparation for the AFSP, you can take Drake Software's Annual Federal Tax Refresher Course and Comprehension Test. The Annual Federal Tax Refresher (AFTR) course is a six-hour course accompanied by a 100-question knowledge-based comprehension test. Participants must obtain a passing score of 70% and complete a test in three hours or less.

To access DrakeCPE from DrakeETC, from the menu bar, select **Self-Study** and near the bottom of the window, under the **Tax Courses** section, click **DrakeCPE.com**.

Otherwise, log in to *DrakeCPE.com*, or from the Drake Software Support site, go to **Training Tools > DrakeCPE**.

# Other Resources at Drake Software Support

The Drake Software Support website offers a wealth of additional resources, such as information on preparer regulations, state and federal tax laws, email and webpage accounts, e-Pay merchant card processing, the DrakeHealth Referral Program, Drake Software Update Schools, and programs such as GruntWorx and SecureFilePro. You can also view helpful publications and download prior-year Drake Tax programs, and order marketing kits, checks, and printed forms.

Following are just a few of the many resources available from the blue menu bar on the left side of the Support page:

## Continuing Education through DrakeCPE

DrakeCPE is an e-learning site where you can access live webinars, recorded webinars, tax courses, Drake Software's AFTR course, and earn CPE credits while learning more about such topics as EITC due diligence and avoiding an EITC audit, ethical standards, safeguarding client information, and tax treatment of retirement plans and IRAs.

The courses and webinars on this site are "device friendly," meaning they're mobile and viewable from many devices (phone, tablet, or desktop).

## Website Services

Having an Internet domain has become a business necessity these days and is one of the best ways to build a "brand." Once you have a domain, having an email address at your domain helps maintain brand consistency with your clients and prospective clients.

SiteDart Hosting, a subsidiary of Drake Software, provides cloud services, website design, and website hosting to help you maintain a professional presence on the Inter-

net. With new designs and a new integrated newsletter system, SiteDart provides tools for website building and maintenance, a 3-to-5-page website (depending on the package you purchase), email service, spam control, 5-10 GB of Web space (depending on package), an appointment calendar, and the new "Newletter System," which automatically sends out newsletters with weekly tax tips.

To begin the process of setting up your own domain and website, go to Drake Software's Support webpage (*Support.DrakeSoftware.com*) and from the blue menu bar, select **My Account > Website Services** to open the **Website Services** page. On the bottom line, click **Learn more**.

## Drake Software Status

The Drake Software Status webpage (**Resources > Drake Software Status**) allows you to see the real-time operational status of Drake Software's e-file servers and the status of IRS, state, and bank ACK processing, and the status of all of Drake Tax's customer support and online services, including Support call center and website, e-file, email, acknowledgments, bank processes, Online EF Database, GruntWorx, SecureFilePro, Drake Zero, Drake Hosted, Online Filing, and credit card processing.

## Federal/State Facts

The **Federal/State Facts** pages (**Resources > Federal/State Facts**) have lists of forms eligible for e-file, and current and prior-year state information on e-file, state tax forms, state payments and deposits, state due dates, penalties, and extensions (Figure 10-6 on page 387). You can also access state shipment letters and update notes. As EF packages are approved, that information is added to the state pages. The pages also include e-file requirements, reciprocal agreements among states, links to the Drake Forum (see "Drake Forums" on page 389) and state taxing authority websites.



**Figure 10-6:** Selections (item # 1) on the **IL** page; link to the state taxing authority (#2)

## Download Center

The Download Center, available from **Resources > Download Center**, displays the programs available for download from the Drake Software website. Click an item and follow directions to download it.

# SecureFilePro

SecureFilePro™ provides secure client file exchange portals for your practice, so you and your clients can exchange confidential tax documents securely and conveniently. Send and receive client documents on your own secure site anytime from anywhere. All transmissions are secure and files are encrypted at rest on the server. Clients can view and access only their own documents.

Explanations and prices are available from the Drake Software website at **Resources > SecureFilePro**, as are links to sign up for a free trial or to purchase any of the regular SecureFilePro packages. For more details on using this feature, see "SecureFile-Pro" on page 476

## Supplemental Resources

From the blue sidebar menu, select **Resources > Supplemental Resources** to purchase the *2019 Drake Tax User's Manual*, the Client Write-Up manual, or the new *Drake Accounting Manual.*

## Broadcast Center

Keep abreast of all the important tax and software information with Drake Software broadcasts (**Resources > Broadcast Center**). The broadcast email messages that Drake Software sends out during the tax season are compiled and saved in the Broadcast Center. These broadcasts are grouped by categories; chosen from the **Display** drop list.

## Conversions

To download software to convert data files from other tax programs into Drake Tax format, select **Resources > Conversions**. Choose a tax year and a brand of software. Read the instructions (available for downloading and printing) before running the conversion.

## Prior-Year State Programs

Drake Tax's prior-year tax programs (**Resources > Prior Year States**) for state programs (1998–2002) are available for download.

For 2003 through 2006, first download the state tax package from the Download Center, then install the update within Drake Tax by selecting **Tools > Install Updates**.

For tax years 2007 and after, open your tax program for the appropriate tax year and, from the **Home** window menu bar, select **Tools > Install State Programs**. Once state

programs are installed, update them using **Tools > Install Updates** (for 2007 and 2008) or **Tools > Update Manager** (for 2009 and on).

## Drake Forums

The online Drake Forums allow you to interact with other Drake Tax clients. To access Drake Forums from the Drake Software Support site, select **Resources > Forums** or from the sidebar menu on any of the state pages of the **Federal/State Facts** page.

First-time users must register before participating, read the text on the **Forums** page regarding registration requirements, and then click **Register**. Follow the instructions provided on your screen.

Once registered, log in to the **Forums** page and click **FAQ** for further instructions. Click **User CP** to set up a user profile.

NOTE     The Drake Forums are strictly voluntary and should not be used as a substitute for obtaining help from Drake Software Support.

## Release Notes

Program release notes from prior years are available on the Drake Support site. Select a year and update category to view the list of releases and release dates. Click a note link to view the release note.

## Blank Forms

Several blank banking and checking forms are available through Drake Support, including state-specific bank disclosures, lost check affidavits, check registers, and voided check lists. Select **Resources > Blank Forms** to access these forms.

## Partner Programs

From the sidebar menu, click **Partner Programs** to access information on Drake Software's partner companies that provide solutions for banking, direct deposit of payroll, paying taxes by credit card, tax research, office supplies and checks, audit assistance, and the Business Planning Group.

# Program Support Within Drake Tax

Several support resources are available from within the Drake Tax program itself: Frequently Asked Questions, searchable help, and data entry help.

## Frequently Asked Questions (FAQs)

An **FAQ** screen is included with each tax package in Drake Tax, accessible from any tab on the **Data Entry Menu** or by typing FAQ into the selector field and pressing ENTER. **FAQ** content varies by state and package.

## Help Resources

Drake Tax offers many ways for you to get the help you need. When you click the **Support** button from the **Home** window, you are given the following options:

- **Drake Software Knowledge Base**, an online reference source containing answers to common tax and program questions. (See "Knowledge Base" on page 376 for more information)
- **Drake Software Program Help**, a "Drake encyclopedia," arranged in "books." The Program Help includes a Search feature and a searchable index. Program Help answers many of the most commonly asked questions about the tax program. (See "Program Help," below, for more information)
- **Drake Software Support Website**, a website with links to all of our online help resources, including the Knowledge Base, Drake ETC and many other helpful Web pages. (See "Online Support" on page 376 and "Other Resources at Drake Software Support" on page 386 for more information.)
- **Remote Assistance**, used by Drake Software personal in certain support situations.
- **Video Tutorials**, a compendium of more than 200 how-to videos Drake Tax has released on how to use Drake Tax and related programs.
- **Chat Support**, an easy method of having an online discussion with a member of Drake Software's Support staff.
- **Manual and Online Resources**, a link to Drake Tax manuals, practice returns, IRS pubs, and Drake Software shipment letters, all in PDF format, readable online or available for download.

## Program Help

All Drake Tax windows (except the data entry screens) have a clickable **Help** button (figure at left) for accessing the Drake Tax Program Help System.

*New for 2019*: If your computer or network is connected to the Internet when you click the **Help** icon, you will see a new-look online Program Help, with new features to assist in finding the information you need as quickly as possible.
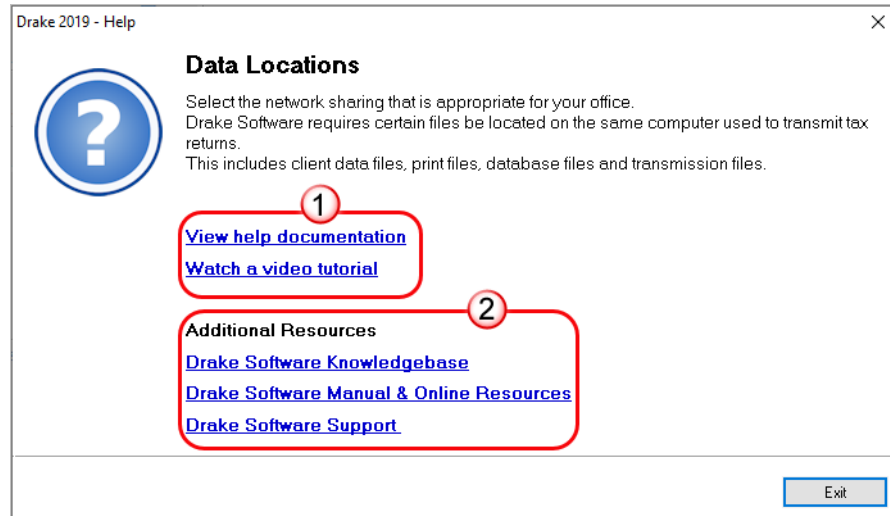
**Figure 10-7:** "Links page" in Program Help

When you access the online Program Help System, you first see a "links page" (Figure 10-7), containing links not only to the help you are looking for, but with the **Additional Resources** links, also to such helpful resources as the Drake Software KB, the *2019 Drake Tax User's Manual,* and the Drake Software Support website.

Click **View** help documentation and the Program Help is opened for the window you are in. For example, if you are in Data Locations setup (**Setup > Data Locations**), as is the case in Figure 10-7, and click **Help** and then **View help documentation**, you are shown directions for setting up your data locations. (On some links pages, there are also links to Drake Software-produced video tutorials.)

If you go the **Additional Resources** section and click **Drake Software Knowledgebase**, the Drake Software KB is opened with a search for your topic already run and all relevant articles on view for you to choose from.

NEW FOR
2019

Internet access is required to use the online Program Help; computers without an Internet connection will still have access to the reliable off-line Program Help you're familiar with from past versions of Drake Tax. While the following information refers to the online version, the older off-line version operates the same.

**Program Help Window**

As has been the case in the past, the Drake Software Program Help system is arranged in a series of "books" in a **Contents** list on the left of the window. Click the small arrows to open a "book" and reveal topics inside each "book."

**Contents**
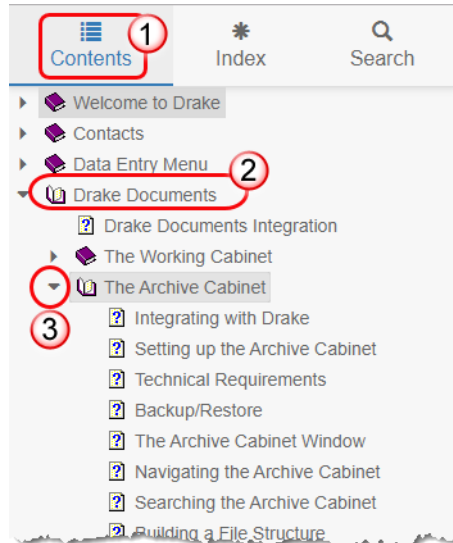


The Program Help window is opened to the **Contents** option (item #1 in the figure at left). In this example, the user clicked the "Drake Documents" book (item #2) in order to find information on the Archive Cabinet. The user clicked the "down" arrow (#3) beside **Archive Cabinet** to reveal the list of articles in the Archive Cabinet book.

Links to these same articles also appear in the large information pane in the center of the window.

**Index**    Click **Index** to see an alphabetized list of all subjects in the Program Help. Click a link in the list to open the help text for a specific subject. The article is viewed in the large information pane in the center of the window.

**Search**    The **Search** tab allows you to search the Program Help topics by keyword or phrase. Enter a search term of at least three characters and press ENTER or click the magnifying glass icon (blue arrow in figure at right). Articles in which the searched-for term appears are listed, with the numbers of references in parentheses. Simply click an article to view it in the information pane in the center of the window. In the example at right, the user entered the term "Archive" and articles were returned for the "Archive Manager" and the "Archive Cabinet."
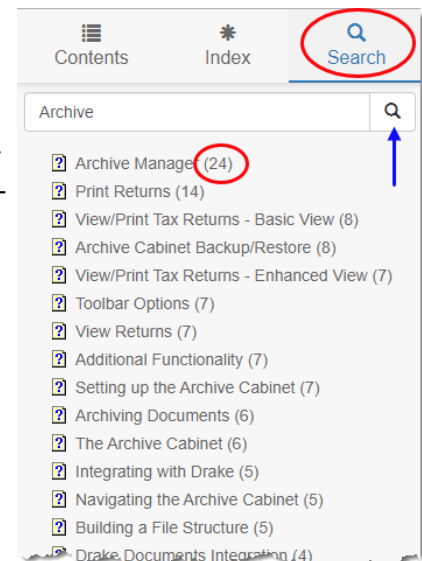


**Favorites**    The off-line Program Help for computers and networks not linked to the Internet is the same Program Help Drake Tax users have been using for years, and even though the windows and lists look different, the off-line Program Help works the same as what is described above. In addition, the off-line Program Help includes a **Favorite** tab that allows you to save articles you've found. Open an article from the **Search** list, then click the **Favorites** tab. At the bottom of the column, click **Add**.

## Data Entry Help

As always, Drake Tax offers its screen-level and field-level helps to explain the uses for certain screens, what data is expected in which fields, and how to find more information through links and IRS references. There are even more instructional video clips throughout the program this year, covering a wider number of topics. Through the **Research** function, you can set up a Web-based search for answers to your tax questions, and you can also access the Drake Software Knowledge Base from anywhere in data entry.

**Field Help**

Field help provides information about a selected field. There are three ways to access field help:

- Click inside a field and press F1
- Click inside a field and press SHIFT+?
- Right-click inside a field and select **Help > Help for this Field** from the right-click menu

The help for the selected field is displayed as shown in the following example.

Each help window indicates whether the field is a direct entry,



adjustment, or override field.To close a help window, click the **X** in the upper-right corner or press ESC.
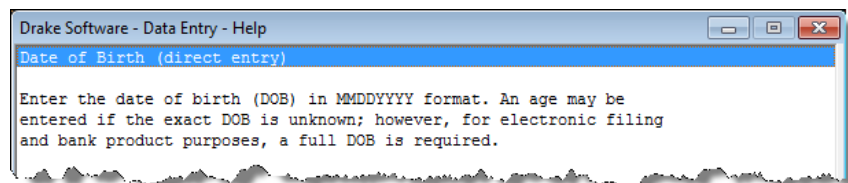
**Screen Help**

Screen help provides information about an open screen in data entry. There are several ways to access screen help. From the data entry screen:

- Select **Help** from the **Data Entry Menu** toolbar
- Right-click the screen, then select **Screen Help** from the right-click menu
- Press CTRL+ALT+? from your keyboard

In most cases, a window similar to the field help window displays the screen help. Some screen helps include links to form instructions and other related documents.

NOTE     Not all data entry screens in Drake Tax include screen helps.

## Enhanced Help Resources

Other help options are available when you click the **Help** button on the **Home** window toolbar or right-click any data entry field within a Drake Tax screen, options such as links to Program Help, Navigation Help, Drake Software's Support website, the Drake Software Knowledge Base, and the Drake Software e-Training Center website.

Click the **Help** but-
ton from the **Data
Entry Menu** tool-
bar for list of help
options. The user has
selected, in the
example to the right,
the **Drake Software
Knowledge Base** to
find links to the
**Knowledge Base
Home** window and
eight often-viewed
articles on program functionality.
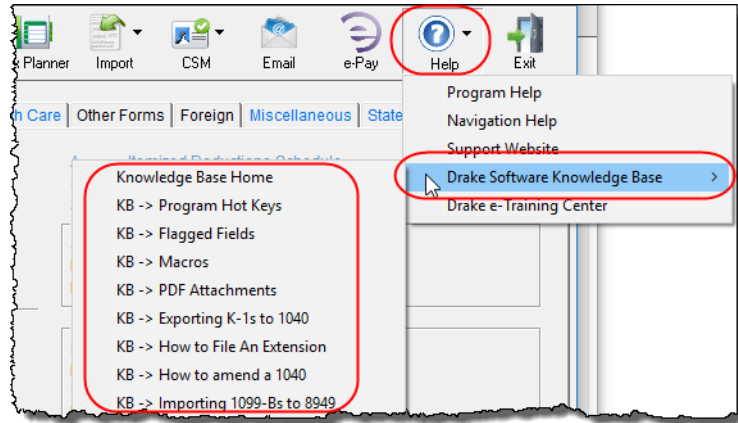
- **Program Help** — Opens the Drake Help Program.
- **Navigation Help** — Offers a short explanation of how to navigate in Drake Tax
  and includes a link to a list of keyboard shortcuts that help make data entry easier
  and faster.
- **Support Website** — Links to the Drake Software Support site. (You need your
  user name and password to log in.)
- **Drake Software Knowledge Base** — Links to Drake Software's Knowledge
  Base, including a list of the eight popular articles on program functionality.
- **Drake e-Training Center** — Links to the DrakeETC website. (You need your
  user name and password and your ETC user name and password to log in.)
- **Help for this Field** — (from the right-click menu from within a data-entry field)
  Opens the field help for the clicked-in field.
- **Screen Help** — (from the right-click menu from within a data-entry field) Opens
  the screen help for this screen.

### Video Clips
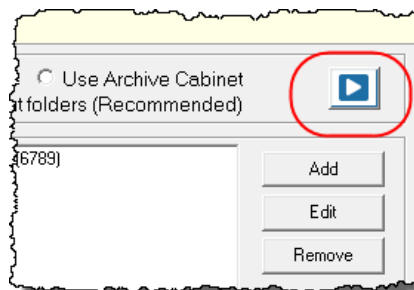
More than 200 short, instructional video tutori-
als are accessible throughout the program to
give you quick sources for learning about the
Drake Tax program and the various peripheral
programs.Video tutorials are added or updated
throughout the year to reflect tax industry
changes and filing deadlines.To view the tuto-
rial on how a particular window or tool func-
tions, look for one of the blue **Start** arrows
(circled in figure left).

In data entry, click one of the blue links (red circle in figure below). Most of these
data-entry tutorial links are located at the top of data entry screens, but some are
located in the section of the screen specific to that video.

Other video links can be found in certain help menus, such as many right-click menus, and from the **Drake Documents** menu bar (figure below):
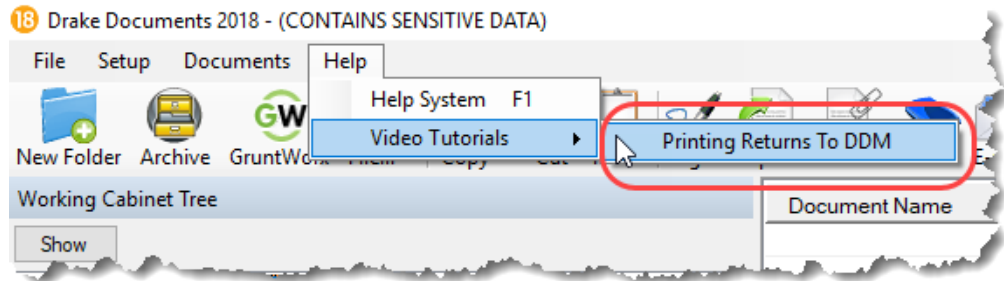


TIP   To find all the videos in one convenient place, from the toolbar of the **Home** window of Drake Tax, click the **Support** icon and select **Drake Software Video Tutorials**.

**Tax Research**   Drake Tax's research tool provides a way of searching the Internet for answers to any tax question. This site search scans three default websites—*irs.gov, DrakeSoftware.com*, and *TaxingSubjects.com*—for answers and allows you to add any site you wish to search. You add other sites of your choice.
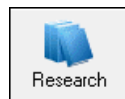


To begin a search for tax information, first click the **Research** button (figure left) on the toolbar of the Drake Tax **Home** window.

**1.** In the **Custom Web Search** window, enter a keyword (item #1 in Figure 10-8 on page 396).

**2.** Select sites from the **Sites to Search** fields (item #2 in Figure 10-8 on page 396).

**3.** (optional) Add any sites you want to search and click **Save** (item #3 in Figure 10-8).

**4.** Click **Search** (item #4 in Figure 10-8 on page 396).
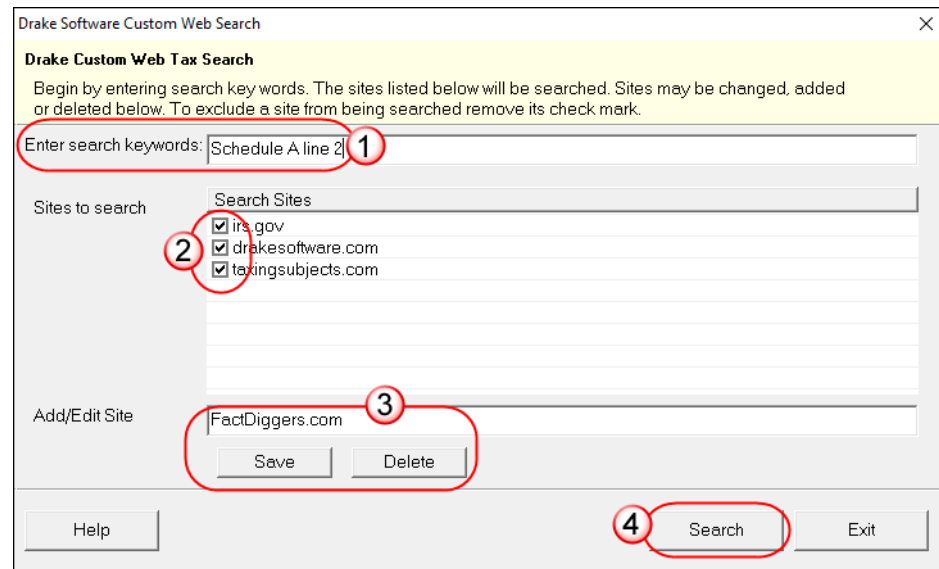
**Figure 10-8:** Steps for building a search through the Research tool.

Any websites listed and selected with a check mark in the **Search Sites** fields are searched and the results are displayed in a browser window. Clear the check mark from any site you don't want searched. To delete a site from the list, double-click the site and click **Delete**.

Internet access is required for using the Research tool.

# Interactive Support

Drake provides interactive support via email, phone, and fax.

# Email Through Drake Tax

You can use the email provider of your choice, including any of the free email providers, such as *Gmail.com* and *Outlook.com*. You can also use Drake Tax's email program to send questions or files to Drake Software Support.

To access Drake Tax email, open the tax program, and from the menu bar of the **Home** window, select **Help > Email**. To access Drake Tax email from data entry, click the **Email** icon from the **Data Entry Menu** toolbar. There is also an **Email** button on the View/Print mode toolbar and on the Drake Documents toolbar to facilitate sending PDF copies of the return to your clients.

NOTE      Find Drake Software Support email addresses by clicking the **To** button on the **Email - Compose Message** toolbar. Email addresses for Drake Software Support are also listed in "Contacting Drake Support" on page 12 of the Quick Reference chapter of this manual.

**Email Setup**      To add and set up your email accounts, begin by setting up your Administration Options in Drake Tax. From the menu bar of the **Home** window, go to **Help > Email**

to open the **Email** window. From the menu bar of the **Email** window, select **Setup >
ADMIN Options** to open the **Email - ADMIN Options** dialog box (seen below).

NOTE         Every preparer in your office can have his or her own email account but
             must complete a separate setup.

At the top of the **ADMIN Options** dialog box, three options are available:

- **Allow each Preparer to Use the 'Office" Email Account**
- **Force Each Preparer to Use the 'Office' Email Account**
- **Only Allow Preparers to Send Mes-
  sages/Files to Drake Software**

If none of these options is selected, preparers
in your office can set up and use any email
program they choose through the Drake Tax
program. If, however, you choose to set up an
"Office" account, select one of the first two
options, then click **Setup Office Email
Account** to set up the email program every-
one will use.

The third option—**Only Allow Preparers to
Send Messages/Files to Drake Software**—
would allow office personnel to contact Drake Software Support but not to email cli-
ents.

**Individual
Accounts**         To set up individual email accounts, from the menu bar, select **Help > Email**. From
                   the menu bar of the **Email** window, select **Setup > Accounts** to open the **Accounts
                   Settings** window. To add a new account, click **Add Account** at the bottom of the win-
                   dow to open the **Email - Add Account - Account Type** list of email providers:

1. Select an email provider from the list and click **OK** (or double-click the provider's
   name) to open the **Email - Add Account** dialog box.
2. In the **Account Information** section, type a name for the account in the **Name/
   Description** field.
3. In the **User Information** section, type the name you want your email recipients to
   see when they receive your email and then type an email address (for instance,
   MaxsTaxes@*EMAIL.PROVIDER*.com).
4. If you made a selection from the **Add Account Type** list, the **Server Information**
   section should be complete; otherwise, type the name of the **Incoming** and **Out-
   going Mail Server**. Click **More Settings** and change the program **POP Account**
   default settings as needed. (See NOTES, following.)
5. In the **Login Information** section, enter the username and password you selected
   when you set up the account with the email provider.

IMPORTANT     This password is not in the Drake Software system and there is
              no way Drake Support can retrieve it. Keep a reminder of this
              password in a secure location.

**6.** Click **Save**.

**7.** Click **Test Settings** to make sure your setup is correct and an Internet connection is made. If the test is successful, click **OK** and then **Save**.

**8.** In the **Email - Account Settings** dialog box, select an account to be the active account and click **Set Active Account**. This account name will appear at the top of the **Email** window.

**9.** Click **OK**.

NOTES

If the **Server Information** section of the **Add Account** dialog box was not automatically completed for the provider you selected, you must enter your email account information yourself, including the server settings, Post Office Protocol (POP) and Internet Message Access Protocol (IMAP) connection data. Contact your email provider for this information.

POP and IMAP settings for many email programs can be found through Google. (In Google, type "What are the POP and IMAP settings for..." and enter the email program you want to use. Press ENTER.

## Two-Step Authentication for Email Account

If you heeded the IRS's recommendation to secure your email account with a two-step authenticator, you will have to take a few more steps to make your make your Drake email account available for use.

View article 15719 in the Drake Software Knowledge Base to see the process for synchronizing your Drake Tax email setup with the two-step authenticator.

To reach the Drake KB, from the **Home** window of Drake Tax, select **Support > Drake Software Knowledge Base**. You can also log in to *Support.DrakeSoftware.com* and from the blue sidebar menu, go to **Resources > Knowledge Bases**. Use the KB's **Search** or **Browse** tools to find article 15719.

**Checking Email**

Once you have selected **Help > Email** from the **Home** window, click **Check Mail** to check your Drake Tax email. (You can also select **File > Check Mail** from the menu bar, or press CTRL+M.)

## Sending Email to Drake Software Support

You might find it is sometimes necessary to send a client's files to Drake Software's customer support department for help with a data-entry problem. Behind the scenes, we use a secure file-transfer program in order to meet IRS security compliance for these transmitted files

NOTE

You will be able to send client files to Drake Software even if you do not have email accounts configured in Drake19.

**Attaching Files**    When contacting Drake Software Support with an issue, you might be asked to send, via email, a client's data file (a return), a file stored in your Drake Documents file, Drake Tax program file, or another kind of file. Entire folders cannot be attached.

**From Data Entry**    To send a client data file directly from data entry:

**1.** In Drake Tax, open the return you want to transmit.

**2.** From the **Data Entry Menu** toolbar, click **Email**. The **Compose Message** window shows the client's data file attached to the message (circled in Figure 10-9).
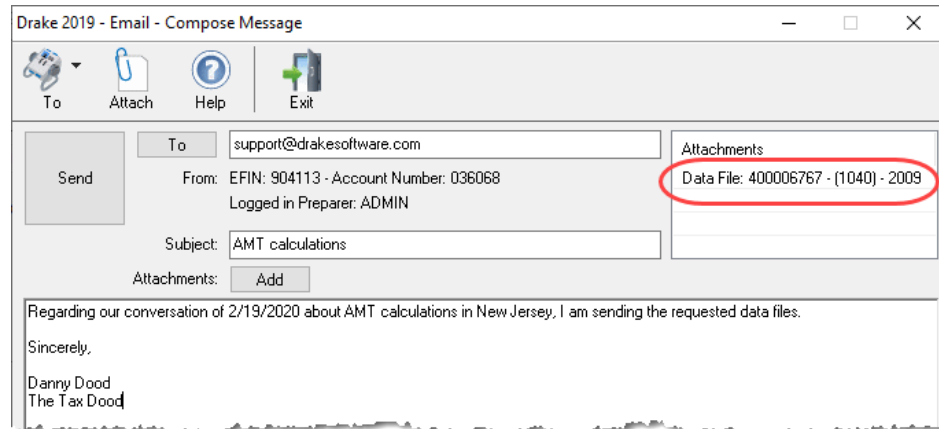


**Figure 10-9: Email - Compose Message** window with data file attached

**3.** Complete the **To** and **Subject** fields (required), and compose your message.

**4.** Click **Send**. The email with the client data file attachment is sent to the recipient.

NOTE    You can add other attachments to the email using the **Add** button (or the **Attach** icon) in the **Compose Message** window. For more information, see "From the Home Window," following.

