USER'S MANUAL

TAX YEAR 2008

Drake
SOFTWARE

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Drake Software
User's Manual

Tax Year 2008

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Table of Contents

1 Introduction

Welcome to the Drake Software Manual for Tax Year 2008. The Drake Team has been hard at work in 2008 to help ensure that tax season at your firm is a successful one.

This electronic manual has been developed for Drake clients to provide clear, easy-to-find instructions and guidelines for using the software. Use this manual in conjunction with other Drake resources such as the online and on-screen help features, tutorials, training, and phone support. Be sure to take advantage of our expanded index and the Adobe PDF "search" feature, both of which will help you locate information more efficiently in 2009.

IRS Changes & Requirements

EIC Due Diligence — The Taxpayer Relief Act of 1997 implemented paid preparer Earned Income Credit (EIC) due diligence requirements that included the completion and storage of Form 8867 (EIC Checklist), EIC worksheets, and documentation of how, when, and from whom the EIC information was obtained. The IRS has begun actively conducting compliance audits of paid preparers focused specifically on the EIC due diligence requirement. In 2007, Drake eliminated the use of default answers on the **8867** screen. In 2008, Drake has provided additional screens to help guide paid preparers in the EIC due diligence process during the client interview. For information on these new screens, see "EIC Due Diligence Screens" on page 130.

Consent to Use and Disclose Tax Return Information — IRS Reg. 7216 provides guidance to tax preparers regarding the use and disclosure of their clients' tax information. This regulation strengthens taxpayers' ability to control their tax information and to make informed decisions regarding the preparer's use of that information.

If tax return information will be disclosed to parties outside of the tax preparer's firm, then these regulations must be complied with. Clients must sign the Consent to Use of Tax Return Information *before the tax return is prepared*, and they must sign the Consent to Disclosure of Tax Return Information *before the tax information is disclosed to*

a third party (such as a bank, service bureau, or franchisor). These forms are available in paper format on your Drake CD and in electronic format on the **USE**, **DISC**, and **CONS** screens. Documents can be signed and dated manually or electronically, whichever you or your clients prefer. See Chapter 8, "Banking," for important details and procedures on how to use the tax software to comply with this new regulation.

First-time Homebuyers — The Housing and Economic Recovery Act of 2008 gives first-time homebuyers a temporary refundable tax credit equal to 10% of the purchase price of the home, up to $7,500. Screen **5405** in Drake is available for completing and submitting Form 5405, First-Time Homebuyer Credit. (See "First-Time Homebuyer Credit" on page 132).

Reporting Foreign Accounts — Screen 9022 (for Form TD 90-22.1, Report of Foreign Bank and Financial Accounts), has been redesigned in 2008, per IRS revisions. (See "Report of Foreign Accounts" on page 157.)

Recovery Rebate Credit — The new **RRC** screen in Drake is used for entering data regarding the Recovery Rebate Credit of 2008. (See "Recovery Rebate Credit" on page 133.)

Disaster Recovery — Tax relief is available to many taxpayers in the Midwest who by the 2008 storms, flooding, and tornadoes. These changes are reflected in the software. Applicable screens now include check boxes to indicate whether the taxpayer could be eligible for relief.

What's New in Drake for 2008

Each year, Drake strives to offer the most efficient and comprehensive tax software in the industry while staying current with the latest technology. Many of our 2008 changes have been behind the scenes, but others, such as the Enhanced View/Print feature, will immediately be obvious." Listed below are just a few of the enhancements you might enjoy this year.

Enhanced View/Print Mode

A new Enhanced View/Print mode allows viewing and printing from the same window, making it easier to see how a printed return will look. Among the new features:

- A new "tree" view, viewer pane, and a row of tabs for viewing the specific category of documents you need.
- Options to set up form properties, color, and printing order.
- Ability to archive returns.

"Basic View/Print mode" (featuring the cascade of forms that Drake customers are accustomed to) is still available in the program for preparers who wish to use it. For details on how to use Enhanced View/Print mode, see Chapter 6, "Return Results."

Scheduler

The Drake Scheduler now allows you to create and manage appointments, internal meetings, and planning sessions that have multiple preparers in attendance. Other new Scheduler features include:

- Ability to create overlapping appointments
- ZIP code autofill feature
- Options to choose color schemes and select the default calendar view

For more on using the Scheduler in Drake, see Chapter 4, "Preseason Preparation."

Letters

The letters program has an improved letter editor, now called the Client Communications Editor. It also offers the following new letter templates:

- **EF Status Letter** — Informs clients of the acknowledgment code(s) received when e-filing
- **Engagement Letter** — Generic letter outlining the responsibilities and expectations of both client and the tax preparer
- **Customized Supplemental Letter** — Template that can be used for various purposes, such as customer surveys, client coupons, etc.
- **Grantor Trust Statement** — Grantor trust statement cover letter (1041 package)

In addition, the result letters for all packages have expanded capabilities for e-filed returns that have multiple state or city tax types. For more information on using letters in Drake, see "Introduction to Letters in Drake" on page 35. See also "Letters" on page 251 for instructions on batch-printing letters.

New to the 1040 Package

The following features are new to the individual (1040) package in 2008:

- **AUTO Expense Worksheet —** The improved **AUTO** screen can now be associated with Schedule C, Schedule E, Schedule F, or Form 4835. It has new fields for interest and property tax and a new section for keeping a running total of business mileage from year to year. The program also now figures the mileage rate automatically. (See "Auto Expenses" on page 145.)
- **Activity Types** — Certain activities can now manually be designated as passive or non-passive for the tax year. This feature allows the program to calculate former passive activities. (See "Activity Types" on page 103.)
- **Multiple Returns/1 SSN** — A single SSN can now be used for two return types when a taxpayer requires Form 1040 and either Form 706 or Form 706-A. (See "Estate and Qualified Heir Returns" on page 249.)
- **Estimated Tax Adjustments** — The **Estimated Tax Adjustment** (**ETA**) screen, used for recomputing federal 1040 estimates for the following year, has been revised to feature expanded capabilities and a more user-friendly layout. (See "Special Features in Data Entry" on page 158.)

- **Tax-year Comparisons** — The **Tax Return Comparison** (**COMP**) screen, used for comparing a taxpayer's current tax return with data from the two prior tax years, has been revised to feature expanded capabilities and a more user-friendly layout. (See "Special Features in Data Entry" on page 158.)

- **Interest, Dividends, Foreign Tax Credit** — Drake's **INT** and **DIV** screens reflect the 1099-INT and 1099-DIV forms, respectively, and now include fields for Schedule B, Part III (Foreign Accounts and Trusts). The **1116** screen (Foreign Tax Credit) can now be associated with **INT** and **DIV** screens. In addition, certain interest and dividend figures can be entered as amounts or percentages. (See "Passive and Investment Income (1099-DIV, etc.)" on page 90.)

- **W-2 Verification** — To ensure accuracy of data entry, your firm can require that data entry operators enter the "wages" and "federal taxes withheld" amounts two times each on the **W2** screen. (See "W-2" on page 87.)

- **8615 Export** — Parent information can be imported into a child's Form 8615 ("Kiddie Tax"). (See "Exporting Data for Kiddie Tax" on page 123.)

- **W-2 Import** — For employees of selected companies, W-2 data can be imported directly into the taxpayer's **W2** screen in Drake. (See "W-2" on page 87.)

- **Tracking Prior-Year Bank Data** — The **TRAC** screen now includes a section for tracking prior-year bank-product information. (See "Tracking Prior-Year Information" on page 214.)

Enhancements to Other Packages

Drake's other packages, particularly the tax-exempt organization (990) package, have undergone some significant enhancements in 2008. Keep an eye out for our Business/Entities manual, which will be published on the Drake Support Web site in early 2009.

Tax-Exempt Organization (990) Package — Streamlined packages in conjunction with newly designed IRS forms make it easier to complete Forms 990, 990-EZ, 990-T, and 990-PF. Screens are less entry-intensive, with information carried to as many other areas as possible. The 990 updates are more concise in 2008, and the field-specific helps have been revised for accuracy and thoroughness.

1120, 1120S, and 1065 Packages — Drake's corporate (1120), S corp (1120S), and partnership (1065) packages now include a trial balance importing feature. These packages, along with the 990 package, also include the ability to attach PDF files to e-filed returns. See Chapter 14, "Business Packages: New Features."

Fiduciary/Trust (1041) Package — The Fiduciary/Trust (1041) package now has Form 8879-F, E-file PIN Authorization, for e-filing. Several new forms have been added to the package, including a worksheet for allowable miscellaneous deductions subject to the 2% floor (WK_AMID; generated by line 15b of Form 1041).

Estate (706) Package — As part of Drake's Estate (706) tax package, the program now supports Form 706-A, United States Additional Estate Tax Return, and Form 706-CE, Certificate of Payment of Foreign Death Tax.

New E-filing Features

Among the program changes in e-filing this year:

- **Customer Account Numbers —** In addition to your EFIN, your Drake customer account number is now required in **Setup > ERO**. Your customer account number is provided on your packing slip.
- **Expanded EF Select** — The **EF Select** button on the **Calculation Results** screen now sends federal returns, federal returns with state piggyback returns, and direct state returns to the e-filing queue. This button is also now available for all applicable packages.
- **Check Print Alert** — The program now provides an automatic alert when check print records are ready to be transmitted.
- **EF Reports** — EF selection reports, transmission reports, and bank acknowledgment reports have a new look this year. The EF selection reports also include more data and can display up to 12 columns. In addition, you can now view the most recent EF transmission report.
- **ERO Online Bank Application** — This year, the ERO online bank application features a new look and some new functionality.

For more information on e-filing in Drake, see Chapter 7, "E-filing."

Contacting Drake Support

In addition to the manual, on-screen Help, and online resources, Drake offers unparalleled telephone and e-mail support. Use one of the following methods to consult a member of the Drake Support team:

- **E-mail Support —** *Support@DrakeSoftware.com* — Recommended for more complicated Drake Software questions; allows us time to research and answer your questions thoroughly.
- **Telephone Support — (828) 524-8020** — Recommended for simpler Drake Software questions.

Drake Support Hours, 2008–2009	
December 1, 2008 – April 20, 2009 Monday – Friday, 8 a.m. – 10 p.m. ET Saturdays 8 a.m. – 6 p.m. ET	**April 21 – November 30, 2009** Monday – Friday, 8 a.m. – 9 p.m. ET Saturday 9 a.m. – 5 p.m. ET

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 shipment letters and broadcast e-mails throughout the season to stay up to date on the latest changes to the software and in the state and federal tax laws.

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2 **Installation & Setup**

Read this section before installing your 2008 Drake program. The initial shipment of the software, sent in early December, includes:

- Federal packages (1040, 1120, 1120S, 1065, 1041, 990, 706, and 709)
- 2008 year-end update of Drake's Client Write-Up (CWU) accounting, payroll, and accounts payable program. (The 2009 version will be released in January.)
- PDF995 software (required for printing PDF files)
- Shipment letter

Throughout tax season, install updates daily at ***Tools > Install Updates***.

- Practice returns
- IRS publications
- Drake Software User's Manual

Software for state programs, e-filing, banking, the Tax Planner, the Document Manager, city tax rates, pre-prepared data entry, and RIA tax research will be included in a subsequent shipment in January. Federal and state programs are updated with each software release thereafter.

IMPORTANT | *Hold onto your packing slip!* This slip includes your serial number and your Drake customer account number—both of which are needed for installing the software and subsequent CD updates.

System Requirements

To run Drake Software, your computer operating system must be Windows 98 or later and must meet or exceed the following system requirements:

- Windows 98/2000/NT/XP/ME/Vista (Windows NT users must have Service Pack 4.0 or higher, available from *www.microsoft.com*)
- Pentium-class processor operating at 166 MHz or higher

- 540 megabytes (MB) available hard drive space (minimum performance requires at least 100 MB available hard drive space, plus 7 MB for each state program)
- A minimum of 64 MB RAM for Windows 98, 2000, or NT
- A minimum of 128 MB RAM for Windows ME, XP, or Vista
- VGA monitor capable of 800 X 600 resolution and 256 colors
- Internet Explorer 6.0 or later
- CD Drive
- Adobe Acrobat Reader for viewing PDF files

NOTE   If using Windows Vista, it might be necessary to upgrade your version of Adobe Acrobat Reader to version 8.0 or later.

To take maximum advantage of the software's features, you need:

- A Hewlett-Packard (HP)–compatible laser printer
- High-speed Internet access or a 56K modem
- A backup media source (such as a USB drive, memory stick, floppy disk, etc.)
- A document-feed scanner (Drake supports all TWAIN-compliant flat-bed and document-feed scanners for use with the DDM.)

NOTE   If you do not have Windows XP and want to back up your data on CD, you must use your CD burner software—not the Drake backup tool—to perform the backup. If you have Windows XP, you can back up directly to the CD without other software.

Installation

Using Windows Vista? A system administrator or user with OS access must install your tax software.

Before installing the software, close all open programs on your computer. Table 2-1 outlines the installation process for the first and for subsequent CD shipments.

Table 2-1: CD Installation

Step	First CD Shipment	Subsequent CDs
1	Insert the 2008 Drake CD into the drive. Wait for the **Drake 2008 Software Programs** window to be opened.	Insert the 2008 Drake CD into the drive. Wait for the **Drake 2008 Software Installation** window to be opened.
2	Click **Install Drake 2008 Tax Software**.	Click **Install Drake 2008 Tax Software**.
3	Accept the Drake Software 2008 License Agreement. Click **Next**.	Accept the Drake Software 2008 License Agreement. Click **Next**.
4	Select **Install 2008 Drake Tax Software**. (States are not available on initial shipment.) Click **Next**.	(Optional: Select **Install State Tax Programs**.) Click **Next**.
5	Select a drive or select **New** to install to a new location. (Optional: Select **Install test returns** if you are going to test e-filing capabilities.)* Click **Next**.	Select a drive, or select **New** to install to a new location. Click **Next**.

Table 2-1: CD Installation

Step	First CD Shipment	Subsequent CDs
6	Click **Next**. (State programs are not available with the initial shipment.)	Enter the serial number from your software packing slip. Click **Next**.
7	Enter the serial number from your software packing slip. Click **Next**.	Select an installation drive from the list of available drives. Click **Next**.
8	Click **Install**, then wait for the **Installation Complete** window to be displayed. Installation could take several minutes.	Select states to install from the **States on CD** listing. Click **Next**.
9		Click **Install**, then wait for the **Installation Complete** window to be displayed. Installation could take several minutes.

If a previous version of Drake is detected on your system, the **Update Admin Preparer and Setup Information** window is displayed during these steps. You do not need to update now. Click **Skip** to continue with program installation.

*If a drive letter is not displayed, the software has determined that there is not enough space on the drive.

Initial Login

To open and log in to Drake for the first time:

1. Double-click the Drake Software icon on your desktop.
2. In the **Preparer ID** field, type `Admin`. Field is not case-sensitive.
3. In the **Password** field, type your serial number (located on your packing slip).
4. Click **Login**.

Figure 2-1: Logging in as Admin

The Setup Wizard opens automatically the first time you log in to Drake.

Setup Wizard

Designed to guide you through the software setup screens, the Setup Wizard appears each time the program is opened until all required setup items are completed. A green check mark (see Figure 2-2) indicates that a setup item is complete.

Figure 2-2: Setup Wizard

You are not required to use the Setup Wizard. To keep the Wizard from opening at program startup, click **Do not show Setup Wizard at** startup. (See Figure 2-2.) Click **Help > Setup Wizard** to return to the Setup Wizard at any time. Click **Exit** to close it.

Running Drake on a Network

Your network's designated server should meet the following minimum specifications:

- Windows 98 or later for a peer-to-peer network
- 500 MHz processor
- A minimum of 64 MB RAM (128 MB is recommended)

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 to run correctly. Drake cannot provide technical support for the network itself. Consult an IT professional for network setup and support.

Network Options

Two network options are available:

a. **Server Only** — Install Drake on a server and link workstations to the server using a network link (NWClient).

b. **All Workstations** — Install Drake on all workstations; designate one station as the "server." All other workstations use the designated server to share files.

Table 2-2: Network Options: A Comparison

Server Only (Preferred Setup)	All Workstations
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 DCNs	Could be necessary to "stagger" DCN counter

Server-Only   Using the instructions in "Installation" on page 8, install Drake onto the server.

NOTE   Drake can be installed on the server from a workstation if necessary. Be sure to select the correct server drive.

Once Drake is installed on the server, complete the following steps at *each* workstation:

1. From the Windows **Start** menu, click **Start > Run**.

2. Type F:\DRAKE08\NWCLIENT\NWCLIENT.EXE into the **Run** dialog box (substituting your server drive letter for F).

3. Click **OK**.

The Drake tax program can now be accessed on the workstation. Repeat this process at *each* workstation that will be using Drake.

Next, set up directories and paths. This can be done on the server or on a workstation and needs to be done only once.

To set up directories and paths:

1. From the Drake **Home** window, select **Setup > Directories/Paths**.

2. Select **2. Software installed only on Server.**
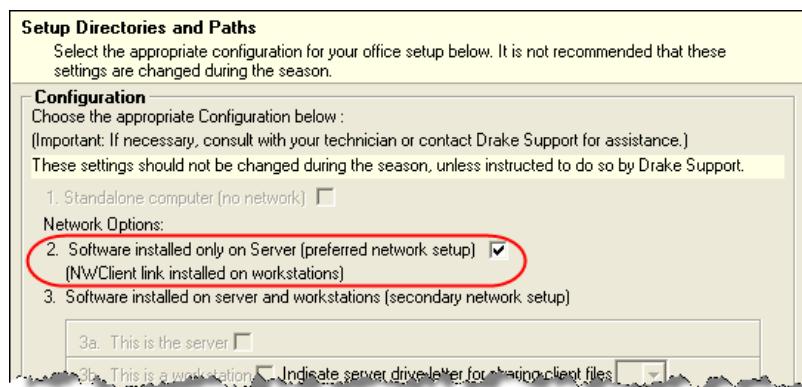
Figure 2-3: Select network option #2.

3. Click **OK**.

The server-only system is now in place.

Multiple Computers   Using the instructions in "Installation" on page 8, install Drake onto each workstation. One workstation should be designated as the "server."

NOTE   Each workstation must have access to the "server" computer's drive through a single drive letter. A network technician can map each workstation to the "server" using the same drive letter. All computers on the network must share the drive on which Drake is installed. Map to the *drive*—not to the Drake08 *folder*.

To establish the "server" computer:

1. From the **Home** window in Drake, select **Setup > Directories/Paths**.

2. Select **3a: This is the server**.

3. Click **OK**.

Now that the "server" computer has been established, the workstations must be set up.

To set up the workstations, complete the following steps from *each* workstation:

1. Open and log in to Drake.

2. From the **Home** window, select **Setup > Directories/Paths**.

3. Select **3b: This is a workstation**.

4. Select the drive letter for sharing client files.

5. (optional) To allow the workstation to access shared files other than client files, select **Admin Override** and select the shared drive letter for all other shared files.
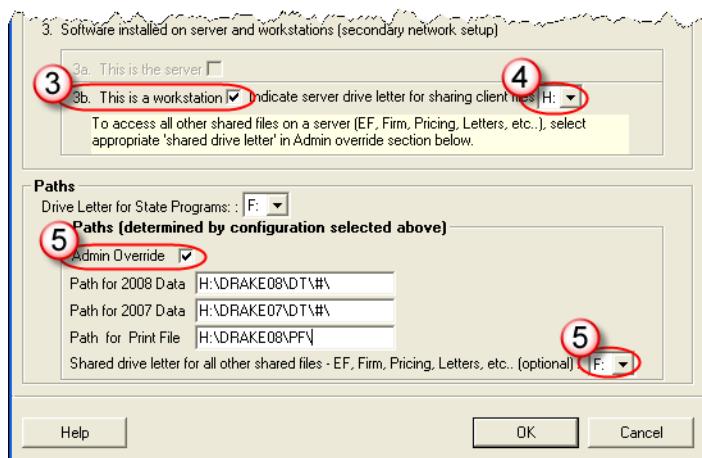
Figure 2-4: Steps 3, 4, and 5

6. Click **OK**.

The program is now set up to share client files and, if selected, share other files (EF, Pricing, Letters, etc.).

IMPORTANT   *Do not change the* **Directories/Paths** *settings during tax season!*
             If a change is necessary, contact Drake Support.

Software Setup

Perform setup procedures after installing the software and before attempting to pre-pare or e-file returns. Some setup procedures are required; others are optional.

Table 2-3: Setup Procedures: Required and Optional

Required Setup Procedure	Optional Setup Procedures
Firm(s) (See "Firm Setup" on page 14.)	Options (See "Options Setup" on page 23.)
ERO (See "ERO Setup" on page 15.)	Pricing (See "Pricing Setup" on page 32.)
Preparer (See "Preparer Setup" on page 16.)	Macros (See "Macros Setup" on page 33.)
Directories/Paths (See "Directories and Paths Setup" on page 20.)	Letters (See "Introduction to Letters in Drake" on page 35.)
Update Profile (See "Update Profile Setup" on page 22.)	Colors (See "Color Setup" on page 39.)
Pay Per Return (See "Pay Per Return Setup (PPR Clients Only)" on page 19.)	Printing (See "Printing Setup" on page 40.)

Prior-year Drake clients can bring forward most required program settings from last year's program. See "Updating Settings" on page 70 for details.

Logging in as Admin

Log in as Admin before entering setup information. The Admin login can access the following features not available to other logins:

- Preparer setup security features in **Setup > Preparers**
- Additional features in **Setup > Firm(s)** and **Setup > Directories/Paths**.
- Administrative options in **Setup > Options**, **Administrative Options** tab.
- Additional tracking information on the **TRAC** screen in data entry.

NEW FOR
2008

A preparer can now be given full administrative rights. See "Setting up Preparer Security" on page 17.

Setting an Admin Password

*Shortcut: Double-click the **ADM** row to edit it.*

To set a password for the Admin account:

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

2. Click the Administrator (**ADM**) row, then click **Edit Preparer**.

3. Enter a password in the **Password** field. Passwords can be up to eight characters (alphabetic and/or numeric) and are not case-sensitive.

4. Re-enter the password in the **Password (Repeated)** box.

5. Click **Save**, then click **Exit**.

IMPORTANT   An Admin password is not required. If your firm chooses to have an Admin password, keep a record of the password. *Drake cannot retrieve lost or forgotten Admin passwords.*

Firm Setup

Firm setup must be completed before preparing and e-filing returns. If data is inaccurate or missing, tax returns could be e-filed with incorrect information.

Adding a Firm

To add a firm in Firm Setup:

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

2. Click **Add** to activate the bottom half of the **Firm Setup** window.

3. Enter your firm's general and banking information. Shaded fields must be completed for e-filing.

- **General Information** — Enter all applicable contact information.
  - A **DCN Serial Number** is assigned to each tax return based on the firm's EFIN and DCN. If two returns have the same DCN, the IRS will reject one of the returns. To avoid duplications, the DCNs are automatically advanced for each return calculated.

    Offices that use multiple computers that are not networked must "stagger" the DCNs to avoid duplication. For instructions on staggering DCNs, see "Staggering DCNs" on page 185.

IMPORTANT   Stagger DCNs *before* creating 2008 returns.

  - **Non Paid Prep** — If the firm is not a paid preparer, enter a non-paid code here. Acceptable codes are **VI** (VITA), **VT** (VITA-T), **TE** (TCE-X), **IP** (IRS-PREPARED), AND **IR** (IRS-REVIEWED).
- **Banking Information** — Select a bank and enter applicable fee information. Fees are charged in addition to the fees set by the bank and are included in the client bill. For more on individual bank selections, see Chapter 8, "Banking."
  - Select **Do not allow EF Fee override on the Bank screen** to prevent users from adjusting a firm's e-filing fee for a selected return.
  - **Transmission/Software Fee Add On** — Add up to $30 as an additional fee to the $2 Drake transmission fee. This add-on fee is deducted from the taxpayer's refund and held in a separate bank account. At the end of the season, the balance is distributed directly back to the preparer.

4. Click **Save**. The program assigns a number for each firm entered in **Firm Setup**.

NOTE   To view a report of the revenue you've earned from the add-on fees for e-filing, log in to *Support.DrakeSoftware.com* and select **My Account > Add-on Fees Report**.

Editing Firm Information

Shortcut: Double-click a firm's row to edit firm data.

To edit a firm's information:

1. From the Drake **Home** window, go to **Setup > Firm(s)**.
2. Select the firm to edit, then click **Edit Firm** to activate the bottom half of the **Firm Setup** window.
3. Edit the firm information. (See "Adding a Firm" on page 14.)
4. Click **Save**.

Click **Exit** to close the **Firm Setup** window.

Deleting a Firm

To delete a firm from Firm Setup:

1. From the Drake **Home** window, go to **Setup > Firm(s)**.
2. Select the firm to delete.
3. Click **Delete**.
4. Click **Yes**.

Click **Exit** to close the **Firm Setup** window.

Printing a List of Firms

To print a list of firms entered in the program:

1. From the Drake **Home** window, go to **Setup > Firm(s)**.
2. Click **Print**. The Report Viewer displays the report on the screen.
3. Click **Print** to open the **Print 'Drake Report'** dialog box.
4. Change any print options necessary, then click **Print** again.

Click **Exit**. Click **Exit** again to close the **Firm Setup** window.

ERO Setup

Electronic Return Originators (ERO) must complete ERO Setup in order to e-file returns, use the Drake e-mail program, download software updates, access the online e-filing database, and access RIA online tax research.

To set up your firm as an ERO in Drake:

1. From the Drake **Home** window, go to **Setup > ERO**.
2. Enter **General Information** for the ERO. Yellow text boxes indicate required information for e-filing.

NEW FOR
2008

A customer account number is now required in **Setup > ERO**. This number is provided on your packing slip.

3. Choose a connection setting. (Default setting is **Always use my existing internet connection**; this setting works for most computers. Contact Drake Support if you have trouble connecting to Drake.)

4. If applicable, select **Advanced Options**.

   – **Transfer my files using** — Default is HTTPS. Most computers transmit using this protocol.

   – **My machine uses a firewall** — (FTP users only) Most machines using transfer protocols of Regular FTP or WinSock FTP require that the **My machine uses a firewall (use Passive FTP to define port range)** box be selected. This option uses a defined port range to transfer files.

5. If your firm is a service bureau, complete the **Service Bureau Information** fields. (See "Service Bureau Requirements" on page 202.)

6. **Disclosure or Use of Tax Information**: If applicable, enter the name of the service bureau/franchisor to which tax information must be disclosed in order to apply for loan products. (This field is new for 2008 and facilitates compliance with IRS Regulation 7216; see "Taxpayer Requirements" on page 201.)

7. Click **OK**.

Click **Help** in the **Electronic Filing Setup** window for more on ERO options.

> NOTE
> New to e-filing this year? Before transmitting live returns, your firm must apply to the IRS for an Electronic Filer's Identification Number (EFIN). If you have not yet received an EFIN, Drake assigns a temporary EFIN that you can use to test e-filing and access Drake Internet tools and resources. For more information about applying for an EFIN, see "Obtaining an EFIN" on page 178.

Preparer Setup

Preparer Setup fields must be completed before preparing and e-filing returns. All preparers must be entered in Preparer Setup. Data entry operators can also be entered. Each time a name is added to Preparer Setup, a number is assigned to that name.

> TIP
> Include data entry operators in Preparer Setup to (1) track data entry information and (2) easily set up Front Office preparers in the Scheduler. (See "Scheduler" on page 74.)

Adding a Preparer

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

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

2. Click **Add** to activate the bottom half of the **Preparer Setup** window.

3. Enter **General Information**. Yellow text boxes indicate required information. The following fields are *required* for e-filing:

   • **Preparer Name**

   • **Social Security Number** (If the preparer has a Preparer Tax Identification Number (PTIN), the PTIN replaces the SSN on the 1040.)

To apply for a PTIN, complete Form W7-P and send to the IRS.

4. Enter **Login Information**. A login name is required for e-filing. Use of a password is optional.

5. If applicable, enter the **Preparer LTP Number** for **Oregon Tax Preparers**.

6. Indicate **Return Signature Options**.

   - **PIN Signature** — Enter the preparer's five-digit **PIN Signature**.
   - **Use PIN for:**
     - **8879 PIN Signature** — Select to activate the 8879 PIN signature.
     - **Alternative Electronic Signature** — Select to automatically fill in any field requiring electronic signature with the preparer's PIN.

7. Enter **Power of Attorney** information (necessary for Form 2848, Power of Attorney and Declaration of Representative).

   - **Preparer Designation** — Select the designation under which the preparer has authorization to practice before the IRS.
   - **CAF Number** — Enter the preparer's Central Authorization File Number assigned by the IRS.
   - **Jurisdiction** — Enter the jurisdiction in which the preparer is authorized to practice before the IRS. If the preparer is an IRS Enrolled Agent, enter the EA number here.

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

9. Click **Save**.

Setting up Preparer Security

Security options are available to Admin login only. Security settings must be established before a preparer can begin working in the software.

To customize security settings for a preparer:

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

2. Select a preparer and click **Edit Preparer**.

3. Select **Security > Custom Security**.

4. In the **Preparer Security Setup** window, select the menu items to which the preparer is allowed access. Items left blank are inaccessible to the preparer.
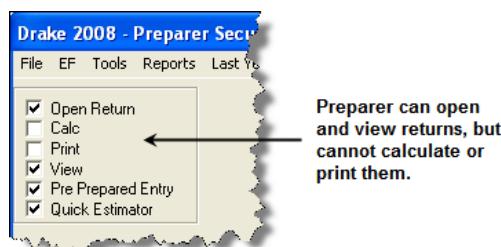
Figure 2-5: Security setup

5. Click **Save**. When prompted, click **OK**. Click **Exit** to close **Preparer Setup**.

Other options available under the **Security** button are shown in Table 2-4.

Table 2-4: 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.
Front Office	Employee can access the Scheduler only.
Administrator	Employee can access all parts of the program, including Admin-only features.

(Admin Only) To remove security rights from *all* preparers (other than Admin), go to
Setup > Preparers and click **Remove Rights**.

NOTE   To remove rights for an *individual* employee, set that person's security to **Allow No Options**.

To create a preparer's daily schedule:

1. From the Drake **Home** window, go to **Setup > Preparer(s)**.
2. Select a preparer and click **Edit Preparer**.
3. Click **Schedule**.
4. Select day, "in" times, and "out" times. Click **Apply to All** or **Clear All** as needed.
5. Click **Save**.

See "Scheduler" on page 74 for more information on using the Drake Scheduler.

To print a list of preparers entered into the program:

1. From the Drake **Home** window, go to **Setup > Preparer(s)**.
2. Click **Print**. The **Report Viewer** displays the current preparer listing.
3. Click **Print**, then click **Print** again.
4. Click **Exit** to close the **Report Viewer**, then click **Exit** again to close **Preparer Setup**.

See "Report Viewer" on page 270 for more on using the Drake Report Viewer.

To search for preparers entered into the program:

1. From the Drake **Home** window, go to **Setup > Preparer(s)**.
2. Click **Search**.

3. Enter preparer information in the **Find Preparer Record** box. As you type, the software locates (and highlights) the record.

4. Click **Close**. Click **Exit** to close **Preparer Setup**.

Pay Per Return Setup (PPR Clients Only)

The Pay Per Return version of Drake Software comes with fifteen PPRs. These returns must be activated before you can use them.

To activate PPRs:

1. From the Drake **Home** window, go to **Setup > Pay Per Return**. The **Pay Per Return** dialog box shows the PPRs available for your firm's EFIN and for the computer (items #1 and #2 in Figure 2-6).
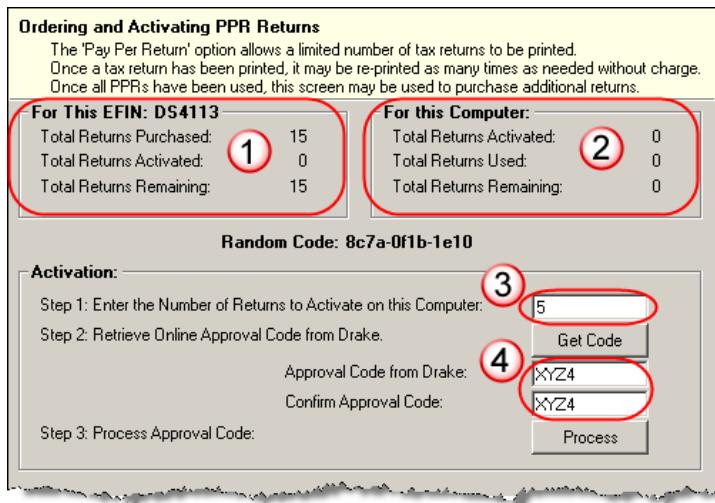
Figure 2-6: PPR window

2. Enter the number of PPRs to activate on the computer (item #3 in Figure 2-6) and click **Get Code**.

3. An approval code appears in the **Approval** field. Re-enter the code to confirm in the **Confirm Approval Code** field (item #4 in Figure 2-6).

4. Click **Process** to activate the PPRs.

5. Click **OK**.

IMPORTANT   Be sure you are connected to the Internet before trying to activate PPRs. If the items under **For This EFIN** (item #1 in Figure 2-6) read "UNKNOWN," then you are not connected to the Internet.

Restrictions and Notes   If you are a PPR client, be aware of the following PPR restrictions and notes:

- **If computers are connected to a server** — Install your software on the server. Activate your PPRs from the server.
- **If computers are stand-alone computers** — Install the software on all computers. You can activate the PPRs from any of the computers. (For instance, activate

three PPRs on one machine, four on another, and eight on a third, for a total of 15.) Activate PPRs as you use them, or activate them all at once.

- **PPRs cannot be transferred** — Once a PPR is activated, it cannot be moved to another computer; however, after a return is created (filled out with client name and SSN), it counts toward your total of used PPRs and can, at that point, be moved to another computer. (For details on transferring returns, see "Backing Up and Restoring Files" on page 244.)
- **Each return a PPR** — Each return created counts as one PPR. Do not create unnecessary returns in the software. Use Drake test returns to practice data entry.
- **SSN verification** — A required SSN verification field on the **New Return** screen helps reduce errors.
- **Use care entering SSNs** — SSNs or EINs entered on screen **1** cannot be edited. Once a return has an SSN or EIN entered, the return counts toward your total and cannot be added back to your PPR bank of activated but unused returns.
- The **Tools > File Maintenance > Change SSNs on File** feature is now available in the PPR package but you will be charged for another PPR if you use it.
- **Changing or correcting names** — Names can be changed, but you will be charged for another PPR.
- **Read-only** — When opening a prior-year return, you are prompted to pay for the return or open it in read-only mode. Entries cannot be made from read-only mode.
- **Quick Estimator** — A return entered in the Quick Estimator counts as one PPR.

Purchasing PPR Returns

Your computer must be connected to the Internet in order to purchase more PPRs using the process described below.

1. From the Drake **Home** window, go to **Setup > Pay Per Return**.
2. In the bottom section of the **Pay Per Return** dialog box, enter credit card and address information.
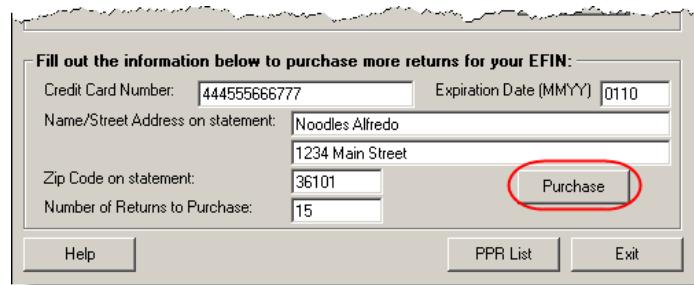
Figure 2-7: Purchase more PPR returns

3. Enter the number of returns to purchase.
4. Click **Purchase**.

Directories and Paths Setup

Use **Directories and Paths Setup** to manage the locations for data access and storage. From the **Home** window, go to **Setup > Directories/Paths**. After completing the screen, click **OK**. Information on screens is provided in the following sections.

NOTE | **Directories/Paths** settings must be configured before you begin using the program. These settings *should not be changed* during tax season. For details on setting network configurations, see "Running Drake on a Network" on page 10. For assistance, contact your office IT professional or Drake Support.

Sharing Files on a Network

Share only the Drake client files among the computers on your network, or share all of the Drake files with your network (recommended).

1. From a workstation (not the server), go to the Drake **Home** window and then to **Setup > Directories/Paths**.
2. To share just the client files:
   - In section **3b This is a workstation**, put a check mark in the box for **This is a workstation,** then choose a drive for sharing client files. In Figure 2-8, the user has selected the F: drive.
   - Click **OK**.
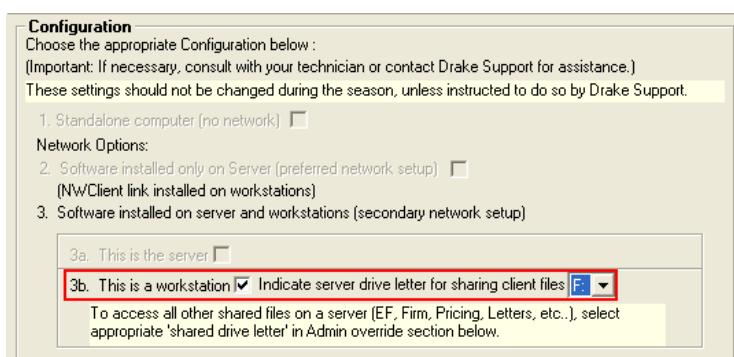
Figure 2-8: Example of selected shared drive

3. To share all Drake files (Setup, EF, configurations, letters, and acknowledgments):
   - In the **Paths** section at the bottom of the **Directories and Paths Setup** window, select **Admin Override**. (See Figure 2-9.)
   - Choose a **Shared Drive Letter.** In Figure 2-9**,** the user has chosen to share all the files on the F: drive.
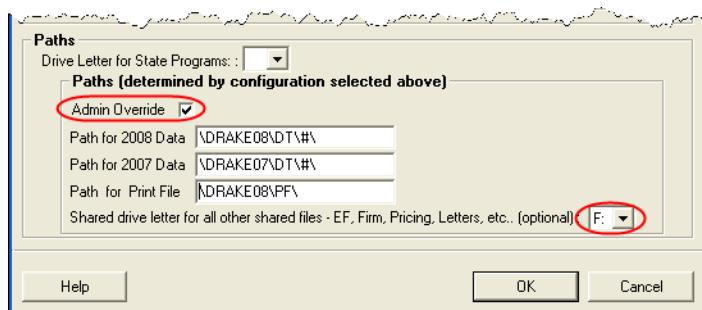
Figure 2-9: Sharing all files

> • Click **OK**.

IMPORTANT   Once a shared drive letter is set, *do not* change it unless Drake Support instructs you to do so. Changing a drive letter during tax season can cause problems in file storage and e-file processing.

Setting State Paths

To indicate where state programs should be installed and updated:

1. From the Drake **Home** window, go to **Setup > Directories/Paths**.

2. Select a drive from the **Drive Letter for State Programs** list. This location will be accessed for state programs.

NOTES   If this field is set to **None**, state programs will be installed and updated to the location where the Drake program is installed.

To access state programs from the Drake CD (rather than installing them on the hard drive), select the CD-ROM drive from the list. If you choose this option, that states will not be updated when updates are installed using **Tools > Install Updates**.

3. Click **OK**.

Setting Data Paths

The data path settings are determined by the chosen network configuration. You should not need to change the path settings after selecting the desired configuration.

To override a default path in **Directories and Paths Setup**, select **Admin Override**, then make the necessary path adjustments. Click **OK** to save your changes.

Update Profile Setup

Recommended: Install updates DAILY during tax season!

Your firm will be installing updates to the software throughout tax season. Before you install the first update, create a profile that customizes your office's update routine.

To create an update profile:

1040 updates are installed by default.

1. From the Drake **Home** window, go to **Setup > Update Profile**.

2. From the **Update Profile Setup** dialog box, select all return packages to be updated whenever your office installs updates (Figure 2-10).
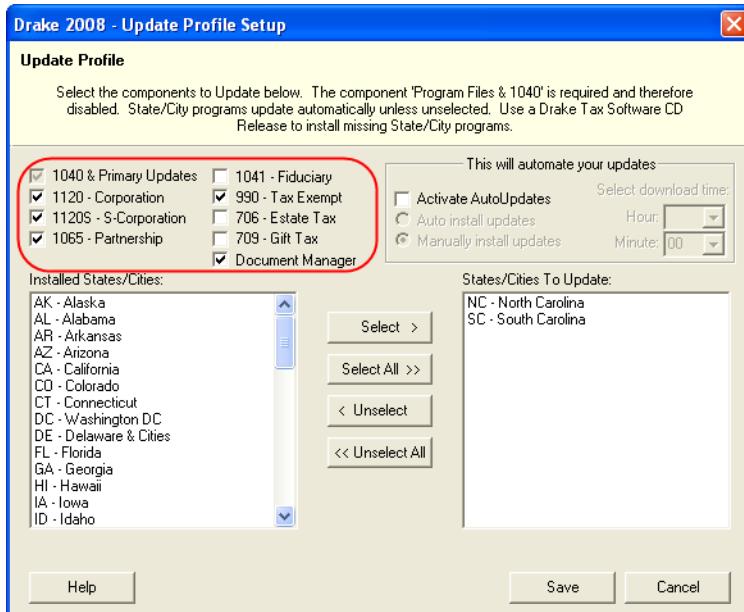
Figure 2-10: Update Profile Setup: Select packages to be updated.

3. Select states and cities to update. Click an item and use the **Select** and **Unselect** buttons. All items listed in the right-hand column will be updated (Figure 2-10).

4. Click **Save**.

Automated Updates

Automated updates are possible for offices that have a continuous Internet connection.

To automate updates:

1. From the Drake **Home** window, go to **Setup > Update Profile**.

2. Click **Activate AutoUpdates**.

3. Select a download time from the **Hour** and **Minute** lists.

4. Select the type of update installation to use:

- **Auto install updates** — Select this option to have the updates automatically installed after they are downloaded.
- **Manually install updates** — Select this option if you want to manually install the updates (from **Tools > Install Updates**) after they are downloaded.

5. Click **Save**.

NOTE   All instances of Drake must be closed at the time of download. The downloading computer or server must be left on and online.

Options Setup

Options setup is not required for completing or e-filing tax returns.

The tax software is shipped with the most common preferences set as the defaults. Use **Setup > Options** to view or change the defaults for the various options available. Options are categorized into tabs, as shown in Figure 2-11.
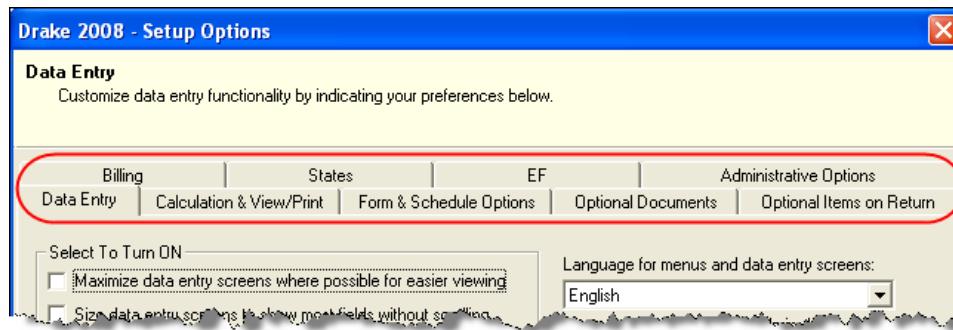
Figure 2-11: Options tabs from **Setup > Options**

From the **Home** window, go to **Setup > Options** and select a tab. Table 2-5 through Table 2-12 describe the options available on each tab in **Setup > Options**.

Data Entry Options

Options under the **Data Entry** tab are described in Table 2-5.

Table 2-5: Setup Options: Data Entry

| Option	Description
Maximize data entry screens where possible for easier viewing	Increase the size of the Drake screen to fill your monitor. Effective at all monitor resolutions.
Size data entry screens to show most fields without scrolling	Decrease the size of long Drake screens so they fit on your monitor. Effective only when monitor resolution is set to 1024 x 768 or smaller.
Disable sizing of data entry screens	Keep preparer from resizing screens. Effective usually for monitor resolution set to 800 x 600 or smaller.
Tab to zip code field (skip city/state and use zip code database)	Press the TAB key while entering address info on the **Demographics** screen to bypass the **City** and **State** fields and go directly to the **ZIP** field.
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.
Display formatting in SSN, EIN, Date, Phone # and Zip code fields	Display dates, phone numbers, SSNs, EINs, and ZIP codes with appropriate hyphens for easier reading.
Verify SSN when creating new return	Required double entry of SSN or EIN, helping eliminate erroneous entries.
Classic Mode	Simulate DOS data entry.
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
Small cursor	Use a small cursor in data entry fields.
Autofill preparer and firm number on new return	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 Preparer Fee override	Allow preparers to use the **Fee Override** field on screen **1**. If the check mark is removed, no preparer (except when logged in as Admin) can access **Fee Override**.

Table 2-5: Setup Options: Data Entry

Option	Description
Activate W2 wage and federal with-holding verification fields	To ensure accuracy of data entry, your firm can require that wages and federal taxes withheld amounts are entered twice on the **W2** screen.
Language for menus and data entry screens	Choose between English and Spanish.
Language for field specific help in data entry	Choose between English and Spanish.
Letter case for data entry	Choose between all uppercase letters and a "mixed case" of uppercase and lowercase letters.
Override Field Indicator	Format override fields in data entry.
Adjustment Field Indicator	Format adjustment fields in data entry.
Use grid data entry format for ...	Choose to activate grid data entry for the **Dependent, Dividend Income, Interest Income**, and **4562** screens. (See "Grid Data Entry" on page 58.)

Calc & View/Print Options   Options under the **Calculation & View/Print** options tab are described in Table 2-6.

Table 2-6: Setup Options: Calculation & View/Print

Option	Description
Auto-calculate tax return when exiting data entry	Returns are automatically calculated every time you exit the return.
Display client fee on calculation screen	Allows the fees charged for return preparation to appear on the **Calculation Results** screen.
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 CTRL+SHIFT+V is pressed. When the **Data Entry** button is clicked in View mode, the program returns to the data entry screen.
Audible notification of calculation error messages	The program produces a "beep" to indicate an error message.
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.
Number of days to store print files	Select to store print files from 1 to 9 days, or to have them removed after being selected for e-filing. If a return is needed after the print file is removed, recalculate the return to recreate 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   Options under the **Form & Schedule Options** tab are described in Table 2-7.

Table 2-7: Setup Options: Form & Schedule

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	This option produces a depreciation schedule for next year in addition to the depreciation schedule for this year.
Optional worksheets	Produce all optional worksheets associated with a return.
W2/1099R forms	Produce and display in View/Print mode all W-2 forms with the return.
Carryover worksheet	Produce any carryover worksheets associated with the return.
Print Page 2 of Schedule K-1 ...	Produce and print page 2 of Schedule K-1 for 1120S, 1065, 1041.
1040A/EZ suppress	Automatically suppress Form 1040A or 1040EZ.
Form 1045 page 2 (NOL)	Automatically produce Form 1045, page 2, if the return has NOL.
Select to turn ON ___ list if greater than ...	Produce lists of these forms when the selected number in the drop list is exceeded.

NOTE   Many settings can be adjusted "on the fly" from the **PRNT** screen. See "Making Changes on the Fly" on page 44.

Optional Documents   Options under the **Optional Documents** tab are described in Table 2-8

Table 2-8: Setup Options: Optional Documents

Option	Description
Folder coversheet	This option generates a folder cover sheet containing the taxpayers' names and the name, address, and phone number of the preparer's firm.
Generate return NOTES page when applicable	Clear this selection to prevent program-generated NOTES pages from being produced with each return. (This option does not affect preparer notes from the **NOTE** and **PAD** screens.)
Prior year(s) comparison form	Select this option to produce a comparison sheet containing the current year's return and those of past years.
Return summary	This option produces a return summary with every return prepared.

Table 2-8: Setup Options: Optional Documents

Option	Description
Bill summary	This option produces a summary of the taxpayer's bill with each return.
Federal filing instructions	Displays detailed federal filing information, including the date to file, form to be filed, address to file, and payment amount. The instructions are listed as FILEINST.PG in View mode. Activated by default. Clear to disable, or use the **PRNT** screen to activate or disable on the fly.
State filing instructions	Displays detailed state filing information, including the date to file, form to be filed, address to file, and payment amount. The instructions are listed as "STINST.PG" ("ST" refers to the state abbreviation; for example, OHINST.PG for Ohio instructions. Activated by default. Clear to disable, or use the **PRNT** screen to activate or disable on the fly.
Referral coupons	Enter the number of sheets per return or the coupon amount.
Envelope Sheet	Choose the size of envelope on which to print the addresses of the taxpayer; the IRS Service Center; the state tax department; the city tax office.
Estimated Payment Coversheet	Select this option for 1040 and 1041 returns with quarterly taxes. An IRS Service Center must be selected, and this item marked, to activate this option.
Letter Options	Select the result letter templates to be used for each package.
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 print engagement letters for all packages. At the end of the letter template are spaces for client and preparer signatures.
Include customized supplemental letter with returns	Print a customized letter that can be used for various purposes. (See Table 2-14 on page 37.)

NOTE   To override the default letter for an individual client, see "Overriding Letters Setup" on page 48.

Optional Items on Return   Options under the **Optional Items on Return** tab are described in Table 2-9.

Table 2-9: Setup Options: Optional Items on Return

Option	Description
Date on return	This date is pulled from the date on the computer. To change this date, enter the required date on the **PRNT** screen. If desired, select to print dates for taxpayer and spouse signatures (excluding 1040).
Print dates for taxpayer and spouse signatures (excludes 1040)	Select this option to print the date of taxpayer and spouse signatures on the return.
Taxpayer phone number	Select this option to print the taxpayer's phone number entered on screen **1**.
Third party designee	Select the third-party designee name to be printed on the main form of the tax return.

Table 2-9: Setup Options: Optional Items on Return

Option	Description
Rounding amounts	Select **Dollar** or **Penny** rounding. Dollar rounding is required for e-filing. Penny rounding prints penny amounts on all forms.

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

Table 2-10: Setup Options: Billing

Option	Description
Print taxpayer's SSN on the bill	Select this option to print the taxpayer's SSN on the bill.
Show preparer fees withheld from bank product	Select this option to print the RAL Application fees withheld from the RAL amount on the bill.
Show preparer fees associated with bank product	Select this option to print bank fees on the bill.
Sales Tax	Sales tax percent to add to client's bill. Enter a number greater than 1. For example, 4.5 would represent a sales tax rate of 4.5%.
Billing statement format	Select among seven formatting options, including: - Billing by time (preparing bill based on time spent preparing return multiplied by preparer's hourly rate as defined in **Setup > Preparers**) - Billing by form (preparing bill based on forms necessary to complete return by price entered in **Setup > Pricing**); program prepares a bill summary along with whatever option is selected here unless the **Bill Summary** option is cleared at **Setup > Options, Optional Documents** tab.
Header on bill	Select among options for the header to be printed on the bill.
Custom Paragraph	Choose to have a custom paragraph printed on the bill. Select a location, then write the paragraph in the supplied text box.

States Return Options To select options for state returns, select the **States** tab, then select a state abbreviation from the drop list. When the options are displayed, select to activate or disable state options 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-filing Options Options under the **EF** options tab are described in Table 2-11. Some of these options can be adjusted for an individual return from the **EF** screen in data entry. A change on a return's **EF** screen does not affect the global settings selected in **Setup > Options**.

Table 2-11: Setup Options: EF

Option	Description
Auto-generate Taxpayer(s) PIN (1040 Only)	Taxpayers can choose their own PINs, or the software can assign a randomly generated PIN.

Table 2-11: Setup Options: EF

| Option	Description
Require 'Ready for EF' indicator on EF screen	Select this option to require that the **Ready for EF** indicator on the **EF** screen be marked before a return can be selected for e-filing.
Lock client data file after EF acceptance.	Note: Log in as Admin to edit or unlock a file that has been transmitted and accepted. Give preparers access at **Tools > File Maintenance > Unlock Client Files** through security settings.
Print bank application when keyed on return	Select this option to produce a bank application any time data has been entered on a bank screen.
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 (1040 only)	Select this option to prevent e-filing of any 1040 return.
Print EF status page	Select this option to have the **EF Status** page printed whenever a return is eligible for e-filing.
Alert preparer when bank product is not included	Select this option to alert the preparer after each calculation that there is not a bank product entered on the current return.
Activate imperfect return election in data entry	Activates **Imperfect Return Election** check box on **EF** screen in data entry.
Allow selection for EF from the Calculations results screen	Allows preparer to send the currently active return directly from the **Calculations Results** window to the e-filing queue. (The return is then transmitted automatically the next time you e-file returns.)
Enable prompting before automatic transmission of Check Print records	Allows program to notify you before it transmits the Check Print records.
E-mail 9325 Notice to Taxpayer (automatic from Drake Processing Center)	Have Form 9325, Acknowledgment and General Information for Taxpayers Who File Returns Electronically, automatically e-mailed to taxpayer when return is accepted. (Taxpayer's e-mail address must be entered on screen **1** before e-filing.)
ERO SSN Indicator	Choose a preparer number, **Paid Preparer**, or **None**. Override the choice in data entry.
Check for email during EF transmit/receive	The program checks for e-mail received every time you transmit returns or pick up acks.
Combine EF steps (Select, Transmit, Post Acks)	Select this option to combine all steps of e-filing. Click **OK** or press ESC on selected returns to e-file, pick up any new acknowledgements, and process the acknowledgements in one step.
Transmit return data to Drake for multi-office Web reports	Selecting this option sends CSM data to the MOM during the EF process.
State EF	Choose to suppress e-filing of all state returns, or select states to suppress while other state returns remain eligible.

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

Table 2-12: Setup Options: Administrative Options

Option	Description
Use Customized Data Entry Menu	Click **Customize**, then select the package and package type to customize and click **Load Menu**. When the data entry screen is opened, click (uncheck) items to disable them in the **Data Entry Menu**. Click **Save**. The selected (unchecked) items will not be visible or accessible to any user other than Admin. **New in 2008**: Screens can now be locked for all but Admin users. See "Locking Screens," following this table.
Customize user-defined data entry fields	Create option lists for the **Miscellaneous Codes** fields on screen **1** and the **Adjustments** and **Payments** fields on the **BILL** screen. For step-by-step instructions on this new feature, see "Customized Drop Lists" on page 31.
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. Click Esc to save your changes. **Note**: This option is available for federal packages only.
Do not clear Admin flags when data is updated from prior year	Flags set globally last year will still be set globally after updating data from **Last Year Data > Update from 2007 to 2008**.
If RRC is not entered, display warning as a NOTES page (not as an EF message)	By default, this warning is generated as an EF message and prevents e-filing; select this option to generate the warning as a note, which does not prevent e-filing.
Do not display any warning if RRC is not entered	If this option is selected, *no* warning will be generated (no EF message, no NOTES page).
Print EIC due diligence documents	Print documents generated from the **EIC1**, **EIC2**, **EIC3**, and **EIC4** screens.
Require applicable EIC due diligence screens to be completed	Require that the **EIC1**, **EIC2**, **EIC3**, and **EIC4** screens be completed before the return can be e-filed.

Locking Screens
New in 2008, an administrator can "lock," or make inaccessible to other users, selected screens. To do so, go to **Setup > Options > Administrative Options**, select **Use Customized data entry selection menu**, and click **Customize**. After loading a menu, click a screen's check box to make the screen locked, visible, or hidden. (Default is "visible.") Examples are shown in Figure 2-12 and described below.

**Figure 2-12:** Locked, Visible, and Hidden screens

- **Locked** — Menu items with a *shaded check mark* neither visible nor accessible.
- **Visible** — Menu items with a *black check mark* are both visible and accessible.

- **Hidden** — Menu items with *no check mark* are not visible but can be accessed using the selector field.

Selections made here do not apply for users with Admin rights.

Customized Drop Lists

New in 2008, your firm can create drop lists for the **Miscellaneous Codes** on screen **1** and the **Adjustment** and **Payment** description fields on the **BILL** screen. Once you have created a drop list, it appears in the selected field. In Figure 2-13, a drop list has been created for **Miscellaneous Code 1** and **Code 2** on screen **1**. As shown in the example, **Code 2** has the user-defined referral codes BUSREF (business reference) and WOMREF (word-of-mouth reference).
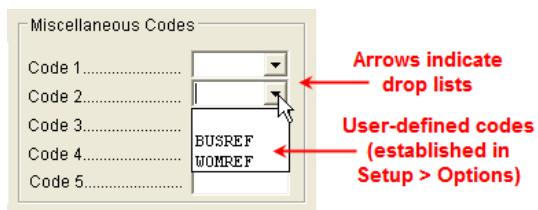
Figure 2-13: Screen **1** drop lists and user-defined miscellaneous codes

The instructions below explain how to create the drop list like the one in Figure 2-13.

To create a drop list:

1. From the **Home** window, select **Setup > Options > Administrative Options** tab.
2. Click the second **Customize** button (Figure 2-14).

Figure 2-14: Customize user-defined data entry fields.

3. In the **Customizable Dropdowns in Data Entry** dialog box, double-click a field (such as the **Miscellaneous Code 2** field) to customize, or select a field and click **Edit**. The **Edit Entries** dialog box opens.
4. Enter a **Code** (8 or fewer characters) and **Description** (25 or fewer characters) in the **Add Entry** fields (Figure 2-15).
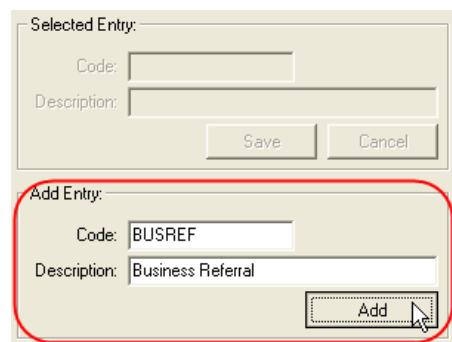
Figure 2-15: Enter code and description in the **Add Entry** fields.

5. Click **Add**.

6. 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 2-16).
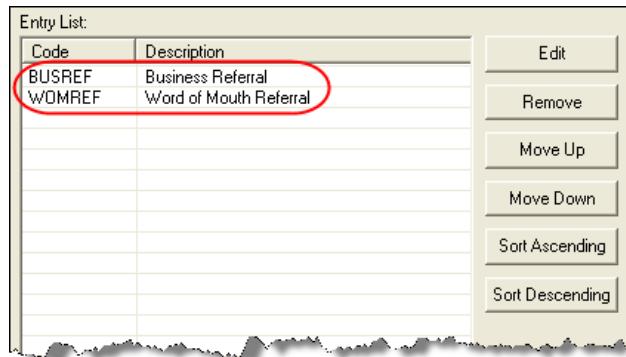
Figure 2-16: Entry list of **Edit Entries** dialog box

7. Click **Save Changes** to close **Edit Entries**.

Click **Exit** to return to the **Administrative Options** tab. The drop list is now available in data entry.

The **Edit Entries** dialog box also offers the following options:

- **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. (See Figure 2-16.)
- **Removing a listed item** — Select an item and click **Remove**. (See Figure 2-16.)
- **Editing a listed item** — Double-click an item. The **Selected Entry** box (see Figure 2-15) is activated with the item properties. Make changes and click **Save**.

Click **Save Changes** to save your changes when exiting the **Edit Entries** dialog box.

NOTES
Drop lists can also be created for the **Adjustments** and **Payments** field of the **BILL** screen.

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

Pricing Setup

You can set Drake up to calculate the prices to charge your clients and to generate the client's bill with the return. Use **Pricing Setup** to enter prices. 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.

NOTE
Bank product and e-filing fees are established in **Setup > Firm(s)**.

To set up pricing:

1. From the **Home** window, go to **Setup > Pricing**.

2. Select a package from the **Form Categories**. All forms for that package are displayed in the grid below.

Use the scroll bar or arrow keys to find forms. Double-click a form to select it quickly.

3. Select a form in the grid and press ENTER.

4. (optional) Edit the **Form Description**. This description is printed on the client bill if **Include on Bill** is selected. 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 here will apply to *all* instances of the selected form that are printed for a return.

6. Click **Update**, then click **Save**.

Repeat these steps for each form, or set pricing for only the most common forms. You can price the less-common forms from within the individual returns that use them.

NOTE   For more on formatting the client bill, see "Billing Options" on page 28.

Minimum & Maximum Fees

To set minimum and maximum fees to be charged for a return:

1. From the **Home** window, go to **Setup > Pricing**.

2. Select a package from the **Form Categories**. All forms for that package are displayed in the grid below.

Use the scroll bar or arrow keys to find forms.

3. Scroll down to Forms 0255 and 0256 (the minimum and maximum fee settings).

4. Double-click a row and enter the fee. Repeat for the other form, if desired.

5. Click **Update**, then click **Save**.

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

Macros Setup

A macro is a combination of keys that allow you to accomplish data-entry tasks faster. You can edit existing macros or create new ones to meet your office's needs. Also called shortcut keys, macros are already available in the program; for example, CTRL+V is a macro that opens View mode.

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 shortcut key combination.

Using Macros

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

Creating New Macros

To set up your own macros in Drake:

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

1. From the Drake **Home** window, go to **Setup > Macros**. The **Setup Macros** dialog box shows the shortcut keys and their associated tasks.

2. Edit the **Data** column for a macro listed. (All tasks listed can be edited.) Symbols for non-character shortcuts are listed in Table 2-13.

3. Click **OK**.

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.
>	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, then moves the cursor forward a field.
~	Escape. If the (~) symbol is inserted *after* the selected data in a macro, the program inserts the selected data then 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.
#	Launch 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 65.)
*	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 and 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] would jump 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 jumps 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. This macro is not compatible with macros that use or are initiated in heads-down mode.
+	Prevents a macro from clearing a flagged field.

TIP

> If a single macro is to allow data entry 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 (#), enter field 25 (25>), 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 (~).

Introduction to Letters in Drake

Drake's letters program generates various types of client letters, from engagement letters to the cover letter that accompanies the return. In some cases, letter content is automatically based on data from the tax return. 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 result letter will state the *balance due amount*, provide the *e-filing information*, and give *instructions for mailing the balance due*.

Because so much of the letters program is automatic, you may not need to edit the letter templates at all. If you do need to make changes, Drake has provided numerous options for doing so.

Before making changes, please continue reading this introduction to ensure that you understand how the templates and the Client Communications Editor are structured.

Parts of a Letter

A letter in the **Client Communication Editor** contains three categories of letter elements: keywords, text, and conditional paragraphs.
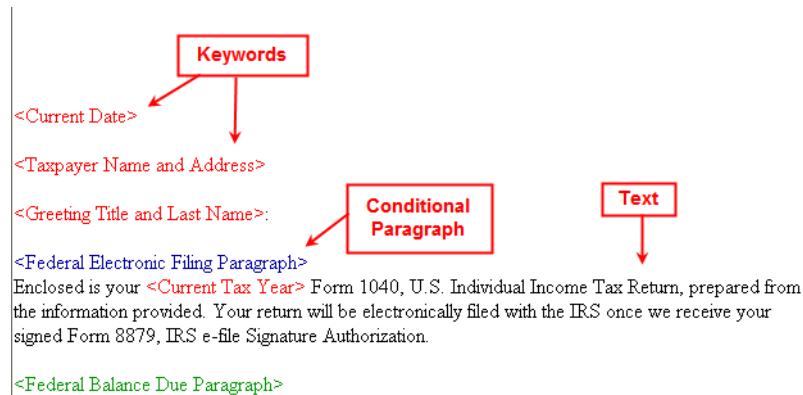
Figure 2-17: A letter consists of keywords, text, and conditional paragraphs.

Keywords appear as red text within angle brackets. A keyword is a description of the type of text that will be generated and added to the letter. For example, the keyword "Current Date" is at the top each letter. When a letter is printed with a return, the "Current Date" keyword is replaced with the current date.

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

Conditional paragraphs, like keywords, contain angle brackets. Each conditional "paragraph" actually consists of a starting tag (keyword), the conditional text, and an ending tag. Both the starting and ending tags end with the word "Paragraph."

The enclosed conditional text is printed *only if* a particular situation applies in that letter. For example, the conditional paragraph below is generated only if the taxpayer, who has a balance due, is *paper-filing* and has selected *not* to pay by direct debit.

Text is generated only if this condition applies.

<Federal No Dir Debit (Paper) Paragraph>
Include your payment and Form 1040-V with your return. For faster processing and to prevent errors, make your check or money order payable to the "U.S. Treasury" and write your Social Security number and "<Current Tax Year> Form 1040" on the check or money order. If you want to review credit card and other payment options available, call (800) 2PAYTAX or (888) PAY-1040.
<End Paragraph>

Figure 2-18: Conditional paragraph

Paragraph Nesting

Many conditional paragraphs are nested within larger ones. Different nesting levels are indicated by different colors. In Figure 2-19, the **Federal No Dir Debit (Paper) Paragraph** from Figure 2-18 is nested inside the **Federal Balance Due Paragraph**. The green and purple text show where each paragraph begins and ends.

<Federal Balance Due Paragraph>
Your federal return reflects a balance due of $<Federal Balance Due>.

<Federal No Dir Debit (Paper) Paragraph>
Include your payment and Form 1040-V with your return. For faster processing and to prevent errors, make your check or money order payable to the "U.S. Treasury" and write your Social Security number and "<Current Tax Year> Form 1040" on the check or money order. If you want to review credit card and other payment options available, call (800) 2PAYTAX or (888) PAY-1040.
<End Paragraph>
<End Paragraph>

Figure 2-19: Nested Conditional Paragraph

In this example, the **Federal No Dir Debit (Paper) Paragraph** is generated *only* if the **Federal Balance Due Paragraph** is generated, and only if applicable for a return.

Client Communications Editor

Previously called the Letter Editor, the Client Communications Editor gives you a place to read, edit, re-write, print, and save the letters contained in the program. You can also add your company letterhead and logo to the letters.

The right pane of the **Client Communications Editor** displays the letter template. The left pane displays paragraphs and keywords by category (Figure 2-20); click [+] to expand a category, or click [-] to contract it. Hover your pointer over a keyword to view its description.
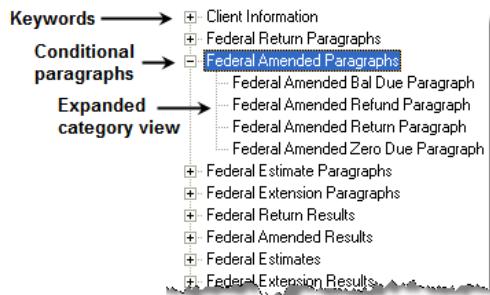
Figure 2-20: Category tree (left pane of Client Communications Editor)

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

Available Letters   Table 2-14 lists all available letter templates. New templates are indicated by an asterisk (*). All letters can be modified using the Client Communications Editor.

