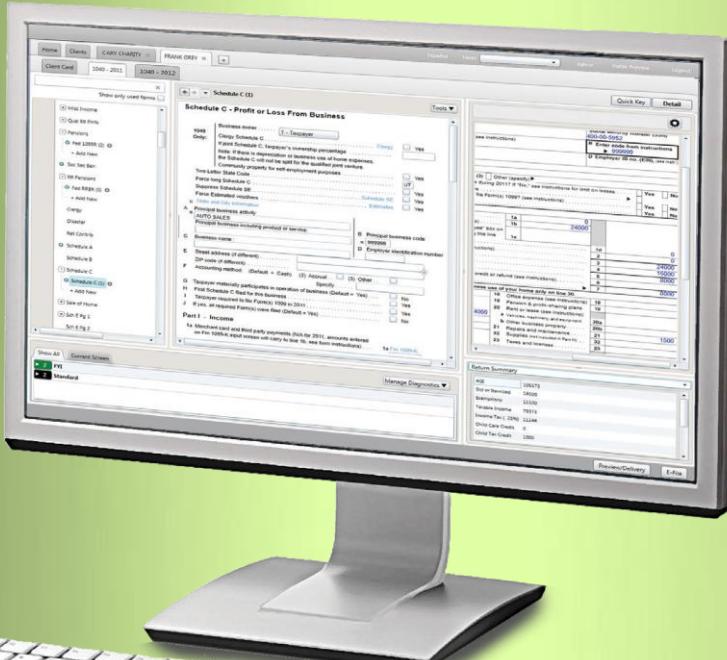# TAX SOFTWARE

REFERENCE
MANUAL

Tax Software

Reference Manual

End-User License Agreement

IMPORTANT INFORMATION - READ CAREFULLY BEFORE INSTALLING SOFTWARE

This End-User License Agreement (the "Agreement") is a legally binding contract between ("Licensor") and you. This Agreement governs your use of the tax software and accompanying documentation (the "Software"). Be sure that you carefully read and fully understand this Agreement.

YOU AGREE THAT THIS AGREEMENT IS ENFORCEABLE LIKE ANY WRITTEN NEGOTIATED AGREEMENT SIGNED BY YOU. LICENSOR IS WILLING TO LICENSE THE SOFTWARE TO YOU ONLY ON THE CONDITION THAT YOU ACCEPT ALL OF THE TERMS OF THIS AGREEMENT. YOU PROVIDE YOUR CONSENT TO THE TERMS AND CONDITIONS OF THIS AGREEMENT BY INSTALLING, LOADING OR OTHERWISE USING THE SOFTWARE. IF YOU DO NOT AGREE TO ALL OF THE TERMS AND CONDITIONS OF THIS AGREEMENT, DO NOT USE THE SOFTWARE.

1. **License and Permitted Use.** The Software is licensed, not sold. Subject to the terms and conditions of this Agreement, Licensor grants to you a limited, non-exclusive, non-transferable right to install, use and display the Software on multiple computers within a single office. You may copy the Software for backup, archival and transfer purposes only, provided that the original and each copy is kept in your possession or control, and that your installation and use of the Software does not exceed that which is allowed in this Section 1.

2. **License Restrictions.** You may not directly or indirectly: (1) re-distribute, sell, rent, loan, resell or otherwise transfer the Software or any rights in or to the Software to any other person or entity; (2) use the Software in any manner other than its intended manner, including making the Software available on an application service provider; (3) duplicate the Software by any means, including electronically, except for a backup copy described in Section 1 above; (4) remove any proprietary notice, labels or marks on or in Software; (5) derive or attempt to derive the source code for the Software; or (6) disable or circumvent any access control or related device, process or procedure established with respect to the Software.

3. **Intellectual Property Rights.** The Software is protected by United States copyright law and international treaty provisions. Through your use of the Software, you acquire no ownership interest in the Software or any derivative work or component of the Software. Unless and to the extent that applicable laws may require otherwise, you may not decompile, disassemble, modify or reverse engineer the Software, or seek to derive the source code from any executable object code provided to you, or modify, translate, or otherwise create derivative works based on the Software or any part thereof.

4. **Term.** The Agreement is effective until terminated by Licensor. This Agreement will terminate if you fail to comply with its terms and conditions. If this Agreement is terminated, you shall immediately discontinue all use of the Software, delete all copies of the Software and return the Software to Licensor. All provisions of this Agreement which must survive in order to give effect to its meaning will survive termination or expiration of this Agreement.

5. **Disclaimer of Warranties.** The Software is provided "AS IS" without warranty of any kind. While Licensor is providing the Software as a general tool to assist you in preparing and/or filing tax returns, the entire risk as to the results and performance of the Software is assumed by you. Licensor does not warrant, guarantee, or make any representations regarding the use of, or the results of the use of, the Software in terms of correctness, accuracy, reliability, or currentness. THE SOFTWARE DOES NOT REPLACE YOUR OBLIGATION TO EXERCISE YOUR INDEPENDENT KNOWLEDGE OF TAX RETURN PREPARATION AND JUDGMENT IN USING THE SOFTWARE.

THERE ARE NO EXPRESS, IMPLIED, OR STATUTORY WARRANTIES OF ANY KIND ARISING OUT OF OR RELATING TO THE SOFTWARE OR THIS AGREEMENT, INCLUDING WITHOUT LIMITATION ANY IMPLIED OR OTHER WARRANTIES OR (i) OF MERCHANTABILITY, OF FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, WORKMANLIKE EFFORT, QUALITY, ACCURACY, TIMELINESS, COMPLETENESS, TITLE, QUIET ENJOYMENT, NO ENCUMBERANCES, NO LIENS OR SYSTEM INTEGRATION, (ii) THAT THE SOFTWARE OR ANY PART THEREOF CONFORMS TO ANY DEMONSTRATION OR PROMISE, (iii) ARISING THROUGH COURSE OF DEALING, COURSE OF PERFORMANCE OR USAGE OF TRADE, OR (iv) THAT ACCESS TO OR USE OF THE SOFTWARE OR ANY PART THEREOF WILL BE UNINTERRUPTED, ERROR OR DEFECT FREE OR COMPLETELY SECURE OR THAT PROBLEMS WILL BE CORRECTED. LICENSOR AND ITS AFFILATES' AGGREGATE LIABILITY ARISING FROM OR RELATING TO THIS AGREEMENT OR THE SOFTWARE (REGARDLESS OF THE FORM OF ACTION OR CLAIM AND WHETHER BASED ON WARRANTY, TORT, MALPRACTICE, AND/OR OTHERWISE) SHALL NOT EXCEED AN AMOUNT EQUAL TO THE TOTAL OF ALL LICENSE FEES RECEIVED BY LICENSOR FROM YOU UNDER THIS AGREEMENT. LICENSOR SHALL NOT IN ANY CASE BE LIABLE FOR ANY SPECIAL, INCIDENTAL, CONSEQUEN-TIAL, INDIRECT, OR PUNITIVE DAMAGES, NOR FOR ANY LOSS OF PROFITS OR REVENUE, EVEN IF LICENSOR HAS BEEN ADVISED OF THE POSSIBILITY THEREOF. LICENSOR SHALL NOT BE RESPONSIBLE FOR LOSS OF USE OF SOFTWARE OR OTHER PROGRAMS, LOSS OF DATA, COSTS OF RE-CREATING LOST DATA, OR THE COST OF ANY SUBSTITUTE EQUIPMENT OR PROGRAMS.

Without limitation of any of the foregoing, you agree that Licensor and none of Licensor's licensors, suppliers, affiliates or subsidiaries will have any additional liability or obligation for any claim, cause of action or injury that you or any other person may have as a result of: (1) your use or inability to use or access the Software; (2) your inability to file any tax return by the filing deadline; (3) any access to, or use of your user information or tax information by an unauthorized person or by unauthorized persons; (4) your disclosure of your password to, or the use of your password by, any third party; (5) connection to toll charges for using the software, obtaining updates for the Software or electronically filing returns; or (6) any fees, costs or expenses arising out of or relating to troubleshooting or technical support for the Software. You agree that the essential purposes of this agreement can be fulfilled even excluding such damages.

6. **Indemnification.** You agree to hold Licensor and its licensors, parents, affiliates, successors, assigns, officers, directors, representatives, employees and agents, and the franchisees of any of them, from and against any claim, suit, loss, liability, penalty or damages (including incidental and consequential damages), costs and expenses (including reasonable attorneys' fees and expenses), arising out of your breach of this Agreement.

7. **Export Restrictions.** The Software is provided solely for lawful purposes and use. You shall be solely responsible for, and agree to comply with, all applicable laws, statutes, ordinances, and other governmental authority, however designated. Without limiting the foregoing, you agree to comply with all U.S. export laws and applicable export laws of your locality (if you are not in the United States), and shall not export any Software or other materials provided by Licensor without first obtaining all required authorizations or licenses. The Software including the documentation are provided subject to Licensor's standard commercial agreement; products acquired for use within or for any United States federal agency are provided with "LIMITED RIGHTS" and "RESTRICTED RIGHTS" as defined in DFARS 252.227-7013 and FAR 52.227-19.

8. **IRC Section 7216.** IRC Section 7216 and the associated regulations ("§7216") govern a tax return preparer's use and disclosure of tax return information. You acknowledge that, as a user of the Software to provide tax preparation services, you are a "tax return preparer" as such term is defined under §7216. You warrant that, as a tax return preparer, you will comply with §7216. Subject to certain exceptions under §7216 you are required, among other things, to obtain a taxpayer's written consent before you are permitted to: i) use a taxpayer's tax return information to offer products or services other than tax preparation, or ii) disclose a taxpayer's tax return return information to third parties. To the extent uses or disclosures requiring consent under §7216 are facilitated by the Software, Licensor has included the required consent forms for your use. You shall obtain the taxpayer's signature on the consent form(s) when required and retain the executed consent form(s) with the taxpayer's file. To the extent you elect to use or disclose a taxpayer's tax return information for purposes other than those facilitated by the Software, you shall be solely responsible for: i) developing any additional consent forms as required by §7216, ii) properly obtaining the taxpayer's signature on such consent forms when required, and iii) and retaining the executed consent form(s) with the taxpayer's file. Upon reasonable notice and during normal working hours, you shall allow representatives of Licensor to inspect your compliance with §7216 solely as it relates to your use of the Software.

9. **Fees and Payment.** Per Unit Processing (PUP) and Electronic Filing (EF) invoices, if any, are due and payable upon receipt. If payment is not received within thirty (30) calendar days of the invoice date, Licensor shall have the right to restrict your account from Software updates, alerts, PUP, and EF services until full payment is received.

10. **Other.**

(A) Governing Law; Forum. This Agreement shall be governed by the laws of the state determined at the sole discretion of Licensor, without regard to choice of law or conflicts of law provisions. Licensor and you agree that the exclusive jurisdiction of any dispute arising out of, or relating to, this Agreement or any dispute arising out of, or relating to, the Software or services provided in connection therewith shall be in the courts located in the county to be determined at the sole discretion of Licensor.

(B) Entire Agreement. This Agreement is the entire and exclusive agreement between the parties with respect to the subject matter hereof, and it supersedes all previous communications, representations or agreements, either oral or written, between them. No representations or statements of any kind made by any representative of Licensor or its affiliates or subsidiaries, which are not included in this agreement, shall be binding on Licensor.

(C) Amendments. Neither party may modify or amend this Agreement except by a writing signed by you and authorized representatives of Licensor.

(D) Waiver. No waiver of any provision or condition herein shall be valid unless in writing and signed by you and an authorized representative of Licensor. Licensor's failure to insist upon or enforce strict performance of any provision of this Agreement or any right shall not be construed as a waiver of any such provision or right.

(E) Severability. If any provision of this Agreement is determined to be illegal or unenforceable, such provision shall be automatically reformed and construed so as to be valid, operative and enforceable to the maximum extent permitted by law or equity while preserving its original intent. The invalidity of any part of this Agreement shall not render invalid the remainder of this Agreement.

Should you have any questions concerning this Agreement, please contact Licensor in writing.

Table of Contents

Hardware Requirements

The following are hardware requirements and suggestions when running the program.

System Requirements

Supported Operating Systems: Windows 7 32-bit & 64-bit, Windows VISTA 32-bit & 64-bit, Windows XP Service Pack 3 32-bit, Windows Server 2003 Service Pack 2, Windows Server 2008 32-bit & 64-bit.

Hardware	Minimum	Recommended
Processor	2.0 GHz	Dual-Core Processor or better
RAM	2 Gigabyte RAM	4 Gigabytes RAM
Screen Area*	1024 X 768	Dual Monitor, 1280 X 1024 or better
Internet/Browser	High-speed (DSL, Cable, etc) Internet Explorer 8	High-speed (DSL, Cable, etc) Internet Explorer 8 or better
Scanners	Twain Compliant	Twain Compliant
Printer	Laser	High Speed Laser

Software Prerequisites

Microsoft.NET Framework 4.0, Microsoft Silverlight 5.0, Microsoft SQL2008 R2 net R7 or later.

*To set the screen area, click the **Start** button and select **Control Panel**. Click the **Appearance and Personalizatio**n option. Click the **Adjust Screen Resolution** option in the **Display** heading and adjust the screen resolution. Click **Apply** to use the new screen settings, and then click **OK**.

New Forms

1040

- Federal – Form 3541, 3811, 8689, 8812, 8938, 8958
- KS – Form KS89
- MI – Form 4884, 4973, 4976
- MT – Montana Medical Care Savings Account
- PA – CLGS-32-1

1120

- MD – Form MD5003

Installation

The software installation will place supporting files, as well as subdirectories, on your computer. The installation is comprised of screens with choices that operate in a "wizard" format. Move through each screen by selecting and clicking the appropriate buttons for the desired option.

Before guiding you through the installation, please consider the following questions:

Question 1   Are you installing the software on a network?

Answer 1   No, I am not installing the software on a network, just one computer.

If you are installing the software on one computer, skip the remaining questions and answers and move to *Installing the Software on a Stand Alone Computer* below.

Answer 2   Yes, I am installing the software on a network.

Before moving to the next question, we must present a few definitions.

Client/Server Network:

A client/server network is a group of computers that has one powerful computer that acts as a dedicated server. Typically, the server is not used by employees for day-to-day business operations, but rather is only directly accessed for maintenance purposes. All other computers are referred to as "clients" or "workstations" and typically used for day-to-day business operations. Most critical data is shared by all workstations but resides on the server.

Peer-to-Peer Network:

A peer-to-peer network is a group of computers in an office that can communicate with each other to share applications and/or data. There is no computer that acts as a dedicated server, but rather all of the computers are used for day-to-day business operations.

Continue to Question 2 below.

Question 2 On what type of a network are you installing the software?

Answer 1 I am installing the software on a peer-to-peer network.

Question A Do you have last year's software (2011) installed on your network?

Answer a Yes, I have last year's software installed on my network.

First install the software on the computer where last year's software was initially installed. This will ensure the data and settings are stored in the same general location as last year's information. Skip the remaining questions and answers and move to *Installing the Software on a Network* below.

Answer b No, I do NOT have last year's software installed on my network.

Identify which computer workstation in your peer-to-peer network environment should house the client data. Oftentimes, this is the most powerful computer or a computer that only sees occasional use. Some tax preparation firms use the office manager's or lead tax preparer's computer to hold all of the data. This computer must be accessible by all other computers that will share data in the software.

First install the software on the computer identified above. Skip the remaining questions and answers and move to *Installing the Software on a Network* below.

Answer 2 I am installing the software on a client/server network.

Question A Do you have separate database and applications servers on your network?

Answer a No, my database server is the same computer as my application server.

First install the software on your application server. Skip the remaining questions and answers and move to Installing the Software on a Network below.

Answer b Yes, my database server is a separate computer from my application server.