**From the Home Window**    To email a client data file from the **Home** window:

**1.** From the menu bar, select **Help > Email**. The **Email** window is displayed.

**2.** Click **New** to open a blank **Compose Message** window.

**3.** Click **Add** (or the **Attach** icon) to open the **Email – Attachments** dialog box (see Figure 7 on page 401).

**4.** In the **SSN/EIN search** text box of the **Client Data Files** section, enter the SSN or EIN of the file (item #1 in figure at right) and click **Attach** (or press ENTER) to attach a current-year data file (top item in the **Attachments** pane.
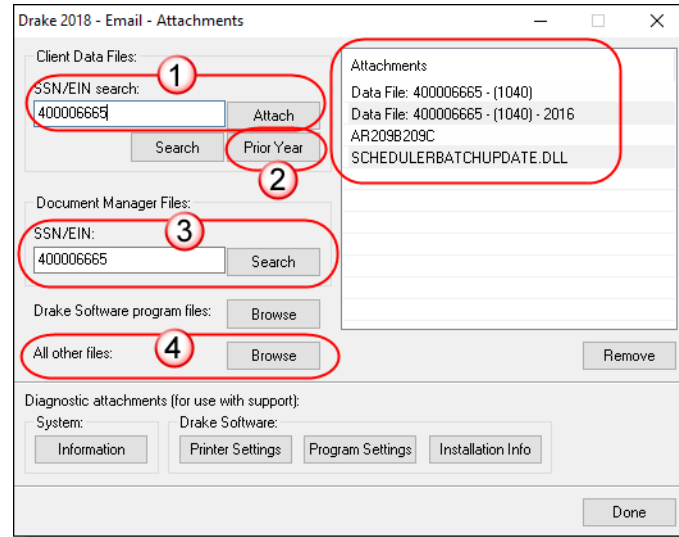
**Figure 10-10:** Attaching file to email in Drake Tax

**5.** (Optional) Attach prior-year files (item #2 in Figure 10-10), Drake Documents files (item #3), or types of files (item #4).
See "Attaching Prior-Year Returns," following, and "Attaching Other Types of Files" on page 401.

**6.** Click **Done**. You are returned to the **Compose Message** window with the file attached. (See Figure 10-9 on page 399).

**7.** Complete the **To** and **Subject** fields and compose your message.

**8.** Click **Send**. The message and attachment are sent to the recipient.

NOTE    Enter a partial SSN or EIN in the **SSN/EIN search** text box and click **Search** (or press ENTER) to view a list of returns beginning with those numbers. Double-click a return on the list to attach it to the email.

**Attaching Prior-Year Returns**
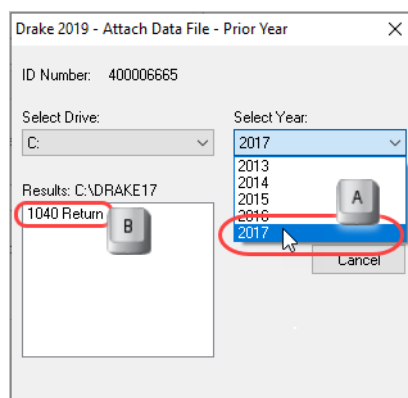


To attach returns from prior years through Drake19, follow these steps:

**1.** Click **New** to open a blank **Compose Message** window.

**2.** Click **Add** (or the **Attach** icon) to open the **Email – Attachments** dialog box.

**3.** In the **SSN/EIN search** text box of the **Client Data Files** section (item #1 in Figure 10-10), enter the SSN or EIN of the file to send.

**4.** Click **Prior Year** to open the **Prior Year** dialog box (item #2 in Figure 10-10).

**5.** From the **Select Drive** drop list (figure above), select the drive where your prior-year Drake Tax files are kept.

**6.** Choose a tax year from the **Select Year** drop list (item #5 in figure above).

**7.** Click a return (item 6 in figure on previous page) and click **Attach**. The prior-year return appears in the **Attachments** pane to the right side of the **Email - Attachments** dialog box. (See Figure 10-10 on page 400.)

**Attaching Other Types of Files**

Other file types can be attached to an email message from the **Attachments** dialog box in the Drake Tax email program. (See items #3 and #4 in figure at top of last page.)

- To attach Drake Documents files, enter an SSN or EIN in the **Document Manager Files** fields of the **Email – Attachments** dialog box. Click **Search** to open the **Email - Add Attachment - Document Manager** window. Select a file and click **Open**. File is shown in the **Attachments** pane of the **Email – Attachments** dialog box.

- To attach a Drake program file, click **Browse** to open the **Attach File** window showing a list of Drake Tax program folders. Double-click a folder (or select the folder and click **Open**). Choose a file and double-click it (or select it and click **Open**). The file is shown in the **Attachments** pane of the **Email – Attachments** dialog box.

- To attach a file other than the types described above, click **Browse** for **All other files**. Locate the file in the **Attach File** window, and then double-click it (or select the file and click **Open**). The file is shown in the **Attachments** pane of the **Email – Attachments** dialog box.

- Click **Done**.

**Removing an Attached File**

To remove an attached file, select it in the **Attachments** list and select **Remove** from the right-click menu.

**Diagnostic Attachments**

Use these only at the direction of Drake Software Support.

**Address Books**

You have several options for storing email addresses in an address book.

To access these options, click **New** to open the **Compose Message** window and click the **To** icon on the tool bar (figure right). Address books are shown the drop list.
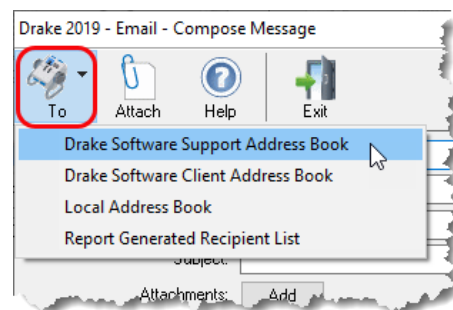
**Support Address Book**   The **Drake Software Support Address Book** displays general, federal, and state support addresses at Drake Software. To insert an address into the **To** field of your message, double-click an email address and click **OK**.

NOTE   Questions sent to Drake Support via email are generally answered with email responses.

**Client Address Book**   If a client's email address is entered on screen **1** of the return (1040 package only), it can be accessed from the Drake Software Client Address Book. To fill this address book for the first time, you'll need to repair the index files first. (From the **Home** window menu bar, select **Tools > Repair Index Files**. For more, see "Repair Index Files" on page 410.) Next, return to the email program, click **New**, click **To**, and then select **Drake Software Client Address Book**. Double-click a line to add the client's email address to the **To** field for recipients of the email message. When finished adding addresses, click **OK**.

**Local Address Book**   The Local Address Book can be filled with email addresses of your choice. (This option not available when accessing the email program from data entry.) To add an address, you must close an open return, and from the **Home** window menu bar, select **Help > Email**, then:

1. From the **Email** window toolbar, click the **Address Book** icon to open the **Edit Address Book** dialog box.
2. Click **Add** to open the **Email Address Book - Add New** dialog box.
3. Enter first name, last name, and email address. Click **Save**.
4. Click **Done.**

**Importing Addresses**   You can also import addresses from a spreadsheet into your **Local Address Book**. Your spreadsheet must have the proper headings before you can run the import.

To create a file to be imported into the email program:

1. Using a spreadsheet program (such as Microsoft Excel), create three columns: **Last Name**, **First Name**, and **Email Address** (Figure 10-11).

| | A | B | C |
|---|---|---|---|
| 1 | Last Name | First Name | Email address |
| 2 | Sample | Junior | BR549@HeeHaw.com |
| 3 | Regard | Beau | Beaux@Southern.com |
| 4 | Philben | Regis | Star@Hollywood.net |
| 5 | Dillon | Marshall | SixShooter@Gunsmoke.com |
| 6 | Chaucer | Geoffrey | Chantacleer@Cantebury.net |

**Figure 10-11:** Row headings must be **Last Name**, **First Name**, and **Email Address**.

2. Enter last names, first names, and email addresses of all clients to be imported.
3. Click **File > Save As**.

4. Choose a location to save the file. The default location is the "FT" folder in Drake19.

5. Assign a file name.

6. From the **Save as type** drop list, select **CSV (Comma delimited)**.

7. Click **Save**.

To import the file into your Local Address Book:

1. From the **Email** window, click the **Address Book** button to open the **Edit Address Book** dialog box.

2. Click **Import**.

3. From the **Import Address Book File** window, browse to the address book file and double-click it (or select it and click **Open**).

4. Click **OK**.

NOTE    To delete an address from the Local Address Book, select it and click **Delete**.

**Report-Generated Recipient List**

The **Report Generated Recipient List** option allows you to run a customized report from your client, EF, and Scheduler data to generate a list of email addresses. The keywords selected during the query are then used to create an email message. Keywords inserted into the body of the message are replaced with the client's information.

NOTE    You can access Scheduler data to send appointment reminders to groups of clients. To do so, select a **Scheduler** report in Step 4 of the following procedure.

To create a report-generated recipient list:

1. From the Drake Tax **Home** window, click **Help > Email**.

2. Click **New** to open a blank **Compose Message** window.

3. Do either of the following to open the **Report Manager** window:
   - Click **To** in the **Compose Message** window and click the **Create Report Generated Recipient List** link in top right corner of the **Address Books** window.
   - Click the arrow next to the **To** icon on the toolbar and select **Report Generated List**. The **Report Manager** window is displayed.

4. Select (or create) a report that includes only those clients who fit the criteria for the email list. (For example, to include only those clients who have filed an extension application, you would create an "Extensions" report.)

5. Click **View Report**. A message states the number of matching email addresses found. Click **OK** to close the message window.
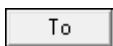
Your recipient list has been generated. When you click **Send**, the email message will go to all email addresses in the list. To view the addresses, click the **Edit** button (see Figure 10-12). To remove a name from the address list, select it and click **Remove**.

**Email Keywords**  Any keywords that were available to the report are in the **Keyword Selector** pane of the **Compose Message** window (Figure 10-12 on page 404.) Double-click a keyword to add it to the body of the email. In the example (Figure 10-12 on page 404), the preparer began the letter by typing `Dear`, and after a space, double-clicking **TAXPAYER NAME** from the **Keyword Selector** list.
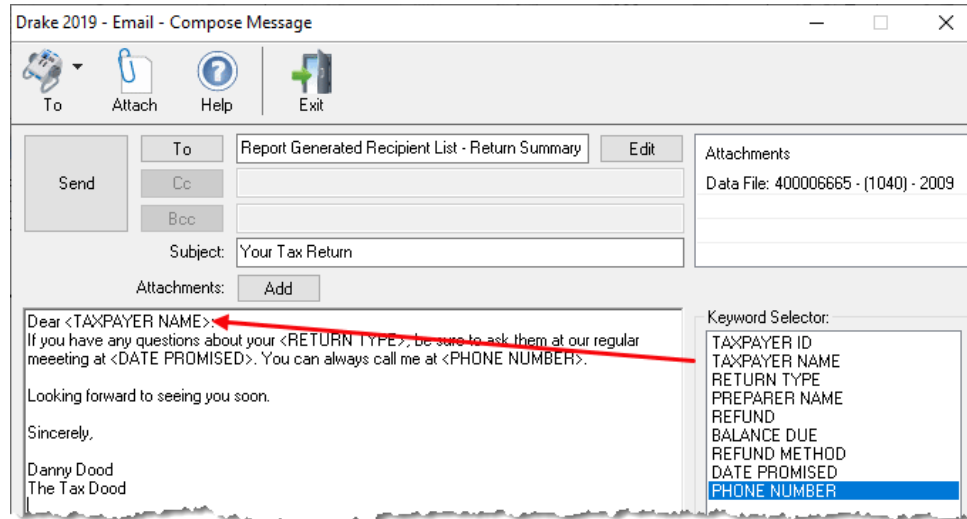


**Figure 10-12:** Selecting from available keywords for email message

Click your pointer anywhere within the body of the email before double-clicking the keyword to have the keyword entered in that location. Once keywords are added, edit the email message, add a subject line, and add any attachments before clicking **Send**. The message is sent to all selected recipients.

NOTES

- If your wish to add keywords to your letter that do not appear in your **Keyword Selector** list, return to Step 4 on page 403, click **Edit Report**, and select (double-click) keywords from the **Available columns** list. These additional keywords will be available to your letter.
- Recipients will be unable to see other addresses in the recipient list; they will be unaware that others are receiving the same email.
- To delete the recipient list, click **Cancel Query** at the bottom of the **Compose Message** dialog box.
- If you close the completed message before sending it, you will be prompted to save it in the **Drafts** folder. If you click **Yes**, the email message is saved, along with the generated report list and keywords.

## Phone

Work one-on-one with a Drake Software customer service representative (CSR) to resolve program issues. CSRs are trained year-round on Drake Software topics such as connections, conversions, networking, and other customer-service needs. To reach any department, call (828) 524-8020 or fax (828) 349-5718. For additional phone numbers and contact information, see "Drake Accounting Department" on page 12 of the Quick Reference chapter.

## Fax

Get answers to your tax program questions using the fax cover letter provided on the following page. Drake Software Support replies to faxes with faxes, not phone calls.

# Fax Cover Letter for Support

Name: _____       Company name:_____

Account number:_____

Phone number:_____       Fax number:_____

To (department or individual):_____

Computer Operating System (select one):      ❑ Windows Vista  ❑ Windows NT  ❑ Windows XP

❑ Windows 7  ❑ Windows 8  ❑ Windows 10

Are you working on a network?                ❑ Yes            ❑ No

If this fax is concerning a prior-year
Drake Tax program, what year?                Program Year: ____

**Give us a brief description of the situation**:

# 11 Tools

*THIS CHAPTER COVERS THE VARIOUS TOOLS
AVAILABLE ON THE TOOLS MENU OF THE DRAKE
TAX PROGRAM AND ONLINE AT
DRAKESUPPORT.COM.*

## Update Manager

Downloading regular updates is critical to ensure that your tax program is performing efficiently. The Update Manager obtain and installs files automatically. Updates include modifications to both the federal and state packages to reflect the most recent changes in the tax law.

NOTES

- You must download and install your updates before you can open and use Drake Tax. Rather than having to sit through the update process every morning when you log on to Drake Tax, you can set the Update Manager to automatically pick up your updates at a time of your choosing – such as when you are out of the office, even in the middle of the night. See "Scheduled Updates," following.
- The computer designated to receive updates must be left on, and an authorized user must remain logged in, for updates to be automatically downloaded and installed.
- Program updates include updates to the Drake Documents' "Working Cabinet," but not to the "Archive Cabinet." (For details on backing up and restoring the Archive Cabinet, see "Backing Up and Restoring the Archive Cabinet" on page 461).

## Scheduled Updates

The Update Manager can be set to obtain and install files automatically at a set time. To schedule your updates:

**1.** From the **Home** window toolbar, select **Tools > Update Manager**. The **Drake Update Manager** dialog box is displayed.

**2.** Choose the **Schedule software updates** option. From the alert window that is opened, click **OK**.

**3.** Choose a time from the option box:
- Click one of the numbers (hours, minutes, seconds, and **AM** or **PM**) and type in (or use the arrows) to set the time to accept new updates when they are transmitted by Drake Software.

**4.** Click **Exit**.

IMPORTANT    *Remember:* The computer designated to receive updates must be left on, and an authorized user must remain logged in, to receive scheduled updates.

**Download Updates Manually**    If you want to download and install updates when you logging in to the tax program:

1. From the **Home** window toolbar, select **Tools > Update Manager**. The **Update Manager** dialog box is displayed.
2. Make sure the **Schedule software updates** option check box is cleared.
3. From the alert window that is opened, click **OK**.
4. Click **Exit**.

IMPORTANT    *Remember*: If you decide on manual updates in Drake19, you will not able to use the tax program until the latest updates have been downloaded and installed.

To download and install updates as they come in, from the **Updates** section in the lower left of the Drake Tax **Home** window, click **Install Updates**.

**View Release Notes**    When updates are installed, the program creates an installation log of the updates. This log is displayed in the **Drake Update Manager** dialog box in tabbed format, by file name, release date, and number of the update. The tabs divide updates into categories, one for each package (1040, 1120, 1065, etc.), one for individual state updates, one for program updates, for updates shared across two or more federal packages, one for updates shared across two or more state packages, and one form updates to Drake tools.

Click column headers to sort data in ascending or descending order. To view a release note, double-click the desired row in the **Drake Update Manager** dialog box. Notes are displayed in the Report Viewer, where you can print or export the notes as desired. (For more information on the Report Viewer, see "Report Viewer" on page 443.)

**Notification of Updates**    You will see, in the **Updates** section of the **Home** window, a notification that program updates are available and ready for download—even if the automatic update feature is activated. This notification appears if all of the following conditions are met:

- The program detects that the machine is connected to the Internet.
- You have security rights to install updates. (See "Setting Up Security" on page 47.)
- You have permission to see the message regarding the updates ready for download. (You must be an administrator or have the **Display program update availability** drop box at **Setup > Options > Administrative Options** tab set to **All w/ Update Rights**. See Table 2-12 on page 59 for more information.)
- Your system needs the updates.
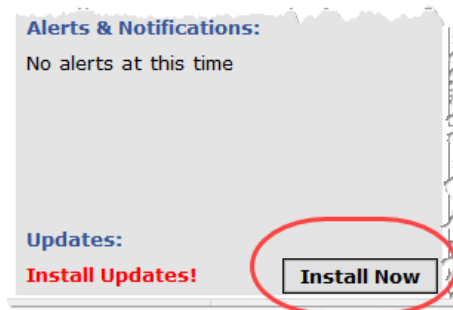
If no updates are needed, an "Up to Date" message is displayed in the **Updates** section of the **Home** window; otherwise, you are instructed to install needed updates (figure at left).

# Download Fonts

Special software-based fonts, or *soft fonts*, are required for printing tax forms. Because many laser printers do not come with these fonts installed, you might have to download them to the printer's memory each time the printer is turned on. Drake Tax includes downloadable software fonts that work with HP–compatible laser printers and allow preparers to produce federal and state tax forms. By default, fonts are downloaded with each print job. If the printer is turned off, however, the fonts must be downloaded manually whenever the printer is turned back on.

To manually download fonts:

1. From the **Home** window menu bar, go to **Tools > Install Fonts**.
2. Click **Download PCL** fonts to open the **Download PCL Soft Fonts** dialog box.
3. Choose a printer from the **Printer** drop list.
4. Click **Download**. As downloading proceeds, the font download status is shown.
5. Click **Exit** when the download is complete.

NOTES

When choosing a printer from the **Printer** drop list, be sure to select the printer that needs the fonts.

To set up options for downloading fonts, go to **Setup > Printing > Printer Setup**. Under the **(F7) Options** tab, select an option from the **PCL 5/5e Soft Font Option** drop list.

**Install Windows Fonts**

If your bill or letters are not printing properly, you may be missing or have a corrupted OCRA10 True Type Font (TTF). You can install or update these fonts as follows:

1. From the **Home** window menu bar, go to **Tools > Install Fonts**.
2. Click **Install Windows Fonts**. You may be prompted to authorization for the install. When the update is complete, the message window is closed and you are returned to the **Install Fonts** window.
3. Click **Exit**.

# Blank Forms

All forms and worksheets supported by the program are available as blank forms in **Tools > Blank Forms**. If a state prohibits printing blank state forms, contact the state revenue office to obtain them.

To view or print a blank form in Drake Tax:

**1.** From the **Home** window, go to **Tools > Blank Forms**. The **Blank Forms** window (Figure 11-1 on page 410) displays form categories, names, and descriptions for each package.
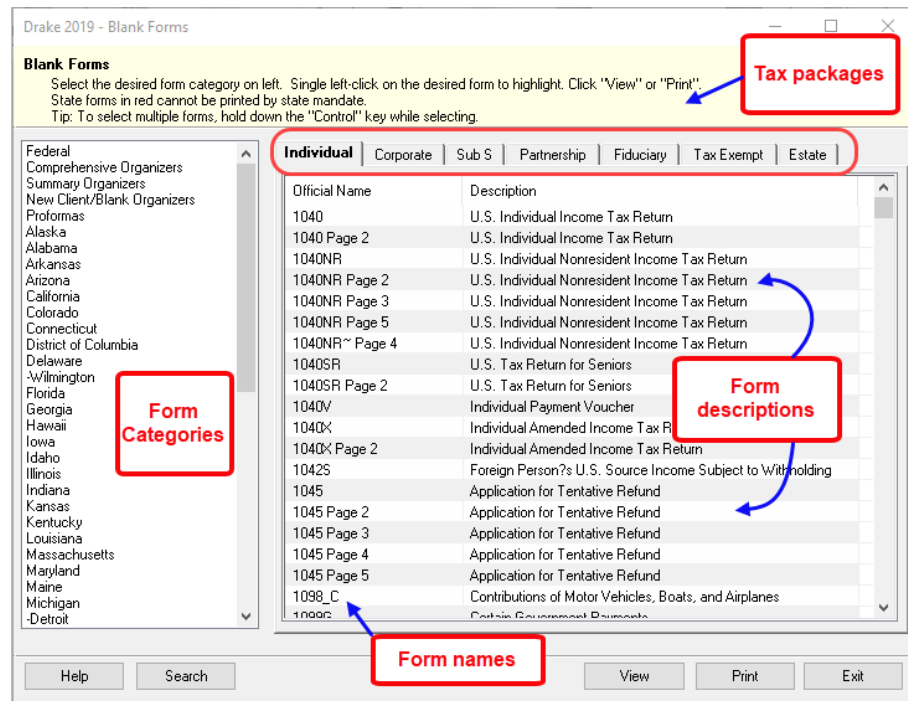


**Figure 11-1: Blank Forms** window

*Click a column header to sort forms in ascending or descending order.*

**2.** Pick a form category (default is **Federal**) and tax package (default is **Individual**.)

**3.** Scroll through the form list to locate a form.

**4.** Select a form and click **View** or **Print.**

NOTE IRS Rev Proc 96-48 requires the Paperwork Reduction Act Notice to be distributed with federal forms. When providing a blank copy of a federal form, you must include a copy of the notice. Access it from **Tools > Blank Forms > Federal**. Under **Individual**, scroll to **PAPERWRK.PG** or click **Search**, type `Paper`, and click **Search**.

# Repair Index Files

An index file is a comprehensive list of data on the client files in Drake. Keep index files current by repairing them regularly as part of your general file maintenance routine. Table 11-1 on page 411 lists specific instances that could require repair of index files.

**Table 11-1:** Situations that Might Require Repairing of Index Files

| Situation | What To Repair |
|---|---|
| Files were restored using **Tools > File Maintenance > Restore**. | Name Index |
| A client record was deleted through **Tools > File Maintenance > Delete Client Files**. | Name Index |
| The **EF > Search EF Database** function does not seem to work properly. | EF Index |
| Records were added to the EIN database. | EIN Index |
| The Client Status Manager (CSM) index was updated. | CSM Index |

To repair index files:

*Shortcut: Press* CTRL+R *to open the* **Repair Index Files** *window.*

**1.** From the **Home** window, go to **Tools > Repair Index Files**.

**2.** Select the index files to repair. To repair all types of index files, click **Repair all indexes**.

**3.** Click **Continue**.

**4.** If you selected **Repair all indexes** or **Name index** in Step 2, a **Name Index Additional Options** window is opened. Clear the check boxes if you do not wish to include prior-year names or the test and sample returns in the name index repair.

**5.** Click **OK**.

**6.** When the file repair is completed, click **Exit** to return to the **Home** window.

# File Maintenance

The File Maintenance menu provides access to the following functions:

- Backing up and restoring files (including copying data and configuration files to other computers or for use as backups)
- Importing, exporting, changing, deleting, unlocking, and password-protecting files

# Backing Up and Restoring Files

Use the **Backup** and **Restore** tools to set up automatic data backups or custom one-time backups, or to restore backed-up data. Files backed up to other locations can be used to restore lost data. If multiple machines are used for tax preparation in one office, files can be moved to other computers and uploaded to a single machine to create a master file.

NOTE
- If you wish to back up your files to an off-site location via the Internet, see "Backing Up Off-site, Online to SFP" on page 415.
- You can back up any kind of files — not just Drake Tax client files, setup and system files, and Drake Documents files, but any kind of files on your computer.

## Backing Up Data

From the menu bar of the **Home** window in Drake Tax, click **Tools > File Maintenance > Backup** to open the **Backup and Restore** dialog box (Figure 11-2 on page 412). You'll notice that both the backup tool and the restore tool are on the same window.

**Automatic Backups**

If you wish to set a time for an automatic daily backup, from the **Automatic Backup – Full** section (on the left in Figure 11-2 on page 412):
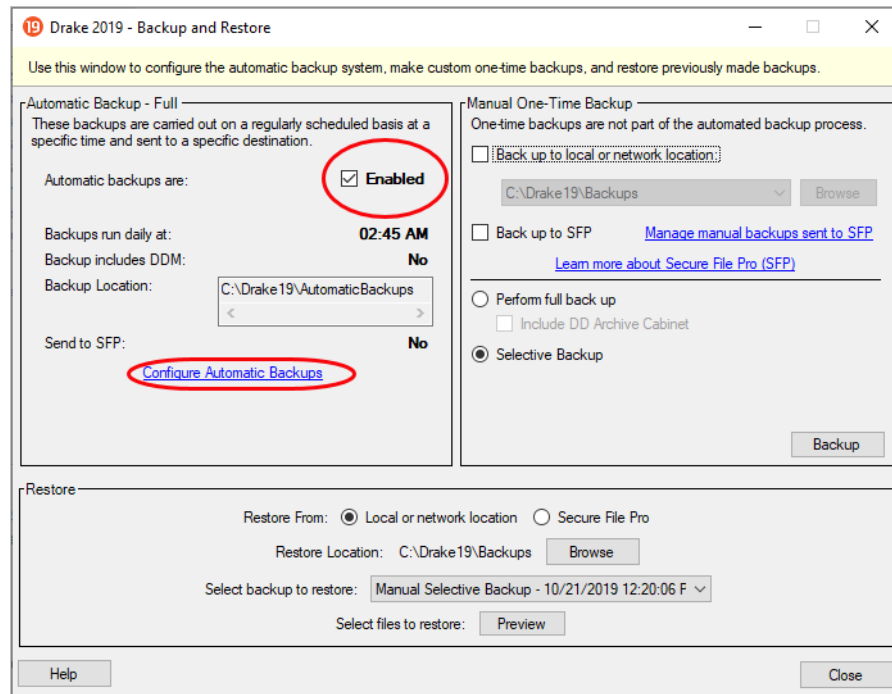


**Figure 11-2:** The **Backup and Restore** dialog box

**1.** Click the **Enabled** check box to turn on the automatic backup feature. This assures that your files are backed up daily at a set time (such as late at night, when you are not at work). Any previous settings are displayed.

2. Click **Configure Automatic Backups**. to open the **Setup Automatic Back-ups** dialog box (figure at right)

  – Select a time and location for the backup (item #1).

  – If you want to back up your files off-site via the Internet, select **Send to SFP.** (See "Backing Up Off-site, Online to SFP" on page 415 for details.) Select the number of weeks you want SFP to keep this backup. (See "Incremental Backups" on page 415.)

  – If you want to include your Drake Documents files, select **Include DD Archive Cabinet**. (Working Cabinet files are automatically backed up whenever Drake Tax is backed up.)

  – If there are non-Drake Tax files you want to add to the backup, click the top **Add** button (to the right of **Custom Files**, item #2) to include selected files in the backups, or click the second **Add** button (to the right of **Customer Folders**, item #3) to include entire folders to the backup.

3. Click **Save**.

TIP
You can back up your files to a local or network location and to Secure-FilePro at the same time by marking both **Send to SFP** and **Include DD Archive Cabinet** check boxes.

You can delete any previous SecureFilePro backups by clicking the **Delete All Automatic Backups on SFP** link.

**Disabling Automatic Backup**

To stop automatic backups, clear the **Enabled** check box on the **Backup and Restore** dialog box, or click **Configure Automatic Backups** and clear the **Enable Automatic Backup** and click **Save** on the **Setup Automatic Backups** dialog box.

**Manual Backups**

If you prefer a manual backup, you can choose to back up all your Drake Tax files—including the files in the Archive cabinet of Drake Documents—or select which files—Drake Tax files or any other kind of file—to back up. You can choose to back up to a local device, to a separate network location, or off site through SecureFilePro.

To set up your custom backups, from the **Manual One-Time Backup** section of the **Backup and Restore** dialog box (on the right side of Figure 11-2 on page 412), take the following steps:

1. Mark the **Back up to local or network location** box and, if necessary, click **Browse** to select a location (such as a server or a "flash" drive) to back your files

up to. To back up your files off site, click **Back up to SFP**. (See "Backing Up Off-site, Online to SFP" on page 415 for details.)