Table 2-14: Letter Templates Available in 2008

Letter Template	Description
Result Letter	Provides return results for the filed return(s); gives info on bank products, estimates, due dates, mailing instructions, etc., as applicable.
Result - Template	Contains the same keywords and paragraph tags as the Result Letter, but no pre-written letter template is provided.
Extension Letter	Explains that an application for extension has been filed.
Amended Letter	Similar to the result letter, but for an amended return.
Estimate Payment Reminder	Provides details for making an estimate payment; individual (1040) package only.
Scheduled Appt. 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.
Pre-season Letter	Reminder that tax season is coming up; all applicable packages.
Post-season Letter	Letter thanking 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.
*Engagement Letter	Standard engagement letter for tax services.
*E-file Status Letter	Provides clients with an acknowledgment summary of their e-filed returns; available for all applicable packages.
Privacy Policy	Generic privacy policy for clients.
K-1 Cover	Cover letter for a shareholder, partner, or fiduciary receiving a Schedule K-1; S corp, partnership, and fiduciary packages only.
K-1 Amended	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.

Letters Setup

Use the Client Communications Editor to edit letter templates, set up the letterhead for letters and client bills, and preview letters.

Editing a Letter Template

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

To edit a letter:

1. From the **Home** window, go to **Setup > Letters**. This opens the **Client Communications Editor** window.

2. Click **Open** and select a package and letter to edit. The right pane displays the selected template.

   • *To edit the letter contents*, add, edit, or delete any text as you would in a word-processing program like Microsoft Word. From the toolbar above the template, specify font properties, typeface (bold, italic, underlined), and alignment, and copy, cut, and paste.

   • *To add a keyword or conditional paragraph* to the letter, place your cursor where you want the new item to go, then locate and double-click a keyword or paragraph from the left pane. To delete a keyword or conditional paragraph, select it in the letter template and press DELETE.

CTRL+X deletes a selected item.

3. Click **Save**.

> **NOTE** The Client Communications Editor does not allow you to save any letter in which text within angle brackets (in other words, the names of keywords or conditional paragraphs) has been changed.

Setting Up Letterhead

Arrange to have your firm's information and logo generated on client bills and letters.

To set up your letterhead:

You can also set up letterhead for bills.

1. From the **Client Communications Editor**, go to **Setup > Letterhead Setup**.

2. Select options from the **Letter/Bill Indicators** section.

3. Designate **Coordinates**. In the right column, number settings indicate the position of the firm information and logo. Settings for the default graphic are:

   • Left-most column for logo — 8
   • Top-most row for logo — 3
   • Left-most column for firm info — 25
   • Top-most row for firm Info — 4

4. Enter the path to the graphic in the **Path/Filename for Bitmap Logo** text box (or use the **Browse** button). The full path and filename are required. To use the simple default graphic, enter C:\DRAKE08\CF\LOGO.BMP. ("C" indicates the drive letter to which the program is installed. Change if necessary.) Leave blank for no logo.

5. Click **OK**.

Naming a Template

Each template has an assigned name (see Table 2-14). To assign a new name:

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

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

3. Enter a new name for the letter in the **Rename Letter** dialog box.

4. 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 return with one of the four categories of letters:

• Letter for e-filed return with balance due

• Letter for paper-filed return with balance due

• Letter for e-filed return with refund

• Letter for paper-filed return with refund

Bringing Forward a Template

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

1. From the **Client Communications Editor**, click **Open** and select the letter to replace.

2. Go to **Setup > Update Prior Year Letter** and click **OK**.

3. Select the drive of the Drake program that contains the prior-year letter.

4. Select a prior-year letter.

5. Click **Continue.**

6. When prompted, click **Yes**.

Be sure to read through the replacement letter to ensure that the information is current.

NEW FOR
2008

Letters from your 2007 program can also be updated from **Last Year Data > Update Settings**. See "Updating Settings" on page 70.

Color Setup

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

TIP

If you used Drake last year, consider customizing colors to make your 2008 program look different from your 2007 program. If you need to open the 2007 program during tax season, customized colors will help you avoid entering data into the old program by accident.

Program Colors

To customize program colors:

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

2. Under **Program Colors**, choose **Use Windows System Colors** or **Use Custom Created Colors**.

- **Windows System Colors** — Program screens inherit the color scheme used by the operating system.

*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**.

Data Entry Colors

To change the color of a specific area in data entry:

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

2. Click a color box in the **Data Entry Colors** box. A Windows color palette is opened.

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

4. Once all color selections are made, click **OK**.

NOTE   To restore the original color settings in **Setup > Colors**, click **Restore**, then click **OK**.

Printing Setup

Use the Printer Setup to:

- Establish the printer to be used with Drake
- Integrate the Drake Document Manager (DDM) with your client files in Drake
- Install a "Print to PDF" option that allows you to create PDF files

Even if your office uses the same printer for tax returns and the DDM, the DDM is a stand-alone tool and requires separate setup from the Drake tax program.

NOTES   The Windows default printer is automatically designated as the Drake default printer when Drake is installed. You do not need to add or set up a printer in Drake if it is already set up in Windows. Printer settings are carried forward automatically each year.

If a printer is no longer installed in Windows, it still appears in Drake. To remove the printer from Drake, go to **Setup > Printing > Printer Setup** and click **Reset**. This action removes all printers and re-adds all the available printers automatically.

Editing Printer Settings

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

1. From the Drake **Home** window, go to **Setup > Printing > Printer Setup**.

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

3. Click **Save**.

Table 2-15: Printing Setup

Tab	Field	Description
(F5) General Setup — displays the current default printer for **Tax Forms**, **Reports**, **Labels**, and **Checks**	Tray	Default is "Main Paper Source." Change the default if you have a multiple-tray printer and will not be printing from the main tray.
	# Copies	Default 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 (front and back in order of appearance).*
	Staple	If the printer supports stapling after each print job, select this option to turn stapling on.
	Show dialog box	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; see "Printing Printer Sets" on page 170.	Tray	Default is "Main Paper Source." Change the default 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 (front and back in order of appearance).*
	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.)
	Staple	If the printer supports stapling after each print job, select this option to turn stapling on.
	Print Set	Indicates which sets should be available for printing after a return is calculated.
	Watermark Text	Adds watermark text to client and preparer sets. The text in the **Watermark Text** entry box is printed on every set. To prevent a watermark from printing, clear this box.
(F7) Options — used to set up advanced printing options not related to a specific printer	PCL Soft Font Option	Many printers require soft fonts to be downloaded to the printer before the tax forms can be printed. Select the desired downloading option.
	Letterhead Source Tray	Print letters from a tray other than the one used for tax forms.
	Classic Print Mode	For preparers who prefer Basic View (See "Enhanced View/Print Mode" on page 166), Drake's "Classic Print" mode will be displayed when in Print mode.

Table 2-15: Printing Setup

Tab	Field	Description
(F8) Edit Printer Settings — used to edit print settings for a selected printer	Select Printer	Select the printer to activate the fields below.
	Printer Type	Select the printer type from the drop list.
	DPI Override	Change the dots per inch (DPI) setting.
	GDI (Windows) Printer	Select this option to use GDI print drivers instead of PCL. You must select this option to print special fonts on letters. GDI printing is generally slower than PCL printing.
	Adjust Margin	Select this option if printed forms are running off the lower edge of the paper.
	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 a 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.

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 **Home** window, go to **Setup > Printing > Printer Setup**.

2. Click the **Sets** button at the bottom of the window to open the **Copies Per Set** dialog box.

3. Select a category 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. For example, to include three Schedule Cs with the **Client** set, enter 3 under **Client**.
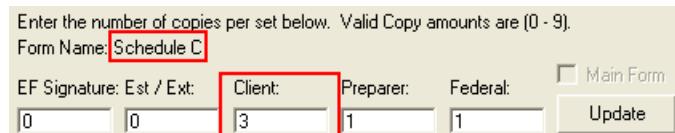
Figure 2-21: Example: Three copies of Schedule C for client

6. Click **Save**, then click **OK**.

Repeat this procedure for other forms as needed.

Changing Print Sets for a Single Return   Making **Sets** changes on the fly modifies settings globally, not just on a per-return basis. If you change your **Sets** settings on the fly, you change those settings for *all* future set printing.

To change or add print settings on the fly (without entering **Printer Setup**) complete the following steps while in Enhanced View/Print mode:

1. Click a form in the directory tree to select it.
2. Click the **Setup** button from the toolbar, then click **Form Properties** from the menu.
3. In the **Number of Copies** section, edit settings and click **Save**. Settings are applied universally. Pricing can also be changed using this option.

NOTE   If using Basic View, access this feature by right-clicking a form in Basic View and selecting **Properties**.

Setting a Print Order

Use this option to indicate the order in which forms are printed.

1. From the Drake **Home** screen, go to **Setup > Printing > Printer Setup**.
2. Click **Set Form Order** to open the **Sort Form Order** window.
3. Select a package series and choose a set type. **Normal (Default)** is the established IRS order.
4. Forms are listed with their order number in parentheses to the left. 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**.

NOTE   To back up the print order and to restore to another machine, choose to back up the setup files from **Tools > File Maintenance > Backup**.

Document Manager (DDM) Setup

The Drake Document Manager is a stand-alone application that can be integrated with Drake Software. (For details, see "Document Manager" on page 275.)

To implement the Drake file structure:

1. From the **Home** window, go to **Setup > Printing > Document Manager**.
2. Enter the path of the DDM or click **Search** to find the DDM location. If the DDM is found in more than one location, you must choose one.
3. Select **Allow Drake to Set up Document Manager Client Folders (recommended)**.

The Drake structure is established in the DDM directory, and the DDM button is activated in data entry.

PDF Printer Setup

PDF Printer setup installs PDF995, which allows you to print files as PDF files.

Use the following procedure to install or upgrade PDF995 on your computer. You must have a Drake CD inserted in your CD drive to install this program.

1. From the Drake **Home** window, go to **Setup > Printing > PDF Printer**.
2. Select the drive of the Drake CD.
3. Click **Install**.
4. At the **Installation Complete** message, click **Exit**.

To print files to PDF, print the file as you normally would, but select PDF995 as the printer.

> NOTE
>
> PDF995 version 8.0 or later is required. Even if you already have PDF995 on your computer, you might need to upgrade to Version 8.0. (Version 8.0 supports Windows Vista.)

Making Changes on the Fly

When you make changes "on the fly," you override program calculations and established defaults (set by either the program or by the preparer in Setup) for a selected return. The remainder of this chapter focuses on actions that can be taken *while in data entry* to "override" the global settings described previously.

Suppressing/Forcing Documents

The **PRNT** screen allows you to indicate which forms should and should not be generated for a return, regardless of program calculations and established defaults.

Suppressing Items from Being Generated

Table 2-16 lists items that can be suppressed using the **PRNT** screen.

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

Item	Description
1040EZ	Prevents Form 1040EZ from being prepared; program prepares either Form 1040 or 1040A instead.
1040A and EZ	Prevents Forms 1040A and 1040EZ from being prepared; program prepares Form 1040 instead.
State short form	Forces state return to be printed on the state long form.
WK_PAL (new in 2008)	Prevents Passive Activity Deduction Worksheet from being prepared. This worksheet shows how much (if any) the taxpayer is taking in passive activity loss deductions this year and how much is being carried over.
WK_6251B (new in 2008)	Suppresses Exemption Worksheet for Form 6251, Alternative Minimum Tax.
WK179LMT (new in 2008)	Prevents section 179 Business Income Limit Worksheet from being prepared. This worksheet shows the amount (if any) of section 179 deductions this year and how much is being carried over.
Proforma/ organizer	Prevents proforma/organizer from being generated for next year. See "Organizers and Proformas" on page 71.

> NOTE
>
> The option to print or suppress the 1040A and 1040EZ for all returns (if applicable) is set at **Setup > Options > Form & Schedule Options** tab.

Forcing Items to Be Generated
Table 2-17 lists **PRNT** screen items that can be "forced," or printed even if the program calculations and established defaults would otherwise not print them.

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

Item	Description
Schedule A	Itemized Deductions
Schedule B	Interest and Dividend Income
Form 4562	Depreciation and Amortization
Form 6198	At-Risk Limitations
Form 6251	Alternative Minimum Tax for Individuals
Form 8582	Passive Activity Loss Limitations
Summary	Individual Diagnostic Summary; appears as SUMMARY under **Miscellaneous** tab in View/Print 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/Print mode. (See "Comparing Data" on page 158 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 Listing	Worksheet showing the depreciation to be carried forward to the next year

Overriding Other Setup Options

Envelope Coversheets
When a return is generated, Drake also prints envelope coversheets, if selected, for mailing with 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 **PRNT** screen to override coversheet options for a return.

NEW FOR
2008

Envelope numbers (assigned by Nelco) are provided in the **Print Overrides** drop lists.

You can now print envelope coversheets for city returns, federal returns, and state returns.

Filing Instructions
When a return is generated, Drake also prints federal and state filing instructions. Default settings are established at **Setup > Options > Optional Documents** tab. Use the **PRNT** screen to override the default and force or suppress the filing instructions.

Dates on the Return
Use the **PRNT** screen to override the following dates printed in the return:

- Current date shown on return
- Due date shown on letter and filing instructions

These changes cannot be set globally from Setup.

Return Indicators   By default, the program displays certain indicators (such as "Hurricane Katrina") on applicable returns. Use the **PRNT** screen to force certain indicators to be displayed.

Billing Format   The following global setup options are set from **Setup > Options > Billing** tab and can be changed on the fly from within a return:

Table 2-18: Billing Options that Can Be Changed on the Fly

Option	Choices
Billing Statement Format	Total only; Forms and total; Forms, prices, and total; Bill by time; Charge per form
Custom Paragraph	None; Top of bill; Bottom of bill

Use the override fields on the **BILL** screen in data entry to override established defaults. For more on the **BILL** screen, see "Overriding the Bill Amount" on page 47

NOTE   Write the custom paragraph for the bill in the **Custom Paragraph** field at **Setup > Options > Billing** tab.

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

By default, the program prints the information shown in Table 2-19 on the return.

Table 2-19: Firm, Preparer, and ERO Data that Can Be Changed on the Fly

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

To override any of these defaults for a return, go to screen **1** of the return. In the **Return Options** section, select the firm, preparer, and ERO to be used.
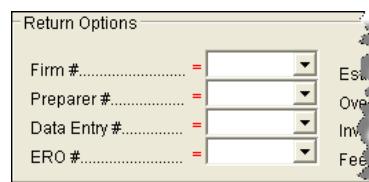
Figure 2-22: Setup override fields on screen **1**

If a field is blank, the program uses the default setting. Select **NONE** if you want nothing printed on the applicable line on the return.

NOTES
The **Data Entry #** field is for tracking purposes only.

A firm or preparer must be entered in Firm or Preparer Setup 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 137.)

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

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

This screen has a field for the preparer's alternative PIN. You can also select not to print the preparer's information on the letter, bill, or summary.

NOTE
The alternative PIN must match the one created in **Setup > Preparers**.

Overriding the Bill Amount

Standard rates must be established in Pricing Setup, by can change the billing amount on the fly, 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** box).

NOTE
If this box is not activated, go to **Setup > Options > Data Entry** and select the **Activate Preparer Fee override** box.

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:

• Write-in **Adjustments**, such as for coupons and other discounts

• Balance due from prior year

• Tax Planner fees

• Percentage increases and discounts

• Sales tax percentage

• Prior **Payments**

NEW FOR
2008
You can now create user-defined drop lists for the write-in **Adjustments** and **Payments** screens. See "Customized Drop Lists" on page 31.

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

- To include Form 8888 on the bill if the taxpayer is paper-filing and depositing the refund into multiple accounts
- To adjust the bill as needed for a self-prepared or firm-prepared e-filed return

The **BILL** screen also allows you to override the date printed on the bill and add a short note (separate from the custom paragraph) to the bottom of the bill.

Pricing for a Single Return

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

1. In View mode of a return, right-click a form and select **Setup > Form Properties**. The Properties dialog box is displayed (Figure 2-23).
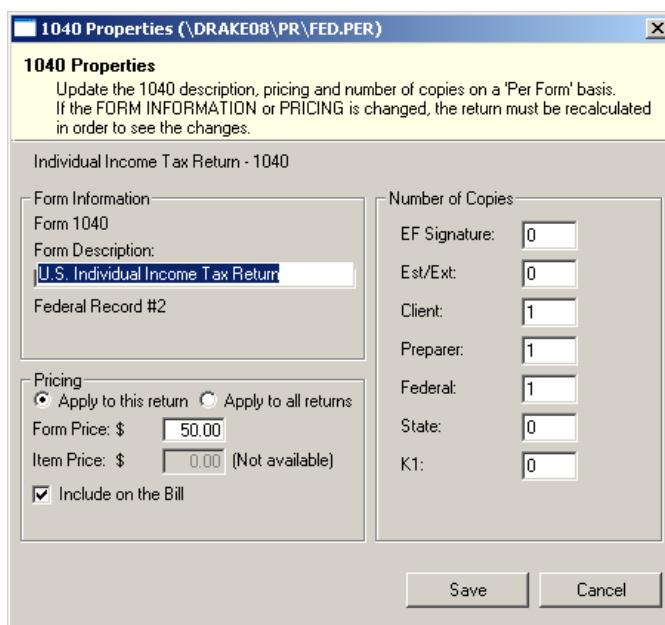
Figure 2-23: Pricing on the fly

2. Edit the description of the form and edit the price listed per form or per item.

3. Choose to **Apply to this return** or **Apply to all returns**. *Applying to all returns changes the pricing file for all returns.*

4. Change number of copies if desired.

5. Click **Save**.

NOTE   For pricing-on-the-fly changes to take effect on the client bill, the return *must* be recalculated.

Overriding Letters Setup

Letters options and defaults can be set from both **Setup > Options > Optional Documents** tab and **Setup > Letters**. Use the **LTR** screen to override these global options on a per-return basis. Access this screen from the **Other** tab, or type LTR into the selector field and press ENTER.

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

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

In addition, it provides these override options:

- Force-print a letter for a *paper-filed* return or extension application, even if the return/application is *eligible* for e-file.
- Force-print a letter for an *e-filed* return or extension application, even if the return/application is *ineligible* for e-file.
- Force (or suppress) a customized supplemental letter, engagement letter, or privacy policy letter.

Default Result Letter

The result 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 Result Letter #1 as the default.

To change the default letter for a return, go to the **LTR** screen and select a new letter from the **Letter #** drop list at the top of the screen. In addition to other result letter templates, you can have the program generate a Spanish result letter (Figure 2-24), an extension letter, or an amended return letter instead of the program default letter.
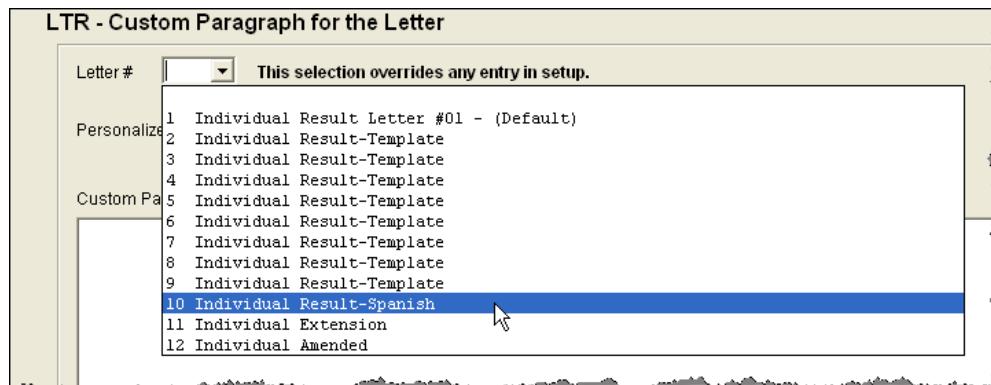
Figure 2-24: Selecting the Spanish letter as the default letter for a return (LTR screen)

NOTE   To change the default letter for *all* returns, go to **Setup > Options > Optional Documents** tab and select a letter template from the applicable package in the **Result Letter** 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 **LTR** screen and enter a new greeting in the **Personalized letter greeting** text box.

NOTES   To begin the greeting with the word "Dear," enter it along with the name in the **Personalized letter greeting** field. To have *all* letters for a package type to begin with "Dear" (or another greeting of your choice), make the change in the template in **Setup > Letters**.

Adding a Custom Paragraph

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

To have a custom paragraph appear somewhere else within the letter:

1. Go to **Setup > Letters**.
2. Click **Open** and select the package and letter that is to be generated for the client.
3. Place the cursor on the line where you want the custom paragraph to appear.
4. Click the plus [+] sign next to **Miscellaneous** in the tree directory (left column of window).
5. Double-click the **<Paragraph from LTR screen>** keyword. The keyword appears in the letter template.
6. Click **Save**.

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

E-filing or Paper-filing?

If a return has an EF message when calculated, the return is considered ineligible for e-file and the program generates a result letter for a *paper-filed* return. If the return is considered eligible for e-file, a letter for an *e-filed* return is generated. You can override these defaults for the federal and state tax returns and extension applications.

To override the defaults, go to the **LTR** screen and select **EF** or **Paper** for the selected returns. (See Figure 2-25.) To indicate one or more state returns, select state abbreviations from the drop lists provided. In the Figure 2-25 example, the resulting letter will be worded as if both the federal and Arizona returns are going to be e-filed.
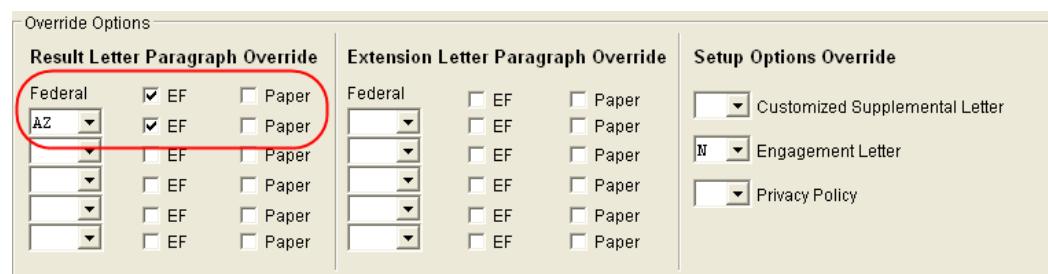
Figure 2-25: Select EF to force a letter to be printed *as if* the return is eligible for e-file.

Printing Additional Letters

From **Setup > Options > Optional Documents** tab, you can select to have the customized supplemental letter, engagement letter, and privacy policy letter printed with all returns. To override the established defaults, go to the **LTR** screen and select **Yes** or

No for the desired letter types. In the Figure 2-25 example, the user has selected *not* to have the engagement letter printed for the client.

Overriding EF Setup

The **EF** screen in data entry allows you to suppress federal and state e-filing on a per-return basis. (The program default in **Setup > Options > EF** tab 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 186.

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3 Basics

To open the 2008 program, double-click the **Drake 2008** icon on your desktop. The login window displays system and drive information, the current date, and the **Preparer Login** box (Figure 3-1).

Figure 3-1: Drake login window

Logging In and Out

Enter a **Preparer ID** and **Password** (if one has been designated) and click **Login** to open the Drake **Home** window. (See Figure 3-2 on page 54.)

NOTE   If logging in for the first time after installation, enter ADMIN (this item is not case sensitive) for **Preparer ID**. For **Password**, enter the serial number from your packing slip.

Log out from the **Home** window. Click **File > Logout Preparer** to log out without closing the program. To log out completely, click **Exit**, then click **Yes**.

The Home Window

The **Home** window (Figure 3-2) is the main screen of the Drake program. The menu bar and toolbar allow you to accomplish tasks in the program. The status bar provides system information. The **Recent Files** section lists the last nine returns opened. The **Appointments** section shows the preparer's schedule. The **Message Center** lists any e-mail messages that need to be downloaded, updates that need to be installed, or acknowledgments that need to be processed.
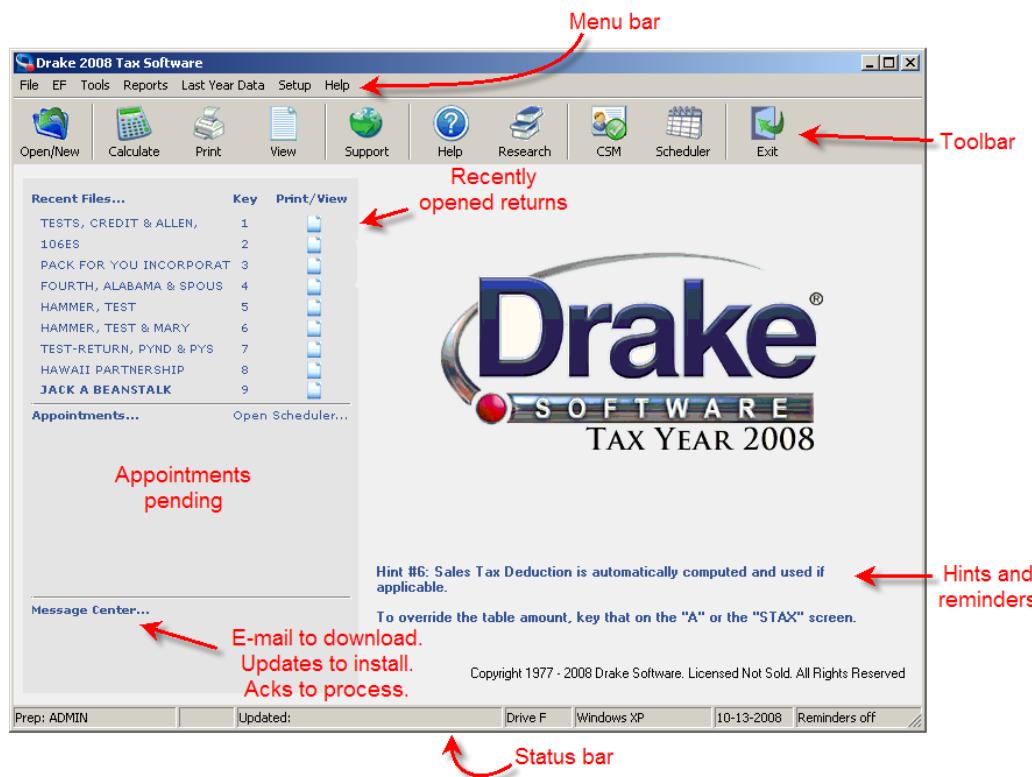
Figure 3-2: Drake **Home** window

General Navigation

Both the mouse and the keyboard can be used for navigating within the software.

Mouse

Left button — 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, click or double-click the left button on the mouse.

Right button — During data entry, right-click the mouse anywhere on the screen to display a menu of common program functions. Right-click a specific field to undo, cut, copy, paste, delete, or view Help for that field.

Keyboard

Use *shortcut keys* to accomplish tasks without using the mouse. Press ALT to display the underlined shortcut key for each menu name or item, then press the desired short-cut key. For example, from the **Home** window, you can press ALT, F, O to open the **Open/Create a New Return** dialog box.

Key combinations are another means of accomplishing tasks without using the mouse. They consist of two or more key names connected by a plus (+) sign. To use a key combination, press and hold down one key, then press a second key. Key combinations are shown to the right of each menu item (Figure 3-3).
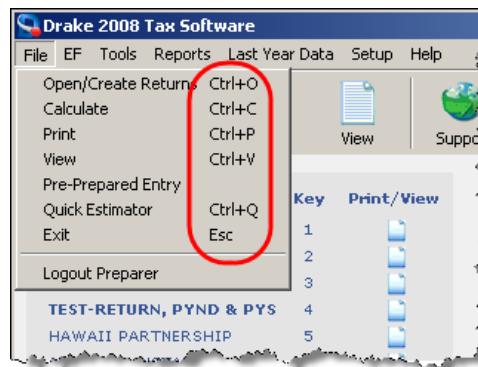
Figure 3-3: Key combinations

Creating and Opening Returns

When you enter an ID number (SSN or EIN) in the **Open/Create a New Return** dialog box, the software 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's Drake Software into this year's program. (See "Updating Client Files" on page 68 to perform an update.)

Creating a Return

To create a return in Drake:

1. From the **Home** window, click **Open/New**, or use the desired key combinations.
2. In the **Open/Create a New Return** box, enter the ID number of the new return.
3. Click **OK**.

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

5. In the **New Return** box (Figure 3-4), select the return type and enter a client name.
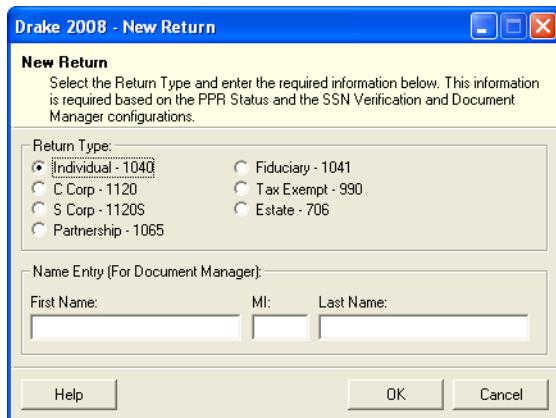
Figure 3-4: New Return box

6. Click **OK** to open data entry screen **1** for the new return.

NOTES

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

The **Name Entry** section is opened only if the DDM is integrated with the software. (See "Document Manager" on page 275.)

Opening a Return

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

To open a return in Drake:

1. From the **Home** window, click **Open/New**.
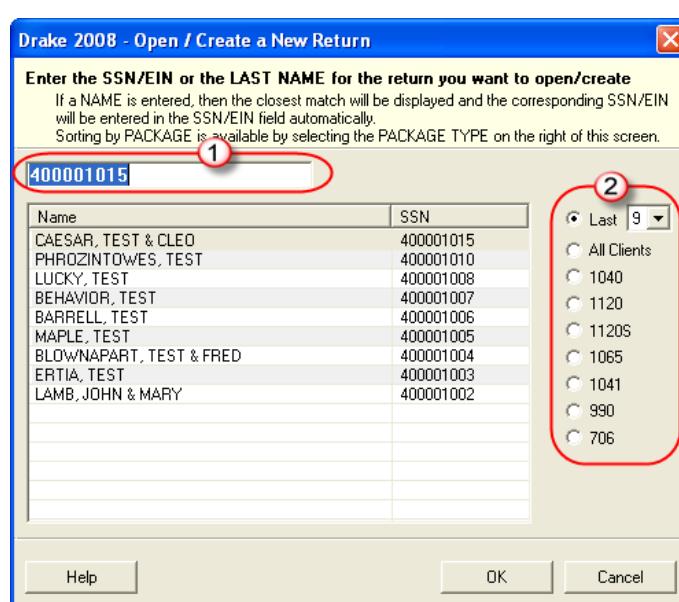
Figure 3-5: Open/Create a New Return dialog box

2. In the **Open/Create a New Return** dialog box (Figure 3-5), perform one of the following tasks:

- Enter the ID number of the return (item #1 in Figure 3-5).
- Select a return type (item #2 in Figure 3-5). Returns are displayed in the grid to the left. Click on a row to select a return.

3. Click **OK**.

The **Data Entry Menu** is opened for the select return.

Data Entry

Returns are prepared in Data Entry mode. Access data entry screens from the **Data Entry Menu**.

Throughout data entry, press ESC to save your data, exit the open screen, and return to the **Data Entry Menu**. Pressing ESC from the **Data Entry Menu** returns you to the **Home** window. Also in data entry, you can use the TAB key, the UP ARROW and DOWN ARROW keys, and the PAGE UP and PAGE DOWN keys to move from field to field.

Data Entry Menu

The **Data Entry Menu** is displayed when you open a return. It consists of a toolbar, tabs, form codes, the selector field, and the status bar. (See Figure 3-6.)
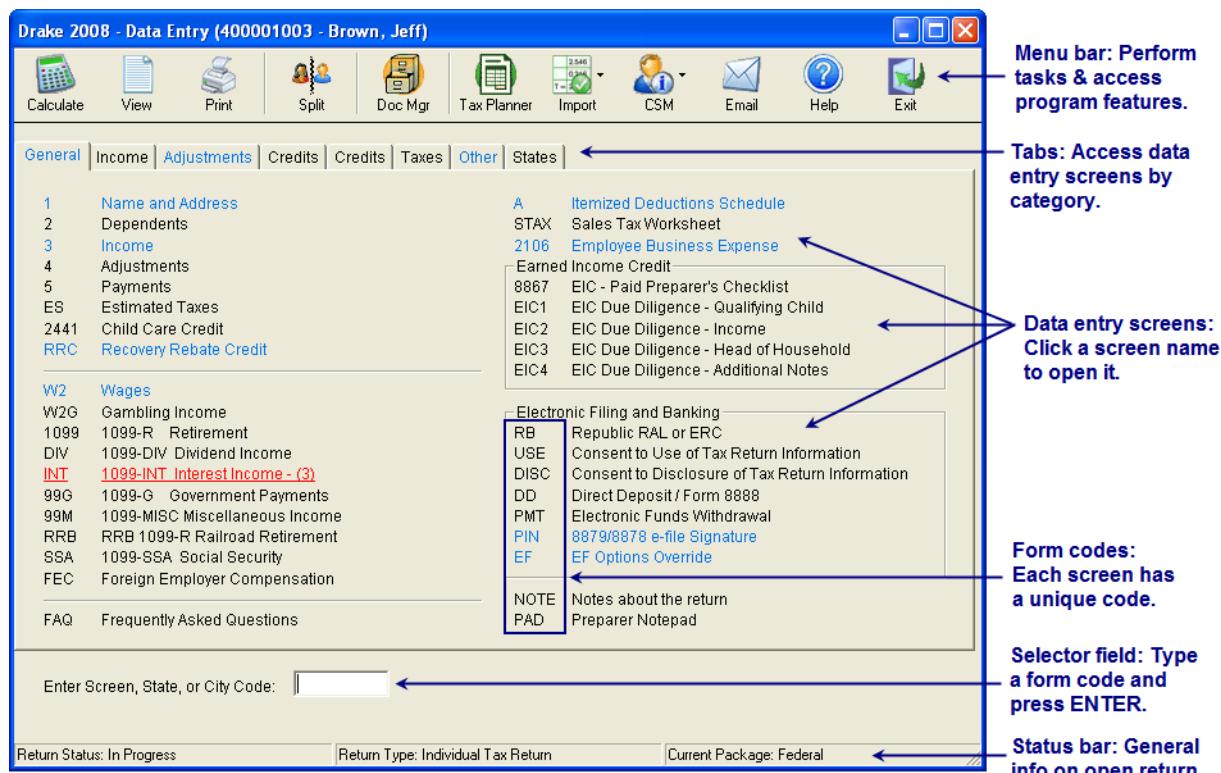
Figure 3-6: Data Entry Menu

Working in a Tax Return

Tax returns are prepared in Drake 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 form code in the selector field. Press ENTER.
- **Mouse** — Select a tab and click the screen name.

Managing Screens

Use the following methods to exit, save, reset, and delete screens in Drake:

- Press ESC to save your changes and exit a screen.
- Press SHIFT+ESC 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 1099s), an **Existing Forms List** is opened. Select the screens to delete, then click **Delete**.

You can also access these features by right-clicking the screen and selecting shortcuts.

Navigating Fields

A blinking cursor indicates 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 CTRL+↓ or CTRL+↑ to move the cursor up or down one field, respectively.

Grid Data Entry

Grid data entry allows faster data entry for the **Dependents**, **INT**, **DIV**, and **4562** screens. In Grid Data Entry mode, click a field to activate it, then type data directly into the field.

Figure 3-7: Grid data entry

To access grid data entry from full-screen mode, press F3 on the keyboard. Press F3 again (or click **Item Detail**) to return to full-screen mode.

To delete a row, select a row number and click **Delete** (or press CTRL+D). At the prompt, click **Yes**.

Existing Forms List   The **Existing Forms List** is displayed if more than one instance of a screen has been saved in a return.

> NOTE   An **Existing Forms List** does not appear if setup options are set for grid data entry. Disable automatic grid data entry under the **Data Entry** tab in **Setup > Options**.

Figure 3-8: 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**.

Multiple Instances of a Form   Many clients require multiple instances of such forms as W-2 and 1099. In most cases, press PAGE DOWN to open a new instance of the open screen.

Some forms have more than one "page" or screen. If you are in a multiple-screen form, pressing PAGE DOWN moves you to the second "page" of the screen. In these cases, press CTRL+PAGE DOWN to open a new instance of the form.

Each time a new screen is produced, Drake indicates the record number on the status bar. The number of records is also shown on the **Data Entry Menu**.
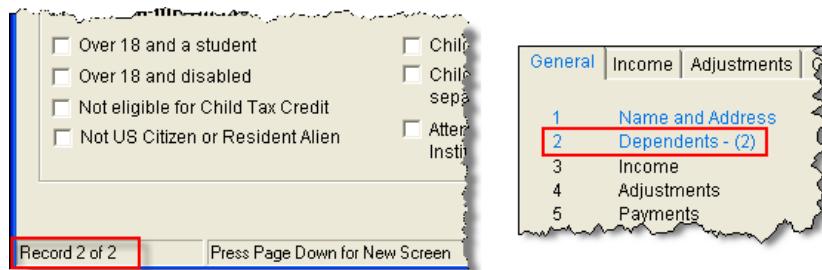
Figure 3-9: Multiple instances are shown in status bar and **Data Entry Menu**

Field Flags   Use field flags to set certain fields apart for review. Flagged fields are shaded (default is green) and must be manually verified (cleared) prior to e-filing.

To flag a field, click the field to activate it, then press F2. You can also do this by right-clicking in the field and selecting **Flag For Review**. The field is displayed with a shaded background (Figure 3-10).
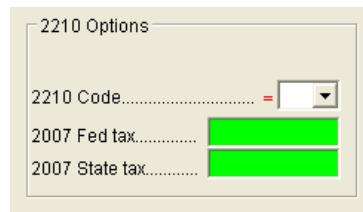
Figure 3-10: Flagged fields

When a return with flagged fields is calculated, an UNVER message page is generated. This page must be removed (in other words, 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. To clear multiple flagged fields in a return at once, press CTRL+SHIFT+SPACE in the **Data Entry Menu.**

Flagging Fields Globally

An administrator can designate certain fields to be flagged in all returns. When flags are set globally, they apply to all returns. Global flags can be one of two types: for *screens*, or for *new returns*.

- **Screens** — When a field is flagged for a screen, an unverified flag produces an EF message page *only if the screen exists for the return*. For example, the **Employer ID #** field on the **C** screen is flagged, an EF message for the unverified field will be 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 on the return, the program does not require verification of globally flagged fields for the **C** screen.
- **New Returns** — When a field is flagged for all new returns, an unverified flag produces an EF message page *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 was present in the return. In effect, this type of global flagging would force the data entry operator to open the **C** screen, even if only to clear the flag.

To prevent flagged fields from being overlooked, all new-return flags cause the corresponding screen and tab names to appear as the color of the field flag (Figure 3-11). Once the field has been verified, the highlighted tab and screen names go back to their original colors.
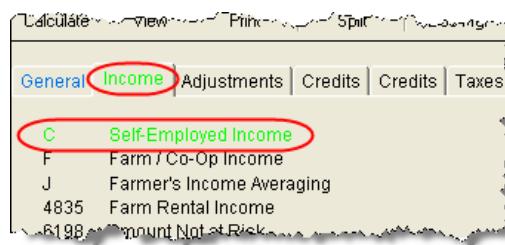
Figure 3-11: The **C** screen under the **Income** tab has a field flagged for all new returns.

To flag one or more fields in all returns:

1. From 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 packages (Figure 3-12).

Figure 3-12: Flag Fields for Review dialog box

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, or right-click it and select **Flag Field For Review When Screen Is Created**. 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 in Figure 3-13

Figure 3-13: Field has been flagged for all new returns.

NOTE   Click a field a second time to remove the flag.

7. Press ESC to exit each window, press ESC again to exit the **Flag Fields for Review** window, then click **Exit** to return to **Setup Options**.

8. Click **OK** to save your changes and close **Setup Options**.

Override & Adjustment Fields

Fields that allow overrides are preceded by an equal sign (=) and display red text by default. Data entered in these fields replaces, or overrides, program calculations.
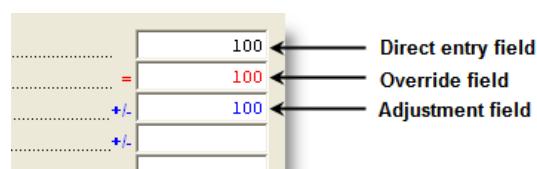
Figure 3-14: Direct entry, override, and adjustment fields

Fields that allow adjustments are preceded by a 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 data entry screen, the city and state fields are filled automatically by default from the program's ZIP code database. There is no need to enter the city and state.

EIN Database

When new employer data is entered into 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**, or **2441** screen, the business name and address automatically appear in the appropriate 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 (automatically fills the field with information) by displaying the whole name.

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 then instructions that are displayed.

Screen Fields

Many screens in Drake have fields labeled **TS**, **F, ST,** and **City**. These fields, shown in Figure 3-15, and described below, are used to apply the data on the screen to the taxpayer or the spouse (or both), on federal, state, or city returns.

Figure 3-15: Screen code examples for Schedule C

- **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 —** Code indicates whether the screen data should be used in calculating the federal return. Data is *not* carried to the federal return if a zero (0) is entered here.
- **ST —** Code indicates whether the screen data should be used in calculating a specific state return. If this field is blank, the software uses the resident state by default. The data is not carried to *any* state or city if a zero (0) is entered here.
- **City —** Code indicates the source of the income on city returns.

Press F1 in a screen field to view all acceptable codes for that field.

Associating One Screen with Another

Drake allows you to associate one screen with another—such as when an asset needs to be associated with a Schedule C. To connect screens, complete the **For** field and the **Multi-form Code** field (if applicable) at the top of the asset screen.

For the **For** drop list, select the form to associate with the current form. For example, in a 4562, you would select **C** to associate it with a Schedule C (Figure 3-16).
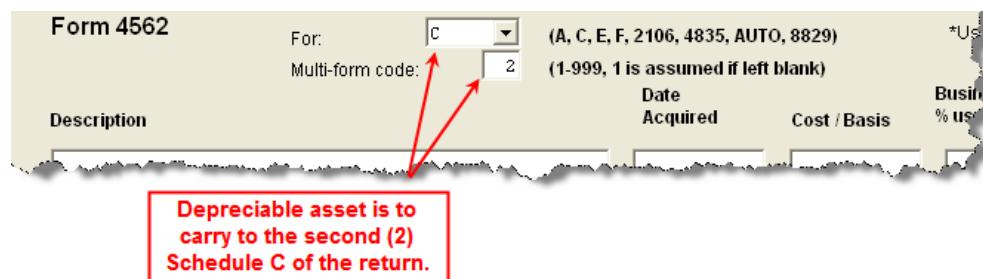
Figure 3-16: Select "C" to associate the asset with Schedule C.

If a return has multiple instances of the selected form, enter the instance of the form in the **Multi-form code** field. For example, if there are two Schedule Cs and you want to associate an asset with the second Schedule C created in the return, you would enter a multi-form code of "2." (See Figure 3-16 example.)

> **NOTE** For Schedule E rental properties, assign each property a separate multi-form code and associate the assets with individual properties accordingly. Three properties will be printed on each Schedule E, but the multi-form code will refer to each property, *not* each Schedule E.

Splitting a Joint Return

The **MFJ to MFS** function splits a Married Filing Jointly (MFJ) return into two Married Filing Separately (MFS) returns. You have the choice of saving one, two, or all of the returns. When you open a return that has been split, you are prompted to select which version to open.

> **NOTE** If you save the MFS return, any version of it can be opened later for more data entry. Do not save both versions if planning to e-file the MFJ return. The MFS returns can be viewed without being saved.

To split a joint return:

1. Open the joint return.
2. Review the return to ensure that each screen clearly applies to either the taxpayer (T) or spouse (S). (See Figure 3-15.)
3. Click **Split**. The software calculates the split. If a calculation summary is displayed, press ENTER to close each **Calculation Results** screen.

Three return results are displayed in the **Return Selector**: the joint return and two separate returns. Details for each return are listed, as shown in Figure 3-17.

Figure 3-17: Results for split return

4. Check the desired files, then click **Print**, **View**, or **Save** as applicable.

5. Click **Exit.**

NOTES   Selecting **T** or **S** at the top of individual screens indicates whether the screen applies to the **Taxpayer** or the **Spouse**. The **T/S** drop list for dependents is located on the right side of screen **2**.

Do not mark a return **Ready for EF** on the **EF** screen before splitting the return, or all three returns will be marked eligible for e-filing. (See "EF Override Options in Data Entry" on page 186.)

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.

2. Double-click or press CTRL+W. A **Detail Worksheet** is opened (Figure 3-18).

Figure 3-18: Detail worksheet with data entered

3. Enter a worksheet **Title**.

4. Enter a **Description** and **Amount** for each item. Do not skip lines. As needed, use F1, F2, F3, and F4 to sort items in the list.

5. Press ESC. Drake saves your work and displays the total in the data-entry field. Note that the field is shaded to indicate a worksheet is present. (Default is red.)

Figure 3-19: Shaded worksheet field

NOTES

Detail worksheets are *not* e-filed with the return.

To print a description on a statement without a corresponding dollar amount, enter a slash (/) in front of the description.

If you press CTRL+W (or double-click) in a **Depreciation** field, the program will open the associated **4562** (**Depreciation**) screen with the **For** and **Multi-Form Code** boxes completed. (See "Associating One Screen with Another" on page 62.)

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. When the calculator is active, the NUM-LOCK status is activated. NUM-LOCK is disabled when the calculator is closed.

Macros

Macros are shortcuts that enable you to enter frequently used data-entry items with minimal keystrokes. This convenient feature is described in detail in the "Macros Setup" section of Chapter 2, "Installation & Setup."

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" section of Chapter 4, "Preseason Preparation."

About State Returns

When a return is prepared, Drake 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 then click the **Cities** tab (if available). Cities are listed with their two-letter codes.

Practice Returns and Test Returns

Practice returns are available on the Drake Support Web site to help new Drake Software clients become more familiar with how data is entered in Drake. For more information on how practice returns can help you, see "Practice Returns" on page 229.

Test returns are located on the software CD. The SSNs for these returns begin with 400-00 and consist of various forms and schedules to show how different tax scenarios are prepared in Drake. To open a test return, type a test SSN in the **Open Returns** window and press ENTER.

Test returns can be used to test e-filing. Test returns with SSNs from 400-00-1001 through 400-00-1005 are eligible for e-file testing.

4　Preseason Preparation

This chapter provides instructions for bringing forward information from last year, printing proformas or organizers for clients, mailing preseason materials, setting up schedules, and learning to use the software. See "Appendix A: Preseason Checklist," for a convenient list of preseason tasks to consider as you get ready for tax season.

Prior-Year Updates

If your firm used Drake 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 2007 data path points to your firm's 2007 data files.

To check the 2007 data path:

1. Log in to **Drake 2008** as Admin.
2. From the **Home** window, select **Setup > Directories/Paths**.
3. Look at the **Path for 2007 Data** field (Figure 4-1).
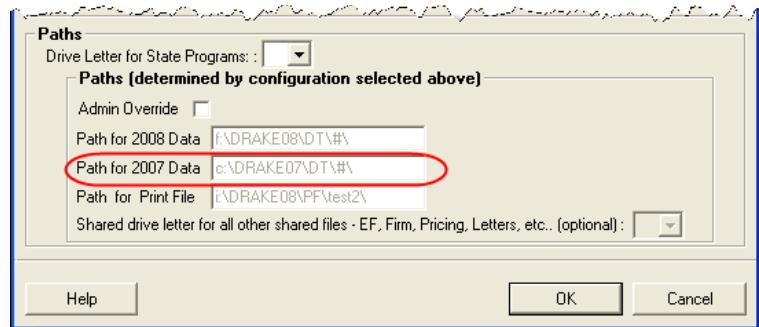
Figure 4-1: Ensure that **Path for 2007 Data** field is correct.

If the correct path is not displayed, select **Admin Override** to activate the field, make the necessary changes, and click **OK**.

Updating Client Files

Save time by updating prior-year returns in the 2008 program. By default, the following information from a return is brought forward from the prior-year program:

names	addresses
filing statuses	installment sales
business names	ages
occupations	dependent names
depreciation	ID numbers

You have the option of manually selecting other data to bring forward.

IMPORTANT

To ensure that files are updated according to your clients' needs, update returns individually as you meet with your clients throughout tax season. Drake does not recommend updating all returns in a package at the same time.

Update Returns Individually

To update an individual return:

1. Open the return in Drake 2008. An **Individual Update Options** dialog box lists all options for updating (Figure 4-2).
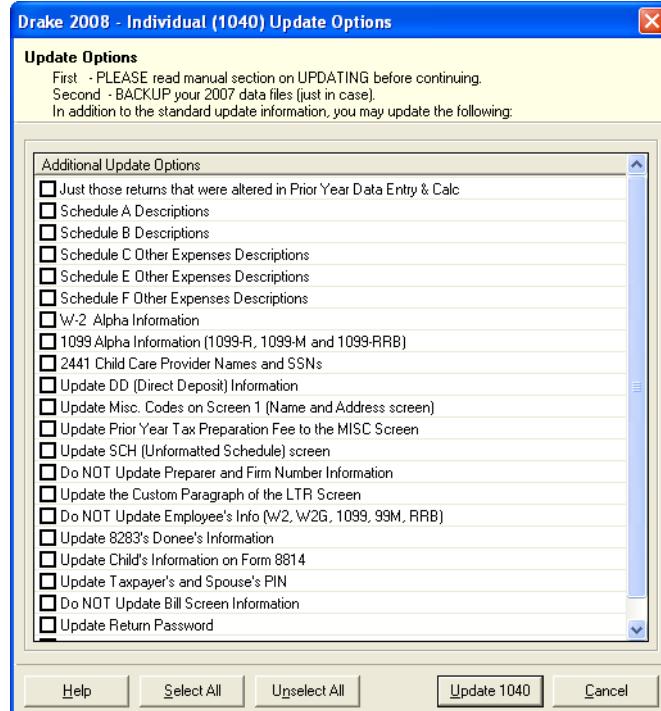
Figure 4-2: Individual Update Options box

2. (optional) Select additional items to update. (Click **Select All** to choose all items.)

3. Click **Update 1040**.

Once the program has updated the return, it opens the return to the **Data Entry Menu**.

Update Returns Globally

To update all returns in a package (not recommended):

1. From the **Home** window, select **Last Year Data > Update 2007 to 2008**.
2. Click **Next**.
3. Select filters (optional), then click **Continue**.
4. (optional) Select additional items to bring forward. (See Figure 4-2.)

IMPORTANT

All returns are updated according to selections in the **Update Options** box. *Once returns have been updated, the updates cannot be reversed.* To avoid oversights, update each return individually.

5. Click **Update 1040**.

Once the program has updated the returns, it displays a report listing the returns that were updated. 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, 1099R, 1099G, 8283, or 2441, that employer's name, identification number (EIN), and corresponding information is automatically added to the EIN database.

To update EINs and name databases from 2007:

1. Open the 2008 version of the program.
2. Select **Last Year Data > Build EIN/Name from 2007**. The **Build EIN and Name Index** dialog box is opened (Figure 4-3).
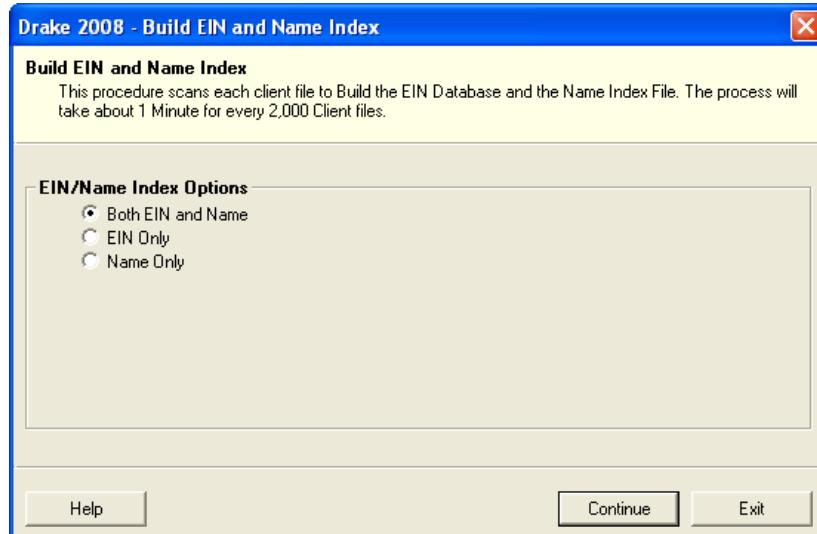
Figure 4-3: Build EIN and Name Index dialog box

3. Select the indexes to update and click **Continue**.

4. Wait for the program to finish scanning the files. (This update takes about one minute for every 2,000 client files.)

5. Click **Exit**.

The program searches the indexes for existing data whenever an employer is entered.

Updating Settings

Apply your firm's 2007 software settings to the 2008 program to save preseason preparation time. Once the settings are brought forward for the year, they can be individually adjusted.

IMPORTANT   Selecting a previously updated item can cause a loss of current-year data.

To update settings from 2007:

1. Open the 2008 version of the program.

2. Go to **Last Year Data > Update Settings 2007 to 2008** to open the **Update Settings** dialog box.
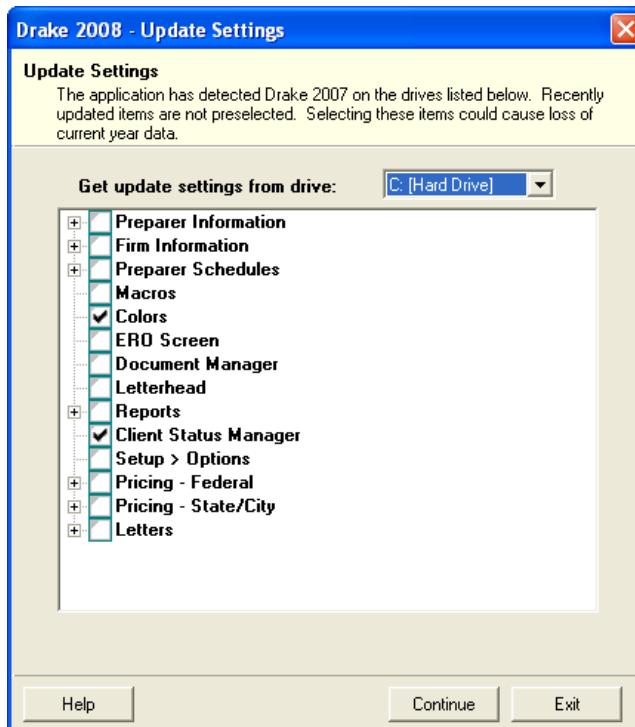
Figure 4-4: Update Settings dialog box

3. Select the drive that stores the 2007 data to bring forward.

4. Select the setting categories to bring forward. All items, except for previously updated items, are selected by default.

NOTES

If there is a plus sign (+) in front of an item, click the plus sign (+) to expand that item and view or select sub-items. If you select an item that has sub-items, all the sub-items are selected by default.

If updating **Pricing** setup, you will be prompted to enter a percentage increase to apply per item, per form, or both.

5. Click **Continue**, then **Confirm** the selections to start the update process.

6. Click **Exit** when the status for each item is displayed as **Completed.**

Organizers and Proformas

Proformas and organizers are tools to make information and record collection and interviewing easier for both preparer and client.

Available for the individual (1040) package, *organizers* help clients prepare for their tax appointments. Many organizer sheets feature two-column layouts, with one column containing prior-year data and the other intended for entering current-year data.

Figure 4-5: Sample of W-2 page from an organizer

Available for individual and business packages, *proformas* have numbered fields corresponding to the fields on Drake data-entry screens. Proformas are designed to be internal documents and can be used during the interview process.

Figure 4-6: Sample of W-2 page from a proforma

Blank proformas and organizers can be viewed and printed from **Tools > Blank Forms**. See "Printing Organizers and Proformas for Clients" on page 73 for information on printing an organizer or proforma for selected clients.

Entering Information from Proformas

Use proformas during the interview process, or have a data entry operator enter tax information from proformas following the interview.

Each sheet in a proforma has special codes printed on the left side of the page. For example, Figure 4-6 shows that the proforma code for the **W2** screen is "2-6." As an alternative to the screen code of **W2**, the data entry operator or tax preparer can use the screen's proforma code (2-6).

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. The Figure 4-7 example shows that a "2" and a "6" would be entered to access the **W2** screen.

Figure 4-7: Example: Enter 2 and 6 to access the **W2** screen

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 beside each field, as shown in Figure 4-8.

Figure 4-8: Numbered fields in heads-down mode

3. In the **Heads Down** box at the top of the screen, enter one of the field numbers 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 and the system returns you to the line number box.
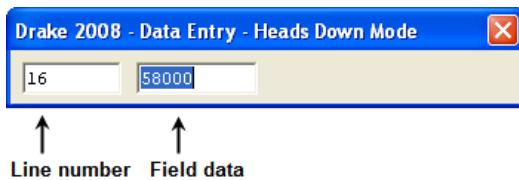
Figure 4-9: Heads-down data entry

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 for Clients

To print organizers or proformas for selected clients:

1. From the **Home** window, click **Last Year Data** and select either **Organizers** or **Proformas**.

2. Do one of the following tasks:

- Enter the client's SSN or EIN and press **Add Client**. Repeat for additional clients, then click **Next** and wait for the program to scan the client files.

See "Filter Manager" on page 266 for more on using filters.

- Click **Next**, then select filtering and sorting options as desired. Click **Next** again. Modify filtering criteria as desired from the **Basic Search Conditions** dialog box, then click **Continue** and wait for the program to scan the client files.

3. When the **Options** dialog box is opened (Figure 4-10), select the desired options.
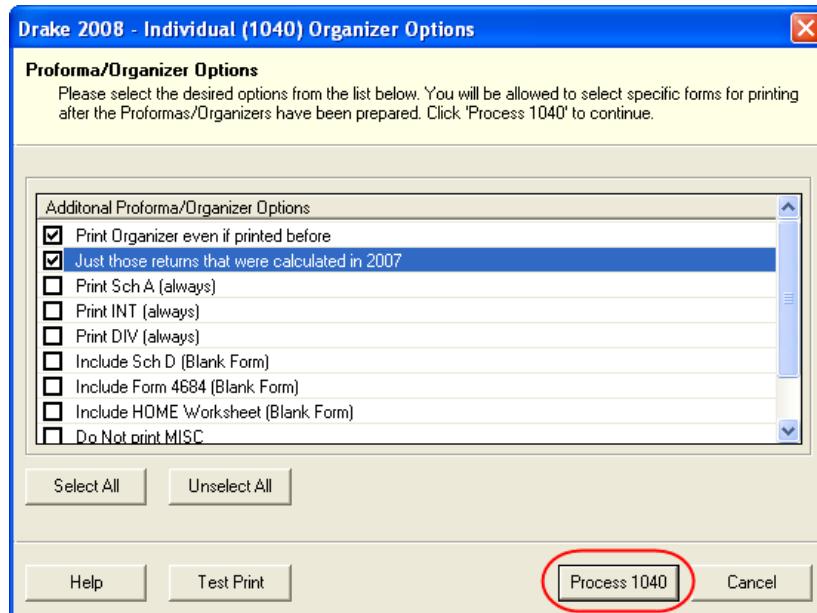
Figure 4-10: Options dialog box; includes **Process** button (circled)

4. Click the **Process** button (Figure 4-10) to open the **Batch Printing** dialog box (Figure 4-11).
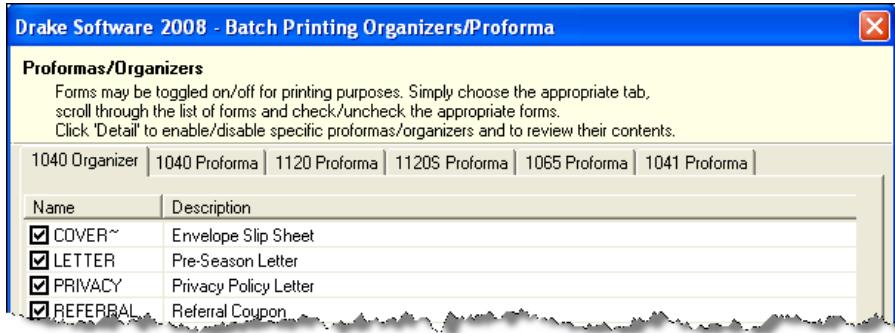
Figure 4-11: Select forms to print from the **Batch Printing** dialog box

5. Select the individual forms to print, then click **Print**.

6. Click **Print** again.

NOTES

> If printing proformas for multiple return types, additional **Proforma Options** dialog boxes appear. Select additional options and click **Process (1040, 1120, 1120S, 1065, etc.)** to proceed.
>
> In the **Options** dialog box, you can click **Test Print** to test-print a proforma or organizer.
>
> In the **Batch Printing** dialog box, you can click **Detail** to preview the documents to be printed.
>
> Preseason letters can also be printed in batches, apart from proformas and organizers. For more on printing batch letters, see "Letters" on page 251.

Scheduler

The Drake Scheduler has been redesigned for 2008. The new capabilities are described in Table 4-1.

Table 4-1: Scheduler: New Features in 2008

New Feature	Description
Group Meetings	You can now create and manage appointments, internal meetings, and planning sessions that have multiple preparers in attendance.
Overlapping Appointments	The Scheduler now allows schedules where two clients' appointments must overlap.
ZIP Code Autofill	When you enter the ZIP code for a client, the city and state information is entered automatically.
Color Scheme Selection	You can now choose new color schemes
Calendar Settings	You can now select a default calendar and establish which calendars appear on your screen.

Scheduler Modes

The Scheduler offers Preparer mode and Front Office mode.

Preparer Mode 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 has three calendar types: **Selected Date**, **Weekly Calendar**, and **Preparer Calendars**. Preparer mode is the default setting for Scheduler users.

Front Office Mode Designed for the receptionist and other personnel who manage appointments but do not prepare tax returns, Front Office mode allows the user to set up viewing options and manage appointments. Front Office users can access only the **Preparer Calendars**. Front Office mode is the default setting for the Admin login, but it must be assigned manually to other personnel.

To assign Front Office mode to an employee:

1. Log in to Drake as Admin.

2. From the **Home** window, go to **Setup > Preparer(s)**.

3. Select a preparer and click **Edit Preparer**.

4. Click **Security > Front Office (Scheduling Only)**.

5. Click **Save**.

Exit **Preparer Setup** after you have saved your changes.

NOTE   Preparer logins and Front Office mode assignments must be established in Drake before the Scheduler can be used effectively.

Accessing the Scheduler

From the **Home** window, select **Tools > Scheduler**, or by click the **Scheduler** icon.

The **Appointment Scheduler** has four main sections: a toolbar across the top; a calendar overview in the left column; tabs for selecting calendar types; and the schedule grid, which shows scheduled appointments in the selected calendar type. Figure 4-12 shows an example of the **Appointment Scheduler** window in Preparer mode.
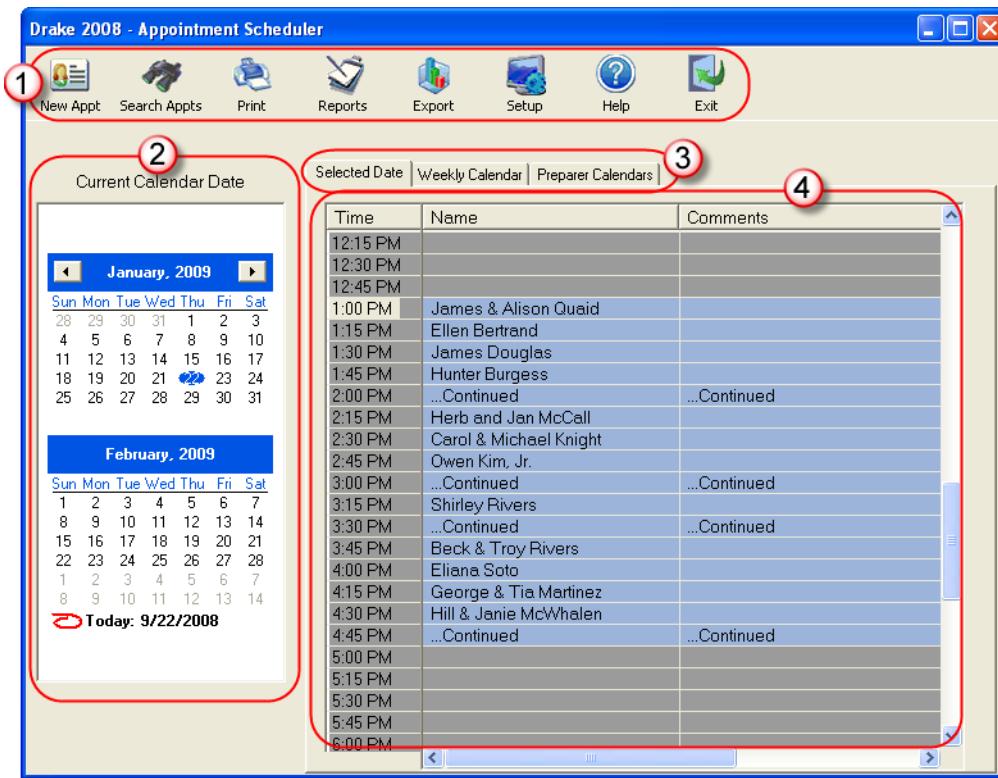
Figure 4-12: Displayed in the **Appointment Scheduler** window are a toolbar (1); a calendar
overview (2); calendar tabs (3); and scheduled appointments (4)

Setting Up Scheduler Options

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.

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Scheduler setup options are now organized via a **General** tab and a
Calendars tab.
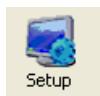
Click the **Setup** icon in the Scheduler toolbar. The **Scheduler Setup** consists of two tabs: a **General** tab for default settings and a **Calendars** tab for setting viewing options for calendars. Options are described in Table 4-2.

Table 4-2: Scheduler Setup Options

Tab	Setup Option	Description
General	Appointment duration	Set the default appointment time displayed in the **Appointment Detail** dialog box (see "Scheduling Appointments" on page 13). Values are 15, 30, 60, 75, or 90 minutes.
	Scheduler times	Set the intervals of time to be displayed on the calendar grid rows of the **Appointment Scheduler** (see Figure 4-12). Values are 15, 30, and 60 minutes.
	Appointment reminders	Activate the appointment reminder; establish how far in advance to receive a reminder of an upcoming appointment. You can also select this option on the fly when setting up an individual preparer's appointment.
	Open Setup Schedule for	Set up a preparer's general daily schedule (in/out times).
	ZIP code autofill	Activate the ZIP code autofill feature, which automatically enters a client's city and state information once the ZIP code has been entered.
	Private appointment	Mark all future appointments as "private." Private appointment details are not visible to other preparers or to Admin. You can also select this option on the fly when setting up an individual preparer's appointment.
	Customer name autofill	Establish how client names are displayed in the calendar view.
Calendars	Preparers in View	Select which preparer schedules are visible by default.
	Calendar view start time	Select the time to be displayed when the calendar is opened.
	Default calendar at login	Select which calendar type will be displayed at login. (This choice not available to Admin.)
	Calendars in my view	Select which calendars will be in your default view. (This choice not available to Admin.)
	Colors	Select screen colors for the calendar.

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 the office.

To establish a preparer's daily schedule in the Scheduler:

1. Click **Setup**.

2. Under the **General** tab, select a preparer from the **Open Setup Schedule for** drop list. The **Setup Schedule** dialog box is opened for the selected preparer.