Question i   Is Microsoft SQL Server 2008 R2 or later installed on your database server?

Answer i   Yes, Microsoft SQL Server 2008 R2 or later is installed on my database server.

Note the database server name and database instance that you would like to use here (you will use this information in Step 9.a.ii of *Installing the Software on a Network*, along with the proper user name and password to access the database instance):

_____

First install the software on your application server. Skip the remaining questions and answers and move to *Installing the Software on a Network* below.

Answer ii   No, Microsoft SQL Server 2008 R2 or later is not installed on my database server.

On the database server, download and install the SQL setup file from your software provider.

First install the software on your application server. Then skip to *Installing the Software on a Network* below.

Install From DVD

Windows updates must be current on your computer prior to starting the installation. To check for any pending Windows updates click **Start**, select **All Programs**, and then open **Windows Update**. Install all "Important" updates.

Step 1 Close all running programs.

Step 2 Insert the DVD into your DVD-ROM drive. The DVD should start automatically.

Step 3 As the setup starts, it will unzip files and check your computer for prerequisites. The software requires Microsoft's ,Net Framework 3.5 and .Net Framework 4.0. If you are running on Windows XP, you will also need the Windows Installer 4.5 for Windows XP SP2 and later. If the prerequisites have not been installed, the setup will download them from Microsoft's website. Click the **Install** button if any prerequisites need to be installed.

Some firewall applications or appliances may need to be configured to allow these prerequisites to be downloaded. If you cannot download them through the software setup, please download and install them manually from Microsoft's website.

Step 4 After all files have been installed, the software Install Wizard screen will be shown. Follow the proceeding steps to configure your software.

Install From Internet

Windows updates must be current on your computer prior to starting the installation. To check for any pending Windows updates click **Start**, select **All Programs**, and then open **Windows Update**. Install all "Important" updates.

Step 1 Close all running programs.

Step 2 Open your Internet browser and go to your software provider's website. Contact software support for link location.

Step 3 Click the **Download Software** link to begin downloading. It is recommended that you save the file to your desktop.

Step 4 Locate the **Setup** file on your desktop and double click the file to begin the installation process.

Step 5 As the setup starts, it will unzip files and check your computer for prerequisites. The software requires Microsoft's ,Net Framework 3.5 and .Net Framework 4.0. If you are running on Windows XP, you will also need the Windows Installer 4.5 for Windows XP SP2 and later. If the prerequisites have not been installed, the setup will download them from Microsoft's website. Click the **Install** button if any prerequisites need to be installed.

Note | Some firewall applications or appliances may need to be configured to allow these prerequisites to be downloaded. If you cannot download them through the software setup, please download and install them manually from Microsoft's website.

Step 6 After all files have been installed, the software Install Wizard screen will be shown. Follow the proceeding steps to configure your software.

Installing on a Stand Alone Computer

Step 1 The *Welcome* screen will open. You may review the End-User License Agreement (EULA) by scrolling down in the text window. Click the **Accept** button.
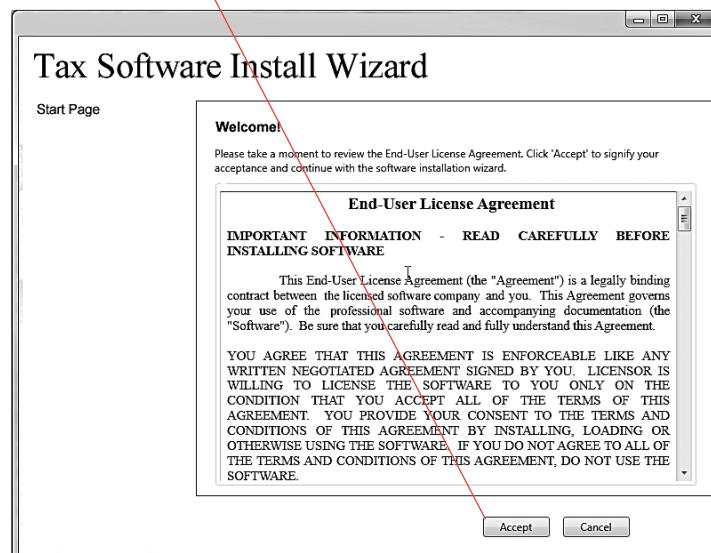
Step 2 Review the Installation Instructions, if needed. Click **Next** to continue.
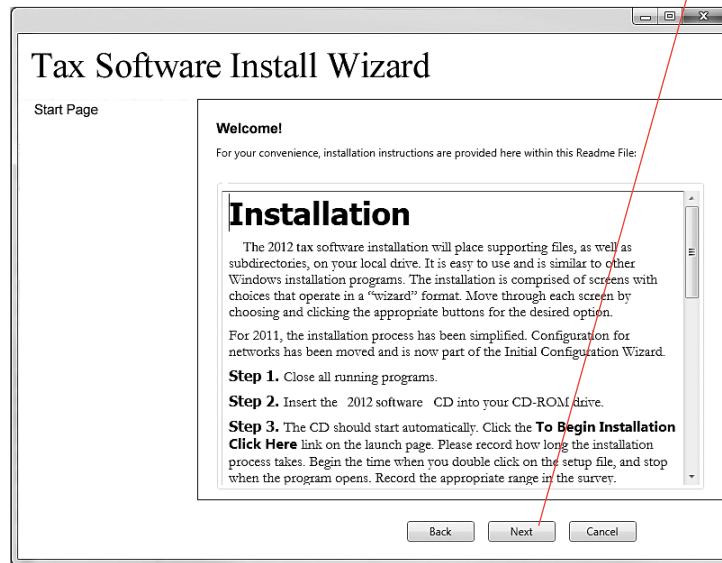
Step 3 On the screen asking about computer configuration, select **Stand Alone Configuration**. Click **Next** to continue.
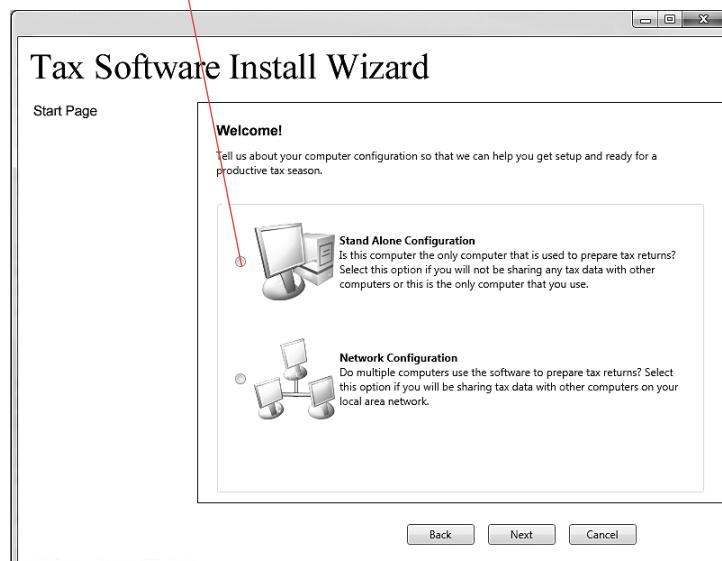
Step 4 The software will install to the C drive on your computer by default. Click the **Browse** button if you need to change the default installation path. We recommend that you leave this setting as the default. The software will install the "*taxprep\platform*" path in the location specified. Click **Next** to continue.
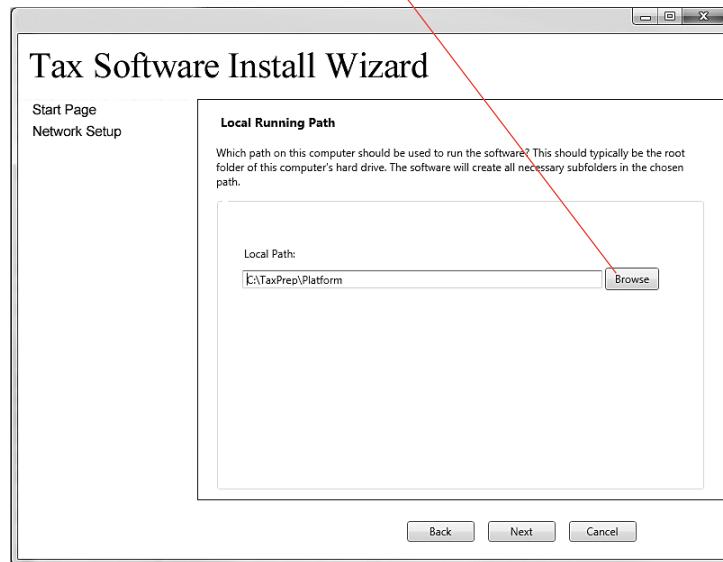
Step 5 The software files will copy. Click **Details** at any point to see the files that are copying. After all of the files have been copied, the progress bar will be full and the text "*The required files have been copied. Click NEXT to continue*" will be present. Click **Next** to continue.
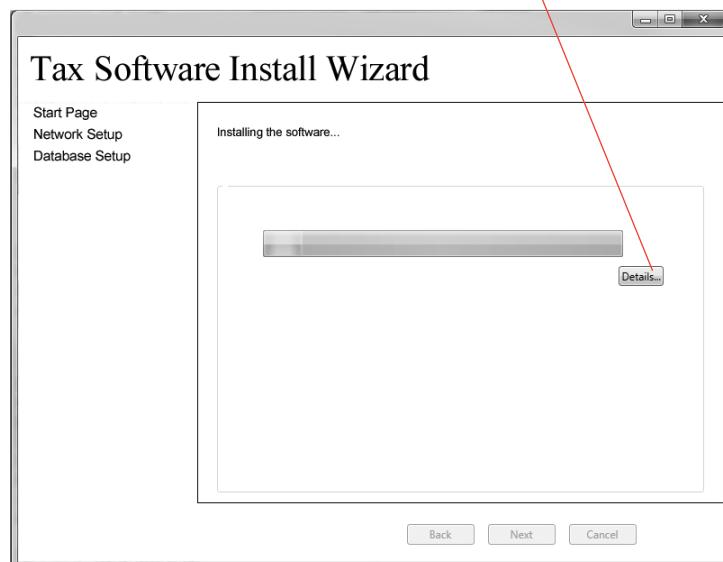
Step 6 The software requires a database to operate. The software Install Wizard will scan your computer and return a list of databases on your machine, as well as any network databases available. Since you are installing a stand alone configuration, you will want to connect to a local database, not a network database.
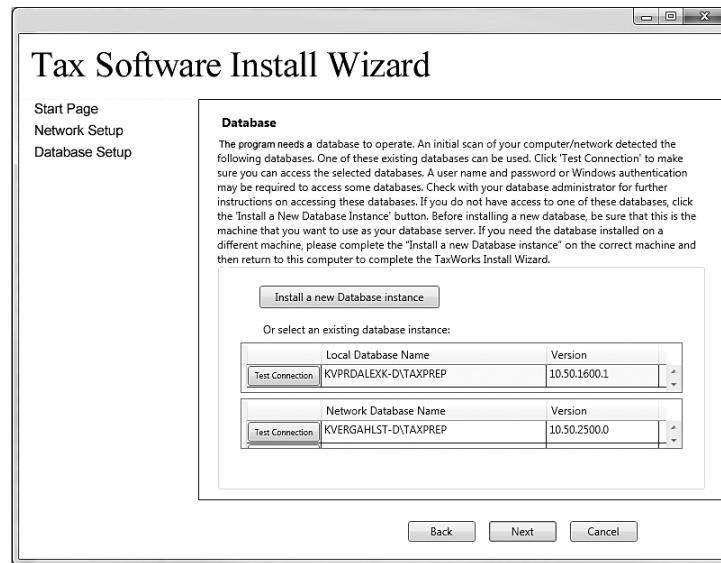
a Are there any local database names listed in the upper grid?

   i No, there are no database names listed in the upper grid. Click **Install a new Database instance**. If you are installing from the DVD, click Yes when prompted to install from the DVD. Otherwise, click No to download the software SQL setup from the Internet.

   ii Yes, there are databases listed in the upper grid.

      If there is a local database listed, we recommend that you connect to a database containing "taxprep" in the name. However, you may attach to any database that has a version 10.50.2500.0 or later.

      If there is not a suitable database, or you are unable to connect successfully to an existing database, click **Install a new Database instance**. If you are installing from the DVD, click Yes when prompted to install from the DVD. Otherwise, click No to download the software SQL setup from the Internet.

b Once the database you wish to use appears in the Local Database grid, click the **Test Connection** button to ensure you can access the selected database. If the database is accessible, *Success* will appear in the box adjacent to the database name. Click **Next** to continue.

Step 7 Enter your serial number and account number from your license notice in the correct fields. Click **Next** to continue. After clicking **Next** you may have to wait a few moments as your firm information is downloaded from the Internet.

Tax Software Install Wizard

Start Page
Network Setup
Database Setup
Serial Number

Serial Number / Account Number

Please enter your serial number and account number from your license notice.

Enter Serial Number: 1234-5678-9101-1123

Account Number: 1234567

After clicking Next, please wait a few moments as firm information is downloaded from the Internet.

Back   Next   Cancel

Step 8 Verify your firm information. Click **Next**.

Tax Software Install Wizard

Start Page
Network Setup
Database Setup
Serial Number
Firm Data (Page 1)

Firm Data

Please enter (or verify) your firm information.

Account Number: 1234567
Charge Number: 111111
Firm Name: The Tax Office
Contact Name:
Street Address: 123 IRS Way
Zip: 84037
City: Kaysville
State: UT

Back   Next   Cancel

Step 9 Please enter (or verify) your additional firm data. Click **Next** to continue.

Step 10 If you used the software last year, you can update some of your settings from the System Updates screen. Please select the items that you would like to update from the listed items. Click **Next** to continue.
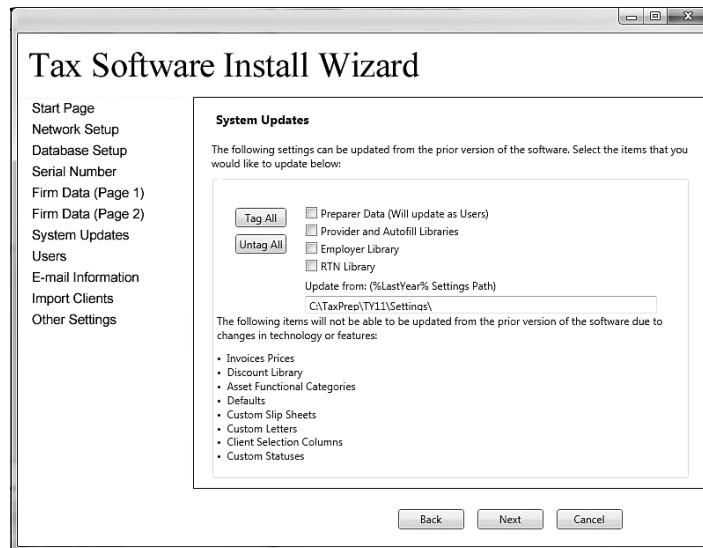
Step 11 From the Users screen you can configure users. More options can be configured later by selecting Users from the **Admin** tab. After configuring users click **Next**.