**2.** To back up *all* of your Drake Tax files, select **Perform full back up**. To select individual files to back up, see "Custom Backups," following.

**3.** (Optional) Select to include your Drake Documents Archive cabinet by clicking **Include DD Archive Cabinet**. (The Working cabinet is backed up automatically with Drake Tax).

> TIP  You can back up your files to a local or network location and to Secure-FilePro at the same time by marking both **Send to SFP** and **Include DD Archive Cabinet** check boxes.

**4.** Click **Backup**.

**Custom Backups**  If you prefer to choose which files to include in the backup—including any non-Drake Tax files—mark the **Backup to local or network location** check box and mark **Selective Backup**. When you click **Backup**, the program opens the **Create Selective Backup** dialog box (Figure 11-3 on page 415)

To build a custom backup:

**1.** At the top left corner of the **Create Selective Backup** dialog box, select **Custom Backup** (item #1).

**2.** At the top right corner of the dialog box, choose a backup location. (item #2). Click **Browse** if necessary

**3.** Click the buttons on the left side of the dialog box to list the files on your computer or network. (By default **All Drake Files** are listed.) The button you click determines the filter check boxes that appear at the top of the list. In the example in Figure 11-3 on page 415, the user has chosen the back up the firm's **Tax Returns** (item #3). Note the check marks in the **ID** column (item #4), denoting the returns being backed up. Those same files are listed on the right side of the dialog box in the **Summary** pane.

**4.** (Optional): The **Custom Items** button at the bottom left allows you to add non-Drake Tax files to your backup. In the **Custom Files and Folders** window, click **Add** on the **Custom Files to Include** line to include individual files, or click **Add** on the **Customer Folders to Include** line to add entire folders to the backup.

**5.** At the bottom right of the dialog box, enter a name for the backup in the **Backup Description** field.

**6.** To include Drake Documents files, mark the **Include DD Archive Cabinet** check box.

**7.** Click **Backup**.
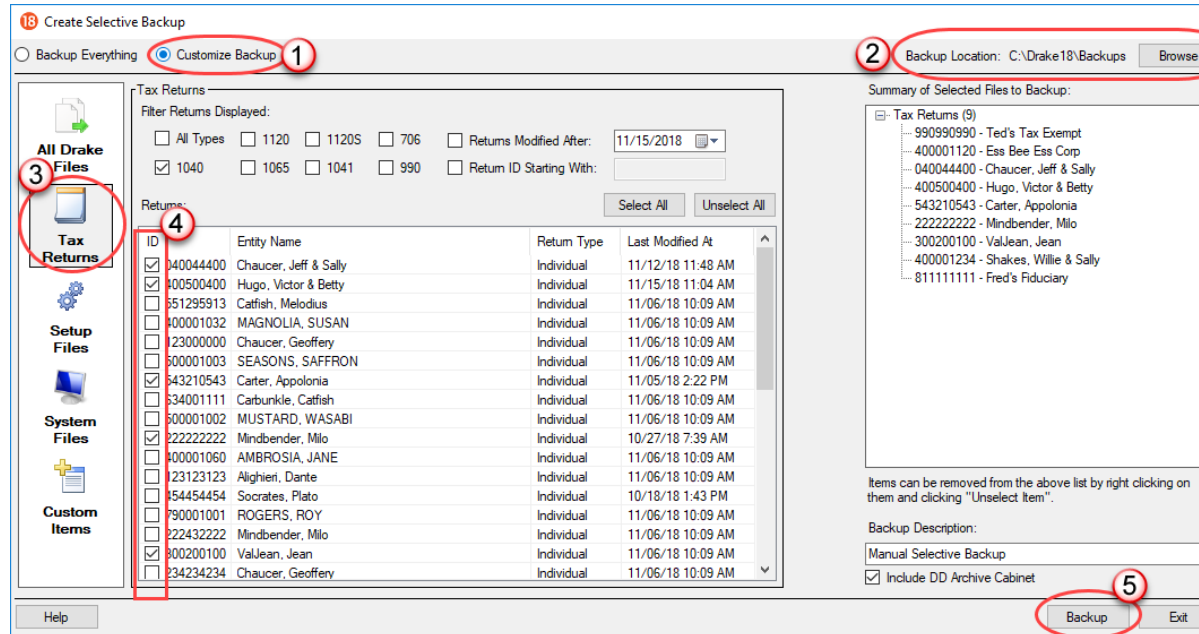
**Figure 11-3:** Choose items to back up or restore from the
**Create Selective Backup** dialog box.

## Backing Up Off-site, Online to SFP

When you mark the **Back up to SFP** box (or the **Send to SFP** box) and click **Backup**, the program opens the **SFP Login** window (figure below).



Customers who already have an SFP domain will be asked to enter their **SFP Account #**, **SFP Username**, and **SFP Password**; customers who do not have an SFP account can click the **Register for SFP** and set up an account.

To learn more about SecureFilePro, turn to "SecureFilePro" on page 476 or log in to *Support.DrakeSoftware.com* and from the blue menu bar, click **Resources > SecureFilePro**.

**Incremental Backups**

When you back up your files daily to SecureFilePro, the program doesn't back up all your selected files every day — just those files that were changed that day. After six days of these "incremental" backups, on the seventh day, the process starts again with a new "full" backup followed by six days of "incremental" backups. If no changes are made to your files, no automatic backup will be performed that day

These "incremental" backups save you time and money.

## Restoring Your Data

To restore your data from another location, drive, or from SFP:

1. From the menu bar of the **Home** window of Drake Tax, go to **Tools > File Maintenance > Restore**, to open the **Backup and Restore** dialog box.

2. At the bottom of the **Backup and Restore** dialog box, select the location to restore your files from—a local or network location or SecureFilePro. If you wish to restore your files from a local or network location, click **Browse**, find the backup you want to restore, and select it.

3. Click **Preview**. This opens the **Restore Items Form Backup** window, where you can choose to **Restore Everything** or choose **Custom Restore**.

4. For a custom restore, click the buttons on the left side of the window to find the files on your computer or network. The button you click determines the filter check boxes that appear at the top of the list. Select the items to be restored in the middle pane by placing a check mark in the box to the left side of the pane. (Note that selected files appear in the **Summary** pane to the right.) For non-Drake Tax files, click **Custom Items** from the buttons on the left.

5. When you're satisfied with your selections, click **Restore**.

## Changing a Client's ID Number

Changing a client's SSN or EIN in the program requires more than simply making the change in data entry. To change a client's SSN or EIN in the program:

1. From the **Home** window, go to **Tools > File Maintenance > Change ID Number on Return**.

2. In the **Incorrect ID Number** text box, enter the ID number that is currently in the system.

3. In the **Correct ID Number** text box, enter the new ID number.

4. Click **Continue**.

5. Click **Exit** (or click **Continue** again to change another SSN or EIN).

6. As directed in the program, repair the index files. (See "Repair Index Files" on page 410.)

CAUTION      PPR clients: If you change an SSN or EIN – even on a practice return – you will be charged for another return.

## Clearing Drake Tax Update Files

Use the **Clear BBS Files** feature in File Maintenance to delete Drake Tax update files after they have been downloaded to the computer. To delete update files:

1. From the **Home** window, select **Tools > File Maintenance > Clear BBS Files**.

2. Click **Continue**.

3. When the deletion process is complete, click **Exit**.

## Exporting Data from Drake Tax

The exporting tool allows you to transfer client data and the EF database files to either a text file or a CSV (spreadsheet format) file. You can then export that information into other programs, such as Microsoft Word, Excel, or Access.

To export data files:
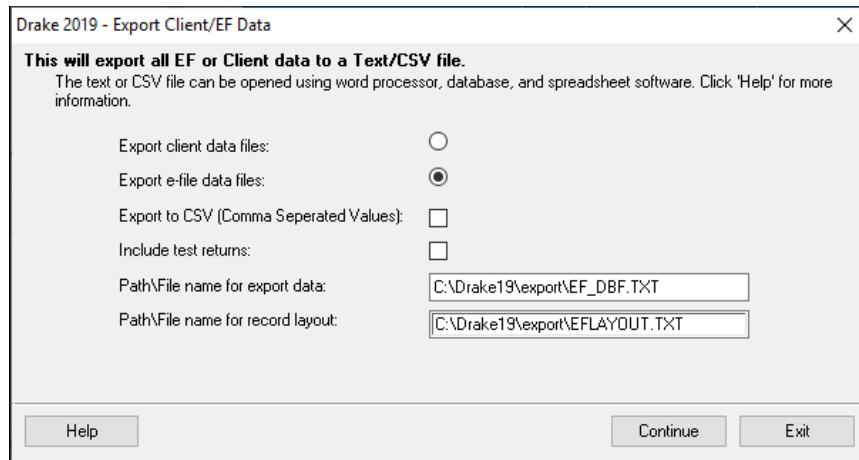


**Figure 11-4:** Exporting data to other programs

**1.** From the **Home** window menu bar, go to **Tools > File Maintenance > Export Client/EF Data**. The **Export Client/EF Data** dialog box provides several choices (Figure 11-4).

**2.** Select either to **Export client data files** or **Export e-file data files**.

- If you choose **Export client data files**, the path to the location of the exported client data files is displayed. Change the default path as needed.
- If you choose **Export e-file data files**, the path to the location of the exported *e-file* data files is displayed. Change the default path as needed.

**3.** (optional) Click **Export to CSV (Comma Separated Values)** if you want to export the data to a spreadsheet; otherwise, the data is exported at a .TXT text file.

**4.** (optional) Click **Include test returns** if you want to include Drake Tax test returns in the export.

**5.** Click **Continue**.

**6.** Click **Exit** when the export is complete.

## Password-Protecting Client Files

The **Password Protect** tool helps protect files from unauthorized access. A protected file cannot be opened in data entry until it is unlocked with a password.

To password-protect a file:

**1.** From the **Home** window menu bar, go to **Tools > File Maintenance > Password Protect Files**.

**2.** In the **Password Protect Client Data Files** dialog box (figure left), enter the SSN or EIN of the client file you wish to password-protect.

**3.** Enter an eight-character password in the **Enter Password** field. Passwords are case-sensitive and can consist of any combination of letters and numbers.

**4.** Enter the password in the **Confirm password** field to confirm it.

**5.** Click **Continue**.

**6.** Click **Yes** to confirm that you want to password-protect the file.

**7.** Click **Exit**.

If a password has already been entered for an SSN or EIN, the **Current password** field is activated. Once you've entered the correct password, you can change or remove it using the bottom two text boxes on the screen.

IMPORTANT        Be sure to record your password in a secure location. Drake Software cannot retrieve forgotten passwords.

## Unlocking Client Files

(*This option is not functional in all setups.*) If files are automatically locked upon e-file acceptance, they can be viewed but not changed after e-file. (The option to lock files automatically is available in Options Setup; see "e-File" on page 58.)

To unlock a client file that has been locked:

**1.** From the **Home** window menu bar, go to **Tools > File Maintenance > Unlock Client Files**.

**2.** Choose from the list of recently opened returns, or enter the name or ID number in the **Client Selection** search field. (The list will be filtered as your type.)

**3.** Click **Continue**. The file can now be modified in data entry.

## Deleting Files from the Program

A *client file* is created when a return is prepared. A *print file* is a temporary file that is created when a return is calculated. Print files are used during the e-file process and are automatically removed from the system after the designated number of days. (See Table 2-5 on page 52 to view or change the number of days to store print files.)

**Deleting Print Files**

To manually delete print files:

1. From the **Home** window, select **Tools > File Maintenance > Delete Print Files** and wait for the program to scan the files. Print files are listed in the **Return Selector**.

2. Select the files to delete. (Click to select individual files, press the SPACE bar to select a return and advance to the next, or to delete all files, click **Select all**.)

3. Click **Delete**.

4. Click **Yes** to continue.

5. Click **OK** to return to the **Home** window.

TIP     Since print files appear on the EF transmission selection list, consider deleting print files for returns that are not ready for e-file.

**Deleting Client Files**

To manually delete a client file from the database:

1. From the **Home** window, select **Tools > File Maintenance > Delete Client Files** to open the **Delete Client Data File** dialog box.

2. Choose from the list of recently opened returns, or enter the name or ID number in the **Client Selection** search field. (The list will be filtered as your type.)

3. Click **Continue**.

4. Click **Yes** to continue.

5. Click **OK**.

6. Click **Exit** to return to the **Home** window.

NOTE     If you are not accessing files on a network, the deleted files go to the recycle bin.

## Changing Return Types

A return can be changed to another file type without your having to create a new file. When a return type is changed, the following information is transferred:

- Name, address (including county), and telephone number
- Fiscal year
- All depreciation data, including screens **6**, **7**, **8**, **9**, and **10**

When a corporation return is converted to an S corporation return, the balance sheet and Schedule A information are also transferred.

IMPORTANT     Not all data is transferred. Before using **Change File Type**, back up the original file. (See "Backing Up Data" on page 412.)

To change a return type:

1. From the **Home** window, select **Tools > File Maintenance > Change File Type**.

2. Enter the SSN or EIN of the file to convert, and click **Continue**.

3. Select the new file type (**Individual**, **Corporate**, **Sub-S Corp**, **Fiduciary**, **Part-nership**, **Tax Exempt**, **Estate**, or **Heir**) (See Figure 11-5 on page 420).

4. Click **Continue**.

5. When the conversion is complete, click **OK**.

**Estate and Qualified Heir Returns**

You can use a single SSN for two return types when a taxpayer requires a Form 1040 and one of the two return types listed below:

• Form 706, U.S. Estate (and Generation-Skipping Transfer) Tax Return

• Form 706-A, U.S. Additional Estate Tax Return

An SSN must already be associated with a return in the program before it can be assigned to a second return type. To assign a single SSN to multiple returns:

1. From the **Home** window, select **Tools > File Maintenance > Change File Type** to open the **Convert Client Data File Type** dialog box.

2. In the **Enter SSN/EIN to convert** field, enter the SSN to be assigned to a new return type and click **Continue**.

3. The available return types are displayed. In Figure 11-5, the selected return is a 1040, so that option is disabled. Note that the 706 and 706-A options are in the right-hand column.



**Figure 11-5:** Available return types are displayed;
in this example, **Individual** is not available

4. Click an option to select it, and then click **Continue**.

5. When asked if you want to keep the original return in addition to the new return, click **Yes**.

6. Click **OK**.

The SSN is now applied to both the original return and the new return. In the future, when you enter the SSN to open a return, you will be asked which return you wish to open. When you use other features of the program where SSNs are entered, you will asked to indicate which return the program should use.

# Importing Data from QuickBooks

Two main steps must be taken to import client data from QuickBooks into Drake Tax: (1) preparing the QuickBooks file, and (2) performing the import. Always back up Drake Tax files (see "Backing Up Data" on page 412) and the QuickBooks files before importing client files.

**Preparing a QuickBooks File**

Before you can import QuickBooks files into Drake Tax, you must first place the QuickBooks files into an import file inside QuickBooks.

To create the import file from inside QuickBooks:

1. Select **Report > Accountant & Taxes > Income Tax Summary**.
2. Click **Print** to open the **Print** dialog box.
3. Select the option button to the left of **FILE**.
4. Select **ASCII text file**.
5. Press **Print**.
6. Enter a file name of eight characters or fewer with no spaces.

**Importing QuickBooks Data**

To import data from a QuickBooks import file into Drake Tax:

1. From the **Home** window menu bar of Drake Tax, select **Tools > File Maintenance > Import Data** to open the **Import Data** dialog box.
2. Choose **QuickBooks Financial and Accounting Software**. Click **Next**.
3. Read the instructions on creating an export file on the **QuickBooks Import** window. Click **Next**.
4. In step **1**, enter the name of the import file created from QuickBooks or click the button to the right of the text box and browse to the QuickBooks file. The file extension is .txt. Drake Tax searches the local hard drive for the import file.
5. In step **2**, enter a **Client ID Number** (SSN or EIN) (figure right.) Click **Next**.



6. The program searches for a Drake Tax file with the same EIN/ SSN.

• If no Drake Tax file is found, you are prompted to choose a **Business Type**. Make your selection from the drop list, and click **Next.**

• If a Drake Tax file is found, you're asked to confirm the business type. Click **Yes** to proceed.

**7.** Click **Finish** to import the QuickBooks file into the Drake Tax file.

After importing the QuickBooks files, enter **Inventory** amounts and details for **Other Deductions** and items requiring details on the return.

NOTE | If the QuickBooks file type does not match the one in Drake Tax, you are prompted to convert the QuickBooks file while importing (for example, if there is an S corporation file to import into the Drake Tax 1120 package).

## Payment Import

The Payment Import tool allows you to import client payment information from an Excel, CSV, or tab delimited worksheet directly into the **BILL** screen of tax returns without having to open the returns. This feature is particularly helpful to offices where front-office personnel work in accounts receivable but not in return preparation.

For details, see "Accepting Payments" on page 326.

## Letters

The Letters tool allows you to print batches of certain client letters at a time. These letters, listed in Table 11-2, are those that do not typically accompany a tax return.

**Table 11-2:** Letters Available from **Tools > Letters > Letters**

| Type of Letter | Suggested Purpose of Letter |
|---|---|
| Postseason letter | Thank clients for their business; remind them that you are available for additional tax-preparation assistance. |
| Preseason letter | Make contact with last year's clients; encourage clients to use organizers. |
| Estimate payment reminder | Remind current-year clients that estimate payments are due; provide instructions for sending payments. |
| Appointment letter/ email notifications | Send appointment reminder letters to selected clients via letter or email. |
| EF status letter | Provide acknowledgment status of e-filed return. |
| Engagement letter | Enter into contract with clients to prepare their tax return. |

You can also use the **Letters** tool to print batches of pre-addressed mailing labels, envelopes, and postcards.

NOTE | The information provided here applies to letters that can be printed in batches. For more information on the other types of letters available in Drake Tax, see "Introduction to Letters in Drake Tax" on page 67.

## Printing Letters

To print one or more letters:

**1.** From the **Home** window's toolbar, click **Calculate** to open the **Batch Calculation** dialog box (Figure 11-6) Recently opened returns are listed in the **Client Name** pane.
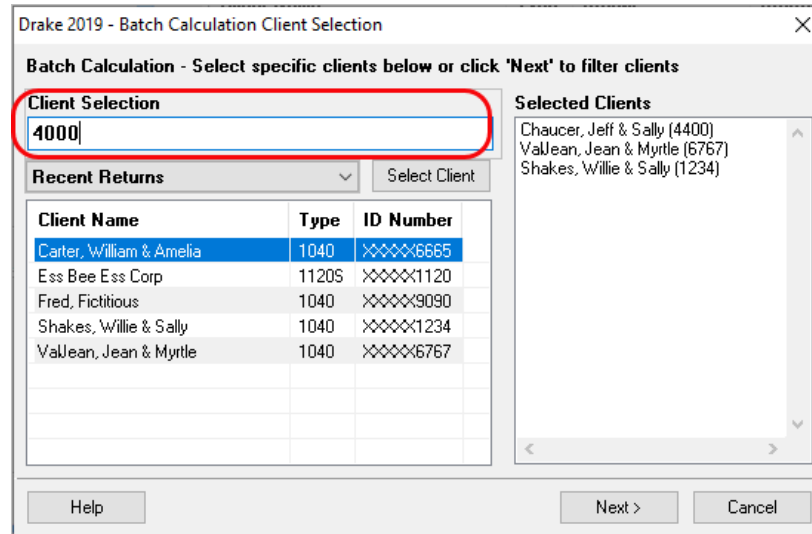


**Figure 11-6: Batch Calculation** dialog box

**2.** Choose an option for selecting returns to calculate:

- Begin typing an ID number (SSN or EIN) in the **Client Selection** box. In the example in Figure 11-6, all clients with "400" as the first three digits of their ID numbers are displayed in the pane at the bottom under **Client Name**. Continue typing the complete ID number, and then press ENTER to add the return to the **Selected Clients** list on the right side of the **Batch Calculations** window.

- Alternately, click a client from the **Client Name** list and click the **Select Client** button (or just double-click the client) to move that name to the **Selected Clients** list.

- To help narrow your search, click the **Recent Returns** drop list and choose a return type (1040, 1120, etc.).

**3.** Repeat the previous steps until all returns you wish to calculate are listed under **Selected Clients**.

**4.** Click **Next** and the program calculates the returns.

**1.** From the **Home** window menu bar, go to **Tools > Letters > Letters**.

**2.** From the **Client Letters** dialog box (fig-
ure right), select a letter type.

**3.** Click **Next** to open the **Client Selection**
dialog box (Figure 11-7). Recently
opened returns are listed in the **Client
Name** pane.





**Figure 11-7:** Search for clients for mailing purposes

**4.** Choose an option for selecting returns to receive letters:

– Begin typing an ID number (SSN or EIN) in the **Client Selection** box. In
the example in Figure 11-7, all clients with "400" as the first three digits
of their ID numbers are displayed in the pane at the bottom under **Client
Name**. Continue typing the complete ID number, and then press ENTER to
add the return to the **Selected Clients** list on the right side of the **Batch
Calculations** window.

– Alternately, click a client from the **Client Name** list and click the **Select
Client** button (or just double-click the client) to move that name to the
**Selected Clients** list.

– To help narrow your search, click the **Recent Returns** drop list and
choose a return type (1040, 1120, etc.).

**5.** Repeat the previous steps until all clients you wish to mail letters to are listed
under **Selected Clients**.

**6.** Click **Next** to open the **Print Letters** dialog box. Select a printer (and if neces-
sary, **Properties** and **Drake Settings**).

**7.** (optional) Select to include a watermark.

**8.** Click **Print**.

## Mailing Labels

You can print mailing labels to a label printer. To print mailing labels:

**1.** Ensure that label sheets are loaded correctly into the printer.

**2.** From the **Home** window menu bar, go to **Tools > Letters > Mailing Labels** to open the **Mailing Labels** dialog box.

**3.** Select a label type from the **Select label** list. Click **Next**.

**4.** Choose the clients for whom you wish to print labels. (See Step 4 on page 424 for directions for using the search windows.) Click **Next**.

**5.** From the **Print Labels** dialog box, select a printer and choose other options.

NEW FOR 2019    You can change fonts size, format the client's name, and select a starting position for printing from the new **Print Labels** dialog box.

To adjust printing positions, click **Additional Options**. To review or edit your labels, click **Review/Edit Labels**.

**6.** Click **Print**. Click **Exit**.

**Printing a Client Label From Data Entry**    Drake Tax provides a convenient way to print a mailing or folder label from data entry. To print a single label from data entry:

**1.** Ensure that the label printer is installed properly per the manufacturer's instructions and that the label sheet is properly loaded.

**2.** In data entry, go to screen **1** (**Name and Address**) of the return.

**3.** Right-click on the screen (not a field) and select **Client Labels > Name Format** from the right-click menu and select the name format (**LastName, FirstName** or **FirstName LastName**).

**4.** Right-click on the screen (not a field) again and select **Client Labels**.

**5.** Choose from the following label types:

- Mailing Label
- Folder Label (**SSN/EIN** and **Name**, **Name** only, **SSN/EIN, Name**, **Tax Year**, or **Name**, **Tax Year**)

**6.** On the **Preview Label** window, click **Continue**.

**7.** Select the label printer from the **Printer Name** dialog box.

NOTE    This option is designed for use with a dedicated label maker such as the DYMO LabelWriter 400 Label Printer. Data can be printed on any label size, but DYMO Label Writer labels, size 30252, are recommended because they work well for folder and mailing labels. Size 30252 labels are included in the DYMO printer starter kit.

**8.** Click **OK** to print the label.

TIP    You can also choose to print individual address and folder labels for a client, or print labels for mailings to the IRS and state taxing authorities, and design custom labels from the **Data Entry Menu**. Right-click the menu and select **Client Labels** to open the **Client Labels** dialog box.

## Envelopes

To print addresses on envelopes:

**1.** Ensure that the postcards are loaded properly into the printer.

2. From the **Home** window menu bar, go to **Tools > Letters > Envelopes**.

3. Do one of the following:
   – To filter to list of clients who should receive letters, click **Next** then select filtering and sorting options from the **Envelopes Filter Selection** box. If a more complex filter is needed, click **Edit Filter**s. (See "Filter Manager" on page 439.) Click **Next**.
   – To select the clients to receive letters, use the **Envelopes Client Selections** search, then click **Next**. (For direction on searching, see Step 4 on page 424.)

4. From the **Print Envelopes** dialog box, update the envelope formatting and address positioning (including **Printer Adjustments**) as needed.

5. Click the buttons at the bottom of the dialog box to review the mail-to or return addresses. (The option to edit the addresses then becomes available.) Click **Print**.

NEW FOR

2019

You can change printers, change font size of either the return address or mail-to address, choose to print or omit the return address, review and edit the return address or mail-to address, and reset printing parameters, from the new **Print Envelopes** dialog box.

To make slight adjustments in where the addresses are printed on the envelope, click **Additional Options**. To review or edit your labels, click **Review 'Mail To' Addresses** or **Review Return Addresses.**

NOTE          Always test-print an envelope before printing an entire batch.

## Postcards

To print addresses on postcards:

1. Ensure that the postcards are loaded properly into the printer.

2. From the **Home** window menu bar, go to **Tools > Letters > Postcards**.

3. Do one of the following:
   – To filter to list of clients who should receive postcards, click **Next** then select filtering and sorting options from the **Postcard Filter Selection** box. If a more complex filter is needed, click **Edit Filter**s. (See "Filter Manager" on page 439.) Click **Next**.
   – To select the clients to receive postcards, use the **Postcards Client Selections** search, then click **Next**. (For direction on searching, see Step 4 on page 424.)

4. From the **Print Postcards** dialog box, update the postcard formatting and address positioning (including **Printer Adjustments**) as needed.

5. Click the buttons at the bottom of the dialog box to review the mail-to or return addresses. (The option to edit the addresses then becomes available.) Click **Print**.

# Amortization

The **Amortization** tool prepares loan repayment schedules for various loan scenarios. To prepare a loan repayment schedule:

1. From the **Home** window menu bar, select **Tools > Amortization**. to open the **Amortization Schedule** dialog box.
2. Enter a **Schedule Title** to be displayed at the top of the amortization schedule.
3. Complete all other applicable fields. Fields are described in Table 11-3.
4. Click **Calculate**. The program creates the amortization schedule.
5. To print the schedule, click **Print**.
6. To save it for later viewing (using **Reports > Report Viewer**), click **Save.**

**Table 11-3:** Amortization Schedule Fields and Descriptions

| Amortization Schedule Field | Description |
|---|---|
| Loan Amount | The original amount of the loan. |
| Amortization Periods | The number of payments to be made over the life of the loan. (Example: If the loan is for two years and monthly payments are required, you would enter $24$ (2 years = 24 months). |
| Payments Per Year | The number of payments to be made each calendar year. |
| Annual Interest | The annual interest amount for the loan. This amount is calculated automatically. If the interest is unknown but the payment amount is known, leave this field blank. |
| Payment Amount | The amount of the payment. In most cases, this amount is calculated automatically based on the other information entered. If this field is left blank and the interest amount is entered in the **Annual Interest** field, the program displays the calculated payment here. |
| Payment Type | The payment type. Select one of two types of payments: **Fixed Payment** or **Fixed Principal**. (The default is **Fixed Payment**.) |
| Date of First Payment | Due date of the first payment. This entry is used to determine the dates for subsequent payments. |

To show only the payments from certain dates, enter those dates in the **Filter Schedule Payments** fields and click **Apply**. (These fields are active only after you calculate.)

To clear the screen, click **Reset**.

To get information on balloon payments, click the **How do I do a balloon payment?** link.

# EIN Database

The program stores all EINs and related data in the EIN database for later retrieval. Use the **Edit EIN Database** tool to add, edit, or delete an employer's information.

## Adding or Editing Employer Information

To add or edit an employer's EIN database information:

1. From the **Home** window, go to **Tools > Edit EIN Database** to open the **EIN/ Employer Database** dialog box.
2. To make a new entry in the EIN database, click **New** to open the **Edit EIN/ Employer Listing** window and complete the fields. Click **Save**,
3. To modify an existing entry, select an EIN to edit or delete from the **Business Listing** section, or begin typing the name of an employer and select it when it appears in the list below.
4. Click **Edit** (if editing), or **Delete** (if deleting the employer).
5. Modify or complete the fields in the **Edit EIN/Employer Listing** dialog box.
6. Click **Save**.

## Printing a List of EINs

To print a list of EINs from the EIN database:

1. From the **Home** window menu bar, go to **Tools > Edit EIN Database** to open the **EIN/Employer Database** dialog box.
2. Click **Print**. The **Print EIN/Employer Listing** dialog box displays sorting options.
3. Select to sort the list by **EIN**, **Company Name**, **City**, **State**, or **Zip Code**.
4. Click **OK**. A preview of the list is displayed in the Report Viewer.
5. Click **Print** to open the **Print 'Drake Report'** dialog box.
6. Click **Print**.
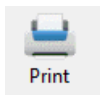
NOTE    Export EIN data to another program if desired. From the Report Viewer, click the arrow on the **Export** icon and select a format. If you click the **Export** icon (not the arrow), the program automatically exports the data into Excel.