3. From the **Select day** list, select a day of the week.

4. Choose the **In** and **Out** times for that day. As times are selected, they appear on the schedule grid.

5. Repeat for each day of the week. Or, to apply the selected times for every day of the week at once, click **Apply to All**.

6. Click **Save**.

Click **OK** to exit the **Scheduler Setup**. When you view a preparer schedule, the rows indicating a preparer's "out" times will be shaded a different color from the rows indicating the preparer's "in" times.

Calendar Settings

New in 2008, you can select certain calendar viewing options. These options are shown in the **Calendar Settings** section of the **Calendars** tab (Figure 4-13).
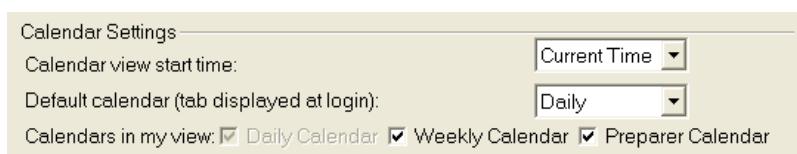
Figure 4-13: Calendar Settings section (under **Calendars** tab)

These features are described with the **Scheduler Setup** features in Table 4-2 on page 77. For more information, click the **Help** icon in the Scheduler.

Calendar Colors

To change the default colors displayed in the Scheduler calendar:

1. Click **Setup**.

2. Select the **Calendars** tab. The default colors are displayed under **Colors**.

Figure 4-14: Colors section under **Calendar** tab in Scheduler **Setup**.

3. Click a color to open the **Color** dialog box for that color.

4. Select a new color.

5. Click **OK**.

6. Before exiting **Scheduler Setup**, ensure that **Use custom created colors** is selected.

To reset the Scheduler to use the default colors, click **Use application default colors**.

Scheduling Appointments

A preparer's information must be entered in **Setup > Preparer(s)** before appointments can be scheduled in the Scheduler for that preparer.

> **NOTE** Preparer schedules and appointments are carried forward each year. Go to **Last Year Data > Update Settings 2007 to 2008** and select **Preparer Schedules**.

To schedule an appointment for a preparer:

1. From the **Home** window, select **Tools > Scheduler** or click the **Scheduler** icon.

2. Click **New Appt** or double-click an appointment time in the schedule grid. The **Appointment Detail** dialog box is displayed. If you accessed **Appointment Detail** by double-clicking a time in the schedule grid, the **Appointment Detail** is opened to that date and time (Figure 4-15).
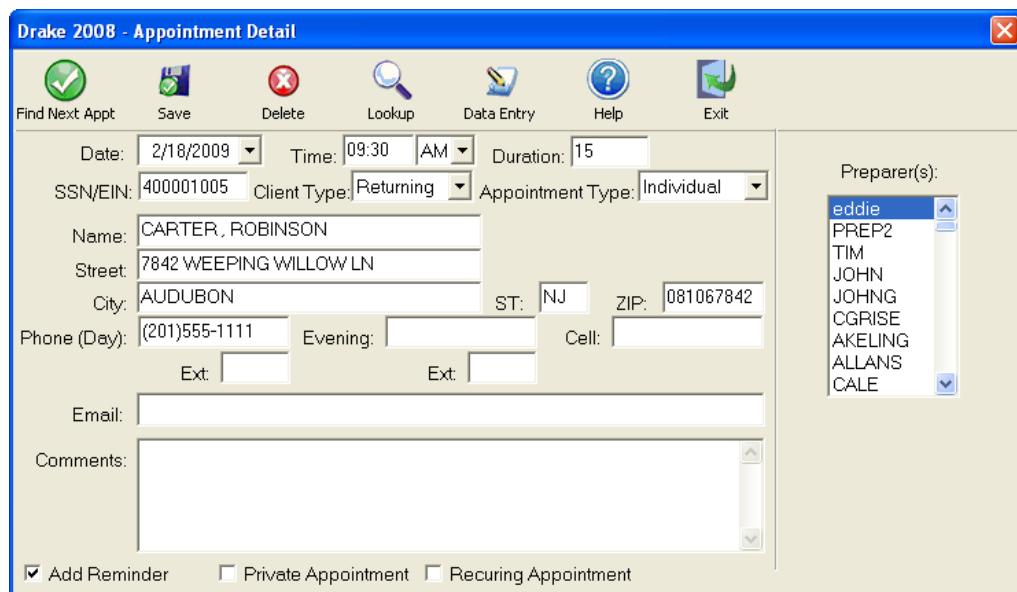
Figure 4-15: Appointment Detail dialog box

3. Select the **Date**, **Time**, and **Duration** of the appointment, if necessary.

4. Complete the applicable client-information fields.

> **NOTES** If a client record already exists in Drake, enter the SSN/EIN and press Tab. The program automatically completes the **Name**, **Address**, **Phone**, **Client Type** and **Appointment Type** fields. If you replace data in an autofilled field in the Scheduler, this information is not overwritten in the client record in Drake.
>
> You can also use the **Lookup** feature to access data for a client. For more on this feature, see "Finding a Client Record" on page 81.

5. Assign the appointment to a preparer by selecting a name under **Preparer(s)**. To clear a selection, click the name a second time.

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The Group Meeting feature allows multiple preparers to be selected for an appointment. Under **Preparer(s)**, click additional names to add preparers to the group meeting.

6. (optional) Override selections made in **Scheduler Setup** by selecting (or clearing) the **Add Reminder**, **Private Appointment**, or **Recurring Appointment** boxes at the bottom of the **Appointment Detail** dialog box.

7. Click **Save**. The appointment will now be displayed on the schedule grid.

Entering Overlapping Appts.

New in 2008, you can enter appointment times that overlap. If an appointment conflicts with another appointment, you are asked if you want to save the appointment anyway. If **Yes**, the calendar displays a **Multiple Appts** note, as shown in Figure 4-16.

Figure 4-16: Example of **Multiple Appts** notification

To view the multiple appointments scheduled, double-click the **Multiple Appts** row. Appointments are shown in the **Open Appointment** grid. To view appointment details, double-click an appointment.

Finding Next Available Appointment

To locate the next available appointment time in the Scheduler:

1. From the **Appointment Detail** dialog box, click **Find Next Appt**.

2. Choose a preparer from the **Preparer** drop list.

3. Select a **Starting Date**. The program searches all times after the selected date.

4. (optional) Specify a day of the week and set a range of times to search.

5. Click **Find**. The next available appointment time for the preparer is displayed.

To view the details of a selected appointment time, click **Select**. Click **Start Over** to run another search. Click **Find More** to view the next set of available times.

To find a scheduled appointment, see "Find Scheduled Appointment" on page 81.

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 while in the **Appointment Detail** dialog box:

1. Click **Lookup**.
2. Select clients from either a current-year location or a prior-year location.
3. Select a client from the displayed list. Clients are listed in alphabetical order by last name or business name.
4. Click **OK**. The list is closed and several fields are filled with client data. (Imported data is determined by what was entered on screen **1** in in Drake data entry.)

Changing Appointment Details

To change the details of an appointment that has already been entered into the Scheduler, double-click the time slot of the appointment in the **Appointment Scheduler**. When the **Appointment Detail** dialog box for the selected appointment opens, make any changes necessary. Click **Save**.

Deleting an Appointment
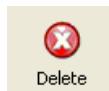
To delete an appointment from the Scheduler:

1. Double-click the appointment time slot in the **Appointment Scheduler**.
2. Click **Delete** in the **Appointment Detail** toolbar.
3. Click **Yes** to confirm the deletion.
4. Click **OK** to return to the **Appointment Scheduler**.

Searching Appointments

Find Scheduled Appointment

Find scheduled appointments by searching keywords from the **Appointment Details** information for all clients. To search for a client's appointment in the Scheduler:

1. From the Drake **Home** window, click **Scheduler**.
2. Click **Search Appts** to open the **Scheduler Search** dialog box.
3. Select a date from the **Start at this Date** drop list. The program searches for all appointments scheduled for this date and after.
4. Enter one or more keywords in the **Enter Search Terms** field. The program will search all **Appointment Detail** information for these keywords.
5. Click **Search**. Results are displayed in the **Scheduler Search** window, as shown in the example in Figure 4-17.
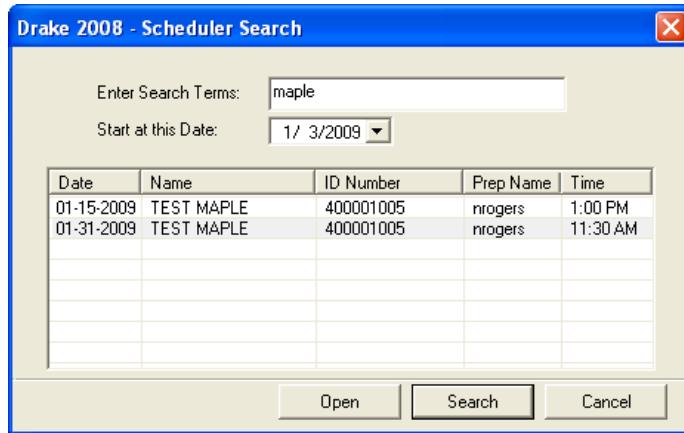
Figure 4-17: Scheduler search results

Double-click an appointment row to view appointment details.

Creating Appointment Reports

The Scheduler works with the Reports feature in Drake to provide a variety of reports based on preparer appointment data. To generate a Scheduler report:

1. From the Drake **Home** window, click **Scheduler**.

2. Click **Reports**.

3. Set the report's date range by selecting a **Beginning Date** and an **Ending Date**.

4. Select a report type. Report types are listed in Table 4-3.

Table 4-3: Scheduler Report Types

Scheduler Report	Description
Call List for All Preparers	Lists the call lists for all preparers
New Client List	Lists new clients entered for a selected preparer
Preparer Appointments	Lists the appointments for a selected preparer
Preparer Call List	Lists the call list of a selected preparer

5. Click **View**. The **Report Viewer** displays the generated report. For more information, see "Report Viewer" on page 12.

NOTE   The **New Client List** report does not pull data from other areas of Drake. It pulls data only from the Scheduler itself. To designate a client as a new client, select **New** from the **Client Type** drop list (in the middle of the **Appointment Detail** dialog box).

E-filing Preparation

For details regarding preseason tasks for e-filing, see Chapter 7, "E-filing."

5   Return Preparation

This chapter focuses on how to prepare a Form 1040, U.S. Individual Income Tax Return, using Drake Software. It describes procedures for entering data for and producing a Form 1040 and the supplemental forms, schedules, and other documents that might be part of a tax return. This chapter assumes a basic understanding of data entry in Drake. If you are not familiar with Drake data entry, please read Chapter 3, "Basics." before attempting to prepare a tax return in Drake.

The amounts on a Form 1040 return consist of a combination of directly entered data and program-calculated data based on the numbers entered by the preparer. Screens **1** through **5** of the **General** tab provide fields for directly entering data into the 1040. However, because many lines on Form 1040 require calculations from other forms and schedules, some of the direct-entry fields in screens **3** (**Income**), **4** (**Adjustments**), and **5** (**Payments**) are treated as overrides or adjustments to program calculations.

Taxpayer Demographics

Screen code: 1   Use screen **1** (**Demographics**), accessible from the **General** tab, to complete the "Label" and "Filing Status" sections of Form 1040. Screen **1** also has fields to indicate contact information and other relevant details for the return.

Selecting a Filing Status

Select a filing status from the **Filing Status** drop list at the top of screen **1**. To save time, type the filing status code. Click in the **Filing Status** box then press F1 to view available codes, or right-click in the **Filing Status** box and select **View Help**.

NOTE   If the primary taxpayer is married, enter his or her information in the left column of screen **1** and enter the spouse's information in the right column. If a "married" status is not selected, the right column is not active.

Entering Taxpayer Information

Enter the full name, date of birth, occupation, and contact information (phone numbers and e-mail address) for each taxpayer in the appropriate fields. Full names are limited to 35 characters for e-filing. Press F1 in a **Name** field to see a list of alternatives for entering longer names.

Below the **E-mail/Text Msg** field, select any applicable boxes to indicate if a taxpayer is a **Dependent of Another**, wants to donate to the **Presidential Campaign** fund, is **Blind**, or has a **Stateside Military Address**. If the taxpayer is active military and requires a special processing code, use the **Special Processing Code** drop list.
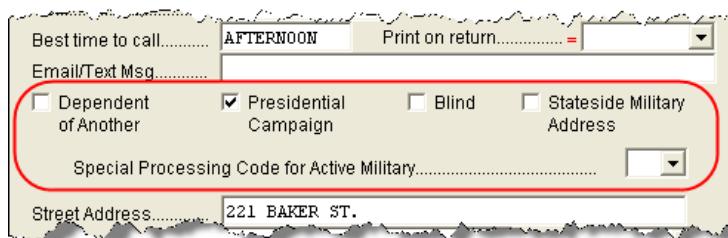
Figure 5-1: Select applicable boxes and select military code, if applicable

Entering Residency Information

Enter the taxpayer's address and state residency information in the area below the taxpayer and spouse columns. If a taxpayer is a part-year (PY) resident of the state in the address, select **PY** from the **Resident State** drop list.

To search codes:
CTRL+SHIFT+S

The **Resident City** field is activated if a city return is required. Press F1 in this field to access city codes.

To suppress a state return altogether, select **0** from the **Resident State** drop list.

NOTES

By default, the program completes the **City** and **State** fields once the ZIP code is entered. Suppress the "tab to ZIP code field" feature in **Setup > Options > Data Entry** tab.

If the taxpayer has a foreign mailing address or telephone number, enter that information on the **MISC** screen in Drake.

Indicating a Deceased Taxpayer

If the primary taxpayer is deceased:

1. Enter the date of death in the taxpayer's **Date of Death** field on screen **1**.

2. Type the surviving spouse's name in the **In care of** field on screen **1**. If tax information should go to someone else, enter that person's name.

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.

Exemptions

Screen code: 2   Use screen **2** (**Dependents**), accessible from the **General** tab, to complete the "Exemptions" section of Form 1040.

Enter the dependent's required data (name, SSN, etc.) at the top of screen **2**. In Figure 5-2, note that the dependent's calculated age is displayed once the birth date is entered.

Figure 5-2: Information goes to Exemptions" section of Form 1040

To open a new screen **2**, press PAGE DOWN. Start a new screen **2** for each dependent to be listed on a return.

NOTE   Figure 5-2 shows the default screen **2** in Drake. Grid data entry can also be used for entering dependent information. To switch to grid data entry mode, press F3; to return to the screen view (as shown in Figure 5-2), press F3 again. To have grid data entry as the screen default, go to **Setup > Options > Data Entry** tab and select **Dependent screen** for grid data entry.

Information is saved automatically when you exit a screen. Note that the number of dependents entered is shown under the **General** tab of the **Data Entry Menu**.
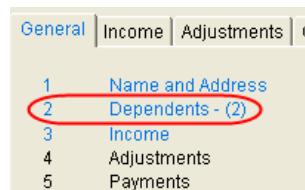
Figure 5-3: Number of dependent screens that contain data

Screen **2** contains fields for other dependent-related data, such as for education credits and the Earned Income Tax Credit (EIC). For education credits, see "Education Expenses" on page 114. For Child Tax Credit, see "Child and Dependent Care Expenses Credit" on page 117. For EIC and related due diligence requirements, see "Earned Income Credit (EIC)" on page 129.

Entering Dependent Last Names

By default, the taxpayer's last name is used for all dependents. Complete the **Last Name** field on screen **2** only if the dependent's last name *differs* from the taxpayer's.

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 the dependent did *not* live with the taxpayer for all 12 months.

If "0" months are selected 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 classifies them as "Other Dependent," regardless of the relationship. To override these classifications, select the applicable boxes in the **Additional Information** section at the bottom of screen **2**. (See "Additional Dependent Information" on page 86.)

Claiming a Dependent (for Split Returns)

If taxpayers are married filing separately (MFS) and you plan to split the return to see if filing separately is more beneficial, use the **TSJ** drop list on screen **2** to assign the dependent information to the correct persons. A **TSJ** code should also be selected if the state has a married filing separate combined option. The program default is **T (Belongs to the Primary Taxpayer)**.

Figure 5-4: Fields for **TSJ**, **State** (new in 2008) and **State codes**

Entering State Data for a Dependent

Enter data into the screen **2** state codes (Figure 5-4) as needed. Select a state from the **State** drop list to specify which state should receive the dependent data.

Enter a **State code** (disabled, adopted, etc.) as applicable. To view all state codes, place the cursor in the **State codes** field and press F1. Double-click a displayed code to select it.

NEW FOR
2008

The **State** drop list on screen **2** helps ensure that dependent credit information flows to the correct state return. This information is necessary in some situations—for example, if the parents of the dependent are married filing separately and are residents of different states.

Additional Dependent Information

It could be necessary to override or further clarify dependent information entered on screen **2**. Some examples are if a child is over 18 and disabled, is not a U.S. citizen or resident alien, or qualifies for Form 8901. Use the **Additional Information** section of screen **2** to include this additional information.

Personal Service Income (W-2, 1099-MISC)

Use the **W2** and **99M** screens, both accessible from the **General** tab, to enter personal service income data from a taxpayer's W-2 and 1099-MISC forms, respectively.

W-2

Screen code: W2   The **W2** screen is designed to reflect the IRS Form W-2, Wage and Tax Statement.

Accuracy of W-2 Data   Data entered on the **W2** screen must match the client's W-2 form. The following fields can be completed automatically by the program:

- **Names and Addresses** — The employer information could be filled in automatically if the EIN is in your Drake database. The employee information is not required unless it is different from that provided on screen **1**.
- **Wages and Withholding** — When wages are entered in box **1** of the **W2** screen, boxes 3–6 are filled automatically. These amounts should match those on the W-2.

Screen code: VER   If the Social Security or Medicare withholding is incorrect and must be verified, use the **Verification of W-2** screen, accessible from the **Other** tab, for documentation.

NOTES
> If, after contacting (or attempting to contact) the employer, you suspect fraud, immediately contact Drake, the RAL bank if appropriate, and the nearest IRS Criminal Investigation office. Call the tax fraud hotline at (800) 829-0433.
>
> If a W-2 has incorrect Social Security or Medicare withholdings, a RAL is not allowed until the W-2 is verified with the employer.

W-2 Verification   New in 2008, optional verification fields can help ensure that wage and federal withholding amounts are correct. These fields require that the user re-enter wages and federal withholding amounts at the bottom of the **W2** screen.

Figure 5-5: New in 2008: Verification fields for wages and federal withholdings

If the verification amounts do not match the amounts entered in the equivalent boxes at the top of the **W2** screen, an EF message will be generated. Amounts must be corrected before the return can be e-filed.

NOTE   Activate this option from **Setup > Options > Data Entry** tab..

Foreign Employers   To indicate a foreign employer on the **W2** screen, enter the city and country in the "city" field of the employer address, then select **Foreign** from the **State** field (a dot appears in the field). Leave the ZIP code field blank. (See example in Figure 5-6.)
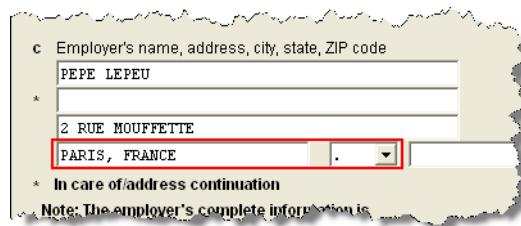
Figure 5-6: Entering foreign employer information on **W2** screen

Screen code: FEC   If no W-2 was issued by a foreign employer, use the **Foreign Employer Compensation** screen, accessible from the **General** tab, to enter employee, employer, and income information.

> **NOTE**   For information on the foreign income exclusion (Form 2555), see "Excluding Foreign Income" on page 108.

Statutory Employees

Because all statutory employees must file Schedule C for expenses related to W-2 income, a **W2** screen and a **C** screen must be created for a statutory employee.

To indicate a statutory employee on a tax return:

Screen code: W2   **1.** On the **W2** screen for the employee, select **Stat employee** (line 13).

2. On the **C** screen for the employee, select **Statutory employee OR qualified joint venture**.

Screen code: C   **3.** On the **W2** screen, select the associated Schedule C from the **F** code list.
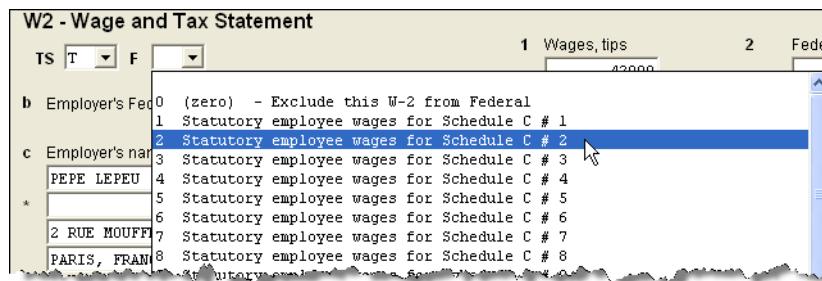
Figure 5-7: W-2 in this example is associated with the second (#2) Schedule C entered

The selected Schedule C will now indicate that the taxpayer was a statutory employee.

ITIN/SSN Mismatch on W-2

If the client has an Individual Taxpayer Identification Number (ITIN) on screen **1** and the SSN on the W-2 does not match that ITIN, enter the SSN from the W-2 in the **ITIN/SSN Override** field at the bottom of the **W2** screen. Press F1 from this field for more on e-filing returns with ITIN/SSN mismatches.

Corrected or Altered W-2

The **W2** screen has check boxes to indicate that a W-2 was altered, handwritten (non-standard), or corrected. To indicate that a W-2 was altered or corrected from a previous W-2, select the appropriate box on the **W2** screen.

Substitute W2 or 1099-R   Form 4852 serves as a substitute for Form W-2, W-2c, or 1099-R when a taxpayer either did not receive one of these forms or an employer issued an incorrect form. Form 4852 is not generally filed before April 15.

Screen code: 4852   Use the **4852** screen, accessible from the **Other** tab, to fill out Form 4852.

> **NOTE**   The generated Form 4852 uses data entered on the corresponding **W2** or **1099** screen (for Form 1099-R).

W-2 Import   New in 2008, if your client is an employee of a company that uses Talx W-2 eXpress®, that client's W-2 can be downloaded directly into Drake. See the Drake Support site for information on purchasing W-2 downloads and for a list of companies that supply employee W-2s using this service.

To import W-2 information:

1. From the **Data Entry Menu** of the client's return, click **Import > W2 Import**.
2. In the **W2 Download** dialog box, select **Taxpayer** or **Spouse** as applicable. The name and SSN of the selection is displayed below the **Taxpayer/Spouse** drop list.
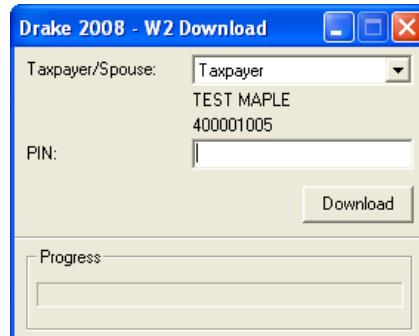
Figure 5-8: Name and SSN appear in **W-2 Download** dialog box

3. Enter the client's PIN (supplied by the employer).

> **NOTE**   In some cases, you can contact the employer and get the format for the PINs (for instance, if the company uses the last four digits of the employee's SSN), but a preparer cannot get the PIN itself.

4. Click **Download**, then click **Yes** to continue. The **Progress** bar tracks the progress of the download process.
5. When the "W2 Download Complete" message is displayed, click **OK**. The **W2** screen for the taxpayer will now contain the downloaded information.

> **IMPORTANT**   Purchase W-2 downloads in sets of 15 ($25 per set). Each instance of a downloaded W-2 counts as one against your total (even if the same W-2 is downloaded twice). If, however, the client has W-2s from multiple employers and all W-2s are downloaded *in the same session,* it counts as only one download. If the W-2s are downloaded in *separate* sessions, each session counts as one against your total.

1099-MISC

Screen code: 99M   Use the **99M** screen to enter data from Form 1099-MISC. To associate the 1099-MISC information with a specific line or form within the return, make a selection from the **For** drop list at the top of the **99M** screen. If associating it with one of multiple forms, enter a **Multi-Form Code**. (See "Associating One Screen with Another" on page 62 for more on using the **For** and **Multi-Form Code** features.)

Passive and Investment Income (1099-DIV, etc.)

This section covers interest and dividend income from both domestic and foreign sources. To enter rental income data in Drake, see "Supplemental Income" on page 102. To enter foreign earned income, see "Foreign Earned Income" on page 108.

Interest and Dividends

The **INT** and **DIV** screens in Drake 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.

NEW FOR
2008

The **INT** and **DIV** screens now include sections for Form 1116, Foreign Tax Credit. Also in 2008, the **INT** screen has been redesigned to better reflect the layout of Form 1099-INT.

Income Less than $1,500   In most cases, no Schedule B is required if the taxpayer's interest and dividend income does not exceed $1,500. Amounts can then be entered on the appropriate lines of the **Income** screen (screen **3**). (See Figure 5-9.)

Figure 5-9: Interest and dividend fields on screen **3**

The **Income** screen amounts are calculated directly into the appropriate lines of Form 1040. 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 unnecessarily.

Schedule B, Interest and Ordinary Dividends

Schedule B is required if the taxable interest or the ordinary dividends on the return exceed $1,500. Use the **INT** and **DIV** screens to report interest and dividend income that exceeds this amount. Interest and dividend amounts are generated on Schedule B and calculated into the appropriate lines of Form 1040.

Reporting Portions of Dividends

New in 2008, certain portions of ordinary dividends (domestic dividends not taxable by a state and ordinary dividends that are U.S. Government dividends) can be expressed as either amounts or percentages.

Figure 5-10: 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. New in 2008, this data is entered in the **Schedule B Part III** section of the **INT** screen, along with other Schedule B data.

Figure 5-11: Schedule B Part III fields on **INT** screen

State-specific Information

Revised in 2008, **State-specific information** includes a drop list to designate Massachusetts, Oklahoma, or Tennessee for bank interest; a field for state ID numbers for Mississippi, Minnesota, and New Hampshire returns; and choices for Illinois returns.

Figure 5-12: State-specific fields on **INT** screen

1099-OID

Enter interest from Form 1099-OID, Original Issue Discount, on either screen **3**, **Interest income** field (if less than $1,500), or the **INT** screen (if $1,500 or more).

Foreign Interest and Dividends

Use the **INT** and **DIV** screens to report interest and dividend income from foreign accounts and trusts. As applicable, this data flows to Form 1116, Foreign Tax Credit.

The following Form 1116 features and capabilities have been added to the **INT** and **DIV** screens in 2008:

- A section for Form 1116, Foreign Tax Credit
- Ability to link information from an **INT** or **DIV** screen to an **1116** screen
- Ability to suppress Form 1116 if it is not required for the return

Foreign Tax Credit Data

Both the **INT** and **DIV** screens now include a section for **Form 1116/FTC information**. Figure 5-13 shows this section as it appears on the **DIV** screen.

Figure 5-13: Form 1116 section of **DIV** screen

Information entered here does not need to be re-entered on the **1116** screen. In fact, if amounts are entered on both screens, the program combines the two amounts and prints the total on the return. If data is entered in this section of the **DIV** or **INT** screen, Form 1116 is generated automatically.

NEW FOR
2008

Foreign dividends can now be reported in the program as either an amount or a percentage of the total of ordinary dividends.

Linking Data to the 1116 Screen

Because the **DIV** and **INT** screens include the most frequently used Form 1116 fields, and because Form 1116 is generated automatically if these fields contain data, it might not be necessary to enter anything at all onto the **1116** screen. If, however, a return includes a less common foreign income factor, such as a carryover, you must enter that information on the **1116** screen.

New in 2008, you can link the **DIV** and **INT** screens to a **1116** screen so that the generated Form 1116 incorporates the appropriate data from *all* applicable screens.

To link 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 5-13.)
2. Enter a number into the **FTC** field of this section. (See Figure 5-13.)
3. Close the screen.

Screen code: 1116   **4.** Open the **1116** screen (accessible from the **Credits** tab) to be linked.
5. Type the FTC number (from Step 2) into the **FTC** field (Figure 5-14).

Figure 5-14: FTC field at top of **1116** screen

The program uses this "FTC number" to associate the **1116** screen to the other screens and calculate the correct information for Form 1116.

Suppressing   By default, Form 1116 is generated with the return if any data is entered into the **Form**
Form 1116   **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**. (See Figure 5-
13 to view the check box as it appears on the **DIV** screen.)

For more on Form 1116 in Drake, see "Foreign Tax Credit" on page 119.

Taxable Refunds

Screen code: 99G   Enter state and local taxable refunds for 2008 on the **99G** screen (Form 1099-G, Cer-
tain 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 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 the
amount of 2007 state or local refund the taxpayer received in 2008. 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.

> NOTE   A flagged **Taxable refund** field indicates that the displayed amount
> was carried forward from a prior-year return. Clear the field by
> pressing F4 (if the amount is correct) or by entering a new amount.

Alimony

If the taxpayer *received* alimony in 2008, enter the amount on screen **3** in the **Alimony**
received field. Enter *paid* alimony information on screen **4**.

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
(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 62.)

Program Defaults for Screen C

NEW FOR   Prior to 2008, screen **C** included check boxes for the program default
2008   selections (described below). These boxes have been removed; a box
needs to be selected now only if the program default does *not* apply.

The program's default *accounting method* is *cash*. Select **Accrual** or **Other**, as appli-
cable, for accounting methods other than *cash*. If **Other**, include a description.

The program's default position for *material participation* is that the taxpayer "materially participated in 2008." If the taxpayer did not materially participate, select **Did NOT materially participate in 2008**.

The program's default inventory valuation method is *cost*. If the valuation method is not *cost*, select the correct method under **Part III - Cost of Goods Sold**.

The program's default position for *at-risk investments* is that all investments are at risk. If this is not true for your client, select **Some investment is NOT at risk**.

Business Codes

CTRL+SHIFT+S to search codes.

You can use the search function to locate a specific business code. Place the cursor in the **Business Code** box (field **B**) and press CTRL+SHIFT+S. In the **Search** dialog box, enter a search term and click **Go**. All codes that include the search term are displayed as shown in the example in Figure 5-15.
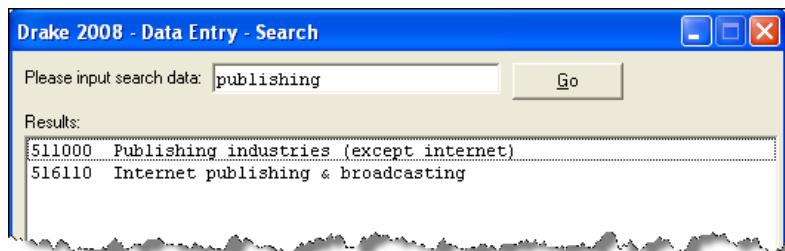
Figure 5-15: Example of a search using **Data Entry - Search**

Select the desired code and click **OK** or press ENTER.

Tax Treatment Codes

New in 2008, screen **C** contains a **Special tax treatment code** drop list (Figure 5-146).
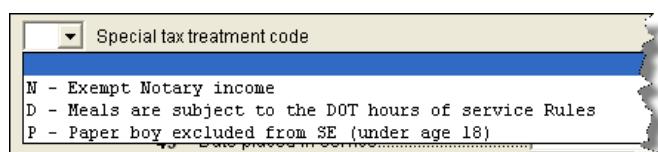
Figure 5-16: Special tax treatment code drop list on screen **C**

The codes themselves are not new to screen **C**. Prior to 2008, these codes were options in the **F** field at the top of the screen.

Car and Truck Expenses

Use the Auto Expense Worksheet (**AUTO** screen) to manage auto-related expenses for Schedule C. For more on this screen, see "Auto Expenses" on page 145.

Depreciation

Use the **Depreciation Detail** (**4562**) screen to enter depreciable assets for Schedule C. To open the **4562** screen without exiting screen **C**, place the cursor in the **Depreciation** field and either double-click or press CTRL+W. For more on entering depreciation in Drake, see "Depreciation" on page 139.

Business Mileage

The standard business mileage deduction rate changed as of June 31, 2008. Enter business mileage driven before July 1 in the text box on line **44a Business miles before July 1** on screen **C** (under **Part IV - Vehicle Information**). Enter business mileage driven after June 30 in the text box on line **44a Business miles after June 30**.

Figure 5-17: Enter business mileage on line 44a

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 the **6198** screen. If the taxpayer does not materially participate, the loss could be limited by Form 8582, Passive Activity Loss Limitations; this is computed automatically.

E-filing Schedules C and C-EZ

Only one Schedule C-EZ can be filed per taxpayer. Up to eight Schedule C forms can be filed per taxpayer. If necessary to allow e-filing, keep the short form (EZ) from being generated by selecting the **Suppress Schedule C-EZ** box on screen **C**.

Sales of Assets

Screens for entering gains, losses, and sales of assets are listed in Table 5-1. These screens can all be accessed from the **Income** tab of the **Data Entry Menu**.

Table 5-1: Screens for Entering Gains and Losses

Screen	Screen or Form Name
D	Schedule D, Capital Gains
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

Table 5-1: Screens for Entering Gains and Losses

Screen	Screen or Form Name
4684	Form 4684, Casualties and Thefts
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)
99A	Form 1099-A, Acquisition or Abandonment of Secured Property
99C	Form 1099-C, Cancellation of Debt

When forms require identical data (such as when amounts from the **4684** and **6252** screens must be carried to Form 4797), Drake prints the data on the appropriate forms.

Capital Gains, Losses, Carryovers

Use the following screens to enter data for Schedule D, Capital Gains and Losses:

Screen codes D, D2

- Screen **D** (**Capital Gains & Losses**)
- Screen **D2** (**Loss Carryovers and Other Entries**)

These screens are available under the **Income** tab of the **Data Entry Menu**.

Screen D, Capital Gains and Losses

Use screen **D** for basic information about short- and long-term capital gains and losses. Following are some guidelines for entering data on this screen:

- **Description** — By IRS regulations, only the first 15 letters of an item description are transmitted during e-filing. The **Description** field in Drake supports 32 characters. By default, the first 15 characters are displayed in black text on the screen; any additional characters are displayed in red.
- **Date Acquired** — If a single date does not apply, type VARIOUS for multiple dates or INHERIT for an inheritance. If VARIOUS, the program treats the item as a long-term gain.
- **Date Sold** — If a single date does not apply, type BANKRUPT or WORTHLESS, as applicable.

NOTE   If **Date Sold** is *bankrupt*, the return must be paper-filed. *Various* and *worthless* entered as a date are acceptable for e-filing.

- **Sales Price** — Enter the sale amount. If only the gain amount is available, enter the gain amount and leave **Cost or Basis** blank.
- **Cost or Basis** — Enter the cost or basis. If only the loss amount is available, enter the loss amount and leave **Sales Price** blank.

- **S/L** — From the dates entered, Drake determines if an item is long-term or short-term. If no specific dates, select **S** or **L** to force short-term or long-term.
- **Misc** — Press F1 to access codes. Check with states for codes that are required for state purposes only.

**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 2007, and capital gain tax computation. If Drake was used for the taxpayer in 2007, the gains/losses and carryover fields are updated automatically; otherwise, data must be entered manually.

Schedule D Imports

Use the **Schedule D Import** tool to import capital gain and loss transaction data from an Excel or other worksheet into Drake.

**Create a
Worksheet**

Before you can use the Schedule D Import tool, you need a worksheet containing the transaction data saved as a Microsoft Excel, TAB, or CSV file. Columns must match those on screen **D**, as shown in Figure 5-18.

Figure 5-18: Screen **D** fields as columns in an Excel worksheet

Enter all data to be imported into Drake and save the file.

Import Data

To import the information, complete the following steps:

1. Open the client's file to the **Data Entry Menu** and click **Import > Schedule D Import** from the toolbar. The **Schedule D Import** instructions are displayed.
2. Click **Next** to open the **Schedule D Import** dialog box.
3. To the right of the **1. Import File Name** field, click the button.
4. Locate and select the file containing the transaction data (that is, the file to be imported). Select the file and click **Open**. The data path and file name should be displayed in the **1. Import File Name** field (Figure 5-19) and the transactions displayed in the **Schedule D Transaction Information** grid below it.

Figure 5-19: File name includes data path, file name, and file extension

5. From the **Start import at** field, select the line at which to start the import. For example, if the **Item 1** row in the transaction list is column header information, choose to begin import at item **2**.
6. Click **Next**.
7. After verifying that the information is correct, click **Finish.**

Screen **D** is opened, listing all imported transactions. (If more than one screen **D** is required, an **Existing Forms List** is shown. Double-click a row to view the screen.)

Sales of Assets

Use the **4797** screen to enter non-recaptured losses. These fields are located in the **Part IV, Decline in Business Use** section of screen 4797. For sold property listed on Form 4797, depreciation sometimes must be recaptured as ordinary income. (For information on depreciating sold assets in Drake, see "Depreciating Sold Assets" on page 144.)

1099-S Transactions　　Enter data from Form 1099-S, Proceeds from Real Estate Transactions on the **4797** screen. Select **1099-S transaction**, located near the top of the **4797**.

Installment Sales

To enter an installment sale:

1. For the sold asset, complete the **Date sold** field on the **4562** screen.
2. Complete a **4797** screen for the asset, indicating with a "Y" that the sale is also reported on Form 6252.

Screen code: 6252　　3. Complete a **6252** screen for the asset.

4. View the return. Note that two 4797 forms are generated, making the return ineligible for e-filing.
   - If recapture is necessary, the two 4797 forms cannot be avoided. The return must be paper-filed.
   - If there is no recapture, you can delete the **4797** screen for the asset and recalculate the return.

Look at line 31 of Form 4797 for the recapture amount (if any).

Sale of Residence

Screen code: HOME　　Use the **HOME** screen to report the sale of a primary residence and calculate section 121 exclusion. The home sale flows to Schedule D only if the gain on the sale exceeds the exclusion amount. The IRS requires that only the Worksheet for Sale of Home (WK_2119) be present in the return.

Schedule D　　If Schedule D is generated, both the gain on the home and the Section 121 exclusion (if applicable) appears on Schedule D. The WK_2119 still appears in view but Schedule D is added to report the taxable gain on the sale.

Section 121 Calculation　　The software calculates the exclusion using the number of days during the last five years that the taxpayer (and spouse if filing MFJ) used the home and the number of days the home was owned during the past five years.

Loss on Sale　　If the sale is a loss, the loss amount is not carried to Schedule D. To have a loss or a partial gain flow to Form 4797, select the appropriate box on the **HOME** screen. Click F1 in a field for additional information.

Converted to
Business
Use

If a home was lived in and then converted entirely to rental or business use, the transaction must be shown on Form 4797. Select the appropriate box on the **HOME** screen to carry the applicable information to the 4797.

Like-Kind Exchanges

If an asset has been traded and needs continued depreciation and there is an increase in basis that needs to 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).

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 (for example, type an A in the description).

NOTE   EXAMPLE: If a Ford 150 is traded for a Chevy Blazer, the descriptions on the **4562** screen 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 life remaining, and depreciation for the new asset starts, using the 8824 basis for the correct number of years.

Retirement Income (1099-R, etc.)

Use the **1099**, **8606**, and **ROTH** screens, as applicable, 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.

1099-R

Use the **1099** screen to enter data, including distribution amounts, from Form 1099-R.

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 in the appropriate fields.

Figure 5-20: 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 "IRA distributions" and "Pensions and annuities" lines of Form 1040. Do not duplicate entries made on the **1099** or **8606** screens.

> **NOTE**   If a 1099-R was not received for a pension, annuity, or IRA distribution, the return cannot be e-filed.

Substitute 1099-R

To file a substitute 1099-R (Form 4852), refer to "Substitute W2 or 1099-R" on page 89.

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 **Special Treatments for this Distribution** heading).
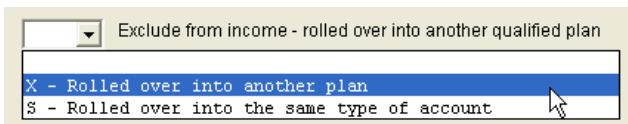
Figure 5-21: Selections for rolled over 1099-R distribution

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 "Pensions and annuities" line of Form 1040.

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 are carried automatically from the **W2** screen to Form 1040.

IRA Contributions

For *traditional* IRA contributions, use the **8606** screen, which addresses Part I of IRS Form 8606, Nondeductible IRAs. For *Roth* IRA contributions, use the **ROTH** screen, which addresses Parts II and III of Form 8606, Nondeductible IRAs.

Deductible IRA contributions are calculated from the **8606** screen and displayed on the "IRA deduction" line of Form 1040. If an amount is entered into the **Deductible IRA** field on screen **4**, it is combined with the amount from the **8606** screen.

If the 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 warning NOTES page with the return.

NOTE   If Form 8606 is not required but you want to generate it anyway, go to the **8606** screen and select **Print the 8606 even if not needed**.

Converting to a Roth IRA

To report the transfer of an amount from a traditional IRA to a Roth IRA, enter the amount into the appropriate fields at the top of the **ROTH** screen (Figure 5-22).

Figure 5-22: ROTH screen field for amount to be transferred to a Roth IRA

This amount is carried to the appropriate line of Form 8606.

IRA Penalty Computations

IRA penalties are calculated using data entered on the **5329** screen (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 the **5329** screen. If a distribution code of "1" (Early (premature) distribution, no known exception) has been entered in Box 7 of the **W2** screen, you can force the distribution amount from a 1099-R to flow to Form 5329. To do so, go to the desired **1099** screen and select the applicable box under **Special Treatments for this Distribution** (Figure 5-23).

Figure 5-23: Select box to carry 1099-R data to Form 5329

Exception Numbers

On the **5329** screen, exception numbers 01 and 06 (Part I, line 2) apply only to distributions from qualified employee plans—not to those from IRAs, annuities, or modified endowment contracts. To view full descriptions of each exception number, place the cursor in the **Exception number** field and press F1.

Supplemental Income

Entry fields for Schedule E, Supplemental Income and Loss, are located in the **Schedules E and K1** section of the **Income** tab.
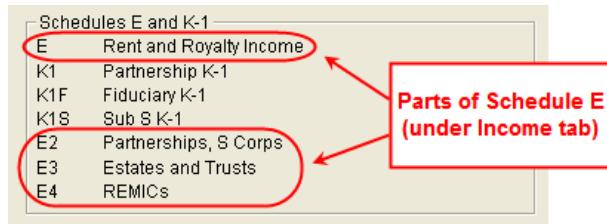
Figure 5-24: Screens for entering Schedule E data

Schedule E

Screen code: E

Use screen E, accessible from the **Income** tab, 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 K-1 schedules. The corresponding screens in Drake (**E2**, **E3**, and **E4**) primarily contain override fields; data entered here overrides amounts that would otherwise flow from the K-1. Enter data on one of these screens only if you are transferring the information from a Schedule E that has already been calculated and completed by hand.

NEW FOR
2008

The **E** screens contain new activity-type drop lists to select whether an activity is passive or non-passive. If option **D** (not a passive activity) 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 103.

Kind of Property

Enter the kind of property you rented (such as "brick duplex") at the top of screen **E**. List each dwelling for the Schedule E on a separate screen.

Property Usage

Item **2** of screen **E** contains three boxes for indicating how much of a property was used for personal purposes.

Figure 5-25: Item **2** of screen **E**

Select **Property was used for personal purposes at least 10% or 14 days** if the property was used for personal purposes during the current year for more than *either* 14 days *or* 10% of the total days it was rented to others at a fair market rate, whichever

is *greater*. Indicate the personal use percentage in the text box. If you select box **2** and the property was the main home or a second home, click the next check box also.

> **NOTE**   Do not enter personal-residence expenses on Schedule E. If a tax-payer rents one unit of a duplex and lives in the other and an expense applies to both units, enter *only the portion of the expense that applies to the rental* and indicate 100% business use—not 50% personal use.

Sale of Property   If a property was sold and the Schedule E needs to be associated with data from a **4797** screen (Form 4797, Sales of Assets), use a passive activity number (PAN) code to tie them together. To do so, enter a number in the **PAN** box on screen **E** then enter the same number in the **PAN** box of the applicable **4797** screen.

PMI   To indicate that insurance includes Private Mortgage Insurance (PMI), mark the check box under item **9** on screen **E**.

> **NOTE**   To deduct PMI, print the return and write "PMI" on line **9** of Schedule **E**. The return must be paper-filed.

Casual Rental of Personal Property   To include as a write-in adjustment of deductible expenses related to income from the rental of personal property engaged in for profit, use the applicable field on screen **4**. Do not duplicate entries from screen **E**. When the return is calculated, the screen **E** amounts are carried automatically to the appropriate fields of Form 1040.

Schedule K-1

Screen codes: K1, K1F, K1S   Screens for Schedule K-1 are accessible from the **Income** tab. The program contains three types of K-1 screens, listed in Table 5-2.

Table 5-2: K1 Screens in Drake

Screen Code	Type of K-1
K1; also **K1P**	K-1 for partnership income
K1F	K-1 for fiduciary income
K1S	K-1 for S corporation income

Enter information directly into any of these three forms in Drake, or export K-1 information from a pass-through entity into an individual return.

Activity Types   New in 2008, the **E**, **K1**, and **4835** screens feature an **Activity Type** drop list for designating an activity as passive or non-passive. A selection from this list controls what

income data, if any, goes to Form 8582, Passive Activity Loss Limitations. Available activity types are described in Table 5-3.

Table 5-3: Activity Type Selections, for **E**, **K1**, and **4835** screens

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 WKS 1.
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 WKS 3.
C - Real Estate Professional	Activity is that of a real estate professional and does not flow to Form 8582.
D - Not a Passive Activity (not an option for **4835**)	Activity is not a passive activity. Because it is non-passive, the calculations from this screen do *not* flow to Form 8582.

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.

NEW FOR 2008

If **General partner** is selected on the **K1P** screen, self-employed income is automatically reduced by any amount entered in the **Section 179 deduction** field. The unreimbursed partnership expense flows to a separate line on Part II of Schedule E.

K-1 Exports   K-1 data can be exported from an 1120S, 1065, or 1041 return in Drake to an individual return in Drake. To export K-1 data, you must first have the following items:

- An 1120S, 1065, or 1041 return, completed in Drake
- An individual return in Drake for the partner or beneficiary listed in the 1120S, 1065, or 1041 return

To export K-1 data into an individual return:

1. Open the 1120S, 1065, or 1041 return that contains the data to be exported.

2. Click **View** to calculate the return and open View/Print mode.

3. Click the **K1 Export** button in the View/Print mode toolbar. The **Export K1s** screen lists all taxpayer SSNs for exporting. All rows are selected by default.

4. (optional) Click a row to clear it, if you do not wish to export K-1 data to all individuals listed.

5. Click **Export**. When the **Export complete** dialog box opens, click **OK**.

The transferred data is highlighted in the **K1** screen of each personal return that received the data.

Farm Income

NEW FOR
2008

The Auto Expense Worksheet (**AUTO**) screen can now be applied to the **F** and **4835** screens. See "Auto Expenses" on page 145.

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 Form 1065)
- Schedule J, Income Averaging for Farmers and Fishermen
- Form 4835, Farm Rental Income and Expenses

NOTE

Record crop insurance and disaster payments for Schedule F and Form 4835 on the **Crop Insurance and Disaster Payments** (**CIDP**) screen.

Schedule F, Profit or Loss From Farming

Screen code: F

Use screen **F**, accessible from the **Income** tab, for Schedule F, Profit or Loss From Farming.

NEW FOR
2008

Prior to 2008, screen **F** included check boxes for program default selections (described below). These boxes have been removed; a box needs to be selected only if the program default does *not* apply.

Screen F Defaults

The program's default *accounting method* is *cash*. Select **Accrual** if the taxpayer's accounting method is not *cash*.

The program's default position for *at-risk investments* is that all investments are at risk. If this is not true for your client, select **Some investment is NOT at risk**.

The program's default position for *material participation* is that the taxpayer "materially participated in 2008." If the taxpayer did *not* materially participate, select **Did NOT materially participate in 2008**.

1099-PATR

Enter the distribution amount from Form 1099-PATR, Taxable Distributions Received from Cooperatives, in the **Co-op total distributions** field on Screen **F**.

Form 4835, Farm Rental Income and Expenses

Screen code: 4835

Form 4835 is for individual returns only and is not available for the 1041 package. Estates and trusts must file Schedule E, Part I, to report rental income and expenses from crop and livestock shares.

Farm Asset Depreciation

Use the **4562** screen (**Depreciation Detail**) to create depreciation schedules for
Schedule F and Form 4835. For more on depreciation, see "Depreciation" on
page 139.

Unemployment Compensation

Use screen **3** to enter full unemployment compensation for 2008. Enter prior-year
unemployment compensation amounts elsewhere in Drake, as shown in Table 5-4.

Table 5-4: Entering Unemployment Compensation in Drake

Unemployment Compensation	Where to Enter in Drake
Information from 1099-G	Screen: **99G** Fields: As applicable
Any prior-year amounts, repaid	Screen: **A** Field: **Other not subject to 2% limit**
Prior-year supplemental (employer-provided) amounts, repaid	Screen: **4** Field: **Repaid sub-pay previously reported** (Enter the repaid amount.)
Current year (2008), total	Screen: **3** Field: **Unemployment compensation received** (adjustment field; added to **99G** amount)
Current year (2008), repaid	Screen: **3** Field: **Portion of above unemployment repaid in 2008**

Note that the **Unemployment compensation received** field on screen **3** is an adjust-
ment field. Any amount entered in this field is 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

Use the **SSA** and **RRB** screens to enter information from the 1099-SSA and RRB-
1099R forms, respectively. Screen **3** includes fields for related data if no 1099 is used.

SSA-1099

Screen code: SSA   Use the **SSA** screen to enter SSA-1099 data. If the SSA-1099 was not distributed, use
screen **3** to enter the following Social Security benefit amounts (shown in Figure 5-
26):

• 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 5-26: Screen **3** fields for Social Security benefit amounts

These figures are combined with any Social Security benefit amounts from the **SSA** screen, calculated, and displayed on the "Social security benefits" line of Form 1040.

RRB-1099R

Screen code: RRB   The **RRB** screen reflects the federal RRB-1099R form. Benefits from Form RRB-1099 should be entered on screen **3** in the **Net railroad Social Security equivalent Tier 1 benefits received** field. (See Figure 5-26).

Other Income

To report taxable income that is not reported elsewhere (Schedule C, Schedule F, 1099-MISC, etc.,) in the return, you can use the **Other income** fields on screen **3**. Several screens are available in Drake for entering other types of income, as described in the following sections.

Taxable Distributions

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* on screen **3**, line 21.

Medical & Health Savings Accounts   Enter distributions from Medical Savings Accounts (MSAs) on the **8853** screen (Form 8853, Archer MSAs and Long-Term Care Insurance Contracts). Enter distributions from Health Savings Accounts (HSAs) on the **8889** screen (Form 8889, Health Savings Accounts (HSAs)). The taxable amounts from these screens flow automatically to Form 1040. For more on the MSA and HSA forms, see IRS Pub. 969.

NOTE   Lines 1 (coverage indications) and 2 (HSA contributions for the year) of the **8889** screen are required if Form 8889 is to be e-filed with the return.

Gambling Income & Loss

Screen code: W2G   Use the **W2G** screen, accessible from the **General** tab, to enter gambling income and loss information from Form W2-G. Data from the **W2G** screen is carried to line 21 (and line 22, if applicable) of Form 1040.

NEW FOR **2008**   The **W2G** screen now has check boxes for **Lottery Winnings** and **Electronic Games of Skill**. Not all states tax the gambling winnings from lotteries or electronic games. Select the boxes as applicable, but first press F1 in a field to access further information on each item.

Cancellation of Debt

Screen code: 99C   Use the **99C** screen 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. Select one of the other available choices, as applicable, to indicate a business debt. The **For** list selections, along with the line on the tax return where the cancelled debt amount flows, are shown in Table 5-5.

Table 5-5: Cancellation of Debt

"For" Field Item	Where Flows on Tax Return
1040	Form 1040, "Other income" line
C	Schedule C, "Other income" line
E	Schedule E, "Rents received" line
F	Schedule F, line 10, "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 appropriate income screen (**W2**, **C**, **FEC**, etc.; see "Foreign Employers" on page 87). Foreign earned income is calculated into the total income shown on line 22 of Form 1040.

Excluding Foreign Income   If the taxpayer qualifies for the foreign earned income exclusion, use the **2555** screen (accessible from the **Other** tab) to complete Form 2555, Foreign Earned Income. The

income from the **2555** screen flows to the 1040 *as a negative number*; in other words, it is subtracted (excluded) from the total income shown on line 22 of Form 1040.

NOTES
Foreign income must be *included* in total income (via a W-2, Schedule C, etc.,) before it is *excluded* from total income using Form 2555.

The **2555** screen consists of five screens or "pages." Press PAGE DOWN to proceed to the next "page" of the **2555** screen. To create a new, second **2555** screen for the spouse, press CTRL+PAGE DOWN.

Educator Expenses

Screen code: 4
According to the IRS, educators might be able to deduct some expenses paid for purchases of books and classroom supplies, even if deductions are not itemized. In Drake, enter educator expenses in the **Educator expenses** field on screen **4**.

Employee Business Expenses

Screen code: 2106
Use the **2106** screen, accessible from the **General** tab, to enter data for Form 2106, Employee Business Expenses.

NOTE
The **2106** screen expense flows to **Job Expenses and Certain Miscellaneous Deductions** on Schedule A and not directly to Form 1040.

Meals and Entertainment

Department of Transportation (DOT) workers are allowed to claim 75% of the costs of meals as a business expense rather than the standard 50%. To calculate the allowed amount properly, enter the total expense in the **Meals/entertainment** field of the **2106** screen and enter the amount attributable to DOT hours of service rules for meals in the **DOT meals subject to 75% limit** field. (See Figure 5-27.)
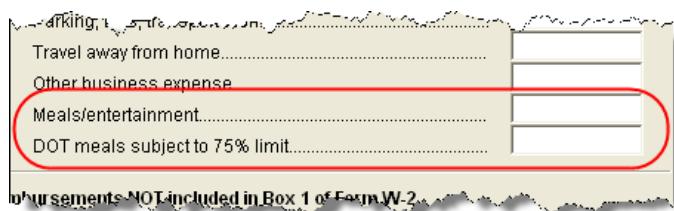
Figure 5-27: On the **2106** screen, use both the **Meals/entertainment** and **DOT meals subject to 75% limit** fields as appropriate.

Multiple 2106 Forms

If **2106** screens are entered for both the taxpayer and the spouse, the taxpayer's **2106** screen must be entered first (because the taxpayer is listed first on the return) or the return will receive a reject code after it is transmitted.

Clergy Expenses

If the taxpayer is a member of the clergy, select a **P** from the **F** code drop list at the top of the **2106** screen.
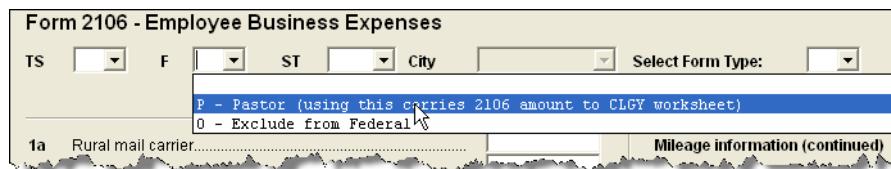
Figure 5-28: Select **P** to indicate clergy.

When **P** is selected, the program will carry the employee business expenses to the clergy worksheets (WK_CLGY1 and WK_CLGY2) when the return is generated. See "Ministerial Income Allocation" on page 115 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, or the **8829** screen for business use of home):

1. On the **2106** screen, select **T** (for taxpayer) or **S** (for spouse) as applicable.

2. Go to the screen to be linked to the **2106** data.

3. From the **For** drop list, select **2106**.

Use the **Multi-form code** field as needed. (See "Associating One Screen with Another" on page 62 for more on multi-form codes.) See **Screen Help** on the **2106** screen for more assistance in directing data entry to Form 2106.

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.

Qualified HSA Distribution

An amount in the **Qualified HSA distribution** field of the **8889** screen flows to the "Other Taxes" section of Form 1040 and is marked with a notation of "HDHP."

Form 1099-H

Payment amounts from Form 1099-H, Health Coverage Tax Credit (HCTC) Advance Payments, can be entered on the **8889** screen.

Moving Expenses

Screen code: 3903

Use the **3903** screen, accessible from the **Adjustments** tab, to enter data for Form 3903, Moving Expenses.

Form 3903 Qualification

Due to time and distance limitation exceptions, Drake does not prevent Form 3903 from being calculated—even if the taxpayer does not meet the mileage test. As the preparer, you must determine if the taxpayer qualifies for the moving-expense deduction. See IRS Pub. 521 for details.

Multiple Moves

If there are multiple qualifying moves within a single year, use a separate **3903** screen for each move. Press PAGE DOWN for additional screens.

Self-Employment Adjustments

Table 5-6 lists screens in Drake for entering adjustments to self-employment income.

Table 5-6: 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 SE 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. (For church employees, $108.28.) 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 appropriate box on the **SE** screen.

Data from Schedules C and F, along with any self-employment income from partnerships, flows 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 determines the form required and processes it accordingly. To force the long form, select a **Force Schedule SE** box in the bottom section of the **SE** screen.

Figure 5-29: Override SE printing for taxpayer (left box) or spouse (right box).

Church Income   Church income should be coded on the W-2 (**W2** screen) as **C** or **P**. Any income entered in the **Wages of church employee** field of the **SE** screen will be *added* to the W-2 amount. (For more information on entering data for clergy, see "Clergy Expenses" on page 110 and "Ministerial Income Allocation" on page 115.)

SE Health Insurance Deduction

Enter insurance deductions for a self-employed taxpayer in one of three places:

- Screen **C** or screen **F**, **Family Health Coverage** field
- **SEHI** screen, line 1 (An entry here overrides system calculations from screen **C** or **F**; an entry might be needed on line 4 to effect correct system calculations.)
- Screen **4**, **Self-employed health insurance deduction** field (An entry here overrides system calculations from the screens mentioned above.)

Be aware that the **SEHI** and screen **4** fields are overrides. Do not duplicate entries.

SEHID Worksheet   The top half of the **SEHI** screen incorporates the Self-Employed Health Insurance Deduction Worksheet (WK_SEHID in Drake) from the 1040 instructions.

If entering an override on screen **4**, type the deduction allowed—not the total premium paid. To have the software calculate the WK_SEHID, leave the screen **4** field blank and enter the total insurance premium paid on the **C** or **F** screen as applicable.

> **NOTE**   Self-employed health insurance deduction information is entered on the same screen as self-employed pension (SEP) information. This screen can be accessed using either the **SEHI** or **SEP** screen code.

Self-Employment Pensions

Screen code: SEP   **SEP** screen data flows to the WK_SEP worksheet for Self-Employed Rate Deduction.

> **NOTE**   To have the program calculate the maximum SEP contribution, enter the plan contribution rate as a decimal on the **SEP** screen. For more on SEP contributions, refer to IRS Pub. 560.

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** and **KEOGH** fields on screen **4** (Figure 5-30).

Figure 5-30: Adjustment fields on screen **4**.

Penalties

This section covers penalties on early withdrawal. Penalties on estimated taxes are covered in "Estimated Tax Penalty" on page 129.

Early Withdrawal Penalty

If the taxpayer is subject to the penalty for early withdrawal of savings, enter the penalty amount on screen **4**. Do not duplicate entries in this field on the **INT** screen; the 1099-INT 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 Penalty Computation

Screen code: 5329   Use the **IRA Penalty Computation** screen to calculate what penalties apply regarding IRA withdrawals. This screen reflects IRS Form 5329, Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts.

> **NOTE**   Exception numbers 01 and 06 (Part I, line 2) apply only to distributions from qualified employee plans—not to those from IRAs, annuities, or modified endowment contracts.

Forcing Form 5329 from 1099-R   To force Form 5329 from the 1099-R, open the **1099** screen and select the applicable box under the **Special Treatments for this Distribution** section. Form 5329 is generated if a 1 is entered for the distribution code in box **7** of the **1099** screen. (1 = Early (premature) distribution, no known exception.)
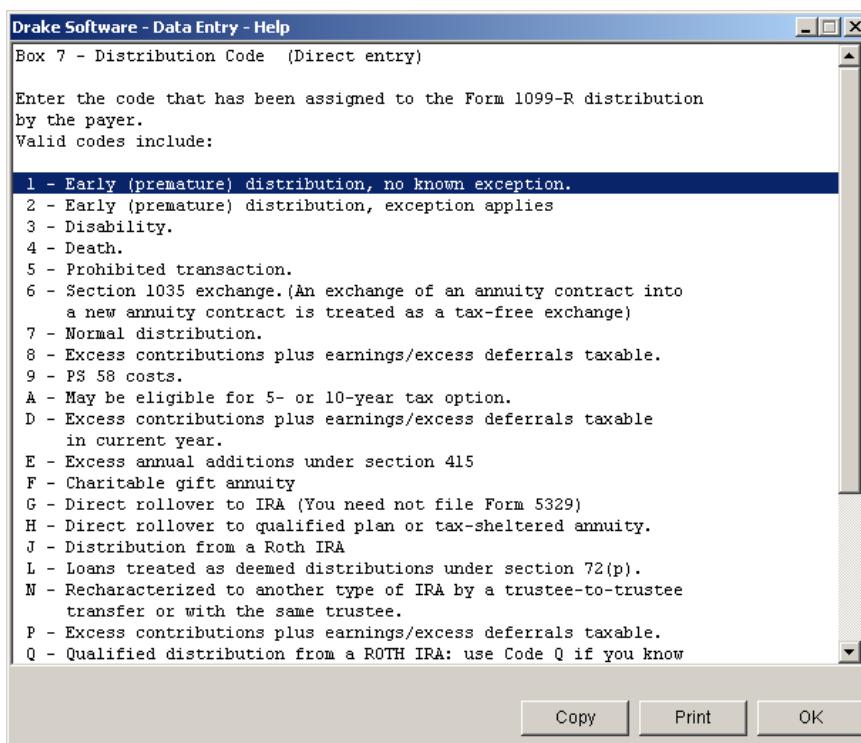
Figure 5-31: View Help (press F1 in box 7) for Distribution Code

Alimony Paid

Enter details about alimony paid in the **Alimony** fields on screen **4**.

IRA Adjustments

To enter IRA adjustments, see "Retirement Income (1099-R, etc.)" on page 99.

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 Form 8863 (Education Credits) and Form 8917 (Tuition and Fees Deduction) are located on the same screen, which can be accessed from either the **Adjustments** tab (for the **8917**) or the **Credits** tab (for the **8863**).

NEW FOR
2008

In cases where education credits are to be filed with one state and tuition and fees deductions with another, select the applicable states from the **ST** drop lists in each section of the **8863/8917** screen.

Tuition and Fees Deduction

Use the **8917** screen to enter tuition and fees deductions for the *taxpayer or spouse*. Use the **Education Expense Information** section of screen **2** to enter tuition and fees deductions for a *dependent*.

Education Credits

Use the **8863** screen to enter education credit information for the *taxpayer or spouse*. Use the **Education Expense Information** section of screen **2** to enter education credit information for a *dependent*.

NOTE

If a dependent does not qualify for an education credit, the software does not apply this information when calculating the federal return.

Hope and Lifetime Learning

When entering education expense information, complete either the **Hope Credit** field or the **Lifetime Learning Credit** field. If both fields have data, the program generates an EF message and the return cannot be e-filed.

1098-T   Enter amounts from Form 1098-T, Tuition Payments Statement, on the **8863** screen.

> NOTE   Use screen **3** to enter the amount received from any taxable schol-
> arship that was *not* reported on a W-2 or 1098-T.

Domestic Production Activities Deduction

Screen code: 8903   Use the **8903** screen, accessible from the **Adjustments** tab, for Form 8903, Domestic
Production Activities Deduction.

Entering Data from Multiple 8903 Forms

Only one Form 8903 can be attached to a taxpayer's return. To e-file data from multi-
ple 8903 forms for a taxpayer, calculate the total for each of the 8903 items and enter
the combined totals onto the **8903** screen.

Other Adjustments

Other adjustment-related screens in Drake are listed in Table 5-7. These screens are all
available from the **Adjustments** tab.

Table 5-7: Other Adjustment Screens Available from **Adjustments** Tab

Screen	Form or Worksheet	Notes
CLGY	Ministerial Income Allocation	See "Ministerial Income Allocation," following.
8082	Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request	
MFS	Community Property Allocation	Use for MFS in a community property state
8873	Form 8873, Extraterritorial Income Exclusion	

Ministerial Income Allocation

Use the **CLGY** screen for those with housing allowance in the form of a parsonage or
rental, or a parsonage allowance from the church (generally reported on the W-2, box
14). The **CLGY** screen allows the following 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 marked with a
  P (pastor) in the **F** (federal) box
- Appropriate self-employment income to flow to the Schedule SE

Rental/
Parsonage   If the church provides a rental or parsonage allowance (but no parsonage), enter the
Allowance   **Parsonage or Rental Allowance** and the **Actual Expenses for parsonage**. If a sepa-
rate **Utility allowance** is provided, enter the amount with the amount of **Actual
Expenses for Utilities**. Finally, enter the **Fair Rental Value** of the housing used.

Parsonage   If a parsonage is provided, enter its **Fair Rental Value**. If a separate **Utility allowance** is provided, enter the amount with the amount of **Actual Expenses for Utilities**.

Itemized Deductions

Itemized deductions should be entered on one of the following screens, as applicable:

Screen codes:
A, 4952, 8283

- Screen **A** (for Schedule A, Itemized Deductions)
- **4952** screen (for Form 4952, Investment Interest Expense Deduction)
- **8283** screen (for Form 8283, Noncash Charitable Contributions)

Access screen **A** from the **General** tab. Access screens **4952** and **8283** from the **Adjustments** tab.

NEW FOR
2008

Medical transportation mileage rates changed as of July 1, 2008. On Schedule A, in the **Medical and Dental** section, enter the miles driven before July 1 and the miles driven after June 30 in the appropriate fields.

Schedule A

Screen code: A   Use screen **A** to enter data for Schedule A, Itemized Deductions.

Forcing Schedule A   If screen **A** has been completed for a return, the software determines which is more advantageous for the taxpayer—itemizing deductions or taking the standard deduction. To force either type of deduction, select the appropriate box at the top of screen **A** (Figure 5-32).

☐ Force itemized
☐ Force standard
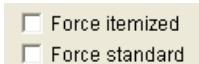
Figure 5-32: Boxes at the top of screen **A**

Printing Itemized Deductions   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 software generate Schedule A only when it is required.

To print Schedule A only when it is required, go to **Setup > Options** > **Form & Schedule Options** tab and select **Print Schedule A only when required**.

Mortgage Interest Paid   Use the **Interest You 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.

NOTE

If using the **1098** screen to report interest from Form 1098, do not enter an amount in the "Home mortgage interest and points reported on Form 1098" field under **Interest You Paid** on screen **A**.

Form 1098-C   If the taxpayer has Form 1098-C, Contribution of Motor Vehicles, Boats, & Airplanes, the amounts should be entered on either screen **A** (if *less than* $500) or the **8283** screen (if *more than* $500).