The default password for all users will be **password**, all lowercase. Each user will be prompted to change the password the first time they log into the software.
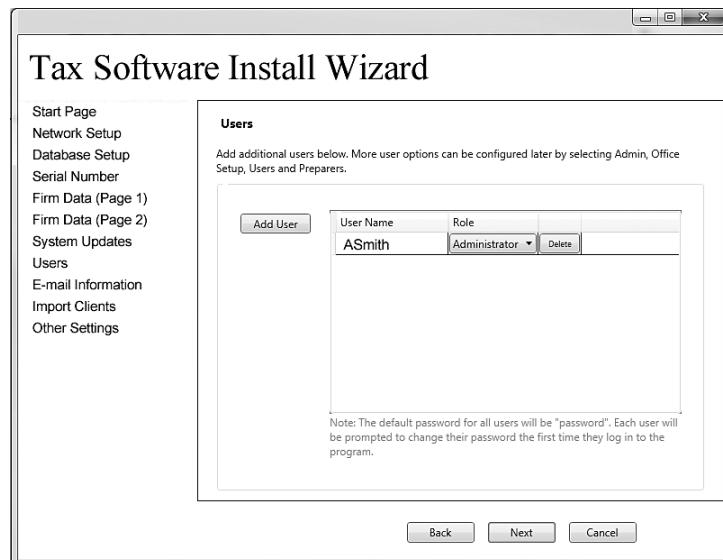
Step 12 If you would like to use the e-mail features within the software, select your e-mail configuration preference on the E-mail Information page. Click **Next** to continue.

Step 13 The **Import Clients** screen allows you to select which folders you would like to import. (This is a one-time process; next year you will not need to do this.) Select the appropriate path location from which to import your folders and then click **Import Clients**. A status bar will appear briefly while the import is processed and will disappear once complete. Click the **Next** button.

Tax Software Install Wizard

Start Page
Network Setup
Database Setup
Serial Number
Firm Data (Page 1)
Firm Data (Page 2)
System Updates
Users
E-mail Information
Import Clients
Other Settings

Import Clients

Select the folders from which you would like to import 2011 client files.

Paths

Folders

Import Clients

Back   Next   Cancel
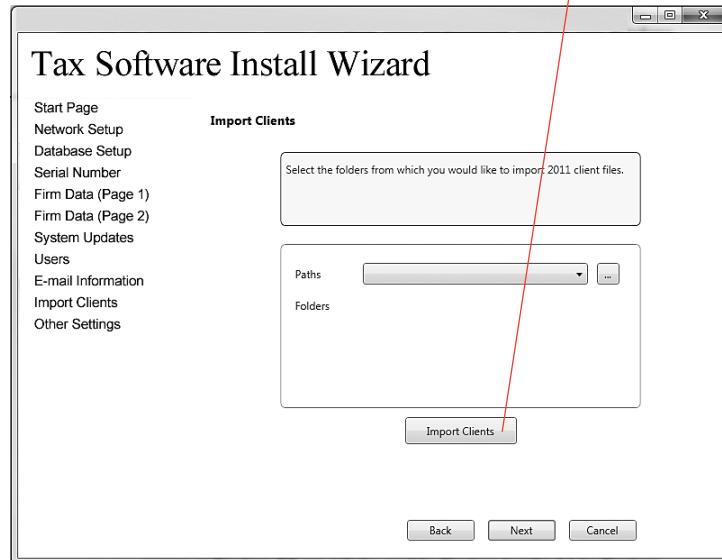
Step 14 The software Install Wizard has now been completed. Click the **Finish** button to complete the installation process. The software icon will be placed on your desktop. The software will launch. Explore the **Admin** area of the program to set up and configure the other key areas of the program.

Tax Software Install Wizard

Start Page
Network Setup
Database Setup
Serial Number
Firm Data (Page 1)
Firm Data (Page 2)
System Updates
Users
E-mail Information
Import Clients
Other Settings

Initial Configuration Wizard Complete

Thank you for installing the software. Additional configuration items can be set in the Admin area of the program. We hope that you have a successful tax season and that the software will make preparing tax returns easy and profitable for you.

Back   Finish   Cancel
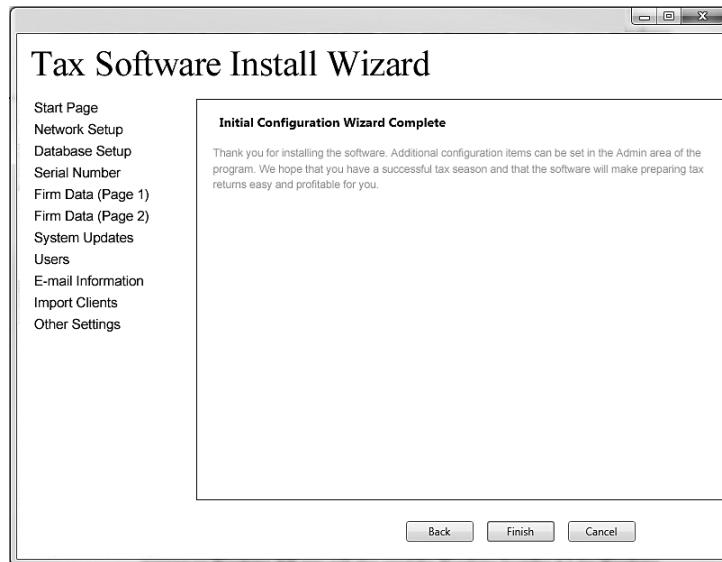
Note Adobe Reader is no longer required, but recommended. If you do not have Adobe Reader 9.0 or higher installed on your computer, it is available for download from Adobe's website at www.adobe.com.

Installing on a Network

Step 1 The *Welcome* screen will open. You may review the End-User License Agreement (EULA) by scrolling down in the text window. Click the **Accept** button.
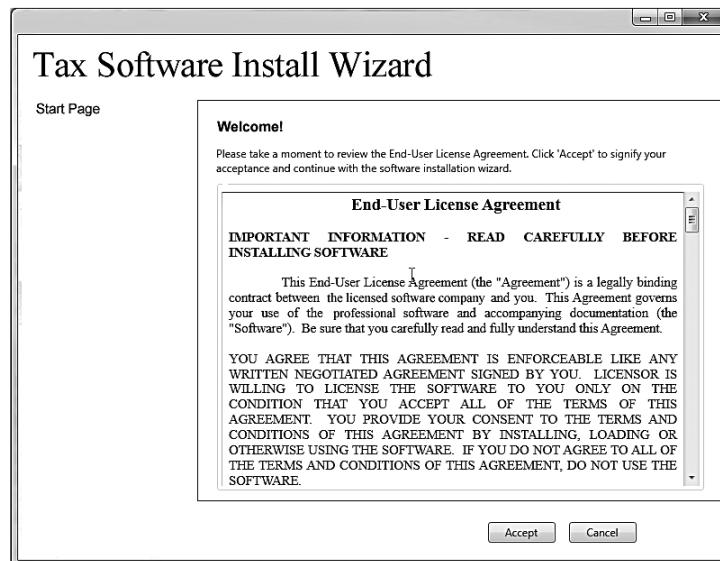
Step 2 Review the *Installation Instructions*, if needed. Click **Next** to continue.

Step 3 On the screen asking about computer configuration, select **Network Configuration**, and click **Next** to continue.
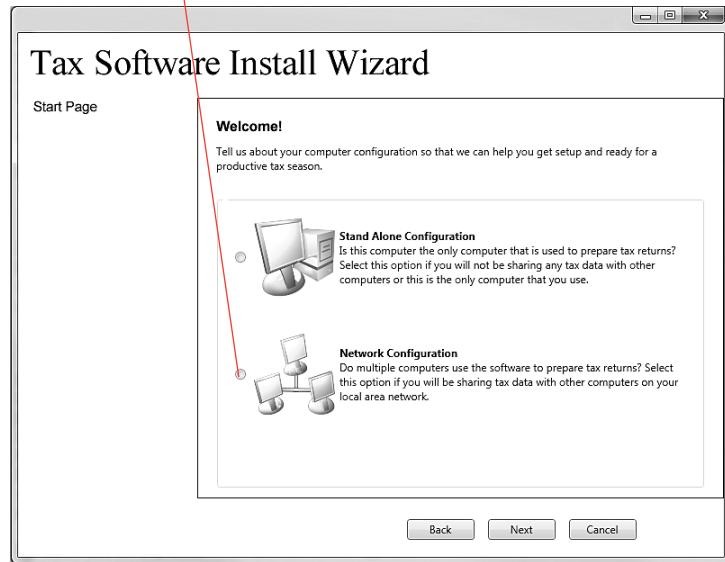
Step 4 If you are installing on your application server, or first computer in the network, select "*Yes, this is the first computer setup on my network. Let's make this computer act as the server.*" Click **Next** to continue. Skip to Step 9 to complete the installation.

If you are installing the software on a second computer or a workstation, select *"No, another computer has already been setup on my network."* Click **Next** to continue. Skip to *Installing the Software on a Workstation* Step 3.h to complete the workstation setup.

Tax Software Install Wizard

Start Page
Network Setup
Database Setup
Serial Number
Firm Data (Page 1)
Firm Data (Page 2)
System Updates
Users
E-mail Information
Import Clients
Other Settings
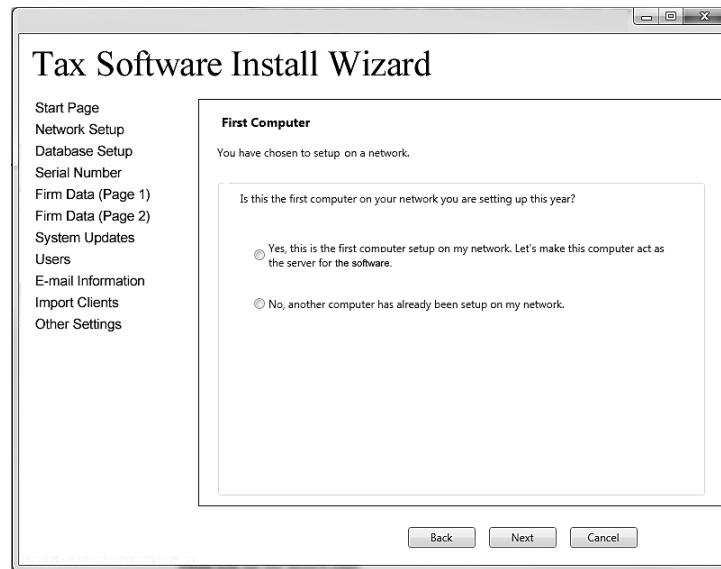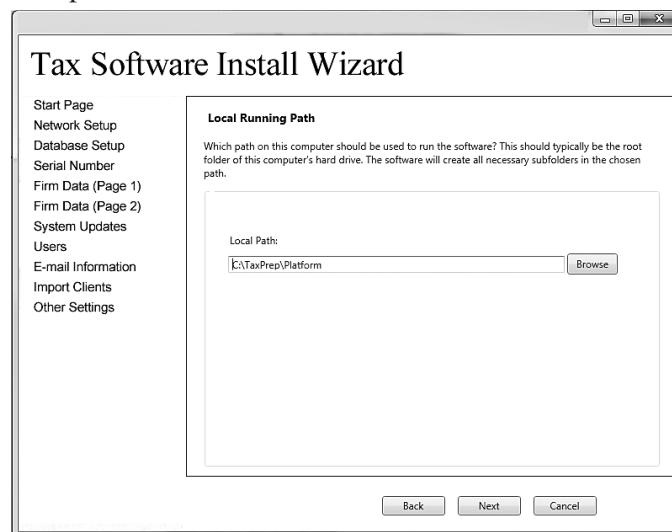
First Computer

You have chosen to setup on a network.

Is this the first computer on your network you are setting up this year?

○ Yes, this is the first computer setup on my network. Let's make this computer act as the server for the software.

○ No, another computer has already been setup on my network.

[Back] [Next] [Cancel]

Step 5 For network configurations, the software will install files to a local running path on the C drive on your server by default. Click the **Browse** button if you need to change the default installation path. We recommend that you leave this setting as the default. The software will install the "*taxprep\platform*" path in the location specified. Click **Next** to continue.

Tax Software Install Wizard

Start Page
Network Setup
Database Setup
Serial Number
Firm Data (Page 1)
Firm Data (Page 2)
System Updates
Users
E-mail Information
Import Clients
Other Settings

Local Running Path

Which path on this computer should be used to run the software? This should typically be the root folder of this computer's hard drive. The software will create all necessary subfolders in the chosen path.

Local Path:

C:\TaxPrep\Platform   [Browse]

[Back] [Next] [Cancel]

Step 6 For network configurations, the software will also install files to a shared network path. This path should be visible to all computers on your network. This should be a mapped network drive or a UNC path (\\servername\sharedfoldername\). Click the **Browse** button to select the appropriate path or type in the path name, if known. The software will install the "*taxprep\platform*" path in the location specified.

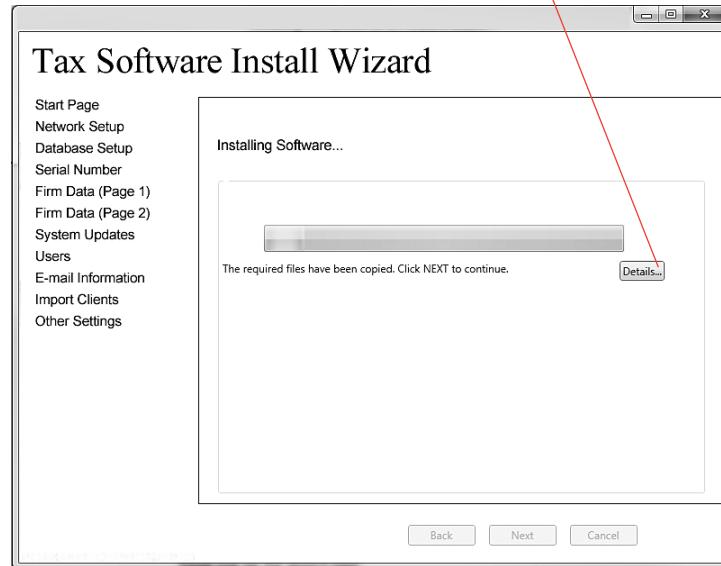Note the shared network path here for future reference:

_____

Tax Software Install Wizard

Start Page
Network Setup
Database Setup

Please wait a moment...

Searching for database server, please wait...
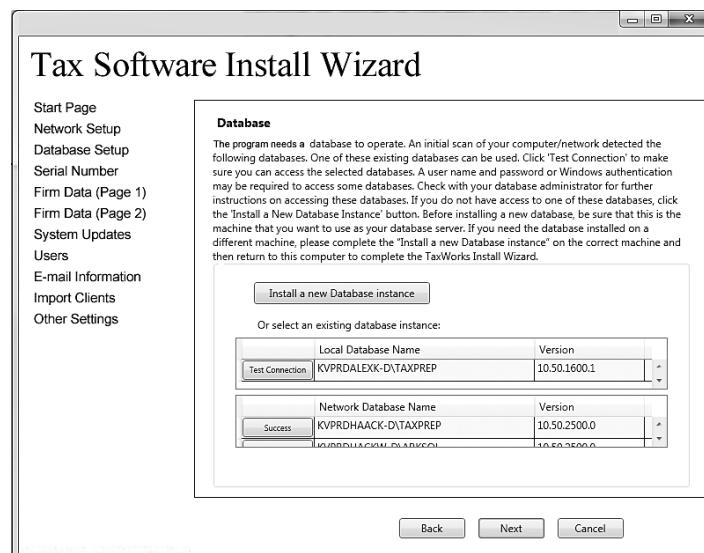
Back   Next   Cancel
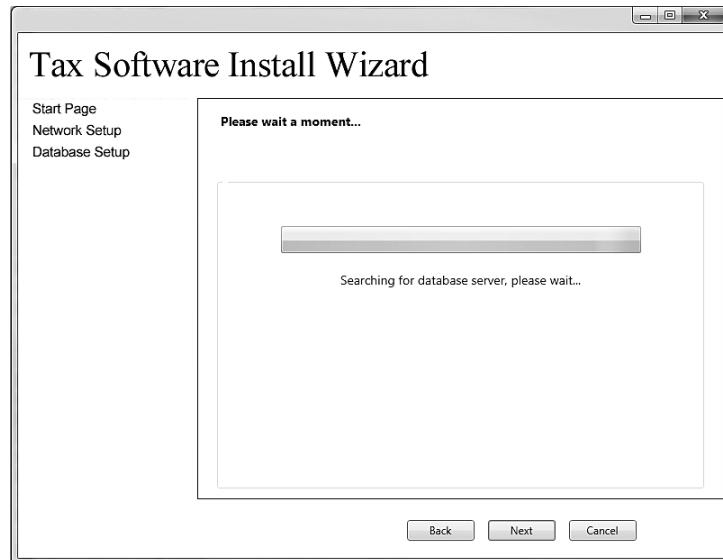
Step 7 Click **Next** to continue.