# Install State Programs

Use **Install State Programs** to install or repair state program files. This can be done by accessing the Internet, the latest CD, or any drive location that has the needed program files. For networked offices sharing information, all users must close Drake Tax before installing state programs.

To install state programs:

1. From the **Home** window, select **Tools > Install State Programs**. The **Install State Programs** dialog box is displayed.

**2.** Choose to install
state programs
from a drive or
from the Internet
(**Drake Down-
load Center**; (fig-
ure right). If a
selected location has state files available, the files are displayed in the **States
Available for Download** panel on left. (If the **States Available** panel stays empty,
select another location.)
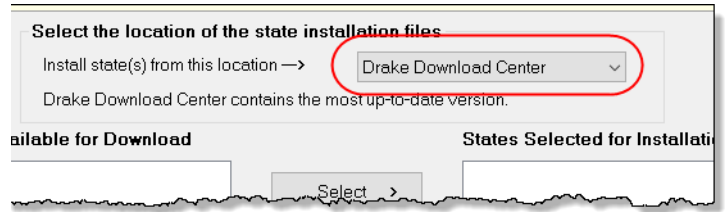
**3.** Choose the states to be installed and click **Select** (or **Select All**). States selected
appear in the **States Selected for Installation** pane on the right.

**4.** Click **Install**. The progress bar identifies the states being retrieved and installed.
(Only installed states are updated.)

**5.** To remove any states from the **Installation** pane, highlight the state in the **Instal-
lation** pane and click **Unselect** (or **Unselect All**.).

**6.** To remove any state program from Drake Tax, click **Uninstall State(s)**, and from
the **Remove States** dialog box, select the states currently installed, click **Select** (or
**Select All**) and click **Uninstall**.

TIP          Check for updates (**Tools > Update Manager**) after installing state pro-
             grams to ensure that you have the most up-to-date information.

## Repairing State Program Files

If the state program files on your computer or server are more recent than the state
program files most recently installed, the current files will not be replaced. If you must
overwrite the current state files, contact Drake Software Support or click the **Help** but-
ton of the **Install State Programs** dialog box for more information.

# Scheduler

The Scheduler tool is used for scheduling and maintaining client appointments. For
information on using this tool, see "Scheduler" on page 135.

## Tax Rates for Ohio and Pennsylvania Cities

Use the **City Tax Rate Editor** to edit and add tax rates, credits, and addresses to be
used when creating city returns for the states of Ohio and Pennsylvania. Always verify
tax rates as they are subject to change.

To view and edit city tax details for these states:

**1.** From the **Home** window, go to **Tools > City Tax Rates** and select a state. The
**City Tax Rate Editor** for the selected state is displayed.

**2.** Select a city or municipality from the drop list. The city's details automatically fill
the text boxes, which you can edit as needed.

**3.** Click **Update** to save any changes.

**4.** Click **OK**.

**About PA Cities**   The PA editor is designed for local city forms not including Philadelphia tax forms.

The default address from the database is the "Zero Due" address listed on Pennsylvania's Municipal Tax Information website. "Balance Due" and "Refund" addresses can be obtained from this site or from the paper form if provided by the municipality.

To find a tax rate or other county or municipality tax information, click the **Find Tax Rate and Address** link.

If penny rounding is required for a specific municipality a Pennsylvania return:

**1.** In data entry, enter the desired amount, rounding to the penny (example: 810.33).
**2.** Press CTRL+F.

The CTRL+F action forces the program to allow penny rounding for that field only and for that return only. Otherwise, the program automatically rounds all numbers entered.

# Forms-Based Data Entry

Forms-based data entry is an alternate method of opening data entry screens and is available for all packages. Click links from a facsimile of a tax return to open the screens that were completed to fill specific lines of the return.

To enter a forms-based return in Drake:

**1.** From the **Home** window, go to **File > Forms Based Data Entry**.
**2.** Enter or select the desired return.
**3.** Click a link to open the screen for a particular line. Repeat for other lines.
**4.** Once you've filled in all return data, click **Exit** to close the form.

Note that the same toolbar from data entry is available in forms-based data entry.

NOTE     The forms-based data entry is now available in all Drake Tax packages.

# Quick Estimator

Use the Quick Estimator to quickly calculate results for new individual (1040) clients.

CAUTION     Do not e-file or mail the return generated in the **Quick Estimator** to the IRS or an amended return will be required.
**PPR clients**: A return created in the **Quick Estimator** counts as one PPR return.

To use the Quick Estimator:

**1.** From the **Home** window, select **File > Quick Estimator**.

**2.** Enter or select an SSN.

NOTE      If an existing return is selected, the Quick Estimator will not override
          previous entries and the Quick Estimator version will not be viewable.

**3.** Enter all applicable information for the return. Press F1 in an individual field for
help on that field.

**4.** Press ESC to save the data, exit the screen, and view the return. Depending upon
your setup options, you may be able to press CTRL+C to calculate, or CTRL+V to
calculate and view.

Note the following points when using the Quick Estimator:

• Because the total of interest, dividends, and other income are entered in one field
(**Interest/dividends/Other income**), the income could be overestimated or under-
estimated.

• The Quick Estimator produces only one return if calculating a **Married Filing
Separately** return. A separate return must be generated for the other spouse.

• Because the names of dependents are not entered in the Quick Estimator, the indi-
vidual names are not shown on the return. The appropriate credit amounts are
indicated if all applicable fields are completed in the Quick Estimator.

NOTE      Remember, the Quick Estimator should be used only for estimating
          taxes for new clients. A full return should be prepared later. Not all
          data from the **Quick Estimator** flows to the full tax program.

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# 12 Reports

*THE REPORTS FUNCTION ALLOWS YOU TO CREATE
PRINTABLE REPORTS BASED ON DATA ENTERED
INTO THE PROGRAM VIA DATA ENTRY, THE CSM, OR
THE SCHEDULER.*

## Report Manager

Use the Report Manager to create a variety of predefined and customized printable reports. To access the Report Manager from the Drake Tax **Home** window menu bar, select **Reports > Report Manager**.

## Report Categories

Five report categories are provided in the Report Manager:

**Table 12-1:** Report Categories

| Report Category | Description |
|---|---|
| Client Reports | Criteria for these reports consist of client contact data, preparer and revenue data, return details, status and tracking data, and summary data. |
| EF/Bank Reports | Criteria for these reports consist of data related to e-filing and banking, including bank-product status, tracking, check, and summary data; and EF status, tracking, and summary data, and preparer revenue and fee reports. |
| Scheduler Reports | Reports are based on data entered in the Scheduler and include reports on new clients, preparer call lists, and appointments. |
| My Reports | Reports that you create, either by editing one of the predefined reports or by starting with a blank report, are automatically stored in **My Reports**. |
| Other Report Options | This category gives you access to the reporting capabilities of the CSM and the Fixed Asset Manager, and allows you to compile depreciation lists and hash totals. |

As shown in Figure 12-1 on page 434, the Report Manager uses a standard tree format. Click [+] to expand a category list; click [–] to collapse the list and hide the reports in the category.
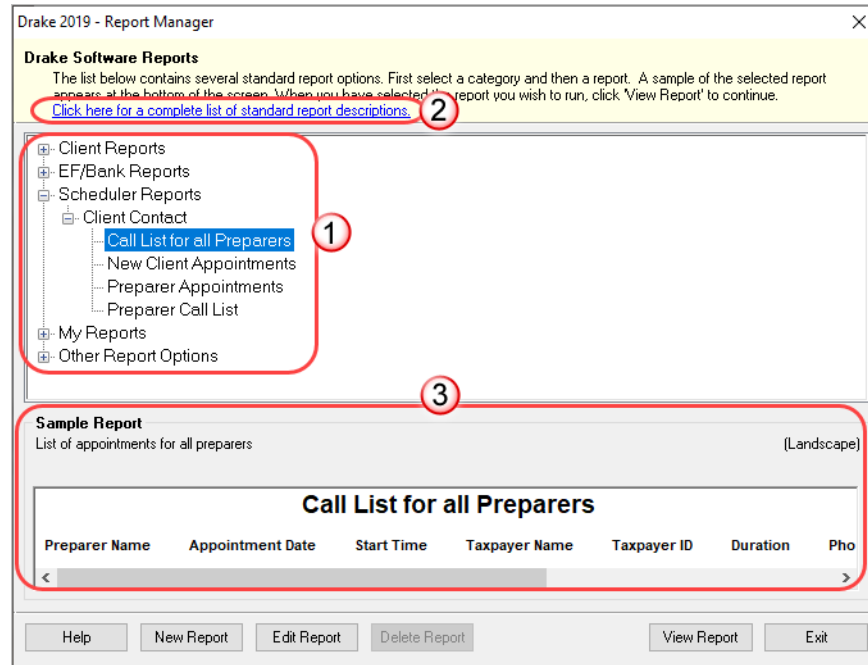
**Figure 12-1:** Tree view of Report Manager

Only those reports in **My Reports** can be deleted. To delete a report, select it and click **Delete Report** (or choose **Delete Report** from the right-click menu).

NOTE    To see descriptions of all standard reports in the **Report Manager**, click the link at the top of the **Report Manager** window (item #2 in Figure 12-1) to open the Drake Tax program helps.

## Sample Report Window

Before generating a report, you can preview the report title and column headers to see how the report fits on the printed page. The report title and column headings are displayed in the **Sample Report** window at the bottom of the Report Manager. (See item #3 in Figure 12-1.) Also included is a brief description (if available) of the selected report. The display reflects changes as report details are updated

The **Sample Report** box also indicates a report layout of **Portrait**, **Landscape**, or **Potentially too wide**. A layout of **Potentially too wide** means that some data could be cut off in the printed report due to the number of columns. A report that is **Potentially too wide** can still be exported as a .CVS file or to Excel, where it is possible to widen columns, change font size, or increase margins and be able to print reports that are potentially too wide to be printed directly from the Drake Tax Report Manager.

Regardless of width, the report can still be viewed in the Report Viewer using scroll bars.

# Setting Up a Report

When planning reports for your office, consider beginning with one of Drake Tax's predefined reports that may already include most of the information you want. Create a new report or edit an existing report if none of the predefined reports meet your needs. The steps for these procedures are similar, but it may be easier to learn how to create reports by first changing a predefined report.

Several tasks, some of them optional, are involved in creating a report. These tasks are described in the following sections.

## Assigning a Title and Description

Open any of the predefined reports in the **Report Manager** window.

The **Report Title** is displayed on the actual report; the **Report Description** is for informational purposes and is displayed in the Report Manager's **Sample Report** box.

To assign a new title and description to a report in the Report Manager:

1. Select the report to use as a template.
2. Click **Edit Report**. The **Report Editor - Step 1** window is opened (Figure 12-2).



Figure 12-2: **Report Editor - Step 1** window for formatting reports

**3.** Revise the **Report title** and **Report description** as needed. Note that changes to the title appear in the **Sample Report** box as you type. To add columns to the report, see "Assigning Columns," following.

**4.** Click **Save** and the program stores the report with the new title under **My Reports**, or proceed to "Assigning Columns."

## Assigning Columns

The various columns that make up your report are represented by keywords. Select the columns and the order in which they are shown by choosing and ordering the keywords in the **Selected report columns** section of the **Report Editor - Step 1** window. Note that the columns currently appearing in the selected report are listed in the **Selected report columns** box on the right. (See blue circles in Figure 12-2 on page 435.)

To establish the columns shown in a report:

**1.** From the **Report Editor - Step 1** window, select a category from the **Categories** drop list. The available columns for that category are represented by the keywords in the **Available columns** field. Select **All Categories** to see every column header keyword available to the Letter Editor.

TIP     Place the mouse pointer over an **Available columns** keyword to display a tooltip description of the item.

**2.** From the **Available columns** list, double-click a keyword, or click it once and then click **Select**. The column heading (keyword) moves to the **Selected report columns** box. Note that the new column heading appears in the **Sample Report** box.

(To remove a column heading from the **Selected report columns** field, click it then click **Unselect**. Click **Unselect All** to remove all column headings.)

**3.** Click **Save** or **Next** to proceed to "Assigning Filters," (following).

The program stores the modified report under **My Reports**.

NOTE     New reports overwrite existing reports of identical names in the **Report View/Print Utility**. To have multiple versions of one report, you must give them different names.

## Assigning Filters

Filtering screens out unwanted data and limits the information included in a report. With the many filters available, and the ability to create filters and add conditions to each filter, you have an almost unlimited variety of output options for reports.

Choose a filter from one of Drake Tax's many predefined filter choices. You can edit an existing filter to meet other selected criteria.

**Existing Filters**

To assign a filter to a report:

1.  From the **Report Editor - Step 1** window (see Figure 12-2 on page 435), click **Next**. The **Report Editor - Step 2** window is opened (Figure 12-3).



**Figure 12-3: Report Editor - Step 2** window (top half)

2.  Select a predefined or custom filter from the **Select a report filter** drop list. Note the **Filter description** is displayed when a report filter is selected. (red circle in Figure 12-3).

3.  Click **Save**.

**Customized Filters**

Use a predefined filter as a template for creating a customized filter. Be aware that *changing a predefined filter affects every report in the program that uses that filter.* We recommend making a custom filter (or copying a filter and giving it a unique name) and then editing it to your specifications.

IMPORTANT  Before a change is made to a filter, the program indicates which reports will be affected and offers the option of editing the existing filter or editing a copy of it. If you edit a copy, the original filter and associated reports remain unchanged.

To customize a filter to assign to a report:

1.  After making changes in the **Step 1** window (Figure 12-2 on page 435), click **Next** to open the **Report Editor - Step 2 window** (Figure 12-3).

2.  Select from the **Select a report filter** drop list.

3.  Click **Edit Filters** to open the **Filter Manager** window (Figure 12-4 on page 438). The filter you selected is highlighted.
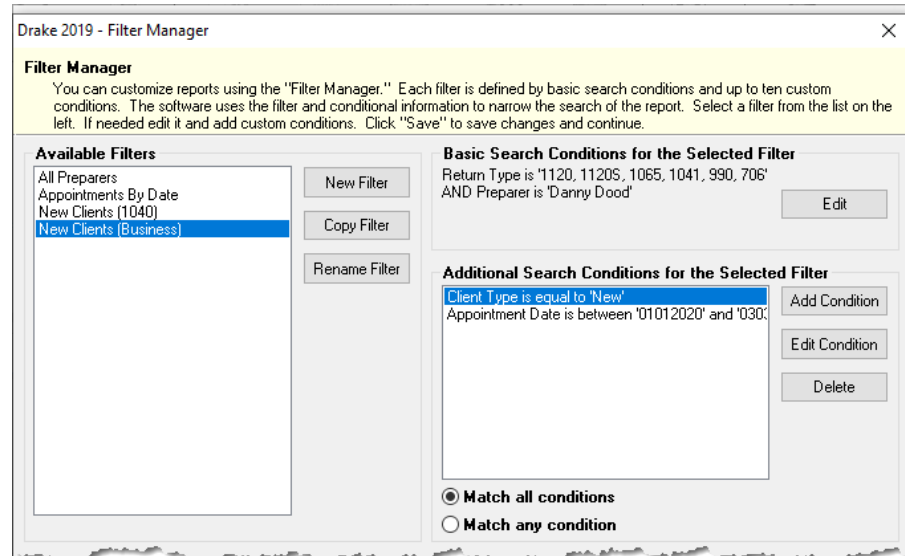
**Figure 12-4: Filter Manager** window

**4.** Click **Copy Filter**. Name the filter and click **OK**. The new filter is highlighted.

**5.** Modify the **Basic Search Conditions** and the **Additional Search Conditions** for your filter, as appropriate; there is a limit of 10 additional search conditions per filter. (See "Search Conditions" on page 440.)

**6.** Click **Save**. The program returns to the **Report Editor - Step 2** window.

**7.** Click **Save** again to save the report. To close the Report Manager, click **Exit**.

NOTE     For more on editing and using filters, see "Filter Manager" on page 439.

## Selecting Additional Report Options

Additional options for sorting data, calculating numeric data, using prior-year data, and assigning an output file name are available from the **Report Editor - Step 2** window (Figure 12-3 on page 437).

**Sort/
Summary
Order**

In the **Additional Report Options** section, choose a keyword by which to sort reports. For example, to build a report on "Clients," with results sorted by the last name, select **Taxpayer Last Name** from the drop list. This list includes all the keywords in the report, plus various others. (These other keywords vary, depending on the report selected.)

**Data
Calculations**

Select the **Summarize the report data** box to have the program calculate and total each column. Not all reports benefit from summarizing. Edit your report and add such keywords as **Count**, **Average**, and **Percentage** to enhance the summary.

**Prior-Year
Data**

The program queries current-year data by default. To have a report run prior-year data, select the **Use Data from 2018** box. (This option is available only with **Client Reports**.)

**Output File Name**  An output file name consisting of the first eight letters of the **Report title** (Step 3 in "Assigning a Title and Description" on page 435) is entered automatically in the **Report output file name** field. Changing this name is optional. A new name must be fewer than nine characters. You will use this name to locate the report in the Report Viewer. (See "Report Viewer" on page 443.)

## Creating a New Report

To create a new report (without starting with a predefined report) in the Report Manager:

1. Click the **New Report** button (at the bottom of the **Report Manager** window).
2. Select one of the following report types:
   - **E-filing and banking —** For a report based on the EF database
   - **Tax return data** — For a report based on data entry information
   - **Scheduler** — For a report based on schedules set up in the Scheduler
3. Click **OK** to open the **Report Editor - Step 1** window.
4. Using the instructions in "Setting Up a Report" on page 435 as a guideline, enter the report formatting and filtering information, and then click **Save**.

## Deleting a Report

Only a report in **My Reports** can be deleted. To delete a report, from the **Report Manager** dialog box, select (single-click) the report to delete, click **Delete Report**, and then click **Yes** to confirm the deletion. If you have run the report, you are asked if you want to delete the report from the Report Viewer. Click **Yes** or **No** as applicable.

## Filter Manager

The Filter Manager is used primarily in reports but is also used for letters, mailing labels, envelopes (see "Letters" on page 422), for proformas and organizers (see "Organizers and Proformas" on page 123) and the Fixed Asset Manager (see "Fixed Asset Manager" on page 445). Access the Filter Manager from a **Filter Selection** box, which is opened when you might have to narrow a selection of records. To access the Filter Manager from a **Filter Selection** box (Step 2; see Figure 12-3 on page 437), click **Edit Filters**. (See "Customized Filters" on page 437.)

## Search Conditions

Use the Filter Manager to set up search conditions. There are two levels of search conditions: **Basic Search Conditions** and **Additional Search Conditions** (figure left).

**Basic Search Conditions**

Basic search conditions, described in Table 12-2, refer to the most common filtering criteria: **Return Type(s)**, **Return Result**, **Activity**, and **Preparer and Firm**.

**Table 12-2:** Basic Search Conditions: Categories

| Category | Description |
|---|---|
| Return Type(s) | Return types to include in the report. To include all return types, select **All Return Types**. Select **Allow MFS 1040 Returns** to include returns with a status of Married Filing Separate. |
| Return Result | Result types of the returns to include in the report. Example: If **Balance Due** is selected, only those returns with a balance due will be included. Select **Any Result** to include all results. |
| Activity | Status of returns to include in the report. To include both active and inactive returns, select **Any Status Type**. |
| Preparer and Firm | Preparer and firm of returns to include in the report. To include only those returns handled by a specific preparer or firm in the report, select a preparer or firm name as applicable. |

To edit basic search conditions:

1. Click **Edit** in the **Basic Search Conditions for the Selected Filter** box (item #1 in figure right).

2. When the **Basic Search Conditions** dialog box is opened, select items within the main categories.

3. (optional) To include applicable test/sample returns (for example, Drake Tax returns that begin with 400-00) in the report, select **Allow Test/Sample Returns**.

**4.** (optional) To allow a user to modify conditions when running a report, select **Ask about the 'Basic Search Conditions' each time the filter is used**.

**5.** Click **OK** to save the changes to the basic search conditions.

CAUTION

If you're changing a filter that is used in other reports, the **Filter Changes** window is opened, describing these reports and informing you that changes to the filter will affect these reports. Click **Edit** to continue to edit the filter, or click **Copy** (recommended) to make a copy of the filter and change the copy so as not to affect other reports

**Additional Search Conditions**

You can add as many as 10 additional search conditions. Use the **Additional Search Conditions** feature to further specify the types of data to include in the report.

To add a new search condition in the Filter Manager:

**1.** Click **Add Condition** (item #2 in figure above).

**2.** If you're changing a filter that is used in other reports, the **Filter Changes** window is opened. (See "Caution" note above.)

**3.** In the **Filter Condition Editor** dialog box (figure below), select a **Keyword name**.



**4.** Select a **Comparison** option and a **Value** (if required)

**5.** If a value is required, the **Value** field appears. A value can be alphabetic or numeric. As in the example at left, if **AGI** is selected with a comparison of **is at least**, the value must be numeric. (Do not use commas when entering numbers.) If **Taxpayer's Last Name** is selected with a comparison of **starts with**, the value must be alphabetic.

**6.** (optional) To allow a user to modify this condition when running a report, select **Ask about this 'condition' each time the filter is used**.

7. Click **OK**. The new condition is displayed in the Filter Manager (figure right).

8. (optional) Repeat the previous steps to add more conditions as needed.

9. Select **Match all conditions** (for narrower results) or **Match any condition** (for broader results), as applicable.

10. Click **Save**.

NOTE — To *edit* a search condition, select the condition and click **Edit Condition**. Make changes and click **OK**. To *delete* a search condition, select the condition and click **Delete**. When prompted, click **Yes**.

## Available Filters List

The **Available Filters** list in the Filter Manager (Figure 12-4 on page 438) can be modified as needed. Create new filters, edit existing ones, or rename filters.

**Creating a Filter**

To create a new filter in the Filter Manager:

1. Click **New Filter**.
2. Enter a unique filter name.
3. Click **OK**. The new filter is added to the **Available Filters** and can be edited.
4. Modify the search conditions as needed. (See "Search Conditions" on page 440.)
5. Click **Save** at the bottom of the **Filter Manager** window.

**Modifying a Filter**

To create a filter in the Filter Manager using an existing filter as a template:

1. Select a filter to use as a template.
2. Click **Copy Filter**.
3. Enter a unique name for the new filter.
4. Click **OK**. The new filter is added to the **Available Filters** and can be edited.
5. Modify the search conditions as needed. (See "Search Conditions" on page 440.)
6. Click **Save** at the bottom of the **Filter Manager** window.

**Renaming a Filter**

To rename a filter in the Filter Manager:

1. Select a filter to use as a template.
2. Click **Rename Filter**.
3. Enter a new name for the filter.
4. Click **OK**. The renamed filter shows in the **Available Filters** and can be edited.

**5.** Click **Save** at the bottom of the **Filter Manager** window

TIP    You can reset the list of **Available Filters** to its original settings at any time by clicking **Restore Defaults**. You will be advised that restoring the default list will delete any changes you've made.

## Viewing a Report from the Report Manager

To view a report from the Report Manager:

**1.** Locate and select the report in the report tree (see Figure 12-1 on page 434).

**2.** Click **View Report**. If a **Basic Search Conditions** box appears, make any desired changes and click **Continue**. If a previously saved version of the report is detected, you are prompted to:

• Click **Yes** to re-create the report using the most current data

• Click **No** to open the previously saved report

**3.** Wait for the program to search the records for data matching the report criteria.

The report is displayed in the Report Viewer.

## Report Viewer

All reports in Drake Tax are accessible through the Report Viewer. To access the Report Viewer, from the menu bar of the **Home** window, select **Reports > Report Viewer**.

The reports are arranged in tabs, from **Standard Reports** (the reports built and generated from the Report Manager, Scheduler, **Setup > Firm(s)**, and **Setup > Preparer(s)**) to reports generated during the e-file process (**Bank Ack Reports**, **EF Selection Reports**, and **Transmission Reports**.) The **Release Notes** tab compiles all the notes from the various updates released by Drake Software and downloaded to your system.

To view a report, select the report to view and click **View**. From this point, you can print the report, export it, or change the font. You can also scroll through multiple-page reports by using the arrow keys at the top of the viewer. To perform a task, click the applicable icon from the **Report Viewer** toolbar.

NOTE    It is best to save reports where they're easily found. Drake Tax suggests location: Drake19\Reports. To select this or any location, view the return, then, from the toolbar, click the arrow beside the **Export** button, select **Save CSV file**, and browse to the folder where you want to save the report.

## Depreciation List

The **Depreciation List** is a report that displays depreciation information for selected clients. There are two methods for creating depreciation lists in Drake Tax: manually

entering client SSN/EINs to be listed, and filtering the client database for clients that meet specified criteria.

To create a depreciation list for one or more clients, from the **Home** window menu bar, select **Reports > Depreciation List**. The **Depreciation List Client Selection** dialog box is displayed (Figure 12-5). All recently opened returns are listed in the **Client Name** pane.
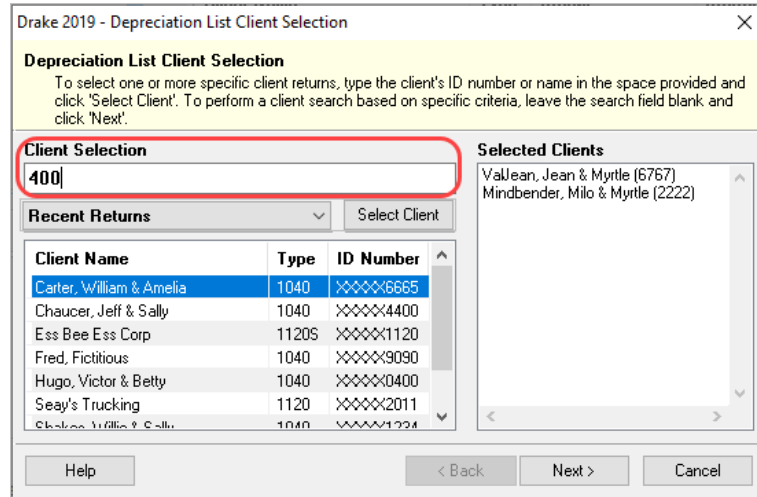


**Figure 12-5:** Generating a depreciation list

**4.** Choose an option for selecting returns to calculate:
- Begin typing an ID number (SSN or EIN) in the **Client Selection** box. In the example in Figure 12-5, all clients with "400" as the first three digits of their ID numbers (red box) are displayed in the pane at the bottom under **Client Name**. Continue typing the complete ID number, and then press ENTER to add the return to the **Selected Clients** list on the right side of the **Depreciation List Client Selection** window.
- Alternately, click a client from the **Client Name** list and click the **Select Client** button (or just double-click the client) to move that name to the **Selected Clients** list.
- To help narrow your search, click the **Recent Returns** drop list and choose a return type (1040, 1120, etc.).

**5.** Repeat the previous steps until all client for whom you wish to generate depreciation lists are listed under **Selected Clients**.
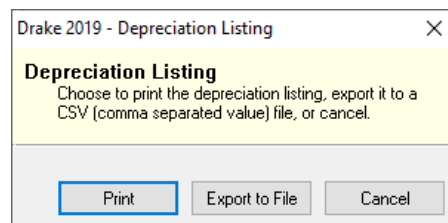


**6.** When a **Depreciation Listing** window is opened (figure left), choose to **Print** the depreciation list or to **Export to File**:

- **Print** — Send the list to the printer. In the **Print** dialog box, click **Print**.
- **Export to File** — Depreciation lists exported to file are stored in Drake19\Reports as CSV files. the program displays the name of the file. Click **OK**.

# Fixed Asset Manager

The Fixed Asset Manager allows you to choose from more than 40 column headers to customize your asset reports.

Use the **Fixed Asset Manager** (from the menu bar of the **Home** window, go to **Reports > Fixed Asset Manager**) to run reports based on client assets. Nine report types, shown in Table 12-3, are available.