Additional Itemized Deductions

Screen codes: 4952, 8283   Use the **4952** screen to enter data for Form 4952, Investment Interest Expense Deduction. Use the **8283** screen to enter data for Form 8283, Noncash Charitable Contributions. Screens are accessible from the **Adjustments** tab in data entry. Calculations from the **8283** screen flow to the "Gifts by cash or check" line of Schedule A. There is also a direct entry field for this line 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.

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 is computed on all returns, it is generated with a return only when needed. You can force this form to be printed for a single return. You can also set up the option to force this form to be generated with all returns.

For a Single Return   To force Form 6251 to be printed for a single return, go to the **PRNT** screen of the return and select the **Print 6251** box in the **Items to Print** section of the screen.

For All Returns   By default, Form 6251 is produced with a return only if it is required. To have the program print Form 6251 for *all* returns, go to **Setup > Options > Forms & Schedule Options** and clear the **Print Form 6251 only when required** check box.

Child and Dependent Care Expenses Credit

Screen code: 2441   Use the **2441** screen, accessible from the **General** tab, for Form 2441, Child and Dependent Care Expenses.

> **NOTE**   Enter *dependent care* information on screen **2**, **Dependents**. Enter *provider* information on the **2441**screen.

Where to Enter Data

Enter data on both the **2441** screen and on screen **2** for each dependent for whom expenses were incurred.

| NOTE | Form 2441 appears on the 1040 return. On a 1040A, see **Schedule 2** in View/Print mode. This credit cannot be claimed on a 1040EZ. |

No Income for Spouse

To qualify for the child-care credit, both parents must have earned income, be full-time students, or be disabled. If a spouse does not have income but qualifies for the credit, the spouse's earned income must be entered at the bottom of the **2441** screen in the **Earned income for 2441 purposes ONLY** field.

Figure 5-33: 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 child-care expenses.

Employer-Provided Dependent Care Benefits

Dependent care benefits provided by the employer (box **10** on the **W2** screen) adjusts 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."

Ineligible Filing Statuses

A taxpayer with a filing status of **3** (Married Filing Separately), **6** (Taxpayer did not live with spouse even one day of the year), or **7** (Taxpayer did not live with spouse the last six months of the year) on screen **1** is not eligible for the child-care credit.

Carryover from Previous Year

If there is a carryover of the credit from the previous year, enter the amounts in the appropriate fields and then create a statement listing the circumstances and amounts. Use statement number 47. For more information on adding an unformatted statement in Drake, see "Unformatted Schedules" on page 160.

Elderly/Disabled Credit

Screen code: R   Use the **R** screen, accessible from the **Credits** tab, for Schedule R, Credit for the Elderly or the Disabled.

> **NOTE**   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 **Credits** tab, for Form 5695, Residential Energy Credits.

Foreign Tax Credit

If the amount of the foreign tax credit (FTC) is less than $300 (or $600 if married filing jointly) and no Form 1116 is needed, you can enter this amount directly into the **Foreign Tax Credit** field on screen **5**. (See Figure 5-34.)

Figure 5-34: Use screen **5** to enter FTC if totals are less than $300 (for single) or $600 (for MFJ)

For greater amounts, use the **FTC** sections of the **INT** and **DIV** screens to enter data regarding foreign interests and dividends, respectively, or use the **1116** screen.

FTC Code

New in 2008, if an **1116** screen is to be linked with an **INT** or **DIV** screen (for foreign interest and dividends), you can enter an FTC code into the **FTC** box. Enter this same number into the appropriate box of the **INT** or **DIV** screen. For more on entering foreign interests and dividends, see "Foreign Interest and Dividends" on page 91.

Required Statements

A statement might be required with Form 1116. Fields that might require statements on the 1116 include the following:

Table 5-8: Form 1116 Required Statements

Line	Statement Number to be Assigned
Item **1b** (foreign services box)	4B (stating the type and amount of each item of foreign services)
Other deductions	4C (Passive Income) 4D (High w/h Tax Income) 4E (Financial Services) 4F (Shipping) 4G (DISC Dividends) 4H (FSC Distributions) 4I (Lump Sum) 4J (901(j) Income) 4K (Income Resourced by Treaty) 4L (General Limitations Income)
Expenses definitely related to income	4M (to list the expenses as a separate statement)

In addition, if the return receives a reject code 0973 on Form 1116, a statement must be entered as statement number 8A, 8B, or 8C (indicating the line of the form) and stating how the foreign currency was converted into U.S. dollars. For information on adding unformatted statements in Drake, see "Unformatted Schedules" on page 160.

Form 1116 AMT Worksheet

To force the Form 1116 AMT worksheet to be printed with all returns that include forms 1116 and 6251, go to **Setup > Options** > **Form & Schedule Options**. Select **Print Form 1116 Alt-Min Tax Worksheet**.

Child Tax Credit

See IRS rules for Child Tax Credit (CTC) eligibility. Some children could qualify for Form 8901, Information on Qualifying Children Who Are Not Dependents.

Form 8901   If the child qualifies for Form 8901 (as in the case of a taxpayer who cannot claim the child as an exemption but by divorce decree can claim the child tax credit that year):

1. Enter the child's information as directed on screen **2**.

2. In the **Additional Information** section of screen **2**, select the **Not a dependent** and the **Qualifies for Form 8901** boxes.

The program will now generate Form 8901 with the return.

Retirement Savings Contributions Credit

Screen code: 8880 Use the **8880** screen, accessible from the **Credits** tab, for Form 8880, Credit for Qualified Retirement Savings Contributions.

Other Credits

Table 5-9 lists all credit forms not mentioned previously for which Drake provides screens. If no screen is available, most forms can be found at **Tools > Blank Forms**.

Table 5-9: Other Credits Calculated in Drake

Screen	Form and Credit
4136	Form 4136, Credit for Federal Tax Paid on Fuels
3468	Form 3468, Investment Credit
3800	Form 3800, General Business Credit
5884	Form 5884, Work Opportunity Credit
6478	Form 6478, Credit for Alcohol Used as Fuel
6765	Form 6765, Credit for Increasing Research Activities
8396	Form 8396, Mortgage Interest Credit
8582-CR	Form 8582-CR, Passive Activity Credit Limitations (screen code: **CR**)
8586	Form 8586, Low-Income Housing Credit
8609	Form 8609, Low-Income Housing Credit Allocation and Certification
8801	Form 8801, Credit for Prior Year Minimum Tax
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
8844	Form 8844, Empowerment Zone and Renewal Community Employment Credit
8845	Form 8845, Indian Employment Credit
8846	Form 8846, Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips
8847	Form 8847, Credit for Contributions to Selected Community Development Corporations
8859	Form 8859, D.C. First-Time Homebuyer Credit
8860	Form 8860, Qualified Zone Academy Bond Credit
8861	Form 8861, Welfare-to-Work Credit

Table 5-9: Other Credits Calculated in Drake

Screen	Form and Credit
8864	Form 8864, Bio-diesel and Renewable Diesel Fuels Credit
8874	Form 8874, New Markets Credit
8880	Form 8880, Retirement Savings Credit
8881	Form 8881, Credit for Small Employer Pension Plan Startup Costs
8882	Form 8882, Credit for Employer-Provided Childcare Facilities and Services
8885	Form 8885, Health Coverage Tax Credit
8896	Form 8896, Low Sulfur Diesel Fuel Production Credit
8907	Form 8907, Nonconventional Source Fuel Credit
8908	Form 8908, Energy Efficient Home Credit
8909	Form 8909, Energy Efficient Appliance Credit
8910	Form 8910, Alternative Motor Vehicle Credit
8911	Form 8911, Alternative Fuel Vehicle Refueling Property Credit
8912	Form 8912, Credit for Clean Renewable Energy and Gulf Tax Credit Bonds

Self-Employment Tax

See "Self-Employment Tax (Schedule SE)" on page 111 for instructions on completing Schedule SE in Drake.

Unreported Social Security and Medicare Tax

In Drake, a single screen, accessible from the **Taxes** tab, is used 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 Retirement

See "Retirement Income (1099-R, etc.)" on page 99 for information on entering data related to retirement income and taxes.

Advance EIC Payments

Enter advance EIC payments from Form W-2 in Box **9** of the **W2** screen. This amount flows to the "Advance EIC payments" line of Form 1040.

Household Employment Taxes

Screen code: H   Use screen **H**, accessible from the **Taxes** tab, for Schedule H, Household Employment Taxes.

Other Taxes

Screens for the following forms are available under the **Taxes** tab in Drake:

Table 5-10: Other Tax Forms That Can Be Calculated in Drake

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

*If both parents are deceased, go to the **MISC** screen and select **Both parents deceased** in the **Form 8615** section.

Exporting Data for Kiddie Tax

New in 2008, the 8615 Export feature allows exporting of parent data to a child's Form 8615. The process consists of two main steps: (1) exporting the data from the parents' return, and (2) importing the data into the dependent's return.

Exporting Parent Information   To export a taxpayer's information into a Form 8615 for the dependent:

1. Open the taxpayer's (parent's) return in Drake.
2. Click **View** or **Print** to open View/Print mode. If the **Calculation Results** window is opened (due to the pause option selected in **Setup > Options**), click **Continue**.
3. From the **View/Print** toolbar, click the **8615 Export** button. The **Export 8615** dialog lists dependent names, SSNs, export statuses for the return (Figure 5-35).
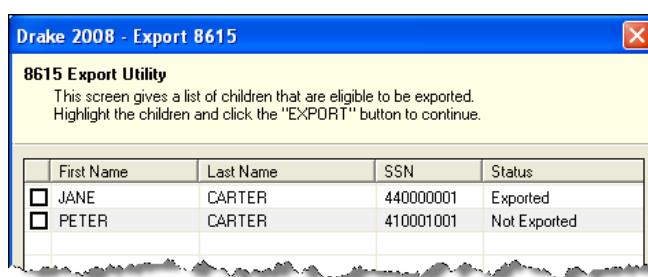
Figure 5-35: Dependents entered on return

4. Put check marks in the applicable boxes. If a row is selected, the parent's data is exported to that dependent's tax return in Drake.

5. Click **Export**.

6. Click **OK**.

Click **Exit** to close the **Export 8615** dialog box. The parent information is now ready to be imported into the dependent's return.

Importing Parent Information

After the 8615 data has been exported from the parent return, you will be prompted to import the data the next time you open (or when you create) the dependent return.

To import parent data into a dependent return:

1. From the **Home** window, click **Open/New**.

2. Enter or select the dependent's SSN and click **OK**. You are asked if you want to import the return data.

3. Click **Yes**. The return is opened to the **General** tab of the **Data Entry Menu**.

When you open the **8615** screen, you will see that the parent information has been automatically entered into all of the applicable fields as shown in the Figure 5-36 example.

Figure 5-36: Parent information has been imported into dependent's **8615** screen.

Estimated Taxes

This section focuses on entering the following information into Drake:

- Estimated taxes paid in 2008
- Estimated payments for 2009
- Estimated Tax Adjustments
- Applying 2008 overpayments to 2009
- Underpayment of estimated tax

Estimated Taxes Paid in 2008

Drake offers several ways to enter estimated tax amounts that were applied from the 2007 tax return and paid in 2008. The preferred method is to enter quarterly and total

amounts on the **ES** screen. You can also enter the total amount on screen **5** or use the **2210** screen for underpayment of estimated tax.

2008 Payments on Screen 5

Use screen **5** to directly enter the amount of estimated taxes paid in 2008. The program assumes that the payments were made in four equal amounts on the standard estimate due dates. Note that the **Estimated tax payments** field is an adjustment field; if 2008 payment amounts are entered on both screen **5** and the **ES** screen, they will be combined during calculation, and the sum shown on Form 1040.

2008 Payments on ES Screen

Use the **ES** screen to enter, by quarter, the 2007 overpayment and the estimated taxes paid in 2008. The program applies the standard estimate payment dates. If any of these dates are different, enter the correct date in the applicable override field.

Figure 5-37: Entering estimate taxes paid in 2008

Estimated Payments for 2009

Estimated payments for 2009 are shown on the payment vouchers in View/Print mode.
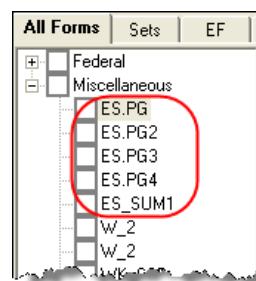
Figure 5-38: ES Vouchers in View/Print directory

Printing Estimate Vouchers

Drake calculates the balance due and generates payment vouchers (Form 1040-V), but it does not generate *estimate* vouchers by default. To have the program print estimate vouchers, you must indicate this manually. You can do this in one of two ways:

- Select an estimate (ES) code on the **ES** screen (shown at left)
- Select an **ES** code at the bottom of screen **1** (Figure 5-39)
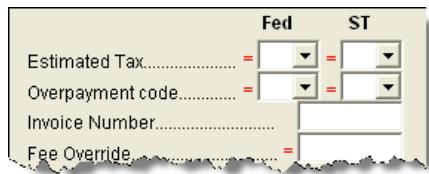
Figure 5-39: Estimated Tax (ES) code overrides on screen **1**

Note in Figure 5-39 that the screen **1** fields are overrides. If selections are made on both screens, the program disregards the **ES** screen selection and uses screen **1**.

Estimate (ES) Codes

ES codes are shown in Table 5-11.

Table 5-11: Estimate Codes in Drake

ES Code	Description
(blank)	Does not generate estimate vouchers
P	Generates estimate vouchers with no dollar amounts
X	Generates estimate vouchers with payments rounded to nearest $5
T	Generates estimate vouchers with payments rounded to nearest $10
F	Generates estimate vouchers with payments rounded to nearest $25
H	Generates estimate vouchers with payments rounded to nearest $100

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 payments amounts displayed on the vouchers, you must enter the amounts manually in the **Estimate Amt** fields of the **ES** screen (shown in Figure 5-40).

NOTE   Use the **ETA** screen to enter estimate adjustments (rather than overrides).

Estimated Tax Adjustments

Screen code: ETA   Use the **Estimated Tax Adjustment** screen if the taxpayer expects a significant change in income the following year.

NEW FOR 2008   The **ETA** screen and the Recomputed Estimated Tax Worksheet (WK_ES) have been revised in 2008 to feature expanded capabilities and a more user-friendly layout.

Applying 2008 Overpayment to 2009

Drake provides several ways to indicate that a taxpayer wants to apply part of a 2008 overpayment to the 2009 estimate (Figure 5-40). You can use the **ES** screen to enter the total overpayment to apply to all estimates (item #1 in Figure 5-40), or you can enter the total overpayment amount directly on screen **5** (item #2). The program applies the overpayment according to the overpayment (OP) code selected (item #3; see "OP Codes," following). To override the OP code selection, enter amounts to be applied into the **Overpayment** fields for each voucher (item #4).
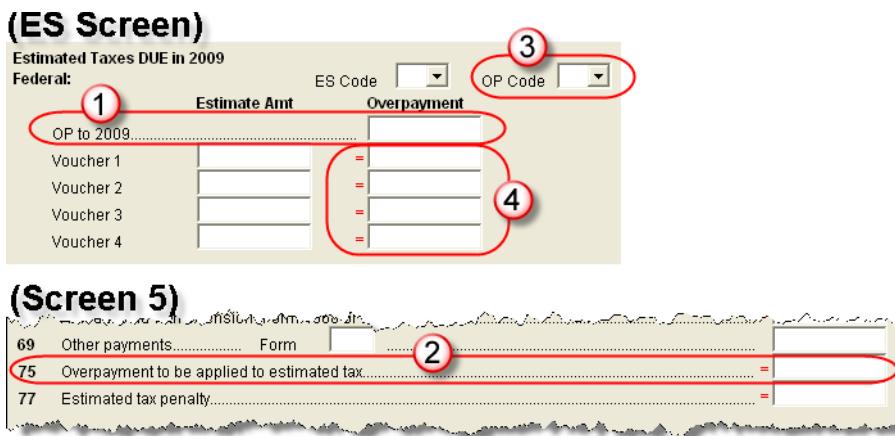
Figure 5-40: Entering overpayment amounts

Note that the screen **5** field is an override. When both screen **5** and **ES** contain a total overpayment amount, the program uses the screen **5** entry; however, if the **ES** screen contains *quarterly amounts only* (and no total), the program calculates and uses the total of those quarterly amounts. That calculated total overrides the screen **5** amount.

OP Codes   If a taxpayer is applying an overpayment to the 2009 estimated tax, it is necessary to indicate how that overpayment should be applied on the estimate vouchers. You can do this by selecting an OP code on either the **ES** screen or screen **1** (see Figure 5-39).

> NOTE   If a code is selected on both the **ES** screen and screen **1**, the program uses the override code from screen **1**.

 Select an overpayment code from the **OP Code** drop list. Codes are described in Table 5-12. Code descriptions can also be viewed by pressing F1 in an **OP Code** field.

Table 5-12: Overpayment Codes in Drake

OP Code	Description
(blank)	Does not apply overpayment to 2009; refund entirely
A	Applies the overpayment to the vouchers in order until it is completely applied
R	Applies overpayment to first voucher and refunds the remainder

Table 5-12: Overpayment Codes in Drake

OP Code	Description
E	Makes the estimate equal to the overpayment
0	Applies the overpayment to the 2009 estimate but does not print any vouchers
4	Applies the overpayment to all four vouchers equally

Underpayment of Estimated Tax

By default, the software calculates the estimated tax penalty but it does not generate Form 2210 unless there is an underpayment and the form is required. This default setting can be disabled for all returns in Setup Options or it can be changed for a single return in the **2210 Options** section of screen **1**.
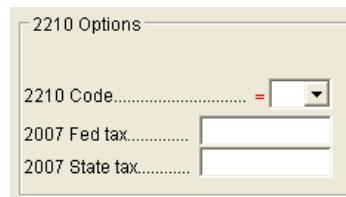
Figure 5-41: 2210 Options section of screen **1**

2210 Codes   To print or suppress Form 2210 (or Form 2210F, as applicable) for a return, select one of the following from the **2210 Code** drop list:

Table 5-13: 2210 Codes in Drake

2210 Code	Program Action
(blank)	Uses the default setting in **Setup > Options**, **Form & Schedule Options** tab.
X	Calculates the estimated penalty; produces Form 2210 if necessary. (Because this is the default setting, you need to select **X** only if the default setting has been globally disabled in **Setup > Options**.)
P	Calculates the estimated penalty; produces Form 2210 even if not required.
F	Calculates the estimated penalty; produces Form 2210F if necessary. (Because this is the default setting, you need to select **F** only if the default setting has been globally disabled in **Setup > Options**.)
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 will be printed with the return.)

NOTE   The program does not produce Form 2210 if the return is ineligible for e-filing.

Prior-Year Tax   If a return is updated from the previous year, the program displays the prior-year tax by default in the **Fed tax** and **State tax** fields of screen **1** (Figure 5-41). To override the amount shown, enter a new amount. Based on this amount, program calculations determine whether the taxpayer should receive the underpayment penalty.

> **NOTE**   Income and payments are split equally among the four quarters. If these figures must be adjusted, enter the payment amounts on the **2210** screen. An entry on the **2210** screen overrides the equivalent entry made on the **ES** (**Estimated Taxes**) screen.

Estimated Tax Penalty

The program automatically calculates estimated tax penalty and displays the calculation on the "Estimated tax penalty" line of Form 1040. To override the system calculation, use the **Estimated tax penalty** field on screen **5**.

Earned Income Credit (EIC)

The IRS requires that certain questions be addressed on a tax return for a taxpayer to receive EIC. These questions are located in the following locations within Drake:

- **EIC Information** section of screen **2** (must be completed for each qualifying dependent)
- **8867** screen for Form 8867, Paid Preparer's EIC Checklist (must be completed for the taxpayer claiming EIC)

In addition, new **EIC Due Diligence** screens provide supplemental questions to help ensure a comprehensive interview of each taxpayer. While the IRS does not require answers to these supplemental questions, the new screens provide a means for collecting valuable supporting documentation in case of a due diligence audit.

EIC Information for Dependent

If the taxpayer has EIC with qualifying dependents, the **EIC Information** section of screen **2** *must* be completed for *each* qualifying dependent. If item **13a** is answered **No**, items **13b** and **13c** can be left blank, as shown in the example in Figure 5-42.

Figure 5-42: 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 above item 10. (See Figure 5-42.) Questions 10, 11, and 13 can be left blank if this box is selected.

EIC Preparer Checklist

IRS due diligence rules require that the preparer complete an EIC Checklist (Form 8867) for each prepared return claiming EIC. This checklist has four parts: Part I: All Taxpayers; Part II: Taxpayers With a Child; Part III: Taxpayers Without a Qualifying Child; and Part IV: Due Diligence Requirements. In Drake, Part II of this checklist is addressed in the **EIC Information** section of screen **2**. Fields for Parts I, III, and IV are located on the **8867** screen.

NOTE
The **8867** screen allows preparers to electronically track data related to IRS due diligence requirements for Form 8867, Paid Preparer's EIC Checklist. In the event of a due diligence audit, it provides an electronic record corresponding to the printed Form 8867.

Screen codes:
EIC, 8867

To complete the EIC Checklist for a return, go to the **EIC** screen, accessible from the **General** tab, and mark all required boxes.

EIC Due Diligence Screens

NEW FOR
2008
Supplemental **EIC Due Diligence** screens can help ensure that all data on the taxpayer's qualifying children, reported income, and filing status eligibility are thoroughly researched, accurate, and complete.

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.

New in 2008, Drake is providing **EIC Due Diligence** screens. You can use these screens as a tool for retaining the inquiries made of taxpayers to ensure that they meet EIC eligibility requirements. Described in Table 5-14, these screens contain interview questions and fields that must be completed (if required by selections made in Setup) regarding EIC.

Table 5-14: EIC Due Diligence Screens (New in 2008)

Screen Code	Screen Name	Description
EIC1	EIC Due Diligence - Qualifying Child	Screen contains questions pertaining to the age, relationship, and residency tests for a qualifying child.
EIC2	EIC Due Diligence - Income	Screen contains questions concerning the taxpayer's reported earned income.
EIC3	EIC Due Diligence - Head of Household	Screen contains questions pertaining to the tests for marriage, qualifying person, and cost of keeping up a home tests for Head of Household filing status.

Table 5-14: EIC Due Diligence Screens (New in 2008)

Screen Code	Screen Name	Description
EIC4	EIC Due Diligence - Additional Notes	Space to record information about additional inquiries made in verifying the taxpayer's information.

These screens are supplemental to the required **EIC Preparer Checklist** (see "EIC Preparer Checklist" on page 130). In Setup Options (**Administrative Options** tab), you can select the option to require that the screens be filled out. You can also select to view (or not view) these forms in View/Print mode. See "Options Setup" on page 23.

See Screen Help, FAQs, and online help for further information and links to IRS documents and other resources relating to EIC.

IMPORTANT   EIC due diligence requirements must be customized for each client based on the taxpayer's specific scenario. The complexity of the law surrounding EIC prevents due diligence requirements from being standardized, so a tax preparer must have a complete understanding of EIC law in order to comply with these requirements. Software can help provide guidance on fulfilling these requirements, but *it cannot replace the knowledge a preparer applies to each taxpayer's scenario*.

EIC and Combat Pay

You can override the amount of combat pay from the W-2 that is included in the EIC calculation. You can also select to include combat pay in the calculation of EIC.

Screen code: 8812   To modify how combat pay is calculated for EIC, open the return and click **Add'l Child Tax Credit/Combat Pay** under the **Credits** tab. Enter a **Combat pay** amount to override the W-2 amount. To force combat pay to be included in calculating EIC, select **Include combat pay in EIC calculation**.

NOTE   Combat pay entered on the **W2** screen, Box **12**, with a code of "Q" ("nontaxable combat pay") is automatically accounted for in the program calculation. If you enter a combat pay amount on the **8812** screen, this amount overrides the **W2** amount.

Blocking EIC Calculations

In some cases, a taxpayer might 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 one of the **EIC Blocker** fields in Drake. EIC blocker fields are located on screens **8867** and **5**.

Additional Child Tax Credit and Combat Pay

The **8812** screen contains override fields for the following items:

- Combat pay applicable to Additional Child Tax Credit and EIC
- Total earned income for Form 8812, Additional Child Tax Credit

The program automatically calculates the amount for earned income. If Form 8812 is applicable, the program makes the calculations and generates the form. Use the **Additional Child Tax Credit** field on the **8812** screen only if you need to override the calculation for total earned income. See "EIC and Combat Pay" on page 131.

Other Payments

Use the following screens to enter other payments from credits.

Table 5-15: 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
8885	Form 8885, Health Coverage Tax Credit

These amounts flow to the "Payments from:" line of Form 1040.

> **NOTE** Use the **Other payments** field on screen **5** to force an amount to flow to the "Payments from:" line of Form 1040. Be aware that no other documentation justifying the forced amount is automatically included with the return.

First-Time Homebuyer Credit

Screen code: 5405   The Housing and Economic Recovery Act of 2008 gives first-time homebuyers a temporary refundable tax credit equal to 10% of the purchase price of the home, up to $7,500. This credit is effective for homes purchased on or after April 9, 2008, and before July 1, 2009. The credit is a loan that must be repaid in equal installments over a 15-year period. It is, in essence, a 15-year, interest-free loan for most qualifying homeowners.

Use the **5405** screen, accessible from the **Credits** tab, for Form 5405, First-Time Homebuyer Credit. Enter the purchase price in **Part II, Credit**. If someone other than the spouse held an interest in the home, enter only the taxpayer's share of the purchase price. The software calculates the 10% limitation based on the purchase price.

Note that the fields on screen **5405** for the home address are overrides. Entries here will override the default address from screen **1**.

Recovery Rebate Credit

Screen code: RRC   Use the **RRC** screen, accessible from the **General** tab, to enter data for the "Recovery rebate credit" line of Form 1040. The **RRC** screen has three fields:

- Economic stimulus payment received as shown on Notice 1378
- Nontaxable veteran's disability/death benefits received in 2008
- By-pass the recovery rebate credit calculation (check box)

If a return was updated from 2007 and there was a positive estimate amount on the REBATE worksheet, this amount is shown as the **Economic stimulus payment received**. This field will be flagged for verification.

IMPORTANT   Before you verify this field, the taxpayer must confirm the exact amount received from the IRS.

If there is no entry (other than "0" or a positive amount) in the **Economic stimulus payment received** field, an EF message is generated and the return cannot be e-filed. To have the program bypass calculation of the credit, select the **By-pass** check box on the **RRC** screen.

NOTE   You can select to have the EF message displayed as a note (on the NOTES page) or to have it not displayed at all. Set up these options in **Setup > Options > Administrative Options** tab. For more on these options, see "Admin Options" on page 30.

Direct Deposit

Screen code: DD   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.

This section refers to refunds that are *not* in the form of bank products. Account information for bank products must be entered on the applicable bank screen. See "Additional Product Offerings" on page 208.

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 5-43) or an EF message is generated.

Figure 5-43: Repeat account information for RTN, account number, and type of account

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. You can enter up to three accounts.

Form 8888 Conditions

According to the IRS instructions, the following conditions *must* apply for the tax-payer to file Form 8888:

- The taxpayer cannot choose to get any part of the refund as a check.
- The account indicated for the refund deposit is a checking, savings, or other account such as an IRA, MSA, etc.
- The account is in the taxpayer's name.

Multiple accounts are not allowed if filing Form 8279, Injured Spouse Allocation.

IMPORTANT
From the IRS instructions for Form 8888: "You [the taxpayer] cannot request a deposit of your refund to an account that is not in your name (such as your tax preparer's own account)."

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, completing the **Federal selection** field to indicate whether the first account entered should be used for the federal refund (Figure 5-44). The default selection is **Yes**.
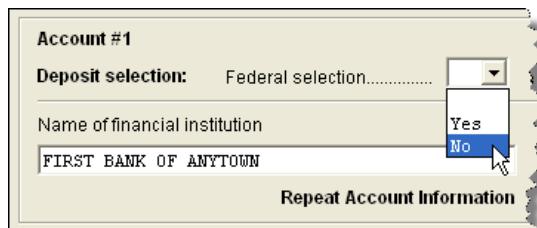
Figure 5-44: Select **No** if federal refund is *not* to go to the account listed.

To indicate that a refund should be distributed into multiple accounts, enter the por-tions for each account in the appropriate **Federal deposit amount** fields on the **DD** screen (Figure 5-45). An amount entered here overrides the calculated refund amount.

Figure 5-45: An amount entered in the **Federal deposit amount** field overrides the calculated refund amount.

NOTE
Because not all states support multi-account direct deposit, the **State deposit amount** field (Figure 5-45) is inactive by default.

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.

Figure 5-46: State/City selection drop list

Multiple State Refunds

If the taxpayer receives refunds for more than one state or city return and wants to have refunds deposited into separate accounts, indicate this on the **DD** screen by choosing a code from the **State/City selection** drop list for that account ((Figure 5-46).

To have the refunds from all eligible state returns deposited into one account, select **A** from the **State/City selection** drop list.

GA, ME Refunds

Georgia and Maine have unique requirements for direct deposit. Note the fields at the bottom of the **DD** screen if e-filing a return for one of these states.

Electronic Funds Withdrawal (Direct Debit)

Screen code: PMT

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

Program Defaults and Overrides

By default, the program indicates that the entire balance due (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 **Federal** override fields in Figure 5-47.) If the return is e-filed on or before April 15, 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 5-47) is required if the program is to direct tax authorities to electronically withdraw funds from the taxpayer's account.

Figure 5-47: Required fields on **PMT** screen: withdrawal selection (1);
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. As with
the **DD** screen, the **RTN**, **Account number**, and **Type of account** data must be
entered twice (item #2 in Figure 5-47).

Finally, the **PMT** screen must indicate the return to which the payment data applies
(item #3 in Figure 5-47). Put a check mark in the box of the applicable return type.

Withdrawal from Multiple Accounts

All states require that only one account be designated for direct debit of funds. To
have a state balance due electronically withdrawn from an account other than the
account indicated for federal, complete the fields in the **Account #2** section of the
PMT screen. (To have a balance due from another state withdrawn from a third
account, complete **Account #3**.)

NOTE   Neither the federal nor the state balance due can be paid from
            more than one account.

Direct Debit of Estimates

To indicate direct debit of estimates only, select **Estimates Only** from the **Federal
selection** drop list. By default, the estimate payment amounts and dates (see Figure 5-
47) are calculated from the information entered on the **ES** screen or in the override
fields in screen **1**. Use the fields on the **PMT** screen to override that data.

Third Party Designee

To set up a preparer as a third party designee, the preparer's PIN must first be entered in Preparer Setup. 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, go to **Setup > Options**, **Optional Items on Return** tab and make a selection from the **Third party designee** drop list. Third party designee options are shown in Table 5-16, along with descriptions of how the options affect the "Third Party Designee" section on page 2 of Form 1040.

Table 5-16: Setup Options for Third Party Designee

Selection	"Third Party Designee" Section of Form 1040
None	Blank; "No" box is marked. (This default can be overridden from the **PREP** screen; see "For a Single Return (Override)" below.)
Preparer (1-9)*	Designated preparer (for preparer numbers, see list in **Preparer Setup**); "Yes" box is marked.
Return Preparer*	Preparer who prepared the return; "Yes" box is marked.
ERO*	Preparer indicated at **Setup > Options > EF** tab as **ERO SSN Indicator**; "Yes" box is marked.

*If a preparer or ERO is selected, a PIN *must* be entered for that preparer; otherwise, no preparer 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.

Figure 5-48: Third party designee fields on **PREP** screen

For more on how to use the **PREP** screen to override preparer information, see "Overriding Other Preparer Information" on page 47.

No Third Party Designee

To 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 drop list in the **Third Party Designee** section. (See Figure 5-48.)

NOTES
If no third party designee is indicated in **Setup > Options**, the "No" box is marked on the third party designee line of Form 1040.

If **Yes** is selected on the **PREP** screen, the **PREP** screen fields override any third-party information in setup. If you select **Yes** but leave the other fields blank, the third-party section of Form 1040 will be blank.

Signing the Return

An e-filed tax return must contain electronic signatures of both the taxpayer and the Electronic Return Originator (ERO) in order to be accepted. Electronic signatures are produced using Personal Identification Numbers (PINs).

Form 8879

Form 8879, an electronic signature document used to authorize e-filing, allows taxpayers to select a PIN signature (or have the software choose a random number for them). It also authorizes the ERO to enter the taxpayers' PIN signatures authorizing electronic debit for tax payments.

NOTE
According to the IRS instructions, the signed Form 8879 does not need to be mailed to the IRS, but instead must be retained by ERO for three years. See Form 8879 instructions for more information.

Screen code: 8879   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.

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 e-mail 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 the client enter these numbers in the appropriate text box, then indicate either **Taxpayer keyed** or **Spouse keyed**. 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 software. 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, selecting **Direct Debit Consent** indicates 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
- 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 to e-file Form 2350, 9465, or 56. Enter this information in the appropriate fields on the **PIN** screen.

Special Conditions

| Power of Attorney | If the return is being signed by someone with Power of Attorney for the taxpayer, indicate this information on the **MISC** screen and enter the name of the person signing. Because Form 2848 is not e-filable, a transmittal (Form 8453) is produced with the paper document indicator marked for Form 2848. |

> **NOTE** Form 2848 itself is not printed automatically; it must be completed on the **2848** screen in order to be generated with the return.

| 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 add an explanatory statement using the **SCH** screen. (See "Unformatted Schedules" on page 160.) A statement number is indicated in the spouse's signature box of the printed return. |

Depreciation

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 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 need to use screens **6**, **7**, **8**, and **9** (4562 Parts 1 through 5c) *only* if entering a pre-prepared return with no supporting documentation.
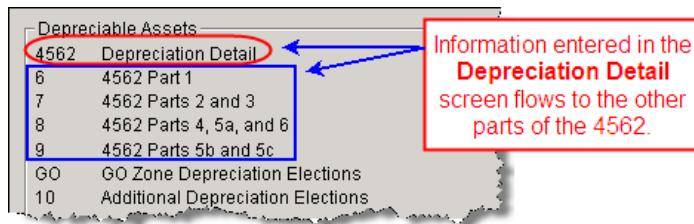
Figure 5-49: Use the **Depreciation Detail** (**4562**) screen for Form 4562.

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 the following forms:

- Schedule A
- Schedule C
- Schedule E
- Schedule F
- Form 2106
- Form 8829
- Form 4835

Depreciation data is also used for the Auto Expense Worksheets for Schedule C, Schedule E, Schedule F, and Form 4835. To create an auto worksheet, see "Auto Expenses" on page 145. To associate a depreciable asset with another screen in Drake, see "Associating One Screen with Another" on page 62.

TIP　Press CTRL+W or double-click inside the **Depreciation** field of a supporting schedule's screen (such as Schedule E) to access the associated **4562** screen.

Entering Depreciable Assets

Screen code: 4562　Use the **4562** screen, accessible from the **Income** tab, to enter depreciation data. Enter each asset on a separate **4562** screen. To open a new screen, press PAGE DOWN. To ensure the accuracy of future calculations, it is important to complete each 4562 screen correctly the first year an asset is entered.

NOTE　Grid data entry can be used for the **4562** screen. Press F3 to switch from grid data entry to full-screen mode. For more on grid data entry, see "Grid Data Entry" on page 58.

Required Fields

Required fields on the **4562** screen are described in Table 5-17.

Table 5-17: 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 62.
Description	Field supports 42 characters. Per IRS regulations, only the first 24 characters are transmitted in e-filed returns. Additional characters are displayed in red.
Date Acquired	Date the asset was placed in service.
Cost/Basis	Depreciable basis of the asset (press F1 for further details).
Method	Depreciation method.
Life	Class life; press F1 for a recovery-period listing.

> **NOTE**
> If **EXP** (section 179) is selected as the depreciation method, useful life/recovery period entered in the **Life** field is used to calculate depreciation adjustments for Form 6251, Alternative Minimum Tax. See "Section 179 Expense" on page 141 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** box under **Other Information**. 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.

> **NOTE**
> **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" on Form 4562. Depreciation limitations could apply.

Prior Depreciation

The prior depreciation amount in this field is carried from the previous year (if the information is available). Otherwise, enter this information directly.

Section 179 Expense

Drake calculates the amount up to the established current-year limit for all properties expensed under the section 179 deduction. If section 179 (**EXP**) is selected as the depreciation method on more than one **4562** screen, the program expenses the first-listed items first, regardless of which schedule lists the asset. The limitation occurs when the total of the expensed assets reaches the limited established for the current year (again regardless of schedule).

To conform with IRS mandates, Drake reports section 179 expense on the first Form 4562 generated with the return. If multiple activities have section 179 expensing, 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 §179 Expensing

Indicate section 179 expensing on the **4562** screen. In most cases, you do not need 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 tangible property under section 179, select **EXP** as the depreciation method. 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 (Figure 5-50). An amount in this field overrides system calculations.

Figure 5-50: On the **4562** screen, select **EXP** (1) to expense entire amount under §179; use the **179 Expense** fields (2) if expensing only a portion of the amount.

If the amount must be carried to a listed property, make an entry in the **Listed Prop Type** field in the top right of **4562** screen. (See "Listed Property Type" on page 141.)

NOTE
> For returns that are being prepared in Drake 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** (see Figure 5-50) field will be updated based on system calculations.

If the taxpayer expenses assets using section 179, the program produces a WK_I179L worksheet, "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 on the **4562** screen.

Asset & Department Numbers

The **Asset number** and **Department number** fields on the **4562** screen are for tracking purposes in the Fixed Asset Manager (see "Fixed Asset Manager" on page 271) and can be used in reports.

Land Cost

The **Land cost** field on the **4562** screen is for the cost/basis of the land. The 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 in the **Land cost** field and $90,000 in the asset **Cost/Basis** field 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 screen. If the home was the taxpayer's main home, select **Main home for Form 8829** (in the **Other Information** section on the left side of the **4562** screen).

Amortization

Enter amortization codes in the **Amortization Code** field on the **4562** screen under **Amortization Information**. To allow the extra $5,000 deduction in the first year of amortization, select **Elect additional first-year $5,000 deduction**.

State-specific Information

All States   Complete the applicable **State**, **Asset Type**, **ITC Code**, and **State basis (if different)** fields, ensuring that all state rules and guidelines are followed. Note that **State basis (if different)** is an override field. The default basis is the **Cost/Basis** from the top of the **4562** screen.

FL and PA   State-specific fields for FL and PA returns are located on the **4562** screen.

- **Occurrence of Schedule** field: Choose the occurrence of the state form or schedule to which the asset relates (the 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 entries, 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 2008 **Date sold** is entered, the program uses the default "02 - FL Sold."

The state-specific fields described above are new in 2008.

Placed in Service (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**.

Stopping Depreciation on an Asset

To stop depreciation on an asset that was *not sold*, enter the asset's remaining basis in the **Salvage Value** field (fourth item on the left side of the **4562** screen). The asset will be updated to next year. No additional depreciation will be taken since the accumulated depreciation equals the depreciable basis.

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 5-51.)

Group Sales   To enter group sales in Drake:

1. Open a **4562** screen for the first asset of the group sale.
2. Complete the applicable fields for the asset, including **Date sold** and **Property type** fields, and all fields under **Group Sale Information** (Figure 5-51).

Figure 5-51: Screen **4562** fields to complete for the first asset of a group sale

3. Open a **4562** screen for the next asset in the group sale.
4. Complete the applicable fields for the asset. In the **If sold** section, only the **Date sold**, **Property type**, and **Group sale number** fields are required.
5. Repeat steps 3 and 4 for all assets in the group sale.

NOTE   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** are required for *only the first asset* listed.

The sales price and the expenses will be pro-rated among the assets based on the basis of the assets and will flow to Form 4797, Sales of Assets.

Form 4797, Sales of Assets
If the **Date sold** and **Property type** fields have data, 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 "Installment Sales" on page 98.

Depreciation Elections

GO Zone Elections
The GO Zone Act of 2005 establishes tax incentives and bond provisions to rebuild hurricane-devastated local and regional economies.

The **Income** tab has two screens for entering GO Zone information:

- **GO Zone Depreciation Elections** (GO) — Use if (1) all depreciable assets listed are qualified GO Zone property, (2) taking the 50% bonus depreciation on all qualified GO Zone assets listed, or (3) both.
- **Depreciation Detail** (Screen **4562**) — Use to indicate that an asset is in the GO Zone property and, as applicable, if taking the 50% bonus depreciation.

NOTE   If most depreciable assets are GO Zone properties but some do not qualify, you can indicate that all qualify, but you must select the **Does NOT qualify** box in the **GO Zone** portion of the **4562** screen for the non-qualifying assets.

Other Depr. Elections
Use screen **10**, **Additional Depreciation Elections** to elect out of 50% bonus depreciation for some or all of the assets that were placed in service in 2008.

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.

NEW FOR 2008   The **AUTO** screen and WK_AUTO worksheet have been redesigned in 2008. New features of the **AUTO** screen are highlighted in Figure 5-52.

Figure 5-52: AUTO screen (re-designed in 2008)

New features shown above are as follows:

1. **For** menu and a multi-form code (**MFC**) box to indicate which form, and which instance of a form, the screen should be associated with.

2. Separate fields for business mileage to allow for changes in 2008 mileage rates.

3. Expense fields for interest and property tax.

4. **Prior Year(s) Mileage** fields for keeping a running total of business mileage. This allows the system to compute total business use percentage when the auto is sold.

Note also that there is no longer an option to have the system figure the mileage rate. This is now done automatically.

Applying Auto Expenses to a Form

AUTO screens can be applied to Schedule C, Schedule E, Schedule F, and Form 4835. Use a separate **AUTO** screen for each vehicle. The WK_AUTO worksheet is generated 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 62 for more on using the **For** and **Multi-form code** boxes in Drake.

Business Mileage Rates

The business mileage rate for miles driven between January 1 and June 30, 2008, is 50.5 cents per mile. The rate for miles driven on or after July 1, 2008, is 58.5 cents per mile. Enter business miles into the appropriate fields for accurate calculation of mileage rates. (Example shown in Figure 5-53.)

Figure 5-53: Separate business miles for accurate mileage-rate calculation.

The calculation is shown on the WK_AUTO worksheet generated with the return (Figure 5-54).

Figure 5-54: Example of standard mileage rate calculation

NEW FOR
2008

The "Standard Mileage Rate Calculation" and "How it is reported" sections (Figure 5-56) are new to the WK_AUTO worksheet in 2008.

Expense Fields Added in 2008

In the past, interest and property tax were entered as codes under **Other Expenses**. The Auto Expense Worksheet now has expense fields for interest and property tax, as shown in Figure 5-55. Business use percentage is automatically applied.

Figure 5-55: New expenses added to **AUTO** screen

If the standard mileage is taken, the business-use portions of the property tax and interest are figured into the standard mileage deduction, while the personal-use portion of the property tax is transferred to Schedule A, line 7. An example is shown in Figure 5-56, where business-use percentage is 68.61.

Figure 5-56: (1) Business-use portions of interest and property tax are figured into total standard mileage rate deduction; (2) personal-use portion of property tax flows to Schedule A.

If expenses are taken, the business-use and personal-use portions are figured as explained previously, but the total expenses, rather than the standard deduction, are used for the auto expense. The amount of personal property tax carried to Schedule A is not affected, as shown in Figure 5-57.

Figure 5-57: Taking expenses does not affect the amount of personal property tax that flows to the Schedule A. (See Figure 5-56 for comparison.)

Prior Year(s) Mileage

The **Prior Year(s) Mileage** field (Figure 5-58) 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.

Figure 5-58: New in 2008: **Prior Year(s) Mileage** fields

Prior-year mileage data is updated each year when you update your system. Because this feature is new in 2008, this information must first be entered manually.

NOTE   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

The **8829** screen can be applied to Schedule C, Schedule F, Form 2016, 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 (the default is "1"). (See "Associating One Screen with Another" on page 62.)

Special Conditions: Form 2106   The multi-form code information must be modified slightly in the case that the **8829** screen is being associated with a Form 2106 (Employee Business Expenses) and the spouse has a 2106 form. The program numbers all *taxpayer* 2106 forms before numbering the *spouse* 2106 forms, as shown in Table 5-18.

Table 5-18: 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

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 5-19:

Table 5-19: Screen **4562** Fields to Complete for First-Year 8829

Screen 4562	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 62.)
Description	Enter a description of the asset.
Date Acquired	Enter the date the home was placed in service.
Cost/Basis	Enter the smaller amount—the cost of 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%.
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.

Net Operating Losses

This section explains where carrybacks and carryforwards of net operating losses (NOLs) can be entered in Drake.

Carrybacks from Future Years

Screen code: 3   Enter NOL carryback amounts from future years on screen **3** in the **NOL carryback** field (Figure 5-59). This field can also be used to amend the current-year amount or to adjust carryback amounts calculated from the **LOSS** screen.

Figure 5-59: NOL carryback field on screen **3**

An amount entered here flows to the "Other income" line of Form 1040.

Carryforwards from Prior Years

Screen code:
LOSS

Use the **LOSS** screen to enter NOL carryforward amounts from prior years. Enter amounts for each year using the three columns shown in Figure 5-60.

Figure 5-60: LOSS screen columns for NOL carryback/carryforward

NOTES

Never add a **LOSS** screen for a current-year NOL. The program carries forward any current-year NOL and displays the carryforward on the WK_CARRY worksheet. The results of your data entry are reflected on the WK_NOL worksheet.

To have the program calculate whether there is a NOL for the current year, go to the **NOL** screen and select **Calculate 1045 page 2 ONLY**. (See "NOL Carryovers on Form 1045," following.)

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** screen, accessible from the **Other** tab, to enter amounts for these schedules into Drake.

NOTES

Note that the Schedule A fields are override fields. Entries override system calculations for Schedule A.

To calculate only page 2 of Form 1045, select **Calculate 1045 page 2 ONLY** at the top of the **NOL** screen.

NOL Carry-forward Only
To indicate that the taxpayer elects to carry a NOL forward and not back, go to the **NOL** screen and select **Election to carry forward ONLY**. When the return is generated, it includes an EF_NOTE stating that the taxpayer is electing under Section 172 (b) (3) to relinquish the entire carryback period.

Figuring AMT NOL
Use the **NOL** screen to enter data for figuring Alternative Minimum Tax NOL. When the return is generated, the AMT_NOL worksheet shows the current year AMT NOL.

Election Options

The **ELEC** screen has check boxes to indicate "elections" from the IRS code. If any boxes on this screen are marked, a note listing the elections is generated with the return. To attach an additional statement detailing an election, go to the **SCH** screen and select **E** (**Election Explanation**) for the type of schedule. Both the list of elections and any designated election explanations are visible as ELECTION pages in the View/Print mode directory tree.

For more on unformatted schedules, see "Unformatted Schedules" on page 160.

Special Returns

This section explains how to complete the following return types in Drake:

- 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 709, United States Gift (and Generation-Skipping Transfer) Tax Return

NOTE   Amended returns cannot be e-filed. An electronic signature is required for all other returns and applications for extensions. See "Signing the Return" on page 138 for more on electronic signatures.

Amended Returns

To create an amended return in Drake:

1. Open the return to be amended.

Screen code: X   **2.** From the **Other** tab, click **1040X Amended Return**.

3. To have the program fill 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 **1040X** screen.

The **1040X** screen contains fields for the following types of information:

- Change in name/address
- Change in filing status
- Change in amounts on original return (override fields; filled automatically if you selected to autofill data o the **1040X** screen.)
- Change in number of exemptions
- Addition of children not reported on original return
- Explanation of changes to income, deductions, and credits
- Change in donation to Presidential Election Campaign Fund

Any additional changes in income will be incorporated into the amended return.

Attach a copy of the original return to the printed 1040X before mailing the amended return to the IRS.

NEW FOR
2008

The original 1040 can be viewed and printed from View/Print mode, even if it has been amended. See "Archive Manager" on page 174.

Extensions

To apply for an extension using Drake:

1. Open the return for which an extension application is being filed.

Screen code: EXT

2. From the **Other** tab, click **Extension Forms**.

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 5-20.

Table 5-20: Extension Forms Screen Selections for Forms 4868 and 2350

Code	Description
X	Produces Form 4868 or Form 2350, whichever is selected.
E	Produces Form 4868 and indicates the amount of payment being sent.
A	Produces Form 2350. Firm information (rather than taxpayer information) is printed on the return label.
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. Fill in all applicable information.

For further instructions, click the **Screen Help** button in the title bar of the screen.

E-filing an　　If e-filing an extension application, complete the **EXT** screen, then select the applica-
Extension　　ble form number on the **EF** screen (accessible from the **General** tab). For more infor-
　　　　　　　　mation on the EF screen, see "EF Override Options in Data Entry" on page 186.

Non-Resident Alien Returns

Screen code: NR　　Use the **NR** screen, accessible from the **Taxes** tab, to enter data for Form 1040NR,
　　　　　　　　U.S. Nonresident Alien Income Tax Return. The 1040NR in Drake consists of three
　　　　　　　　screens. Press PAGE UP or PAGE DOWN to move from screen to screen.

> **NOTE**　　Data from Form 1042-S, Foreign Person's U.S. Source Income
> Subject to Withholding, should be entered on either the **2555**
> screen, the **NR** screen, or in the **Other income** field on screen **3**.

Gift Tax Returns

Screen code: 709　　Form 709, U.S. Gift (and Generation-Skipping Transfer) Tax Return, consists of sev-
　　　　　　　　eral parts and schedules, all located on the **709** menu, accessible from the **Taxes** tab.
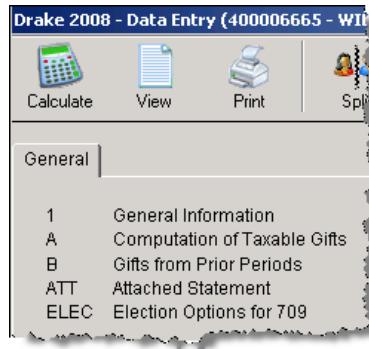
Figure 5-61: Menu for Form 709, Gift Tax

From the menu (shown under the 709 **General** tab), click an item to open it, or type its
code into the selector field and press ENTER.

Pricing for　　To set up pricing for Form 709, go to the **Home** window and select **Setup > Pricing**.
Form 709　　By default, the pricing list is of 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.

Attached　　If Form 709 requires an attachment (for example, if an election option requires the
Statements　　amounts in question to be identified), use the **ATT** screen on the **709** menu.

709 Election　　The **ELEC** screen (**Election Options for 709**) provides a series of check boxes for
Options　　electing certain optional ways of treating some income and exclusion amounts.

Extension　　If a six-month extension is being requested for a 1040 and a 709 return, no separate
Request for　　extension request is required. Form 4868 covers extension requests for both returns.
Form 709　　For more information, see "Extensions" on page 153.

If an extension is needed for Form 709 *only*, then Form 8892, Application for Automatic Extension of Time To File Form 709 and/or Payment of Gift/Generation-Skipping Transfer Tax, must be completed. This form cannot be e-filed and is not available in Drake but can be accessed from the IRS Web site. See Form 8892 instructions for further details on submitting a 709 extension request to the IRS.

Requests, Claims, and Other Forms

The screens described in this section are all available from the **Other** tab of the **Data Entry Menu** or by typing the screen code into the selector field and pressing ENTER. Most forms listed here are e-filable unless otherwise specified, and most can be obtained in Drake from **Tools > Blank Forms**.

NEW FOR
2008

Screen **9022** (for Form TD 90-22.1, Report of Foreign Bank and Financial Accounts) has been redesigned in 2008, per IRS revisions.

Applications and Requests

Additional screens for application and request forms are listed in Table 5-21.

Table 5-21: Application and Request Forms Available from **Other** Tab in Drake

Screen	Form	Notes
970	Form 970, Application to Use LIFO Inventory Method	
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 150 for more on the **NOL** screen.
4506	Form 4506, Request for Copy of Tax Return	To request a transcript of a tax return, use Form 4506-T (available in Drake at **Tools > Blank Forms**) or call (800) 829-1040.
8857	Form 8857, Request for Innocent Spouse Relief	If Question 3 on this screen is answered "Yes," do not file Form 8857. File Form 8379 instead.
9465	Form 9465, Installment Agreement Request	Form 9465 is e-filable if the taxpayer uses direct debit to pay. Otherwise, this form must be paper-filed. If e-filing, a PIN is required; indicate Form 9465 and enter prior-year AGI on the **PIN** screen.
W7	Form W-7, Application for IRS Individual Taxpayer Identification Number (ITIN)	This form is not e-filable.

Statements and Claims

Additional screens for statement and claim forms are listed in Table 5-22.

Table 5-22: Statement and Claim Forms Available from **Other** Tab in Drake

Screen	Form	Notes
EFPD	Form 2120, Multiple Support Declaration Form 8332, Release of Claim to Exemption for Child of Divorced or Separated Parents	This screen can also be accessed by typing `2120` or `8332` into the selector field and pressing ENTER.
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.
2848	Form 2848, Power of Attorney and Declaration of Representative	This form is not e-filable.
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	
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	

NOTE — To indicate that a client is claiming tax forgiveness for death in a combat zone or as a result of a terrorist or military action, go to the **MISC** screen and select the applicable code in the **Combat Zone** section of the screen. Press F1 in the field for more information.

Other Forms

Screens for other forms available under the **Other** tab are listed in Table 5-23.

Table 5-23: Other Forms Available from **Other** Tab in Drake

Screen	Form	Notes
W4	Form W-4, Employee's Withholding Allowance Certificate	
56	Form 56, Notice Concerning Fiduciary Relationship	PIN and prior-year AGI required; enter this data, 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.
8828	Form 8828, Recapture of Federal Mortgage Subsidy	

Table 5-23: Other Forms Available from **Other** Tab in Drake

Screen	Form	Notes
8866	Form 8866, Interest Computation Under the Look-Back Method ...	
9022	Form 90-22.1, Report of Foreign Accounts	The IRS redesigned this form in 2008. See "Report of Foreign Accounts," following, for details, and how the **9022** screen has been revised.

Report of Foreign Accounts

Prior to 2008, Form 90-22.1, Report of Foreign Accounts, was a two-page form. In 2008, the IRS revised this form; it is now five pages. Drake has revised and re-organized the **9022** screen to reflect these changes. The screen is now divided into four sections:

- Section 1, "Filer Information" — Complete this section once for each filer reporting a foreign account. Use a separate **9022** screen for each account. If necessary, select either **T** (Taxpayer) or **S** (Spouse) at the top of the screen to indicate which filer should report the account (default is **T**). Once a filer's information has been entered on a **9022** screen, this section can be left blank in subsequent **9022** screens for that filer.
- Section 2, "For Parts II, III, IV, V" — This section must be filled out for each **9022** screen used. Choose one of the boxes at the top of this section to indicate the nature of the account. Options are shown in Figure 5-62.

Figure 5-62: Select one box to indicate the nature of the account

- Section 3, "For Part III only" — This section must be completed only if **Owned Jointly (III)** was selected. (See Figure 5-62.)
- Section 4, "For Part IV, V only" — This section must be completed only if item **IV** or **V** was selected. (See Figure 5-62.)

The program prints only those pages of the form that are applicable. For example, if **Owned Jointly (III)** is selected, only pages 1 and 3 of the form are printed, since page 2 covers only accounts that are owned separately (selection II in Figure 5-62), and page 3 covers only jointly owned accounts. (Page 1 contains taxpayer data.).

NOTE   Section 4 applies to either "signature but no financial interest" (IV) or "consolidated report" (V). If **IV** is selected (Figure 5-62) and a **First name** is entered on line 36, the nine-digit **Account owner ID number** from line 35 will be printed as an SSN. If if **V** is selected, or if **IV** is selected and line 36 is blank, the **Account owner ID number** will be printed as an EIN.

Special Features in Data Entry

Drake data entry includes various special features to help tax preparers compare and review information more effectively, include all needed details on a return, and track a return's progress. Most screens described in this section are accessible from the **Other** tab, or by typing the screen code into the selector field and pressing ENTER.

Comparing Data

In Drake, 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.

Cross-checking Drake Calculations

The **Checking Information** screen allows you to cross-check Drake calculations with amounts from a previously prepared return. Any discrepancies between the Drake return and the previously prepared return are shown via an EF message.

To compare a Drake return with a previously prepared return:

Screen code: CHK

1. Open the return to be compared, and go to the **CHK** screen.
2. Enter the information from the previously prepared return regarding income, taxes, credits, deductions, banking, etc.
3. Exit the **CHK** screen and calculate the return.
4. In View/Print mode, view the EF MESSAGES page.

As displayed in Figure 5-63, an EF message shows where discrepancies occurred.

ELECTRONIC FILING MESSAGES

MUST be corrected before electronic filing is allowed.

Name(s)	Your social security number
TEST O MAPLE	400-00-1005

5152 Info on CHK screen : WAGES   - did not match the return.

5162 Info on CHK screen : TAX   - did not match the return.
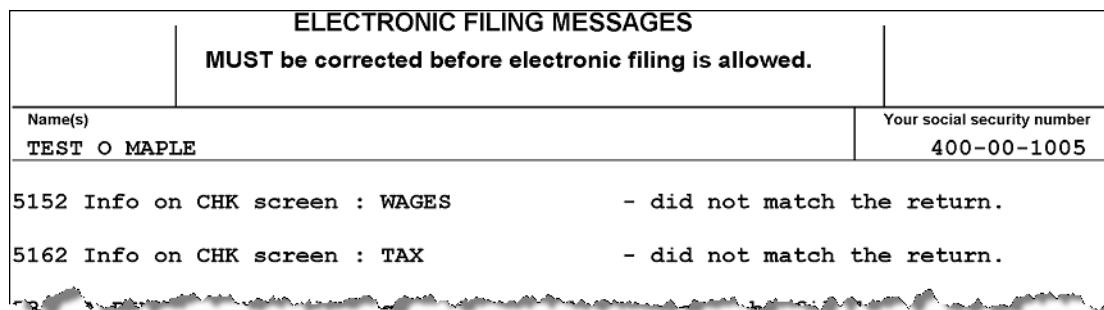
Figure 5-63: EF message showing that **CHK** screen amounts do not match those in Drake

NOTE   If pre-prepared data entry was used, this screen already contains data.

Comparing Tax Returns

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 2006, and one for 2007.

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 COMPARE worksheet displays the data comparisons.

NEW FOR
2008

The **COMP** screen has several new fields and a more user-friendly layout. New fields must be completed manually for the two prior years in order to get a complete and accurate comparison.

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," "Flyer," "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 flyer, etc.

NEW FOR
2008

Screen **1** now has five fields for miscellaneous codes. You can now create drop lists for a miscellaneous code fields; see "Customized Drop Lists" on page 31.

Notes about the Return

Screen code:
NOTE

Use the **NOTE** screen to ensure that specific reminders (in the forms of notes and EF messages) appear for specific returns. By default, all notes from the **NOTE** screen are printed on the NOTES page generated with the return.

Entering a Note

To include a note with a return, go to the **NOTE** screen and enter all relevant information in the fields provided. The screen includes fields for names, dates, and any screen or form to which the note refers (Figure 5-64).

Figure 5-64: NOTE screen fields

The maximum number of characters for the **Note** field is 120. Up to four notes can be entered on a single **NOTE** screen. For additional screens, press PAGE DOWN.

NOTE
In the **Date Completed** field, enter the date that the note should be discontinued.

Delaying E-filing

In Drake, the presence of an EF message (red MESSAGE page) prevents a return from being e-filed. A return cannot be e-filed until all EF messages are eliminated.

The **NOTE** screen can be used to delay the e-filing of a prepared return, even if it is otherwise eligible for e-filing. To have a note delay e-filing, select **Hold EF** (see Figure 5-64) 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.

NOTE
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**.

Notes to be Updated

Notes in the top section of the **NOTE** screen apply for the current year only. To have notes included in subsequent updates, use the **Miscellaneous Notes** box below it.

Preparer Notepad

Screen code: PAD

The **Preparer Notepad** (**PAD**) screen, accessible from the **General** tab, 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.

You can also access the **PAD** screen by pressing CTRL+SHIFT+N, or by right-clicking anywhere on a screen and selecting **Preparer Notepad**. Press PAGE DOWN for additional **PAD** screens.

Unformatted Schedules

Screen code: SCH

The **SCH** screen is a tool for adding statements and explanations not supported elsewhere in the return. Some (not all) unformatted schedules can be e-filed. An unformatted schedule can also be saved as an in-house note for taxpayer and preparer records only. **SCH** amounts do not flow to any other form or schedule.

NOTE
Create as many unformatted schedules as needed; however, unless the software specifically directs you to use the **SCH** screen for a statement, the statement will not be eligible for e-filing.

Types of Attachments

If the **Type of attachment** field of any **SCH** screen is blank, the text is attached to the return as a statement. **Type of attachment** options are shown in Table 5-24.

Table 5-24: Attachment Types and How They Appear in View/Print 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	REG_NOTE
(blank)	Statement to be added to the return	STATMENT

Title

A title is required for each unformatted statement to be attached to the return.

Statement Number

Each statement should be assigned a unique statement number. Be aware that some statements might be generated automatically and that the program might have already assigned a number to a statement. Verify this by viewing the calculated return and checking for statements.

If a required statement has not been created yet, the required statement number is displayed on the applicable line of the form in View mode (Figure 5-65).
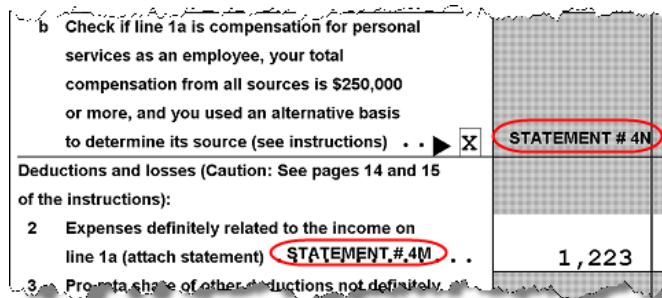
Figure 5-65: Statement indications on Form 1116, Foreign Tax Credit

Once the statement is created, the program assigns it a number in ascending order, as shown in Figure 5-66.
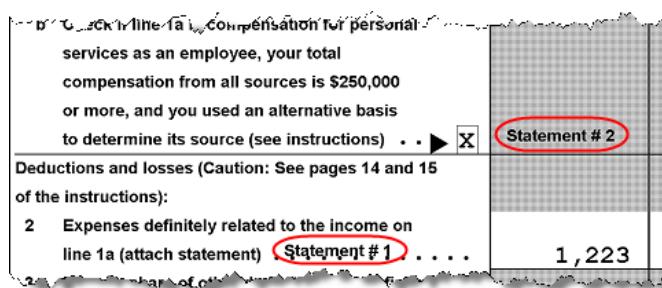
Figure 5-66: Statement indications on Form 1116, Foreign Tax Credit

In-house Note   To indicate that an **SCH** screen should be an in-house note and not sent to the IRS, select **In-house Note** at the bottom of the **SCH** screen.

Return Tracking

Screen code: TRAC   Use the **Return Tracking** (**TRAC**) screen to track the data shown in Figure 5-25:

Table 5-25: TRAC Screen Information

Type of Information	Description
Fee and Payments	Amounts are updated from prior year.
Return preparation, from first meeting to client pickup to date complete	Used in timed billing (optional feature)
Current-year bank product data	Number and amount of check are completed automatically; preparer must enter the date the check is picked up.
Prior-year bank product data (New in 2008)	Dates and amounts are retained from prior year
Software stats for the return (ADMIN ONLY)	These fields are completed automatically.
EF transmission data (ADMIN ONLY)	These fields are completed automatically.
Bank codes (ADMIN ONLY)	These fields are completed automatically.

Note that some **TRAC** screen fields are autofilled with data from elsewhere, while other fields require direct entries. Note also that some fields are Admin-only and are not visible unless the user is logged in as Admin (or is a preparer with Admin rights). Administrators should not provide the Admin password to employees unless they are approved to access these fields.

> **NOTE**   Some data from the **TRAC** screen can be incorporated into Report Manager and Client Status Manager (CSM) reports.

Sales Tax Worksheet

Screen code: STAX   The software uses data entered into the **State & Local General Sales Tax Deduction Worksheet** (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 software, 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 the **STAX** screen is available by clicking F1 in the individual fields.

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
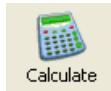
To calculate a return from data entry, open a return and click **Calculate**. By default, results are displayed in the **Calculation Results** window. (See Figure 6-2 on page 164.)

You can also calculate one or more returns from the **Home** window without having to open data entry. To calculate returns from the **Home** window:

1. Click **Calculate**. The **Batch Calculation** dialog box (Figure 6-1) displays up to the last nine returns calculated. Each return is indicated by a function ("F") key.
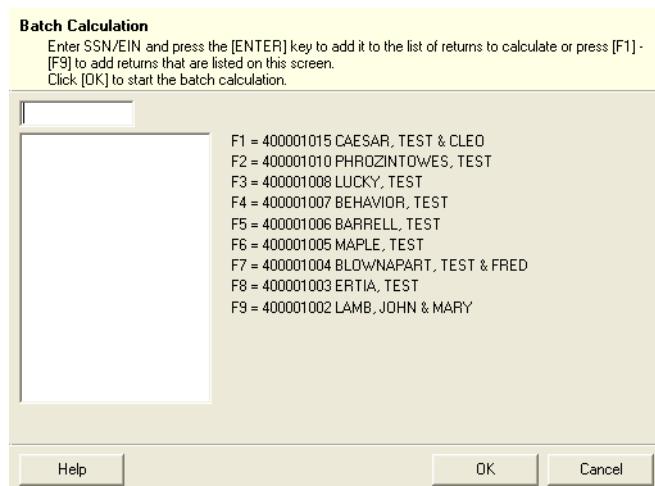
Figure 6-1: Batch Calculation dialog box

2. Using one of the following methods, indicate the returns to calculate:

- Press the function key of a return to calculate. The return's identification number (SSN/EIN) appears in the field to the left of the list.
- Type the SSN/EIN of a return into the top field and press ENTER.

3. Repeat the previous step until all returns are indicated.

4. Click **OK**. The program calculates the returns.

By default, results are shown in the **Calculation Results** window. (See Figure 6-2.)

NOTE   This method can also be used to calculate a single tax return without opening it.

Calculation Results

When you calculate the results of a return from data entry, the **Calculation Results** window is displayed by default. The **Calculation Results** window consists of a **Summary** tab and a **Details** tab. (See Figure 6-2.)