Step 8 The software files will copy. Click **Details** at any point to see the files that are copying. After all of the files have been copied, the progress bar will be full and the text: *"The required files have been copied. Click NEXT to continue"* will be present. Click **Next** to continue.

Tax Software Install Wizard

Start Page
Network Setup
Database Setup
Serial Number
Firm Data (Page 1)
Firm Data (Page 2)
System Updates
Users
E-mail Information
Import Clients
Other Settings

Installing Software...

The required files have been copied. Click NEXT to continue.   Details...

Back   Next   Cancel

Step 9 The software requires a database to operate. The software Install Wizard will scan your server and return a list of local databases, as well as any network databases available.

Tax Software Install Wizard

Start Page
Network Setup
Database Setup
Serial Number
Firm Data (Page 1)
Firm Data (Page 2)
System Updates
Users
E-mail Information
Import Clients
Other Settings

Database

The program needs a database to operate. An initial scan of your computer/network detected the following databases. One of these existing databases can be used. Click 'Test Connection' to make sure you can access the selected databases. A user name and password or Windows authentication may be required to access some databases. Check with your database administrator for further instructions on accessing these databases. If you do not have access to one of these databases, click the 'Install a New Database Instance' button. Before installing a new database, be sure that this is the machine that you want to use as your database server. If you need the database installed on a different machine, please complete the "Install a new Database instance" on the correct machine and then return to this computer to complete the TaxWorks Install Wizard.

Install a new Database instance

Or select an existing database instance:

	Local Database Name	Version
Test Connection	KVPRDALEXK-D\TAXPREP	10.50.1600.1

	Network Database Name	Version
Success	KVPRDHAACK-D\TAXPREP	10.50.2500.0
	KVPRDHACKIA\DLABKSOL	10.50.2500.0

Back   Next   Cancel

a Is your database server the same computer as your application server?

  i Yes, the database server is the same computer as my application server. In this situation, you should connect to a local database.

   1 Are there any local database names listed in the upper grid?

    a No, there are no database names listed in the upper grid. Click **Install a new Database instance**. If you are installing from the DVD, click Yes when prompted to install from the DVD. Otherwise, click No to download the software SQL setup from the Internet.

    b Yes, there are databases listed in the upper grid. If there is a local database listed, we recommend that you connect to a database containing "taxprep" in the name. However, you may attach to any database that has a version 10.50.2500.0 or later.

    If there is not a suitable database, or you are unable to connect successfully to an existing database, click **Install a new Database instance**. If you are installing from the DVD, click Yes when prompted to install from the DVD. Otherwise, click No to download the software SQL setup from the Internet.

   2 Once the database you wish to use appears in the Local Database grid, click the **Test Connection** button to ensure you can access the selected database. If the database is accessible, *Success* will appear in the box adjacent to the database name. Click **Next** to continue.

  ii No, the database server is a separate computer from the application server. In this situation, you will want to connect to a network database.

   1 Is the database noted in Answer i above in the list of network databases?

    a Yes, the database noted in Answer i above is listed. Click the **Test Connection** button for that database to ensure you can access it. If the database is accessible, *Success* will appear in the box adjacent to the database name. Click **Next** to continue.

b No, the database noted in Answer i is NOT listed. You will need to verify that your application server can access the database server. Once the application server can access the database server, click **Back** to go back one step and then click **Next** to search for the database again. Once you can see the proper database, click the **Test Connection** button for that database to ensure you can access it. If the database is accessible, *Success* will appear in the box adjacent to the database name. Click **Next** to continue.

2 Is the TaxPrep database installed in Answer ii above in the list of network databases?

a Yes, the database noted in Answer ii above is listed. Click the **Test Connection** button for that database to ensure you can access it. If the database is accessible, *Success* will appear in the box adjacent to the database name. Click **Next** to continue.

b No, the database noted in Answer ii is NOT listed. You will need to verify that your application server can access the database server. Once the application server can access the database server, click **Back** to go back one step and then click **Next** to search for the database again. Once you can see the proper database, click the **Test Connection** button for that database to ensure you can access it. If the database is accessible, *Success* will appear in the box adjacent to the database name. Click **Next** to continue.
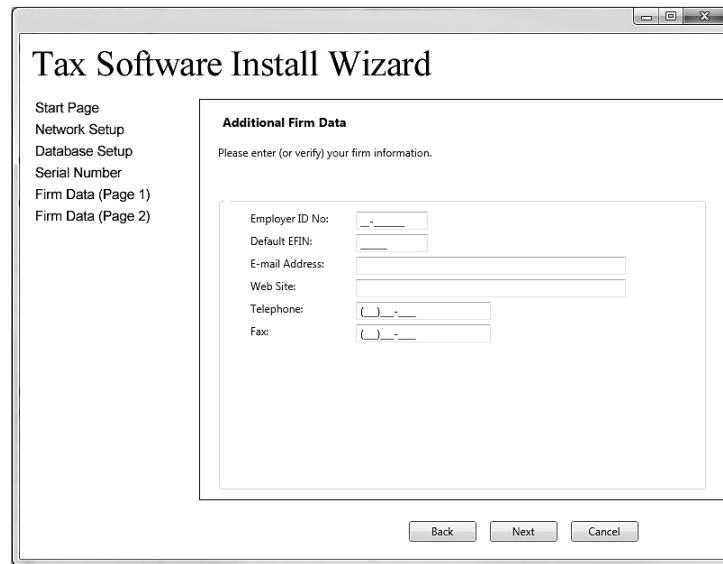
Step 10 Enter your serial number and account number from your license notice in the correct fields. Click **Next** to continue. After clicking **Next** you may need to wait a few moments as your firm information is downloaded from the Internet.
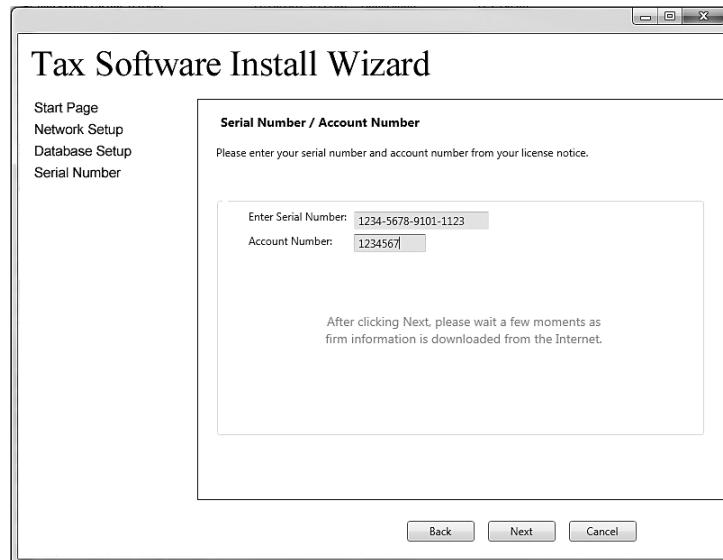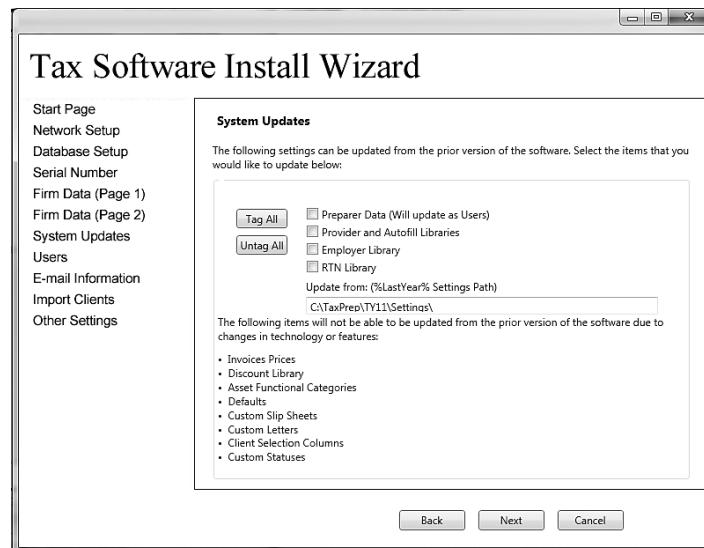

Step 11 Verify your firm information. Click **Next**.
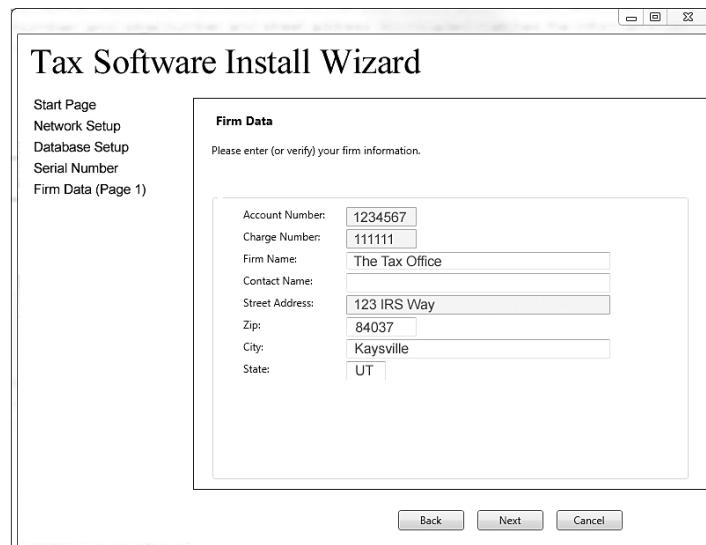
**Step 12** Please enter (or verify) your additional firm data. Click **Next** to continue.

Step 13 If you used the software last year, you can update some of your settings from the System Updates screen. Please select the items that you would like to update from the listed items. Click **Next** to continue.

Step 14 From the Users screen you can configure users. More options can be configured later by selecting Users from the Admin tab. After configuring users click **Next**.

Note The default password for all users will be **password**, all lowercase. Each user will be prompted to change the password the first time they log into the program.
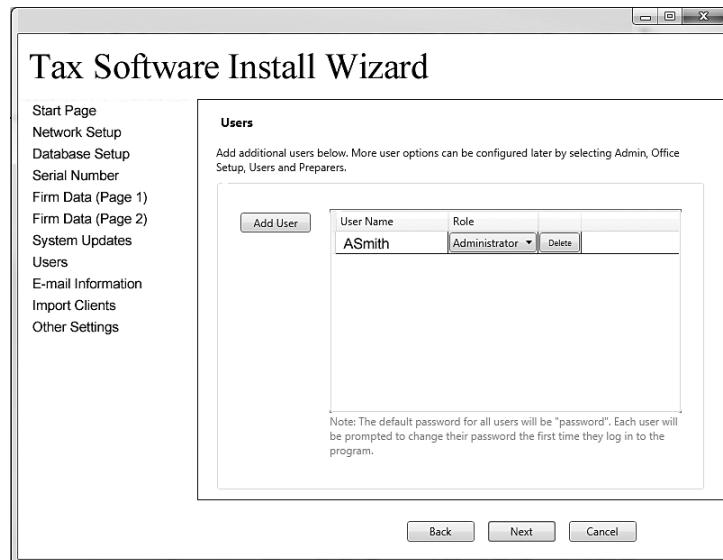

Step 15 If you would like to use the e-mail features within the software, select your e-mail configuration preference on the E-mail Information page. Click **Next** to continue.
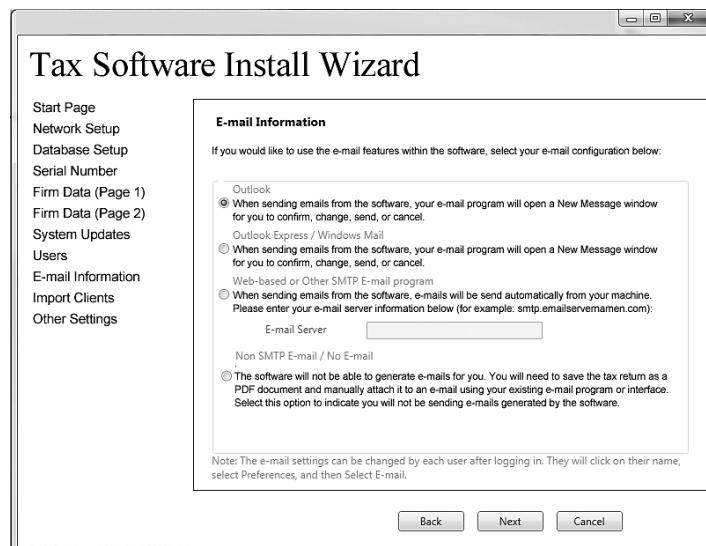
Step 16 The Import Clients screen allows you to select which folders you would like to import. (This is a one-time process; next year you won't need to do this.) Select the appropriate path location from which to import your folders and click **Import Clients**. A status bar will appear briefly while the import is processed and will disappear once complete. Click the **Next** button.
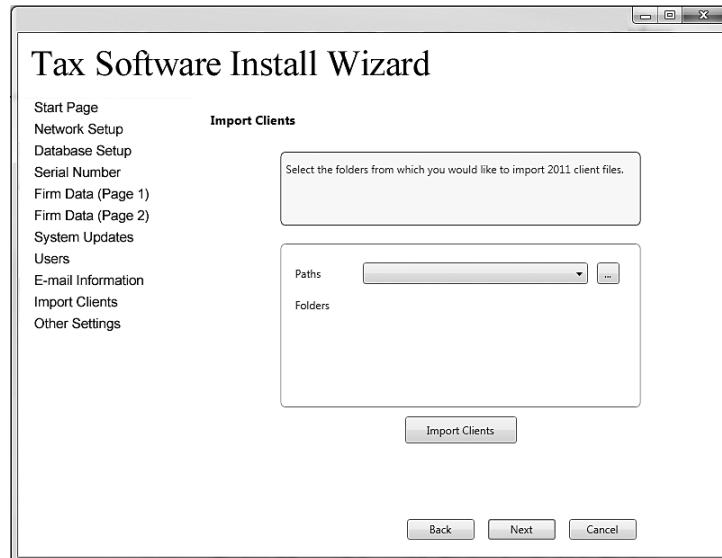
Step 17 The software Install Wizard has now been completed on your application server. Click **Finish** to complete the installation process. The software icon will be placed on your desktop. The software will launch. Explore the **Admin** area of the program to set up and configure the other key areas of the program.
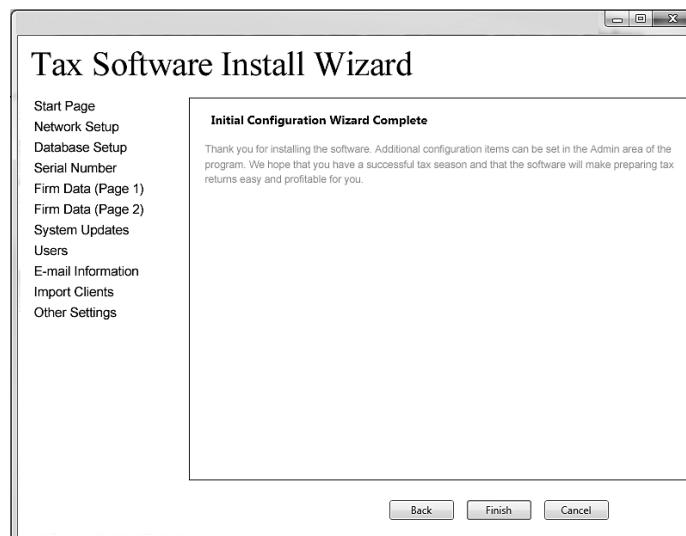
Step 18 To install the software on all other computers, complete the additional steps in *Installing the Software on a Workstation* below.