**Table 12-3:** Fixed Asset Manager Report Types

| Report Type | Report Description | Items on Report |
|---|---|---|
| Depreciation Schedules | Depreciation list sorted by asset number (assigned asset number and department number separated by a decimal; example of asset number: 122.01) | Asset Number, Description, Date in Service, Method and Recovery Period, Basis, Prior Depreciation (Prior and Current), Salvage Value, and Current Year Section 179 expense |
| Listings | Depreciation list sorted by asset number (assigned asset number and department number separated by a decimal; example of asset number: 122.01) | Asset Number, Description, Date in Service, Method & Recovery Period, Business Percentage, Cost, Federal Basis, Current Year Sec 179, Prior Year Depreciation, State Depreciation, Amt Depreciation, Book Depreciation, Tax Schedule, Code, Date Disposed |
| Section 179 Assets | Asset list of items expensed during the current year | Asset Number, Department Number, Description, and Date Placed in Service, Cost, Section 179 Expense, Prior Year Carryover, Current Year Sec 179 deduction |
| Dispositions | Asset list of items disposed of within the current year | Asset Number, Descriptions, Date Acquired, Date Sold, Gross Sales Price, Depreciation Amount, Cost or Other Basis, Loss or Gain |
| Department Summary | Asset summary report sorted by department or schedule | Department Number, Description, Cost, Federal Basis, Current Section 179 expense, Federal Depreciation, State Depreciation, Alternate Depreciation, Book Depreciation |
| Year Summary | Summary report of assets on a yearly basis, grouped by department. Each department has a summary line for each year up to 10 years prior. Also totals depreciation for 11 years and prior. Sorted by department then year. | Year Acquired, Cost, Prior Federal Depreciation, Current Federal Depreciation, Total Federal Depreciation, State Prior Depreciation, State Current Depreciation, and Total State Depreciation. |
| Asset Category Summary | Summary report of asset categories (as set on **4562** screens). | Asset Category, Cost, Federal Basis, Current Section 179, Federal Depreciation, State Depreciation, Alternate Depreciation, Book Depreciation |

**Table 12-3:** Fixed Asset Manager Report Types

| Report Type | Report Description | Items on Report |
|---|---|---|
| Preference Report | List of assets placed in service after 1986 | Asset Number, Description, Date in Service, Method & Recovery Period, Basis, Current Depreciation, Alternate Depreciation, Preference Amount. |
| Auto Code Print | Report based on the macro setup for each client selected. Reports can comprise any of the described reports and any valid options associated with them. See "Using Fixed Asset Manager Macros" on page 447.) | |

## Running a Fixed Asset Manager Report

To run a report using the Fixed Asset Manager:

**1.** From the menu bar of the **Home** window, select **Reports > Fixed Asset Manager**. The **Fixed Asset Manager** dialog box has drop lists for choosing report types, depreciation options, and sorting options (Figure 12-6).



**Figure 12-6: Fixed Asset Manager** dialog box

**2.** Enter a number in the **ID Number** field.

**3.** Select a report type. (See Table 12-3 on page 445 for available report types.)

**4.** Select a **Depreciation** tracking format. Options are:

- **Federal** — Tracks federal depreciation methods
- **State** — Tracks state depreciation methods
- **Alt Min Tax** — Tracks alternative depreciation methods
- **Book** — Tracks depreciation using book method

**5.** Select a sorting **Style**. Choose to print a **Full Schedule**, to sort **By Department**, to sort by **Form/Schedule**, or to sort by **Asset Category**. (Not all of these sorting options are available for every tracking format.)

**6.** Choose the columns you want in your report from the **Available columns** drop list. Select a column heading and then click **Select** (or double-click the column heading) to move it onto the **Selected report columns** list on the right side of the **Fixed Asset Manager** dialog box. To remove column headers from the **Selected report columns** list, select them and click **Unselect**, or to remove them all, click **Unselect All**.

**7.** To keep your formatting for future reports, click **Save**.

**8.** Click **Run Report**.

**9.** Select an option for displaying the depreciation list.

- **Print** — Send the list to the printer. When the **Print** dialog box is opened, choose and printer and click **Print**.
- **Export to File** — Save the report as a .CSV file. Click **OK**. To open the saved file, go to your Drake19\Reports folder.

## Using Fixed Asset Manager Macros

Use the Fixed Asset Manager macros to run a set of standard reports at one time.

To set up a macro in the Fixed Asset Manager:

**1.** From menu bar of the **Home** window, select **Reports > Fixed Asset Manager**.

**2.** Click **Edit Macros** to open the **Macros for the Fixed Asset Manager** dialog box. This box has three columns of drop lists: one for type of **Report**, one for **Depreciation** method, and one for **Style**.

**3.** Make selections from the drop lists for each report to be printed under the macro.

**4.** Click **Save** to save your changes and return to the **Fixed Asset Manager** dialog box.

To run the macro, select **Auto Code Print** from the **Report** drop list and click **Run Report**.

## Client Status Manager (CSM) Reports

For information on running CSM reports, see Chapter 9, "Client Status Manager."

## Hash Totals

The Hash Totals report displays the number of forms and schedules generated on a selected return. By consulting these totals, the data entry operator can be reasonably sure that the correct values have been entered into the fields.

To generate a report of hash totals:

**1.** From the menu bar of the **Home** window, select **Reports > Hash Totals**.

**2.** Enter the SSN or EIN of a return.

**3.** Click **Continue**. The report is displayed in the Report Viewer.

**4.** Click **Exit** to return to the **Home** window.

# 13   Suite Products

*THIS CHAPTER FOCUSES ON TWO SUITE PRODUCTS—DRAKE DOCUMENTS AND TAX PLANNER—AND ADDITIONAL SUBSCRIPTION PRODUCTS: GRUNTWORX™, SECUREFILEPRO™, WHICH CAN BE INTEGRATED WITH THE TAX PROGRAM TO MAKE YOUR OFFICE RUN MORE EFFICIENTLY.*

## Installing Suite Products

Drake Documents is installed when the tax program is installed and updated either when the tax program is updated, or manually, depending on setup. The Tax Planner is installed and updated with the tax program. The SecureFilePro feature is set up through Drake Documents and helps you gather tax-related data electronically, have forms and returns signed electronically, and get paid electronically.

GruntWorx and SecureFilePro can, for an additional cost, be integrated with Drake Tax to make document mobility and usage a lot easier.

## Drake Documents

TIP   Signable documents can be signed electronically from Drake Documents using a signature pad. For details see "Electronic Signatures" on page 313.

Drake Documents users have two storage options or "sources" to choose from: the "Archive Cabinet" and the "Working Cabinet." Choose a Drake Documents cabinet that better works with how you want to handle your document storage.

**Archive Cabinet**: The Archive Cabinet files are stored outside of the tax program and are backed up and restored separately from the tax program. All documents from all years for all clients are stored in the Archive Cabinet in alphabetically arranged "cabinets," "drawers," and "folders." If you choose the Archive Cabinet, see "Setting up the Archive Cabinet" on page 460.

**Working Cabinet**: Choose the Working Cabinet if you prefer more integration with the tax program. Working Cabinet files are stored inside the tax program and are backed up or restored whenever the tax program is backed or restored. Access Working Cabinet documents from within Drake Tax for whichever year you are interested

in: 2018 documents in the 2018 program, 2019 documents in the 2019 program, etc. If you choose the Working Cabinet as your source, see "Working Cabinet Window" on page 457.

IMPORTANT

If you choose the Working Cabinet as your source, you can easily send your saved documents into the Archive Cabinet with just a few mouse clicks. See "Sending Files to Archive Cabinet" on page 458 for details.

The decision you make on which Drake Documents cabinet to use isn't permanent. You can switch back and forth between the Archive and Working Cabinets. See "Configuring Your Drake Documents Cabinet" on page 454.

## Using Drake Documents

NOTE

Instructions in this chapter apply to both the Working Cabinet and the Archive Cabinet unless otherwise noted.
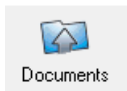
Use Drake Documents to store and organize electronic documents such as PDF copies of tax returns, signed Forms 8879, scanned Schedules 1099-B, and scanned copies of driver's licenses, Social Security cards, and other forms of ID. Anything you can put on paper can be stored in Drake Documents. Think of the Drake Documents' file structure as a virtual filing cabinet where files are saved in folders and folders are stored in drawers of the cabinet.

You can also use the Drake Documents to:

- **Copy files to CD** — Copy Drake Documents files directly to a CD.
- **Password protect** — Protect your clients' documents with passwords.
- **Assemble documents sent to GruntWorx** — See "GruntWorx" on page 473 for more information on this product.
- **Access SecureFilePro** — See "SecureFilePro" on page 476 for more information of this product.
- Electronically "sign" certain documents (including Forms 1040, 8879)

Drake Documents makes storing and moving documents easy:

- Create a new return in Drake Tax and a corresponding folder is automatically opened in Drake Documents.
- Archive a return from View/Print mode of the tax program and a copy of the archived return is automatically saved in Drake Documents. (See "Archive Manager" on page 324 for details.)
- Open Drake Documents directly to the client's folder by clicking the **Documents** button from the toolbar of the **Data Entry Menu** in any package.

Files saved in Drake Documents can easily be attached to email messages or e-filed with a return as a PDF attachment.

## Backing up and Restoring

The Working Cabinet files are automatically backed up or restored any time Drake Tax files are backed up or restored. (See "Backing Up and Restoring Files" on page 411.) Archive Cabinet files are backed up and restored through the Archive Cabinet toolbar. See "Backing Up and Restoring the Archive Cabinet" on page 461 for more information.

IMPORTANT | If you run Windows Server 7 or Windows 10, but (1) *have not* kept up with regular Window updates and (2) have an older version of Microsoft® .NET Framework, you will automatically be directed to the Microsoft website, where you can download (at no charge) the needed version of .NET. If your system runs .NET Framework v4.7 or later, a newer version is not necessary and no further steps are needed.

# Setting up Drake Documents

Unless otherwise noted, the setup options described here apply to both the Working Cabinet and Archive Cabinet. Any unique setup options are described in the sections, "Working Cabinet Window" on page 457 and "Setting up the Archive Cabinet" on page 460.

## Selecting a Drake Documents Cabinet

When you've decided which cabinet in Drake Documents you want to use—Working Cabinet or Archive Cabinet—make your selection in the Setup Options:

1. From the **Home** window of Drake Tax, go to **Setup > Printing > Drake Documents** to open the **Drake Document Integration Options** dialog box.
2. In the **General Options** section, select **Use Working Cabinet** or **Use Archive Cabinet**.
3. (*Optional*) Select **Allow Drake to set up Drake Documents client folders**. If this box is not marked, you must specify the location each time a scanned document is saved or a return is printed through the PDF "printer" to the Working Cabinet. (Archive Cabinet files are automatically stored in the location you set. See the "Archive Cabinet Data Path" option in Table 13-1 on page 455.)
4. Click **Save**.

**Change Your Mind?** The decision you make on which Drake Documents cabinet to use isn't permanent. Switch cabinets at any time. From the Drake Doc-

uments menu bar, select **Setup > Options**, then, from the **Drake Documents Options** window, choose the other option (figure above).
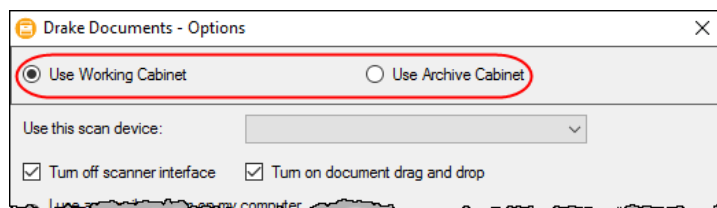
## Restricting Access to Drake Documents

To restrict access to Drake Documents by individual preparers:

**1.** From the **Home** window of Drake Tax, go to **Setup > Preparer(s)** to open the **Preparer Setup** window.

**2.** Double-click a preparer's name, click the **Security** button, and select **Custom Security** from the menu to open the **Preparer Security Setup** window.

**3.** From the menu bar, select **Tools**.

**4.** Remove the check mark from the **Drake Documents** check box.

**5.** Click **Save**, **OK**, **Save**, and then **Exit**.

To restrict access to Drake Documents for groups of preparers:

**1.** From the **Home** window of Drake Tax, go to **Setup > Preparer(s)** to open the **Preparer Setup** window.

**2.** Click the **Security** button and select **Edit Group Security Settings**.
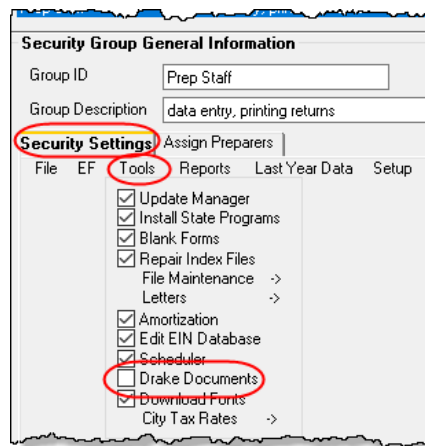


**3.** From the list at the top of the window, double-click to choose a security group to edit.

**4.** From the menu bar under the **Security Settings** tab, select **Tools** (figure left).

**5.** Remove the check mark from the **Drake Document** check box.

**6.** Click **Save**.

NOTES

- Individual restrictions are not available for security groups **ADMIN** and **FULL**. The **FRONT OFFICE** security group and any security groups you've added can be restricted. For details on setting up security groups,"Setting Up Group Security" on page 48.
- For information on password-protecting individual files in the Archive Cabinet, see "Document Security" on page 468.
- Users accessing the Archive Cabinet from a desktop icon are required to enter their preparer's login name and optional password. See "Accessing the Archive Cabinet" on page 460 for more information.

## Email Setup

If you use your default email program for sending email messages from Drake Documents, you do not need to do anything to set up an email account in Drake Documents.

If, however, you want to use the email program you set up previously within Drake Tax, there are some steps you must take from the Drake Documents menu bar:

**1.** Go to **Setup > Options**.

**2.** In the **Drake Document - Options** box, mark **Use my Drake email account**.

**3.** Click **Save**.

For details on setting up the Drake Tax email program, see "Email Through Drake Tax" on page 396.

## File Structure

Both the Working Cabinet and the Archive Cabinet display stored files alphabetically in a folder "tree" (Figure 13-1).
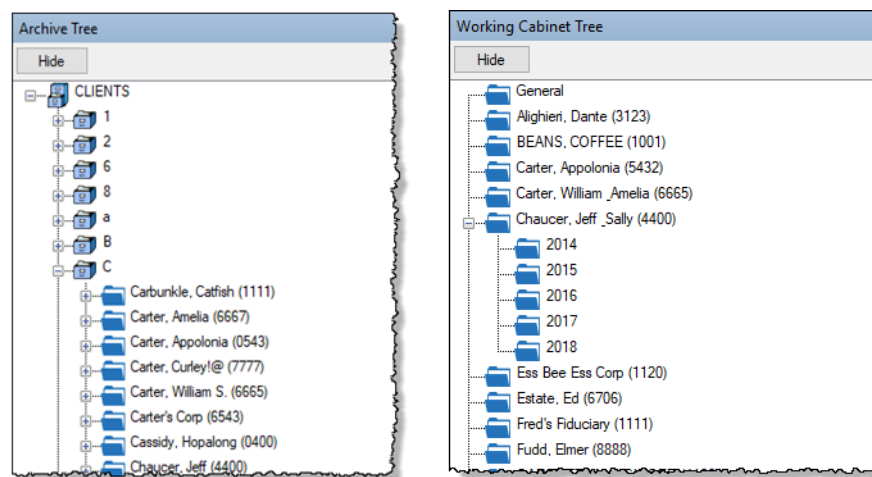


**Figure 13-1:** Archive Cabinet files (left) and Working Cabinet files (right) are stored in a "tree" of client folders

You can use the default Drake Documents file structure or customize it as needed. To implement the Drake Documents file structure, see Step 3. under "Selecting a Drake Documents Cabinet" on page 451. To customize your file structure:

**1.** From the **Home** window of Drake Tax, go to **Setup > Printing > Drake Document** to open the **Drake Document Integration Options** dialog box.

**2.** In the middle section of the dialog box is the option to add folders to the default Drake Documents file structure. To do so:

   – Click **Add**.

   – Enter a custom folder name and click **OK**. A new folder is inserted one level below the selected folder.

   – Mark the **Apply this layout...** check box if you want to insert the new folder into existing *and* new client files; otherwise, the new folder will be inserted only into new client files.

   – To change the name of a folder, select the folder and click **Edit**. To delete a folder, select the folder and click **Remove**.

**3.** Click **Save**, and then click **OK**.

TIP

- To avoid later restructuring, determine the type of file structure you want to use before you begin storing items in Drake Documents.
- To set up any additional security settings, from the **Home** window of Drake Tax, go to **Setup > Preparer(s)**. See "Setting up the Archive Cabinet" on page 460 and "Preparer Setup" on page 33 for directions on setting up preparer and group security.
- In the Archive Cabinet, you can set up your customized file structure from the menu bar. Select **Setup > Custom Folders**, then follow the steps above.

**Adding Individual Subfolders**

Individual subfolders can be added to the Drake Tax-integrated file structure of either the Working Cabinet or the Archive Cabinet.

To create additional subfolders for individual client folders, open Drake Documents:

**1.** Highlight the folder in the "tree" that will contain the new subfolder.

**2.** Take one of the following steps:

New Folder

- Right-click a folder
- From the toolbar, click **New Folder**
- On your keyboard, press F4
- From the menu bar, select **Setup > New Folder**

**3.** Enter a folder name in the **New Folder** dialog box.

**4.** Click **OK**. The new subfolder appears in the left pane.

Repeat these steps as needed to create more subfolders.

Delete or rename subfolders by selecting them, right-clicking, and then selecting **Delete New Folder** or **Rename New Folder** from the menu.

## Configuring Your Drake Documents Cabinet

To set configurations for the Drake Documents cabinet:

**1.** Open Drake Documents (from either the **Home** window toolbar or from the **Data Entry Menu** toolbar inside a return).

**2.** From the Drake Documents menu bar, choose **Setup >**
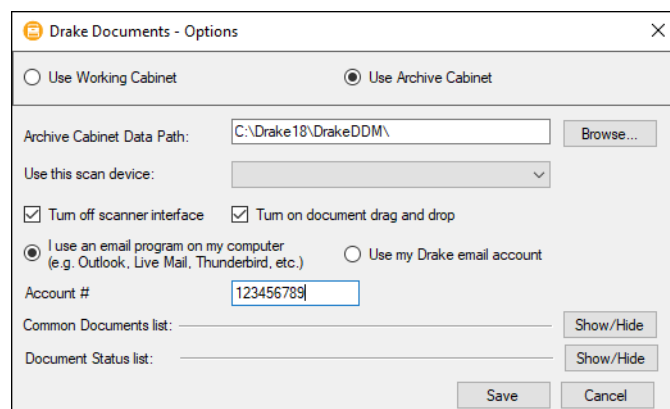
**Options** to open the **Drake Document - Options** dialog box (figure right). Options are listed in Table 13-1.

**Table 13-1:** Drake Documents Cabinet Setup Options

| Option | Description |
|---|---|
| Changing Cabinets | Change the selection you made at **Setup > Printing > Drake Document**. (See "Selecting a Drake Documents Cabinet" on page 451.) |
| Archive Cabinet Data Path | (Archive Cabinet *only*) Indicate the data path to the location you want to store Drake Documents files. Click **Browse** to map to the location. |
| Use this scan device | By default, Drake Documents chooses a scanner. To choose a different scanner, click the arrow on the **Use this scan device** drop list and select a scanner from the list of scanners installed on your computer. |
| Turn off scanner interface | The program automatically uses the default scanner's settings. To change those settings, click this box. Make changes to the color, dpi, size or shape options in the scanner's control box. |
| Turn on document drag and drop | Activate "drag-and-drop" navigation, which allows cabinets, drawers, folders, and files to be "dragged" from one place in Drake Documents and "dropped" in another. Click and hold an item and drag the selected item to the new location. |
| Email options | Choose to use your computer's default email program, or use the Drake Tax email program you set up. (See "Email Setup" on page 452 and "Email Through Drake Tax" on page 396.) |
| Account # | This number must be entered if you plan to email documents through Drake Documents or if you used the SecureFilePro portal for sending documents to your clients. |
| Common Documents list | Click **Show/Hide** to edit names assigned to commonly scanned document types. For more information, see "Setting Up Common Documents" (following this table). |
| Document Status list | Click **Show/Hide** to see the status of documents in Drake Documents. You can add statuses here, then apply them to the document. For details, see "Setting Document Status" on page 467. |

**Setting Up Common Documents**

The "Common Documents" feature is available to help your office save time while maintaining its naming convention. Customizable default descriptions allow you to eliminate the step of typing a description by selecting pre-established descriptions.

To set up default descriptions in your Drake Documents cabinet:

**1.** From the Drake Documents menu bar, click **Setup > Options**. The **Drake Documents - Options** dialog box is opened (Figure 13-2 on page 456).
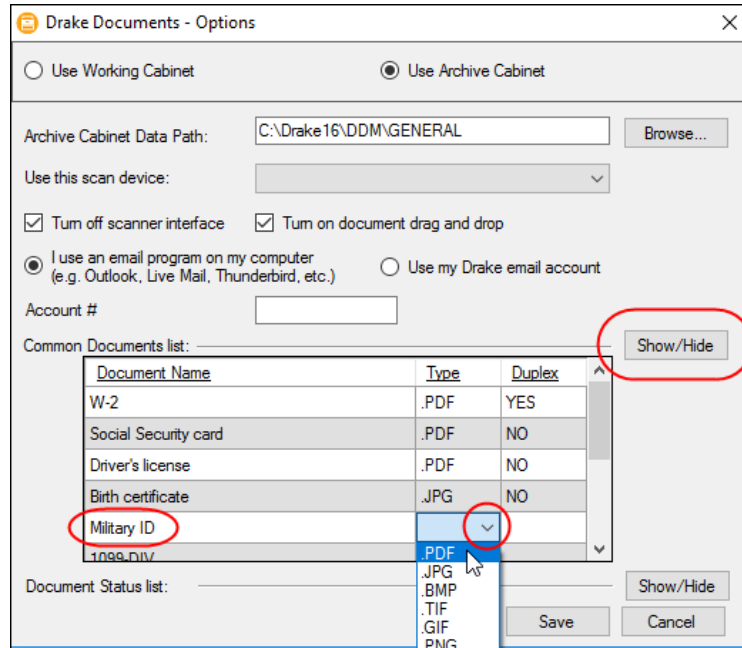
**Figure 13-2:** Options for commonly scanned documents

**2.** Click the Common Documents **Show/Hide** button to open the list of documents.

**3.** In the **Document Name** column, type the name of a document your office commonly scans into Drake Documents.

**4.** Click in the **Type** column and select a default document format from the drop list.

**5.** (*optional*) Click in the **Duplex** column and choose to turn on the scanner's "Duplex" feature (if available).

**6.** Add or edit names as desired.

**7.** To save changes, click **Save**.

In the example in Figure 13-2, the user has added "Military ID" to the list and will save scanned military IDs as PDF documents.

Whenever you scan a document into Drake Documents, you have the option of selecting one of the descriptions entered as a common document. (See "Scanning a File" on page 465.)

**Searching the Cabinet**     To find a particular folder in your Drake Documents cabinet:
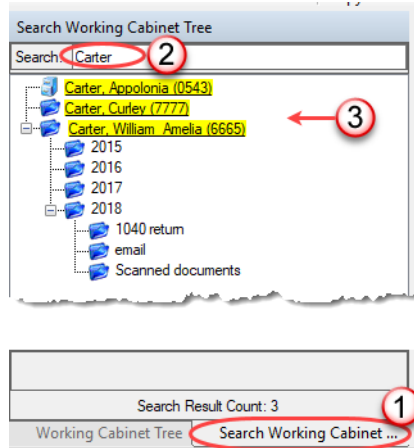
**1.** Click **Search Working Cabinet Tree** (or **Search Archive Tree**) at the bottom of the folder tree (item #1 in figure at left).

**2.** Enter the name (or part of a name) of the client, folder, or document you're searching for in the **Search** field at the top of the folder tree (#2 in figure at left).

**3.** Press ENTER.

Any files containing the words or names you entered will appear in the folder tree (#3 in figure left). Click

**Working Cabinet Tree** (or **Archive Cabinet Tree**) at the bottom of the tree (item #1) to return to the original folder tree.

NOTE — To locate *documents* stored within Drake Documents, enter the name—or portions of a name—of a stored document and the Search engine locates all documents in all folders that contain the words or phrases you are searching for.

## Working Cabinet Window

Everything in the following section pertains to the use of the Working Cabinet.

The **Drake Documents** Working cabinet window consists of the folder "tree" on the left side, a list of files contained within a selected folder on the right, and a menu bar and toolbar at the top (Figure 13-3).
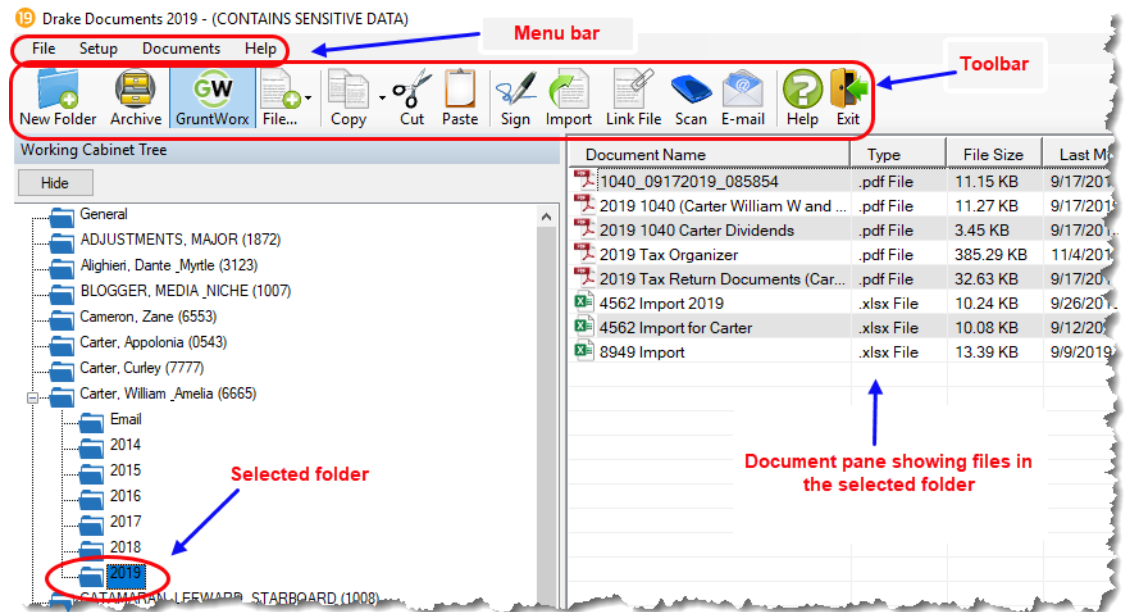


**Figure 13-3:** Part of the Drake Documents interface

Folders are listed alphabetically, on the left side of the window, based on the individual clients' last names or the business clients' first names. Subfolders are stored within each client's folder. Click [+] to expand a portion of the tree; click [–] to collapse it. Or, with a folder selected, press the [+] or [–] keys on the numbers pad of your keyboard.

T IP

Other keyboard options include pressing:

- F1 for Program Help for the selected cabinet (Working or Archive)
- F4 to rename a selected folder
- F6 to rename a selected document
- F7 to copy a selected document
- F8 to open the email function
- F10 to open the client's folder in the **DT** folder of Drake Tax

**Navigating the Working Cabinet**

Click to open a folder (or subfolder) and in the **Document** pane, Drake Documents displays the documents in the folder, listing them by document names, types, dates modified, descriptions, and statuses. Click column headers to sort by columns.

Like other Drake Tax windows, the Drake Documents window has a menu bar and a toolbar. If a keyboard shortcut (such as pressing F1 to open the Help program) exists for a menu item, it is listed to the right of the menu item. You can also access many toolbar selections from the menu bar. Each toolbar button activates a different function.

## Sending Files to Archive Cabinet

To send the documents saved during the 2019 tax season from the Working Cabinet to the Archive Cabinet, take the following steps:

**1.** From the Working cabinet toolbar, select **Archive** to open the **Drake Documents Archive Utility** window.
**2.** Select the boxes to the left of the client folders you wish to archive (or click **Select All**).
**3.** Click **OK**.
**4.** When the process is complete, click **Close.**

N OTE

If you open the Drake Documents Working Cabinet from within a return, only that client's file will be offered for transfer to the Archive Cabinet.

**Other Tasks**

Other tasks that can be performed in Drake Documents are listed in Table 13-2 on page 459. The buttons are available on both the Working Cabinet and Archive Cabinet toolbars. (Certain buttons are hidden on the Archive Cabinet toolbar, depending on which level you're on.)

Certain buttons and their functions are explained in the section "Working With Drake Documents Files" on page 465.

**Table 13-2:** Other Working Cabinet Tasks

| Task | Description |
|------|-------------|
| **GW** GruntWorx | See "GruntWorx" on page 473 |
| File... | Click the **File** button and select **New Text File**, **New Word Document**, or **New Excel Spreadsheet** to open one of those Microsoft programs. Select a file in the document pane and click **Open**, **Rename**, or **Delete** in order to open, rename, or delete the file. (See ".txt, .doc, .xls" on page 467 for more information.) |
| Copy | Select a file in the Drake Documents document list, and click **Copy**. Choose to copy to the clipboard, copy to a location, or copy to a CD. If copying to the clipboard, use the Drake Documents' **Paste** button to paste the document into another folder. If copying to a location, choose a location for storing the copied file, and then click **Save**. If copying to a CD, follow the instructions provided on your screen. |
| Cut | Use the **Cut** and **Paste** buttons to move documents from one folder to another. To copy a folder to another document, use the **Copy** button. |
| Paste | Use the **Cut** and **Paste** buttons to move documents from one folder to another. To copy a folder to another document, use the **Copy** button. |
| Sign | Use with an electronic signature pad. For details, see "Electronic Signatures" on page 313. |
| Import | For information on importing, see "Scanning a File" on page 465. |
| Link File | For information on linking files, see "Linking a File" on page 466. |
| Scan... | For information on scanning to Drake Documents, see "Scanning a File" on page 465 |
| E-mail | Select a file in the Drake Documents document list (or select multiple files using the SHIFT or CTRL keys), and click **E-mail**. Your email program (either your default Windows email program or the Drake email program you set up earlier) is opened with the document added as an attachment. |

**Table 13-2:** Other Working Cabinet Tasks

| Task | Description |
|------|-------------|
| Help | Access Help. |
| Exit | Exit the Drake Documents. |

# Accessing the Archive Cabinet

If you access the Archive Cabinet from your desktop icon, you will be required to enter your new user name and password. See "Initial Login" on page 34 for details on entering a user name and password.