Calculation Summary

The **Summary** tab, shown in Figure 6-2, has four main sections: the calculation summary; **EF Messages**; **Return Notes**; and **Fee Type** and **Amount**. Also displayed are the DCN and the specific return results (such as refund and balance due).
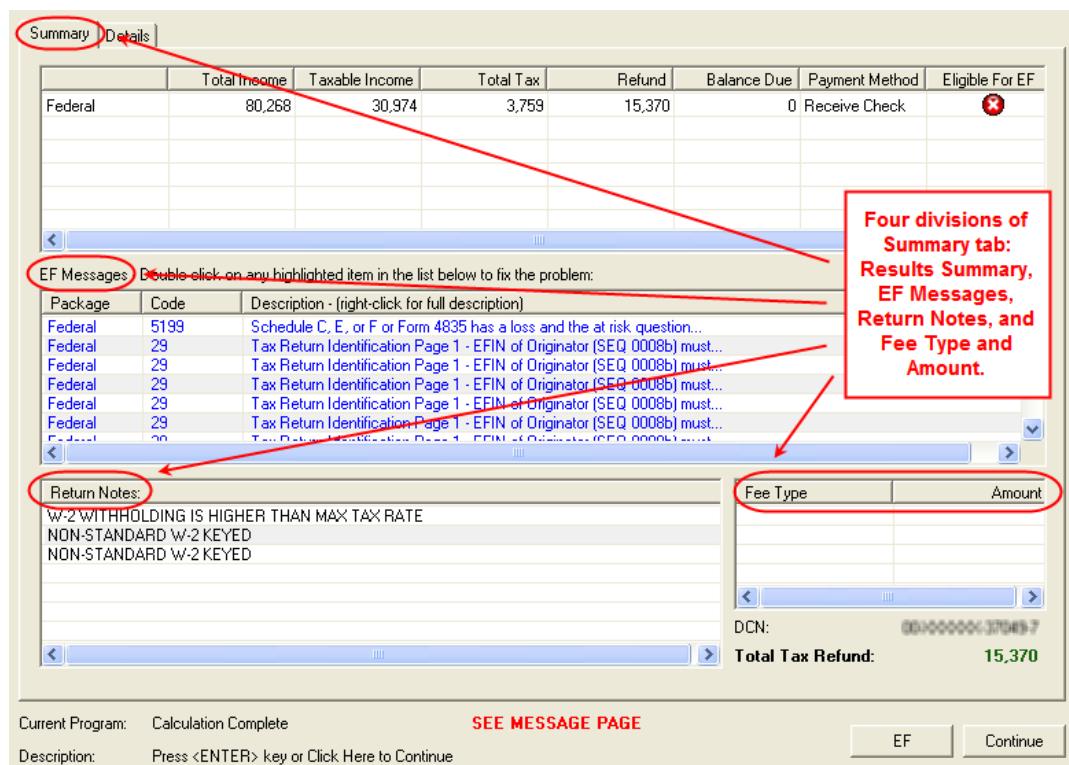
Figure 6-2: Calculation Results window

The **Summary** shows total income, taxable income, total tax, refund amount, balance due, payment method, and e-filing eligibility. If the return is eligible for e-filing, a green check mark is displayed. If a portion of the return is ineligible for e-filing, a red **X** is displayed and a message appears in **EF Messages** (Figure 6-3).

Figure 6-3: Return in this example is ineligible for e-filing.

EF Messages

The **EF Messages** section lists e-filing message codes and descriptions by package. EF messages pinpoint the reason a return is ineligible for e-filing. Identified issues must be corrected for a return to be eligible for e-filing.

- **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 adjustment is activated.

NOTE
If you double-click an EF message in black text, a window with the full EF message is displayed. Only blue-text messages link to screens within the return.

EF messages appear as red **MESSAGES** in View/Print mode. For more information on viewing and eliminating EF messages, see "E-filing a Return" on page 179.

Return Notes

The **Return Notes** section (see Figure 6-2) displays informational notes about the return. Return notes provide details about the return, but they do not require that changes be made, and they do not prevent e-filing. Return notes appear as **NOTES** in View/Print mode.

Fee Type, Amount

The **Fee Type** and **Amount** columns (see Figure 6-2) list the preparer, e-filing, and bank-fee amounts charged. (To have the fee type and amount displayed here, the option must be selected from **Setup > Options > Calculation & View/Print**. Fee breakdowns appear on the **BILL** page in View/Print mode.

Calculation Details

The **Details** tab displays return amounts in an easy-to-read format (Figure 6-4).

Figure 6-4: Calculation Details tab

Click **Print** (at the bottom of the **Details** window) to print the details displayed.

Viewing and Printing a Return

View or print a return from either the **Home** window (without opening a return), or from within a return.

To view or print a return from Data Entry mode, click **View** or **Print**. If results are first displayed in **Calculation Results**, click **Continue** to proceed.

To view or print one or more returns from the **Home** window:

Shortcut: Press Ctrl+V or Ctrl+P.

1. Click the **View** or **Print** icon, or select **File > View** (or **File > Print**) from the menu bar. The **Return Selector** lists all recently calculated returns available for viewing or printing.
2. Select one or more returns by clicking the box next to each return.
3. Click **View** (or **Print**).

NOTE   Depending on your setup options, **Calculation Results** could be opened at this point; click **Continue** to proceed. To change this option, go to **Setup > Options**, **Calculation and View/Print** and select or clear **Pause option for calculation**.

Enhanced View/Print Mode

NEW FOR
2008   Enhanced mode allows viewing and printing from the same window and makes it easier to see how the printed return will look.

Enhanced View/Print is now the default view/print mode in Drake. It consists of five main components, described below and labeled in Figure 6-5:

1. A *toolbar* includes many of the options that Drake clients are accustomed to see-
    ing in View/Print mode; click an icon to activate it. (See item #1 in Figure 6-5.)

2. A *viewing tool* allows zooming and scrolling. (See item #2 in Figure 6-5.)

3. *Category tabs* group documents within a return; select a tab to view all documents
    within the category on the tab. (See item #3 in Figure 6-5.)

4. A *tree view* showing all documents in a return can be expanded or collapsed. (See
    item #4 in Figure 6-5.)

5. A *viewing panel* displays the selected document. (See item #5 in Figure 6-5.)
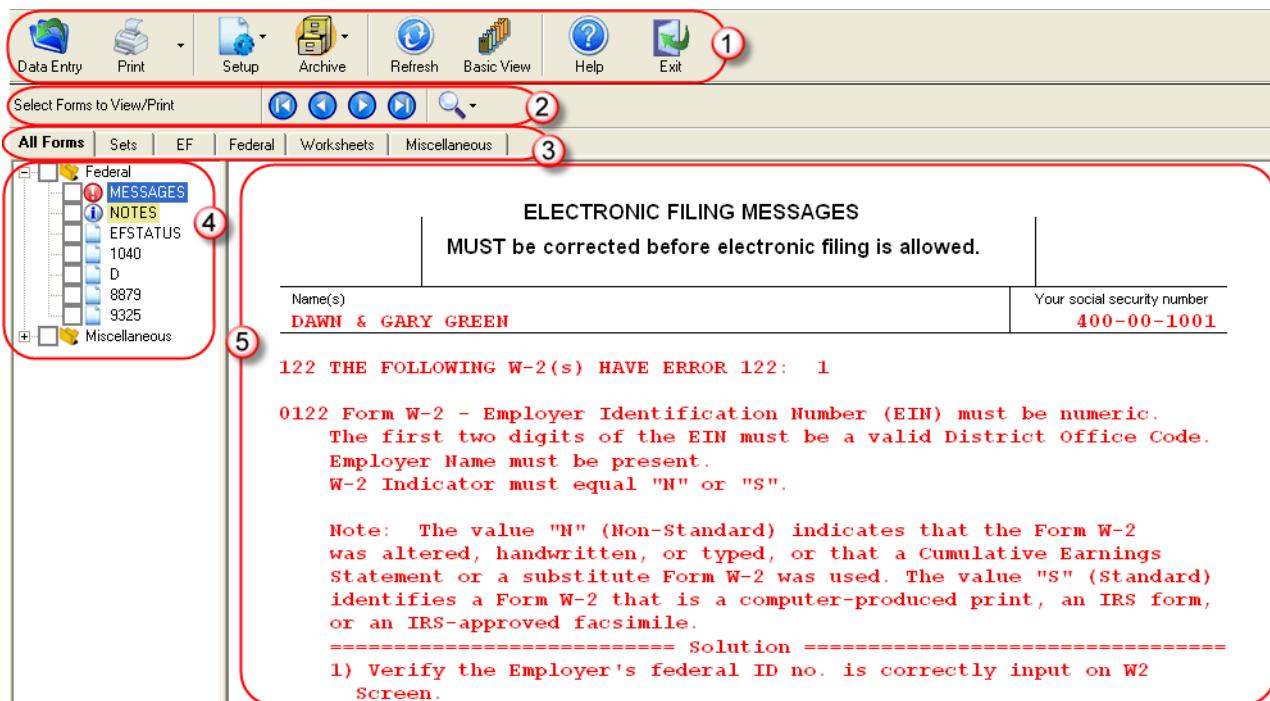
Figure 6-5: New in 2008: Enhanced View

These five components are described in the following sections.

NOTE   "Basic" mode (the View and Print screens used prior to 2008) is
        available for those who prefer it; see Table 6-1.

Toolbar   The View/Print toolbar has several features from years past, but it also has some new
               features. Buttons are described in Table 6-1.

Table 6-1: Enhanced View/Print Toolbar

Button	Description	New in 2008?
Data Entry	Leave View/Print mode and return to Data Entry mode	No

Table 6-1: Enhanced View/Print Toolbar

Button	Description	New in 2008?
Print	Send document to the printer; print sets; print selected forms, "quick print" form currently in view.	No (previously available in Print mode only)
Setup	Set up form properties, color, and order. Access other setup options available in the program	Yes
Archive	Access archiving features, including the Drake Document Manager (DDM)	Yes (Previously, DDM was the only archive resource.)
Refresh	Update the viewed return to reflect any changes made by another preparer working in the open return.	Yes
Basic View	Switch to the cascade view from prior years	Yes
8615 Export	Export parent information into child's Form 8615 ("Kiddie Tax"); this button is visible only for Individual (1040) returns with qualifying dependents. (See "Exporting Data for Kiddie Tax" on page 123.)	Yes
K1 Export	Open the K-1 Export tool. This button is visible only for certain business returns.	No
Help	Access Drake online help	No
Exit	Exit View/Print mode	No

Viewing Tool   Use the arrows and Zoom icon (Figure 6-6) when viewing in Enhanced View/Print.

Figure 6-6: Click arrows to move through the return;
click Zoom icon to zoom in or out.

When you click a form name, the form appears in the pane on the right side of the window. Choose which forms you wish to print from the list by putting a check mark in the box to the left of the form name.

Category Tabs   Labeled tabs allow you to view sections of the return according to selected categories. For example, if you click the **EF** tab, only the documents directly related to e-filing are displayed in the tree view.
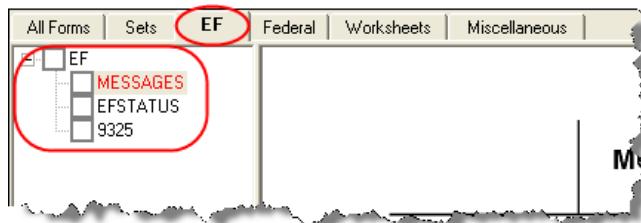
Figure 6-7: If the **EF** tab is selected, only the EF-specific documents are shown in tree view

Category tabs and descriptions are provided in Table 6-2.

Table 6-2: Category Tabs and Descriptions

Tab	Items Shown in Tree View
All Forms	Every form generated during production of the return.
Set	Forms as distributed into the printer sets selected in Printer Setup.
EF	All forms needed for e-filing, in addition to any EF message pages.
Federal	All forms needed for filing the federal tax return.
Worksheets	All worksheets produced while completing the return.
Miscellaneous	Various items such as W-2 forms, letters, overflow statements, depreciation lists, bill summary, direct deposit summary, notes, etc.
State	All forms needed for filing the state tax return.

Tree View Directory   A tree view directory of all forms, worksheets, and other documents in a return allows you to view, at a glance, the components of a return. Expand or collapse the tree as necessary for your viewing needs.

Viewing Panel   The preview pane provides a preview of a selected document within the return. To preview a document, click the document name in the tree view.

Viewing in Enhanced View/Print

To view a document in Enhanced View/Print mode:

1. Open Enhanced View/Print for a return. The **All Forms** tab is shown by default.

2. Expand the tree view as needed and click the name of a form to view.

NOTE   To view a form, click the form name; do not select the box next to the form. This is a printing function and is described in "Printing from Enhanced View/Print," following.

Quick Print   To print the form currently in view, press CTRL+Q or select **Print > Quick Print**.

Printing from Enhanced View/Print

You can print selected forms, selected sets of forms, or individual forms in a return.

**Printing
Forms in a
Return**

To print tax return forms and other documents from Enhanced View/Print:

1. Open Enhanced View/Print for a return. The **All Forms** tab is shown by default.

2. Collapse or expand the tree view as needed, then select the forms to be printed. 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.

*Shortcut: Press
CTRL+P for the
Print Selection
option.*

3. Click **Print** to open the **Print Selection** dialog box. (If you click the arrow next to the **Print** icon, select **Print Selected Forms**.)

4. (optional) Select any printing options shown in the **Print** dialog box.

5. Click **Print** again. All of the selected items are printed.

**Printing
Printer Sets**

Default printer sets are established in Printer Setup, but you can override the defaults from enhanced View/Print mode.

To print specific sets of a return from Enhanced View/Print mode:

1. Open **View/Print** mode for the return. The **All Forms** tab is displayed by default.

2. Select the **Sets** tab. All applicable sets in the return are displayed in the tree view (Figure 6-8).
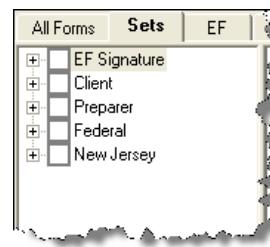
Figure 6-8: Example of a return that has five applicable printer sets

3. Select the sets to print.

4. Click **Print** to open the **Print Selection** dialog box. (If you click the arrow next to the **Print** icon, select **Print Selected Forms**.)

5. (optional) Select any printing options shown in the **Print** dialog box.

6. Click **Print** again. All of the selected items are printed.

**Quick-
Printing a
Single Form**

Enhanced mode allows you to print whatever document is currently in view. Printing a single form in this manner is referred to as *quick printing*.

To quick-print a single form from enhanced mode:

1. Open **View/Print** mode for a return. The **All Forms** tab is shown by default.

2. Click a form or document name to display it in the viewer pane. In the example in Figure 6-9, the 1040 form is selected for viewing.
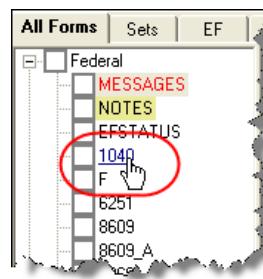
Figure 6-9: Click the form to view.

Shortcut: Click CTRL+Q to print the form in view.

3. Click the arrow next to the **Print** icon, then click the **Quick Print** selection.
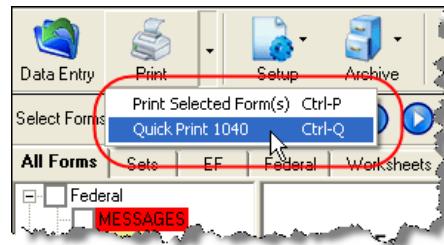
Figure 6-10: Click the arrow next to the **Print** icon to see print options.

4. (optional) Select any printing options shown in the **Print** dialog box.

5. Click **Print** again.

Setting Up View/Print Options

Set up options for form properties, colors, and printing order. You can also access other utilities within Drake using the **Setup** feature.

NEW FOR
2008

Although the print/view setup feature is new in 2008, it incorporates several features that have been part of the program in prior years.

Setting Form Properties

The **Form Properties** setup function is not new to Drake; it was previously available as the **F9-Prop** button in Basic mode. To access this feature in Enhanced mode, click the document whose property setup you want to view, then select **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 View/Print mode. Drake default colors for these three items, as shown in Figure 6-11, are black, white, and red, respectively.
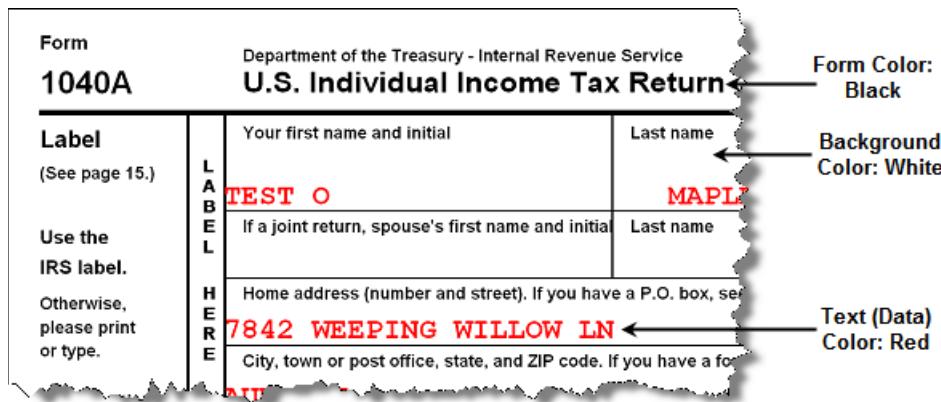
Figure 6-11: Customizable colors in Enhanced View/Print mode

To change colors in Enhanced mode, select **Setup > Form Colors**. In the **View Mode Color Selection** dialog box, click a color. After selecting a basic or custom color from the color palette, click **OK**. To revert to the Drake default colors, click **Reset** in the **View Mode Color Selection** dialog box.

Basic Mode

Because Basic Mode uses the multi-color cascade of forms, it offers more opportunity for color configuration. In addition to changing the form, background, and text (data) colors, you can customize the following items in Basic mode:

- View Mode (View mode only)
- Print Mode (Print mode only)
- EF message page
- Notes page

To change the colors shown in the cascade of forms in Basic View/Print modes:

1. Go to Basic View or Basic Print mode of a return.

2. Select **Setup > Color Configuration**. The **View/Print Mode Color Configuration** dialog box displays the default colors for Basic View/Print.

3. 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.

4. Click **OK**. The corresponding color box is re-colored.

To restore the default color palette, click **Restore Colors** in the **View/Print Mode Color Configuration** dialog box.

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

New in 2008, you can change the order in which the documents of a return are printed. To change the document printing order for a return:

1. In Enhanced View/Print mode, elect **Setup > Form Order** to open the **Sort Form Order** dialog box (Figure 6-12).
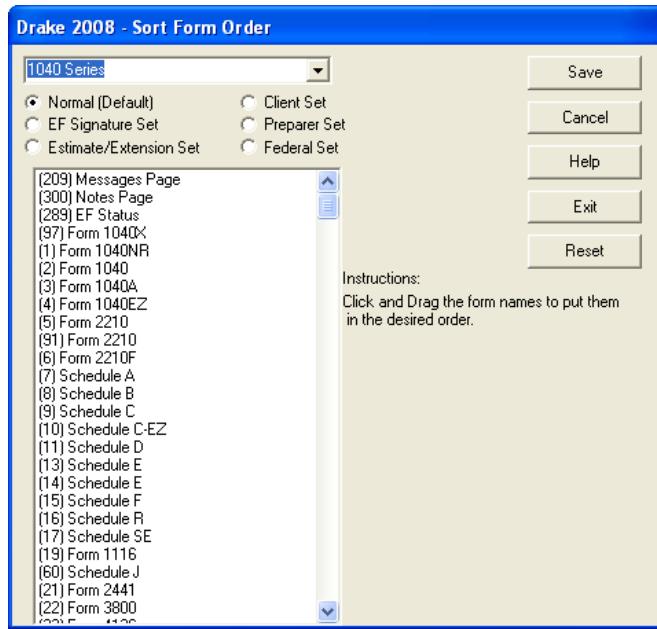
Figure 6-12: Sort Form Order dialog box

2. Select the printing set to which to apply the order changes. (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.

Setting Up Drag/Drop Ordering

New in 2008, drag-and-drop ordering is available in Enhanced View/Print 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 mouse button on the form to be moved, then move the mouse up or down. To drop the form into the new location, release the mouse button. To activate drag-and-drop ordering, select **Setup > Allow Drag/Drop Ordering** while in Enhanced mode.

Other Setup Options

The following programs and setup options are also available in View/Print mode:

- Drake Document Manager
- Pricing setup (See "Pricing Setup" on page 32.)

- Printing setup (See "Printing Setup" on page 40.)
- Printing sets setup (See "Printing Setup" on page 40.)

When changes are made from View/Print mode of a return, those changes apply to the open return only. They do not affect the default settings or any other returns.

Archive Manager

New in 2008, the Archive Manager is a tool that allows you to archive returns and to review, restore, or delete the archived returns. This means you can save various versions of a return, such as an amended return *and* the original return prior to amending. The Archive Manager is accessible from both Basic and Enhanced modes.

> **NOTE**   Archives are saved as PDF files and can be accessed and viewed from the DDM.

Creating an Archive

To create an archive of an open return:

1. From View/Print mode, select **Archive > Archive Client Return** (or select **Archive > 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 6-13), and click **OK**.

Archive Client Return
Please enter a description for the archived file. The description is used in the Document Manager and in the Archive Manager to help identify specific archives.

Enter a description for the archived file:
Ex: 'Original Return before Amending'

Amended Return prior to review

OK   Cancel
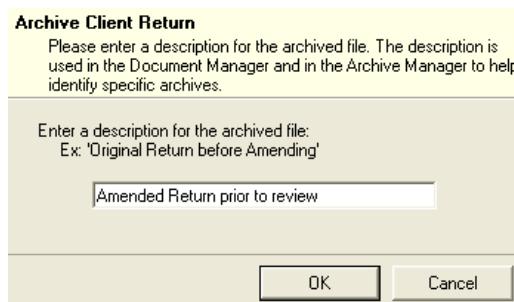
Figure 6-13: Archive Client Return dialog box

3. After the program has created the archive, click **OK** again. The program adds the archived return to the **Archive Manager** list.
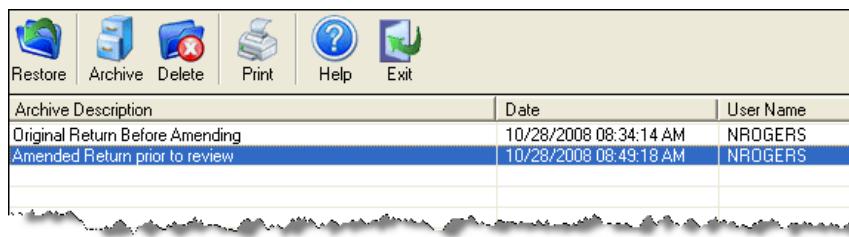
Figure 6-14: Archive list

> **NOTE**
> The DDM and Archive Manager use your description to help identify specific archives. The program creates an archive file name beginning with "Archive-" followed by the date/time stamp. (Example: `Archive-20081015153145` indicates October 15, 2008 (`20081015`), at 3:31:45 (`153145`) in the afternoon.

Deleting an Archive

To delete an archive of a return from the Archive Manager:

1. From View/Print mode of the return, select **Archive > 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.

Restoring an Archive

When you restore an archive, you replace the open version of a return with an archived version. Drake recommends that you preserve the existing client data before restoring an older version of a return. A built-in prompt will suggest that you archive the latest version of a return before restoring an older version.

To restore an archive:

1. From View/Print mode of the return, select **Archive > Archive Manager**.

2. Click the row of the archive to restore.

3. Click **Restore**. A program prompt suggests you to 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**.

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7   **E-filing**

This chapter provides an overview of the e-filing process and outlines procedures for:

- Setting up an e-filing account
- Testing your e-filing system
- E-filing a tax return
- Reading acknowledgment codes
- Preparing and processing loan checks for bank products

Drake tax software 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:

- Consult IRS Publications 1345 and 1346 for information on the processes, laws, and regulations for e-filing income tax returns
- Know the applicable e-filing and banking requirements
- Consult bank handbooks and brochures regarding bank products

NOTE   A detailed flow chart showing the e-filing 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) and have an Electronic Filing Identification Number (EFIN). ERO and EFIN information must be entered in **Setup > ERO** before a return can be transmitted.

Applying for ERO Status

The IRS accepts ERO applications throughout the year. Be aware that processing can take up to 45 days.

If you are a new ERO this year, you must submit the following to the IRS:

- Form 8633, Application to Participate in IRS e-file Program
- A set of IRS–authorized federal fingerprint cards for each principal and responsible official of the company

An established ERO must file Form 8633 only if the information in its original application has changed.

NOTE   If you plan to e-file business returns this year after filing only 1040 returns in the past, you must update your 8633 information, or your e-filed returns will be rejected by the IRS.

Form 8633 can be completed online using the IRS Web site, or you can print the form in Drake from **Tools > Blank Forms**. To request federal e-file program fingerprint cards, contact Drake's Education Department at education@DrakeSoftware.com (phone: (828) 524-8020) or contact the IRS e-Help Desk at (866) 255-0654.

NOTE   Drake's ERO online bank application has a new look and some new functionality.

Obtaining an EFIN

All tax preparers who plan to e-file must have a valid EFIN. Once Form 8633 is processed, the IRS assigns the EFIN. If your firm has applied for an EFIN but does not have one yet, Drake will assign you a temporary one. Your temporary EFIN cannot be used to e-file returns, but it does allow you to transmit test returns.

When you receive your EFIN, forward a copy of the 8633 response letter from the IRS to accounting@DrakeSoftware.com so we can update your Drake customer account.

Testing Transmission

Once you have an EFIN, Drake strongly recommends that you run an initial transmission test to become familiar with the e-filing process and ensure that your system is working properly. Open a test return and calculate it before testing transmission.

To test system transmission:

Shortcut: CTRL+S   **1.** From the **Home** window, select **EF > Select Returns for EF**.

2. From the **EF Return Selector**, select the EF–eligible test returns to transmit.

IMPORTANT   Select only the returns in the 400-00 and 500-00 series provided in the software. 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**.

5. From the **Home** window, select **EF > Transmit/Receive**.

6. Click **Send/Receive** in the **Transmit/Receive** dialog box that is opened.

7. When the process is complete, go back to the **Home** window and select **EF > Process Acks** to view acknowledgments.

An IRS acknowledgment of "T" indicates successful test transmission.

> **NOTE** Transmission unsuccessful? Go to **Setup > ERO** and add or correct your ERO information, if necessary, and re-transmit. If transmission is still unsuccessful, make sure your Internet connection is working properly.

E-filing a Return

The e-filing process can be said to consist of up to five main steps, starting with return calculation and ending with the processing of loan checks for bank products.

> **IMPORTANT** The Consent to Disclosure of Tax Return Information is *required* for clients applying for bank products. See "Tax Preparer Requirements" on page 199.

Step 1: Calculate the Return

Calculate the return to determine if it is ready to be e-filed. (See "Calculating a Return" on page 163 for instructions on calculating returns in Drake.) Drake generates an EF status document and, if necessary, EF message pages, shown in the Figure 7-1 directory tree and described in the following list:
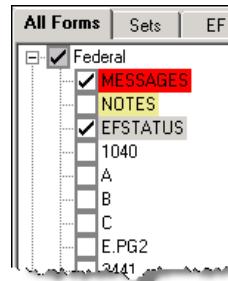
Figure 7-1: (View mode) EF–related documents include
EF messages and an EF status page

- **EFSTATUS** — The EF status page shows transmission options, piggyback state returns to be transmitted with the federal return, and any additional state returns to be transmitted. It also states whether any federal EF messages were generated.

- **MESSAGES** — EF messages are generated only if issues within the return cause it to be ineligible for e-filing. Issues include error codes, descriptions of the issues, and identification of fields that must be verified.

NOTE   Error codes above 5000 are Drake error codes. All other codes are federal or state error codes.

Eliminating EF Message Pages

All EF message pages must be eliminated before a return can be eligible for e-filing. A return with an EF message page cannot be e-filed.

To eliminate an EF message page:
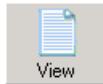
1. Calculate the return and go to **View/Print** mode.
2. In the left-hand column of the **All Forms** tab, click the message page to view.
   - EF message pages are displayed in red.
   - EF messages are listed by error codes.
   - Unverified fields are identified after the EF messages.

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 164.

3. Correct the issues that are preventing e-filing.
4. Re-calculate the return.

Repeat the above steps until all federal and state EF message pages are eliminated and the return is eligible for e-filing.

Step 2: Prepare the Transmission File

TIP   To bypass this step, select the return directly from the **Calculation Results** screen. (See Figure 7-3 on page 182.)

To prepare the transmission file:

Shortcut: Press CTRL+S to open the EF Return Selector.

1. From the Drake **Home** window, select **EF > Select Returns for EF**. The **EF Return Selector** displays a list of recently calculated returns. Those eligible for e-filing are indicated by a check box (Figure 7-2).
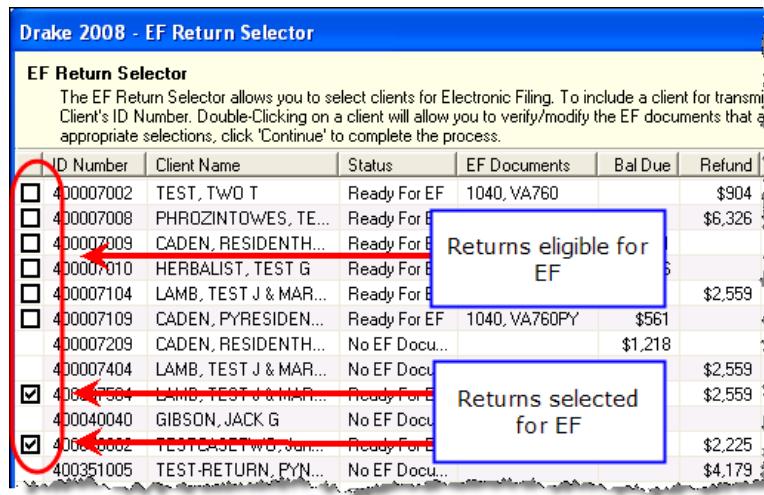
Figure 7-2: Eligible returns are indicated by check boxes

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 (including piggyback) documents to be filed and allows you to finalize the specific documents 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 270 for details on Report Viewer features.

5. Click **Exit** to close the Report Viewer.

NEW FOR
2008   The EF Selection Report, EF Transmission Record, and Bank Ack (acknowledgments) Report have a new look this year.

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. The button is activated if the calculated return is eligible for e-filing (Figure 7-3).
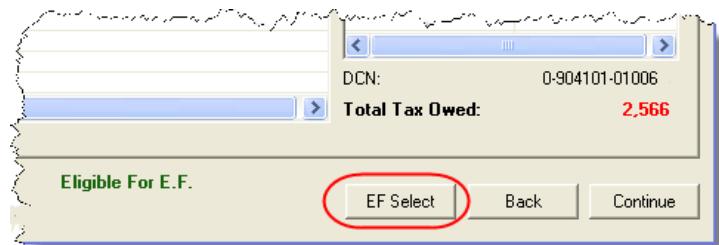
Figure 7-3: EF Select button at bottom of **Calculation Results** window

By clicking **EF Select**, you can send federal returns, federal returns with state piggy-back returns, and direct state returns directly to the e-filing queue.

NOTE   The option to pause at the **Calculations Results** window must be selected in **Setup > Options > Calculation & View Print** tab.

Trouble-   If a return is not in the **EF Return Selector**, consider these troubleshooting actions:
shooting
Return   • Recalculate the return.
Selection
                • Eliminate any EF message pages. Remember to check state MSG pages and the federal MESSAGES.

                • From the **Home** window, 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 **EF Ready** box at the top, select **X – Ready for EF**.

                • Make sure the return has not already been transmitted and accepted.

                    – Check the EF database (**EF > Search EF Database**; see "EF Database" on page 189); or

                    – Open the return and check the **Return Data** section of the **TRAC** screen.

                • Check to see if the return contains forms are not e-filable.

Step 3: Transmit Return

IMPORTANT   Never transmit from more than one computer unless the tax software is installed on a dedicated server. Transmitting and receiving from more than one computer can lead to duplicate–DCN rejections and can affect your ability to print checks.

To transmit a return:

Shortcut: Press   **1.** Ensure that the Internet connection is working properly and that the returns to be
CTRL+T to open   transmitted have been selected for e-filing. (See "Step 2: Prepare the Transmission
*the **Transmit/**   File" on page 180.)
*Receive** dialog*
box   **2.** From the **Home** window, 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 possibly eliminate files from the "send" queue, 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**.

NOTE
The **EF Transmission Record** lists returns that are *planned* for transmission. Because transmittal can be interrupted or a return denied, this list is *not* suitable as a record of transmitted files.

5. Click **Exit**.

The program immediately logs in to Drake Software and performs the following tasks:

- Checks for new acks
- Transmits files to Drake
- Retrieves acks of the transmitted files
- Checks for Drake e-mail (if this option is selected; see note following)
- Logs out of Drake

Transmission notes appear in the **Communications** box of the **Transmit/Receive** window as transmission progresses. When transmission is complete, all returns transmitted through Drake are forwarded to the correct IRS Processing Center.

6. Click **Exit** to close the **Transmit/Receive** box.

NOTE
To have the system check for Drake e-mail during transmission, go to **Setup > Options > EF** tab and select **Check for email during EF transmit/receive**.

Receiving "Acks Only"
To check for acknowledgments without transmitting any files to Drake, go to **EF > Transmit/Receive** and click **Acks Only**. The program checks for federal and state acknowledgments, bank product acknowledgments, and check authorizations. Once the acknowledgments are received, click **Exit**. See "Step 4: Process Acknowledgments," following, for more information on acknowledgments.

Step 4: Process Acknowledgments

When Drake receives your transmission, it immediately sends you a one-letter acknowledgment, or "ack." When the IRS Submission Processing Center receives the return, it sends an ack to Drake, which can be processed, or "picked up," along with any acks from banks and state/city taxing authorities, by logging into Drake Software.

Ack Processing
To process acknowledgments, go to the **Home** window and 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 189). If no new acknowledgments are found, Drake 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 acknowledgment codes are shown in Table 7-1. Always re-send any return that receives a "B" acknowledgment.

Table 7-1: Drake Acknowledgment Codes

Code	Description
P	Tax return transmitted successfully to Drake. Return is being processed.
T	TEST return transmitted successfully to Drake.
B	Bad transmission.

IRS acknowledgment codes are shown in Table 7-2. IRS acknowledgments are usually processed within 24 hours.

Table 7-2: IRS Acknowledgment Codes

Code	Description
A	Tax return has been accepted by the IRS.
R	Tax return has been rejected by the IRS.
D	Tax return is a duplicate of a previously filed return or DCN; rejected by IRS.
E	Imperfect return; see "Imperfect Returns" on page 186.

Bank acknowledgments are shown in Table 7-3. Bank acknowledgments are usually processed within hours of IRS acknowledgments, depending on volume.

Table 7-3: Bank Acknowledgment Codes

Code	Description
Bank Product Accepted	Bank product application has been approved.
Bank Product Rejected	Bank product application has been rejected.
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-   Described below are some troubleshooting steps for commonly received acks.
shooting
Acks   A "B" ack typically occurs if program updates are missing. If you received a "B" ack, download and install the latest updates (see "Install Updates" on page 239), then recalculate the return and re-transmit.

An "R" ack indicates that the return has been rejected and includes a reject code showing the reason for the rejection. Look up reject codes in the EF database (see "Reject Code Lookup" on page 191), address the issue, and re-transmit. Be sure to download and install the latest updates (see "Install Updates" on page 239) and check your Drake e-mail for new tax developments.

A "D" ack occurs if a submitted return is a duplicate of a previously filed return or DCN. Check the EF database to see if the return has been transmitted more than once. If the return has been accepted during a prior transmission, there is no need to re-transmit.

NOTE   "D" acks could be caused by transmitting from multiple computers from a peer-to-peer network (no dedicated server), or if DCNs are not sufficiently staggered. (See "Staggering DCNs," following.)

Staggering DCNs   Each computer assigns a Document Control Number (DCN) to every calculated return. Every return created after the first return is assigned a DCN in sequential order, starting with 01001 (01001, 01002, 01003, etc.). If an office is not networked and uses multiple workstations for data entry, each workstation must adjust its DCN counter.

IMPORTANT   Stagger the starting DCNs *before* creating 2008 returns.

To stagger the DCNs, complete the following steps on *each* workstation:

1. From the **Home** window, 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. Change the **DCN Serial Number** (Figure 7-4). Drake suggests choosing starting DCNs that are at least 2,000 numbers apart.
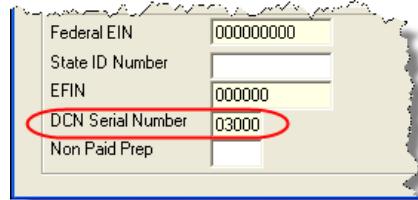
Figure 7-4: DCN Serial Number field in Firm Setup

4. 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 second 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.

IMPORTANT   Be careful if changing DCNs after tax season begins and returns have already been transmitted. If DCN staggering is done improperly, returns might be processed with duplicate DCNs, causing e-filing rejections.

Changing a DCN   When a return receives an IRS rejection because the same DCN was assigned to more than one taxpayer, the DCN must be changed before you can re-transmit the return.

To change the DCN of a tax return:

1. Open the return in Drake.

2. Press CTRL+M and wait while the program assigns a new DCN.

3. Go to View mode.

4. View Form 8879 to verify that the DCN has been changed.

Figure 7-5: DCN on Form 8879 in View mode

Once the DCN has been changed, the return can be re-transmitted.

Imperfect Returns The IRS conditionally accepts "imperfect" returns if either of the following events occur when a return is filed:

- A dependent's SSN or name on a Schedule EIC does not match the SSN or name in the IRS master file.
- A dependent's SSN or name on Form 1040 does not match the SSN or name on the IRS master file.

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.

Drake displays a NOTES page indicating the return is imperfect. The IRS gives conditional acceptance, but an "E" ack is still returned. Processing an imperfect return can take up to six weeks.

NOTE   Because IRS acceptance is not guaranteed for an imperfect return, no piggyback returns or bank products can be e-filed with an imperfect return. The availability of the **Imperfect return election** option is determined in Setup Options.

EF Override Options in Data Entry

By default, the program e-files all eligible federal and state forms when you transmit returns. The **EF Selection Screen** allows you to override the 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 option is selected in Setup, you must select **Ready for EF** before the return is put into the "send" queue for e-filing—even if it is otherwise eligible and 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-filing of returns. To choose this option, go to **Setup > Options > EF** tab and select **Require 'Ready for EF' indicator on EF screen**.

Suppressing E-filing

To suppress e-filing of a return that is otherwise eligible to be e-filed:

1. Open the return and go to the **EF** screen, accessible from the **General** tab.
2. Select one of the following boxes, as appropriate:
   • **Do NOT send Federal** (suppresses e-filing of the federal return; see Figure 7-6)
   • **Do NOT send any states** (suppresses e-filing of all state returns; see Figure 7-7)
   • **Suppress federal/state EF and all bank products** (suppresses e-filing of both the federal and state returns, plus any bank product)

The selected returns are not e-filed until the selected check boxes are cleared.

E-filing Special Returns and Forms

To e-file an extension, or to e-file Form 9465 (Installment Agreement Request) *only* or to file Form 56 (Notice Concerning Fiduciary Relationship) *only*:

1. Open the return and go to the **EF** screen, accessible from the **General** tab.
2. Under **Federal E-file Override** (Figure 7-6), select the forms to e-file.
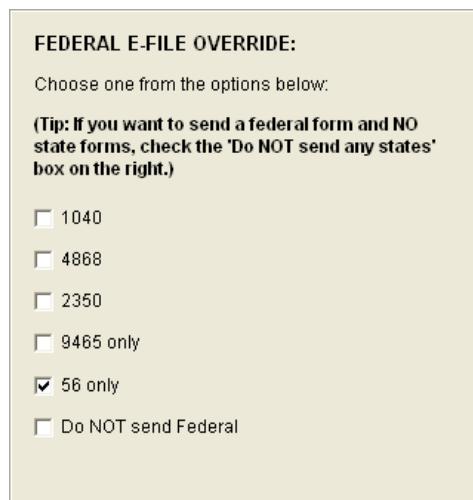
Figure 7-6: Federal E-file Override options; in this example, Form 56 will be e-filed.

Be aware that, if Form 9465 or Form 56 are ready to be e-filed, they will be transmitted automatically. By selecting **9465 only** or **56 only**, you are indicating that the program should transmit *only* those forms.

IMPORTANT   Leaving the 1040 box blank does *not* prevent the 1040 from being transmitted if it is otherwise ready to be e-filed.

If filing an extension, the applicable box (**4868** or **2350**) *must* be selected on the **EF** screen in order for the program to transmit it.

E-filing State Returns

State returns can be e-filed using one of two methods. If e-filed *directly*, the state return is sent directly to the state. If e-filed *piggyback*, the state file is attached to the federal return, and the IRS then sends it to the state. When you e-file with Drake, the program sends the resident state return piggyback by default. Any other eligible state returns are sent directly to the applicable states.

To transmit a *different* state return piggyback, go to the **EF** screen and select a state from the **Select state for piggyback e-file** drop list. Any other eligible state returns will be sent directly to the applicable state.

To suppress one state or city return while e-filing others, select the states or cities *you want to e-file* from the **Select other states/cities to e-file** drop lists. In the example in Figure 7-7, the Georgia return is piggybacked with the federal return, and the Mississippi and Louisiana returns are filed separately. No other state returns are e-filed for this taxpayer, even if they are eligible.
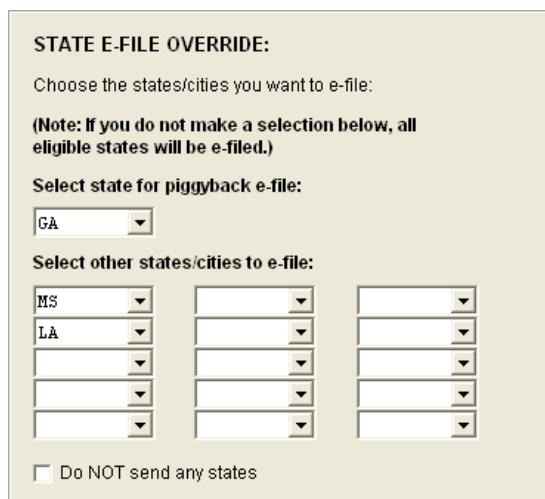
Figure 7-7: State E-file Override options

Additional Options

The **Additional Options** section of the **EF** tab allows you to:

- Specify that a return should not be eligible for a bank product.
- Elect to submit an imperfect return. (See "Imperfect Returns" on page 186.)

E-filing Returns with Ineligible Forms

A return can be e-filed, even if it contains certain forms that are ineligible for e-file. The IRS requires that Form 8453, U.S. Individual Income Tax Transmittal for an IRS e-file Return, be e-filed in lieu of the ineligible forms, and that the ineligible forms be mailed. Form 8453 must indicate which forms are being mailed separately.

To produce Form 8453 for ineligible forms that will be mailed:

1. Open the return and go to the **EF** screen, accessible from the **General** tab.
2. Select the appropriate forms in the **Form 8453 Paper Document Indicators** box (Figure 7-8).

Figure 7-8: Form 8453 section of **EF** screen

When the return is generated, Form 8453 is included with the applicable boxes marked to indicate what forms will be mailed.

Click **Screen Help** at the top of the **EF** screen for more information on Form 8453.

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, 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 7-9). To browse all records, leave this field blank.

Figure 7-9: Search EF Database window

3. Click **Go**. To scroll through the records, 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**.

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 7-9.)

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 most recent transmission record for the client file.
- State acknowledgments — Under **State**, the middle column displays the state code and date, filing status, and refund amount or balance due. This data is from the most recent transmission record for the client file.
- 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" on page 191.)
- IRS Debt and Bank Codes — The IRS debt indicator and bank codes are located below the reject codes.
  - An **IRS Debt Code** indicates some sort of debt to the federal government. IRS debt codes are listed in Table 7-4.

Table 7-4: IRS Debt Codes

Code	Description
I	Taxpayer or spouse owes money to the IRS. The taxpayer can call (800) 829-1040 for more information.
F	FMS Debt. Taxpayer or spouse owes money to a branch of the federal government, owes money on student loans or child support, or has a state obligation. The taxpayer can call (800) 304-3107 for more information.
B	Taxpayer or spouse has both an IRS debt and an FMS debt.
N	None

  - A **Bank Code** indicates the bank through which the taxpayer requested a product and displays the status of the request.
  - The **Bonu$/Loan Status** indicates the status of the loan request. Codes vary by bank. For more information, refer to the guide provided by your bank.
  - The **Check Information** grid displays information pertaining to any checks approved or printed for the taxpayer.

Bank/Direct Deposit Info

The **F2 - Bank/Direct Deposit** tab contains detailed data about any bank products.

- Bank information is located on the left side of the window.
- Direct deposit information involving bank loans 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.

- Information on direct deposits not involving bank-loan fields can be found at the bottom of the window. For the federal, state, and Bonu$/RAL Direct, an account type and number are displayed for each type of direct deposit.

Fees/Miscel-laneous 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. From the Drake **Home** window, select **EF > Search EF Database** and click the **F4 - Reject Code Lookup** tab (Figure 7-10).

2. Select a federal return type (1040, 1120/1120S, 1065, or 1041).

3. Enter the reject code in the **Reject Code** field.

4. Click **Go**. The IRS explanation of the code is displayed in the lower box.
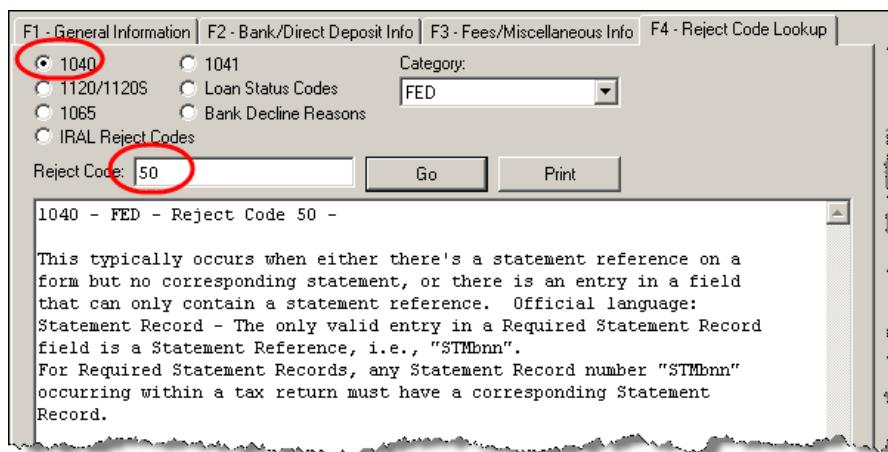
Figure 7-10: Looking up 1040 reject code on **Reject Code Lookup** tab

5. (optional) Click **Print** to print the code explanation, if desired.

To search for a state reject code for an individual return, select **1040**, then select the state from the **Category** list before entering the reject code.

To view **Loan Status Codes**, select that option. You do not need to click **Go**. Explanations are displayed in the lower box.

To view **Bank Decline Reasons**, select that option then choose a bank from the drop list. You do not need to click **Go**. Explanations are displayed in the lower box.

Leaving the EF Database

Take one of the following actions to close the EF database or access another application from within it.

- To return to the Drake **Home** window**,** click **Exit**. The EF database is closed.
- To open the **Online EF Database**, click **F10 - Online DB** (or press F10). The EF database in Drake remains open.

- To access data entry for a selected return, click **F5 - Data Entry** (or press F5). The EF database is closed.

> **NOTE** Peer-to-peer networks only: For non-transmitting workstations to view the EF database, you must enter the drive letter of the transmitting machine in the **Shared Drive Letter** field in **Directories and Paths Setup**. See "Directories and Paths Setup" on page 20.

Online EF Database

The Online EF database displays real-time data on e-filed returns. You can run reports on returns, loans, and checks; search for e-filing 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 software:

1. From the **Home** window, click **Support**. (If you are already in the EF database, click **F10 - Online DB**.)

2. Enter your EFIN and password and click **Log In**.

3. Go to **My Account > EF Database**.

4. Enter your EFIN and password again and click **Login**.

By default, the database displays information for the current tax year. To view another tax year, select the year from the drop list near the top right corner of the page.

Above the tax year drop list is the **SSN/Lastname Lookup** field. To find information on a specific return, enter the SSN or last name in this field and click **Go**.

Most of the buttons at the top of the Online EF database screen are for viewing and running reports. Reports available are listed in Table 7-5.

Table 7-5: Reports Available from the Online EF Database

Category	Description
Returns	Pending, accepted, and rejected federal and state returns; extensions
Bank Products	Loan status, original and current type of bank product, amount deposited, debt code
Loans	Bank products
Checks	Reports by check status, check data, and EFIN
Fees	Preparer and bank fees
Summary	Summary reports by date, EFIN, preparer, and ZIP code, plus a summary of all returns, bank products, and preparer fees
Tools	94x reports (for Client Write-Up users), ABC Voice Files, client contact information lists; see "94x Reports" on page 195.
Multi-Office Manager (MOM)	Multiple office reports; see "Multi-Office Manager (MOM)" on page 195.

To select a report category, click one of the report buttons shown in Figure 7-11.

Figure 7-11: Online EF database report categories

Viewing a Report

To view a report:

1. Click a category button to select a report category. (Figure 7-11)
2. Enter a **Start Date** and **End Date**. The report pulls information from only those returns with records that fall within the date range selected.
3. (optional; for multiple-EFIN offices only) Select **Restrict to (Multisite)** and choose an EFIN to restrict reporting to returns for a particular EFIN.
4. Enter any other report criteria desired. (Criteria differ for each report type).
5. Click **Run Report**.

Click the **Print** and **Export** icons, respectively, to print a report or export it in CSV format (suitable for Microsoft Excel and Microsoft Access).

Saving Report Criteria

To save a set of report criteria for future use:

1. Click a category button to select a report category (Figure 7-11).
2. Enter the report criteria.
3. Type a report name in the **Save Report As** field.
4. Click **Save**.

In the future, when you want to view reports that meet those criteria, select the report name and click **Load**.

Deleting Reports

When you are ready to delete a saved report, select the **Options** tab and click **Managed Saved Reports**. Reports are displayed in columns on the **Report Administration** 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. This is done using hierarchy levels. The three levels of the reporting hierarchy are shown in Table 7-6.

Table 7-6: Online EF Database Hierarchy Levels
(for companies with multiple EFINs)

Level	Description
Master	Master EFINs can view all data for the Master EFIN and any Level- and Level-2 EFINs configured below it. This is the default level.

Table 7-6: Online EF Database Hierarchy Levels
(for companies with multiple EFINs)

Level	Description
1	Level-1 EFINs can view data for Level-1 EFINs plus any Level-2 EFINs.
2	Level-2 EFINs can view only Level-2 EFIN data.

Building a Hierarchy

To build an EF database reporting hierarchy:

1. Log in to the online EF database using the Master EFIN.
2. Click **Options**.
3. Click **Configure EFIN Reporting Hierarchy** to view the grid for the EFIN hierarchy. The top-level EFIN is shown in the top row.
4. Click **add** in the top row.
5. Enter the EFIN, a description (optional), and the Drake (BBS) password.
6. Click **Add**.

A Level-1 EFIN has now been added. To add a Level-2 EFIN, click **add** in a Level-1 row and repeat Step 5 and Step 6 above.

TIP   For best results, map out the hierarchy on paper before starting. Be sure to have all of your EFINs and Drake passwords available.

To remove an EFIN from the hierarchy, click **Remove** in the row of the EFIN to be removed. Be aware that, if you remove a Level-1 EFIN that has Level-2 EFINs below it, the Level-2 EFINs are also removed.

Setting Security Levels

Security settings allow you to password-protect reports in the online EF database. Because security is managed at the office level, a security setting at one level does not apply to its sub-levels; therefore, for offices using an EFIN hierarchy, security must be set at each level.

To define security settings for an EFIN level:

1. Log in to the online EF database using the Master EFIN.
2. Click **Options**.
3. Click **Configure Report Security**.
4. Enter an e-mail address and password and click **Add/Update Security Password**.
   • From the **Tab Security** section, click **Secured** or **Unsecured** for a whole report category.
   • From the **Report Security** section, click **Secured** or **Unsecured** as desired for a specific saved report.

To exit the report security screen, choose another tab in the EF database.

Tools

Three functions are available from the **Tools** tab: **Run 94x Report**; **Download ABC Voice Files**; and **Generate Contact List**.

94x Reports   If you use Drake's Client Write-Up 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 toolbar, click **Tools**.

2. Click **Run 94x Report** and choose the **Tax Period End Date**.

3. Enter the **EIN**, or leave the text box blank to include all 94x returns in the report.

4. Remove a check mark to exclude 940s, 941s, or 944s. (All three items are included by default.)

5. From the **Status** drop list, choose one of the following status options:

- **%** — Include all returns in report
- **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** — This status not active for these reports

6. Click **Submit**.

ABC Voice Files   Also on the **Tools** tab, the option to **Download ABC Voice File** applies only to preparers using the ABC Voice File tool. For more information, call Versicom at (937) 438-3700.

Contact Lists   To build lists containing contact information on your clients:

1. From the online EF database toolbar, click **Tools**.

2. Click **Generate Contact List**.

3. Enter report criteria by selecting or clearing the check boxes.

4. To further restrict the results, enter start and end dates to search.

5. Click **Run Report**.

6. (optional) To export the report into an Excel file, click the Excel icon. 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 it from within Excel.

Multi-Office Manager (MOM)

The Multi-Office Manager (MOM) is the online version of the CSM. (See Chapter 9, "Client Status Manager." for more on the CSM.) Designed for the multi-office environment, MOM allows you to track the work flow of multiple offices, providing a

snapshot of your entire business. Reports and statistics on demographics, return status, return type, bank, payments, fees, and billing information are available.

NOTE
Companies with multiple EFINs that wish to use MOM must have an EFIN hierarchy configured. The data available in MOM depends greatly on the hierarchy structure. For details on creating an EFIN hierarchy, see "Building a Hierarchy" on page 194.

Transferring Data to MOM

For CSM data to be transferred to MOM, the software must be configured to send CSM data to Drake during the e-filing process. Each Level-1 and Level-2 EFIN office in a multi-office environment must complete the following steps:

1. From the **Home** window, 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 toolbar, click **MOM** to view report criteria filters (Figure 7-12).
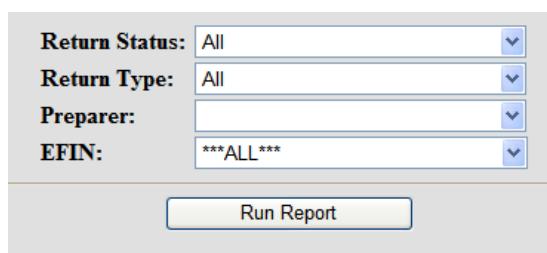
Figure 7-12: Multi-Office Manager (MOM) filters

2. Select an option from each filter and click **Run 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 (the default is 25), it is paginated. Page numbers appear in the upper and bottom left corners. The number of rows displayed per page can be changed via the **Rows Per Page** drop list above the report.

- To *print the report*, click the printer icon. Only the data on the screen is printed.
- To *sort data* based on the column selected, click a column header.
- To *view e-filing details* for a particular return, click the record's **ID number**.
- To *export the report* into an Excel file, click the Excel icon. 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 it from within Excel.

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 disk, USB flash drive, or other memory storage device.

IMPORTANT   Copying EF data from one computer to another is not recommended for firms that use a network.

Copying to Another Location

To copy EF data from a computer to a memory storage device:

1. From the **Home** window, select **EF > Copy EF Returns to Disk** and select the boxes of 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 **Continue**.

3. Select the output drive from **Select Drive**, then click **Copy Files** (Figure 7-13).
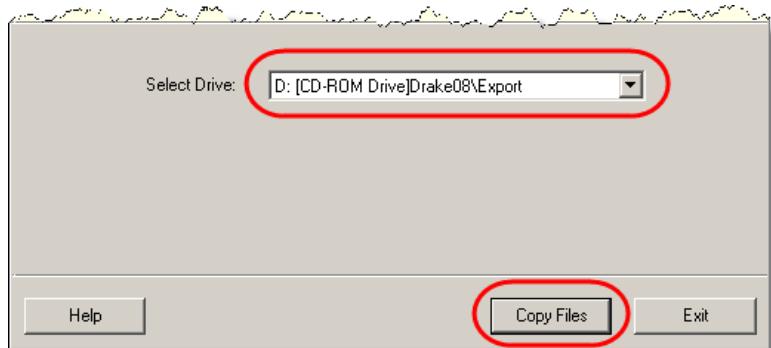
Figure 7-13: Copying files to CD

4. Click **OK** after files are copied.

Copying From a Storage Device

To copy EF information from a data storage device to a computer:

1. From the **Home** window, 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** then click **OK** to copy each file. Click **Exit** to close.

About State Filing

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 e-filing. (Mandates don't apply to taxpayers e-filing 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-filing vary from state to state.

The FAQ screen in data entry includes links to state e-filing information (Figure 7-14).
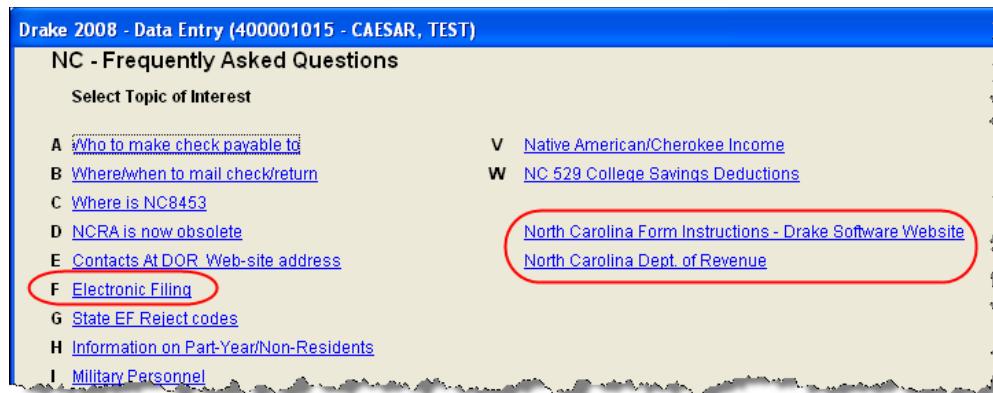
Figure 7-14: Three sources for EF information from the **FAQ** screen for North Carolina

Information on individual state requirements are available at *Support.DrakeSoftware.com*. For more Drake resources, see Chapter 10, "Resources and Support."

8   Banking

This year, Drake is working in conjunction with four banks to provide taxpayers access to bank-product options:

- Chase
- Santa Barbara Bank & Trust (SBBT)
- Republic Bank & Trust (RB)
- River City Bank (RCB)

NEW FOR
2008

River City Bank is a new Drake banking partner in 2008. Also new in 2008, the **TRAC** screen in Drake allows tracking of prior-year bank products. (See "Return Tracking" on page 162.)

About Bank Products

This chapter covers requirements for you and your customers, processes for setting up your software for offering bank products, and data entry for bank products. It also explains what bank products are and provides valuable information you'll want to review in addition to the brochures provided by your bank.

Tax Preparer Requirements

NEW FOR
2008

If tax return information will be disclosed to parties outside of the tax preparer's firm, IRS Regulation 7216 requires that you obtain clients' signed consents for the use and disclosure of their tax information.

IRS Reg. 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

MFJ) 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 offers several options for making these forms available to your clients, including printing forms in bulk to be signed manually and having clients provide their signatures electronically. Both methods are described in the following sections.

Consent to Use of Tax 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**—To generate paper forms, go to the \PDF\7216 folder on the Drake CD and open either the PDF or Word version of the form. Enter your firm's name at the top of the form, then print. Clients must sign and date this form manually.

Screen code: USE

- **Electronic Signatures**—To obtain electronic consent, you must have the taxpayer (and spouse, if MFJ) enter their names and the date onto the **USE** screen in Drake (accessible from the **General** tab), as shown in the example below.

Figure 8-1: Names and the date as entered by clients on the **USE** screen

If the required fields on the **USE** screen are completed, the Consent to Use of Tax Return Information will be generated with the return.

Consent to Disclosure: Banks

The Consent to Disclosure of Tax Return Information for banks contains bank-specific information and explains the IRS Regulation 7216 requirement to the taxpayer. It must be signed *before* the return is e-filed.

- **Paper Forms**—Paper forms can be accessed by several means:
  - The software generates the disclosure form as part of the return. The wording of the form reflects the bank your firm has selected in the program. This form can be signed with other signature documents prior to e-filing.
  - Go to the \PDF\7216 folder on the Drake CD and open either the PDF or Word version of the form. Be sure to print the correct form for your firm's selected bank. Enter your firm's name at the top of the form, then print.

Screen code: DISC

- **Electronic Signatures**—To obtain electronic consent, you must have the taxpayer (and spouse, if MFJ) enter their names and the date onto the **DISC** screen in Drake (accessible from the **General** tab). If the required fields on the **DISC** screen are completed, the Consent to Disclosure of Tax Return Information will be generated with the return.

Consent to Disclosure: Service Bureaus/ Franchisors

The Consent to Disclosure of Tax Return Information to service bureaus and franchisors is required for *all* returns (not just bank-product returns) prepared by firms that are part of a service bureau or franchise. The form is similar to the disclosure form for banks described previously and must be signed *before* the return is e-filed.

• **Paper Forms**—Access the form in PDF or Word from the \PDF\7216 folder on the Drake CD. Enter the firm and service bureau/franchisor names in Word or PDF, or print the documents and enter the names manually. The taxpayer (and spouse, if applicable) must sign and date the form prior to e-filing.

Next, go to the **CONS** screen (accessible from the **Other** tab) and select the first box in the **Paper Consent** section at the bottom of the screen. (See Figure 8-2.)
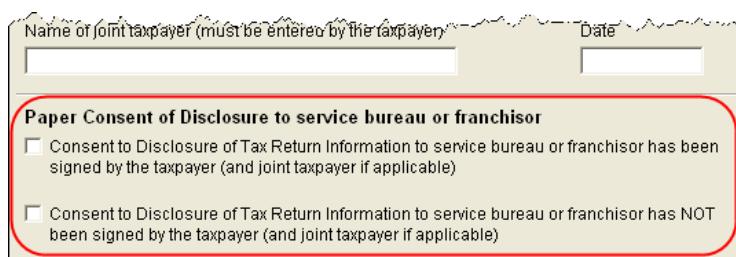
Figure 8-2: Check boxes on **CONS** screen for disclosure to service bureau/franchisor

Screen code:
CONS

• **Electronic Signatures**—To obtain electronic consent, you must have the taxpayer (and spouse, if MFJ) enter their names and the date onto the **CONS** screen. The Consent to Disclosure of Tax Return Information will be generated with the return and will include the name of the service bureau or franchisor from **Setup > ERO**.

NOTES

If your firm uses a service bureau or franchisor, 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. (See Figure 8-2.)

A service bureau or franchisor must be entered in **Setup > ERO** in order to produce the correct letter from the **CONS** screen and ensure that consent is obtained for every return. See "ERO Setup" on page 15.

Taxpayer Requirements

For a taxpayer to be eligible for a bank product, the return must be eligible for e-filing. In most cases, the taxpayer must be 18 or older. If married filing jointly, both taxpayers must be 18 or older. Check with your bank for state-specific age requirements.

RAL Application

Both preparer and client must complete *all* parts of either the Refund Anticipation Loan (RAL) Application or the non-RAL Agreement, whichever is desired. If a bank is selected in **Setup > Firm(s)** and a bank product is indicated in the return's **BANK** screen, then the RAL application is included in the forms produced with the return.

To print a blank form without going through the return, go to the **Home** window and select **Tools > Blank Forms**, select **Federal**, and choose the application for your bank. Note that applications are multiple pages, as shown in Table 8-1.

Table 8-1: Bank Application Forms Available in Drake

Bank	Application Form
Chase	CH_APPL.PG through CH_APPL.PG4 (4 pages)
Republic	RB_APPL.PG through RB_APPL.PG5 (5 pages)
RCB	RCB_APPL.PG through RCB_APPL.PG6 (6 pages)
SBBT	SB_APPL.PG through SB_APPL.PG4 (4 pages)

See **Tools > Blank Forms** for other bank-related blank documents.

Banks typically have specific minimum and maximum refund requirements. For more information, consult the bank application.

NOTE
Do not confuse the RAL Application with the bank application that an ERO must fill out online for Drake. For more on the Drake bank application, see "Preparing to Offer Bank Products" on page 205.

Service Bureau Requirements

If your firm collects tax returns for e-filing from outside companies or individuals, it might be considered a service bureau. Service bureaus can be required to provide additional information when applying for bank products.

A preparer or firm can be considered a service bureau if:

- The preparer accepts returns from other businesses that the preparer does not own
- A preparer issues Form1099 for contract labor at other locations
- A preparer contracts with another tax preparer to provide e-filing and RALs
- A preparer issues W-2s to a non-employee who performs functions as a preparer

 Your firm is *not* a service bureau if it issues W-2s to employees who are under direct control of the firm and collect returns at the other locations.

Types of Bank Products

Bank-products include Refund Anticipation Loans (RAL,), Instant Refund Anticipation Loans (IRALs), and certain non-loan products (Table 8-2). *It is important that your client understand that RAL and IRAL checks are loans and not actual refunds.* Clearly explain the cost of the loan, the APR, and any other disclosures. Show your client the bank documents and explain all costs, checks, deposits, and the timing of

payments. Check the taxpayer's ID to verify identity before offering bank-product ser-vices.

Table 8-2: Available Bank Products in Drake, Tax Year 2008

Bank	Instant RALs	RALs	Non-Loan Products
Chase	First Advance RAL	RAL	Bonu$
Republic	Now RAL	RAL, RCR (Reduced Cost RAL)	ERC (Electronic Refund Check), ERD (Electronic Refund Deposit)
RCB	Real-Time Loan	RAL, Super RAL	ERC, RET (Refund Electronic Transfer) Direct Deposit
SBBT	RAL Advance	RAL	RT (Refund Transfer)

For specific details regarding each bank product, go to the Drake Support site (*www.Support.DrakeSoftware.com*) and select **Partner Programs > Bank Partners**.

IMPORTANT   A bank-product option cannot be changed once the IRS has acknowledged the return.

IRALs   To qualify for an Instant RAL, or IRAL, a taxpayer must have a W-2. An IRAL allows taxpayers to immediately receive a portion of their expected federal refunds. The loan is approved or denied on the spot so the taxpayer can receive a check within moments of applying. If the bank accepts the loan application, the return is sent directly to the IRS. If the application is denied, the taxpayer has the opportunity to select a different bank product.

RALs   To qualify for a RAL, a taxpayer must have an income source other than Schedule C. The RAL amount is based on the taxpayer's anticipated federal tax refund. A RAL allows the taxpayer to receive the amount of a refund within a matter of days (within 48 hours in many cases). If the taxpayer's RAL application is denied, the bank "flips" the RAL to a non-loan product (see Table 2).

RAL–eligible refund amounts vary by bank and can range up to $9,999.99. The loan amount is paid in full when the IRS deposits the actual refund directly into the bank. The bank could withhold preparer fees through this loan process. A preparer can print the RAL check once the loan is approved. Preparer fees are deposited into the pre-parer's account within days after the check is printed.

Non-Loan Products   Non-loan bank products allow taxpayers without bank accounts, or who are denied RALs, to way to receive a refund check (minus all applicable fees) from the preparer's office rather than waiting for IRS refund.

IMPORTANT   The taxpayer *must* understand that a non-loan bank product is *not* a loan. The check reflects the *actual refund,* with bank and pre-parer fees deducted.

To provide a non-loan product, a bank sets up a temporary account for direct deposit of the taxpayer's refund. Once the IRS has deposited the refund into the temporary account, the bank deducts applicable fees and issues the money to the taxpayer.