> **Note** ▶ Adobe Reader is no longer required, but recommended. If you do not have Adobe Reader 9.0 or higher installed on your server, it is available for download from Adobe's website at www.adobe.com.

Installing on a Workstation

> **Note** ▶ Windows updates must be current on all your computers prior to starting the installation. To check for any pending Windows updates click **Start**, select **All Programs**, and then open **Windows Update**. Install all "Important" updates.

Step 1 Close all running programs.

Step 2 If you are installing the software from the application server to the workstation, complete the following:

a Be sure that the prerequisites are installed on the workstation computer. The software requires Microsoft's .Net Framework 3.5 and .Net Framework 4.0. If you are running on Windows XP, you will also need the Windows Installer 4.5 for Windows XP SP2 and later.

b Using Windows Explorer, browse to the \taxprep\platform\setup on the shared network path identified in Step 10 of *Installing the Software on a Network* above. Launch the WSSetup.exe file.

c The Welcome screen will open. You may review the End-User License Agreement (EULA) by scrolling down in the text window. Click the **Accept** button.

d Review the *Installation Instructions*, if needed. Click **Next** to continue.

e The workstation setup is now complete. Click **Finish** to complete the installation process. The software icon will be placed on your desktop. The software will launch.

Step 3 If you are installing the software from the DVD on the workstation, or from the downloaded setup file on the workstation, complete the following:

a Insert the DVD into your DVD-ROM drive.

b The DVD should start automatically. Click the **To Begin Installation Click Here** link on the launch page.

c As the setup starts, it will unzip files and check your computer for prerequisites. The software requires Microsoft's .Net Framework 3.5 and .Net Framework 4.0. If you are running on Windows XP, you will also need the Windows Installer 4.5 for Windows XP SP2 and later. If the prerequisites have not been installed, the setup will download them from Microsoft's website. Click the **Install** button if any prerequisites need to be installed.

Note

Some firewall applications or appliances may need to be configured to allow these prerequisites to be downloaded. If you cannot download them through the software setup, please download and install them manually from Microsoft's website.

d The *Welcome* screen will open. You may review the End-User License Agreement (EULA) by scrolling down in the text window. Click the **Accept** button.

e Review the *Installation Instructions*, if needed. Click **Next** to continue.

f On the screen asking about computer configuration, select **Network Configuration**, and click **Next** to continue.

g Since you are installing on a workstation, select *"No, another computer has already been setup on my network."* Click **Next** to continue.

h Click **Browse** to find the location of the configuration file. It should be located in the shared network path noted in Step 6 of *Installing the Software on a Network*. You will need to find the **ServerPath-Config.dat** file in the **TaxPrep\Platform\Config** directory on the server. Once the configuration file has been located, click **Next** to continue.

i The workstation setup is now complete. Click the **Finish** button to complete the installation process. The software icon will be placed on your desktop. The software will launch.

Note

Adobe Reader is no longer required, but recommended. If you do not have Adobe Reader 9.0 or higher installed on your workstation, it is available for download from Adobe's website at www.adobe.com.

Home Screen

The Home Screen is where you will manage the software settings and day-to-day workflow of your tax practice. View real-time tax return status for electronic filing and financial product returns, and the latest software and industry news.

Menu Bar

The menu bar is located at the top of the screen and contains a variety of links, including software settings and other software solutions.

- **Espanol** – Click **Espano**l to toggle between English and Spanish screen displays. Default is English.

- **Help** – Click **Help** to access program and online helps.

- **Admin** - Click **Admin** to find several software and firm preference items.

- **Preferences** (User Name) – Access Office Profile, Print Defaults, Delivery, and other items that will help you customize the software to meet your tax practice needs.

Note

Font and character size can be set by clicking the **User Name** link.

- **Logout** – Click to logout of your user profile, protecting your work and client data.

Tabs

Use the tab bar to navigate between the **Home** screen and **Clients**.

■ **Clients** – Displays a list of all of your returns. Click the desired client to open the return.
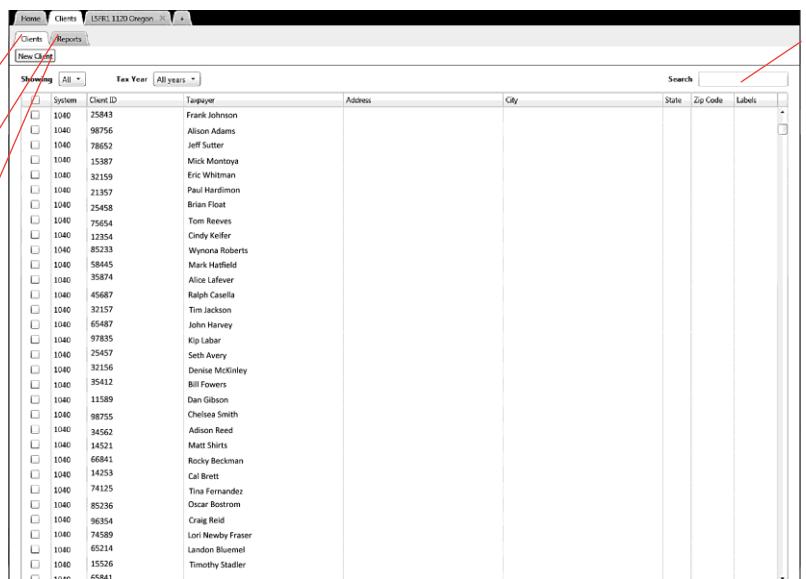
New Client

Begin a new return by clicking the **New Client** button.

Search

Use the **Search** field to intuitively find clients you are searching for by typing the first or last name, SSN, EIN, or entity name.

Clients

The **Clients** tab gives you flexibility when managing client files. You can also generate client reports. Determine how you would like to organize, sort, and find your files.

Click to view a list of clients

Click to generate reports

Click to start a new client

Use to quickly find a client

- **Client** – Click to return to the main **Clients** screen after accessing reports.

- **Report** – Use to create a variety of client reports, labels, slip sheets, etc. Refererence the *Reports* section.

- **New Client** – Click to create a new client. Reference the *Creating a New Return* section.

- **Search** – Use this field to narrow the list and quickly find clients.

Sort the client list in ascending or descending order by clicking on the column heading.

Note
The search field corresponds with the column header selected.

Tip
You can quickly group multiple clients by applying a **label**.

Reports

Reports are a must in every office. The software makes your work easy. Click the **Clients** tab and then the **Reports** button. Create reports based on individual systems, a combination of systems and report type. Each category offers multiple reports depending on the system selected. You can also select groups (labels), specific preparers, and date ranges.

For specifics on generating reports refer to the online helps.

Help

There are numerous help features available within the software. Use **Help** to access program helps, IRS information and more. Program helps are continually updated with the most recent and detailed information.

Admin

The **Admin** tab is where you will find several software and firm preference items to meet your unique needs. Some of these items are configured during the setup process, but can be changed at any time.
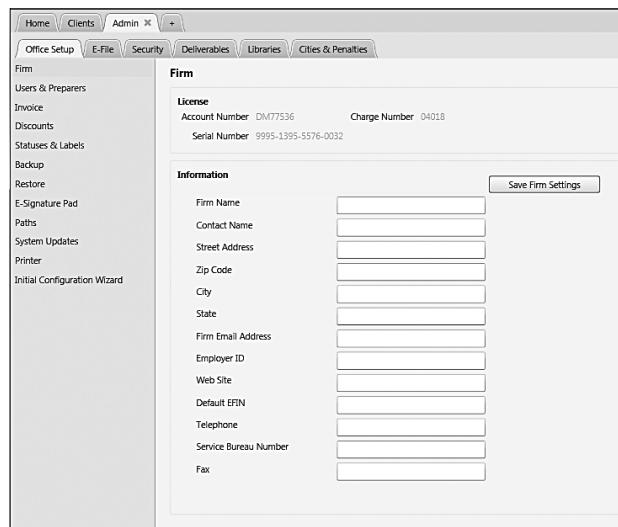
Office Setup

**Office Setup** allows you to customize the software to your individual office needs.

Firm

The **Firm** screen contains your software license and firm information. This information is entered during the initial setup but can be edited anytime from this option. After entering or editing firm information, click **Save Firm Settings** to save the information.

Users & Preparers

The **Users & Preparers** screen is where you will enter information for all users and preparers in your office.
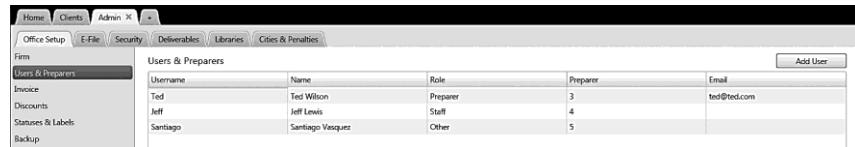

To add a new user, click **Add User**. Fill in the appropriate information, including password and role. Click **Done** when finished.

Click on a users name to view and edit their information.

Invoice

The Invoice screen allows you to enter individual billing amounts for each form, schedule, and various line items. Once the invoice settings have been entered and saved, the defaults will automatically carry when a return is processed.
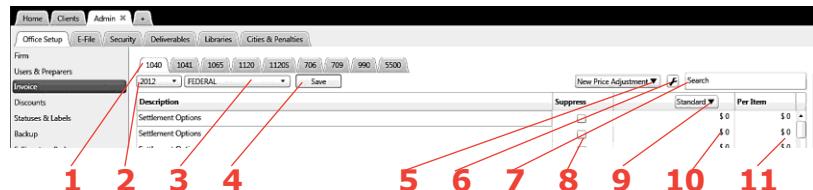
1 Select the applicable system.

2 Select the applicable year.

3 Select to view and set federal and state invoice options.

4 Click to save the invoice settings.

5 Click to add a New Price Adjustment. Reference the *New Price Adjustment* section for more information.

6 In the tool menu, you can **Import** and **Export** invoice information to and from Microsoft Excel spreadsheets (CSV files). This makes it easy to change prices and suppress items in the invoice. Click the **Export** button and make your changes on the spreadsheet. (In the spreadsheet, the number 1 is equivalent to a check mark in the suppress column.) When finished, close the Excel file. Click **Import** to import the spreadsheet back into the Invoice screen.

> **Note**
> After importing a spreadsheet, the changes won't appear until you click **OK** and reopen the Invoice screen.

In the tool menu, you can **Print** the invoice settings. The **Customize Invoice** link takes you to the **Deliverables** tab.

7 Use the search field to search for a form in the selected system.

8 Check to suppress printing the item on the invoice.

9 Click **Standard** to adjust the initial price adjustment. The initial adjustment will be applied to all prices in the Standard column.

10 In the Standard column, enter the amount you would like to charge for each form or schedule.

11 Enter the amount to bill per line item on a specific form or schedule.

While working with the invoice prices, you can bill by amount, per item, or both.

You have the ability to print the invoice with an override date, email address, and website address. While in the client's return, check the appropriate box(es) on the **INV-Invoice** form.

If you want to override invoice settings for a specific client, while working in a client's return select **INV-Invoice** from the forms pane. You can enter specific amounts, percentages, discount codes, payments, etc.

New Price Adjustment

The **New Price Adjustment** dropdown allows you to create a new pricing rate. In the image below, the New Price Adjustment is named "Family" and the discount is 20%. The discount will be taken off of regular price.

Click the column dropdown to change or delete the price adjustment.

Discounts

Use **Discounts** to enter the **discount code**, **description**, **amount**, or **percentage**. While in the client's return, select **INV-Invoice** from the **Forms** pane. Activate the discount code by entering the corresponding discount code in the Discount Codes section. Discounts will be applied to the invoice prices set.

Statuses & Labels

Statuses & Labels are great tools for organizing and tracking client returns. You can create and delete labels and configure when a particular status should automatically be applied to a return.

■ **Status** - Allows you to specify a time in the return process when the software will automatically apply a particular status. Use the dropdown to specify when the status should be applied.

- **Label** - Allows you to quickly access and sort through related clients. Unlike a folder-based system where each file or message can only be located in one folder, the program allows you to apply more than one label so you can have multiple reference points.
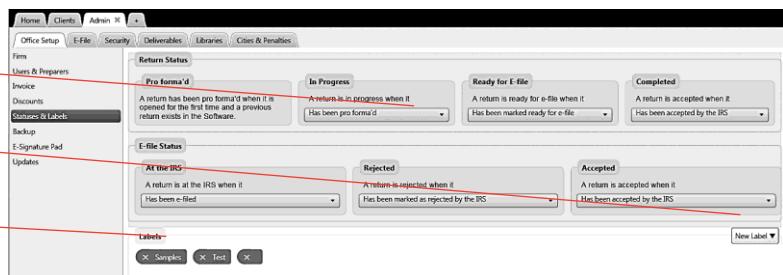
Note | Labels can be created and filtered from the **Clients** tab.

Select to configure status.

Create New Label.

Delete existing label.

Backup

The Backup screen allows you to designate the backup location and schedule when backups will be performed. After making selections on the Backup screen, be sure to click **Save**. The screen will reflect the most recent backup information.

Backup Now will initiate the backup procedure.

We highly recommend that you backup critical files periodically. We have included a utility that allows you to backup files to your hard drive, zip disk, tape drive, or another computer on the network. We suggest you use separate disks for each day of the week. It is also wise to perform a monthly backup. Use a separate disk, tape, or drive each month. Our utility will backup select items, settings, client files, and related database information.

Note | If you are operating on a network, others must be out of the program before using the backup utilities.

E-Signature Pad

The E-Signature Pad assists you in achieving a paperless office environment. Taxpayers can sign their return using a signature pad instead of the paper signature forms.

Check the box to use a signature pad and select your signature pad brand.

The signature is applied to the tax return for archival purposes in ArkWorks or other document management systems. The signature can be printed on the return if you need to provide a paper copy of the return for any reason. Easily apply the taxpayer's, spouse's, or tax preparer's signature to forms such as the 8879 or 8867 EIC Checklist.

Updates

The **System Updates** screen is where you can define when and how software updates are applied.

Note | This process may also be accomplished during the initial configuration.

E-File

The E-File settings screen is where you can select e-file default preferences such as verifying key e-file information, preventing e-filing of returns if unverified tick marks exist, and more.

Security

Security has been designed to help you secure and limit access to client information. Implementation of the **Security** feature is optional, but highly recommended.

Deliverables

The software includes several tools that will assist you in providing a professional tax return and other correspondence to your clients.
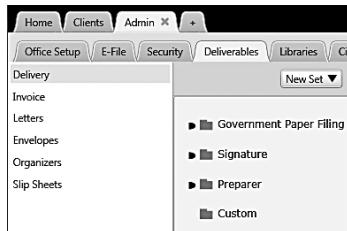
Delivery

The tax forms included in the software are approved for filing by the IRS and state agencies. All of the forms print in a professional laser or PDF format. Utilities are provided that allow you to print federal and state returns together or separately, batch process a group of clients, and print blank input and output forms.

Many federal and state forms and laws are in various update stages. You will notice a DO NOT FILE watermark on some forms. Also included is an anticipated form release date. If the current date is later than the date printing on the form, use the update feature, located in **Admin>Office Setup>Updates**, to see if the final form has been approved and ready to file, or if the release date has been revised. Please do not call Technical Support with questions on forms until the DO NOT FILE watermark is no longer displayed.

Several states have 2D barcodes on the forms. This feature helps states process returns more efficiently. Original copies of 2D barcode forms must be submitted to the state for processing.

Delivery offers a convenient option for you to print sets of forms for your specific needs. Delivery sets are broken out as follows:

- **Government Paper Filing** – Includes federal, state, city and extensions sets.