## Setting up the Archive Cabinet

The Archive Cabinet is the source to use for storing forms and documents accumulated over years for all your clients. The files are saved in "folders," "drawers," and "cabinets" to help make search and retrieval easy and fast. And because the files are stored outside of Drake Tax, the Archive Cabinet can also be used as a stand-alone document manager.

Many of the setup procedures described earlier in this chapter apply to both the Archive Cabinet and the Working Cabinet. The information in this section pertains to the Archive Cabinet only.

## Storing Archive Cabinet Files

(*Optional*) To store data in a location other than the default location, take the following steps:

**1.** From the **Archive Cabinet** menu bar, go to **Setup > Options** to open the **Drake Documents - Options** dialog box.

**2.** Enter the data path in the **Archive Cabinet Data Path** field or click **Browse** to map to a new location. (See "Configuring Your Drake Documents Cabinet" on page 454.)

The other options on the **Drake Documents - Options** dialog are described in Table 13-1 on page 455.

## Technical Requirements

The Archive Cabinet takes up very little disk space, but more space may be required for storing office files. The storage drive for an average-sized office needs approxi-

mately 1GB of space for each year. Most new computers have at least a 20GB hard drive, so if you own a new computer, storage should not be an issue.

## Backing Up and Restoring the Archive Cabinet

The backup/restore feature copies files to a local, networked, CD/DVD, or USB drive. You can back up and restore the entire Archive Cabinet structure or a specific cabinet, drawer, or folder.

To back up *individual* documents:

1. Select a document from the document pane of the Archive Cabinet.
2. Click the arrow beside the **Copy** button.
3. Choose to copy to the clipboard, copy to a location, or copy to a CD. If copying to the clipboard, copy the document and then use the **Paste** button to paste the document into another Drake Documents folder. If copying to a location, choose a location for storing the copied file, and then click **Save**. If copying to a CD, follow the instructions provided on your screen.

**Backing Up Contents**

To back up cabinets, drawers, folders, or the entire contents of the Archive Cabinet:

1. Open the Archive Cabinet.
2. Select a specific cabinet, drawer, or folder to back up.
3. Click the **Backup** icon on the Archive Cabinet toolbar. The **Backup** dialog box is displayed (figure right). Note that the **Selected Folder** option is marked as the default cabinet, drawer, or folder to back up.



4. (*optional*) If you do not want to use the default location (The "DDM-Backup" folder, located on the drive where Drake Tax is installed) to store your backup, click the **Location** button in the upper-left corner and specify a new location.
5. (*optional*) If you do not want to use the default **Backup Name**, enter a new name. The default name uses the cabinet, drawer, or folder name and the current date. If more than one backup of the same selection is done on the same day, the system incorporates a "sequential identifier" (it numbers them, -01, -02, etc.) by default.
6. Click **Start** to begin the backup process.
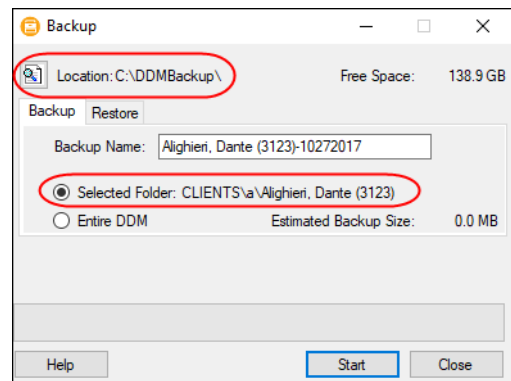
NOTE    To back up the entire Archive Cabinet, select **Entire DDM** in the **Backup** dialog box before clicking **Start**.

Because a backup may take several minutes, you can minimize the dialog box and continue working. You will be notified when the process is complete, at which point you should click **Close** to return to the Archive Cabinet.

T<small>IP</small>
Use the **Copy** function or the **Backup** tool to back up and restore files from one computer to another or to store data off-site as part of a disaster recovery plan.

**Estimated Backup Size & Free Space**
As shown in the figure above, the **Backup** dialog box provides **Estimated Backup Size** and **Free Space** information for the selected location. If there is not enough free space, you will be instructed to select another location. The **Free Space** information is not available if backing up to a CD/DVD drive, so you have to determine the amount of free space by manually checking the available space on the disk.

**Restoring Contents**
To restore backed-up contents to the Archive Cabinet:

**1.** Click the **Backup** button on the **Archive Cabinet** toolbar. The **Backup** dialog box is displayed (see figure above).

**2.** Click the **Restore** tab.

**3.** If necessary, click the **Location** button to browse to the location of the files you want to restore.

**4.** From the **Select a Backup to Restore** drop list, click a file to restore.

**5.** Click **Start** to begin the restore process.

N<small>OTE</small>
If you see a "**No Backups were found at...**" message, you may have selected an incorrect location to fill the **Select a Backup to Restore** drop list. Check your information and try again.

You will be notified when the process is complete, at which point you should click **Close** to return to the Archive Cabinet.

## Archive Cabinet Window

Just like the Working Cabinet, the Archive Cabinet window displays the file structure "tree" on the left side, a list of files contained within the selected folder on the right, and a menu bar and toolbar at the top. (Figure 13-3 on page 457.)

"Folders" are organized in "drawers" of "cabinets" in standard tree format. Click [+] to expand a portion of the tree; click [–] to collapse it. Or with a folder selected, press the [+] or [–] keys on the numbers pad of your keyboard.

## Archive Cabinet Toolbar

The features on the Archive Cabinet toolbar function the same as in the Working Cabinet. For details, see Table 13-2 on page 459 and "Working With Drake Documents Files" on page 465.

**Navigating the Archive Cabinet**

Click to open a cabinet, a drawer, then a folder to view a list of its files. In the document pane the Archive Cabinet displays document names, types, dates modified, descriptions, and status. Click column headers to sort by columns.

Like other windows in Drake Tax, the Archive Cabinet has a menu bar and a toolbar. If a keyboard shortcut (such as pressing F1 to open the Help program) exists for a menu item, it is listed to the right of the menu item. You can also access many of the toolbar selections from the menu bar. Each toolbar button activates a different function. Different buttons are available at different levels of the Archive Cabinet. For example, from the Cabinet level, you can add only cabinets and drawers, plus back up and restore, and electronically sign documents, so only these buttons are available; from the Drawer level, you can add new clients, new folders, back up and restore, and electronically sign documents; from the Folder level, you can add clients, folders, and subfolders, back up and restore, create files, import files, e-sign, scan, copy, rename, delete, drag, send email, and link to other files.

**Archive Cabinet File Structure**

You can use the Archive Cabinet's default file structure or customize file structure as needed with new cabinets, drawers, folders, and subfolders. If you're building your own file structure, map it out by hand before creating it in the Archive Cabinet. More cabinets, drawers, and folders can be added to a Drake Tax-integrated file structure.

NOTE
Be aware that while long file names can be used, this naming convention might not function properly on older systems that limit file names to eight or fewer characters.

**Customizing File Structure**

You can add folders and subfolders to the Archive Cabinet's document file structure that are automatically added to all files (See "File Structure" on page 453) or add individual cabinets, drawers, and folders as you go.

**Adding Cabinets**

Cabinets are the top level of the Archive Cabinet's filing structure. The Drake filing system creates a **Clients** cabinet, but you can separate clients by return types if you like and have an **Individual** cabinet and a **Business** cabinet instead or some other method you devise. Regardless of the structure you choose, cabinets are required for storing drawers and folders.



To create a cabinet in the Archive Cabinet, follow these steps. You must be on the Cabinet level to add a cabinet. If you are not on the Cabinet level, click the cabinet icon (see figure at left).

1. Click **New Cabinet**.
2. Enter a name in the **New Cabinet** dialog box.
3. Click **OK**. The new cabinet appears in the left pane.

Repeat these steps as needed to create more cabinets.

NOTE
File cabinets cannot be stored inside other file cabinets. Each cabinet is for Level-1 storage. Drawers are for Level-2 storage, and folders are for Level-3 storage.

**Adding Clients**

To add new clients to the existing file structure without going through Drake, follow these steps:

1. Open the Archive Cabinet by clicking the **Doc Mgr** button from the **Home** window of Drake Tax or from the **Data Entry Menu** within a return.
2. Click the **Add Client** button from the **Archive Cabinet** toolbar to open the **Add Person** dialog box.
3. Enter the name of the new client in the **First name** and **Last name** fields for individual clients or the name of a business or estate in the **Business/Estate name** field.
4. Enter the last four digits of the client's SSN (or EIN) in the **Last 4 digits of ID** number field.
5. Click **Add**.

NOTE     Adding a client to the Archive Cabinet *does not* add the client to Drake Tax or to the Working Cabinet.

**Adding Drawers**

Add drawers to cabinets for file storage. The Drake Document filing system lists these drawers by the first character of the name on the return. To add a drawer to a cabinet:

1. Open the Archive Cabinet by clicking the **Doc Mgr** button from the **Home** window of Drake Tax or from the **Data Entry Menu** within a return
2. Highlight the cabinet you want to add a drawer to.
3. Click **New Drawer**.
4. Enter a drawer name in the **New Drawer** dialog box.
5. Click **OK**. The new drawer appears in the left pane.

Repeat these steps as needed to create more drawers.

NOTE     You must be on the Cabinet level to add a drawer.

**Adding Folders**

Documents are stored in folders, listed in alphabetical order by the clients' last names (individual returns) or first names (business returns). When you create a return in the tax program, Drake Tax automatically creates the client folder with subfolders labeled **Tax** and subfolders for the tax year.

To create additional folders:

1. Highlight the drawer or folder that will contain the new folder.
2. Click **New Folder**.
3. Enter a folder name in the **New Folder** dialog box.
4. Click **OK**. The new folder appears in the left pane.

Repeat these steps as needed to create more folders.

NOTE        You must be on the Drawer level or Folder level to add a folder.

# Working With Drake Documents Files

Once the Drake Documents (Working Cabinet or Archive Cabinet) folders and any subfolders are established, you can begin adding files. Drake Documents supports many file types and allows you to import or scan files into Drake Documents or link to a file outside of Drake Documents. Once added to a folder, files are listed in the right pane of the Drake Documents window (Figure 13-3 on page 457).

NOTE        Files can be added to the Working Cabinet from the toolbar or through the menu bar (**Documents**).

**Printing Returns**    When you print a completed tax form or tax return in Drake Tax, you have the option of also saving an electronic copy of the form or return in Drake Documents, and sending it to the SecureFilePro portal. For details, see "Printing to Drake PDF" on page 318.

**Importing a File**    You can import a PDF copy or scanned image from another program located elsewhere in your computer or network into the client's Drake Documents folder. To import a file into Drake Documents:

**1.** Select the folder where the document will be stored.

**2.** From the toolbar, click **Import** to open the **Import File** dialog box.

**3.** Browse to and select the desired document.

**4.** Click **Open**. Drake Documents copies the document into the selected folder.

**Scanning a File**    Scan documents into Drake Documents using a flat-bed or document-feed scanner. A flat-bed scanner scans one page at a time, creating a separate PDF document for each page. A document-feed scanners are quicker and more versatile, scanning multiple items and making one document of many pages.

When you scan a document using Drake Documents, the program automatically locates and uses your system's default scanner. A **Scanner Cannot be Located** message implies that the scanner is not TWAIN compliant or has been improperly installed.

To scan a document into Drake Documents:

**1.** From the Drake Documents toolbar, click **Scan**.

2. From the **Scan Input** dialog box, type in a name for the scanned document or choose one of the common document names previously entered (item #1 in figure at right; see "Setting Up Common Documents" on page 455) and select a file type item #2 in figure at right).
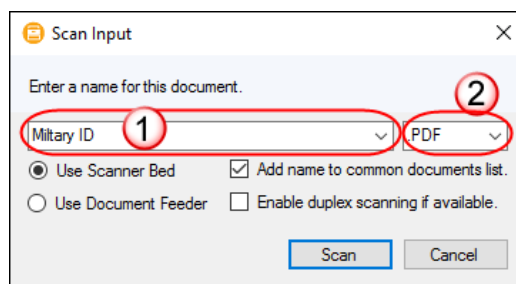
3. Select **Use Scanner Bed** or **Use Document Feeder**.

4. (*optional*) Click **Add name to common documents list** is desired.

5. (*optional*) Select **Enable duplex scanning if available** (if appropriate and if that option exists).

6. Click **Scan.**

TIP   To ease search and retrieval of Drake Documents files, use a consistent naming convention. The **Common Documents** feature can help you to do this. See "Setting Up Common Documents" on page 455.

Many TWAIN–compliant scanners will work with Drake Documents. Always review scanner specifications before purchasing a scanner.

**Linking a File**

You can create a link between a Drake Documents file and a document outside Drake Documents. Drake Documents maintains the link to the external document so that if the document is updated, the link remains and you do not have to replace the document in Drake Documents.

To create a link to a file in Drake Documents:

1. Select a folder in which to store the link.

2. Click the **Link File** button from the Drake Documents toolbar.

3. Browse to and select the document to be linked and click **Open**. The link is indicated in the **Type** column of Drake Documents (Figure 13-4).
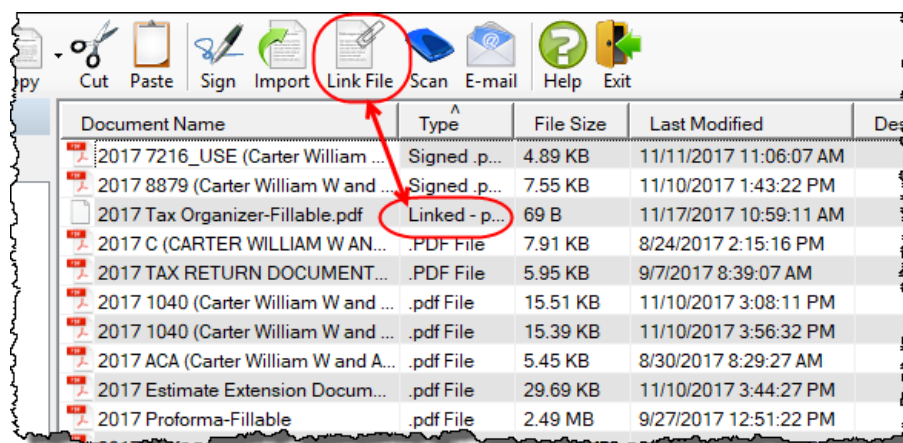
**Figure 13-4:** Link is indicated in **Type** column of Drake Documents document pane

Double-click the line in the document pane to open and review the linked file.

**Using the Audit Log**    Each time an action occurs to a file, Drake Documents makes note of it in an audit log. An *action* includes importing, linking, exporting, copying, moving, opening, and renaming. The audit log records the action, the date and time the action was taken, and the user who performed the action. It also shows the document name and path to that document and has a field for entering a document description.

To access the Drake Documents Audit Log, select a file from the Drake Documents document pane and choose **Properties** from the right-click menu (or click F9).

If desired, enter a description of the document in the Audit Log's **Description** field.

**Setting Document Status**    You can choose a status for any document in your filing system. The status will be listed in the **Status** column in the Drake Documents document pane.

To change the status of a document:
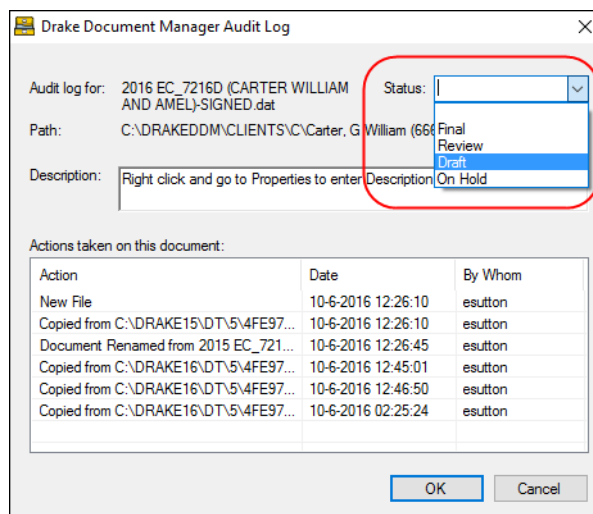


**1.** Select a document from the document list and choose **Properties** from the right-click menu (or click a document and press F9). The **Audit Log** is displayed (figure left).

**2.** From the **Status** drop list, choose **Final**, **Review**, or **Draft** (red circle in figure left) or one of the statuses you added to the list. (See "Adding Statuses," following.)

**3.** Click **OK**.

**Adding Statuses**    To add new statuses:

**1.** From the Drake Documents menu bar, click **Setup > Options**. The **Drake Documents - Options** dialog box is opened.

**2.** In the **Document Status list** section, click the **Show/Hide** button. The list of document statuses is shown in the lower half of the window.

**3.** Click one from the list to edit, or scroll down to a blank line and add your own status.

**4.** To save changes, click **Save**.

**.txt, .doc, .xls**    Your computer must have Microsoft Notepad, Word, and Excel installed in order to use Drake Documents to create new text (.txt), Word (.doc), and Excel (.xls) files. To create a new text, Word, or Excel file:

**1.** From the Drake Documents toolbar, click the **File** icon.

2. In the menu that is displayed, select **New Text File**, **New Word Document**, or **New Excel Spreadsheet**.

3. Enter a name for the new document or spreadsheet.

4. Click **OK**.

The document is saved to the document tree of the open folder. The applicable program opens the new document when you click a selection. You can open, rename, or delete folders from the **File** button.

**Document Security**   When a Drake Documents file is password-protected, a password must be entered before the document can be accessed. The use of a password is optional.

IMPORTANT   If you choose to password protect documents, be sure to write the password down and save it to a secure location. Drake Software Support cannot retrieve a Drake Documents password.

**Assigning a Password**   Select a document and then go to **Documents > Password Protection** from the Drake Documents menu bar (or right-click a file and select **Password Protection**). In the **Password Protection** window, enter the password twice and click **Save**.

To open a password-protected document: double-click the file (or right-click the file and then click **Open**). Enter the password and click **OK**.

**Removing a Password**   Right-click the file, select **Password Protection**, and in the **Password Protection** window, enter the password in the **Enter OLD Password** field and click **Save**. (Leave both **NEW Password** fields blank.)

**Changing a Password**   Right-click the file, select **Password Protection**, and in the **Password Protection** window, enter the old password in the **Enter OLD Password** field. Enter a new password twice. Click **Save**.

NOTE   Drake Documents passwords are case-sensitive.

**Sharing Documents**   To share documents in a client's folder, from the Drake Documents menu bar:

Copy to Location:

1. Select a document in the document pane to share.

2. From the menu bar, go to **Documents > Share Document > Copy to Location**

3. From the drop list at the top of the **Select Location to Copy Files To** window, browse to the location where you wish to save the file.

4. Click **Save**

NOTE    You can also select a document, then click the arrow next to the **Copy** button on the toolbar, and choose **Copy to Location**.

Attach to Email:

**1.** Select a document in the document pane to email.
**2.** From the menu bar, go to **Documents > Share Document > Attach to Email**.
**3.** In the **Untitled - Message** window, enter the addressee, subject, and any text to email body.
**4.** Click **Send.**

NOTE    You can also select a document and then click the **Email** button from the toolbar.

Upload to Portal:

**1.** Select a document in the document pane to upload to SecureFilePro.
**2.** From the menu bar, go to **Documents > Share Document > Upload to Portal**.
**3.** In the **Portal Login** window, enter the **Portal username** and **Portal password**.
**4.** Click **OK**. (For details on using SecureFilePro, see "SecureFilePro" on page 476.)

NOTE    You can also select a document and then click the **Portal** button from the toolbar.

# Tax Planner

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

The Tax Planner is installed when you install Drake Tax.

## Opening the Tax Planner

To open the Tax Planner from data entry:

**1.** Open a client's return.
**2.** Click the **Tax Planner** icon from the **Data Entry Menu** toolbar.

## Tax Planner Window

The **Tax Planner** window displays a toolbar, the original return, and any planners (or "scenarios") you create (Figure 13-5).
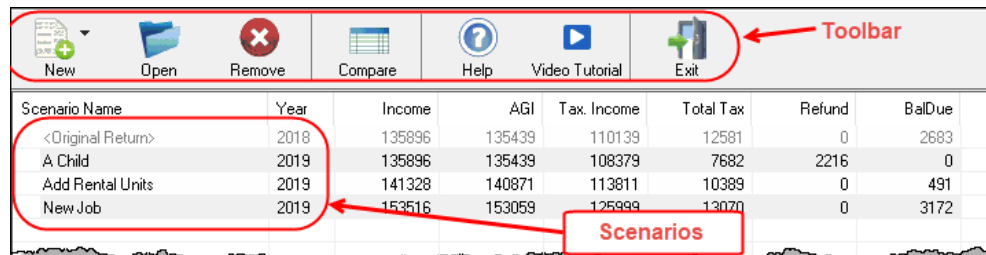


**Figure 13-5:** Tax Planner toolbar and scenario pane

The items on the toolbar are explained in Table 13-3:

**Table 13-3:** Toolbar of the Tax Planner

| Tool button | Function |
| --- | --- |
| **New** | Click **New** to begin new scenarios for different tax years, or to plan a new scenario based on a previous scenario |
| **Open** | Click **Open** to open data entry screens to set up various scenarios, or to open the client's original return |
| **Remove** | Select a scenario from the scenario pane and click **Remove** to delete the scenario. |
| **Compare** | Click **Compare**, select up to three scenarios, and click **Compare** again to compare the chosen scenarios to the client's current tax situation based on the original return. |
| **Help** | Click **Help** to get explanations and direction for using the planner |
| **Video Tutorial** | Click to see a short video tutorial on the basics of using the Tax Planner |
| **Exit** | Click **Exit** to close the planner and return to Drake data entry. |

## Working in the Tax Planner

The first step in working with the Tax Planner is to create various scenarios. After you've created the scenarios, you make changes to the scenarios (such as in a potential change in marital status, number of dependents, amount of income, etc.), then compare them to taxpayer's original return to see what effect the projected changes would make to the taxpayer's current financial and tax situation.

**Creating Scenarios**

To begin creating scenarios to compare to the original return, follow these steps:

**1.** From the **Tax Planner** window, click **New** from the toolbar and choose a tax year.

**2.** In the **Tax Planner Creation** window, enter a name for the scenario and click **OK**. Create as many scenarios as you wish.
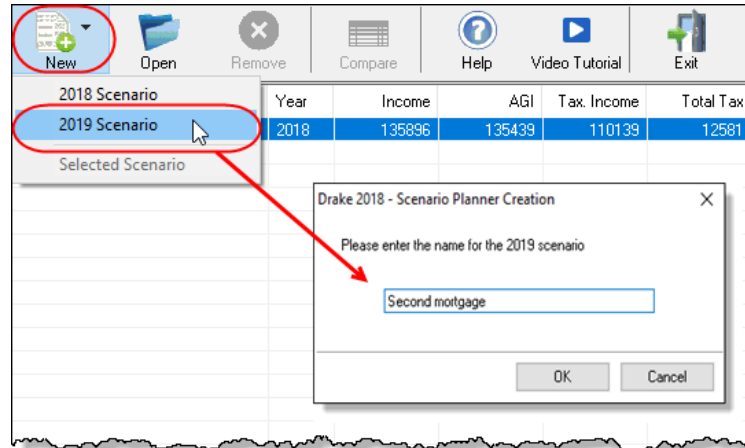


**Varying Scenarios**    You can make different versions of a scenario. For instance, you might make a scenario in which the taxpayer has a child. You could make another version of that same scenario in which the taxpayer has two children, or has a child and buys a house, or has a change in income.

To make various versions of already-created scenarios:

**1.** Select a scenario from the scenario pane.

**2.** Click the **New** button, and from the drop list, click **Selected Scenario**.

**3.** Enter a name for the new scenarios and click **OK**. This makes a copy of the original scenario that you can adjust. See "Setting up Scenarios," following.

**Setting up Scenarios**    After you've created as many scenarios as you'd like, it's time to set up the scenarios by changing, adding, or removing data from screens likely to have an impact on the customer's tax situation. For example, for the birth of a child, you would most likely fill out or add to screen **2** (Dependents) in Drake Tax, maybe screen **2441** (Child Care Credit), and possibly screen **A** (Itemized Deductions).

To set up a scenario, follow these steps:

**1.** From the **Tax Planner** window, click a scenario then click **Open**.

N OTE    A reminder that you are in a Tax Planner scenario and not the original return appears in the lower-right corner of the **Data Entry Menu**.

**2.** From the **Data Entry Menu**, choose the screens you want to add or change.

**3.** When you're finished setting up the scenario, calculate the scenario (click **Calculate** from the toolbar).

**4.** Close the **Calculation Results** window.

**5.** Click the **Tax Planner** button to return to the **Tax Planner** window.

N OTE    If you are in a scenario and want to go to the original return, click **Tax Planner**, select **Original Return** from the **Tax Planner** window, and click **Open**.

**Comparing Scenarios**     When you have finished creating and setting up different scenarios and you want to compare them to the taxpayer's original return, follow these steps:

**1.** Click **Compare** from the **Tax Planner** toolbar.

**2.** In the **Scenario Comparison Selector**, choose up to three scenarios to be compared to the original return.

**3.** Click **Compare** to open the Tax Scenario Planning Comparison worksheet in View mode (Figure 13-6). Print the worksheet, email it, or send it to Drake Documents from View/Print mode toolbar.

> TIP In the **Tax Scenario Planning Comparison** worksheet (Figure 13-6) note that the DoubleCheck feature is available. For more information, see "DoubleCheck" on page 311.



**Tax Scenario Planning Comparison**

Name(s) as shown on return
Carter, William

| | Original Return | A Child | Add Rental Units | New Job |
|---|---|---|---|---|
| Filing Status | 2 | 2 | 2 | 2 |
| Number of Exemptions | 5 | 6 | 5 | 5 |
| **Income:** | | | | |
| Wages, salaries, tips, etc | 121,435 | 121,435 | 121,435 | 139,055 |
| Taxable interest and dividends | 2,222 | 2,222 | 2,222 | 2,222 |
| Business Income (loss) | 3,553 | 3,553 | 3,553 | 3,553 |
| Gains (losses) | | | | |
| Pension and IRA distributions | | | | |
| Rental & Pass-through Income (loss) | 5,566 | 5,566 | 10,998 ✓ | 5,566 |
| Farm Income (loss) | 2,898 | 2,898 | 2,898 | 2,898 |
| Taxable Social Security Income | | | | |
| Other Income | 222 | 222 | 222 | 222 |
| Total Income | 135,896 | 135,896 | 141,328 | 153,516 |

**Figure 13-6:** Comparing scenarios to original return

> NOTE For 2020 scenarios, the calculations are adjusted based on the 2020 inflation indexed numbers.

# Drake Accounting

We have replaced Client Write-Up with Drake Accounting®. (Client Write-Up is being phased out this year.) A "from-the-ground-up" rewrite of CWU, Drake Accounting allows you to manage basic client financial records using standard accounting entries.

• Available reports include multi-column profit and loss reports, pre-posted reports, comparative or single column balance sheets, and payroll reports.

• The Payroll module allows you to e-file or paper-file federal 94x series forms, state wage forms, and W-2 forms. With Drake Accounting, you can prepare and

print both live and after-the-fact payroll, and Forms W-2/W-3, 1099-MISC/1096, 940, 941, 941SS, 943, 944 and 945. Payroll information is transferred to the journal with the click of a button.

• Templates make the creation of a Chart of Accounts easy, but Drake Accounting also allows you to create a custom Chart of Accounts either by editing an existing one or creating one from scratch. You can also export information into Drake Tax Software, reducing data entry time required to prepare your client's tax return.

Use Drake Accounting to enter vendor invoices, and enter after-the-fact vendor invoice information for accounting purposes, or use the Accounts Payable or Check Writer to print vendor checks. You can also process and print 1099-MISC within the Payables module. Use the Accounts Receivable module to record and track customer invoices, shipments, payments, and balances.

Take advantage of exciting new features, like batch payroll processing, electronic signatures, the ability to edit prior-year journal entries, automated offsetting entries, enhanced reporting, and a "modernized client face" portal (see NOTE below). With the 2019 version (available in December 2018), we will release multi-state payroll and graphical reports along with many other requested enhancements.

For more details or to download a free version of Drake Accounting 2018, log on to the Drake Support website (*Support.DrakeSoftware.com* **> Resources > Download Center**). To purchase Drake Accounting 2019, go to *Accounting.DrakeSoftware.com*.

NOTE    Portals is a Web-based feature that helps your clients edit their employee information and pay information. Once a client creates and verifies pay information, payroll information is processed and automatically posted for the client to view and export to Excel.

# Additional Products

GruntWorx and SecureFilePro are separate programs designed to integrate with Drake Tax to make storing, accessing, and manipulating large numbers of documents easier.