Distribution Methods

Bank products can be distributed by direct deposit, cashier's check, or debit card. Fees are charged for each method. Notify your client that the following fees can be subtracted from the refund amount:

- Tax preparation fees
- E-filing fees
- RAL/Bonu$/ERC preparation fees
- A $2 Drake processing fee (included on all bank products)
- Bonu$ Deposit Account fee (included on all Bonu$ checks)
- Bank RAL Fee (included on all RALs)
- Additional transmission/software add-on fee

In addition, a $12.95 technology fee will be charged for each Chase bank product.

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 the wait for a paper check. (See "Direct Deposit" on page 133 to enter direct-deposit information.)

The most frequently used method of bank-product delivery is a *cashier's check* printed in the tax preparer's office. (See "Printing Checks" on page 209.)

The *debit card* is another method of receiving funds from certain RALs and non-loan products. The card can be reloaded with other products. Check banks for availability.

NOTE   Banks provide certain non-loan products for state refunds. Check with your bank for a list of eligible states and products.

Bank Denials

A RAL can be declined for a number of reasons, such as duplicate SSNs, prior RAL debt, SSN reported as deceased, or MFS return. To view a loan status code or bank decline reason:

1. From the **Home** window, select **EF > Search EF Database**.

2. Click the **F4 – Reject Code Lookup** tab.

3. Select either **Loan Status Codes** or **Bank Decline Reasons** to view the corresponding codes in the lower window. If you select **Bank Decline Reasons**, specify a bank in the **Category** list.

A RAL reverts, or "flips," to a non-loan product (see Table 8-2) if an application is denied.

Preparing to Offer Bank Products

To offer bank products, you must set up your system with both Drake and the bank. Your firm must also submit an online bank application to Drake each year. This application is separate from the application discussed in "RAL Application" on page 201.

Drake Application

To offer bank products with Drake, firms must submit applications to Drake annually.

To complete and submit a bank application:

1. From the **Home** window, click **Support**.
2. Enter your EFIN and password.
3. Select to **My Account > Bank Application**.
4. Select to create a new application (**new TY2008**), or to carry prior-year data forward (**old TY2007**) and click **Go to Main Bank App Page**.
5. Select a bank from the **New Bank** list, if necessary, and add any **Collection Sites**, **Service Bureaus**, and **Sub-Offices**.
6. Click **Edit App for Main EFIN**.
7. Complete the application. (Yellow fields are for required information.)
8. Click **Proceed to Confirmation**. You can now view or print the application as desired. If necessary, go back to make changes.
9. Select the **Confirmation Box**, then click **Submit Application**.

Once you have submitted the application, contact the bank to order check stock and complete any additional agreements.

Bank Setup and Access

Once you have selected a bank, activate the bank in Drake data entry so the bank information is accessible from the **General** tab. To activate a bank in data entry:

1. From the **Home** window, select **Setup > Firm(s)**.
2. Double-click the firm (or select a row and click **Edit Firm**).
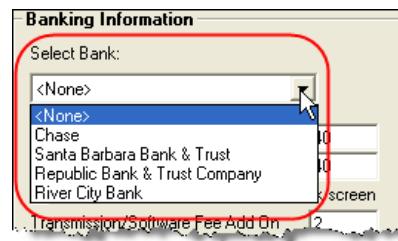
Figure 8-3: Bank selection drop list in **Setup > Firm(s)**

3. Under **Banking Information (**Figure 8-3), select a bank and enter additional information as necessary. Options are described in Table 8-3.

Table 8-3: Options under **Banking Information** in **Setup > Firm(s)**

Item in Setup	Description
Document (RAL, etc.) Prep Fee (Chase, Republic, RCB)	Fee to charge clients for preparing bank documents
Electronic Filing Fee (all banks)	Fee to charge clients for e-filing their returns
Do not allow EF Fee override on Bank screen check box (Chase, Republic, RCB)	Prevents preparers from changing the e-filing fees
Transmission/Software Fee Add On (all banks)	Allows you to charge an extra fee of up to $30 in addition to the $2 Drake transmission fee. This add-on fee, deducted from the taxpayer's refund, is held for you in a separate bank account. After tax season, the balance of this account is distributed directly back to you.
ERO chooses to Opt-out of SuperRAL (RCB only)	For those who choose not to offer the Super RAL. The highest loan amount allowed for a regular RAL is $6,000 while a Super RAL's limit is $10,000. This option prevents Super RALs from being available in the program
I have contacted the bank and have been approved for the withholding bypass option (RCB only)	For firms or preparers who have been approved to offer RALs even when the taxpayer's refund, minus the amount of EIC, is less than $0.

4. Click **Save**.

IMPORTANT
Check with your bank for limitations on bank-product and e-filing fees before setting up a new firm. Once an amount is set and a bank application has been created, the amount should never be changed. The banks closely monitor the amounts charged for application fees.

Once a bank is selected and saved, you can access it from data entry. In the **Electronic Filing and Banking** section of the **General** tab, click the bank's name.
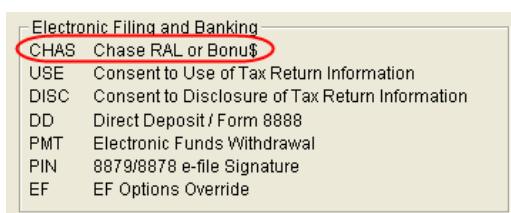
Figure 8-4: Electronic Filing and Banking section of **General** tab in data entry

Alternately, you can type BANK, BNK, or the bank code into the selector field and press ENTER.

Taxpayer Application

Complete an application/agreement for every taxpayer applying for a bank product (see "Taxpayer Requirements" on page 201). Some banks require original applications to be mailed on a weekly basis. Consult your bank.

NOTE   To have a bank application printed when a return is calculated (and the screen has been completed), go to **Setup > Options > EF** tab and select **Print Bank Application When Keyed on Return**.

Check Stock

Obtain additional check stock from your bank. All check stock must be verified and secured upon receipt. Read and retain all information included with the checks.

Using Bank Screens in Data Entry

Each of Drake's four banking partners has its own screen. While the bank screens have certain fields in common, each bank screen is unique. Become familiar with the screen for the bank you are using. Use the available help resources to ensure that all required information is entered for each taxpayer with bank products. Described here are the fields that are found on *all* bank screens in Drake.

NOTE   You can view any bank screen at any time. Just type the bank code (**SB** = Santa Barbara, **CHAS** = Chase, **RB** = Republic Bank, and **RCB** = River City Bank) into the selector field and press ENTER.

Select Product

In the top left corner of each bank screen are the bank-product selections. Click a product box to select it. If adding a state bank product, select the state.

Verify ID

The **ID Verification** section contains override fields for information entered on screen **1** (**Demographics**). This section is required and must be verified by the preparer.

NOTE   If the taxpayer's address differs from screen **1**, or if the screen **1** address is a P.O. Box, enter a physical address on the bank screen.

Fee Override Fields

Fees to be withheld from the bank product are established in the **Banking Information** section of **Setup > Firm(s)**. You can override these fees from the bank screen. (If the option to override the e-filing fee has been deactivated at **Setup > Firm(s)**, this option will be unavailable on the bank screen.

Figure 8-5: In this example, the preparer has selected to waive the **Tax preparation fee**.
The **Electronic filing fee** field has been disabled from **Setup > Firm(s)**.

Opting Out

If the taxpayer wants a bank product but the spouse doesn't, select **Spouse opting out of the Bank Product** box in the **Opt Out** section. If it's the taxpayer opting out but not the spouse, select the **Taxpayer** opt-out box.

Additional Product Offerings

Each bank screen has an **Additional Product Offerings** section. If the taxpayer wishes to have the proceeds of the bank product deposited into an account rather than distributed as a check, enter the banking information in this section. Note that the **RTN**, **Account number**, and **Type of account** must be entered twice.

Other Required Information

All bank screens include a **Military Personnel/Department Identifier** section. This section is required and must be completed before a bank product can be approved.

All bank screens include an **Additional Information** section with a field to indicate when the bank application was signed. This information is required and must be completed before a bank product can be approved.

Bank Product Transmission

Several transmissions occur when you transmit the tax return with bank information using Drake:

• Drake transmits the tax return to the IRS and the banks.
• The IRS sends an acknowledgment to Drake. If the return has been accepted, Drake transmits this information to the bank.
• The bank sends an acknowledgment back to Drake.
• If the bank approves a RAL, it sends a "Check Print Authorization" acknowledgment. This acknowledgment allows you to print the check and is normally posted on the Wednesday of the following week, if the return is sent by noon Thursday.
• If the bank declines a RAL, it "flips" the RAL to a non-loan product at its own discretion. If the non-loan product is approved, the bank sends an acceptance ack.

The bank also posts a "Fees to ACH" (Automated Clearinghouse) 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 (transmit or receive from **EF > Transmit/Receive**) with Drake.

Processing the Loan Check

The following process is necessary for firms that print bank-product checks inhouse. (If your firm does not print the checks, post the bank-acceptance acks to the EF database so the bank (selected by taxpayer) can process the check.)

Testing Check Print

Before printing checks, you might want to run a test-print to ensure that checks will print correctly. One test check for each bank is loaded into Drake; when you test-print a check, the program uses this test check.

To print a test check:

1. Ensure that paper for printing has been loaded into the printer. (Drake recommends using a blank sheet of paper for testing check printing.)
2. From the **Home** window, select **EF > Check Print**. If no checks are ready, a message prompts you for reprint of previous checks. Click **Yes**.
3. At the bottom of the **Reprint Checks** dialog box, click **Test**. (See Figure 8-6.)
4. Click **Print** in the **Print** dialog box.

Printing Checks

Before you print checks:

• Be aware that the appropriate IRS and bank acknowledgments *must be received* before you can print checks.
• 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 physical check.

IMPORTANT   *Do not transmit from more than one computer* unless the program is on a dedicated server. Transmitting and receiving from more than one computer can affect the 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 **Bank Product Selection** box.
2. Choose to print checks or to print the Truth In Lending Agreement (TILA) disclosures for non-check bank products (debit cards, direct deposit, etc.).
3. Click **Continue**. The **Selection** window for checks (or TILA) shows the items available for printing.
4. Select the items to be printed or use **Select All** or **Unselect All**.
5. Click **Continue**. The **Check Print Options** dialog box displays the client's name, ID number, check amount, and check number.

6. Choose from the available options, listed in Table 8-4.

Table 8-4: Check Printing Options

Check-Print 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.
Print ALL selected checks starting on #____	Prints all previously selected checks starting at the displayed check number.

NOTE   The first time you print checks, you are presented with the opportunity to set up a check range. Click the **Setup Checks** button to choose bank and set up the check range. You can also use **Setup Checks** to change the check number if necessary.

7. Click **Continue**.

8. Click **Print**.

Immediately after the checks are printed, go to **EF > Transmit/Receive** and click **Send/Receive** to transmit the check register to Drake. When the bank receives the check register, it deposits preparer fees so the taxpayer can cash the printed check.

IMPORTANT   The check register *must be transmitted to Drake* before you can receive fees from the bank. Drake recommends running **EF > Transmit/Receive** after printing large batches of checks.

Reprinting Checks

To reprint a check:

1. From the **Home** window, select **EF > Print Checks**.
   - If no new checks are ready for printing, you are prompted to reprint checks. Click **Yes** to open the **Reprint Checks** dialog box (Figure 8-6).
   - If new checks are ready, the **Select Checks** dialog box opens. Click **Exit**, then click **Yes** to open the **Reprint Checks** dialog box (Figure 8-6).
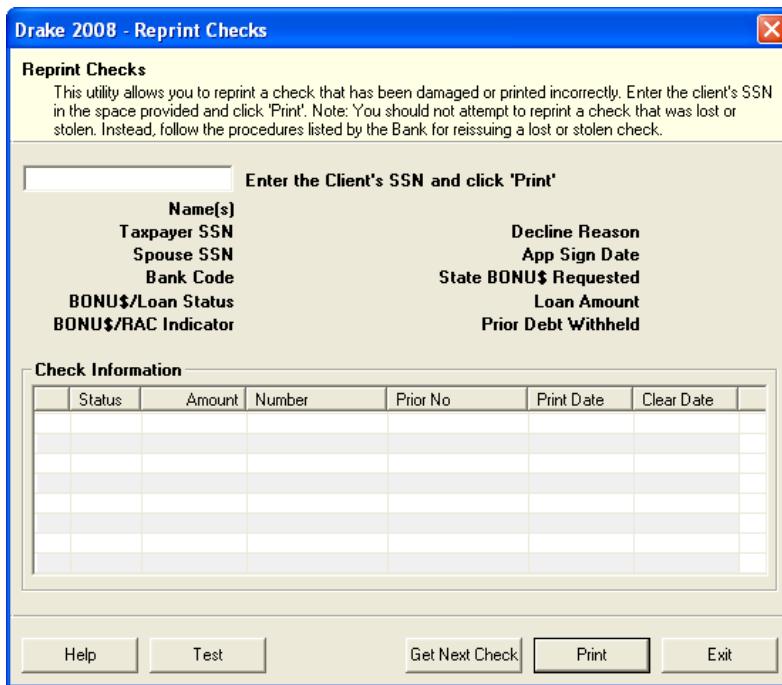
Figure 8-6: Reprint Checks dialog box

2. Type an SSN and press TAB or click ENTER. The **Reprint Checks** dialog box displays any previous taxpayer and check information (see Figure 8-6).

3. Click **Print**. The program automatically voids the old check number.

Check Register

To access a detailed register of issued refund deposits:

1. From the **Home** window, select **EF > Check Register**.

2. 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. See "Report Viewer" on page 270 for more on using these features in the **Report Viewer**.

5. Click **Exit** to close the **Report Viewer**.

Available from **Tools > Blank Forms**, a printed check register (REGISTER.PG) allows accurate record-keeping of all RAL checks—both voided and issued—in the office. Complete the check register as each check is written, and ensure that this information is available at all times and is not available from any other source. Drake recommends that your office keep this check register in a three-ring binder along with the computer-generated check registers described previously.

Resetting Check Stock

Occasionally, you might need to reset the check stock. Follow the process outlined in "Printing Checks" on page 209. When you get to the **Check Print Options** dialog box, click **Setup Checks** to access the feature for resetting check stock.

Lost/Stolen Checks

If you do not physically possess a check that needs to 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.*

If a RAL check is lost or stolen, go to **Tools > Blank Forms** and print the lost check affidavit (LOST_CK.PG). This document must be completed, signed by both the taxpayer and the ERO, and faxed to Drake Software at (828) 349-5745.

Troubleshooting Check Printing

Listed below are some of the more common issues that preparers encounter when printing checks. Please read the following information before contacting Drake Software Support.

Checks Won't Print

There are many reasons that a check may not print. Before contacting Drake Support, please 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**, then look in the **Checks** section of the **General Setup** tab.)
- 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)?
- Have you entered the range of checks you received from your RAL bank?

Text Won't Line Up

If the text is not lining up correctly on the check, you may need 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). Remember to click **Update** before closing the **Edit Printer Settings** window.

If the text is printing too far to the left or right, the printer itself may need adjusting. 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 like the one shown in Figure 8-7.

Reprint Not Allowed

Too Late. The Check on this record was originally printed on 11/05/2009. If you have the check listed in YOUR possession you may reprint the check by clicking 'Ok' and then pressing 'F5'.

Check Number - 00503300
Check Date - 11/05/2009
Check Amount - $925.00

OK
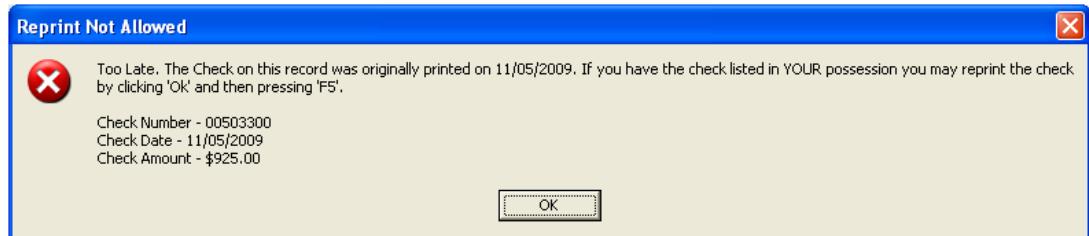
Figure 8-7: Reprint Not Allowed

If this happens, click **OK**, then press F5 on the keyboard. You will be asked if you have the prior check in hand. *A prior check must be physically in your office 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 Drake Software Support for additional assistance.

Misfeeds and Paper Jams

If a check is damaged and rendered unusable during printing, or if you accidentally print a check on something other than the check stock (such as a blank sheet of paper), write "VOID" on the face of the original check and reprint the check using the procedure in "Reprinting Checks" on page 210. Guarantee that the original check issued will not be cashed.

If the check is still usable, you can reload and reprint it. When you get to the **Check Print Options** dialog box, make sure the check number displayed matches the number on the next check to be printed. If it doesn't, you can use the **Setup Checks** feature to reset the number.

NOTE   Use a voided check return list, available as VOID_CK.PG in **Tools > Blank Forms**, to track all RAL/Bonu$ checks voided in the office. Retain a copy of the form as a record. In addition, send a copy to the RAL bank along with the corresponding voided checks.

Cancellations, Tracking, & Post-Season Procedures

Cancelling a Loan

Cancellation procedures vary by bank. Check with your bank for the correct procedures for cancelling a loan request, and determine if the following instructions apply.

To cancel a loan that has been accepted by the RAL bank, some EROs must print, complete, sign, and submit to Drake a loan cancellation request (available in **Tools > Blank Forms** as CANCEL.PG). If the check has already been printed, the voided original must accompany this form. If no check has been printed, indicate this on the form with the ERO's initials.

If required to submit this document, send the completed form and cancelled check (as applicable) to Drake Software Loan Cancellations, 235 East Palmer Street, Franklin, NC 28734. Note that Drake does not accept faxed copies of checks.

IMPORTANT   A loan *cannot be* cancelled if a debit card is used. A cancellation is not processed if the direct deposit to the IRS has already occurred.

Tracking Prior-Year Information

New in 2008, the **TRAC** screen in data entry now displays prior-year bank product information for federal returns.

Figure 8-8: Prior-year bank product fields on **TRAC** screen

Information must be entered manually the first year these fields are used.

Post-Season Procedures

Required post-season procedures vary from bank to bank. Refer to your bank's operating procedure 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 so the bank can print any late checks.

9   Client Status Manager

The Client Status Manager (CSM) is a tool for tracking workflow within an office. It displays various types of data, including client ID number and client name, return type, preparer name, client status, and the starting and completion dates for each return. The CSM can be used for searching, viewing, organizing, and printing data.

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 can be set automatically as the return progresses through the cycle (see Figure 9-1), or manually as appropriate. You can also define new statuses.
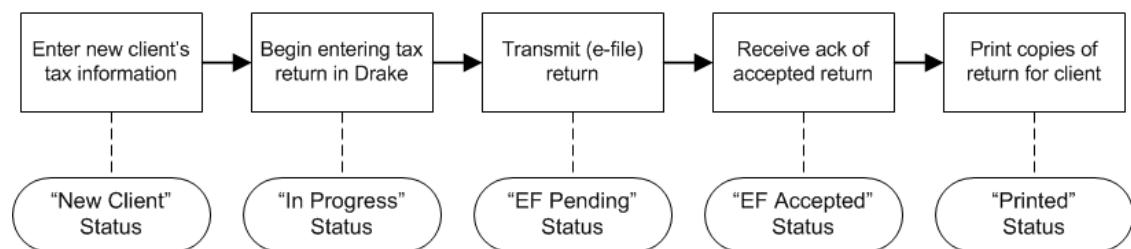
Figure 9-1: Some statuses are set automatically as the return is processed.

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 Accepted	Complete	Under Review
In Progress	Printed	Under Extension	Signed
EF Pending		On Hold	Delivered

Set statuses manually as appropriate. Note that the program never automatically assigns a return a status of **Complete**.

Custom Statuses

Define up to ten custom statuses to suit your office's needs. Custom statuses must be set and changed manually. To ensure consistency in CSM reports and office workflow, create custom statuses before tax season begins.

To define a custom status:

1. From the Drake **Home** window, click **CSM** to open the **CSM**.

2. Click **Customize**.

3. Click **Status Settings** and select a status placeholder to rename.

4. Click **Edit**.
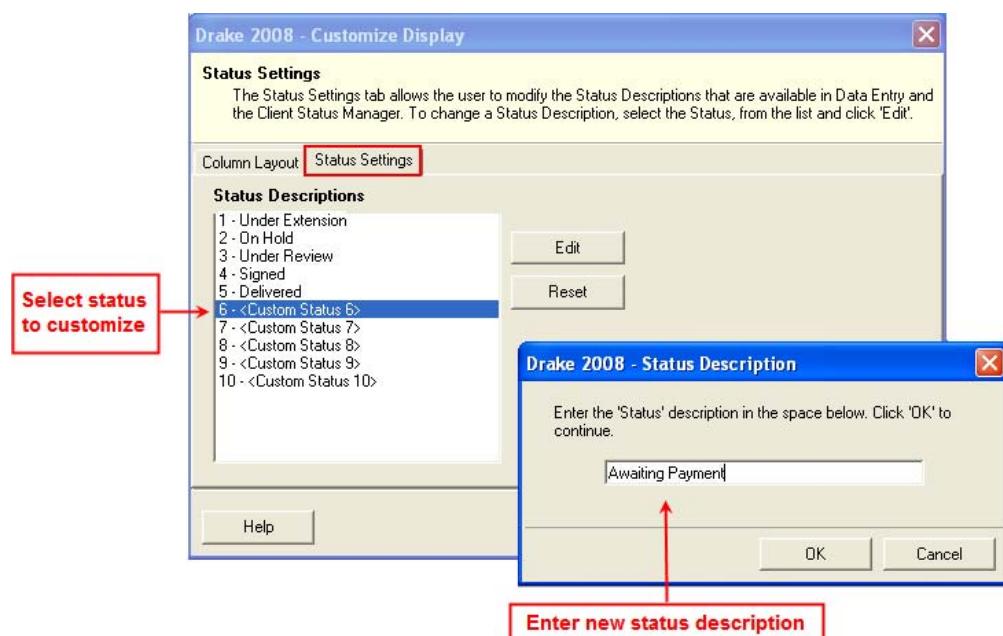
Figure 9-2: Creating custom statuses

5. Enter a status description in the **Status Description** text box.

6. Click **OK**.

To restore all original statuses, click **Reset**.

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 Drake **Home** window, go to **Setup > Options**. Under the **Calculation & View/Print** tab, select **Auto-calculate tax return when exiting data entry**.

Setting a Status from the CSM

To set the status of a return from within the CSM:

1. Right-click a return record in the **Client Status Manager** list.

2. Select **Set Client Status**. A status list is displayed.

3. 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 data entry, click the **CSM** button from the **Data Entry Menu** toolbar to display a status list, then select a return status from the list. The status is automatically updated in the CSM.

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 press CTRL+O, or use the right-click menu). The return is opened to the **General** tab in data entry. When you exit the return, you are returned to the CSM.

To *create* a return from within the CSM:

Shortcut: Press CTRL+N to open the Open Client File dialog box.

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**, 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.

To customize the CSM display:

*Shortcut: Press CTRL+D to open the **Customize Display** dialog box.*

1. Click **Customize**. In the **Column Layout** tab of the **Customize Display** dialog box, **Available Columns** are listed in the left pane, and **Columns in Current View** are listed in the right.
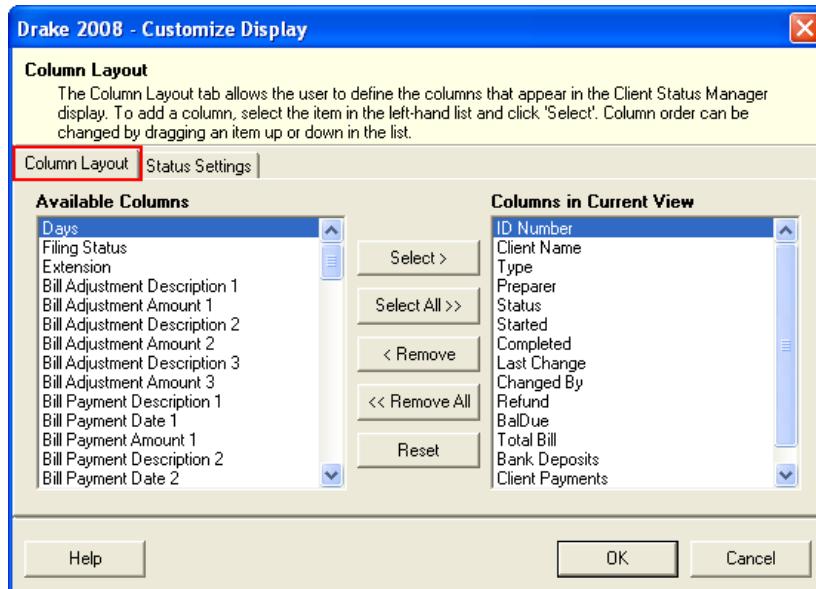
Figure 9-3: Column Layout tab

- To add a column, select an item in the left pane and click **Select** to move it to the right pane. To add all items, click **Select All**.
- To remove a column, select an item in the right pane and click **Remove** to move it to the left pane. To remove all items, click **Remove All**.
- To change the column order, drag items up or down the list in the right pane.
- To reset columns to original view, click **Reset**.

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

> TIP   Other ways to customize the display: click a column header to sort in ascending or descending order; adjust column widths by dragging the edge of a column to the desired width; and double-click a column header's right border to quickly size to fit.

Searching, Updating, and Filtering

Searching the CSM

To find a return in the CSM, click **Search**, or press CTRL+F to open the **Find Client Record** dialog box. As you type the SSN, EIN, or client name, the CSM searches for and highlights the matching record. Click **Close** to exit the **Find Client Record** dialog box.

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.

Filtering Data in the CSM

Filters allow you to control which records are shown in the CSM. To select filters:

1. From the **Home** window, click **CSM**.

Shortcut: Press CTRL+L to view the filter list.

2. Click **Filters**. The filter list is divided into four sections, as shown in Figure 9-4.
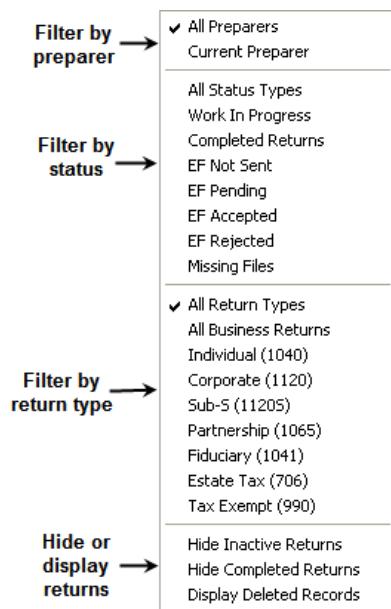
Figure 9-4: CSM filter list

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.

NOTE   In the **Status** column, a red **File Not Found** message indicates a deleted return. Deleted files stay in the CSM for tracking purposes.

CSM Reports

Seven predefined status and financial reports are available in the CSM. Reports are displayed in the **Report Viewer**. Data can be exported from the **Report Viewer**.

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 RAL, Bonu$, etc.,) 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 **TRAC** screen, which is automatically set when you select a status of **Complete**. (To manually set the completion date, log in as Admin and enter a **Date Complete** on the **TRAC** 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. See Chapter 12, "Reports." for information on using reports in Drake.

Generating a CSM Report

To generate a report from the CSM:

1. Select **Reports**.

2. Select a report from the drop list in the **CSM Reports** dialog box. Depending on your selection, you could be prompted to enter dates, select preparers, or provide other information to narrow the scope of the report.

3. Click **Report**. The report data is displayed in the **Report Viewer**.

Print the report, export the report into another program, or customize the report display. For information on using the Report Viewer, see "Report Viewer" on page 270.

Exporting CSM Data

To export CSM data into Notepad or CSV format (suitable for Microsoft Excel and Microsoft Access), click **Export** in the CSM toolbar. A worksheet of the data is opened automatically.

Admin-only Features

The following CSM features are available only to the Admin login and to preparers who have been given administrative rights.

Deleting a Record

Deleting a record removes it from the CSM display. Although the record still exists in the software, it is no longer visible in the CSM default view. To delete a record, right-click the record and select **Delete Record**. To view a deleted record, click **Filters > Display Deleted Records**.

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 from 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)**.

This page intentionally left blank.

10 Resources and Support

Drake Software offers a wide range of support resources. In addition to our unparalleled telephone support, Drake has a variety of online and software help resources to give you 24-hour access to the latest information.

Si te gustaria hablar con alguien en español, llame al (828) 349-5500, y trataremos de conectarle con uno de nuestros agentes de apoyo que hablan español.

Drake's written documentation is designed, and Drake's support employees are trained, to help tax preparers make the most of the tax preparation software and to use it successfully. Drake does not, however, provide tax law advice. Knowledge of tax preparation is the responsibility of the tax preparer. Support is provided as an aid to tax return completion only. The accuracy of the return filed with the IRS and various state tax authorities is the responsibility of the tax preparer.

Drake Software Manual

The Drake 2008 Tax Software Manual is available on the software CD. An online version at *Support.DrakeSoftware.com* **> Training Tools > Manuals** is updated as tax season progresses. Save the manual to your computer or print your own copy.

Online Support

A reliable Internet connection is necessary to take full advantage of Drake's many online support resources. These resources are accessible from Drake's Support Web site at *Support.DrakeSoftware.com*.

Knowledge Base

The Knowledge Base (KB) is a searchable database of support articles and is available 24 hours a day. The KB consists of articles submitted by clients, programmers, the IRS, and state departments of revenue. The articles cover such topics as Drake's

tax software and Client Write-Up software, changes in state and federal tax laws, tax-return troubleshooting, using bank products, researching tax law, and much more. The KB also includes the 2006, 2007, and 2008 Drake Software manuals and the 2007 and 2008 Client Write-Up manuals.

To access the KB, go to the Drake Support Web site and select **Resources > Knowledge Bases**. From the list of Knowledge Bases displayed, click the Knowledge Base you want to view.

By default, the **Search** tab for the selected KB is displayed (Figure 10-1).
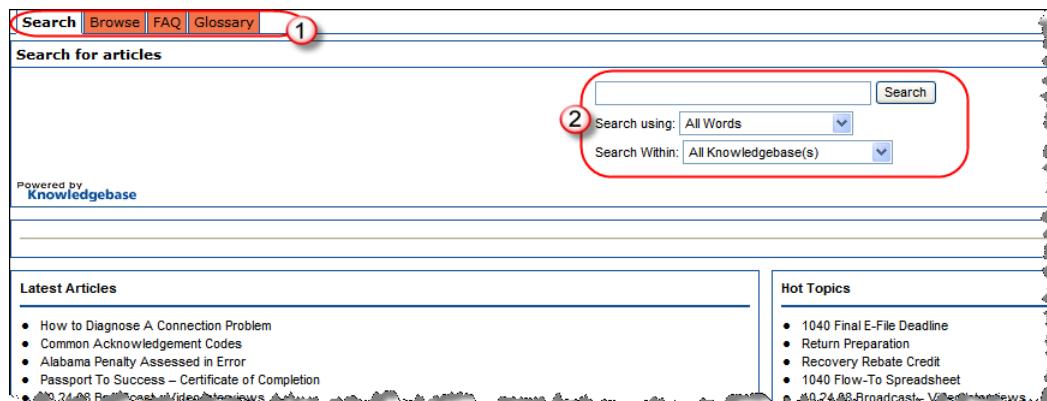
Figure 10-1: KB tabs (item #1); KB search fields (item #2)

Begin your queries from the four tabs listed in Table 10-1 and shown as item #1 in Figure 10-1.

Table 10-1: KB Tabs

Tab	Description
Search	View the **Latest Articles** entered or the **Hot Topics** articles receiving the most hits. Search for other articles using word searches. (See item #2 in Figure 10-1; see also "Searching the KB," following.)
Browse	View the **Hot Topics** in the KB, including the latest questions about the software and the CWU manuals. Click a topic to view its subtopics or articles.
FAQ	View articles we believe to be most pertinent. These change frequently, so check back often.
Glossary	View a list of relevant tax and Drake software terms.

Searching the KB

To search for a topic or article in the KB:

1. In the **Search** tab (Figure 10-1), enter a keyword in the **Search** field.

2. (optional) Direct your search by selecting options from the **Search Using** and **Search Within** drop lists. **Search Using** options are described in Table 10-2.

Table 10-2: Options Available in KB **Search Using** Drop List

Search Option	Description
All Words	Searches for articles containing all search terms entered.
Any Word	Searches for articles containing any one of the search terms.
Exact Phrase	Searches for articles containing the exact phrase entered.
Boolean	Allows connector words to be used in conjunction with keywords to aid in searching. Use *and*, *not*, and *or*.
Natural Language Query	Allows you to enter a sentence in the **Search** field. The KB pulls out matches to any words in the sentence.
Exact Keyword Match	Finds exact keyword matches to the search terms entered.

3. Click **Search**. All related articles appear in order of relevance, with the most relevant listed first. Click an article title to open the article. If only one article in the KB meets the search criteria, the KB opens that article window. Matches to your keywords are highlighted.

Navigation Icons   From within each KB article, you can use the icons at the top-right corner of each screen to return to the previous article, print or e-mail the article, save the article to a browser's "Favorites" folder, or save the article to another location (Figure 10-2).

Figure 10-2: Navigation icons available in KB articles

Related Articles   If a **Related Articles** link is at the bottom-left corner of an article window, there are other articles in the KB that are related to the one you queried. Click **Related Articles** to view a list of links to other articles. Click **Close** to return to the original article.

Feedback   Drake encourages you to respond to any article you read in the KB. The suggestions are often used to improve the KB for our clients. In the bottom-left corner of an article window, click **Feedback** to open the feedback window. After entering your feedback, click **Submit**.

Drake ETC

The Drake Electronic Training Center (ETC) offers a convenient way to train your office staff with tutorials, practice returns, and interactive tax courses. Offering training for businesses of every size from single-user offices to multi-office firms, the ETC also provides tracking tools and interactive testing so individuals and group administrators can monitor their personal and collective progress.

To access the Drake ETC, go to the Drake Support Web site and select **Training Tools > Drake ETC**.

> **NOTE** ETC is free for Drake clients. People who are not Drake customers can also use ETC, but certain fees apply.

Creating an ETC Account

Before you can log in to ETC, your office must have an administrator (Admin) account. Once the Admin account is established, you can create student accounts and begin tracking student progress. With their own usernames and passwords, students can log in to ETC on their own.

> **NOTE** The **CTEC#** fields in the Admin and student account sign-up pages apply to California preparers who want to receive CTEC–approved credit.

To create an Admin account:

1. Go to the Drake ETC home page and click the applicable **Create admin account for the office** link (item #1 in Figure 10-3).
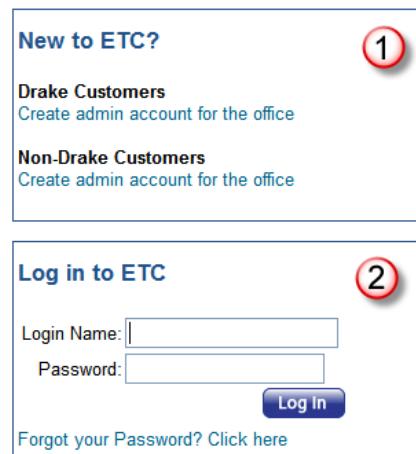
Figure 10-3: Drake ETC home page account sign-in boxes

2. Enter your EFIN and Drake password (the password from your packing slip) and click **Submit**.

3. Complete all applicable fields. To have CPE credit for completing an ETC tax course, select **Yes** from the **CPE** drop list.

4. Click **Save Information**.

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, click **Save Information**.

Logging In

To log in to ETC, enter your **Login Name** and **Password** on the ETC home page and click **Log In** (item #2 in Figure 10-3). The ETC **Welcome** page has a sidebar listing the available resources, described in Table 10-3.

Table 10-3: Drake ETC Resources

Resource	Description
Tax Courses	Interactive tax courses explore IRS tax law and terminology and how it applies to Drake data entry. CPE credits are available.
Tutorials	Step-by-step instructional slide shows that teach the basics of Drake Software.
Practice Returns	Hands-on data entry and e-file training.
Videos	Available for tax year 2008, videos include a software tutorial and a demonstration of the latest innovations in Drake.
Report Card	Track student's progress in the tutorials and in the tax courses, including dates of completion, quiz results, and CPE credits earned.
Administration	Available only when logged in with an Admin account, this section allows you to create student accounts and view student report cards.

When a course unit, tutorial, practice return, or video has been viewed, a green check mark (see Figure 10-4 example) replaces the red "X" next to the completed item.

Tax Courses   Each tax course consists of units that must be completed in order. For a list of available courses and units in ETC, click **Tax Courses**. The **Tax Courses** page is opened, displaying the units of the **Basic Tax Course**. (Figure 10-4)
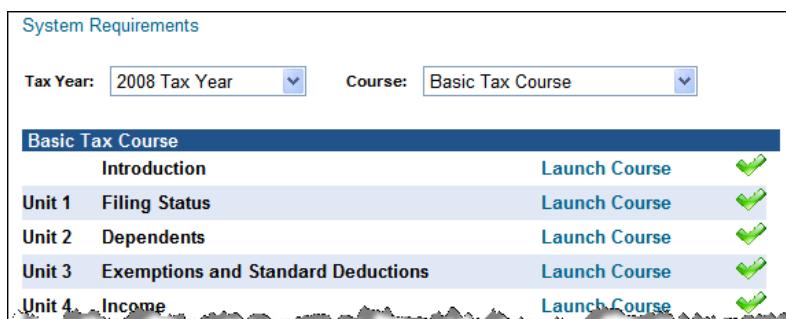
Figure 10-4: Modules of Basic Tax Course are displayed

To view units for a different tax year or course, select an option from the **Tax Year** and **Course** drop lists.

NOTE   Click **System Requirements** on the **Tax Courses** page to ensure that your system supports the tax course programs. Make sure your speaker volume is turned on in order to hear the audio.

To launch a module:

1. Click **Launch Course** for the selected module. (See Figure 10-4.) The unit is opened in a browser window.

2. Use the navigation buttons in the top right corner to move through the course. Use the sound buttons at the bottom of the screen to stop, pause, or re-play audio.

3. When you finish a unit, click **Exit** to return to the **Tax Courses** page.

Completed units can be viewed again at any time. Once all course units are completed, click **Launch Exam** to begin the test. Submit your score upon completion of the test.

> NOTE   ETC offers basic tax courses on 1040, 1120, and 1065 reporting and an intermediate tax course on 1040 concepts. In the future, look for advanced courses for 1065, 1120, and 1120S returns.

CPE Credits   To earn CPE credits for taking a tax course in Drake ETC, you must score 80% or higher on the course exam and submit a course evaluation.

After completing all units of a course, click **Launch Exam** on the **Tax Courses** page for that course. After passing the exam with a score of 80% or higher, click **Launch Evaluation**. Once you have completed and submitted the evaluation, you will be able to print a CPE certificate.

> NOTE   To re-print a CPE certificate, click **Report Card** in the Drake ETC sidebar. Scroll to the bottom of the **Report Card** window to the **CPE Credits** list, and click **Print** for the desired certificate.

Tutorials   Tutorials teach the basics of Drake Software through text, sound, and animation. For a list of available tutorials in ETC, click **Tutorials**. The **Tutorials and Quizzes** page displays a connection speed options box and lists Drake tutorials. (Figure 10-5).
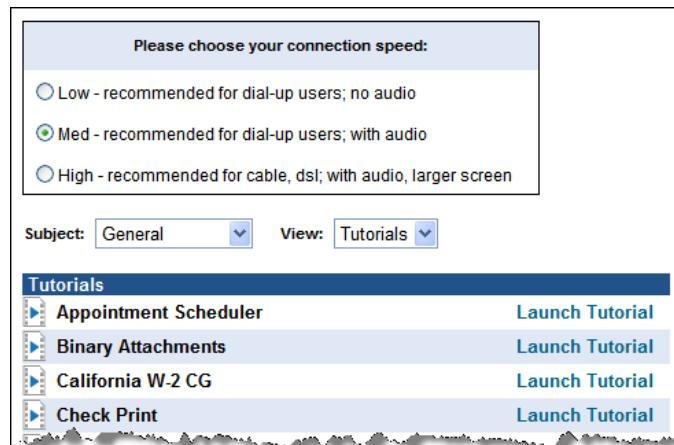
Figure 10-5: Connection speed options and tutorial list

Before launching a tutorial, select an appropriate connection speed. Next, click **Launch Tutorial** for the tutorial you want to view. (Tutorials do not need to be completed in the order listed.)

Each tutorial has its own quiz. Tutorial quizzes test your knowledge of the subject and, if you're an administrator, the can help you track student progress. To access a quiz,

select **Quizzes** from the **View** drop list (see Figure 10-5) and click **Launch Quiz** for the desired tutorial.

NOTE   Tutorials are added throughout the season, so check for new tutorials often. To view tutorials for Drake Client Write-Up, select Client Write-Up from the **Subject** drop list. (See Figure 10-5.)

Practice Returns   Practice returns have been designed as hands-on tools to help your firm become familiar with the basics of data entry and e-filing in Drake Software. To access practice returns in ETC, click **Practice Returns**. The **Practice Returns** page is opened, displaying instructions and a list of available practice returns. (Figure 10-5)

Figure 10-6: List of practice returns on the **Practice Returns** page

Click **View Return** to view the basic return scenario in a PDF document. Use data entry to 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.

Drake ETC offers 19 basic and intermediate practice returns for the 1040 package, and one practice return each for the 1120 and 1065 packages. To practice e-filing and working with bank products, scroll to **Electronic Filing and Banking** and click **View Return**. Follow the instructions located on the PDF document.

Videos   In 2008, Drake ETC offers three "Drake 101" videos covering administration, data entry, and e-filing. To access videos in the ETC, click **Videos**. The **Videos** page displays a list of available videos. Click **Launch Video** to view a video.

Report Card   Click **Report Card** from an ETC screen to view training progress, test and quiz results, and CPE credits earned for a selected year. To re-print a CPE certificate, scroll down to the **CPE Credits** section and click print for the desired certificate.

Admin   The **Administration** page is available only for users logged in as Admin. To access this ETC page, click **Administration**. Displayed are a student drop list, buttons for adding and searching student records, and a list of student records (Figure 10-7).
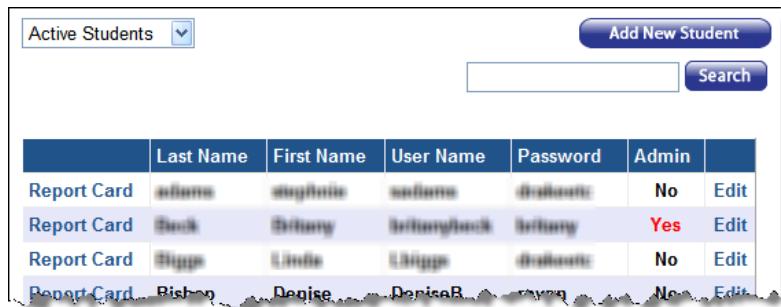
Figure 10-7: Admin page displays list for student information

The following tasks can be performed from the **Administration** page in ETC:

- Selecting **Active Students**, **Inactive Students**, or **All Students** to view lists
- Adding a new student (See "Creating an ETC Account" on page 226.)
- Searching for a student record (Enter a student name and click **Search**.)
- Viewing a student's **Report Card** (Click **Report Card** next to a student name.)
- Clicking **Edit** to view and edit a student's information (Click **Save** to save it.)

Logging Out   To log out of Drake ETC, click **Log Out**. You are returned to the ETC login page.

Federal/State Facts

Information about federal and state reject codes, exclusions, instructions, and e-filing is accessible from the **Federal/State Facts** page. From the Drake Support site, select **Resources > Federal/State Facts**. Click a federal document, or select a state from the **States** drop list to view state information.

Figure 10-8: Example of a state page in **Federal/State Facts**

If viewing a state page (see Figure 10-8 example), you can click **View 2007 data** to see the prior-year version of the same Federal/State Facts. Click **State DOR Homepage** to open the state's department of revenue Web site.

Drake Forums

The online Drake Forums allow Drake clients to interact with other Drake clients. Participation in Drake Forums is strictly voluntary. To access Drake Forums from the Drake Support site, select **Resources > Forums**. First-time users must register before participating; read the text on the **Forums** page regarding registration requirements,

then click **Click here to Register**. Instructions for signing up for Drake Forums are provided on your screen.

Once you are registered for the forums, click **Click here to Login** on the **Forums** page. After logging in, click **FAQ** for further instructions. Click **User CP** to set up your user profile.

NOTE   The Drake Software Forums are strictly voluntary and should not be used as a substitute for obtaining help from Drake Support.

Other Available Resources

The Drake Support site offers a wealth of additional resources, such as information about webinars, trade shows, training sessions, update schools, Drake's Tax Planner, the Drake Document Manager, and Client Write-Up. You can also view helpful publications and download prior-year Drake programs, prior-year release notes, and software for converting data files from other tax software programs into Drake.

Drake Software Downloads The Download Center is available by clicking **Resources > Download Center**. After you enter your EFIN and password, the **Download Center** page displays the software and education/training materials available for download. Click an item to download it.

Prior-Year State Programs Drake's prior-year software for state programs is available by selecting **Resources > Prior Year States** and selecting the year to download. From the list of states and revision dates, click a state and follow the instructions that appear on your screen.

NOTE   For 2003 to 2005, state updates are accessed through the software from **Tools > Install Updates**.

Release Notes Software release notes from prior years are available on the Drake Support site. To access release notes, select **Resources > Release Notes**. On the **Release Notes** page, select a year and update category to view the listing of releases and release dates. Click a note link to view the release note.

Conversions To download software to convert data files from other tax programs into Drake format, go to the Drake Support site and select **Resources > Conversions**. Choose a tax year and a brand of software. Read the instructions (available for downloading and printing) before running the conversion.

Publications From the Drake Support site, select **Training Tools > Publications** to download IRS publications; search for federal and state tax forms, instructions, and news; get tax tips; download tax tables; find federal tax estimators, financial calculators, and the latest Drake Desk Reference; and access the 1040.com Web site.

Marketing Kits Advertise your business using the newspaper ads, posters, banners, and radio spots available at the Drake Support site. Select **Training Tools > Marketing Kits** to access and order these resources, visit links to other marketing resources, and pick up free marketing kits from the IRS.

Partner Programs From the Drake Support site, click **Partner Programs** to access information on Drake's bank and other partners (Dnet Internet Services, NELCO Solutions (forms and checks), and Crown Money Map financial software).

Software Support

Several support resources are available from within the Drake program itself. Access Frequently Asked Questions (FAQs), searchable help, data entry help, and broadcast e-mails

FAQs

Access the **FAQ** screen in any package by clicking **Frequently Asked Questions** from the **Data Entry Menu**, or by typing FAQ in the selector field and pressing ENTER. FAQ screen content varies by state and package.

Searchable Help

All windows in Drake (except the data entry screens) have a clickable **Help** icon or **Help** button for accessing the Drake Help System—a searchable "encyclopedia" of Drake Software, arranged in "books" and in an index. The Help System answers many of the most commonly asked questions about the software.

When you click a **Help** button, the Help System is opened for the window or screen you are in. For example, if you are in pricing setup (**Setup > Pricing**) and click **Help**, you are shown the Help information for pricing setup. To print a topic, click the **Print** icon in the toolbar.

NOTE   If you encounter an error accessing the Help System, run F:\Drake08\Help\FixHelp.exe on each workstation. (Replace 'F' with your server drive letter.)

Access Help System items by using the **Contents**, **Index**, and **Search** tabs.
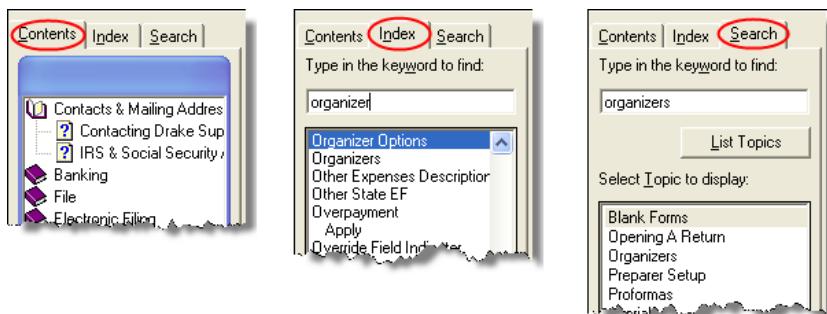
Figure 10-9: Contents, **Index**, and **Search** tabs

Contents Arranged in a "Table of Contents" style, the **Contents** tab (first image in Figure 10-9) lists all available Help topics. Topics are organized into "books," which contain the Help files for a specific topic. To open a book and use the list of topics included in the

book, double-click the book. The list expands to show the topics contained in that book. To see the Help screen for a topic, click the topic.

Index As shown in the second image in Figure 10-9, the **Index** tab allows you to access the Help index by keyword. As you type a keyword into the search field, the matching index term is displayed in the lower box. To see the Help screen for a matching term, double-click the topic or select the topic and **Display**. You can also use the UP ARROW and DOWN ARROW on your keyboard to move from term to term.

Search As shown in the third image in Figure 10-9, the **Search** tab allows you to search the Help topics by keyword. Enter a search term and click **List Topics** (or press ENTER). From the topics displayed, double-click a topic to view (or single-click it and press ENTER). You can also use the UP ARROW and DOWN ARROW on your keyboard to move from topic to topic.

Data Entry Help

Two types of help are available in data entry: field-level help and screen help.

Field-Level Help Field-level help provides information about a selected field in data entry. To access field help, place your cursor in the field and press F1 on your keyboard. Alternately, you can press SHIFT+? or select **View Help** from the right-click menu. The help for the selected field is displayed as shown in the example in Figure 10-10.
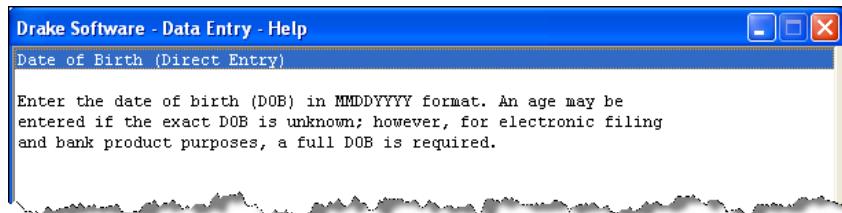
Figure 10-10: Example of field-level help

Note that each field-level help window indicates whether the field is a direct entry, adjustment, or override field. To close a field-level help window, click the **X** in the top right corner, or press ESC.

Screen Help Screen help provides information about an open screen in data entry. To access screen help, press CTRL+ALT+? or click the **Screen Help** button at the top right corner of the screen (Figure 10-11). In most cases, a window similar to the field-level help window (Figure 10-10) displays the screen help.
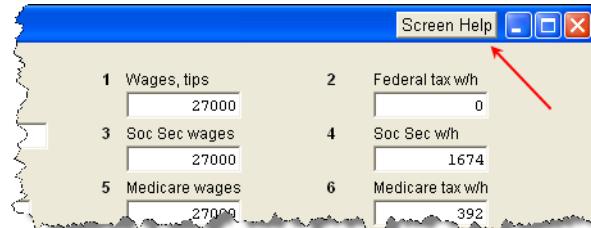
Figure 10-11: Screen Help button for **W2** screen

Some screen helps include the following features:

- Links to form instructions
- RIA Checkpoint's Form/Line Finder

RIA Checkpoint RIA Checkpoint is an independent tax research tool for advanced research by tax pro- fessionals. To access Checkpoint from the **Home** window, click the **Research** button or select **Help > RIA Tax Research**. When the RIA page is opened, you have access to the following items:

- Extensive **Federal Tax Handbook** with answers to hundreds of tax questions.
- **Public Domain Materials** including federal tax case law and IRS rulings and memoranda, some of which date back to 1860.
- A **Weekly Alert Newsletter** for staying on top of fast-breaking developments.
- **RIA Tax Return Guides** containing the latest data available for individual, cor- porate, partnership, and estate returns. Guides are linked to the Form Line Finder.
- The **Form Line Finder** for quick, convenient searching of the Tax Return Guides (current and archival years) by form and line.
- **Calculators** to help you quickly answer questions and provide advice to your cli- ents. RIA's 80+ calculators are also great to use in conjunction with your Drake Tax Planner.

Broadcast E-mails

Broadcast e-mails, which inform you of the latest IRS alerts or software issues, are sent to your 1040.com e-mail address (*your EFIN@1040.com*). Access broadcast e- mails through Drake at **Help > Mail**.

Interactive Support

Drake provides interactive support via e-mail, phone, and fax.

E-mail Program

E-mail addresses for Drake Support are listed in Table 10-4 on page 237. You can also use the Drake e-mail program, described here, to e-mail Drake Support personnel.

The Drake e-mail program allows you to send and receive e-mail messages using your 1040.com e-mail address. Use the Drake e-mail program to send e-mail questions directly to Drake Support or to send e-mail your clients. If desired, you can use your Drake e-mail as your everyday e-mail program.

Access your Drake e-mail from the **Home** window by selecting **Help > E-Mail**.

E-mail Setup Use the **Setup** menu to select your method for sending and receiving e-mail. Two methods are available: the *default* method, which is compatible with most Internet Service Providers, and the *alternate* method, which is chosen if the default method does not work.

Checking Mail

To check your Drake e-mail, select **File > Check Mail**, or press CTRL+M. You can also check the status of your mailbox by clicking **File > Check Mailbox Status** or pressing CTRL+S.

NOTE
E-mail messages are downloaded only once per EFIN. If multiple computers are using the same EFIN, consider designating one person to download Drake e-mail and forward it accordingly.

Downloaded messages appear in your **In** box. To open a message in a new window, double-click it.

Your mailbox also includes an **Out** box, a **Drafts** box, and a **Trash** box. To open a box, click it in the left pane.

- **Out** — Messages appear here after they have been sent.
- **Drafts** — If you attempt to close a message before sending it, you are prompted to save a draft of the message in your folder to be completed later. To accept, click **Yes**. To discard the message, click **No**.
- **Trash** — Deleted messages are stored in **Trash**. To permanently delete a message, select it and click **Delete**. Messages deleted from **Trash** cannot be recovered.

To *compose* a new message, click **New**. Enter an address in the **To** field, a subject in the **Subject** line, and a message in the text box at the bottom. Messages cannot be sent without a subject. To send the message, click **Send**.

To *reply* to a message, click the message then click **Reply** (or, with the message open, click **Reply**). The original message is included in the reply message.

To *forward* a message, click the message then click **Forward** (or, with the message open, click **Forward**).

To *delete* a message, click the message and click **Delete** (or, with the message open, click **Delete**). Deleted messages go to the **Trash** box.

Attaching Files

When contacting Drake Support with an issue, you might be asked to send your client file. To send a client file:

1. Click **New** to open a blank message.
2. Click **Attach** to open the **Attachments** window.
3. Click **Add Client File(s)**.
4. Enter the SSN or EIN of the file to attach.
5. Click **OK**. The **Attach Client File(s)** window is opened, displaying all files saved in the client's 2008 DDM folder.
6. Select a file (press CTRL to select multiple files) and click **OK**.
7. Click **Done**. The message now contains the attachment.
8. Type a message (optional) and click **Send**.

To attach a different type of file (such as a PDF, Word document, etc.):

1. Click **New** to open a blank message.

2. Click **Attach** to open the **Attachments** window.

3. Click **Add File(s)**.

4. Browse for the file and click **Open** to attach the file.

5. Click **Done**. The message now contains the attachment.

6. Type a message (optional) and click **Send**.

Address Book

When composing e-mail messages, you have several address book options. Click **To** in the **New Message** window to access these options.

The *Drake Support Address Book* displays general e-mail addresses at Drake, such as for support, accounting, spanish support, and federal and state programmers. To insert an address in your message, click a **General** e-mail address, a **Federal** programmer category, double-click the desired state, or highlight the state and click **OK**.

If a taxpayer's e-mail address is entered on screen **1** of their return, it can be accessed from the *Drake Software Client Address Book*. To fill this address book for the first time, go to **Tools > Repair Index Files** (see "Repair Index Files" on page 243). After repairing the index files, return to the e-mail program, click **New**, click **To**, and then select **Drake Software Client Address Book**. Choose an address from the left pane and click **Add** to add it to the recipient list on the right. To finish, click **Done**.

The *Local Address Book* can be filled with e-mail addresses of your choice. To add an address, click the **Add** icon at the top-left corner of the dialog box. Enter first name, last name, and e-mail address. Click **Save**. Click an e-mail address from the left pane and click **Add** under **Recipient List** to add the address to the recipient list on the right. To finish, click **Done**.

An address book from outside of Drake can be imported into your Local Address Book. Click **Import** and browse to the address book file and click **Open**.

Report-Generated Recipient List

The **Report Generated Recipient List** option allows you to run a customized report from your client and EF data to generate a list of e-mail addresses. The keywords selected during the query are then used to create e-mail. Keywords inserted into the body of the e-mail message fill with the client's information. To create a report-generated recipient list:

1. Click **To** from the **New Message** window and select **Report Generated Recipient List**.

2. From the **Report Manager** window, select to run a predefined report, edit a predefined report, or create a report from scratch. The report generated is used to create an e-mail list. For details on creating reports, see Chapter 12, "Reports."

3. When reporting is complete:

   – Click **Yes** to send a custom e-mail message to each client whose file includes the selected report data.

   – Click **No** to send a generic e-mail message to all e-mail addresses generated by the report.

4. If you clicked **Yes**, a blank e-mail message appears. If necessary, double-click the **To** field to view addresses and remove any you don't want to include.

A **Keyword Selector** window also appears with a list of available keywords. To add a keyword, double-click it from the **Keyword Selector**.

5. Compose the message, inserting keywords, then click **Send**. Each client receives the same e-mail with the keywords personalizing the message.

> **NOTE**   Close the completed message before sending and you are prompted to save it in the **Drafts** folder. The e-mail is saved along with the generated report list and keywords. To send the saved e-mail, click the **Drafts** box from the main screen.

Alternative Reply Address

The e-mail program uses your 1040.com e-mail address, which is *your EFIN@1040.com* (for example, *777777@1040.com*). This address is used for both your sender and reply address. To change this address to an alternative address:

1. From the menu bar within the e-mail program, select **Setup > Options**.

2. Select **Use Alternative Reply-To Address**.

3. Enter an **Alternate Address**. This address replaces your 1040.com address, appearing as the sender and reply address on e-mail messages you send.

4. Click **Save**.

Phone

Work one-on-one with a Drake customer-support technician to resolve software issues. Drake's technicians 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. Additional phone numbers and contact information are provided in Table 10-4.

Table 10-4: Contacting Drake Support

Department	Contact
Accounting	*Accounting@DrakeSoftware.com*
E-filing	*EF@DrakeSoftware.com*
Support (General)	*Support@DrakeSoftware.com*; (828) 524-8020
Support (State-specific)	XXstate@DrakeSoftware.com ("XX" is state abbreviation.) Examples: nystate@DrakeSoftware.com (for New York) dcstate@DrakeSoftware.com (for District of Columbia)
Conversions Support	*Support.DrakeSoftware.com*; (828) 349-5546
Client Write-Up Support	*Client_wu@DrakeSoftware.com*; (828) 349-5547

Fax

Get answers to software questions using the fax cover letter provided on the following page. Drake replies to faxes with faxes, not phone calls.

Fax Cover Letter for Support

Name:	Company Name:
EFIN:	
Phone Number:	Fax Number:
To (department or individual):	

Computer Operating System (select one):   ❑ Windows 98   ❑ Windows 2000   ❑ Windows Vista

❑ Windows NT   ❑ Windows ME   ❑ Windows XP

Are you working on a Network?   ❑ Yes   ❑ No

If this fax is concerning a prior year Drake program, what year?

Program Year

_____

Give us a brief description of the situation:

11 Tools

This chapter covers the various tools and file-maintenance capabilities available on the **Tools** menu and includes details on other Drake tools and accessories.

Install Updates

Install updates regularly to ensure that you have the latest version of Drake. Updates include modifications to reflect the most recent tax-law changes. If you haven't installed updates yet, you must first create an update profile. See "Update Profile Setup" on page 22.

To install updates:

1. From the **Home** window, select **Tools > Install Updates**.
2. Click **Check For Updates**. After comparing your files to the available updates, the system displays the updates you need, the total number of files involved, and the size of the download (Figure 11-1).
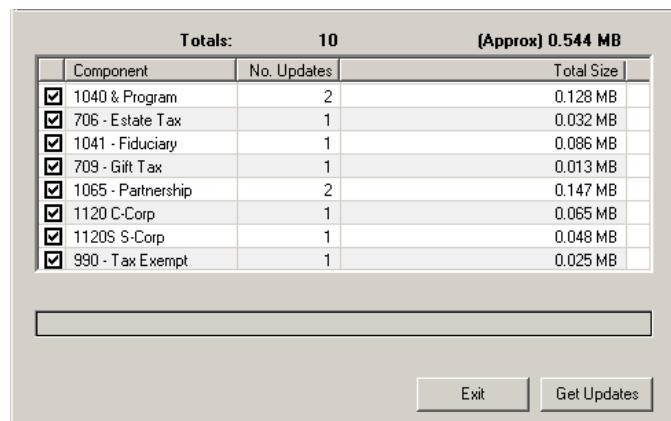
	Totals:	10	(Approx) 0.544 MB
	Component	No. Updates	Total Size
☑	1040 & Program	2	0.128 MB
☑	706 - Estate Tax	1	0.032 MB
☑	1041 - Fiduciary	1	0.086 MB
☑	709 - Gift Tax	1	0.013 MB
☑	1065 - Partnership	2	0.147 MB
☑	1120 C-Corp	1	0.065 MB
☑	1120S S-Corp	1	0.048 MB
☑	990 - Tax Exempt	1	0.025 MB

Exit   Get Updates

Figure 11-1: Details of files to be updated

3. Clear (uncheck) any components that you do *not* want to download.

4. Click **Get Updates**.

NOTE
If your update profile is set to download updates but not install them, you will need to re-open **Tools > Install Updates** before going to Step 5.

5. Click **Yes** to continue. (If you select **No**, the process is stopped. If another computer on your office network is in Drake, you are directed to reboot your system.)

6. Click **Proceed** to begin updating.

7. When files are updated, click **Exit**.

NOTES
The **1040 & Primary** component is required and cannot be cleared.

Selecting components to download from the **Download Manager** ensures that no time is wasted on unnecessary updates. If components appear in the **Download Manager** that you do not wish to download, consider modifying your **Update Profile** at **Setup > Update Profile**.

Copying Updates to Another Computer

Copying updates is necessary for a computer that does not have Internet access. The process of copying updates has three main steps: (1) getting an update list; (2) loading the updates onto a media storage device; and (3) copying the updates to the computer. You need a media storage device (such as a USB flash drive or floppy disk) and the Drake program on a computer with Internet access.

Getting an Update List

To get an update list, complete these steps using the computer that *needs* the updates:

1. Connect a media storage device to the computer.

2. From the **Home** window, go to **Tools > Install Updates**.

3. Under **Updating computers without Internet access**, click the first option (to copy updates from another computer to this one), then click **OK** to close the warning box. Buttons for Step 1 and Step 2 appear.

Figure 11-2: Option 1, steps 1 and 2

4. Click **Create Update List** (Step 1).

5. Browse to the location of the media storage device and click **Save.**

6. When prompted, click **OK**. Click **OK** again.

7. Remove the storage device from the computer.

The file PATCHLIST.TXT, which lists the updates currently installed on the computer, is now saved on the media storage device.

Loading the Updates

To load the updates, complete these steps from the computer designated to *supply* the updates.

1. Connect the media storage device to the computer.

2. From the **Home** window, select **Tools > Install Updates**.

3. Under **Updating computers without Internet access**, click the second option (to read a portable data drive from another computer), then click **OK** to close the warning box. The **Read Update List** button appears.
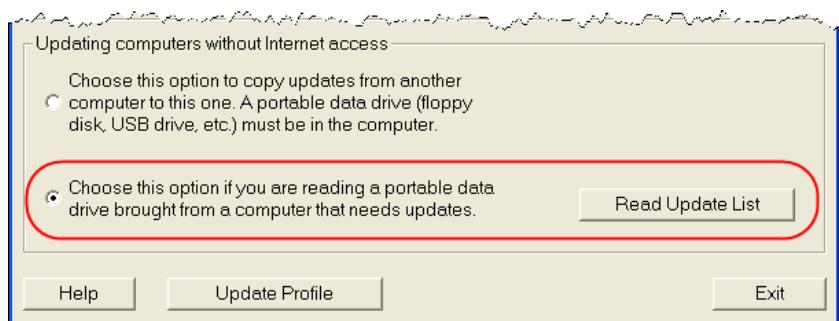
Figure 11-3: Option 2, **Read Update List** button

4. Click **Read Update List**, then browse to the location of the storage device.

5. Select PATCHLIST.TXT and click **Open**. If update files are needed, they are copied to the media storage device. If no updates are needed, you are prompted to click **OK**.

6. Remove the storage device from the computer.

Copying the Updates

To copy the updates, complete these steps from the computer that *needs* the updates:

1. Connect the media storage device to the computer.

2. From the **Home** window, select **Tools > Install Updates**.

3. Under **Updating computers without Internet access**, click the first option (to copy updates from another computer to this one), then click **OK** to close the warning box. Buttons for Step 1 and Step 2 appear. (See Figure 11-2.)

4. Click **Get Updates From Drive** (Step 2).

5. Browse to the location of the storage device.

6. Select PATCHLIST.TXT file, then click **OK**.

7. Click **Install Updates** (under **Download & Install Program Updates** in the **Update Manager**) and wait for the updates to be installed.

You can remove the media storage device once the updates have been installed.

Download Fonts

Special software-based fonts, or *soft fonts*, are required for printing tax forms. Because most laser printers do not come with these fonts installed, you might need to download them to the printer's memory each time the printer is turned on. Drake 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 down-loaded with each print job. If the printer is turned off, however, the fonts will need to be downloaded manually whenever the printer is turned back on.

To manually download fonts:

1. From the **Home** window, go to **Tools > Download Fonts**.
2. Click **Download.** The **Download Fonts** dialog box is opened.
3. Click **Download**. As downloading proceeds, the font download status is shown.
4. Click **Exit** when the download is complete.

> **NOTE**　To set up options for downloading fonts, go to **Setup > Printing > Printer Setup**. Under the **(F7) Options** tab, select an option from the **PCL Soft Font Option** drop list.

Blank Forms

Print blank tax forms, worksheets, and interview sheets from **Blank Forms**. Some forms not available in data entry might be available as blank forms. If a state prohibits printing blank state forms, contact the state revenue office to obtain blank forms.

To view or print a blank form in Drake:

1. From the **Home** window, go to **Tools > Blank Forms**. The **Blank Forms** window displays form categories, names, and descriptions for each tax package.