- **Signature** – Includes paper and e-file signature sets.

- **Preparer** – Includes both preparer review and file sets.

- **Custom** – Sets you can create to meet other needs. To use this feature, click the **New Set** dropdown.

Note

The program is delivered with form set defaults per recommendations set by government agencies. However, you can adjust the selections to meet your needs.

Select desired set.

Select desired subset folder.
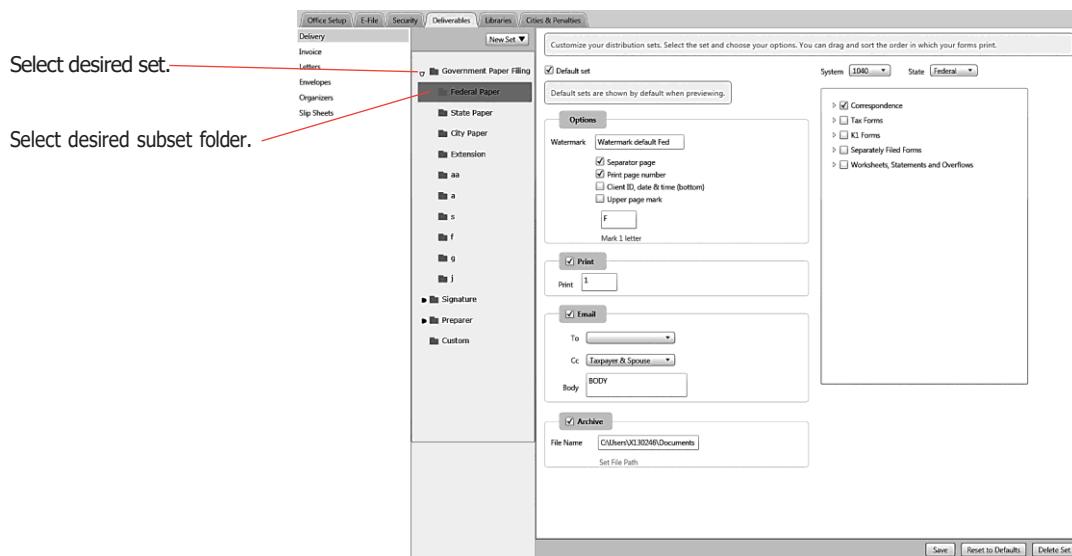
Select a Set

Click the **arrow** next to the desired set and then click the **folder** next to the desired subset.

Set Features

- **Default Set** – Check this box if you want the selected set to be the default after previewing a return.

- **Options** – Check the boxes if you want to print **separator pages** between sets, print **page numbers**, **Client ID**, **date & time** or include a designated **upper page mark** (enter one letter in the box provided).

- **Print** – Check this box if you would like to print the selected set. Enter the **number of sets** you would like to print.

- **Email** – Check this box to email a copy of the set. Enter or select the recipient from the **To** and **Cc** dropdowns. Type the content you would like to include in the email in the **Body** box provided.

- **Archive** – Check this box to archive the set. Click **Set File Path** to display and select a desired path and folder, or type the location in the **File Name** field.

Select a System and State

From the dropdown boxes, select the desired **System** and **State**.

Both federal and state items are listed in the **State** dropdown box.

The program breaks out forms into the following categories: Correspondence, tax forms, K1 forms, and separately filed forms. It combines worksheets, statements and overflow forms. Click the expansion key '>' next to the desired category to view a list of forms. Tag the **category box** and the **forms** you want to include.

You can click and drag a form so it prints in a specific order.

Invoice

An invoice is included in the software. However, if you would like to create a custom invoice or add a letter to the invoice, use this option.

While working in a return, select **INV-Invoice** or **INVSTD-Invoice Std** from the forms pane to access other invoice options. Specific Invoice options can be setup in **Admin>Office Setup>Invoice**.

Letters

We know how important correspondence is when working with your clients, so we have included multiple letter sin the software.

■ Standard Filing Instruction Letter

You have the ability to print a Standard Filing Instruction Letter and Custom Letters. The Standard Filing Instruction Letter is the **default**. The Standard Filing Instruction Letter contains information such as refund amount, balance due, and mailing instructions. Information is pulled from the return.

■ Custom Letters

Custom letters gives you the ability to edit and create letters to fit your individual needs. Create and edit custom letters by selecting **Admin> Deliverables>Letters**. While in a return, select LTR Instr Ltr, from the forms pane. Then click the **blue link** in the Custom Letters section to create or edit letters.

You must check the **Print Custom Letters box** on the **LTR Instr Ltr** screen to print the custom letters you have created. This field can be set as a default.

■ Other Letters

We have also given you the option to include other letters in your correspondence. Standard Privacy Disclosure letters are also available for CPAs, Enrolled Agents, Other Preparers, and Attorneys.

For additional information, reference the online Helps.

While working in a return, select **LTR-Instr Ltr** or **LTRSTD-Instr Ltr St** from the forms pane to access other letter options.

Envelopes

The envelope utility allows you to customize placement of addresses to meet your specific needs.

Organizers

Organizers are a great way to communicate with your clients. They alert the client of information to review and bring to the tax interview.

When working with custom organizers you have the option to select an expanded and/or simple organizer, include a slipsheet, cover letter, questionnaire, and privacy notice. Organizers can be **emailed**, **printed** and **saved** to a specific location.

A list of all available organizer forms is noted. Depending on the organizer type, **check the box** to include the form, or select exclude or include from the **override** dropdown. You can also note the number of copies for a specific organizer form. The default is one copy.

Set up the organizer features to meet your specific needs.

While working in a return, select **PO Options** from the forms pane. A dropdown box allows you to specify if you would like to include an expanded and/or simple organizer with the return.

Slip Sheets

If you are using window envelopes or folders to communicate with your clients, use slip sheets for a professional look. Slip sheets can also be used as separator pages and coversheets for returns.

While working in a return, select **PO Options** from the forms pane. There is an area on the screen that allows you to select which slip sheet(s) you would like to include with the return.

Libraries

The program includes a time-saving factor that will auto-populate specific fields based on entries made in previous returns. These entries are stored in Libraries. Libraries exist for Employers, RTN, Care Providers and a general catch-all Library.

When you start to type an entry that resembles one you typed before, the program can auto-fill the entry because it has been saved in a library (ex. Interest Income description on Schedule B.). Each system has a separate library.

Employers

Employer information entered on W-2s and 1099Rs is stored in the **Employers** library. When entering W-2 and 1099R Employer ID Numbers, the employer's name and address will auto-complete if the EIN has been entered previously.

RTN

RTNs (Routing Transit Numbers) entered for financial institutions are stored in the **RTN** library. Select from the bank names previously entered to auto-fill the RTN information.

Providers

The Providers library stores information on child care providers. Fields will auto-fill when information is typed on the 2441 screen. The provider information will key off of the name. The information will carry to 1040 Form 2441 and 1040A Schedule 2.

Cities & Penalties

The Cities & Penalties tab is divided into two sub-screens:

- **City Taxes** – Allows you to view information about various Ohio cities, including tax rates.

- **Penalties & Interest** – Shows penalties and interest (e.g. late filing, late payment, etc.) for all federal and state systems.

Proforma Clients from Prior Year

To simplify your tax practice procedures, we have provided a Proforma feature. This option will carry client information from the prior year return to the current tax year, eliminating reentry of limited data. The prior year data will remain intact in the client file.

The program will automatically identify client files requiring a proforma. After opening a client's previous year return, an additional tab will be displayed noting Proforma. Click the **Proforma** tab and applicable prior year data will carry to the newly created current year tax return.

Select the Proforma tab to carry prior year data to the current year return.
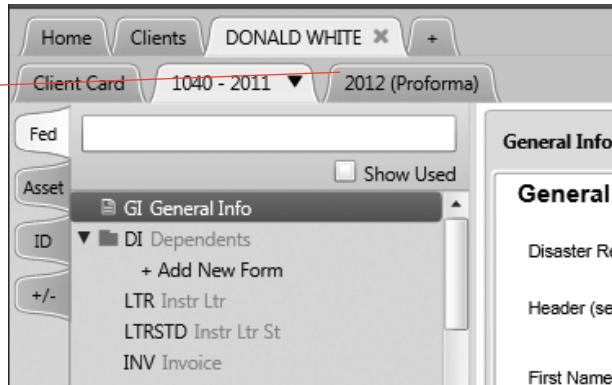
Working With Clients

> **Note** | Information in this section is applicable to both existing and new clients.

Selecting a Client

Selecting a client can be accomplished in various ways:

- By searching for your client using the intuitive quick **Search** field

- By viewing a listing of all clients using the **Clients** tab

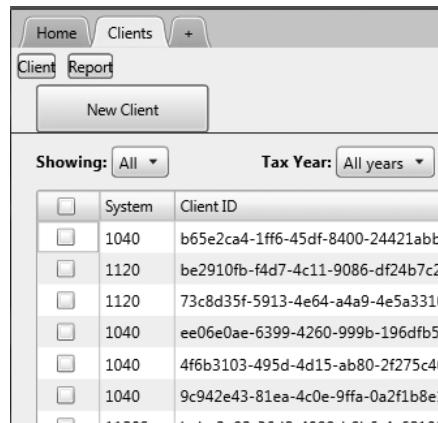- By creating a new client, using the **New Client** button

Search

Use the intelligent Search feature to find a client in record time. Typing a name, state, address, SSN, or other identifier into the **Search** field will instantly pull up a list of clients with similar information. The more you type, the more narrow the display of identified clients. Once found, simply click on the client name to open the return.
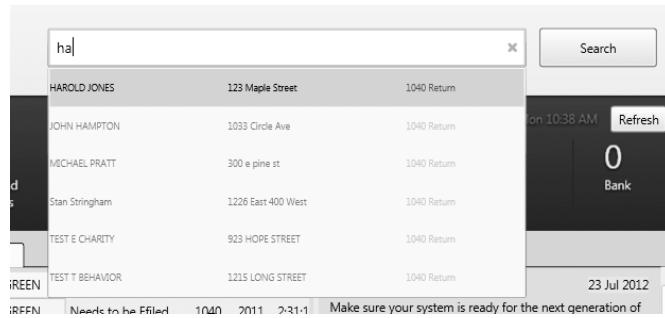
Clients

Using the **Clients** tab allows you to view a complete list of all of your clients. You can sort the list by clicking the column header, or narrow the list by choosing a specific system from the **Showing** drop down.

New Client

Click the **New Client** button, *see figure 1*. Enter the new client's basic information, see *figure 2*. Click **OK** and the information will carry to the main client return screen.
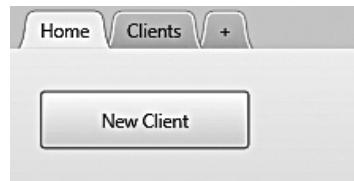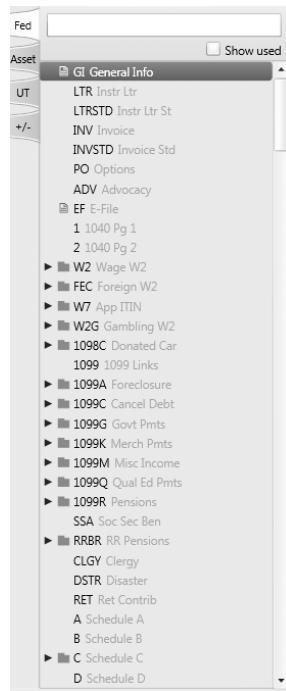

Figure 1

Figure 2

Return Screen

The five-pane Return Screen has long been a hallmark and top feature of our tax software. We have enhanced the screen to make it even more user friendly.

Forms Pane

The form selection displays all applicable system forms. Click on a form to make a selection or locate a form by typing a description or form number in the search box (ex. Typing Electric Vehicle Credit will automatically list the associated Form 8834).

When content is entered on the form, the folder icon will change to a document icon.

Federal, state, and asset forms can be accessed from the forms pane. To **add an additional state**, click the **+/-** tab to the left of the forms pane.

| Note | Checking the **Show Used** box will list ONLY the forms that contain content. |

Adding, Deleting, Multiple Forms

Adding, deleting, and editing multiple forms performed in the Forms Pane.

▶ Click to add a multiple form, for example a second W-2.

To add multiple forms click the + **Add New Form**.
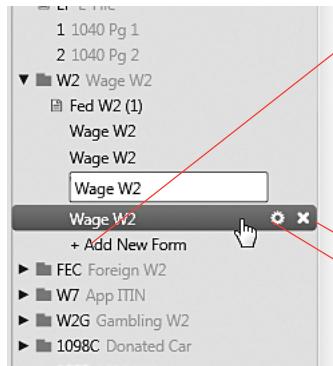
To **Edit** a form, hover to the right of the form and click the **gear**. Type the desired information.

To **Delete** a form, hover to the right of the selected form and click the **X**.

Input Pane

The middle pane is where you will enter the tax return information.

General Information Screen

The first input screen to appear will be the *General Information* screen. Notice that the taxpayer and spouse names, social security numbers, birth dates, and address have carried from the *New Client* screen.

Links

Much of the tax return information can be prepared from the main *General Information* screen using form links. Click the underlined, highlighted form name or description to access the associated form. For example, scroll down to **Income** section, or line 7. Click the form W-2 link to access the W-2 input screen.

Copy & Paste

As with any standard Windows format, you have the ability to use the standard **Ctrl C** and **Ctrl Y** keys to copy and paste text into fields.

Calculator

If entering data into a field involving multiple amounts, clicking the "+" or "-" key from the number key pad will bring up a **Calculator**. The final results shown on the calculator will be pasted into the field your cursor is on. To exit the calculator, place your cursor in an area within the calculator and press the **Esc** (escape) key your keyboard.

Defaults

There may fields where you'd like to set a default for all returns going forward. To set a default field, enter the number, date, or alpha characters, then press both the **Ctrl** and letter **D** keys at the same time. This defaults the data entered in the field for all preceding returns. To delete a default, remove the data in the field and press both the **Ctrl** and **D** keys again. This will remove the default from that field.

To view a list of defaults for a particular user, click **Preferences** User's Name at the top of the screen. Select **Preferences** and then **Defaults**.

Screen Symbols

Some form and schedule input screens contain symbols. The following defines what those symbols mean within the tax program.

⌑ **Required Entry** – Entries must be made in these fields in order to generate the form.

- **Optional Entry** – Fields with one black dot indicate that amounts will automatically carry from other forms if the corresponding forms are program generated. Make an entry in this field if you are hand-preparing the form.

- **Override Entry** – Fields with two black dots indicate that any manual entry will override the computer's calculations. If a zero amount is desired, enter -1.

- » **Asset Manager Entry** – Fields with an arrow indicate you have the capability to enter the item through the Asset Manager (F5 Key).

- **+ Add to Entry** – Fields with a plus sign indicate that entries in the fields will be added to the amount(s) already carrying to the field.

- **<> MFS State Split Entry** – Fields with this symbol are for taxpayers who are filing Married Filing Separate. The program will take the amount entered and split it between the taxpayer and spouse. The MFS symbol is used sparingly in some 1040 state systems to assist in the MFS optimization for those systems.

Tools

Tools is dynamic to the tax system you are working in. The software makes complex items included in the list easy to work with.

- **Return Notes** – Allows you to type notes within a client's return. The notes will print with the return. Only notes entered under the three **Efile** tabs will be included in the e-file return sent to the IRS.

- **Kiddie Tax** – Helps calculate tax for certain children with investment income of more than $1,900 for Form 8615.

- **Import K-1** – Use this tool if working in a K-1 screen. If a corresponding business return was entered in the program, the software will identify the EIN and import the business system **K-1** data into the individual return.