# GruntWorx

GruntWorx is a secure tax preparation tool that can handle a lot of the document organization and data entry that you and your staff must otherwise do manually. GruntWorx not only helps make yours a truly paperless office, but it can help you cut up to 40% of the time spent in data entry.

GruntWorx uses optical character recognition (OCR) technology to turn scanned documents into an organized PDF document that is divided into sections for wages, interest income, investment income, deductions, mortgage interest, etc. The finished PDF document is bookmarked and labeled, and can be annotated. Data can also be imported directly into Drake Tax.

There are no upfront costs, fees, or commitments for using GruntWorx. Use this service as little or as much as you want. The more you use it, however, the more you save: each purchase earns bonus dollars.

## GruntWorx Products

GruntWorx offers three products to handle your paper-shuffling tasks: *Organize*, *Populate*, and *Trades*.

- **Organize** — With *Organize*, a stack of scanned-in client source documents can be automatically organized for you. No organizing the documents pre-scan, no leafing through the pages to make sure they're all facing the same direction, and no pulling out documents that are irrelevant to the tax return. Scan the documents, send them to GruntWorx, and receive a PDF document with your documents classified, organized, and bookmarked. For clients with multiple federal tax forms (such as W-2s, W-2-Gs, 1099s, K-1s), this feature can save time shuffling papers and organizing these documents yourself. You can also scan receipts, logs, and handwritten notes in the GruntWorx PDF file.

- **Populate** — With *Populate*, the data contained in thousands of tax forms— including Form1095-A, Health Insurance Marketplace Statement—can be extracted from the forms and imported directly into Drake Tax, saving you data entry time and expense. Populate extracts data from scanned source documents and from your proformas so you can import the data into Drake Tax with a few key strokes.

- **Trades** — With *Trades*, you can quickly and easily manipulate trade data, perform calculations within the spreadsheet, and import the data into Drake Tax. Stock sales from consolidated 1099s and stand-alone 1099-Bs can be extracted, put into an Excel file, and imported into Drake Tax through a process similar to Drake Tax's Form 8949 Import function. (From the **Data Entry Menu** toolbar in Drake Tax, click **Import > Form 8949 Import/GruntWorx Trades**.)

NOTES

- The No.1 cause of problems encountered by customers comes from poor scanning techniques or from scanning unreadable documents. Become familiar with "Proper Scanning" on page 475.
- Unreadable or handwritten data on a supported form will not be imported.
- GruntWorx Populate is available for the current tax year only. Do not submit Populate jobs for any prior years.
- GruntWorx will process prior-year Organize and Organize with trades jobs; however, the Excel Trades worksheet should be checked against the trades template required for the tax year submitted.
- There are several GruntWorx articles available in the Drake Software Knowledge Base. Log in to *Support.Drake-Software.com,* select **Resources > Knowledge Bases**, and select **Browse**. Click **Drake Software** and scroll down to **GruntWorx**.

**Organize LITE**     Organize LITE allows you to take advantage of the Organize product with two key differences: turn-around time and price. Organize LITE provides all the features and benefits of original Organize product, minus the human data validation. With acceptable scan quality, you receive an organized, searchable PDF document in minutes, and

it is stored directly in your client's folder within Drake. Organize LITE is available for individual returns only.

**GruntWorx Payments**

For information on GruntWorx pricing, or to purchase GruntWorx, log on to: *Support.DrakeSoftware.com* > **My Account > GruntWorx Integration**. (To log on from Drake Tax, from the **Home** window toolbar, click **Support > Drake Software Support Website >My Account > GruntWorx Integration**.)

## GruntWorx Process

IMPORTANT

Add all the necessary documents before submitting a job to GruntWorx. You cannot amend or submit an addition to an already submitted file; instead, you would have to resubmit the entire file as a new job and pay the appropriate amount.

**Proper Scanning**

It's hard to over-emphasize the importance of proper scanning practices. Proper scanning has the greatest impact on accuracy, turn-around time, and customer satisfaction.

- Make sure your scanner is TWAIN compliant.
- Use the correct scanner settings.
- Scan to black and white (monochrome), not color or gray scale.
- Scan all documents to PDF format.
- Scan the document at its original size.
- Scan multiple-page documents together. Documents such as consolidated 1099s and K-1s, should be submitted in logical order.
- Scan each document to its own page.
- For best results, scan the original source document received by the client. Avoid using copies of client documentation, particularly faxed copies.
- Do not upload files with Read/Write/Password protection
- Avoid submitting documents with faint or faded text. Not all original tax documents are suitable for processing by GruntWorx Organize and GruntWorx Populate.
- Do not use special characters when naming your PDF files. PDF file names containing ampersands (&) and apostrophes (') can create problems when being processed by GruntWorx.

NOTE

Document-feeder scanners are recommended for use with GruntWorx. For information on some compatible scanners, log in to *gruntworx.com/support/scanning/*

*Video link* 

For more information on GruntWorx, click the blue video link at the top of the **Submit Jobs** tab to see a video tutorial.

Contact GruntWorx (email *GruntWorxsupport@drakesoftware.com* or call (828) 349-5505).

# SecureFilePro

SecureFilePro™ is a secure HTTPS file-sharing site that allows you to send and receive documents on your own secure Web portal. Think of it as a document exchange site for you and your clients. You can upload to SecureFilePro any documents that you have saved, imported, scanned, and stored in your Drake Tax files, and your clients can go to the SecureFilePro website to view or download those documents. Your clients can also upload files to the portal for you to retrieve.

SecureFilePro is available for use with either the Working Cabinet or the Archive Cabinet.

NEW FOR
2019

If you or your clients wish to add another layer of protection to your data, SecureFilePro now allows use of Multi-Factor Authentication (MFA).

To learn more about MFAs, or to add MFAs in your office security protocol, see "Multi-Factor Authentication" on page 35.

## Work Smarter with SecureFilePro

SecureFilePro is a mobile-friendly Web application that makes it easier to serve your tax clients who can't make it into the office.

Accessing SFP through Drake Documents makes it even easier to work with client files. You can perform many functions from the Drake Documents window or go to the SFP website. Among the functions available are:

- Updating SFP account settings
- Using Guest Exchange
- Transferring files
- Updating client profiles
- Sending questionnaires
- Tracking client progress
- Sending invoices to clients with ePay
- Capture remote eSignatures

You can drag-and-drop files from Drake Documents into clients' files and vice versa, and directly transfer images of documents captured on a client's mobile devices.

With SFP, you can send messages and transmit certain information-gathering Web forms to your clients' computers, phones or tablets. The SecureFilePro app on your clients' devices allows them to send you messages, receive and transmit documents, even send photos of their W-2 forms (using their camera phones). They can also sign their returns electronically and even pay their bill through their smart phones. (The SFP phone app is compatible with Android phones, iPhones, and tablets.)

For details on these products, log in to *Support.DrakeSoftware.com*.

## SecureFilePro/Drake Documents Integration

Select a taxpayer in the Document Manager to view his or her SecureFilePro portal folders in the SFP integration page in Drake Documents

To copy files from Drake Documents to SFP, select the file and drag it to the new location – either from Drake Documents to SFP or from SFP into Drake Documents

NOTE

Organizers can be saved to your SecureFilePro portal as "fillable" PDFs, meaning your clients can download their organizers, complete them on their computer, and upload them back to the portal without the extra steps of printing them out, completing them by hand, and scanning them before uploading back to the portal.

See "Organizers and Proformas" on page 123 for more information.

## Online, Off-Site Backup to SecureFilePro

Drake Software customers who want to store their Drake Tax files at an off-site, Internet-based location can back their files up to SecureFilePro. Customers who already have an SFP domain can simply enter their SFP account number and mark the required boxes for an automatic or manual backup; customers who do not have an SFP account will have to set one up first and pay a monthly or annual fee. Prices range from $9.95 monthly ($99 annually) to $19.95 ($199.95) to $29.95 ($299.95) depending on the number of files and size of the backup.

Features of SecureFilePro include:

- An activity report that shows, at a glance, who has accessed which accounts and what has been uploaded and downloaded from the site
- Automatic alerts emailed to your clients when their documents (such as their tax returns) are available for viewing or downloading
- Automatic alerts when you are reaching the limit of your file-storage capacity
- Email customization allows clients to:
  – Change certain text within the automatic emails
  – Add/remove a logo
  – Customize instructional paragraph for new and existing clients
  – Add additional paragraphs, and add footer information to emails
- Administrators and preparers can now folders and upload files to "Documents to Preparers."
- Users with access can rename and delete added folders. The default folders cannot be changed or deleted.
- Site Branding: Logos can be placed left or right of the Firm Name.
- File expiration settings allow our clients to set a date to expire all files.
- Move/Copy feature allows clients to move or copy to a new target location.
- A download indicator was added. When a file has been downloaded, the date and time the download was completed will show in the file information.
- An unlimited number of files is allowed in the following folders:

- "Document to Clients"
- "Documents to Preparers"
- "Private" (administrator and preparers only)
- "Public"

## SecureFilePro Sign-up and Costs

To sign up for SecureFilePro, log in to *Support.DrakeSoftware.com*, and from the blue menu box to the left side of the window, select **Resources > SecureFilePro** (Figure 13-7). Follow the onscreen directions to set up an administrative account and to add employees and clients who will have access to the site.
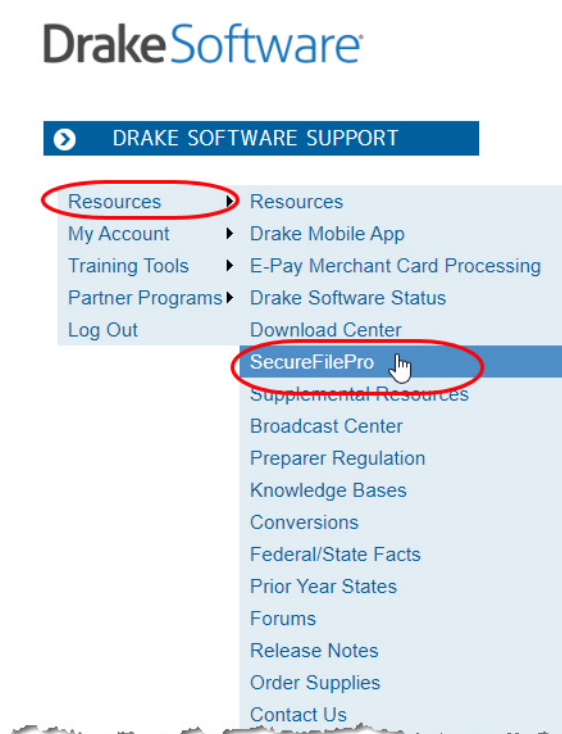


**Figure 13-7:** Log in to *Support.DrakeSoftware.com* to sign up for SecureFilePro.

# 14 New Features in Other Packages

*THIS CHAPTER BRIEFLY DESCRIBES SOME OF THE
NEW FEATURES YOU'LL SEE IN DRAKE TAX'S
CORPORATION (1120), S CORPORATION (1120S),
PARTNERSHIP (1065), TAX-EXEMPT (990),
FIDUCIARY (1041) AND ESTATE (706) PACKAGES.*

## Changes to the Drake Tax Business Packages

Following are brief descriptions of the changes to the other Drake Tax packages—
Corporation, S Corporation, Partnership, Fiduciary, Tax-Exempt, and Estate. More
details will be included in the business supplemental manuals (1120, 1120S, 1065,
1041, 990, and 706 packages) to be published in Winter 2020, available from *Support.DrakeSoftware.com* (from the blue menu bar, select **Training Tools > Manuals**).

- The **MICS** screen, added to the **Miscellaneous** tab of the **Data Entry Menu** of
  the business packages, includes fields to help preparers keep up with 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 checkbox for indicating clients
  who did not pay their bill last year. This is preparer information only, and has no
  affect on the return.
  - The **Disaster Designation** field on the **MISC** screen is for entering the name
    of a federally designated disaster for those business entities that incurred
    disaster losses and that are subject to federal disaster rules. An entry in this
    field is printed across the top of the return but does not otherwise affect the
    return The field is limited to 75 characters (including spaces).

**Updating Misc. Codes**    An option to **Update Misc Codes on Screen 1**, available during the update process
(**Last Year Data > Update Client 2018 to 2019**) was added to the federal business
packages. For more information on using these code fields, see "Miscellaneous
Codes" on page 293.

## Forms and Worksheets for "Pass-Through" Packages

Here are some of the changes that affect the Partnership, S Corporation, and Fiduciary
packages for the 2019 tax season.

**Statement A**    Drake Tax is including new worksheets with 1065, 1120S, and 1041 returns that
include Qualified Business Income.

In the 1065 package, the "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**    In the Partnership, S Corporation, and Fiduciary packages, "Statement B – QBI Pass-through Entity Aggregation Elections," will be attached and filed with the Schedule K-1, and a "Qualified Business Income Aggregation" worksheet – a summary of Statement B – will be generated for entity's records.

# Partnership (1065) Package

Here is a quick list of some of the other changes made to Form 1065 and the Partnership package of Drake Tax for the 2019 tax season.

- An investor in a qualified opportunity fund (QOF) uses Form 8997, Initial and Annual Statement of Qualified Opportunity Fund (QOF) Investments, 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 and QOF investments disposed of during the current tax year.
- Item K, with the following check boxes, was added to page 1 of Form 1065:
  - Aggregated activities for section 465 at-risk purposes
  - Grouped activities for section 469 passive activity purposes
- Line 25, "Designation of Partnership Representative," on page 3 of Form 1065, no longer requires a U.S. taxpayer identification number.

The following items were added to page 3 of Form 1065:

- Line 27, for the number of foreign partners subject to section 864(c)(8)
- Line 28, for any transfers between the partnership and its partners subject to the disclosure requirements of Regulations section 1.707-8

**Schedule K-1 (Form 1065) has the following changes:**

- A new section was added to item "H" of Schedule K-1. There is now a line for the TIN and the name of the disregarded entity in the event the disregarded entity owned an interest in the partnership. This information is entered on the K1 screen of the 1065 package.
- Item "L" of the K-1 now requires the partner's capital account be reported on a tax basis.
- The check boxes for "Tax basis," "GAAP," "Section 704(b)book," and "Other," have been deleted from item "L."
- Item "N" for "Partner's Share of Net Unrecognized 704(c) Gain or (Loss)," beginning and ending amounts, were added to Part II of Schedule K-1.
- Part III, line 4 has been divided in three lines:
  - 4a, "Guaranteed payments for services"
  - 4b, "Guaranteed payments for capital"
  - 4c, "Total guaranteed payments"

- Part III, line 20, codes for Qualified Business Income (QBI) items have been changed to a single code "Z," which refers to the attached QBI statement.

# Corporation (1120) Package

Some of the changes made to Form 1120 and the Corporation package of Drake Tax for the 2019 tax season include:

- Form 8903, Domestic Production Activities Deduction (DPAD) has been repealed for tax years beginning after 2017, with limited exceptions
- No deduction is allowed for certain entertainment expenses, membership dues, and facilities used in connection with these activities for amounts incurred or paid after 2017. Data entry fields for deductible/nondeductible entertainment expenses have been added to screen **DED** in Drake Tax.
- Dividends-Received Deduction (DRD) percentages have been reduced.
- The 80% DRD is reduced to 65%, and the 70% DRD is reduced to 50%.
- The corporate AMT (Form 4626) has been repealed for tax years beginning after 2017.
- For tax years beginning after 2017, the corporate tax rate is a flat 21% rate. This rate affects Form 1120 and Form 1120-C filers. A homeowner association filing Form 1120-H will continue to be taxed at the same 30%-32% rate.
- Net Operating Loss (NOL) deduction: The general two-year net operating loss carryback rule does not apply to NOLs arising in tax years ending after 2017. Exceptions apply to certain farming losses and NOLs of property and casualty insurance companies.
- The EF Notice will now be produced in View/Print mode for accepted 7004 extensions.

**New or Enhanced Forms**
- Form 8990, Limitation on Business Interest Expense IRC 163(j)
- Form 8992, U.S. Shareholder Calculation of Global Intangible Low-Taxed Income (GILTI)
- Form 8993, Section 250, Deduction for Foreign-Derived Intangible Income (FDII) and Global Intangible Low-Taxed Income (GILTI)
- Form 8994, Employer Credit for Paid Family and Medical Leave
- Form 8996, Qualified Opportunity Fund
- Form 965, Inclusion of Deferred Foreign Income Upon Transition to Participation Exemption (and appropriate schedules)
- Form 5471, Information Return of Persons with Respect to Certain Foreign Corporations (and appropriate schedules)
- Form 1118, Foreign Tax Credit – Corporations (and appropriate schedules).

# S Corporation (1120S) Package

Drake Tax made the following changes to the S Corporation package for the 2019 filing season.

- Form 8995-A (Schedule B), Aggregation of Business Operations
- Added to page 1 of Form 1120S: item J with two new checkboxes:
  - Aggregated activities for section 465 at-risk purposes
  - Grouped activities for section 469 passive activity purposes
- Schedule K-1 (Form 1120S) has the following changes:
- Part III, line 17: codes for Qualified Business Income (QBI) items have been changed to a single code "V," which refers to the attached QBI statement

# Fiduciary (1041) Package

Drake Tax made the following changes to the Fiduciary package for the 2019 filing season:

**Forms 8995, 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 "Form 8995 and 8995-A" on page 5 of this document.)

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

## Changes to the Tax-Exempt (990) Package

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

**e-File Required**  For an exempt organization with a tax year beginning on or after July 2, 2019, Forms 990, 990-PF, and 990-EZ must be e-filed. For calendar year filers, the requirement will take place starting in tax year 2020.

Form 990-EZ for a tax year beginning on or after July 2, 2019, must be e-filed unless one or more of the following exceptions apply:

The name of the organization has changed, the new name is entered on Form 990-EZ, and the "Name change" box is checked in item B.

**1.** Form 990-EZ is for a short period because of an accounting period change. This does not apply if:
  - The short period is an initial return and the "Initial return" box is marked in item B
  - The short period is for a final return and the "Final return/terminated" box is marked in item B

**2.** An application for exemption is pending, and the "Application pending" box is marked in item B

**3.** Form 990-EZ is being filed before the end of the tax year. This does not apply if the return is a final return, and the "Final return/terminated" box is  marked in item B.

**4.** You attempted to file Form 990-EZ electronically, but the return was rejected (even after you contacted Drake Software).

**NOTE**: The item **B** check boxes mentioned above are all on screen **1** of Drake Tax.

For exceptions 1 through 4 above, paper-file Form 990-EZ. For exception 5, paper-file a Form 990-EZ as prescribed in section 5.7 of Pub. 4163, Modernized e-File (MeF) Information for Authorized IRS e-File Providers for Business Returns.

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

**Phone Numbers**

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

**Largest Program Services**

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

**Better Diagnostics**

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

**New Accounting Standards**

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

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

**Schedule B Changes**

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

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

**Changes Associated with Tax Reform:**

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

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

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

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

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

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

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

# Changes to the Estate (706) Package

Following are IRS tax-law changes to Estate returns for the 2019 filing season:

• The maximum tax rate for the estates of decedents dying after December 31, 2018 is 40%.

• The exclusion amount for decedents dying in 2019 is $11,400,000.

• The credit for transfers made by gift is reunified with the credit for transfers made at death. Both receive a combined unified credit of $4,505,800.

• The ceiling on special use valuation is $1,160,000.

• The amount used in figuring the 2% portion of estate tax payable in installments is $1,550,000.

Estate tax returns for decedents who died after December 31, 2018, are due nine months after the date of death.

# Appendix A: e-File Overview

The flow chart on the following page shows an overview of the e-file process for most Drake preparers. Included are definitions of acknowledgment codes ("acks").

# PROCESS: E-FILING FEDERAL RETURNS

**Drake** SOFTWARE

## Tax Preparer

Complete the tax return

Review return to ensure that it is ready to e-file

Mark ready for EF → Transmit return

Address the identified issue

If NOT accepted (**B**, **R**, **D** or **X** ack)

Pick up & process acknowledgments

Transmitting **P**, **T**, or **B** ack

If ACCEPTED

**T** ack

**P** ack

**A** ack (or **E** ack)

Test transmission successful!

Drake transmission successful! Wait for IRS ack.

## Drake

**Drake Acknowledgement Codes**

**P** = Processing! Wait for IRS ack.
**T** = Test transmission successful. Ready to e-file!
**B** = Bad transmission; rejected by Drake. Install updates and try again.

Receive transmitted return → Transmit acknowledgment —If **P** ack→ Transmit return to IRS → Receive ack

## IRS

**IRS Acknowledgement Codes**

**A** = Accepted by IRS!
**R** = Rejected by IRS; see reject codes.

**D** = Duplicate; return is a duplicate of a previously filed return or DCN. Rejected by IRS.
**X** = Problem with the transmission
**E** = Imperfect return
**?** = Ack file was not posted to your EF database. Run **Repair Index** in Drake.

Receive transmitted return → Transmit acknowledgment

E-filing process complete!

# Appendix B: Keywords

*KEYWORDS ARE USED IN THE REPORTS AND
LETTERS PROGRAMS IN DRAKE TAX.*

## Report Keywords

Report keywords appear as columns in reports (circled in figure below). Reports are generated from the Report Manager.



To view report keywords, select **Reports > Report Manager** from the **Home** window and choose to either open a new report or edit an existing report.



he **Select Report Columns** section of the **Report Editor - Step 1** dialog box lists the available and selected keywords for each column category. The figure at right shows the keywords for the **Return Results** category.
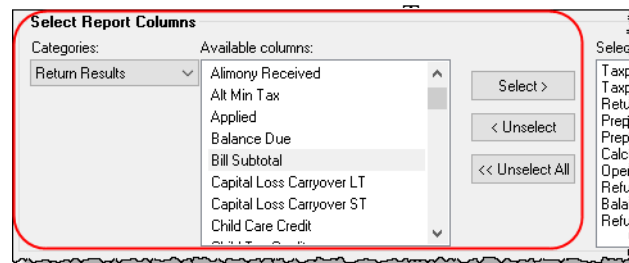
To view a keyword description, hold the mouse pointer over a selected keyword (figure at top of next page).
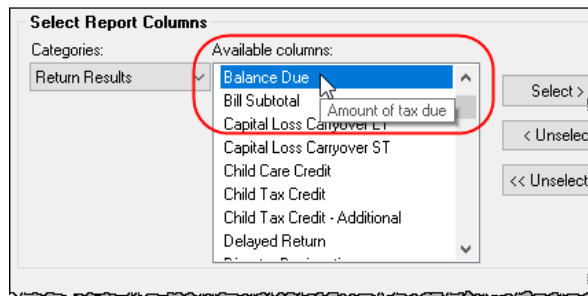


For instructions on creating and editing reports, see Chapter 12, "Reports."

# Letter Keywords

Letter keywords appear as bracketed phrases within the letter templates of the Client Communications Editor (figure below).

To view available letter keywords, from the **Home** window select **Setup > Communications Editor**, select any template to view, and then from the toolbar, click the **Full Edit** icon.
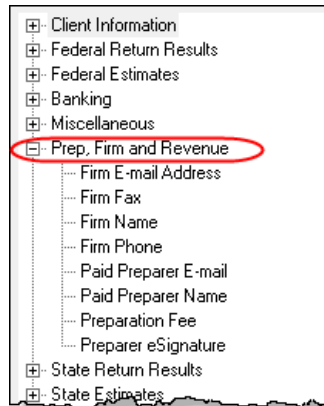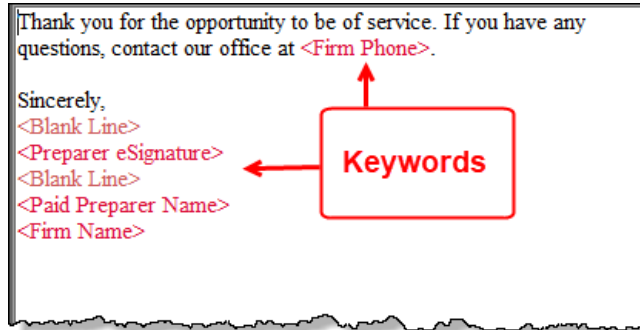




T

he tree view of the Client Communications Editor lists the keyword categories. Click [+] to view specific keywords within a category.

In the example (figure left), the **Prep, Firm and Revenue** category has been expanded.

Instructions for adding and editing report columns are provided in "Introduction to Letters in Drake Tax" on page 67.

## "OtherTax" Keywords in Letters

The client result letters in the Client Communications Editor include keywords for other tax types for state and city returns, as shown in the example in figure at right. These "Other Tax" types generally refer to tax types other than income tax (franchise tax, composite tax, etc.) that are required by certain states and cities.

Table B-1 lists the "Other Tax" types indicated by specific letter keywords for state and city returns in the Drake Tax packages.
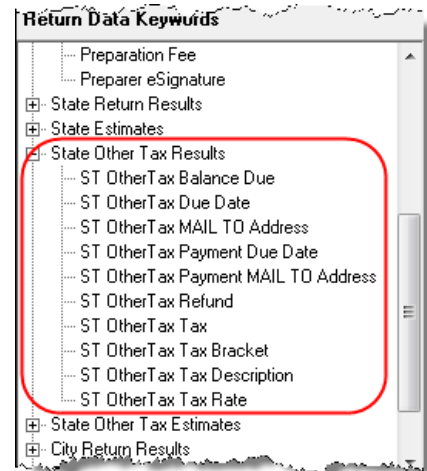
**Table B-1:** Letter Keywords: Other Tax Types for State Packages

| State or City | Other Tax Type Description |
|---|---|
| Alabama | Composite |
| | Privilege Tax and Annual Report |
| Arkansas | LLC Composite |
| | Composite |
| | Composite |
| California | CA568 Single Member LLC |
| Colorado | Severance Tax |
| Connecticut | Gift Tax |
| | Business Entity Tax |
| Delaware | Composite |
| District of Columbia | Franchise |
| Florida | FL 405 |
| | FL 1120ES |
| Georgia | Composite |
| Indiana | Business Tangible Personal Property |
| Kansas | Homestead |
| | Privilege |
| | Unitary |
| | Estate |
| Kentucky | 725 Single Member LLC/LLEAT |
| Louisiana | Composite |
| Maryland | Nonresident composite |
| Massachusetts | Unitary |
| | Annual Report |
| | Nonresident Composite |
| Michigan | Homestead Property Tax Credit/Home Heating Credit |
| Minnesota | Property Tax Credit |
| Missouri | Kansas City |
| | St. Louis |

**Table B-1:** Letter Keywords: Other Tax Types for State Packages

| State or City | Other Tax Type Description |
|---|---|
| New Hampshire | Business Tax |
| | Interest and Dividends |
| New Jersey | Composite |
| | NJ 1065 |
| | Inheritance tax |
| New Mexico | PTW-D |
| | FID-D |
| New Jersey | NJ-CBT-106 |
| New York | IT-204-LL |
| | IT-214 |
| | CT3M |
| | CT-245 |
| | NYC-208 (NYC Enhanced Real Property Tax Credit |
| | NYC-210 (NYC School Tax Credit) |
| New York City | NYC 1127 NYC Employment |
| Ohio | School District |
| | Composite |
| | Municipal Net Profits Tax |
| Oklahoma | Franchise Tax |
| Oregon | LTD Transit |
| | Tri-Co |
| | Portland City/Multnomah Co. Business |
| Pennsylvania | Property Tax Rebate |
| | RCT-101 (SMLLCs) |
| | 20S65 |
| | NR Composite |
| Philadelphia | Business Profits Tax |
| | Net Profits Tax |
| Rhode Island | Composite |
| South Carolina | Withholding Tax - Nonresident Income |

**Table B-1:** Letter Keywords: Other Tax Types for State Packages

| State or City | Other Tax Type Description |
|---|---|
| Tennessee | Franchise and Excise Tax |
| | Interest and Dividends |
| Texas | Franchise |
| Virginia | VA762, Tangible Personal Property |
| | VA765, Unified Nonresident Income Tax |

# Appendix C: Keyboard Shortcuts

This appendix lists the various keyboard shortcuts available for use in Drake's tax software, Client Status Manager, EF Database, email program, calculator, and Print mode:

**Table Q-1: Home** Window Keyboard Shortcuts

| Desired Action | Keyboard Keys |
|---|---|
| Open Returns | CTRL + O |
| Calculate returns | CTRL + C |
| Print returns | CTRL + P |
| View returns | CTRL + V |
| Open recent client files | Enter 1-9 |
| Open Quick Estimator | CTRL + Q |
| Open Client Status Manager | CTRL + L |
| Open EF Return Selector | CTRL + S |
| Transmit/Receive | CTRL + T |
| Open Drake Software Help | CTRL + F1 |
| Exit the program | ESC |

**Table Q-2:** Navigating Through Data Entry Screens

| Desired Action | Keyboard Keys |
|---|---|
| Move cursor forward one field | TAB, ENTER, or DOWN ARROW ↓ |
| Move cursor back one field | SHIFT + TAB, CTRL + UP ARROW ↑, or SHIFT + ENTER |
| Move cursor with a field | LEFT ARROW ← or RIGHT ARROW → |
| Delete character behind the cursor | BACKSPACE |
| Delete character in front of the cursor | DELETE |
| Move to last field on the screen | CTRL + END |
| Move to first field on the screen | CTRL + HOME |
| Bring up additional data entry screens (**W2**, **1099**, etc.) | PAGE DOWN |
| Return to previous screen or exit | ESC |
| Go to the first position in a data entry field | HOME |