Figure 11-4: Blank Forms window
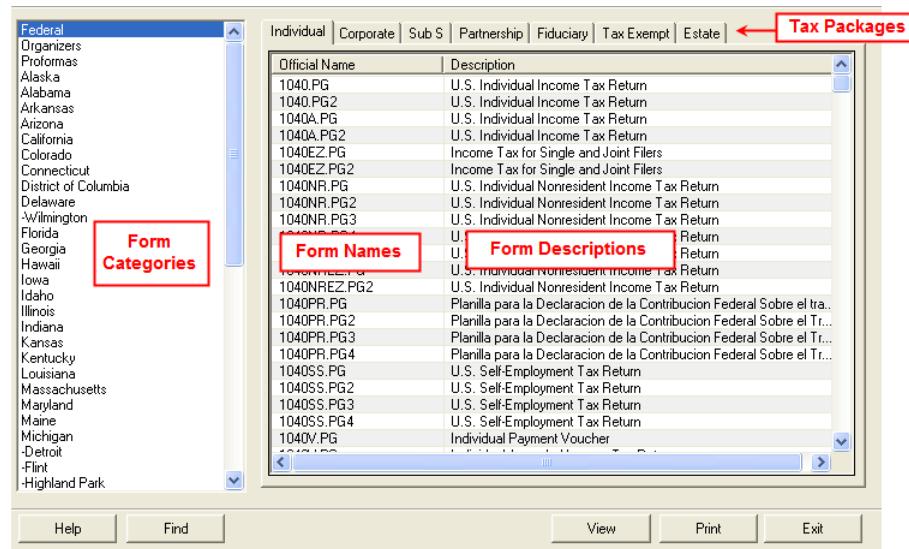
Click a column header to sort forms in ascending or descending order.

2. Click a form category in the left pane.

3. Click a tab to select a tax package from the right pane (default tab is **Individual**).

4. Scroll through the form list to locate a form. Forms are listed in numerical then alphabetical order.

5. Select a form and click **View** or **Print**.

IMPORTANT

IRS Revenue Procedure 96-48 requires that a copy of the Paperwork Reduction Act Notice be distributed on federal tax forms. When providing a blank copy of a federal form to a client, you must include a copy of the notice. To access it, go to **Tools > Blank Forms** and select **Federal**. Under the **Individual** tab, select **PAPERWRK.PG**.

Repair Index Files

An index file is a comprehensive list of data on the client files in Drake. Keep these lists up to date by repairing your index files regularly as part of your general file maintenance routine. Table 11-1 lists specific instances that could require index-file repair.

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. In the **Repair Index Files** window, select the index files to repair. To select all, click **Repair All**.

3. Click **Continue**.

4. Click **OK**. (If **Name Index** was selected, you will need to select a **Name Index Option** before clicking **OK**.)

5. When the file repair is completed, click **Exit** to return to the **Home** menu.

NOTE

Repairing the name index takes about a minute for every 2,000 clients.

File Maintenance

The File Maintenance menu provides access to the following functions:

- Backing up and restoring files
- Importing, exporting, changing, or deleting files
- Copying data and configuration files to other computers or for use as backups
- Locking and unlocking computers to control access

Backing Up and Restoring Files

Use the **Backup** and **Restore** tools to prevent loss of client data or to move client files to another machine. Files backed up to other locations can be used to restore lost data if necessary. 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.

IMPORTANT   Back up your files often and store them at an off-site location.

Backup   To back up your files from the hard drive:

1. From the Drake **Home** window, select **Tools > File Maintenance > Backup**.
2. Click **Select a backup location** and browse to the file-storage location.
3. Click **OK** to return to the **Backup** window (Figure 11-5).
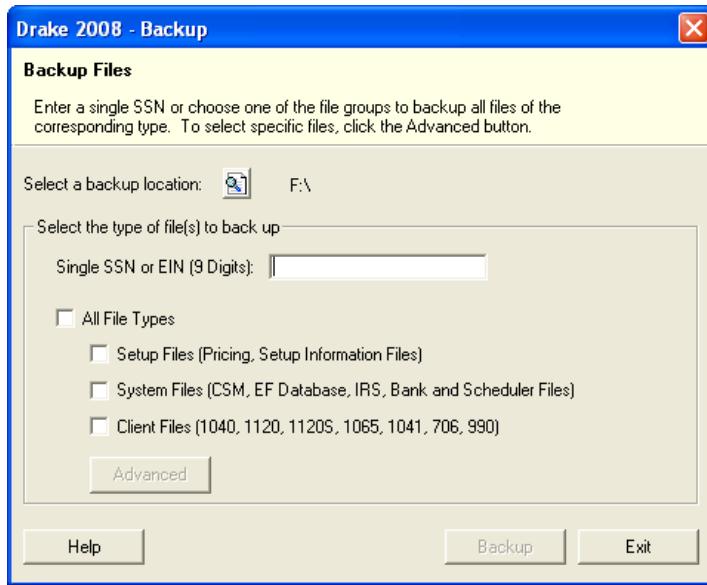
Figure 11-5: Backup window

4. Select the file or file types to back up by entering the SSN or EIN, or by checking **All File Types**, **Setup Files**, **System Files**, or **Client Files**.

5. If you marked a box, click **Advanced**. The **Advanced Backup** dialog box lists all files of the selected type. Filter or sort files as needed using the date and type filters on the right side of the **Advanced Backup** window.

NOTE
The files listed on **Advanced Backup** contain only the file types selected. For example, if the **Client Files** group is not selected, no client files (1040, 1120, 1120S, 1065, 1041, or 990) are displayed.

6. Click **Backup**. Files are backed up to a folder at the root of the selected drive or subdirectory. The folder name always starts with **DS** and is followed by the eight-digit date, a hyphen, and the number of the backup for the day. For example, the second backup file of January 28, 2009, would be titled DS01282009-02.

Restore   Use the **Restore** tool to copy data files from a media storage device to a computer. Use this feature, along with the **Backup** tool, to transfer files from one computer to another or to restore lost files.

To restore Drake files:

1. From the **Home** window, select **Tools > File Maintenance > Restore**.

2. Click **Location to restore files from** and browse to the desired location. Once you have made a selection, the **Select folder to restore from** drop list displays all of the subdirectories created during backup. Folder directories are displayed in month/day/year format (example: January 28, 2009).

3. Choose to **Restore All Files in Folder** or **Restore Select Files in Folder**.

4. Click **Restore**. (This button is not activated until a restore location is entered.)

5. Click **Exit** when restoration is complete.

NOTES
If you do not have Windows XP and want to back up your data on CD, you *must* use your CD burner software—not the Drake **Backup** tool—to perform the backup.

For assistance with using a CD-RW, refer to your CD writer software user manual.

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 software:

1. From the **Home** window, select **Tools > File Maintenance > Change SSNs on File**.

2. In the **Current SSN/EIN on file** box, enter the ID number (without spaces, dashes, or additional characters) that is currently in the system.

3. In the **New SSN/EIN for file** box, enter the new ID number.

4. Click **OK**.

5. Click **Exit**.

6. Repair the index files. (See "Repair Index Files" on page 239.)

NOTE   PPR clients: If you change a SSN or EIN, you will be charged for
        another return.

Exporting Data from Drake

The exporting tool allows you to transfer client data in Drake and the EF database files
to either a text file or a CSV (spreadsheet format) file. You can then import that infor-
mation into other programs, such as Microsoft Word, Excel, or Access.

To export data files:

1. From the **Home** window, go to **Tools > File Maintenance > Export Client/EF
Data**. The **Export Client/EF Data** box provides several choices (Figure 11-6).
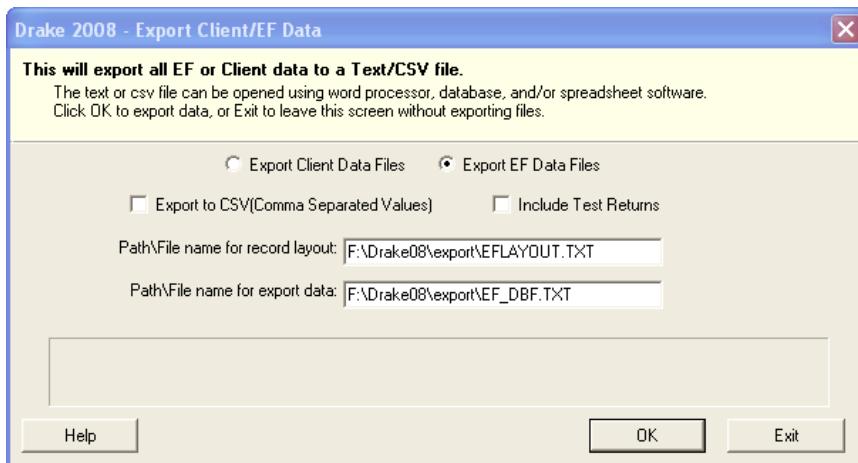
Figure 11-6: Export Client/EF Data dialog box

2. Select to either **Export Client Data Files** or **Export EF Data Files**.

- If you chose **Export Client Data Files**, the path for *client* export is displayed.
  Change the default path as needed.
- If you chose **Export EF Data Files**, the *file and path names* are displayed.
  Change the default path as needed.

3. (optional) Click **Export to CSV (Comma Separated Values)** to export the data
to CSV (spreadsheet) format.

4. (optional) Click **Include Test Returns** to include Drake test returns in the export.

5. Click **OK**.

6. Click **Exit** when export is complete.

Password-Protecting Client Files

The **Password Protect** tool protects files from unauthorized access. A protected file cannot be opened in data entry until unlocked with a password.

IMPORTANT   *Drake cannot recover a password* assigned to a file. If passwords are forgotten, all the data in the client file is permanently lost. Write down the password and keep it in a secure location.

To password-protect a file:

1. From the **Home** window, select **Tools > File Maintenance > Password Protect Files**.
2. Enter the SSN or EIN of the client file to password-protect.
3. Enter an eight-character password in the **Enter the Password** field. Passwords are case-sensitive and can consist of any combination of letters and numbers.
4. Re-enter the password in the next field to confirm it.
5. Click **OK**.
6. Click **Yes** to continue.
7. Click **Exit**.

To remove password protection, repeat the previous steps. When you click **OK**, you will be asked if you want to remove the password protection.

Unlocking Client Files

If files are automatically locked upon e-file acceptance, they can be viewed but not changed after e-filing. (The option to lock files automatically is available in Setup Options; see "E-filing Options" on page 28.)

To unlock a client file that has been locked:

1. From the **Home** window, select **Tools > File Maintenance > Unlock Client Files**.
2. Enter the SSN or EIN of the return.
3. Click **OK**.

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 for e-filing and are automatically removed from the system after the designated number of days. (See "Setup Options: Calculation & View/Print" on page 25 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**.

   2. Click the file to delete. To delete all files, click **Select All**.

   3. Click **Delete**.

   4. Click **OK** to return to the **Home** window.

> **NOTE** Since print files appear on the EF transmission selection list, you might want to delete print files for returns that are not ready.

Deleting Client Files

To manually delete a client file from the database:

   1. From the **Home** window, select **Tools > File Maintenance > Delete Client Files**.

   2. Enter the SSN or EIN of the client file to delete.

   3. Click **OK**.

   4. Click **Yes** to continue.

   5. Click **Yes**.

   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 having to create a new file. When a return type is changed, the following information is transferred:

- Name, address, telephone, and county
- Fiscal year
- All depreciation data, including screens **6**, **7**, **8**, **9**, and **10**.

When a corporate return is converted to an S corp return, the balance sheet and Schedule A information also are transferred.

> **IMPORTANT** Not all data is transferred. Before using **Change File Type**, back up the original file. (See "Backup" on page 244.)

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 **OK**.

   3. Select the new file type (**Individual**, **Corp**, **Sub-S Corp**, **Fiduciary**, **Partnership**, or **Tax Exempt**) (See Figure 11-7).

   4. Click **OK**.

   5. When the conversion is complete, click **Exit**.

Estate and
Qualified
Heir Returns
New in 2008, Drake supports using a single SSN for two return types when a taxpayer requires a Form 1040, U.S. Individual Income Tax Return, 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 software before it can be assigned to a second return type. To assign an SSN to multiple returns:

1. From the **Home** window, select **Tools > File Maintenance > Change File Type**.
2. In the **Convert Client Data File Type** dialog box, enter the SSN to be assigned to a new return type.
3. Click **OK**. The available return types are displayed. In the example in Figure 11-7, 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.
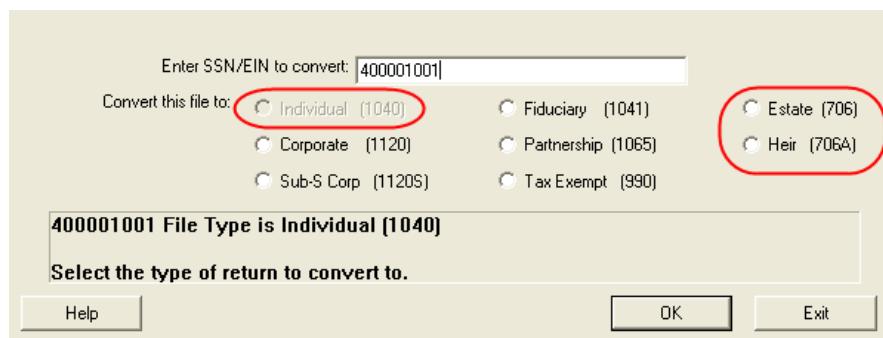
Figure 11-7: Available return types are displayed.

4. Click an option to select it, then click **OK**.
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 (such as in the **Client Selection** dialog box in **Tools > Letters > Letters**), you will be prompted to indicate which return the program should use.

Importing Data from QuickBooks

Two main steps are needed to import client data from QuickBooks into Drake: (1) preparing the QuickBooks file, and (2) performing the import. Always back up Drake files and the QuickBooks files prior to importing client files.

Preparing a
QuickBooks
File
Before you can import QuickBooks files into Drake Software, 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 Software:

1. From the **Home** window, select **Tools > File Maintenance > QuickBooks Import**.
2. Click **Next**.
3. In step **1**, enter the name of the import file created from QuickBooks or click the button the right of the text box and browse to the QuickBooks file. The file extension is .txt. Drake searches the local hard drive for the import file.
4. In step **2**, enter a **Client ID Number** (SSN or EIN).
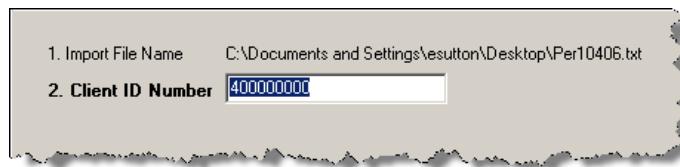
Figure 11-8: Step 2. Enter SSN or EIN

5. The program searches for a Drake file with the same EIN/SSN.
   - If no Drake file is found with that EIN/SSN, you are prompted to choose a **Business Type**. Make your selection from the **Business Type** drop list (Figure 11-9), then click **Next**.
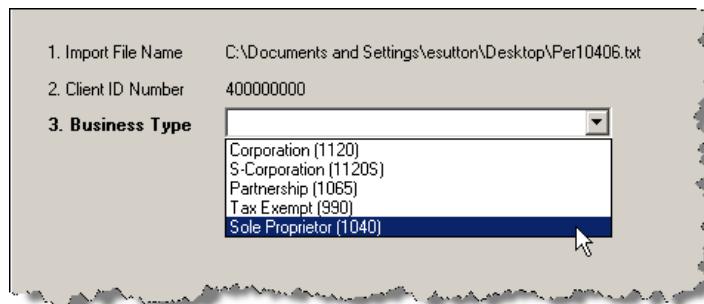
Figure 11-9: Step 3: Choose one of the business types listed

   - If a Drake file already exists, you're asked to confirm the business type. Click **Yes** to proceed.
6. Click **Finish** to import the QuickBooks file into the Drake 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, you are prompted to convert the QuickBooks file while importing (for example, if there is a QuickBooks S corporation file to import into a Drake C corp file).

Letters

The Letters tool allows you to print batches of certain client letters at a time. The letters available for batch printing, 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
Post-season letter	Thank clients for their business; remind them that you are available for additional tax-preparation assistance.
Pre-season letter	Touch base with 2007 clients; encourage clients to use organizers.
Estimate payment reminder	Remind current-year clients that estimate payments are due; provide instructions for sending payments.
Appointment reminder	Set up 2008 appointments with 2007 clients.
EF status letter	Provide acknowledgment status of e-filed 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, see "Introduction to Letters in Drake" on page 35.

Printing Letters

To print one or more letters:

1. From the **Home** window, go to **Tools > Letters > Letters**.

2. From the **Client Letters** dialog box, select a letter type (Figure 11-10).

Select letter to print for clients
- ⦿ Post-season for 2008 Clients
- ○ Pre-season for 2007 Clients
- ○ Individual Estimate Payment Reminder for 2009
- ○ Scheduled Appointment Reminder for 2008 Clients
- ○ EF Status for 2008 Clients

Figure 11-10: Letter choices in **Client Letters** dialog box

3. Click **Next** to open the **Client Selection** dialog box.

4. Complete one of the following:

   - **Print a letter for specific clients** — Enter a client's SSN/EIN and click **Add Client**. Repeat for additional clients. Click **Next**.

   - **Print a batch of letters** — Click **Next** to open **Client Letters Filters Selection**. Select filtering and sorting options. If a more complex filter is needed, click **Edit Filters**. (See "Filter Manager" on page 266.) Click **Next** for **Basic Search Conditions**. Click **Continue** to **Scan Client Files**. Click **Print**.

5. Click **Next**.

6. (If printing a batch of letters) Click **Continue** to scan the client files.

7. Click **Print**.

Mailing Labels

To print mailing labels:

1. Ensure that label sheets are loaded correctly into the printer.

2. From the **Home** window, go to **Tools > Letters > Mailing Labels**.

3. Select a label type from the **Select Label** list. Label selections are described in Table 11-3. Items with asterisks (*) might require filtering of data before printing.

Table 11-3: Label Selections Available in Drake

Label	Description
Client Addresses*	Print a batch of client address labels.
Single Client Address	Print a label for a single client address.
Birthday Addresses	Print a batch of address labels for clients whose birthdays fall within a specified range.
Firm Addresses	Print one or more address labels for a firm.
EF Service Centers	Print address labels for e-filing service centers.
IRS 'Mail To' Address	Print labels for IRS mailing addresses.
State 'Mail To' Address	Print labels for state mailing addresses.
User Defined	Print user-defined mailing labels.
Labels for Folders*	Print labels for folders.
Prior Year Clients*	Print address labels of prior-year client addresses.

4. Enter the requested information (if necessary) then click **Next**.

5. (If the **Filter Selection** dialog box opens) Set filters as desired, then click **Next**. (See "Filter Manager" on page 266 for information on filtering.) Select any **Basic Search Options** then click **Continue**. (For more information on search conditions, see "Search Conditions" on page 266.)

*Recommended
labels are three
across and ten
down (Avery 5160
or 8160)*

6. Position the mailing labels as needed. (If you're printing to a page of blank labels and one or more of the labels has already been used, the "first available label" refers to the position of the first label on the sheet available to be printing on.)

7. Click **Finish** after the program has scanned the files.

8. Click **Print**.

NOTE   The Mailing Labels tool can also be used to run reports. See Chapter 12, "Reports."

**Printing a
Client Label
From Data
Entry**

Drake provides a convenient way to print a mailing or folder label from data entry.

To print a single label:

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** of the open return.

3. Right-click on the screen (not a field) and select **Client Labels > Name Format** from the right-click menu.

4. Select the name format (**LastName, FirstName** or **FirstName LastName**).

5. Right click on the screen (not a field) again and select **Client Labels**.

6. Choose from the following label types:

- Mailing Label

- Folder Label (**SSN/EIN, Name** or **Name** only)

7. Select the label printer from the **Print** dialog box.

8. Click **OK** to print the label.

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.

Envelopes

To print addresses on envelopes:

1. Ensure that envelopes are loaded properly into the printer.

2. From the **Home** window, go to **Tools > Letters > Envelopes**.

3. Select filtering and sorting options from the **Envelopes Filter Selection** box. If you need a more complex filter, click **Edit Filters**. (See "Filter Manager" on page 262.)

4. Click **Next**.

5. Modify the **Basic Search Conditions** as needed, then click **Continue**. (For more on Basic Search Conditions, see "Search Conditions" on page 266.)

6. In the **Envelopes** dialog box, update the envelope formatting as needed. Click **Help** for more on individual fields.

7. Click **Finish.**

8. Set printer options in the **Print** dialog box as needed, then click **Print**.

NOTE
> Not all printers are capable of printing envelopes. Verify that your printer has this capability before using the "Print Envelopes" function in the program. Always test-print an envelope before printing an entire selection.

Postcards

To print addresses on postcards:

1. Ensure that the postcards are loaded properly into the printer.

2. From the **Home** window, go to **Tools > Letters > Postcards**.

3. 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 266.)

4. Click **Next**.

5. Modify the **Basic Search Conditions** as needed, then click **Continue**. (For more on basic search conditions, see "Search Conditions" on page 266.)

6. From the **Postcards** dialog box, update the postcard formatting as needed. Click **Help** for more on individual fields.

7. Click **Finish**

8. Set printer options in the **Print** dialog box as needed, then 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, select **Tools > Amortization**.

2. Enter a **Schedule Title** to display at the top of the amortization schedule.

3. Complete all other applicable fields. Fields are described in Table 11-4.

4. Click **Calculate**. The program creates the amortization schedule.

To print the schedule, click **Print**. To save it for later viewing (using **Reports > Report Viewer**), click **Save**.

Table 11-4: 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).

Table 11-4: Amortization Schedule Fields and Descriptions

Amortization Schedule Field	Description
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 amount in this field.
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 send the schedule to the printer, click **Print**. To save it for viewing through **Reports > Report Viewer**, click **Save**, designate a filename, and click **Save**.

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 an employer to the EIN database:

1. From the **Home** window, go to **Tools > Edit EIN Database**.
2. (If editing) Enter or select the EIN to edit, or begin typing the name of the employer and select it when it appears in the list below.
3. Click **New** (if adding) or **Edit** (if editing).
4. Modify or complete the fields in the **Edit EIN/Employer Listing** dialog box.
5. Click **Save**.

Deleting Employer Information

To delete employer data from the EIN database:

1. From the **Home** window, go to **Tools > Edit EIN Database**.
2. Enter or select the EIN to delete, or begin typing the name of the employer and select it when it appears in the list below.
3. Click **Delete**.
4. Click **Yes** when prompted to confirm the deletion.

Click **Exit** to close the **EIN/Employer Database** dialog box.

Printing a List of EINs

To print a list of EINs from the EIN database:

1. From the **Home** window, go to **Tools > Edit EIN Database**.

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 down 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 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 computer drive or from the Internet. If the selected location has state files available, those files are displayed in **States Available** panel. (If the **States Available** panel remains empty, select another location.)

Figure 11-11: Install state programs from computer, CD, or Internet

3. Choose states to be installed.

4. Click **Install**. The progress bar identifies the states being retrieved and installed.

TIP   Check for updates after installing state programs to ensure that you have the most up-to-date information.

Repairing State Program Files

If the state program files currently on your computer or server are already more recent than the state program files you have chosen to install, the current files will not be replaced. If you need to overwrite the current state files, contact Drake Support, or click the **Help** button 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 74.

Tax Rates for Ohio Cities

Use the **City Tax Rate Editor** to edit and add tax rates, credits, and addresses to be used when creating Ohio city returns. To view and edit Ohio city tax details:

1. From the **Home** window, go to **Tools > City Tax Rates**.
2. Select a city from the 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**.

NOTE   This tool is for use with Ohio cities only. Verify Ohio city tax rates and addresses before preparing Ohio returns.

Forms-Based Data Entry

Formerly known as pre-prepared, the forms-based data entry tool allows you to enter a previously prepared return into the tax software. To enter a pre-prepared return in Drake, complete the following steps:

1. Go to **File >Forms Based Data Entry**.
2. Enter or select the desired return.
3. Click a form from the **Forms Based Data Entry** screen, type the form in the **Make A Selection** field, or press the corresponding F1–F8 keys.
4. Fill in the fields with return data and press ESC to save the form.
5. Continue to enter form data until complete.

To view or print the return, click either **View** or **Print** from the toolbar.

Quick Estimator

Use the Quick Estimator to quickly calculate results for an individual (1040) return.

IMPORTANT
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.

To use the Quick Estimator:

Shortcut: Press CTRL+Q to open Quick Estimator.

1. From the **Home** window, select **File > Quick Estimator**.

2. Enter or select a return SSN. If an existing return is selected, the **Quick Estimator** will not override previous entries.

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 (or click the **X** in the upper right corner of the screen). Depending upon your setup options, you might be able to click CTRL+C to calculate, or CTRL+V to calculate and view.

Please note the following points when using the Quick Estimator:

• Because the total of interest, dividends, and other income are entered in one field (**Int/div/other income**), the RAL, Bonus, and preparer fees might not be accurately reflected on the bill. The income could be overestimated or underestimated.

• The **Quick Estimator** produces only one return if Married Filing Separately. A separate return must be generated for the other spouse.

• Because the names of dependents are not entered in the Quick Estimator, the individual names are not shown on the return. The appropriate credit amounts will be indicated if all applicable fields are completed in the Quick Estimator.

• The potential RAL and Bonus amounts can be calculated by selecting the **RAL** and **Bonus** fields.

• An **Override RAL amount** entry overrides the selected loan amount on the **BANK** screen, if this is allowed by the bank.

• A **Prep fees w/h** entry overrides the **Preparer Fees** field on the **BANK** screen.

NOTE
Remember, the Quick Estimator should be used only for estimating taxes. A full return should be prepared later. Data from the **Quick Estimator** flows to the full tax program and might need adjusting.

12 Reports

The Reports function allows you to create printable reports based on data that has been entered into the program via data entry, the CSM, or the Scheduler.

Report Manager

Use the Report Manager to create a variety of pre-defined and customized printable reports. From the **Home** window, select **Reports > Report Manager**.
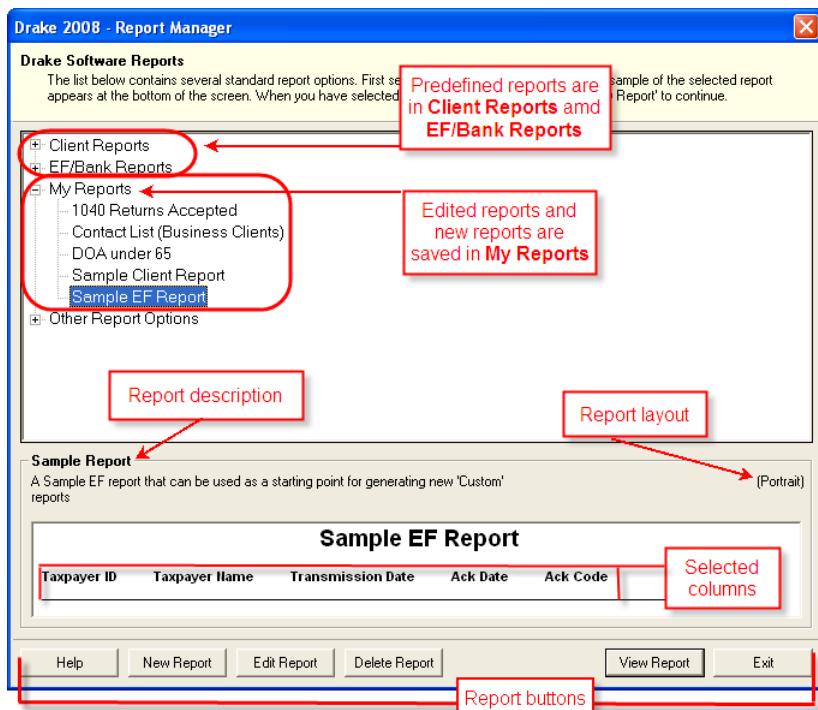
Figure 12-1: Report Manager window

Report Categories

Four report categories are provided in the Report Manager:

Table 12-1: Report Categories

Report Category	Description
Client Reports	Criteria for these reports consist of data that is not directly related to e-filing, including 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.
My Reports	Reports that you create, either by editing one of the pre-defined 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, the Scheduler, and the Fixed Asset Manager, and allows you to compile depreciation lists and hash totals.

As shown in Figure 12-1, 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.

Only those reports in **My Report** can be deleted. To delete a report, select (single-click) it and click **Delete Report** (or right-click it and choose **Delete Report** from the right-click menu).

NOTE   Alabama return preparers: Because forms AL-4868 and AL-PSE are obsolete as of 2008, Drake no longer provides an Alabama Extension Bulk Web File Report under **Other Report Options**.

Sample Report Window

Before generating a report, you can preview the report title and column headers to see how the report will fit on a printed page. The report preview is displayed in the **Sample Report** window at the bottom of the Report Manager. Also included is a brief description (if available) of the selected report. (See Figure 12-1.)

To preview a report:

1. From the **Home** window, select **Reports > Report Manager**.
2. Click [+] to expand any category. (Categories have a [+] or [–] to their left; reports do not.)
3. Select (single-click) a report to preview.

The report title and column headings are displayed. This 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. 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 a pre-defined report that already includes most of the information you require. You can, however, create a new report if none of the pre-defined reports meet your template needs. The steps for these procedures are similar, but it could be easier to learn how to create reports by working first from a pre-defined report.

Several tasks, some of them optional, are involved in creating a report. These tasks are listed in Table 12-2 and are described separately in the following sections.

<p align="center">**Table 12-2:** Tasks Involved in Creating a Report</p>

Task	Window Used
Assign report title and description	**Report Editor - Step 1** (Formatting of Reports)
Assign columns (keywords)	
Assign filters	**Report Editor - Step 2** (Filtering of Reports)
Assign sorting/summary order	
Indicate to summarize report data	
Indicate to use prior-year data	
Assign a report output file name	

Assigning a Title and Description

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:

1. From the **Home** window, click **Report > Report Manager** to open the Report Manager (Figure 12-1 on page 259).

2. Click [+] to expand any category. (Categories have a [+] or [-] to their left; reports do not.)

3. Select (single-click) the report to use as a template.

4. Click **Edit Report**. The **Report Editor - Step 1** window is opened (Figure 12-2).
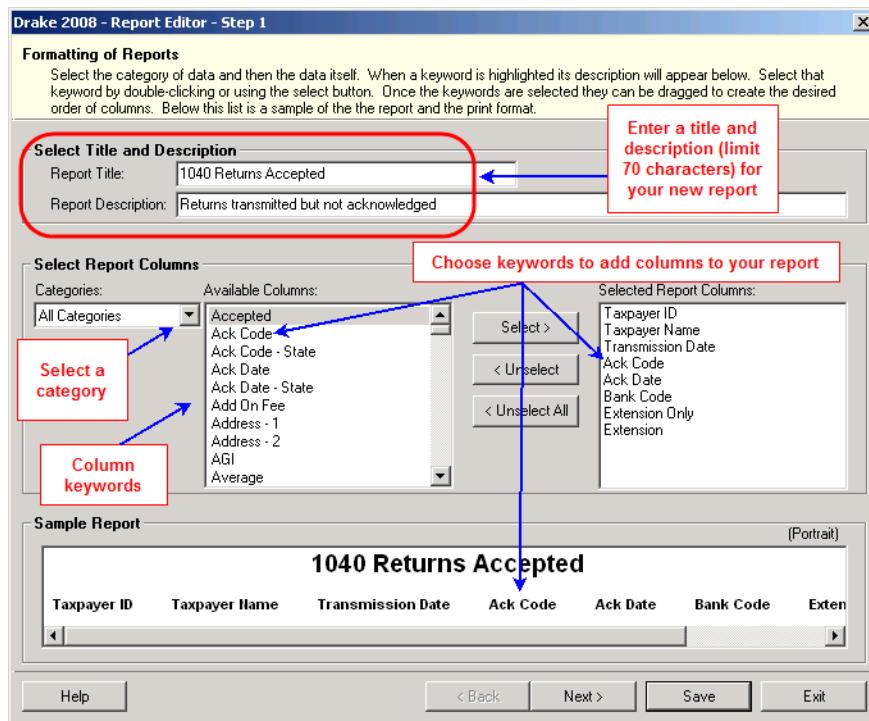
Figure 12-2: Report Editor - Step 1 window for formatting reports

5. Revise the **Report Title** and **Report Description** as needed. (The **Report Description** text box is limited to 70 characters.) Note that the new information appears in the **Sample Report** box.

6. Click **Save** or proceed to Step 5 of "Assigning Columns," following.

The program stores the report with the new title under **My Reports**.

Assigning Columns

The various columns that make up your report are represented by keywords. Select which columns appear and the order in which they are shown by selecting or ordering the keywords.

To choose the columns shown in a report:

1. From the **Home** window, click **Report > Report Manager** to open the Report Manager. (See Figure 12-1 on page 259.)

2. Click [+] to expand any category. (Categories have a [+] or [–] to their left; reports do not.)

3. Select (single-click) the report to use as a template.

4. Click **Edit Report**. The **Report Editor - Step 1** window is opened. (See Figure 12-2.) Note that the columns currently appearing in the selected report are listed in the **Selected Report Columns** box.

5. Select a category from the **Categories** drop list. The available columns for that category are represented by the keywords in the **Available Columns** field.

6. From the **Available Columns** list, double-click a keyword, or single-click it and choose **Select**. The keyword (column name) moves to the **Selected Report Columns** field. Note that the new information appears in the **Sample Report** box.

    (To remove a keyword from the **Selected Report Columns** field, click it then click **Unselect**. Click **Unselect All** to clear the field.)

7. Click **Save** or proceed to "Assigning Filters," following, if you want to assign filters to the report.

    The program stores the modified report under **My Reports**.

NOTE   New reports overwrite existing reports of identical output names in the **Report View/Print Utility**. To have multiple versions of one report, you must rename the newer output file.

TIP   Place the mouse pointer over an **Available Columns** keyword to display a tooltip description of the item.

Assigning Filters

Filtering allows you to limit what information is included in the report by screening out unwanted data and including only the remaining information. With the many filters available and the ability to create your own filters and add conditions to each filter, the output options for your report are almost endless.

Choose a filter from one of Drake's many pre-defined 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 262), click **Next**. The **Report Editor - Step 2** window is opened (Figure 12-3). Like the **Step 1** window, it has a **Sample Report** window in the lower section (not shown in Figure 12-3; see Figure 12-2).
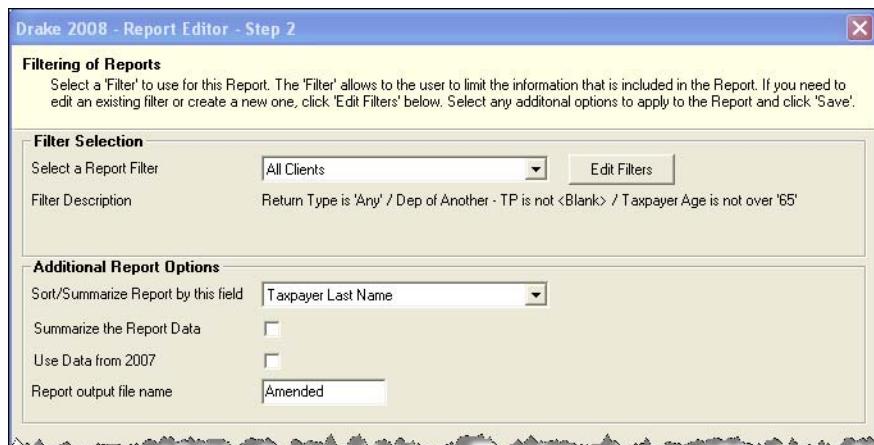
Figure 12-3: Report Editor - Step 2 window (top half)

2. Select a filter (a pre-defined filter or a custom filter) from the **Filter Selection** drop list. Note that a **Filter Description** is automatically displayed when a filter is selected. (Figure 12-4)
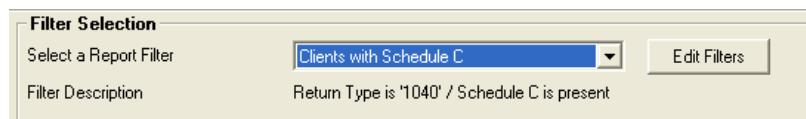
Figure 12-4: Filter that includes all 1040 returns with a Schedule C

3. Click **Save**.

Customized Filters Use a pre-defined filter as a template for creating a customized filter. Be aware that *changing a pre-defined filter affects every report in the program that uses that filter.* If you need to modify a filter for a specific report, we recommend making a custom filter (or copying a filter and giving it a unique name), then editing it to your specifications.

To customize a filter to assign to a report:

1. After making changes in the **Step 1** window (Figure 12-2 on page 262.), click **Next** to open the **Report Editor - Step 2 window** (Figure 12-3 on page 263).

2. Select a filter from the **Filter Selection** drop list. Note that a **Filter Description** is automatically displayed when a filter is selected (Figure 12-5).
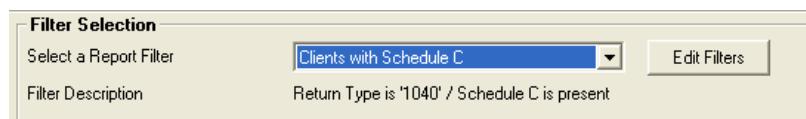
Figure 12-5: Filter that includes all 1040 returns with a Schedule C

3. Click **Edit Filters**. The **Filter Manager** window is opened (Figure 12-6). The filter you selected is highlighted.
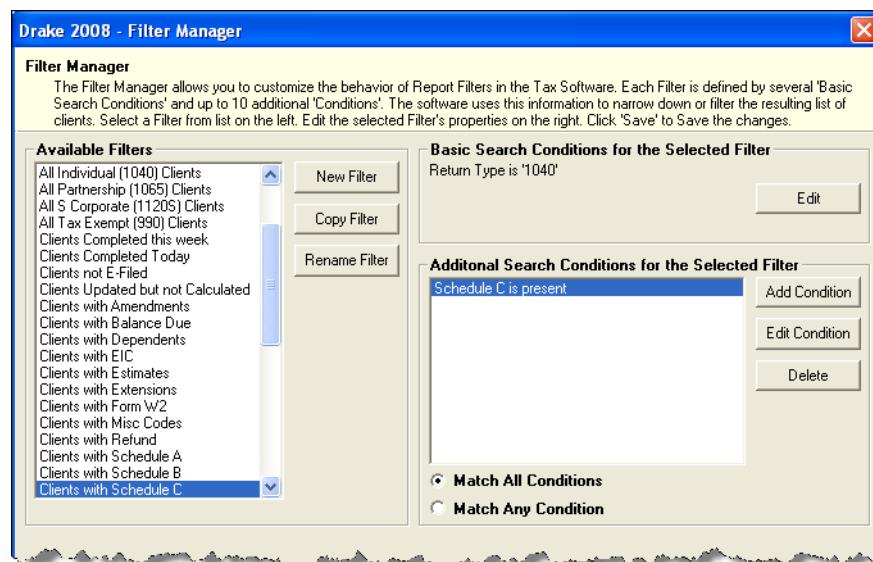
Figure 12-6: Filter Manager window

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 ten **Additional Search Conditions** per filter. (See "Search Conditions" on page 266.)

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**.

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 263).

Sort/ Summary Order
Under **Additional Report Options**, choose a keyword by which to sort reports. If, for example, you're building a report on "Clients," and you want to sort the results by the clients' last names, by ZIP code. or by state, choose an appropriate option from the list. This list includes all the keywords in the report, in addition to taxpayer ID, taxpayer last name, ZIP code, preparer number, firm number, DCN, when the return was e-filed, and federal acknowledgment code.

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 2007** box.

Output File Name
Enter a report output name in the **Report output file name** field. This 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 270.)

NOTE
New reports overwrite existing reports of identical output names in the Report Viewer. To have multiple instances of the same report, you must rename the newer output file.

Creating a Report Format

When planning reports for your office, consider beginning with a pre-defined report that already includes most of the information you require. Whenever you modify a pre-defined report, the modified version is saved as a new report in **My Reports**. See "Setting Up a Report" on page 261 for more information.

To create a new report format:

1. From the **Home** window, click **Report > Report Manager** to open the Report Manager. (See Figure 12-1 on page 259.)

2. Click **New Report**.

3. Select one of the following report types:

- **Electronic Filing & Banking —** For a report based on the EF database
- **Tax Return Data** — For a report based on data entry information

4. Click **OK** to open the **Report Editor - Step 1** window.

5. Using the instructions in "Setting Up a Report" on page 261 as a guideline, enter the report formatting and filtering information.

6. Click **Save**.

Deleting a Report

Only a report in the **My Reports** category can be deleted. To delete a report:

1. From the **Home** window, click **Report > Report Manager** to open the Report Manager. (See Figure 12-1 on page 259.)

2. Click [+] to expand any category. (Categories have a [+] or [–] to their left; reports do not.)

3. Select (single-click) the report to delete.

4. Click **Delete Report**.

5. Click **Yes** when prompted 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 in other Drake functions, such as the Letters (found at **Tools > Letters**) and the Fixed Asset Manager. (See "Fixed Asset Manager" on page 271.) Access the Filter Manager from a **Filter Selection** box, which is opened when you might need to narrow a selection of records.

To access the Filter Manager from a **Filter Selection** box, click **Edit Filters**. (See "Customized Filters" on page 264.)

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**.
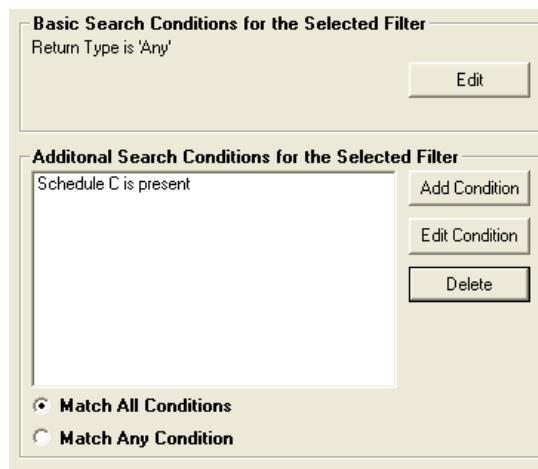
Figure 12-7: Basic and **Additional Search Conditions** boxes

Basic Search Conditions

Basic search conditions refer to the most common filtering criteria: **Return Type(s)**, **Return Result**, **Activity**, and **Preparer and Firm**.

Table 12-3: 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 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.

2. Select items within the main categories.

3. (optional) To include applicable test/sample returns (for example, Drake 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.

Additional Search Conditions

You can add as many as ten 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**. (See Figure 12-7 on page 267.)

2. In the **Filter Condition Editor** dialog box, select a **Keyword Name**.

3. Select a **Comparison** option and a **Value** (if required) (Figure 12-8).
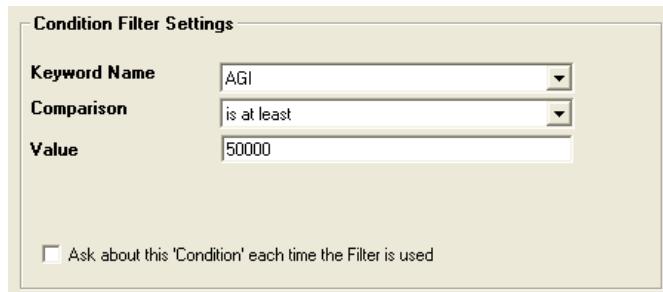
Figure 12-8: Comparison ("is at least") and **Value** (50000) selected for AGI keyword

If a value is required, the **Value** field appears. A value can be alphabetic or numeric. For example, 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.

4. (optional) To allow a user to modify this condition when running a report, select **Ask about this 'Condition' each time the Filter is used**.

5. Click **OK**. The new condition is displayed in the Filter Manager (Figure 12-9).
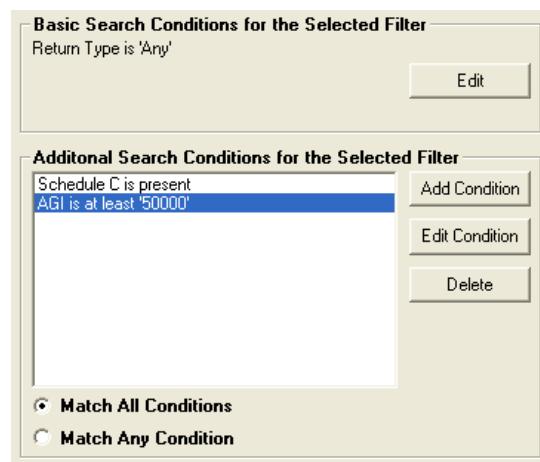
Figure 12-9: New condition ("AGI is at least '50000'") is displayed

6. (optional) Repeat the previous steps to add more conditions as needed.

7. Select **Match All Conditions** (for narrower results) or **Match Any Condition** (for broader results) as applicable.

8. 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 12-6 on page 264) can be modified as needed. You can 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**.

4. Modify the search conditions as needed. (See "Search Conditions" on page 266.)

5. Click **OK**.

The new filter is added to the **Available Filters** and can be edited as needed.

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**.

5. Modify the search conditions as needed. (See "Search Conditions" on page 266.)

6. Click **OK**.

The new filter is added to the **Available Filters** and can be edited.

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 is added to the **Available Filters** and can be edited.

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.

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 do one of the following:

- Click **Yes** to create the report again using the most current data.

- Click **No** to open the previously saved report.

If you clicked **Yes**, a **Basic Search Condition** box might appear. Make any desired changes and click **Continue**.

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 are accessible through the Report Viewer.

To view a saved report:

1. From the **Home** window, select **Reports > Report Viewer**.

2. Select a report in the **Report Viewer** window.

TIP   Click column headers to sort the list in ascending or descending
           order.

3. Click **View** to display the report on the screen.

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. (Figure 12-10.)
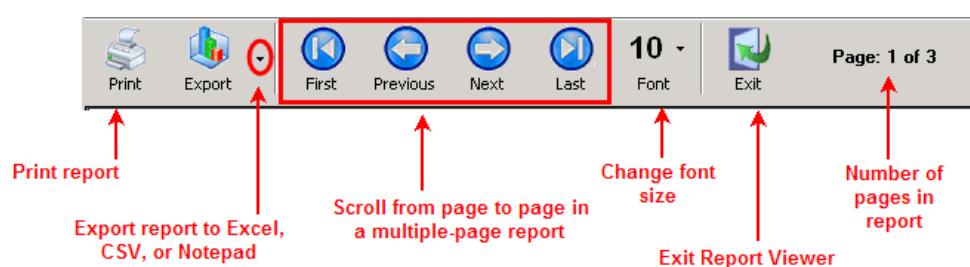
Figure 12-10: Report Viewer Options

NOTE   Reports exported to CSV are saved in **Drake08\Reports**. Select a
           different location by browsing from the **Save CSV file** window.

Depreciation List

The **Depreciation List** report displays depreciation information for selected clients.
There are two methods for creating depreciation lists in Drake: by manually entering
client SSN/EINs to be listed, or by filtering the client database for clients that meet
specified criteria.

To create a depreciation list for one or more clients:

1. From the **Home** window, select **Reports > Depreciation List**. The **Depreciation
List Client Selection** dialog box is displayed.

2. Choose one of the following methods:

    a. **Create a manual list** — Enter the SSN/EIN and click **Add Client**. Repeat
this step for additional clients until all the desired clients are entered, then
click **Next**.

    b. Filter the client database — Click **Next** to open the **Basic Search Conditions** dialog box. Edit settings as desired (see "Search Conditions" on page 266), then click **Continue**.

3. Choose to **Print** the depreciation list or to **Export to File**.

- **Print** — Send the list to the printer. When the **Print** dialog box is opened, click **Print**.
- **Export to File** — Depreciation lists exported to file are stored in Drake08\Reports as CSV files. Click **OK**.

Fixed Asset Manager

Use the **Fixed Asset Manager** to run reports based on client assets. Eight report types, shown in Table 12-4, are available.

Table 12-4: 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 Acquired, Date Sold, Gross Sales Price, Depreciation (Current), Cost or Other Basis, Loss/Gain
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, Date Placed 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, Asset Description, and Date Placed in Service, Cost, Section 179 Expense Amount, Prior Year Carryover, and the Current Year Sec 179 deduction
Dispositions	Asset list of items disposed of within the current year	Asset Number, Department Number, Asset Descriptions, Date Acquired, Date Sold, Gross Sales Price, Depreciation Amount, Cost or Other Basis, Loss/Gain.
Department Summary	Asset summary report sorted by department or schedule	Produces an asset summary report sorted by department or schedule
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.

Table 12-4: Fixed Asset Manager Report Types

Report Type	Report Description	Items on Report
Preference Report	Asset list of assets placed in service after 1986	Asset Number, Department Number, Asset Description, Date Placed in Service, Method & Recovery Period, Basis, Current Depreciation, Alternate Depreciation, and the 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.	

Running a Fixed Asset Manager Report

To run a report using the Fixed Asset Manager:

1. From the **Home** window, select **Reports > Fixed Asset Manager**. The **Fixed Asset Manager** dialog box has the drop lists for report types, reporting options, and sorting options (Figure 12-11).
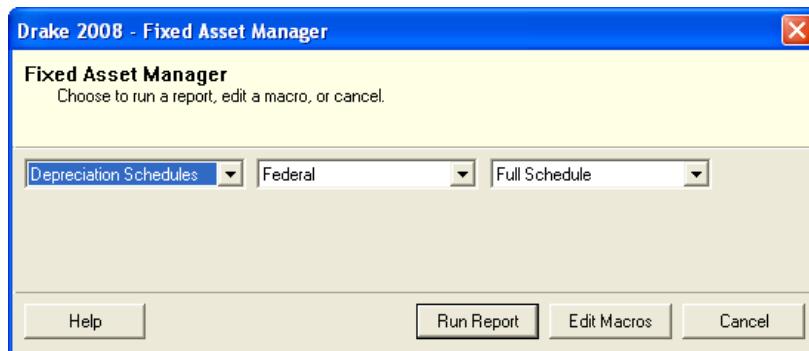
Figure 12-11: Fixed Asset Manager dialog box

2. Select a report type. (See Table 12-4.)
3. Select a tracking format. Options are described in Table 12-5.

Table 12-5: Fixed Asset Manager Format Options

Format	Description of Printed Report
Federal	Tracks federal depreciation methods
State	Tracks state depreciation methods
Alternative	Tracks alternative depreciation methods
Book	Tracks depreciation using book methods

4. Select a sorting option from the drop list on the right. Choose to print a **Full Schedule**, to sort **By Department**, or to sort by **Form/Schedule**.
5. Click **Run Report**.

6. In the **Asset Manager Client Selection** dialog box, create a report for one or more specific clients or create a filtered report based on all clients.

   • **One or more clients** — Enter SSN/EIN in the blank field and click **Add Client**. Repeat for all desired clients then click **Next**.

   • **Filtered report —** Click **Next** to open the **Asset Manager Filter Selection** dialog box. Select a filter or sort option then click **Next** to open the **Basic Search Conditions** dialog box. Edit settings as desired (see "Search Conditions" on page 266) and click **Continue**.

7. Select an option for displaying the depreciation list.

   • **Print to Printer** — Send the list to the printer. When the **Print** dialog box is opened, click **Print**.

   • **Export to File** — Save the report as a .csv file. To open the saved file, go to your Drake08\Reports folder. Click **OK**.

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 the **Home** window, select **Reports > Fixed Asset Manager**.

2. Click **Edit Macros** to open the **Fixed Asset Manager Macros** dialog box. This box has three drop lists, one for type of **Report**, one for **Depreciation** method, and one for **Style**.

3. Select a report, depreciation method, and style 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 (Figure 12-11 on page 272).

To run the macro, select **Auto Code Print** as the report type and click **Run Report**.

Client Status Manager (CSM) Reports

For information on running CSM reports, see "CSM Reports" on page 220.

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 **Home** window, select **Reports > Hash Totals**.

2. Enter the SSN or EIN of the return to check.

3. Click **Continue**. The report is displayed in the **Report Viewer**. (See "Report Viewer" on page 270.)

4. Click **Exit** to return to the **Home** window.

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13 Suite Products

Integrate Drake Software suite products with Drake tax software to run your business more efficiently. The suite includes the Drake Document Manager (DDM), Tax Planner, and Client Write-Up (CWU) programs. All three products are free of charge and are installed from your Drake Software CD.

This chapter focuses on the DDM and Tax Planner. For CWU instruction, refer to the *Client Write-Up Manual*, available on the Drake CD and from *Support.DrakeSoftware.com*. Go to **Training Tools > Manuals**.

Document Manager

The DDM is installed with the tax software and can be accessed by double-clicking the DDM icon on your desktop. Listed below are just a few of the new DDM features you will see in the DDM in 2008:

- **Improved security** — Password protection at the cabinet, drawer, and folder levels; PDF password protection.
- **Default descriptions** — Can now be selected during the scan/save process.
- **Watermarks** — Ability to print "Draft" and "Review" on documents.

Use the DDM to create an organizational file structure for storing electronic documents such as PDF copies of tax returns, scanned Form 8879s, and scanned copies of driver's licenses.

NOTE   Before storing items in the DDM, determine the type of file structure you want to use; the structure can be difficult to rearrange once it is in place and contains files.

Think of the DDM file structure as a virtual filing cabinet with drawers in the cabinet and folders in the drawers, with Level 1 as the cabinet, Level 2 as the drawer, and

Level 3 as the folder. (Folders can also have subfolders.) The documents themselves reside in the folders and subfolders.

Setting up the DDM

Review the following information before beginning work in the DDM.

Technical Require-ments

The DDM takes up very little disk space, but you might need more space to store your office files. The storage drive for an average-sized office needs approximately 1GB of space for each year. Most new computers have at least a 20GB hard drive; if you own a new computer, storage should not be an issue.

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.

PDF995 Program

Even if you already have PDF software on your computer, install the PDF995 folder from your Drake CD to take full advantage of all the DDM integration features. For details on installing PDF995, see "Printing Setup" on page 40.

File Structure

The DDM stores files in a "file structure." You have several choices here: build a file structure entirely from "scratch," create an automatic file structure by integrating the DDM with the tax software, or implement a combination of both approaches.

Among the benefits of integrating the DDM with the tax software:

- The DDM's default file structure contains a **Clients** filing cabinet, drawers labeled **0-9** and **A-Z**, folders in each drawer for each client labeled by last name or business name, a **Tax** subfolder, and a **2008** subfolder.
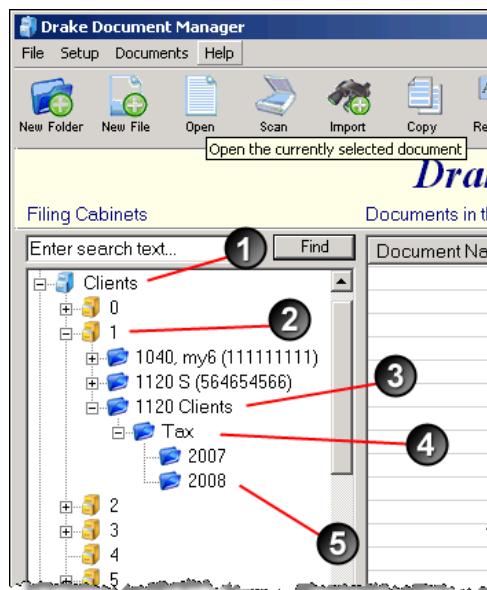
Figure 13-1: Cabinet named "Clients" (1); Drawer with unique label (2); Client folder (3); Tax subfolder (4); 2008 tax return subfolder (5)

- When you create a return for a new client in Drake, the **New Return** dialog box requires you to enter the client's name. When you do this, a new client folder is automatically created in the DDM.
- The **Doc Mgr** button in data entry opens the DDM to the client's tax-year folder.
- When tax returns are printed using PDF995, they are automatically saved to the correct DDM folder.
- Files saved in a client's folder can be attached through the Drake e-mail program, or sent as a PDF attachment to a return (1120, 1120S, 1065, and 990 packages only; see "Binary Attachments" on page 299).

To implement the Drake document file structure:

1. From the **Home** window, go to **Setup > Printing > Document Manager** to set the **Document Manager Location**. If the default location is incorrect, click **Search**, then click **Yes** to choose the appropriate location.
2. Select **Allow Drake to set up Document Manager client folders (recommended)**.
3. Click **Save**, then click **OK**.

> **NOTE**   If the Drake file structure is introduced into an existing system, the Drake structure is *added to* the existing system. The Drake structure does not overwrite it.

Configuring the DDM

To set configurations for the DDM:

1. Open the DDM. (See Figure 13-1.)
2. Choose **File > Options**. Options are listed in Table 13-1.

Table 13-1: DDM Setup Options

Option	Description
DDM Data Path	To store data in a location other than the DDM, enter the data path here or click **Browse** to map to a new location.
Use this scan device	By default, the DDM chooses a scanner. To choose a different scanner, select it from the list.
Turn off scanner interface	Activate or disable the DDM's default scanner interface. You might need to view the scanner interface window when making a scan, especially if options not available in the DDM (such as scanner resolution or color) are required.
Build index when DDM starts	The DDM index (used for searching the DDM) occasionally needs to be rebuilt to ensure proper functionality. Enter a check mark to have the system rebuild the index each time the DDM starts.

> **NOTE**   Rebuilding the index each time the DDM starts does not interfere with DDM operation. If you choose not to rebuild the index automatically, rebuild the index by going to **File > Rebuild Search Index**.

The DDM Window

The DDM consists of the file structure "tree" on the left side, a list of files in the selected folder on the right, and a menu bar and toolbar at the top.
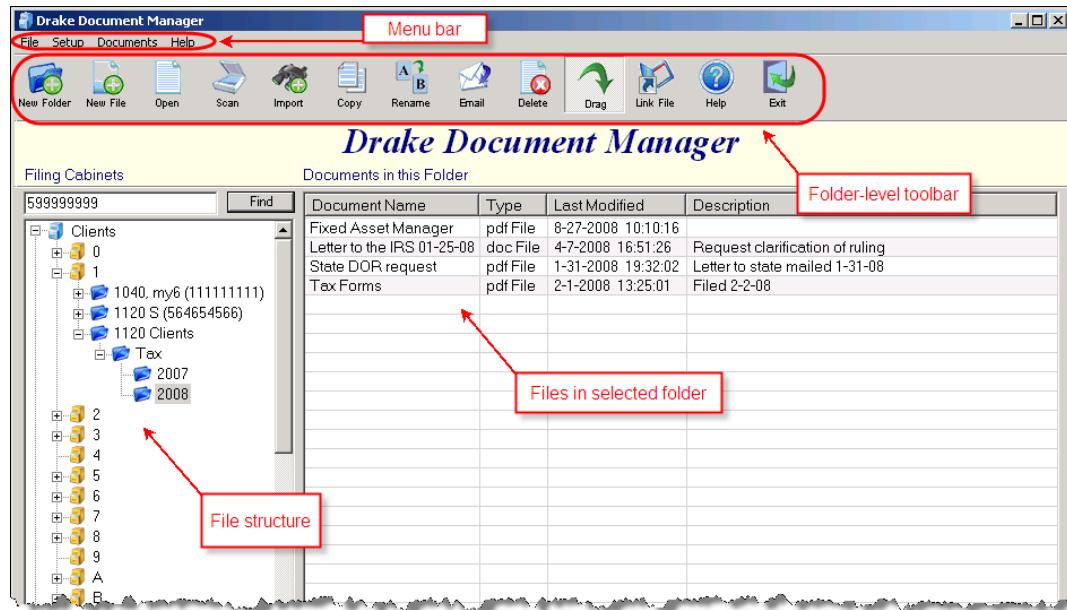
Figure 13-2: DDM

Filing cabinets are organized in standard tree format. Click [+] to expand a portion of the tree; click [–] to collapse it. Or with a folder selected, press [+] or [–] keys on the numbers pad of your keyboard.

Navigating
Select a folder to view a list of its files. The DDM displays document names, types, dates modified, and descriptions. Click column headers to sort by columns.

Like other Drake windows, the DDM has a menu bar and a toolbar. If a shortcut key exists for a menu item, it is listed to the right of the menu item. You can also access toolbar selections from the menu bar. To view a description of a toolbar button, hold the mouse pointer over it. Each toolbar button activates a different function. Different levels access different buttons. For example, from the Cabinet level, you can add only drawers and cabinets, so only these buttons are available; from the Folder level, you can add folders, create files, import files, scan, copy, rename, delete, drag, send e-mail, and link to other files.

Searching
To find a cabinet, drawer, or folder in the DDM, enter part of the name in the **Find** text box and click **Find**. The file location is highlighted in the tree (Figure 13-3).
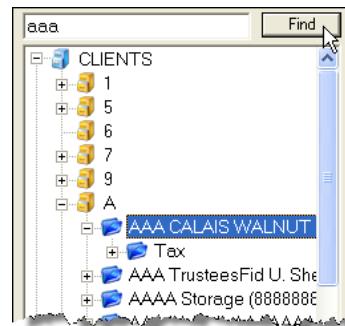
Figure 13-3: Click **Find** to locate files that match a search term.

To find the next instance of the search term, click **Find** again. Repeat as needed until you find the file you're looking for.

Building A File Structure

If you are building your own file structure, map it out on paper before creating it in the DDM. Additional cabinets, drawers, and folders can be added to a Drake-integrated file structure. As each level is created, an icon representing that level appears in the left pane of the DDM.

DDM Cabinets   Cabinets are the top level of the filing structure. The Drake filing system creates a **Clients** cabinet, but you might want to separate clients by return types and have an **Individual** and a **Business** cabinet instead. Regardless of the structure you choose, cabinets are required for storing drawers and folders.

To create a cabinet in the DDM:

1. Click **New Cabinet**.
2. Enter a cabinet name in the **Input** dialog box.
3. Click **OK**.

The new cabinet appears in the left pane. Repeat these steps 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.

DDM Drawers   Add drawers to cabinets for file storage. The Drake filing system uses drawers labeled **0-9** and **A-Z**. To add a drawer to a cabinet:

1. Highlight the cabinet you want to use.
2. Click **New Drawer**.
3. Enter a drawer name in the **Input** dialog box.
4. Click **OK**.

The new drawer appears in the left pane. Repeat these steps to create more drawers.

DDM Folders   Documents are stored at the folder level. When you create a return in Drake (and if you've integrated your DDM with Drake), the Drake filing system automatically creates the client folder with a subfolder labeled **Tax** and subfolders for the tax year.

To create additional folders (or subfolders):

1. Highlight the drawer or folder that will contain the new folder or subfolder.
2. Click **New Folder**.
3. Enter a folder name in the **Input** dialog box.
4. Click **OK**.

The new folder appears in the left pane within the drawer or folder you selected. Repeat these steps to create more folders.

Working With Files in the DDM

Once you have created cabinets, drawers, and folders, you can begin adding files to the DDM. The DDM supports many file types and allows you to import or scan files into the DDM or link to a file outside of the DDM. Once added to a folder, files are listed in the right pane of the DDM window.

NOTE   Files can be added to the DDM from the toolbar or through the DDM's **Documents > Add Document** menu.

Importing a   To import a file into the DDM:
File

1. Select a folder in which to store the document.
2. From the toolbar, click **Import**.
3. Browse to the document you want to import, and click to select it.
4. Click **Save**. The DDM copies the document into the selected folder.

Scanning a   Scan documents into the DDM using a flat-bed or document-feeder scanner. A flat-
File   bed scanner scans one page at a time, creating a separate PDF document for each page. A scanner with a document feeder scans multiple pages and makes one document of many pages.

NOTE   To be compatible with the DDM, a scanner must be TWAIN compliant. Most new scanners are TWAIN compliant. Review scanner specifications before making a purchase.

When you scan a document using the DDM, 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 the DDM:

1. Select a folder in which to store the file.

2. From the toolbar, click **Scan**, then select **Use Scanner Bed** or **Use Document Feeder**.

3. From the **Input** dialog box, click a file type to select it. Documents can be saved as PDF, BMP, GIF, JPG, TIF, or PNG files.

4. Enter a name for the file.

5. Click **OK**.

> **TIP**   To facilitate search and retrieval of DDM files, establish a naming convention and use it consistently.

Linking a File

Create a link between a DDM file and a document outside the DDM. The DDM 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 the DDM.

To create a link to a file in the DDM:

1. Select a folder in which to store the link.

2. Click the **Link File** button from the DDM toolbar.

3. Locate and select the document to link.

4. Click **Open**. The link is indicated in the **Type** column of the DDM.

Document Name	Type	Last Modified	Description
f8752_1	LINKED - PDF File	10-30-2008 17:43:37	

Figure 13-4: Link is indicated in **Type** column of DDM.

DDM Audit Log

Each time an action occurs to a file, the DDM 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 the action was taken, and the user who performed the action. It also shows the document name and path and has a field for entering a document description.

To access the DDM Audit Log, select a file from the DDM document list and choose **Properties** from the right-click menu (or click F9).
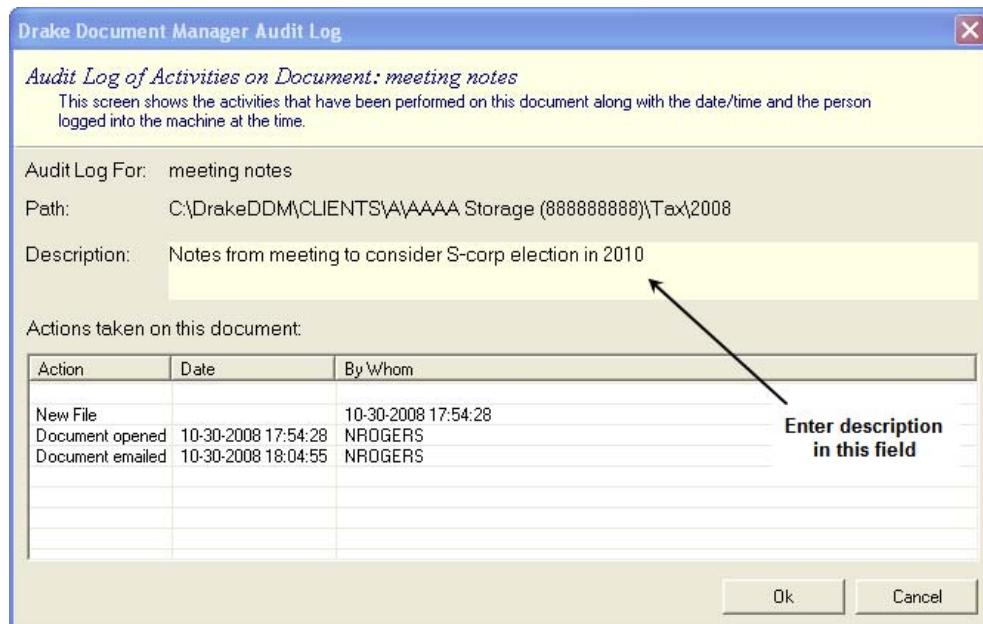
Figure 13-5: DDM Audit Log

If desired, enter a description of the document in the **Description** field (Figure 13-5).

.txt, .doc, .xls Your computer must have Word and Excel installed in order to use the DDM to create new text (.txt), Word (.doc), and Excel (.xls) files.

To create a new text, Word, or Excel file:

1. In the DDM toolbar, click **New File**.

2. In the menu that is displayed, select **New Text File**, **New Word File**, or **New Excel File**.

The applicable program opens when you click a selection.

Save files to F:\DrakeDDM\Cabinet\Drawer\Folder\Subfolder, using the desired drive as a replacement for "F." For instance, correspondence to a customer might be saved at C:\DrakeDDM\Clients\BBob's Business\2008, with "C" the drive letter, "Clients" the cabinet, "B" the drawer, "Bob's Business" the folder, and "2008" the subfolder.