- **State K1 Allocation** - Is designed to simplify the process of carrying information from the federal K-1 to the taxpayer's nonresident or part-year resident state tax return. The income or loss and deductions sections should carry to the appropriate lines of the nonresident or part-year resident state tax returns. This feature may also be accessed from the Partnership, S-Corporation or Fiduciary K-1 input screens within the 1040 program.

Grids

Grids are used in the program for areas that have multiple lines and/or field entries for the same item (ex. Direct deposit, Sch B and Sch A items). Grids can be opened by clicking the ▲ icon. You can expand the grid for additional entries, export data from a grid, and import data into the grid from Excel.

Some grid lines also include a **More..** link that if clicked, brings up a separate pop up screen (ex. Sch D).

■   **Add New** and **Delete** – These buttons allow you to add a new row or delete an existing row on the grid.

Hover

If you prepared the client's return the prior year, passing the cursor over applicable input fields will display the prior year amount. This is a quick way to see amounts and details from last year's return without having to open the client's prior year return.

Context Menu

A small ▲ appears at the top right of each data field. Clicking the icon will display a menu of helpful items including the ability to enter detail statements, carry information from the Asset Manager, access field Helps, estimate amounts, and more.

Quick Key

Quick Key is very useful when entering returns that have limited complexity. This input method is very intuuitive and allows for quick entry and processing. Reference the *Quick Key* section.

Detail

Is a toggle button used to switch between the *Quick Key* mode and regular input mode.

Client Return/Year Tab

Click the Client Return/Year tab, at the top of the screen `1040 - 2011 ▼` to perform additional client return functions: Edit labels, Amend, Lock, Married Filing Joint, and other helpful functions.

Output Pane

As you enter data in the input pane, amounts will automatically calculate and entries will appear real-time on the Output Pane form.

Click to flip to a full output pane view.

⚙ – Click the gear to 'flip' to a full view of the output pane, collapsing the input pane. This is one of the most popular features in the program.

A popup box lets you know that a right mouse click will perform this same function. The **Always show** dropdown allows you to select the form you want to display in the output pane. Use **View** to set the output view to fit the pane, set a certain percentage, or customize the pane to meet your needs.

🔧 – Click the wrench to view a dropdown allowing you to add **Tick Marks** to the output forms. Other options are also available.

Tick Marks

Tick marks are a great feature that can improve how you review and sign off on returns. Tick marks can be used on any line where data can be printed. Click on an output form field to activate tick marks.

■ Symbols

Green Checkmark – Signifies that the entry has been reviewed and is good.

Blue Question Mark – Signifies that the entry needs to be verified.

Red X – Signifies that the entry in the field has changed since it was last verified. This is usually due to a change in the input field or a program upgrade. Hover over the field to view the prior amount or entry.

■ Applying Tick Marks

Use your mouse and sometimes keyboard to apply tick marks as follows:

- A left mouse click applies a green checkmark

- A left mouse click again changes the green tick mark to a blue question mark

- A left mouse click a third time removes the blue question mark

- Alt + a left mouse click will remove the green tick mark or blue question mark

- A left mouse click on a red X changes the red X to a green tick mark

- Ctrl + Q applies tick marks to all fields on the current form

- Alt + Q applies tick marks to all fields on all forms

- Ctrl + N removes all tick marks on the current form

- Alt + N removes all tick marks on all forms

Note

In Preview mode, unverified fields (red X and blue question mark) will appear in red and bold font. The tick mark functions noted above will also work in Preview mode.

■ **Prevent E-File**

To prevent returns from being e-filed if they contain unverified tick marks click **Admin> E-File> Prevent e-file for unverified tick marks**. When you click the **E-File** button a message will appear noting that the e-file cannot be created due to unverified tick marks.

Note | Tick marks are not available on letters, some worksheets or detail statements.

Diagnostics Pane
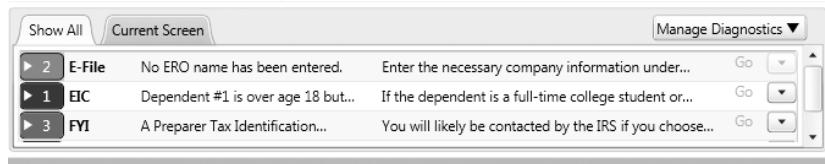
While working in a return and moving from field to field, if the program recognizes a potential error or has an applicable intelligent tip, notices will appear real-time in the diagnostics pane.

Diagnostics are color coded and separated into categories which include:

- Red – E-File

- Purple – Earned Income Credit (EIC)

- Green – For Your Information (FYI)

- Black – Standard

Click **Go** to jump to the input pane for the corresponding diagnostic. The **dropdown arrow** allows you to suppress a specific diagnostic for the current or all clients. The color coded box notes the number of diagnostics in each category. Click the ▼ 4 to expand and display all diagnostics.

Tabs are available for you to **Show All** diagnostics or only diagnostics for the **Current Screen** you are working on.
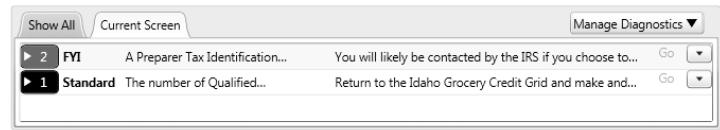
The **Manage Diagnostics** dropdown lets you select the type of diagnostics you want displayed.
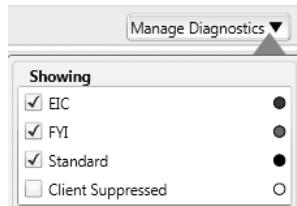
Summary Pane

The Summary Pane displays client information including AGI, EIC, Net Tax, Total Payments, and Refund. As you enter information in the client's return, the Summary Pane will display real-time calculations.

Task Bar Buttons

E-File

After entering, verifying and obtaining the client(s) e-file signatures, click **E-File** to transmit the completed return to the IRS and state agencies. Reference the *E-File* section.

Preview/Delivery

Preview/Delivery allows you to view multiple forms in the return. Click the form you would like to view. The **Sets** dropdown box allows you to select specific sets. For information on sets, reference the *Admin>Deliverables>Delivery* section.

Tag the forms you would like to print and click **print**.

Print/Archive/Email

You have the ability to print, archive or email the client's return. You can perform one of these functions or with one click perform all three at once. Reference the online helps for details on using these functions.

Per Unit Processing (PUP)

If you purchased a limited use package or need to process states or systems that you have not purchased, a **PUP** (Per Unit Process) code must be obtained in order to process returns of this type.

To obtain a PUP code, select the State (if needed) to prepare with your Federal tax return. Before you can **Preview** the results of entries made on the return, a comment will display stating that you must download a PUP code in order to process, or preview, the client's tax return.

To view a history of PUP codes you have obtained, go to the Login area of the program website. After logging in, select **PUP Code History** to display a list of the codes you have downloaded.

Quick Key Mode

Quick Key Mode is new for 2012. Using Quick Key Mode allows you to quickly enter 1040 returns by working through intuitive entry screens. This mode assists in reducing errors and keystrokes. The entire return can be prepared using only the keyboard. A list of the keyboard short cuts can be found in the online helps.

Create a **New Client** or **Search** and open an existing client. You can toggle between the regular input mode and quick key mode any time by selecting the **Quick Key** or **Detail** buttons. Data entered will transfer between the two modes.

Note ▶ The software will remember what mode you used the last time you were in the software. For instance, if you prepare a return using the Quick Key Mode, the next return you open will open in Quick Key Mode. If you prepare a return using Detail Mode, the next return you open will open in Detail Mode.

To begin a return, select **New Client** on the home screen.
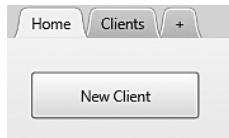
Enter the Taxpayer's basic information including last name and Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN).

After entering the basic client information, click **OK**. The return input screen will appear in Detail Mode. Toggle to Quick Key Mode by selecting the **Quick Key** button.

Click to toggle between Spanish and English input screens.

Click to toggle between the Quick Key and Detail Mode input screens.

Personal Information Screen

Quick Key mode will guide you through a three pane view consisting of the form, input, and real-time diagnostics pane.

The Personal Information screen is used to enter the basic filing information and filing status selection.

The number keys can be used to enter the **Filing Status** of the Taxpayer. Type '1' for Single, '2' for Married Filing Joint, '3' for Married Filing Separately, '4' for Head of Household, and '5' for Qualifying Widow(er).

After selecting the correct filing status, use the **Tab or Enter** key to navigate through the entry fields. The screen changes dynamically based on the filing status selected. For our example, we will use the Married Filing Joint status.

Note ▶ | Only the taxpayer fields would be displayed if you select the single flling status.

As you advance through the fields, note that the Spouse's last name auto-fills in the output form to be the same as the Taxpayer's last name. If the Spouse has a different last name on his or her SSN or ITIN card, you will need to over-write the field by typing the correct last name.

Note ▶ | When electronically filing, the SSNs and last names of the Taxpayer, Spouse and Dependents must match exactly what is on record with the Social Security Administration. Verifying this information during entry will save valuable time later in the e-file process.

When entering the **birthday** of the Taxpayer and the Spouse, you can enter the month, day and the last two numbers of the birth year. The four digit year will automatically appear minimizing keystrokes. You do not need to enter dashes.

Phone numbers are a required entry field as they are mandatory when requesting financial products.

After entering the **zip code**, a drop-down will appear with a selection of city names. Use the up and down arrows and then **Enter** to select the appropriate city.

After completing all entries on the screen, select the **Next** button to proceed to the next screen.

Dependent Detail - Summary

Select **Add New** to add a dependent to the return.

Dependent Screen

The **Dependent's last name** will be auto-filled in the output form. You will need to over-write this if it differs from that of the Taxpayer.

When you tab to the **Relationship** entry box, a drop down box showing a list of relationships will appear. Select the desired relationship description by entering the 'first letter' of the relationship. For example, type 'S' for Son or 'D' for Daughter.

The **Months** field is used to indicate the number of months the dependent lived in the home with the Taxpayer. This field will accept the numbers 0 thru 12, also the alpha numeric characters of CN to indicate the dependent is living in Canada, and MX to indicate the dependent is living in Mexico.

The **Status** box defaults to 0-Claimed. There are ten (10) status selections available. Select a status by typing the number of the status or clicking the drop down arrow.

If the dependent is **Ineligible for CTC** (child tax credit), press the **SPACE BAR** to check the box.

If **Childcare Expenses** have been paid on behalf of the dependent, enter the total expenses. Further details regarding the Child and Dependent care can be entered on the **Daycare Providers screen**.
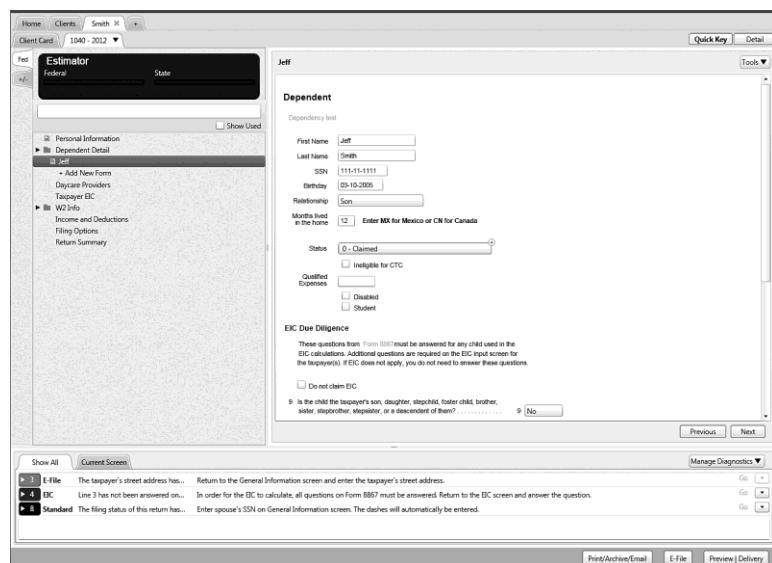
To answer the Dependent EIC Due Diligence questions on each dependent, use the '**Y**' or '**N**' keys. You can also use the mouse to navigate through the drop down. If the answers to the EIC Due Diligence questions do not meet the IRS requirements, the dependent will not qualify for EIC (Earned Income Credit). If a dependent passes the due diligence questions, but the taxpayer chooses not to claim the dependent for EIC purposes, simply click the '**Do not Claim EIC**' for the applicable dependent.

Daycare Providers Screen

Enter daycare provider information. Clicking **More…** allows you to enter detailed daycare information, including the amount paid to the provider.

Taxpayer EIC Screen

The Taxpayer EIC Due Diligence questions can be answered quickly using '**Y**' for yes and '**N**' for no.

W2 Info Screen

The W2 Info Screen will show a grid summarizing the W2's entered. Select the **Add New** button to enter W2 Wage and Tax Information.

If the tax return is for a single Taxpayer, the Taxpayer's SSN or ITIN will auto-fill, along with the address that was entered on the personal information screen.

When **wages** are entered in box 1 of the W-2 Screen, boxes 3, 4, 5 and 6 will auto-calculate. After an **Employer** and **EIN** are entered once, this information will be saved to an Employer Library database. Later, if you enter another W-2 with the same EIN, the address and employer name will auto-fill saving time and keystrokes.

After entering all W-2's for the Taxpayer and Spouse, select the **Next** button to see a list of other income and deductions.

Other Income and Deductions

Selecting one of the blue links will open the selected form in **Detail** mode. After completing data entries, select the **Back** button to note that the form has been added to the Quick Key form's pane.

Select the Back button to return to add the form and return to Quick Key.

When you have completed all Other Income and Deduction forms, select the **Next** button to view the taxpayer's 'Filing Options'.

Filing Options Screen

A Return Summary for refund/balance due information applicable to the return is displayed along with estimated dates the taxpayer may expect his or her refund. The radio button for E-file will be selected by default.

Financial Products Screen

If financial products are available, consents will be presented to the user. Obtain signature(s) from the taxpayer and spouse before selection. Complete information for financial product desired.

Direct Deposit Screen

If the taxpayer selects direct deposit of their refund **without** a financial product, entry fields for the RTN and DAN will be displayed along with a diagram of a check to help the tax preparer find the required information.

Return Summary Screen

The Return Summary is the last screen in the Quick Key mode. This screen displays show a complete summary of the Federal and State refunds/balance due, preparation fees and bank fees if applicable, resulting in a Net Disbursement to the Taxpayer.

Asset Manager

Asset Click the Asset tab in the Form pane to launch the Asset Manager.

Getting Started

Assets must be present in a return in order to access the Asset Manager. For returns without assets, click the **New Asset** button to get started.

New Asset

The New Asset screen allows for quick entry of basic asset information. It gathers the minimum amount of data necessary to start depreciating an asset. The screen expands as additional data is required.

New Asset

Form	Sch C
Multiple	1 Lookup
State	UT
T/S	Taxpayer
Description	Chevrolete Surburban
Date	01-13-2012
Cost	45859
Current 179	25000
Type	6000 to 14000 GVW SUV
Business Miles	9272
Commuting Miles	
Other Miles	254

⦿ Optimal   ○ Actual   ○ SMR

Method	M5YR
Force Options	
Optional Entries	
Asset ID	V4
Functional Category	Automobiles
Location	N/A

Cancel   Done

A Enter the form and multiple number (if necessary).

B For 1040 returns only, the state and taxpayer/spouse indicator will carry from the indicated form. Otherwise, the selections will default to the resident state and *joint* (if MFJ) or *taxpayer* (if not MFJ).

C Enter the asset's description.

D Enter the date the asset was placed in service.

E Enter the cost of the asset.

F Enter any current section 179 expense. If the asset was not placed in service in the current year, the New Asset screen will prompt you for the prior section 179 expense.

G If the asset was not placed in service in the current year, enter any prior depreciation and prior special depreciation allowance (if applicable). If the prior depreciation is left blank, the Asset Manager can calculate the prior depreciation based on the entries made on the New Asset screen.