**Table Q-2:** Navigating Through Data Entry Screens

| Desired Action | Keyboard Keys |
|---|---|
| Go to the last position in a data entry field | END |
| Navigate up and down a data entry screen | CTRL + UP ARROW ↑ or CTRL + DOWN ARROW ↓ |
| Access View mode | CTRL + V |
| Access Print mode | CTRL + P |
| Access data entry from View or Print mode | CTRL + E |
| Access an action menu | Right-click in field Right-click in gray area |

**Table Q-3:** Data Entry Function Keyboard Shortcuts

| Desired Action | Keyboard Keys |
|---|---|
| For field help during data entry or to verify a Social Security Number | F1, or SHIFT+? |
| Insert today's date in any date field | ALT+ D |
| Calculate a return | CTRL+ C |
| View a return | CTRL+ V |
| Print a return | CTRL+ P |
| Return to data entry from view or print mode | CTRL+ E |
| Split MFJ return to MFS return | CTRL+ S |
| Open a Detailed Worksheet; Access Form 4562 from the **Depreciation** field | Double-click, CTRL+ W, or Right-click > **Add Workshee**t |
| View preparer notes | CTRL+ R |
| Enter the Preparer note pad (**PAD** screen) | CTRL+ SHIFT+ N |
| Increase Declaration Control Number (DCN) | CTRL+ M |
| Toggle heads-down and standard data entry | CTRL+ N |
| Delete a data entry screen | CTRL+ D |
| Carry data to an amended screen | CTRL+ X |
| Reset the screen | CTRL+ U |
| Exit screen without saving changes | SHIFT+ ESC |

**Table Q-3:** Data Entry Function Keyboard Shortcuts

| Desired Action | Keyboard Keys |
|---|---|
| Open **Help** | Within data entry: CTRL+? <br> From **Home** window: CTRL+ F1 |
| Flag a field for review | F2 |
| Clear a flagged field | F4 |
| Clear all flagged fields | CTRL+ SHIFT+ SPACEBAR |
| Open Drake Documents | F6 |
| Open Drake Tax Planner | F7 |
| Open the **Set Client Status** menu | F8 |
| Go to EF database | F9 |
| Activate the calculator | F10 |
| Email a client data file | F11 |
| Exit data entry | ESC |
| View / Open Forms-based data entry | CTRL+ G (1040 returns only) |
| Opens Macros | CTRL+ SHIFT+ M |

**Table Q-4:** Client Status Manager Keyboard Shortcuts

| Desired Action | Keyboard Keys |
|---|---|
| Open CSM from the **Home** window | CTRL + L |
| Open selected client in CSM | CTRL + O |
| Search for a client record | CTRL + F |
| Customize the display | CTRL + D |
| Refresh the display | F5 |
| Filter the client list | CTRL + L |
| View information for the currently selected return | CTRL + Q |
| Generate reports | CTRL + R |
| Export to Excel | CTRL + E |
| Help | F1 |
| Exit CSM | ESC |

**Table Q-5:** Frequently Used Codes

| Field | Code | Application |
|---|---|---|
| TS or TSJ | T | Assigns data to primary taxpayer. The program default is T if field is left blank. |
| | S | Assigns data to spouse. |
| | J | Assigns data to both taxpayer and spouse. |
| F | 0 (zero) | Excludes data from federal return. |
| ST | State code | For state returns, enter appropriate two-letter state code. If field is left blank, program uses resident state. |
| ST | 0 (zero) | Exclude data from any state return. |
| | PY | For multi-state returns, use PY as resident state code on screen 1. Do not use PY on any other screen. |
| C | City code | For city returns, enter appropriate code to indicate source of income. |
| Multiple | 1-999 | For Form 4562 (depreciation), indicate appropriate schedule for depreciated item in the **For** field. Indicate where information should be carried when there are multiple schedules. |

**Table Q-6:** Search EF Database

| Key | Function | Instructions |
|---|---|---|
| F1 | General information | View basic EF information about taxpayer: taxpayer information, federal and state acknowledgment codes, acknowledgment dates, transaction date, filing status, refund amount, or balance due. |
| F2 | Bank information | Access detailed loan information, direct deposit information, Declaration Control Number, etc. |
| F3 | Fees/miscellaneous information | Access miscellaneous information, including Earned Income Credit and AGI, MISC field data, firm and preparer numbers, and tentative fee distribution details. |
| F4 | Reject code lookup | Access the reject code lookup feature, which allows you to search for federal and state reject code descriptions, loan status codes, and bank decline reasons. |
| F5 | Return to data entry | Opens return data entry for the client. |
| F10 | Online Database | View your online database from data entry or from your EF Database. |

**Table Q-7:** Email Keyboard Shortcuts

| Desired Action | Keyboard Keys |
|---|---|
| Email a client data file from data entry | F11 |
| Check mail / Send and Receive | CTRL + M |

**Table Q-7:** Email Keyboard Shortcuts

| Desired Action | Keyboard Keys |
|---|---|
| Open a message | CTRL + O |
| Edit address book | CTRL + E |
| Create a new mail message | CTRL + N |
| Print a message | CTRL + P |
| Reply to a message | CTRL + R |
| Forward a message | CTRL + F |
| Delete a message | CTRL + D |
| Send a message in the **New Message** window | ALT + S |
| Open address book list in **New Message** window | ALT + T |
| Attach a file to a message | ALT + A |
| Check mailbox status | CTRL + S |

**Table Q-8:** Calculator Functions

| Desired Action | Operator | Instructions |
|---|---|---|
| Access the calculator in a numeric field | F10 | With the cursor in the desired field during return data entry, press F10. |
| Clear a number | Num Lock | Press NUM LOCK key or click the **C** button on the calculator. |
| Insert calculation total in data entry field | F1 or **F1-Insert Result** | With desired total in calculator's summary field, press F1 key or click **F1-Insert Result** on calculator window. Calculator is closed and calculation total is transferred to data entry field. |
| To exit the calculator | ESC | To deactivate calculator without inserting data in a field, press ESC or click **ESC-Quit** on calculator window. |
| Addition | + | Enter number to be added and press PLUS key or click plus sign (**+**) on calculator window. |
| Subtraction | — | Enter number to be subtracted and press MINUS key or click minus sign (**–**) on calculator window. |
| Multiplication | * | Enter first number of equation and press SHIFT+8 or click **\*** on the calculator window. Enter second number. Press ENTER or click equal sign (**=**) on the calculator window. |
| Division | / | Enter the number to divide and press SLASH (/) key or click **/** on the calculator window. Enter the number to divide by. Press ENTER or click equal sign (**=**) on calculator window. |

<div align="center">**Table Q-9:** Print Mode Keyboard Shortcuts</div>

| Desired Action | Keyboard Keys |
|---|---|
| Toggle in/out of Classic mode | CTRL + S |
| Return to data entry | CTRL + E |
| Print selected form | CTRL + P |
| Quick-print select form | CTRL + Q |
| Help | F1 |

# Macros

For information on setting up and using macros, see "Macros Setup" on page 64.

# Appendix D: State e-File Mandates

State e-filing mandates for tax year 2019, as collected from state tax-authority publications, are provided below.

**Alabama**  Paper returns with 2-D barcodes are no longer considered as electronically filed

An "opt out" election form (Form EOO) must be attached to any paper return submitted by a preparer subject to the electronic filing requirements of Rule 810-27-.09

A 2-D barcode is still required on any such paper return.

If an income tax return preparer prepares 11 or more acceptable, original individual income tax returns using tax preparation software in a calendar year, then for that calendar year and for each subsequent calendar year thereafter, all acceptable individual income tax returns prepared by that income tax preparer must be filed using electronic technology, as defined in the "Electronic Tax Return Filing Act," as codified in Chapter 30 of Title 40, Code of Alabama 1975.

For 1120, 1120S, 1065 returns, if an income tax return preparer prepares 25 or more acceptable, original corporation and partnership income tax returns using tax preparation software in a calendar year, then for that calendar year and for each subsequent calendar year thereafter, all acceptable corporation and partnership income tax returns prepared by that income tax preparer must be filed using electronic technology, as defined in the "Electronic Tax Return Filing Act," as codified in Chapter 30 of Title 40, Code of Alabama 1975. This shall cease to apply to an income tax preparer if, during that calendar year and all subsequent years, the income tax preparer prepared no more than 15 original corporation and partnership income tax returns.

**California**  Business returns prepared using a tax preparation program shall be electronically filed. This includes original and amended corporation, S corporation, partnership and Limited Liability Company returns. Business entities may annually request a waiver from this mandate and the Franchise Tax Board may grant a waiver for the following reasons:

• Technology constraints – the tax preparation program is unable to e-file the return due to the complex nature of the return or inadequacy of the program.

• Compliance would result in undue financial burden.

• Other circumstances that constitute reasonable cause and not willful neglect.

For taxable years beginning on or after January 1, 2017, business returns that do not comply with the mandate (not including businesses that receive a waiver from the Franchise Tax Board) will be subject to a first time penalty of one hundred dollars ($100) and subsequent penalties of five hundred dollars ($500). Group returns will be subject to the penalty at the combined reporting group level and not at the member level.

**Connecticut**     Connecticut agency regulations Section 12-690-1 require tax preparers who prepared 50 or more CT income tax returns during any calendar year to e-file all CT income tax returns. Preparers may obtain a one-year waiver from the e-file requirement by establishing that they cannot e-file a return without experiencing an "undue hardship." Regs. Section 12-690-1.

The following returns, and their associated payments, must be transmitted electronically for tax years on and after 2015:

- CT-1120, Corporation Business Tax Return
- CT-1065/CT-1120S, Connecticut Composite Income Tax Return
- CT-1041, Connecticut Income Tax Return for Trusts and Estates
- Extensions connected with each package

**Florida**     A corporation in Florida must file and pay its income tax electronically if it paid $20,000 or more in tax during the State of Florida's prior fiscal year (July 1–June 30). File Florida corporate income tax with the Florida Corporate Income/Franchise Tax Return (Form F-1120), and file through the IRS' 1120 Federal/State Electronic Filing Program using approved software.

Taxpayers required to file their federal corporate income tax returns electronically are required to file their Florida corporate income tax returns electronically.

**Illinois**     A tax return preparer must file Illinois Individual Income Tax returns in an electronic format if he or she files more than 10 Illinois Individual Income Tax returns in a calendar year and is required to file federal individual income tax returns in an electronic format.

Exception: A tax return preparer is not required to file a return in an electronic format if the taxpayer directs him or her not to do so. In order to document this choice, the taxpayer must complete and sign Form IL-8948 and the tax return preparer must keep it on file.

Retain all Forms IL-8948 you receive from your clients in your files for three years.

Do not mail this form to the Illinois Department of Revenue unless requested

Form IL-8948 is available through Drake Software.

A tax return preparer must file IL returns electronically if mandated to file electronically for federal purposes. Beginning with returns required to be filed for taxable years ending on or after December 31, 2011, any taxpayer required to file its federal income tax return by electronic means is required to file its equivalent IL income tax return for the same taxable year by electronic means. Electronic filing is not required for amended returns or returns of individuals or estates, or for any return the Department has announced cannot be filed by electronic means.

**Indiana**     If a professional preparer files more than 10 individual income tax returns in a calendar year, for the subsequent year the professional preparer must file returns for individuals in an electronic format, as specified by the IN Department of Revenue.

A penalty of $50 may be imposed on the professional preparer for each return that is not e-filed (see Exception below). The maximum penalty is $25,000 per preparer per calendar year.

Exception: An individual taxpayer may elect to opt-out of having his or her return e-filed. Form IN-OPT must be completed, signed, and retained on file by the paid preparer. A return filed under these circumstances will not be subject to a penalty for not being e-filed.

**Kansas**   Preparers who file 50 or more returns a year are required to file at least 90 percent of their returns electronically. The requirement applies to any paid preparer who prepares 50 or more individual income tax returns during any calendar year. The combined total of the returns prepared by all employees at all of the tax preparer's locations will be used to determine whether or not the tax preparer is subject to the e-filing mandate.

Once a tax preparer meets the 50 or more individual income tax return threshold for any calendar year, the e-file requirement also applies to all future years in which the preparer prepares KS individual income tax returns.

The KDOR Secretary may waive the e-file requirement if it is determined that complying with the requirement would cause undue hardship.

**Kentucky**   Tax preparers who file 11 or more individual income tax returns are required to e-file their client's returns. There are some exceptions to the mandate. Form 8948-K (Preparer Explanation for Not Filing Electronically) is used to explain why a particular return is being filed by paper. The form should be attached to and mailed with the paper return.

**Louisiana**   Any tax return preparer who prepares more than 100 LA individual income tax returns during any calendar year must file them electronically. For individual income tax returns due on or after January 1, 2012, 90 percent of the authorized returns must be e-filed.

Every corporation that files a LA Corporation Franchise Tax Return must e-file the return with the Department of Revenue using the electronic format prescribed by the department as follows:

- For tax periods beginning on or after January 1, 2019, every corporation with total assets which have an absolute value equal to or greater than $500,000 (total assets with a value equal to or greater than $500,000 or with a value equal to or less than $500,000) shall e-file the return.
- For tax periods beginning on or after January 1, 2020, every corporation with total assets which have an absolute value equal to or greater than $250,000 (total assets with a value equal to or greater than $250,000 or with a value equal to or less than $250,000) shall e-file the return.

Every partnership that files a LA Partnership Tax Return, except for those partnerships filing composite partnership returns, must e-file the return with the DoR using the electronic format prescribed by the department as follows:

- For tax periods beginning on or after January 1, 2018, every partnership with total assets which have an absolute value equal to or greater than $500,000 (total assets

with a value equal to or greater than $500,000 or with a value equal to or less than $500,000) shall e-file the return.

Every fiduciary that files a LA Fiduciary Income Tax Return must e-file the return with the DoR using the format prescribed by the department as follows:

- For tax periods beginning on or after January 1, 2019, every fiduciary that files a LA fiduciary income tax return with more than 10 Schedules K-1 attached for taxable years beginning on or after January 1, 2019 must e-file the return.
- For tax periods beginning on or after January 1, 2020, every fiduciary that files a LA fiduciary income tax return with one or more Schedules K-1 attached for taxable years beginning on or after January 1, 2020 must e-file the return.
- Fiduciaries required to e-file may not send paper versions of any forms to be included as part of their return.

**Maine**  Tax return preparers must file by electronic data submission all original ME tax returns for individual income tax, or for entities required to file Form 1120ME with total assets of $5 million or more, that are eligible for electronic filing, except:

- When for the previous calendar year, the tax return preparer prepared 10 or fewer original Maine tax returns for individual income tax that are eligible for e-file
- When the taxpayer refuses to allow the return to be e-filed and the tax return preparer notes the refusal in the taxpayer's records
- When the taxpayer has been granted a waiver from mandatory participation under section .08 of Rule 104.

Failure to comply may result in a penalty, as provided in 36 M.R.S. § 187-B (5-B).

**Maryland**  A preparer who has prepared more than 100 qualified returns in the prior taxable year is required to file the returns electronically. The Act authorizes the Comptroller to impose on a preparer a $50 penalty for each return that is not filed electronically in compliance with this Act, unless the preparer is able to show that the failure to comply is due to reasonable cause and not due to willful neglect. The total penalties assessed may not exceed $500 for all returns filed by the preparer in a taxable year. Waivers are available. Tax-General Article §10-824.

**Massachusetts**  Paid preparers must, under certain conditions, e-file all corporate, S corporation, and partnership returns and corporate extensions.

Additionally, the Commonwealth of Massachusetts requires personal income tax extensions with zero payment or with payments of $5,000 or more to be filed (and paid, if applicable) electronically.

Income tax return preparers must file all Massachusetts personal income tax returns (Forms 1 and 1-NR-PY) electronically unless the preparer reasonably expects to file 10 or fewer original MA Forms 1 and 1-NR-PY during the calendar year or the taxpayer directs that filing be done on paper. (Note: Software-generated forms that are printed and mailed to the Department of Revenue must contain a 2-D barcode or the return will be sent back to the taxpayer unprocessed.)

**Michigan**    To optimize operational efficiency and improve customer service, the Michigan Department of Treasury has mandated e-file of individual income tax returns.

The IRS mandates preparers filing 11 or more income tax returns to e-file those returns, with minor exceptions. Michigan would expect any preparer e-filing federal returns to also e-file Michigan returns. this mandate also applies to City of Detroit returns.

The MI Department of Treasury will be enforcing the e-file mandate for CIT. The enforcement includes not processing computer-generated paper returns that are eligible to be e-filed. A notice will be mailed to the taxpayer, indicating that the taxpayer's return was not filed in the proper form, and content, and must be e-filed. Payment received with a paper return will be processed and credited to the taxpayer's account even when the return is not processed.

**Minnesota**    Preparers who filed more than 10 MN returns last year are required to e-file all MN returns, unless the taxpayer indicates otherwise. This requirement also applies to preparers in other states. The requirement does not include returns prepared for homestead credit refunds, renter's property tax refunds, amended income tax returns, or returns filed with other states.

If the taxpayer does not want the preparer to e-file the return, mark the appropriate box at the bottom of the return (available on MN screen **M1** in the tax program). The state imposes a $5 per tax return penalty on the tax return preparer (who falls under the mandate) for any return not e-filed. This is true even if the taxpayer indicates he or she does not want the return e-filed.

For more information see the MN Department of Revenue website.

**Montana**    All taxes due the state must be paid by electronic funds transfer whenever the amount due is $500,000 of greater. Whenever the payment of taxes is required to be made by EFT under this section and the due date falls on a Saturday or Sunday or legal holiday, the payments may be made on the first business day thereafter.

**Partnership package**: Entities with more than 100 partners must e-file partnership return.

**Nebraska**    Any person or business paid to prepare and file more than 25 NE individual income tax returns in the prior year must e-file all individual income tax returns they are paid to prepare in the current year. Penalties may apply to tax professionals who do not e-file returns as required. Additional tax programs may also be integrated into the e-file mandate at the Tax Commissioner's discretion. If you have any questions, contact the NE Department of Revenue. A copy of the statute is also available at Neb. Rev. Stat. § 77-1784.

**New Jersey**    Practitioners who prepared 11 or more NJ resident income tax returns must file their clients' returns via one of the state's three e-filing services. An E-File Opt-Out Request Form, Form NJ- 1040-O, is available for taxpayers who choose not to have their returns e-filed by a tax practitioner.

For tax years beginning on or after January 1, 2016, all tax preparers must file Corporation Business Tax returns and make payments electronically. This mandate includes all returns, estimated payments, extensions, and vouchers.

**New Mexico**
- Mandatory e-file of PIT returns by preparers filing more than 25 returns; taxpayers can opt out in writing; penalty for noncompliance $5 per return.
- Oil and Gas taxpayers who have more than 150 lines of data are required to e-file.
- A pass-through entity with 51 or more NM payees is required to e-file and e-pay. Pass-through entities with 50 or fewer payees can paper-file.
- If a pass-through entity has 51 or more NM beneficiaries who receive NM taxable net income, the estate or trust is required to e-file Schedule FID-D.

**New York**
Tax return preparers and their firms must e-file all authorized tax documents if they both:

- Prepared at least one authorized tax document for more than 10 different taxpayers during calendar year 2017
- Uses tax preparation software to prepare one or more tax documents in 2018

NOTE — If the document cannot be e-filed, the tax preparer does not have to count it to determine if he or she meets the "more than 10 different taxpayers" threshold.

Currently, NYS accepts e-filed returns for tax years 2015, 2016, and 2017. Tax years 2015 and 2016 fall under the mandate in processing year 2018. The mandate applies to tax return preparers and their firms located within and outside New York state. Clients of tax return preparers cannot opt out of e-file. Tax return preparers who do not comply with the e-file mandate may be subject to a $50 per document penalty.

Once a tax return preparer or his or her firm is subject to the mandate, the mandate continues to apply to them in all following years, even if that tax return preparer or the firm no longer meets the threshold. A tax return preparer may have been initially subject to the e-file mandate because:

- He or she prepared more than five New York State tax documents in 2011
- He or she filed more than 10 New York state tax documents per year since 2012

New York state law prohibits software companies from charging an additional e-file fee. Tax return preparers who do not comply may be subject to a $500 penalty for the first-time charge, and a $1,000 penalty per subsequent charge.

**New York City**
Tax return preparers and their firms must e-file *all* authorized tax documents *if* they both:

- Prepared more than 100 authorized tax documents in, or prior to, calendar year 2017
- Used tax preparation software to prepare one or more corporate and partnership tax documents.

Currently, NYC accepts e-filed returns for tax years 2015, 2016, and 2017. Tax years 2015 and 2016 fall under the mandate in processing year 2018. Tax return preparers who meet the mandated criteria cannot opt out of the e-file mandate. Clients of tax return preparers wishing to opt out of e-filing their taxes must apply for a hardship waiver available. For more information, see: *http://www1.nyc.gov/site/finance/about/contact-by-email/contact-business-tax-efile-program.page*

**Ohio**    Preparers who file more than 11 original tax returns during any calendar year must use electronic technology to file their clients' OH personal income tax returns. This mandate does not apply to a preparer who prepared 10 or fewer return in the previous calendar year. A *tax return preparer* is defined as any person who operated a business that prepares, or directly or indirectly employs another person to prepare for a taxpayer, an original tax return in exchange for compensation or remuneration from the taxpayer or the taxpayer's related member.  Although this mandate applies to all original tax returns, the department is enforcing the mandate only on the personal income tax, sales tax, commercial activities tax (CAT) and employer withholding tax (above certain limits) returns. For more information, visit *www.tax.ohio.gov/Business*

**Oklahoma**    Any specified tax return preparer shall file all individual income tax returns prepared by such preparers by electronic means. The term "specified tax return preparer" shall have the same meaning as provided in Section 6011 of the Internal Revenue Code of 1986, as amended. The preparation of a substantial part of a return or claim of refund is treated as if it were the preparation of the entire return or claim of refund.

The provision which allowed taxpayers to designate that they did not want their income tax returns e-filed has been deleted. 68 O.S. § 2385.

**Oregon**    **Individual Returns**: Paid preparers who meet the requirements of the federal e-file mandate —who anticipate preparing 11 or more federal individual or trust tax returns during the year—must e-file Oregon personal income tax returns. Form 8948, Preparer Explanation for Not Filing Electronically, is used to explain why a particular return is being paper-filed.

**Business Returns**: If a corporation is required to e-file its federal return, then the corporation is also required to e-file the Oregon return. If e-file was required for the original return, then any amended returns for that year must also be e-filed. If, however, that year is not open for e-file, the return should be paper-filed.

**Penn.**    Individual Returns — Any PA-40 (2010) Pennsylvania Personal Income Tax Return prepared by a third-party preparer who submitted at least 11 PA-40 Pennsylvania Personal Income Tax returns or amended PA-40 Pennsylvania Personal Income Tax returns for any taxable year shall be e-filed in the manner prescribed by Departmental instructions.

Corporation Returns — Act 72 of 2013 requires electronic filing by third-party preparers who annually submit 11 or more state tax reports or returns. Act 72 of 2013 authorizes the DOR to mandate that payments of $1,000 or more for corporation taxes, employer withholding and sales tax must be made electronically effective January 1, 2014.

Corporate Income Tax—Method of filing—Pennsylvania corporate partner return. For all calendar years following a calendar year in which the preparer prepares 11 or more Directory of Corporate Partners Returns (Form PA-65 Corp), the third party preparer is required to electronically file all such PA Directory of Corporate Partners Returns and associated schedules (including Federal Form 1065 and Schedule K-1) and attachments. A third party preparer who is subject to this filing mandate must have tax software that is compatible with Department e-filing requirements, and once a third party preparer is subject to this filing mandate, the third party preparer must continue to be subject to the mandate regardless of how many PA Directory of Corporate Partners Returns he or she prepares during a calendar year.

**Rhode Island**  Any paid preparer who filed more than 100 RI tax returns during the previous calendar year must e-file all eligible tax returns. A person employed by a paid preparer with multiple offices is required to e-file if the total of all tax returns filed from all offices is more than 100, regardless of whether a single office of the same preparer files fewer than 100 returns. If a paid preparer fails to abide by the e-file mandate, or otherwise causes clients' RI tax returns to be filed falsely or improperly, the Tax Administrator may, after a hearing to show cause, preclude such preparer from preparing and filing RI tax returns with the Tax Division.Reg. (ELF09-01).

**South Carolina**  Any preparer who prepares 100 or more returns for a tax period for the same year is required to submit those returns electronically where electronic means are available.

Where electronic means are not available to file the return, but 2D barcode is available, the preparer must use 2D barcode. This number includes any SC tax return that is prepared, regardless of tax type.

If compliance with this section is a substantial financial hardship, a tax return preparer may apply in writing to the department to be exempted from these requirements. The address:

Electronic Filing Mandate Exemption Application
PO Box 125
Columbia, SC 29214

The department may grant an exemption for no more than one year at a time. A person who fails to comply with the provisions of this section may be penalized in an amount to be assessed by the department equal to $50 for each return.

**Tennessee**  Franchise and Excise Tax: All filings of and payments related to franchise and excise tax returns (Form FAE170) must be made electronically.

Individual Income Tax: Individual income tax returns filed by preparers using commercially available software must be made electronically and payments submitted electronically.

**Texas**  No Tax Due Reports must be filed electronically, beginning January 1, 2016.

**Utah**  Tax preparers that file more than 101 income tax returns in a calendar year are required to file all such returns using scan technology or by electronic means.

The filing requirement will not apply if:

- A schedule must be attached to the return that cannot be filed using scan technology or electronic means
- The taxpayer requests in writing that the income tax preparer not file the return using scan technology or electronic means
- The Utah Tax Commission waives the requirement that a return be filed by scan technology or electronic means

A tax preparer may obtain such a waiver from the commission by demonstrating that the use of scan technology or electronic means would result in an undue hardship. The filing requirement also does not apply to amended returns or returns for any taxable year that begins before the first day of the current taxable year.

If a preparer or multiple preparers affiliated with the same establishment prepared 101 or more returns in the prior calendar year, they must submit all UT individual tax returns electronically.

**Vermont**  Vermont's e-file mandate went into effect January 1, 2016, and now requires all preparers of corporation, business, and fiduciary income tax returns, and who prepare more than 25 returns per year, to file those returns electronically.

Note: The VT e-file mandate currently applies only to corporation, business, and fiduciary income tax returns.

**Virginia**  Paid tax preparers who prepare, or employ people to prepare, 50 or more individual income tax returns a year are required to file electronically. If they prepare 50 or more returns in a taxable year, then for each year after, they must file all individual income tax returns electronically. You may request a temporary waiver by submitting an Electronic Filing Waiver Request, citing your specific hardship. All waivers are temporary and must be renewed annually.

For taxable years beginning on or after January 1, 2017, individuals are required to file and remit payment using an electronic medium if (i) any installment payment of estimated tax exceeds $15,000, (ii) any payment made with regard to an extension of time to file exceeds $15,000, or (iii) the taxpayer's estimated total tax liability exceeds $60,000.

**West Virginia**  Income tax preparers who filed more than 25 personal income tax returns, and will be using tax preparation software to complete one or more of these returns, must e-file them for the current tax year. Tax preparers may opt out of the e-file provision by filing a hardship waiver request application and clearly demonstrating the nature of the hardship.  In the absence of an approved hardship waiver, tax preparers required to e-file is liable for a penalty of $25 for each return not filed electronically.  However, if a taxpayer receiving services from a tax preparer who is required to file all West Virginia Income Tax returns electronically, elects (opts) to not have their return electronically filed by completing and signing Form OPT-1.

A penalty of $25 will apply for each return not filed electronically.

Starting in 2012, taxpayers making more than $10,000 in payments for a single business tax type, must e-file all returns; however the Department, through procedural rule, decided to phase this requirement in over three years. The threshold will be $50,000 for the tax year beginning January 1, 2013 (look back to 2012), $25,000 for the tax year beginning January 1, 2014, and $10,000 for the tax year beginning January 1, 2015. W.V. Code of State Rules 110-10D-9.3.a. Under this procedural rule, the Commissioner has the authority to "carve out" certain tax types from the e-file requirement. Personal income tax is the tax that will likely be carved out of this requirement.

For periods starting on or after Jan. 1, 2015, taxpayers making more than $10,000 in payments for a single business tax type, or a $100,000 payment for personal tax during the previous fiscal year, must file returns and make payments electronically, unless specifically excluded.

**Wisconsin**   If you prepared 50 or more 2015 Wisconsin individual income tax returns in 2017, you are required to file 2017 Wisconsin individual income tax returns electronically as of January 1, 2017. Wisconsin Administrative Code section Tax 2.08, gives the department authorization to require electronic filing of individual income tax returns.

The administrative rule requiring the electronic filing of individual income tax returns applies to any person or entity engaged in the business of individual income tax return preparation, regardless of its legal form. Thus it applies to sole proprietors, partnerships, limited liability companies, and corporations that prepare 50 or more Wisconsin individual income tax returns.

e-File is required for Forms 1CNS, CNP, and PW-1 for TY2018 (due in 2019). Mandate letters were sent to 2,222 filers in October 2017.

# Index

## Symbols

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