Password Protection When DDM files are password protected, a password must be entered before the files can be accessed. DDM passwords have an eight-character limit and are case-sensitive.

To assign a password to a file, right-click a file and select **Password Protection**. Enter the password twice, then click **Continue**.

To open a password-protected file, double-click to open the file (or select the file and click **Open**). Enter the password in the **Password Protection** dialog box, then click **Continue**.

To remove or change a password, right-click the file to open the **Password Protection** dialog box. Enter the password and click **Continue**. When prompted to enter and re-enter a new password, do one of the following:

- Enter a new password twice (to change the password).
- Leave the password fields blank (to remove password protection).

Click **Continue**, then click **Yes** if removing password protection.

Other File Tasks   Other tasks that can be performed in the DDM are listed in Table 13-2.

Table 13-2: Other DDM File Tasks

Task	Description
Open	Select a file in the DDM document list, then click **Open**.
Copy	Select a file in the DDM document list, then click **Copy**. Choose a location for storing the copied file, then click **Save**.
Rename	Select a file in the DDM document list, then click **Rename**. Enter the new name, then click **OK**.
Email	Select a file in the DDM document list (or select multiple files using the SHIFT or CTRL keys), then click **Email**. Your default e-mail program is opened with the document added as an attachment.
Delete	Select a file in the DDM document list, then click **Delete**. Click **Yes** to confirm the deletion.
Drag	Enable "drag-and-drop" navigation, which allows files to be "dragged" and "dropped" from one location on the computer into the DDM. You can also drag and drop files within the DDM. Use your mouse to drag the selected file to the new location.

Tax Planner

The Drake Tax Planner help you assist your clients with planning for financial decisions. Clients can easily see how such events as the birth of a child, a marriage, or a new job will affect their short- and long-term finances and tax liability.

The Tax Planner is installed when you install Drake. Because each worksheet in the Tax Planner contains typical Excel worksheet functions, your computer must have Microsoft Excel 2000 or later installed.

Opening the Tax Planner

To open the Tax Planner:

- From the desktop, double-click the **Tax Planner** icon. A blank planner is opened. Begin entering information, or click **Open Planner** to open an existing planner.

- From data entry, click the **Tax Planner** icon. The program calculates the return, opens the Tax Planner, and imports the client's current-year information. You can edit this information once it is in the Tax Planner.

NOTE   Clicking **New Planner** opens a blank planner.

Tax Planner Window

Across the top of the Tax Planner is a spreadsheet menu bar (item #1 in Figure 13-6), and just below it is the Tax Planner toolbar (item #2 in Figure 13-6). Tabs representing setup and specific portions of the 1040 return are located across the bottom of the screen (item #3 in Figure 13-6). In the center of the window is the taxpayer data.
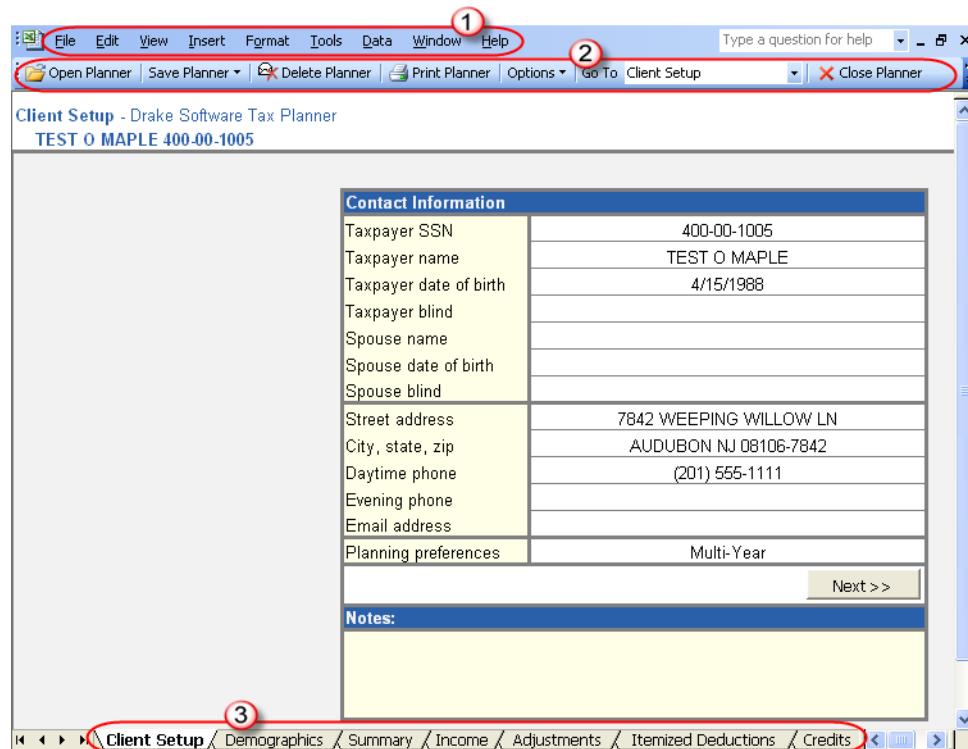
Figure 13-6: Tax Planner window

Some cells are "read only" and cannot be changed; others can be edited. Unshaded (white) cells are active and can be edited.

The **Client Setup** tab (Figure 13-6) has cells for taxpayer demographic data and planning preferences. The other tabs correspond to sections of the 1040. The **Summary** tab displays a summary of the information in the other tabs.

NOTE   **Summary** tab cells do not accept direct entry. If you click **Summary** tab cell, the jumps to the cell of the corresponding tab.
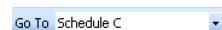
Certain tabs are hidden by default. For example, the Schedule **C** tab is not initially visible but appears when the Schedule C cell is double-clicked from the **Income** tab. Hidden worksheets can also be accessed from the **Go To** list on the toolbar.

To move through the tabs, click **Next** or **Back** on each screen, click a tab at the bottom of the window, or select **Go to** from the toolbar and select a tab.

Each tab includes a **Notes** box (see Figure 13-6) for recording any comments. To clear a **Notes** box, select the box, then select **Clear Contents** from the right-click menu.

Preferences and Options

Set planner preferences before you begin working in the Tax Planner. Planner options are available for exporting data, selecting case options, and changing the source directories and paths used with the Drake program.

Planner Preferences

Multi-year planning provides planning for up to seven years. *Multi-case planning* provides current-year planning with up to seven user-defined scenarios. The Tax Planner allows you to save two planners (one multi-year and one multi-case) for each client.

To choose a planning preference:

1. Open the Tax Planner for a client.
2. Click the arrow to the right of the **Planning Preferences** cell.
3. Select a planning preference.
4. Click **Save Planner**.

> TIP
>
> To save multiple planners for a client, save each planner using a slightly different name. (For example, Click **Save Planner > Save As** then save one planner as Smith1, another as Smith2, etc.)

Planner Options

The following options are available from the Tax Planner **Options** button:
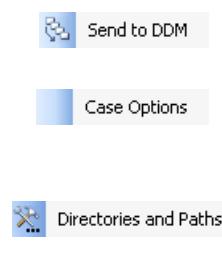
- **Send to DDM** — Select **Options > Send to DDM** to save the open file as a PDF to a selected DDM client folder. See "Document Manager" on page 275.
- **Case Options** — Select **Options > Case Options** to choose the number of cases or years to view and print. Click **Set selection as default** to set a number as a default setting.
- **Directories and Paths** — Select **Options > Directories and Paths** to select a path for the Tax Planner to use as its source for Drake data (current path is displayed). Enter a **New** path if necessary. Files are saved to the specified location.

Working in the Tax Planner

To begin working in the Tax Planner:

1. Open the Tax Planner using one of the methods described in "Opening the Tax Planner" on page 283. Tax data automatically fills the planner for the current (base) year.

2. In the **Case Selector**, select the number of years or cases to use. (If you have already selected a default number, the **Case Selector** does not appear.)

3. Click **OK**.

4. Begin entering or changing data to reflect the changes being planned or considered by the client. (See "Entering Data" on page 286.) Note that the data in subsequent years adjusts to your entries.

5. Click **Save Planner > Save** or **Save Planner > Save As** and select a name and location for the file. (Files are saved as *.DTP files unless you specify otherwise.)

The following sections describe actions that cause the data in cells to change.

Entering Data

To make a direct entry in a cell, click the cell and enter an amount. Use this same process to override the amount in a calculated cell.

You can also copy, cut, and paste amounts in a Tax Planner cell using typical Windows procedures for copying, cutting, and pasting data.

Using Worksheets

In some cases, a worksheet is available for additional data entry.

• The **Detailed Worksheet** is similar to the CTRL+W worksheet in data entry. To attach a detailed worksheet, select the desired cell and press CTRL+W. Use the **Detailed Worksheet** dialog box to add, edit, and remove items for the cell.
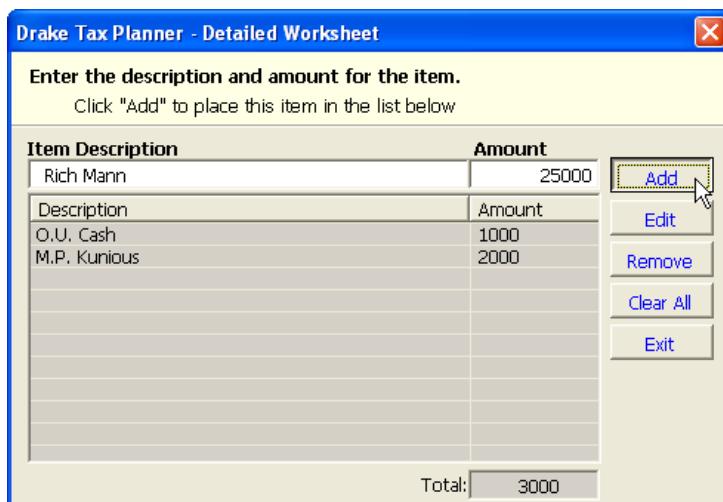
Figure 13-7: Adding items to a **Detailed Worksheet** dialog box

For example, to add an item, enter a description and an amount, then click **Add**. Once all items are entered, click **Exit**. The total is shown on a blue background (Figure 13-8).

Figure 13-8: Worksheet totals are highlighted in blue.

- **Tax Planner Worksheets** — To access an additional tab or worksheet for a form or line, double-click the shaded cell.

Making Adjustments

Each numerical column in the Tax Planner has an **Adjustment** column to the right of it. Use this column to enter dollar amounts or percentages by which to adjust the amounts. (Default is dollar amount; to use a percentage, enter the number with a percent symbol. (See Figure 13-9.)

To decrease an amount, enter a negative number or percentage by entering a minus sign (-) in front of the amount (for example, -5% or -5) in the **Adjustment** column.

Figure 13-9: Adjustments

To apply an adjustment to all future years or cases, right-click the cell with the adjustment and select **Carry Adjustment Across**.

Running Reports

To access reports, click **Reports** from the Tax Planner toolbar and select to print a **Detailed** or **Summary Report**. Standard charts and graphics are also available.

Printing a Tax Planner

To print Tax Planner data:

1. Click **Print Planner**.
2. In the **Print Selector**, select your printing options.
   - **Sheet Selection** — Sheets pertain to specific tabs in the Tax Planner.
   - **Report Selection** — Select Summary Report, Detailed Report, or both.
   - **Copies** — Select the number of copies to print.

TIP   To save your printing options as the default, click **Save Selection**.

3. (optional) Click **Print Preview** to preview your selection. Use the scroll bar to view additional pages.

4. Click **Print**.

Backing Up & Restoring Files

To back up or restore Tax Planner files:

1. Click **Backup/Restore** from the Tax Planner toolbar.

2. Select **Backup** or **Restore**.

3. Choose a backup or restore location, or browse to the location.

4. Choose the client files to back up or restore. Select **All Clients** to select all Tax Planner client files. To choose specific clients, click **Select Clients** and enter a client's Tax Planner filename. Browse to a location as needed.

5. Click **OK**.

Client Write-Up

Client Write-Up (CWU) is free to Drake clients and is shipped on every release of Drake Software. You can use CWU to prepare and print both live and after-the-fact payroll, and such forms as W-2, 1099, 940, 941, 943, 944, 941SS, and 944SS. A number of reports, including multi-column profit and loss reports, pre-posted reports, comparative or single-column balance sheets, and payroll reports are also available. Templates are included to allow easy creation of a Chart of Accounts and there is an export function to carry this information into Drake Software.

Install CWU from your Drake Software CD. A manual is also available on the Drake Support Web site **Training Tools > Manuals > CWU**.

14 Business Packages: New Features

This chapter covers two significant new features of the business packages in 2008: the trial balance import, and binary (PDF) attachments.

Trial Balance Import

Available in the corporate (1120), S corp (1120), and partnership (1065) packages, the trial balance import allows data to be imported into a tax return from a trial balance worksheet.

Drake's specially designed trial balance template and importing function has the following benefits:

- Eliminates the need to duplicate entries
- Eliminates data entry errors by automatically importing data to the correct fields
- Allows preparers to merge basic accounting functions with tax preparation

This feature is available for the 1120, 1120S, and 1065 packages in Drake.

Preparing to Use Trial Balance Import

The trial balance import function can be used only on returns that exist in the 2008 version of Drake Software. If you haven't already, create a client file in Drake 2008 or update an existing client file from the prior year. Like several other functions of the tax software, this new feature requires Microsoft Excel (version 2000 or later).

In addition, take these actions to ensure the trial balance import works properly:

- **Enable Macros** — The trial balance import function uses macros in Microsoft Excel. Check your Excel settings to ensure that macros are activated and that macro security is set to "medium." To do so, go to **Tools > Options** in Excel and

select the **Security** tab. Click **Macro Security** and select **Medium**, then click **OK**.

NOTE   In Microsoft Vista, click the **Office** button in the upper left and select **Excel Options** at the bottom of the window. Next, select **Trust Center** from the list at left and click **Trust Center Settings**. Select **Macro Settings**, then choose **Disable all macros with notification**. Click **OK**.

- **Disable Auto Balance** — When auto-balance is disabled, the program is prevented from automatically adjusting the year-end retained earnings or capital amounts, thus allowing you to see any discrepancies in the balance sheet. To disable auto-balance, go to the **PRNT** screen and select **Turn off auto-balance**.

Figure 14-1: Disable auto-balance in **Other Print Options** section of **PRNT** screen

- **Force Schedule L** — By default, the program does not display the balance sheet amounts on the return if the entity does not meet the filing requirement. If this is the case, you need to override the default in order to have the amounts shown on Schedule L. To force the Schedule L amounts to be printed, go to the **PRNT** screen and select the **Force Schedule L** box.
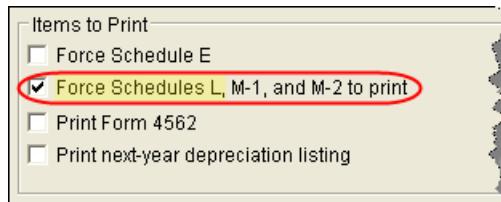
Figure 14-2: Force Schedule L box for 1120 package

NOTE   Wording of this option varies by return package. The example above is of the **Force Schedule L** box for an 1120 return.

- **Check for Detail Worksheets** — The trial balance import allows only those detail worksheets required by the IRS. Check updated returns for detail (CTRL+W) worksheets that are *not* required. For example, the IRS does not require a detail worksheet for the **Gross receipts** field on screen **3**; if a return has a detail worksheet for that field, the trial balance will not import correctly into the return. Detail worksheets are indicated by red shading, as shown in Figure 14-3.
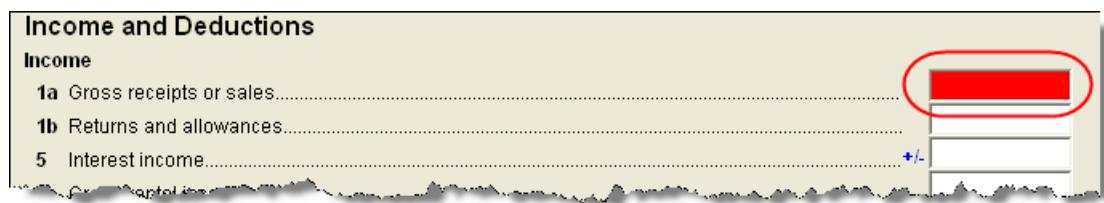
Figure 14-3: Example of an "unnecessary" detail worksheet

Remove unnecessary detail worksheets prior to import. See "Detail Worksheets" on page 293 for more information on using detail worksheets in the trial balance.

Preparing Financial Data for Import

To prepare the financial data for importing into the return, the data must be entered into Drake's specially designed trial balance template. Once this information is entered and saved, it can be imported into the return.

Opening a Template

The first step in preparing financial data for importing is to open a trial balance template for the return and enter the financial data.

To open a trial balance template for a return:

1. Open the return to the **Data Entry Menu**.
2. Click **Import > Trial Balance Import** in the menu toolbar. The preliminary **Trial Balance Import** dialog box is opened.
3. Click **Create New** or **Open Existing**. If opening an existing file, click **Open** after selecting the correct file.
4. Click **Enable Macros** in the **Security Warning** box that appears.

NOTE   In Microsoft Vista, you will see a **Security Warning** message with an **Options** button. Click **Options** to open the **Security Options** dialog box, then select **Enable this content**. Click **OK**.

The trial balance template is displayed in Microsoft Excel.

Naming Convention   Whenever a new template is opened, the tax software assigns it a default file location and name. Trial balance templates are saved in the TB folder of your Drake08 software. The file name consists of the client name as entered in Drake, plus "TB" for "trial balance," plus the ".xls" suffix assigned to all Excel files, as shown in Figure 14-4.
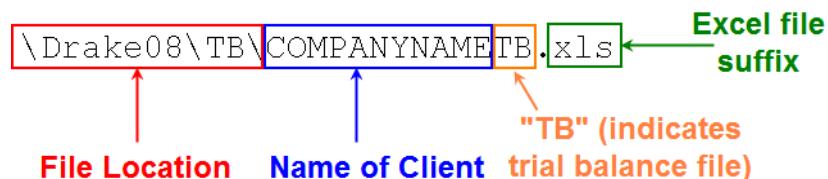
Figure 14-4: Example of trial balance template file name

To change the name of a file in Excel, select **File > Save As** and assign the new name.

Template Structure

The trial balance template consists of three title rows and six columns. The **Entity Name** and **Year End** title rows can be edited; double-click a row to change the title. Columns are described in Table 14-1.

Table 14-1: Trial Balance Template Columns

Column	Description
Account Title	Title of account
Debit/Credit	Debit and credit amounts
Import to	Screen and line in Drake to which the debit or credit amount is imported
Form, Page, Sch, and/or line	Location of the amount on the printed return
Other information	Additional details for preparers; see "Details for Preparers" on page 295.

Displayed at the bottom of the trial balance worksheet are: the calculated amount for Schedule M-1, line 1; the credit and debit totals; and a cell showing whether or not the balance sheet is out of balance and, if applicable, the out-of-balance amount (Figure 14-5; see also Figure 14-8 on page 294).

Figure 14-5: Schedule M-1 amount (1); totals (2); and indication of balance (3)

Following are instructions and guidelines for using the trial balance template to assemble financial data for importing into data entry.

Entering Financial Data

When a new trial balance file is opened for a return, all debit and credit amounts are zero ($0). All data must be entered manually into the template.

NOTE   Some data cannot be imported from the trial balance and must be entered directly into the data entry fields within the program. For more on these categories of data, see "Special Conditions" on page 295.

Direct Entry

Most cells in the trial balance worksheet are view-only. In a new template, editable debit and credit cells are indicated by a dollar amount ($0).

Detail Worksheets

Some cells require more detail than can be entered on a single line. These cells are indicated by buttons.

Figure 14-6: Example of cells that require worksheets

Click a worksheet button to open a worksheet in a new tab. Figure 14-7 shows an example of the "Other Income" worksheet.

Figure 14-7: Trial balance worksheet for "Other Income"

To return to the previous worksheet, click the **TB** tab (labeled "1" in Figure 14-7), or click the **Return** button above the worksheet tabs (labeled "2" in Figure 14-7). Note

that a detail tab (the "Other Income" tab in Figure 14-7) might include one or more detail worksheets (labeled "3" in Figure 14-7).

NOTE   Do not create detail worksheets in data entry if the trial balance worksheet does not provide an equivalent detail worksheet. Otherwise, the trial balance will not import correctly.

Totals

Totals are displayed at the bottom of each worksheet. If credit and debit columns are out of balance, the worksheet highlights the out-of-balance amount (Figure 14-8).
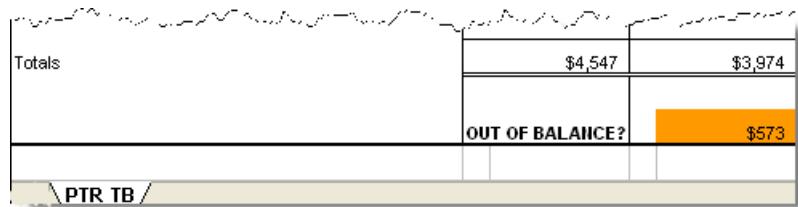
Figure 14-8: Out-of-balance amount is highlighted if columns are out of balance.

In addition to credit and debit totals, the main trial balance worksheet shows the net income (loss) to be calculated for line 1 of Schedule M-1 after all entries and adjustments are made in the software.

NOTE   The data cannot be imported if the worksheet is out of balance.

Saving a File

To save a file, click the **Save** icon or select **File > Save** from the menu bar. To re-name a file when saving, select **File > Save As**. For more information on file names in the trial balance program, see "Naming Convention" on page 291.

Importing Data into a Return

NOTE   Not all trial balance data can be imported directly into a return. For information on program limitations, see "Special Conditions" on page 295.

Once a trial balance worksheet has been set up for a client in Drake, the trial balance information can be imported into the program and calculated into the return.

NOTE   If you are already in the Trial Balance Import tool for the selected return, go to the **Trial Balance Import** window in Drake and start at Step 3 of the following procedure.

To import a trial balance into a return:

1. Open the return to which you will import the trial balance information.

2. Click **Import > Trial Balance Import** from the menu toolbar. The preliminary **Trial Balance Import** dialog box is opened.

3. Click **Next**.

4. Enter or select the trial balance file to be imported. Use the **Browse** feature if necessary. By default, each trial balance file is an Excel (.xls) file showing the client name and ending in "TB" for trial balance, as shown in the example in Figure 14-9. (See "Naming Convention" on page 291.)

1. Import File Name | F:\DRAKE08\TB\TREE FIXR UPPER INCTB.XLS

Figure 14-9: Selected file to import

5. Select the **Trial Balance Import Options**. (See "Additional Import Options" following this procedure.)

6. Click **Next** and wait for the import to be completed.

7. Click **Finish**.

The program returns to the **Data Entry Menu** for the open return. Note that all selected data from the trial balance worksheet has been imported into the return. This can be seen both in the data entry screens and on the generated return.

Additional Import Options

By default, the program imports the following additional information when importing the trial balance data:

Buildings & other depreciable assets	Accumulated depreciation
Goodwill & other intangible assets	Land
Rental real estate information	Accumulated amortization
Other rental property information	

Special Conditions

Some trial balance items cannot be entered into the trial balance worksheet and must be typed directly into Drake data entry. Other items should be entered into the worksheet for balance purposes but are not carried to data entry; these must be entered separately and the calculated results compared to the trial balance worksheet.

Details for Preparers

Most trial balance items go directly to the location indicated in the program and on the return. For example, the amounts shown in Figure 14-10 go to Schedule L, line 1, column d in the program and are shown on page 5, line 1, column d of the 1065 return.

Debit	Credit	Import to:	Reported on:
$420,050		L, line 1, col d	1065, page 5, line 1, col d
$2		L, line 2a, col c	1065, page 5, line 2a, col c

Figure 14-10: Indication of where an amount will go in Drake and on the return

Not all figures can be imported directly, however, and some amounts are optional. Drake has provided an "Other Information" column in the trial balance worksheet to indicate special conditions and additional information regarding certain rows. Table 14-2 describes the most common notes in this column.

Table 14-2: "Other Information" Column Notes

Note	Description
not included in totals	The amount is required for importing purposes only but is not included in the totals shown on the trial balance.
does not carry	Information cannot be imported and must be entered on the appropriate screen in Drake. Screen is specified in column to the left of "Other Information."
optional	Amount is optional; not required for import, but could require direct entry in the software.
enter as negative number	Some deficits must be entered as negative numbers.
import includes the calculated change in inventory	Used for "total purchases"; when calculating cost of goods sold (COGS) in the return, the program takes the change in inventory into account for the Schedule A calculation.
[Form or Schedule] may be required	Non-financial information (such as names of officers for a Schedule E) must be completed in Drake, in addition to the financial data entered in the worksheet.

All "does not carry" notes are accompanied by further instructions in the column to the left of the "Other Information" column, as shown in Figure 14-11.

SCH2 Detail

Typically, a balance sheet subsidiary schedule (**SCH2** detail screen for Schedule L) is required for an item marked "do not carry" on the trial balance.

Account Title	Debit	Credit	Import to (screen, line):	Form, Page, Sch and/or line	Other Information
Cash	$0		L, line 1, col d	Form 1120, Sch L, line 1, col d	
U.S. government securities	$0		L, line 4, col d	Form 1120, Sch L, line 4	
Tax-exempt securities	$0		L, line 5, col d	Form 1120, Sch L, line 5	
Other current assets	$0		Other Current Assets Detail	SCH2 detail required in Drake	does not carry
Loans to shareholders	$0		L, line 7, col d	Form 1120, Sch L, line 7, col d	
Mortgage and real estate loans	$0		L, line 8, col d	Form 1120, Sch L, line 8, col d	
Other investments	$0		Other Investments Detail	SCH2 detail required in Drake	does not carry
Buildings and other depreciable assets	$0		L, line 10a, col c	Form 1120, Sch L, line 10a, col c	optional
Accumulated depreciation	$0		L, line 10b, col c	Form 1120, Sch L, line 10b, col c	optional

Figure 14-11: SCH2 screen required for "do not carry" items

To complete an **SCH2** detail screen in data entry:

1. Open the **SCH2** screen for the return.

2. Select the line number from the **SCH2** drop list.

3. Enter the applicable item descriptions and beginning- and end-of-year totals.

To enter details for additional lines of the Schedule L, press PAGE DOWN and repeat steps 2 and 3. Data is saved automatically upon entry.

When the return is produced, the Schedule L of the return reflects both the amounts imported from the trial balance worksheet and the totals of the amounts entered on the **SCH2** screen.

Depreciation

On a corporate (1120) tax return, total depreciation consists of COGS depreciation, which is reported on Schedule A, and any remaining depreciation, which is reported on page 1 of the return. S corporation (1120S) and partnership (1065) returns can have up to four components of total depreciation:

• COGS

• Real estate rental

• Rental other than real estate

• Any remaining depreciation

For trial balance purposes, enter depreciation amounts directly into the appropriate fields on the trial balance worksheet. Note that, for 1120S and 1065 trial balances, rental expense detail worksheets are required for **8825** and **RENT** depreciation.

NOTE   Enter **8825** and **RENT** depreciation amounts in the detail worksheets for importing purposes, but be aware that the **8825** and **RENT** screens in the program will need to be edited if **4562** detail screens (see Figure 14-12) are used.

When the trial balance is imported, the COGS depreciation expense amount flows directly to the appropriate line of Schedule A on the return, and the rental depreciation expense amounts flow directly to the appropriate lines of the **8825** and **RENT** screens,

as applicable. Because the remaining depreciation can comprise any number of assets, the amount entered on the trial balance does *not* flow to the return. To ensure that each component of the total remaining depreciation is calculated into the return, each asset must be entered on the applicable depreciation screens in data entry (Figure 14-12).
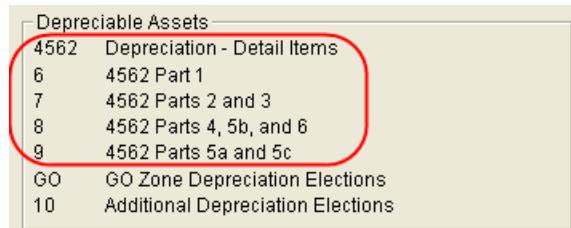
Figure 14-12: Enter depreciable asset data on a **4562** detail screen, or enter the total depreciation on the override screens. (Figure is from 1120S data entry menu.)

> **NOTE** Entering the remainder of the depreciation on the trial balance worksheet helps ensure that the balance sheet balances and provides a way to check that the amount on line 1 of Schedule M-1 is correct. Compare the calculated line 1 at the bottom of the trial balance to the equivalent line on Schedule M-1 of the calculated return. If the depreciation amounts match but the line 1 amounts differ, an M-1 adjustment could be required.

Rental Expenses

The following information applies only for partnerships and S corporations with multiple rental properties.

The partnership and S corporation trial balances include lines for rental income and expenses. Both rental expense items require a trial balance detail worksheet.

Figure 14-13: Rental expense rows on an S corp trial balance worksheet

When imported, the rental expense data entered on the trial balance worksheet appears on either the **8825** screen (if real estate rental) or the **RENT** screen (if rental other than real estate).

Because the trial balance worksheet has only one detail screen per rental type, the importing function does not accommodate entities with multiple rental properties or expenses; however, the following procedure allows the trial balance to remain in balance if there are multiple rental properties or expenses.

To accommodate entitles with multiple rental properties or expenses:

1. Calculate the totals for both types of rental expenses.
2. Enter the income totals on the trial balance sheet and the expense totals on the applicable detail sheets (Figure 14-13).
3. Ensure that the balance sheet is in balance.
4. Import the trial balance worksheet into the return. The applicable screens in data entry now contain the figures entered on the trial balance worksheet.
5. Compare the M-1, line 1 amount on the trial balance to the M-1, line 1 amount on the calculated return to ensure that they match.

> **NOTE**   If the amounts do *not* match, review the imported amounts to ensure that all data was imported. If the data appeared to import correctly, an M-1 adjustment could be necessary.

6. Complete all **8825** or **RENT** screens in data entry, as applicable, for the individual rental properties or items.
7. Delete the **8825** and **RENT** screens that were imported from the trial balance (the screens reflecting the total rental expenses).

> **NOTE**   To delete a screen in data entry, open the screen and press CTRL+D. If a multiple forms list appears, ensure that the screen to delete is selected, then click **Delete**.

Binary Attachments

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

New for 2008, you can attach PDF files to federal corporate (1120), S corp (1120S), partnership (1065), and tax-exempt (990) returns for e-filing. A new **PDF Attachments** screen is accessible from the **Data Entry Menu**.

The PDF Attachment Process

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

1. Creating a PDF document to be attached
2. Informing the program that a PDF document will be sent with the return

3. Attaching the PDF document for e-filing

These steps are described in the following sections.

Creating a PDF File

To create a PDF file:

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

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

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

Adding PDF Documents in Drake

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

1. Open the return in Drake. From the **Data Entry Menu**, click **PDF Attachments** (or type `PDF` in the selector field and press ENTER).
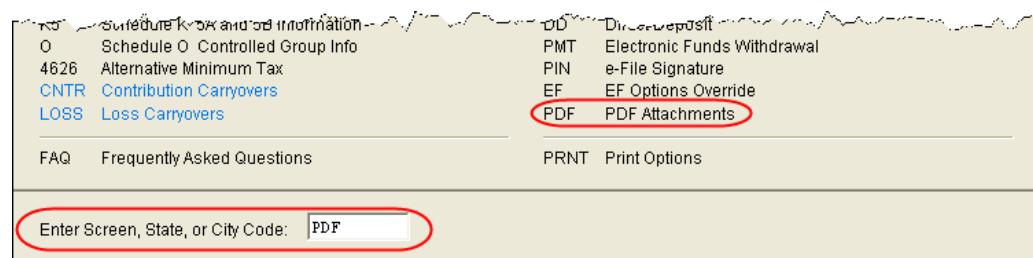
Figure 14-14: Select **PDF Attachments**, or type `PDF` into the selector field and press ENTER.

2. Fill out the columns on the **PDF Attachments** screen. See Table 14-3 for exam-ples.

Table 14-3: PDF Attachment Window Columns

Name of Column	Description	Examples
Reference Source	Name or number of regulation, publication, or form instruction that makes attachments necessary	- IRS Pub xxx-1.4 - Form Instructions for 1120S
Description	Description of form or document to be attached	- Title of house on Oak Street - Appraisal of Lot 1234
File name	Distinctive, easily recognizable file name, followed by ".pdf"	- TitleHouseOakSt.pdf - AppraisalLot1234.pdf

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

Because you've indicated that a PDF document is attached, the program generates an EF message page regarding the attachment when the return is calculated.

Attaching Documents to the Return

To attach a PDF file to a return:

1. From the return, click **View**. If anything was entered in the **PDF Attachments** window (see "Adding PDF Documents in Drake," previously), there will be two PDF–related items in the **View/Print** window:

- A red MESSAGES alert (item #1 in Figure 14-15)
- An **Attach PDF** button on the toolbar (item #2 in Figure 14-15)
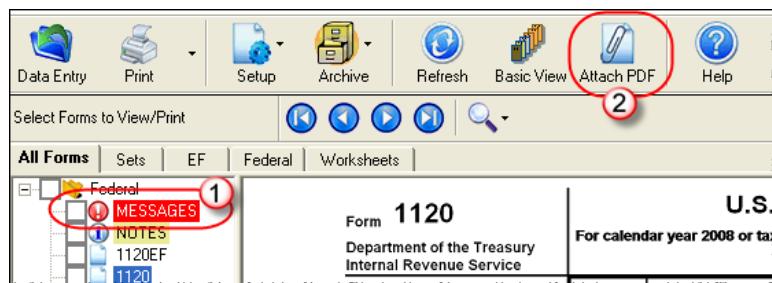
Figure 14-15: The red **MESSAGES** file and the **Attach PDF** button

2. Click the red MESSAGES file to view EF messages, including information on how to attach the required documents to the return.

3. Click the **Attach PDF** button. The **EF PDF Attachments** window displays the information entered on the **PDF Attachments** window in data entry. A red **X** means the document has not yet been attached; a green check mark indicates an attached document.
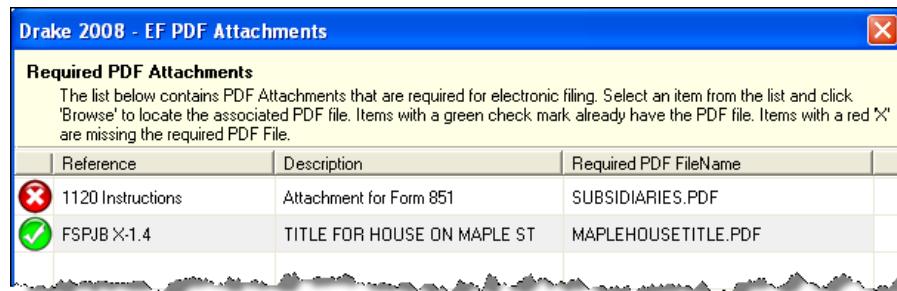
Figure 14-16: The **EF PDF Attachments** window

4. Click the row of a document to attach.

5. Click **Browse**.

6. Browse to the proper folder, select the PDF file to attach, and click **Open** (or double-click the file name).

Repeat for all documents with a red **X**. When all documents have been attached to a completed return, the return is ready to be e-filed.

Printing Generated Documents

In some instances, Drake generates a document that must be printed, signed, and scanned back into the computer to be attached to the return. For example, if Form 851, Affiliations Schedule, is present in a corporate return, message 1145 is generated when the return is calculated.

```
1145 Form 851 has required attachments that must be attached in PDF
     format.
     Supporting statements are required for each corporation included
     in the consolidated return and cannot be a Form 1120.
     The statement must include:
     1. Items of gross income and deductions.
     2. A computation of taxable income.
     3. Balance sheets as of the beginning and end of the tax year.
     4. A reconciliation of income per books with income per return.
```

Figure 14-17: EF message page

As shown in Figure 14-17, the EF message states that attachments are required. You would then need to obtain or complete the statements, scan them into the computer, save them as a PDF document, and attach them to the return.

Appendix A: Preseason Checklist

Preseason planning can reduce or eliminate many problems for tax preparers. Take time now to prepare for the months ahead and ensure that your office is ready before the first client arrives. The needs of each office vary in the months before tax season, but your preparations might include the actions listed here. Several of the items below refer to Drake Support, which you can find at *Support.DrakeSoftware.com*.

Contact the IRS

❑ **Apply for Electronic Filer's Identification Number (EFIN)** — All new EROs must complete and submit Form 8633, Application to Participate in the IRS e-file Program, to the IRS 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 will also need to submit a fingerprint card.

❑ **Authorized EROs** do not need to file Form 8633 unless (1) their firm or filing information has changed since 2007, or (2) they are going to start e-filing business forms this year. You can revise your Form 8633 online at *www.irs.gov* after signing up for the IRS e-services program.

❑ **Obtain IRS publications** — Order publications from the IRS or print them directly from the IRS Web site.

Contact the States

❑ **Obtain state applications** — Some states require e-file applications and many states now enforce e-file mandates. Contact those states early to apply. State data is available on the **Federal/State Facts** page at the Drake Support site.

❑ **Check state requirements for bank products** — Check with your state for special applications to offer bank products. Contact applicable states that could require different forms.

❑ **Check for state e-filing mandates** — Mandates vary from state to state.

❑ **Check state requirements for business returns** — E-filing requirements vary.

Contact Drake

❑ **Notify Drake of changes** — Inform us of changes to your firm's EFIN, phone, address, contact person, e-mail, etc. E-mail *accounting@drakesoftware.com*, call (828) 349-5900, or make changes online at the Drake Support site.

Prepare to Offer Bank Products

❑ **Complete the Drake bank application** at the Drake Support site.

❑ **Choose a bank** — Review bank information, then complete the application or contract.

❑ **Order check stock**.

❑ **Test-print check** — After installing the software, set check ranges and test-print a check.

❑ **Set bank fees and complete Firm Setup** in the software.

Review Equipment/Staff Needs

❑ **Educate yourself to tax law changes** — Do online research; visit and study the IRS Web site and state tax departments sites.

❑ **Learn new phaseout limits** — Be prepared to explain to your clients why they no longer receive benefits they've received in the past.

❑ **Review or learn EIC rules** — Prepare for EIC due diligence interviews.

❑ **Review staffing needs** — Set staff software security levels.

❑ **Train your staff** — Make sure everyone understands his or her duties and is familiar with the software. Train your staff through Drake ETC.

❑ **Upgrade computers as needed** — Ensure that your computers comply with system requirements.

❑ **Test printers and modems** to be used with Drake Software.

❑ **Check phone cords and connections** to be used during tax season.

❑ **Check scanner** — Review Drake-recommended scanners. If necessary, purchase a scanner to use with the Drake Document Manager.

❑ **Purchase office supplies** such as folders, envelopes, paper, and toner.

Install and Set up Software

❑ **Review system requirements** for software installation.

❑ **Install** the 2008 Drake Software CD.

❑ **Customize program settings** — Complete required and optional program settings. Check the packing slip to verify the EFIN and enter new password and account number **Setup > ERO**. (Keep packing slip, which contains your serial number and account number, in a safe place.)

❑ **Perform database updates** — Update the EIN Database from the prior year.

❑ **Perform configuration updates** — Update configurations for firm information, macros, etc., from the prior year.

❑ **Establish billing amounts** — Setting your billable amounts now saves time later.

❑ **Install** PDF995.

Help Clients Prepare for Tax Season

❑ **Prepare proformas or organizers** for prior-year clients. (Reports, organizers, proformas, and returns can be stored and e-mailed as PDF files.)

❑ **Prepare preseason letters and coupons** to send with organizers.

❑ **Begin preseason scheduling** — Get a jump-start on tax season. Schedule clients who are eager to file early.

❑ **Order mailers** from Nelco if necessary.

Update and Configure Data

❑ **Choose the backup media type** that best suits your needs.

❑ **Update your profile** — Complete **Update Profile** in Drake.

❑ **Update and back up** — Run the software update routine, and make a backup copy of the software setup.

Take Advantage of Drake Resources

❑ **Electronic Training Center (ETC)** — For tax courses, tutorials, videos, and testing, go to *DrakeSoftware.com/ETC*.

❑ **Tutorials** — The 2008 tutorials can be accessed through the Help menu, or go to the Drake Support site. Enter your EFIN and password, then go to **Training Tools > Tutorials**.

❑ **Drake User's Manual** — Familiarize yourself with this manual and use it as a resource for learning how to use the software and prepare individual returns.

❑ **Practice returns** — Use our practice returns to learn program navigation and data entry.

❑ **Drake Web site** — Add *Support.DrakeSoftware.com* to your "Favorites" list.

❑ **Drake Knowledge Base** — Practice using Knowledge Base at the Drake Web site.

❑ **Drake forum** — Sign up for the Drake Forum at the Drake Web site.

❑ **RIA online** — Review the features offered with RIA online.

❑ **Online EF Database** — Review and practice using the online EF database.

❑ **Execute your marketing plan** — Consider running radio spots, hanging posters or banners, and encouraging word-of-mouth marketing. Drake Software offers marketing ideas online at *DrakeSoftware.com/marketing*.

Prepare for E-Filing

❑ **Research and verify e-file requirements** — Review any state e-file mandates.

❑ **Complete settings** — **Preparer**, **Firm,** and **EF** (e-filing) settings in Drake.

❑ **Send test transmissions to Drake**.

❑ **Access EF & Banking Practice** — Access practice returns on the Drake Support Web site, **Training Tools** menu.

Appendix B: E-filing Overview

The flow chart on the following page shows an overview of the e-filing process for most Drake preparers. Included are definitions of acknowledgment codes ("acks").

PROCESS: E-FILING FEDERAL RETURNS

Tax Preparer

Complete the tax return

Review return to ensure that it is ready to e-file

Mark ready for EF → Transmit return

Transmitting **P**, **T**, or **B** ack

Address the identified issue

If NOT accepted
(**B**, **R**, **D** or **X** ack)

Pick up & process acknowledgments

If ACCEPTED

T ack

Test transmission successful!

P ack

Drake transmission successful! Wait for IRS ack.

A ack
(or **E** 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 C: Keywords

Keywords are used in the Reports and Letters programs in Drake.

Report Keywords

Report keywords appear as columns in reports (Figure C-1). Reports are generated from the Report Manager.
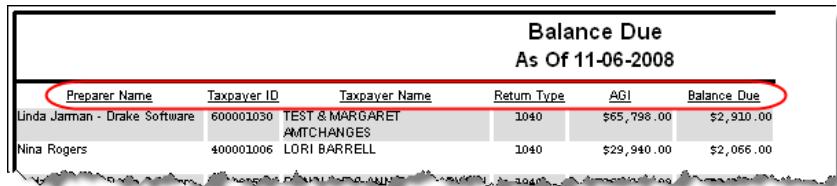
Figure C-1: Report keywords appear as column headers in reports.

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. The **Select Report Columns** section of the **Report Editor - Step 1** dialog box lists keywords for each column category. Figure C-2 shows the keywords for the **Return Results** category.
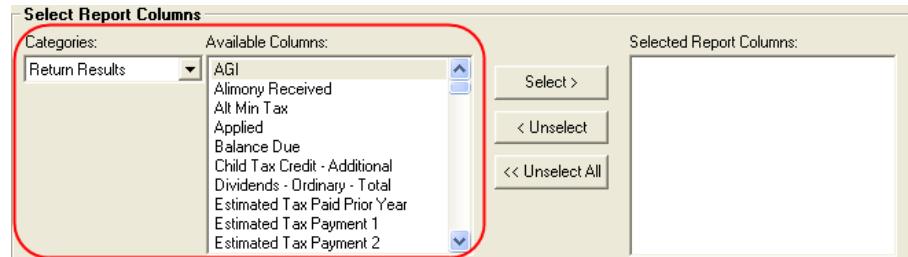
Figure C-2: Keywords are listed under available columns.

To view a keyword description, click the keyword, then place the mouse pointer over it. A keyword description appears, as shown in Figure C-3.
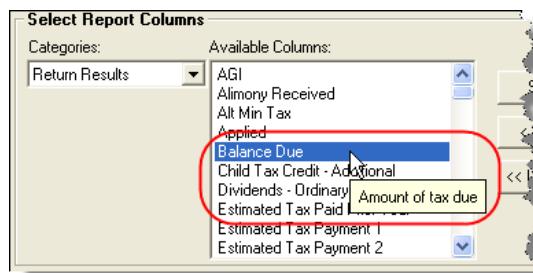
Figure C-3: Place mouse pointer over a selected keyword to see the description.

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 C-4).
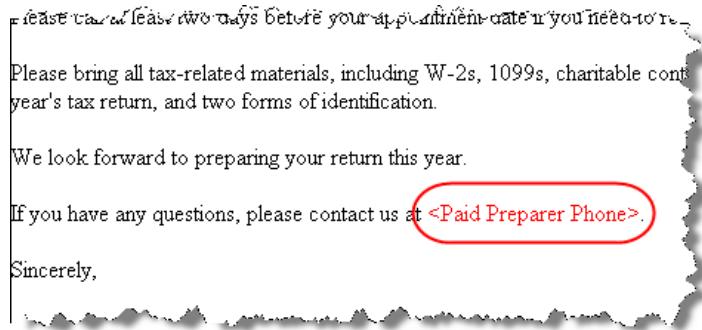
Figure C-4: Keywords from letter template

To view available letter keywords, select **Setup > Letters** from the **Home** window and select any template to view.

The tree view of the Client Communications Editor lists the keyword categories. Click [+] to view specific keywords within a category. In the example in Figure C-5, the **Preparer, Firm, and Revenue** category has been expanded.
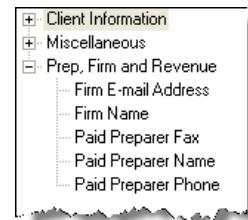
Figure C-5: Prep, Firm and Revenue keywords

To view a keyword description, place the mouse pointer over the selected keyword. A brief keyword description appears, as shown in Figure C-6.
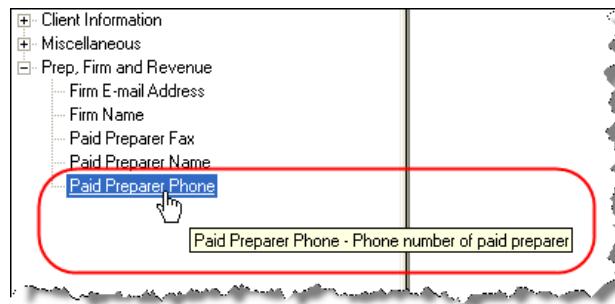
Figure C-6: Place mouse pointer over a selected keyword to see the description.

Instructions for adding and editing report columns are provided in "Introduction to Letters in Drake" on page 35.

"OtherTax" Keywords in Letters

The 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 C-7. "Other Tax Types" generally refer to tax types other than income tax (franchise tax, composite tax, city income tax, etc.) that are required by certain states and cities.
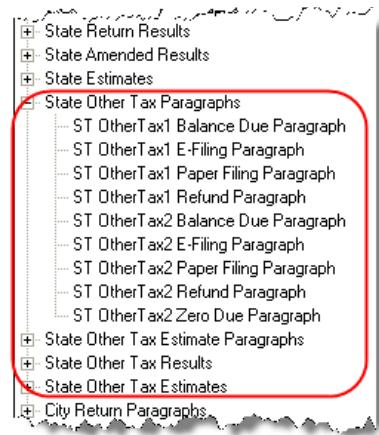
Figure C-7: Examples of "OtherTax" paragraph keywords

Table C-1 lists the "Other Tax" types indicated by specific letter keywords for state and city returns in the Drake tax packages.

Table C-1: Letter Keywords: Other Tax Types for State Packages

State	Package	Tax Type	Description
Alabama	S corporation	OtherTax1	Composite
		OtherTax2	Privilege Tax and Annual Report
	Partnership	OtherTax1	Composite
		OtherTax2	Privilege Tax and Annual Report
	Individual	OtherTax2	Privilege Tax and Annual Report
	Fiduciary	OtherTax2	Privilege Tax and Annual Report
	Corporation	OtherTax2	Privilege Tax and Annual Report
Arkansas	Individual	OtherTax1	LLC Franchise
	S corporation	OtherTax1	Franchise
	Partnership	OtherTax1	Franchise
	Fiduciary	OtherTax1	Franchise
Connecticut	Individual	OtherTax1	Business Entity Tax
	S corporation	OtherTax1	Business Entity Tax
	Partnership	OtherTax1	Business Entity Tax

Table C-1: Letter Keywords: Other Tax Types for State Packages

State	Package	Tax Type	Description
District of Columbia	Partnership	OtherTax1	Franchise
	Individual	OtherTax1	Franchise
	Fiduciary	OtherTax1	Franchise
Florida	Individual	OtherTax1	Stamp
	Fiduciary	OtherTax1	Stamp
	Corporation	OtherTax1	Stamp
Kansas	S corporation	OtherTax1	Franchise
	Partnership	OtherTax1	Franchise
	Individual	OtherTax1	Franchise
		OtherTax2	Homestead
	Fiduciary	OtherTax1	Franchise
	Corporation	OtherTax1	Franchise
Michigan	Individual	OtherTax1	Single Business Tax
Minnesota	Individual	OtherTax1	Property Tax Credit
Mississippi	S corporation	OtherTax1	Franchise
	Corporation	OtherTax1	Franchise
Missouri	S corporation	OtherTax1	Kansas City
		OtherTax2	St. Louis
	Partnership	OtherTax1	Kansas City
		OtherTax2	St. Louis
	Individual	OtherTax1	Kansas City
		OtherTax2	St. Louis
	Fiduciary	OtherTax1	Kansas City
		OtherTax2	St. Louis
	Corporation	OtherTax1	Kansas City
		OtherTax2	St. Louis
New Hampshire	Partnership	OtherTax1	Interest and Dividends
	Individual	OtherTax1	Interest and Dividends
	Fiduciary	OtherTax1	Interest and Dividends

Table C-1: Letter Keywords: Other Tax Types for State Packages

State	Package	Tax Type	Description
New Jersey	S corporation	OtherTax1	Composite
	Partnership	OtherTax1	Composite
	Fiduciary	OtherTax1	Composite
New York	S corporation	OtherTax1	NYC Income
	Partnership	OtherTax1	NYC Income
	Individual	OtherTax1	NYC Employment
		OtherTax2	NYC Business Tax
	Corporation	OtherTax1	NYC Income
		OtherTax2	MTA Surcharge
Ohio	Individual	OtherTax1	School District
Pennsylvania	Individual	OtherTax1	Spouse if a split return
	S corp/Partnership	OtherTax1	S corp/Partnership Info. Return
Rhode Island	Partnership	OtherTax1	Composite
	Individual	OtherTax1	Composite
	Fiduciary	OtherTax1	Composite
Tennessee	Individual	OtherTax2	Franchise and Excise Tax
	S corporation	OtherTax2	Franchise and Excise Tax
	Corporation	OtherTax2	Franchise and Excise Tax
	Partnership	OtherTax2	Franchise and Excise Tax
Texas	S corporation	OtherTax1	Franchise
	Partnership	OtherTax1	Franchise
	Individual	OtherTax1	Franchise
	Corporation	OtherTax1	Franchise

This page intentionally left blank.

Appendix D: Acronyms & Abbreviations

This appendix lists and defines many of the acronyms and abbreviations you may encounter when using Drake tax software.

"A" ack   Accepted transmission.

ack   Acknowledgement. A report generated by the IRS and by Drake to a transmitter that indicates receipt of transmissions.

ACH   Automated Clearing House. A system that administers electronic funds transfers (EFTs) among participating financial institutions.

ACRS   Accelerated Cost Recovery System.

AGI   Adjusted Gross Income

AMT   Alternative Minimum Tax

ATIN   Adoption Taxpayer Identification Number. A tax processing number issued by the IRS as a temporary taxpayer identification number for a child in the domestic adoption process who is not yet eligible for a Social Security Number (SSN).

"B" ack   Bad transmission

CAF   Centralized Authorization File; number issued to a preparer by the IRS.

CSM   Client Status Manager. a tool for tracking workflow within a preparer's office.

COGS   Cost of Goods Sold

CWU   Client Write-Up

"D" ack   Duplicate of previously filed return. Rejected.

DAN   Depositor Account Number. The financial institution account to which a Direct Deposit refund is to be routed.

DCN   Declaration Control Number. A unique 14-digit number assigned by the ERO (or, in the case of online filing, by the transmitter) to each electronically-filed tax return.

DD   Direct Deposit

DI   Debt Indicator. A field on an ACK that indicates whether a debt offset of a taxpayer's refund will occur.

DIV   Dividends screen in Drake

DDM   Drake Document Manager

.doc   Word files

.DTP   Drake Tax Planner files

EA   Enrolled Agent

"E" ack   IRS acknowledgement for an imperfect return

EF   Electronic Filing

EFIN   Electronic Filer's Identification Number

EFT   Electronic Funds Transfer. The process through which Direct Deposit refunds are transmitted from the government to the taxpayer's account at a financial institution.

EFTPS   Electronic Federal Tax Payment System. A free service from the U.S. Treasury through which federal taxes may be paid via the Internet, by phone, or through a service provider.

EFW   Electronic Funds Withdrawal. A payment method which allows taxpayers to authorize the U.S. Treasury to electronically withdrawal funds from their checking or savings accounts.

EIC, EITC   Earned Income Credit, Earned Income Tax Credit. A refundable individual income tax credit for certain persons who work.

EIN   Employer Identification Number

ERC   Electronic Refund Check (bank product)

ERD   Electronic Refund Deposit (bank product)

ERO   Electronic Return Originator. An authorized IRS e-file provider that originates the electronic submission of returns to the IRS.

ES   Estimate; screen in Drake for entering estimate data.

ETA   Electronic Tax Administration. The office within the IRS with management oversight of the IRS' electronic commerce initiatives.

ETA   Estimated Tax Adjustment; screen in Drake for determining amount of estimated taxes when significant changes in the following year may affect a client's income tax.

ETC   Electronic Training Center. Drake's online training center featuring tax courses, tutorials, and practice returns.

ETD   Electronically Transmitted Documents

ETIN   Electronic Transmitter Identification Number. An ID number assigned by the IRS to a participant in the e-file program.

F   Federal code; generally a drop list at the top of an applicable screen.

FMS	Financial Management Service. The agency of the Department of the Treasury through which payments to and from the government, such as Direct Deposits of refunds, are processed.
HOH	Head of Household
INT	Interest screen in Drake
IRC	Internal Revenue Code
IRS	Internal Revenue Service
ITIN	Individual Taxpayer Identification Number. A tax processing number for certain non-resident and resident aliens who cannot obtain a Social Security Number (SSN).
KB	Knowledge Base. The Drake Software Knowledge Base is a comprehensive searchable database consisting of support solutions and articles of interest, providing support around the clock.
LLC	Limited Liability Company
LTR	Letter override screen in Drake
MACRS	Modified Accelerated Cost Recovery System
MB	Megabytes
MFC	Multi-form code
MFJ	Married, Filing Jointly
MFS	Married, Filing Single
MOM	Multi-Office Manager
MSG	State EF message page
NOL	Net Operating Loss
"P" ack	Processing a successful transmission
PAN	Passive Activity Number
PDF and .pdf	Portable Document Format)
PIN	Personal Identification Number
PPR	Pay Per Return
PTIN	Preparer Tax Identification Number. An ID number issued by the IRS which paid tax return preparers can use in lieu of disclosing their Social Security Number (SSN) on returns that they prepared.

"R" ack   Reject transmission

RAL   Refund Anticipation Loan. A RAL is money borrowed from a financial institution by a taxpayer that is based on a taxpayer's anticipated income tax refund.

RET   Refund Electronic Transfer

RRC   Recovery Rebate Credit

RT   Refund Transfer

RTN   Routing Transit Number. A number assigned by the Federal Reserve to each financial institution.

SSN   Social Security Number

ST   State code; generally a drop list at the top of an applicable screen.

Sub-S   S corporation

"T" ack   Test transmission

TS   Taxpayer (or) Spouse

TSJ   Taxpayer (or) Spouse (or) Joint

TILA   Truth in Lending Agreement

.txt   Text files

TY   Tax Year

UNVER   Unverified field. Fields flagged as UNVER must be verified before e-file is possible.

.xls   Excel files

ZIP   ZIP Code. Zone Improvement Plan. Five-digit postal code following addresses to make mail delivery quicker.

Appendix E: State E-filing Mandates

State e-filing mandates for tax year 2008, as collected from state tax-authority publications, are provided below.

Alabama

If an income tax return preparer prepares 50 or more acceptable, original individual income tax returns using tax preparation software in calendar year 2006, 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.

California

California law requires tax preparers who prepare more than 100 individual state income tax returns annually and prepare one or more using tax preparation software to e-file all individual income tax returns. A $50 per return penalty may be assessed for each return filed on paper that should have been e-file.

Connecticut

Conn. Agencies Regs. Section 12-690-1 requires return preparers who prepared 50 or more 2007 Connecticut income tax returns to file all 2008 Connecticut personal income tax returns electronically using the Federal/State Electronic Filing Program (e-file).

Florida

Corporations in Florida must file and pay their income tax electronically if the corporation paid $20,000 or more in tax during the State of Florida's prior fiscal year (July 1 - June 30). File FL corporate income tax with the Florida Corporate Income/Franchise and Emergency Excise Tax Return (Form F-1120) and file through the Internal Revenue Service's 1120 Federal/State Electronic Filing Program using approved software

Indiana

New Indiana law went into effect Jan. 1, 2008, requiring most tax preparers to file Indiana individual income-tax return electronically. Tax preparers who file 100 or more Indiana tax returns annually are obligated to follow this new law.

Kansas

The requirement applies to any paid preparer that prepares 50 or more Kansas Individual Income tax returns during any calendar year. The requirement will be based on the number of Individual Income tax returns, including resident, nonresident, and part-year returns, filed by the tax preparer in a 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 electronic filing requirement. If a tax preparer files 50 or more in 2009, then 90% of the returns must be electronically filed.

Louisiana

The electronic filing mandate requires tax preparers filing more than 100 individual income tax returns to do so electronically beginning January 1, 2008, as authorized by La. Revised Statute 47:1520.

The electronic filing requirement will be phased in as follows:

- "For returns due on or after January 1, 2008, 30 percent of the authorized individual income tax returns must be filed electronically.
- "For returns due on or after January 1, 2010, the number of electronically filed returns must be 60 percent.
- "For returns due on or after January 1, 2012, 90 percent must be filed electronically.

Add-Acts 2008 2nd Ex. Sess., No. 11 enacted R.S. 48:77(A) to dedicate percentages of the sales tax collections from motor vehicle leases and rentals to the Transportation Trust Fund beginning July 1, 2008. This information is not separately reported on the sales tax return and there is no space to add the lines to the current tax return. Mandated electronic filing for motor vehicle leasing and renting dealers was selected because it is the most cost-effective means to obtain the required sales tax data.

Maine　　Maine Rule 104 states that a tax return preparer for 2008, who prepared more than 200 original Maine tax returns in 2007 must file by electronic data submission in 2008. For all returns filed in 2008, a person preparing original Maine tax returns for sales, use or service provider with a tax liability of $200,000 or more for any one tax for the 12-month period ending September 20, 2007, must file all original Maine tax returns for sales, use, or service provider tax electronic data submission. Employers with 75 or more employees in 2008 that are subject to Maine income tax withholding must electronically file all original Maine tax returns of quarterly and annual reconciliation for Maine income tax withholding for 2008.

Maine mandate Rule 102 requires that for 2008 any person with a combined tax liability to the state of $100,000 or more for all tax types must remit all Maine tax payments electronically using the ACH credit or ACH debit method.

Massachu-　Paid preparers must, under certain conditions, electronically file all Corporate, S Corp
setts　　and Partnership returns and corporate extensions.

Additionally, the state 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.

(**Note**: Effective February 16, 2004, 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. For tax years beginning on or after January 1, 2004, income tax return preparers who completed 200 or more original Massachusetts Forms 1 and 1-NR-PY, including those e-filed, during the previous calendar year are required to use electronic means to file all personal income tax returns unless the taxpayer specifically directs on the paper form that filing be on paper. The threshold is reduced to 100 returns for tax years beginning on or after January 1, 2005. The preparer must continue using electronic means to file returns in all subsequent years unless the preparer completed no more than 25 original individual income tax returns during the previous calendar year.)

Michigan　**IIT**: Tax practitioners who prepare 200 or more personal income tax returns are required to e file all eligible forms that are supported by their software. Software developers producing software for professional tax preparers will need to support e

file for all Michigan income tax forms that are included in the tax preparation software package.

SBT: Treasury mandates electronic filing of SBT returns. Software developers have been advised they must support e-file for all SBT forms included in their tax preparation software. Therefore, all eligible SBT returns prepared using software must be e-filed.

MBT: The e-file mandate for Single Business Tax is being continued for software developers supporting MBT, effective January 1, 2010, for the 2009 tax year. Software developers producing MBT preparation software will need to support e-file for all eligible MBT forms that are included in their tax preparation software. Therefore, all eligible SBT returns prepared using software must be e-filed.

Minnesota   Beginning the processing year 2001, tax professionals who prepared more than 100 returns in the prior tax filing season must file every individual income tax return electronically in the current tax filing season. If returns are not e-filed, preparers are assess a $5 processing fee unless department requires the return to be filed on paper.

- (a) A "tax refund or return preparer," as defined in section 289A.60, subdivision 13, paragraph (g), who prepared more than 500 Minnesota individual income tax returns for the prior calendar year must file all Minnesota individual income tax returns prepared for the current calendar year by electronic means.
- (b) For tax returns prepared for the tax year beginning in 2001, the "500" in paragraph (a) is reduced to 250.
- (c) For tax returns prepared for tax years beginning after December 31,2001, the "500" in paragraph (a) is reduced to 100.
- (d) Paragraph (a) does not apply to a return if the taxpayer has indicated on the return that the taxpayer did not want the return filed by electronic means.

(e) For each return that is not filed electronically by a tax refund or return preparer under this subdivision, including returns filed under paragraph (d), a paper filing fee of $5 is imposed upon the preparer. The fee is collected from the preparer in the same manner as income tax. The fee does not apply to returns that the commissioner requires to be filed in paper form.

New Jersey   Paid preparers who filed 200 or more NJ Resident Income Tax Returns must use one of New Jersey's three electronic filing services to electronically file all NJ Resident Income Tax Returns for their clients.

New Jersey partnership returns with 10 or more partners must be filed electronically. In addition, beginning January 1, 2007, partnerships that are subject to tax payments are required to make estimated installment payments electronically.

New for 2009: All practitioners who prepared 25 or more 2007 returns are required to file their clients 2008 returns electronically. Because of this mandate, the New Jersey Division of Revenue anticipates another substantial increase in the number of e-filed returns.

New Mexico   Starting in calendar year 2008, preparers who prepared more than 25 individual income tax returns in the previous tax-filing season are required to file all returns

using electronic means. Electronic means includes electronic filing or printed returns with 2D barcodes.

New York   Preparers who were subject to the mandate in a previous year or who file more than 100 original returns in the previous calendar year, and who use tax preparation software, are required to e-file returns. A $50/return penalty is applied to practitioners who fail to file electronically, unless their client opted out or they can establish reasonable cause.

Preparers who were subject to the mandate in a previous year or who file more than 100 (combined Individual and Partnership) original returns in the previous calendar year, and who use tax preparation software, are required to e-file returns. A $50/return penalty is applied to practitioners who fail to file electronically, unless their client opted out or they can establish reasonable cause.

New for 2009: The income tax mandate for tax return preparers now includes Partnership returns and Partnership extensions in addition to income tax returns and extensions for tax years beginning on or after January 1, 2008.

Preparers must e-file all individual income tax and partnership returns and extensions beginning on January 1, 2009, if they were subject to the mandate in a prior year, or if they meet both of the following conditions:

- "Prepared more than 100 combined original Individual or Partnership returns for tax year 2007 in calendar year 2008
- "Use tax software to prepare one or more New York State Individual and/or Partnership returns for tax year 2008 in calendar year 2009.

A $50 penalty applies to each return or extension that the preparer fail to e-file, unless the taxpayer opts out of e-filing or the preparer has other reasonable cause for failure to comply.

New for 2009: A corporation must e-file all general business and NYS S corporation (Article 9-A) returns and extensions beginning on January 1, 2009, and electronically pay the balance due on those tax documents if the corporation meets all three of the following conditions:

- "Does not use a tax return preparer to prepare Article 9-A general business corporation and S corporation tax returns
- "Uses tax preparation software that has been approved by New York State for e-filing business corporation and S corporation tax returns
- "Has broadband Internet access.

While there is no penalty for failing to e-file a mandated tax document, there is a $50 per tax document penalty for failing to electronically pay the balance due on the mandated tax document.

New for 2009: The new mandate requires tax return preparers who meet certain requirements to e-file authorized tax document beginning on or after January 1, 2009. The mandate also requires electronic payment of the balance due on any authorized tax document.

Preparers must e-file all general business and NYS S corporation (Article 9-A) returns and extensions beginning on January 1, 2009, and electronically pay the balance due if they both:

- Prepared more than 100 original Article 9-A documents in calendar year 2008, including tax documents for prior periods
- "Use tax software to prepare one or more Article 9-A tax documents in 2009.

A $50 penalty applies to each document that preparers fail to e-file, unless the tax-payer opted out of e-filing or the preparer has other reasonable cause for failure to comply.

The taxpayer is subject to a $50 per tax document penalty for failing to electronically pay the balance due.

Oklahoma   Any tax return preparer, who prepared more than 50 Oklahoma income tax returns for the prior year, must file all Oklahoma income tax returns prepared for the current tax year electronically. This does not apply to a return upon which the taxpayer has indicated they did not want the return filed by electronically.

Rhode Island   Any software developer or provider marketing tax return preparation software must use 2-D bar coding technology in the printed version of the completed tax form or support electronic filing

Legislation signed into law on July 1, 2008, indicates Rhode Island requires professional tax preparers who did more than 100 Rhode Island returns last season to file their clients' individual (both resident and non-resident) state income-tax returns electronically for Tax Year 2008.

South Carolina   Beginning in TY2007, South Carolina mandated all preparers filing 100 or more returns of any package (Individual, S corp, Partnership, etc.), to submit them electronically. The mandate is separate for each package. (For example: Preparers e-filing 100 Individual returns are not required to e-file 1120s or 1065s unless their number of 1120s or 1065s exceeds 99.)

(**Note**: While the bill's initial effective date was for the 2007 tax year, South Carolina legislators adopted a concurrent resolution that postpones the effective date of penalties imposed by this section to tax returns that are to be filed after Dec. 31, 2008.)

Utah   Beginning with tax year 2005 tax preparers that file 101 or more income tax returns in a filing period are required to file all such returns using scan technology or electronically.

If a preparer or multiple preparers affiliated together in the same establishment, prepared 101 or more returns in the prior calendar year, they must submit all Utah Individual tax returns electronically or using 2-D bar code technology.

Virginia   Electronic Filing Mandate: If a tax professional prepares 100 or more individual income tax returns he/she is required to file electronically.

West Virginia   Income tax preparers who filed more than one hundred personal income tax returns last year, and will be using tax preparation software to complete one or more of these returns, must file them electronically for the current tax year.

Wisconsin   Paid preparers who prepared 100 or more Wisconsin Individual returns must e-file all Wisconsin Individual returns.

Index