H Select a type.

Type is an optional entry. You can leave the type blank. However, the types have built-in default depreciation methods and periods. If a period cannot be determined from the type or method selected, you will be prompted to enter the appropriate period. See the following table of available types and their associated default depreciation methods.

Type

Land	MACRS Straight Line1
Residential Rental Real Estate	MACRS 27.5 Year Straight Line
Residential Rental Furniture and Fixtures	MACRS 5 Year Double Declining Balance
Non-residential Real Estate	MACRS 39 Straight Line1
Machinery and Equipment	MACRS 7 Year Double Declining Balance
Furniture and Fixtures	MACRS 7 Year Double Declining Balance
Vehicles	MACRS 5 Year Double Declining Balance
Trucks and Vans	MACRS 5 Year Double Declining Balance3
>6000 GVW Vehicles	MACRS 5 Year Double Declining Balance4
6000 to 14000 GVW Vehicles	MACRS 5 Year Double Declining Balance5
Computer Systems	MACRS 5 Year Double Declining Balance
Depr Computer Software	3 Year Straight Line Depreciation
Amortization	Nonrecovery Amortization6
Improvements	MACRS 15 Year 150% Declining Balance
Indian Reservation	No default method selected7
Water Utility Property	MACRS 25 Year Straight Line
Qual Leasehold Improvement	MACRS 39 Year Straight Line
Other/Miscellaneous	No default method selected
Not Applicable	No default method selected

1 Land is not depreciated. If land is selected, the entire cost will be entered as land on the General tab.

2 If the property was placed in service before May 13, 1993, the Asset Manager will use MACRS 31.5 Year Straight Line.

3 Trucks and vans have slightly higher passenger automobile limitations than standard vehicles. See the instructions for form 4562 for additional information.

4   Vehicles with a gross vehicle weight of more than 6,000 pounds are exempt from the passenger automobile limitations. See the instructions for Form 4562 for additional information.

5   Sport Utility Vehicles with a gross vehicle weight of 6,000 to 14,000 pounds are exempt from the passenger automobile limitations. However, they are limited to $25,000 of section 179 expense.

6   Enter the appropriate period, in years, for amortization.

7   Qualified Indian Reservation property is depreciated at faster than standard MACRS rates. Select the proper method for the class of property being depreciated and the modified Indian Reservation calculations will be used. See Publication 946 for additional information.

I   If the type is a vehicle, enter the mileage and, if applicable, select the auto expense method *Optimal* for the first year, *Actual* to force actual expenses, or *SMR* to force the standard mileage rate.

Note The standard mileage rate is only available on individual returns. All other returns must use actual expenses.

J   If a default method is not entered, or the asset needs to be depreciated under a different method, select the appropriate depreciation method.

K   Asset ID, Functional Category, and Location are optional fields. They are used for depreciation schedule sorting purposes.

L   Click **Done** to add the current asset. The Asset Manager will take you to the Schedule C #1 Asset Management grid.

M   If you do not wish to add the asset, click **Cancel**. The Asset Manager will return to the last visible screen.

Navigation

Once you've created an asset, you can begin navigating through the Asset Manager.

Asset Tree

The asset tree displays all the assets in the current return, separated by form. Additionally, the asset tree organizes assets based on actions that can be taken on an asset and common elements within groups of assets (e.g., assets with section 179, special allowance, group dispositions, etc.).

A Click the item listing to view the assets within each category: All Assets, Group Dispositions, and individual forms.

B Click on an asset in the tree to display the entry tabs.

C Click on a form to see the Asset Management grid details on all assets for that form.
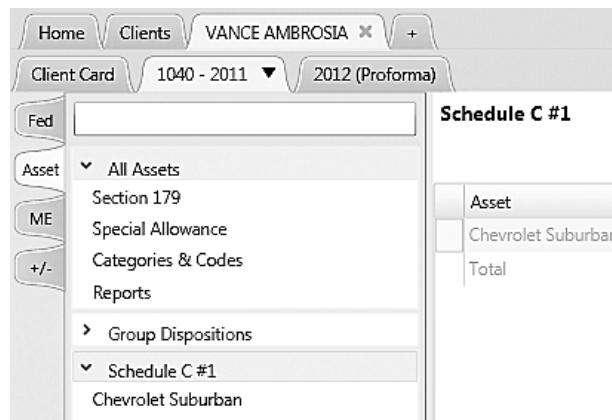
Asset Management Grid

The Asset Management grid displays summary information for the form that is currently selected in the tree.

A Sort assets by any column in ascending or descending order by clicking on the column header. The arrow indicates the current column selected and in what direction it is sorted.

B Look at the totals for cost, current section 179 expense, current special depreciation allowance, depreciable basis, and current depreciation.

C Click on the asset's description to see the associated details and access the asset tabs.

D Tag/untag all assets by clicking on the header in the tag column.

Schedule C #1

| | | | | | | Move | Delete | New Asset |

	Asset	ID	Date	Cost	Section 179	Special Allowance	Basis	Depreciation
	Chevrolet Suburban	0	01-13-2011	45859	25000	0	0	0
	Total			45859	25000	0	0	0

E Move assets by tagging the assets and clicking the Move button.

Select the form where you would like to move the asset.

Enter the multiple number, if applicable.

✖

Move to New Form

Form 2106 (Auto) ▼

Multiple Number 1

Move   Cancel
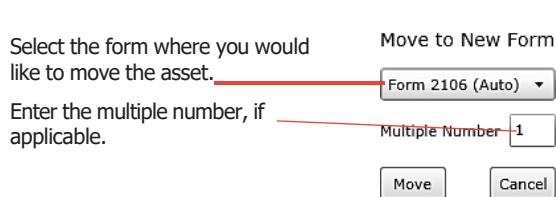
F Delete assets by tagging one or more assets and clicking the **Delete** button.

a You will not be able to process assets that have been deleted.

Deleted assets cannot be processed

OK
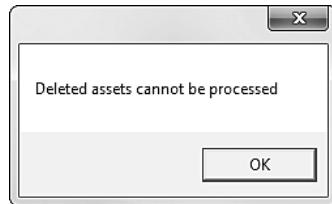
b You can permanently delete assets from the asset tree by tagging the deleted asset and clicking **Delete**.

Are you sure that you want to permanently delete the selected asset(s)?

OK   Cancel
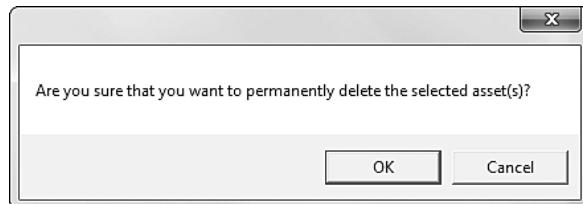
Note ▶

Deleted assets can be restored by selecting the deleted asset and using the Move feature to restore the asset to the correct form/schedule.

G Exit the Asset Manager by clicking a different tab in the Form pane, such as the Fed tab.

Asset Legend

The following key can assist you in identifying actions that have been taken on each asset.
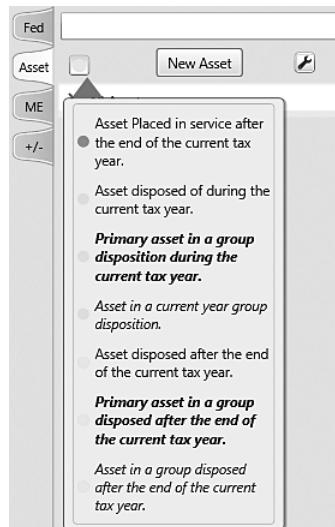
Asset Details/Tabs

General Tab

The General tab shows detailed information about the asset.

A Federal and Alternative Minimum Tax (AMT) depreciation calculations appear side by side. AMT calculations are defaulted based on the federal calculations. To change the AMT calculations, uncheck the *AMT Basis = Fed Basis* checkbox.

B *Additional description detail* can be used to enter any additional information about the asset.

C The *Alternate Description* is used on the depreciation schedules and allows for a longer asset name or different characters than allowed in the description field.

D *Force Options* allows you to handle special situations, such as Indian Reservation or Gulf Opportunity zone calculations.

E *Business Use Percent,* if less than 100%, will reduce the asset's depreciable basis. If mileage is entered on the Vehicle tab, the business use percentage is automatically calculated.

F The *Evidence* checkboxes are used to answer the questions on Form 4562, part V for listed property.

G The *Section 179 Property* checkbox is used to determine which property is subject to the $560,000 limitation for each year. If the property does not qualify as section 179 property, uncheck the box. See Publication 946 for information on properties that qualify as section 179 property.

H The *Qualifies for Special Depreciation Allowance* checkbox is used to determine whether the asset qualifies for section 168(k) bonus depreciation. If the asset does not qualify as section 168(k) property, uncheck the box. See Publication 946 for more information.

I If the asset does not meet the *Original Use Test* to qualify for the special depreciation allowance, check the box.

J The *Amortization Code Section* and *Period* boxes carry to Form 4562, part IV for assets that use the Nonrecovery Amortization deprecation method.

K The *Functional category* is used as a sort group on reports. You can modify the functional categories by clicking the Functional category link or by accessing Admin> Libraries>Asset Functional Category.

L The *Location* is used as a sort group on reports. You can modify the locations by clicking the Location link or by accessing Categories & Codes under All Assets in the asset tree.

M The *Account* code is used as a sort group on reports. You can modify the account codes by clicking the Account code link or by accessing Categories & Codes under All Assets in the asset tree.

N The Division is used as a sort group on reports. You can modify the divisions by clicking the *Division* link or by accessing Categories & Codes under All Assets in the asset tree.

Vehicle Tab

The **Vehicle** tab gathers additional information about automobiles.

A Enter any business mileage, commuting mileage, and other mileage.

B Enter the odometer reading as of the first day of the tax year in the Beginning mileage field.

C Enter the odometer reading as of the last day of the tax year in the Ending mileage field.

D On 1040 returns, enter the other mileage details under the 1040 Other Mileage section.

Medical mileage will add to any medical mileage entered on Schedule A.

Charitable mileage will add to any chartable mileage entered on Schedule A.

E The current year depreciation allowance for the Standard Mileage Rate (SMR) will calculate based on the business mileage.

F The prior year depreciation allowance for the SMR can be entered (it will update from year to year).

G *Parking and tolls*, *Gasoline and oil*, and *repairs* are all reported on the Auto or Vehicle Expense line on the form where depreciation is reported. Interest and Lease expenses also carry to the appropriate lines on the return.

H The Options drop down box provides the following options related to passenger automobile limitations:

0 N/A – Standard passenger automobile limitations apply.

1 Suppress Passenger Auto Limit – No passenger automobile limitations apply (typically for vehicles over 6,000 pounds gross vehicle weight).

2 Electric Vehicle Limitations – Higher passenger automobile limitations apply for qualified electric vehicles. The higher limitations do not apply to vehicles placed in service after December 31, 2006.

3 Trucks and Vans – Slightly higher limitations for trucks and minivans placed in service on or after January 1, 2003. See the Form 4562 instructions for additional information.

4 6000 to 14000 GVW SUV (179 limitation only) – No passenger automobile limitations. Section 179 expense is limited to $25,000 for vehicles placed in service after October 22, 2004.

Note The Asset Manager will optimize between the SMR and actual expenses the first year a vehicle is placed in service on 1040 returns. If actual expenses are greater than the SMR, actual expenses will be used. To force the SMR, make this selection in the Method Selected drop down box.

Note Business returns must use actual expenses.

Note A vehicle expense worksheet will print for each vehicle entered in the Asset Manager, detailing entries on the **Vehicle** tab.

Disposition Tab

The **Disposition** tab is used to dispose of assets.

A Select the type of disposition:

   0 Not disposed (default)

   1 Sale (Form 4797)

   2 Installment sale (Form 6252)

   3 Like-kind exchanges (Form 8824)

   4 Casualty and theft (Form 4684)

   5 Charitable contributions (Form 8283)

   6 Other

B Enter the date of disposition.

C Enter the gross sales price.

D Enter any other information for the specific type of disposition.

E Partial dispositions are available for sales and installment sales.

F If land needs to be reported separately on Form 4797, enter the necessary information.

> **Note** All disposition forms are automatically generated within the Asset Manager.

> **Note** Disposed assets will be indicated by a yellow dot next to the asset in the Asset Management grid and tree. Assets disposed after the end of the current tax year will appear with a blue dot.

Group Disposition

A Select the primary asset in the group.

B Click the **Disposition** tab.

C   Click the **Tools** menu.

D   Select **New Group Disposition**.
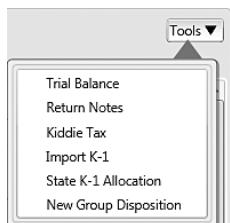
E   Enter a description for the group disposition.

F   Select the type of disposition (sale, installment sale, like-kind exchange, or casualty/theft).

G   Enter the disposition date.

H   Enter the gross sales price.

I   Enter any expenses associated with the disposition.

J   Select the part of Form 4797 on which the sale will be reported.

K   The partial disposition percentage can be entered if the disposition is only for a portion of the entire group. The same percentage will be applied to all assets in the group for purposes of determining the overall gain or loss.

L   If land is to be reported separately, enter the sales price of the land, any expenses associated with the sale of the land, and the part of Form 4797 on which the sale of the land will be reported.

M   Tag the assets to include in the group.

    1   The bold asset is the primary asset in the current group.

    2   Any italicized assets are included in other groups.

    3   Tag the form name to include all assets under that form.

N Click Remove **Group Disposition** to remove the sales information from all assets in the current group.

If there are assets that are section 1250 and section 1245 property included in the same group, select each asset in the grid and enter the correct part number in the Carry to 4797 column.

State Tab

Non-Conforming State Depreciation

The Non-Conforming States Depreciation section of the State tab is used for deprecation calculations for states that do not conform to the federal deprecation rules. The states within the return will be listed in the left-hand column. Click each non-conforming state to make adjustments to the state's depreciation.

A If the asset meets the original use test to qualify for the special depreciation allowance, check the box.

B If there is another reason why the asset qualifies for the special depreciation allowance, check the **Qualifies for Federal Special Depreciation Allowance** box.

C If the state depreciation is the same as the federal depreciation except for the federal special depreciation allowance, check the box.

D Some states track alternative minimum tax separately from the federal calculations. If this is the case, verify that the State AMT basis=state basis checkbox is not checked.

Florida

The Florida section of the State tab is used to generate the Florida Tangible tax return (Form DR405).

A Assign the county.

B Assign the location.

Note Enter a number (1-99) or select a location either by clicking the Location link or accessing *Categories & Codes* under *All Assets* in the asset tree). The location number must correspond to the location number entered on the Florida TP1-405 Ast Mgr input screen.

C Assign the line number.

D Select the condition.

E The age, year purchased, and original installed cost fields carry from the General tab. Make any adjustments if necessary.

F Enter the fair market value, if required.

G Adjust the original installed cost, if applicable.

H If the asset was owned by the taxpayer, but leased to others, enter the required information.

I If the asset was disposed of during the current year, enter any desired comments. Enter the disposition information on the **Disposition** tab.

Michigan

The Michigan section of the State tab gathers the necessary information to complete the Michigan Business tax.

A   Assign the location.

Note Enter a number (1-99) or select a location either by clicking the Location link or accessing *Categories & Codes* in the asset tree).

B   Select the Michigan classification.

C   Enter the dates transferred into and out of Michigan.

D   Enter the federal adjusted basis for both transfer dates.

Other Tab

The Other tab offers four additional options for tracking depreciation.

A   Uncheck the box(es) to activate the column(s) and make any desired changes.

B   The ACE column is for 1120 returns that need to track older assets with different depreciation for accumulated current earnings.

C   The Book Value column will carry to the balance sheet and Schedules M-1 and M-3 on business returns.

D   Use the Other and What-if columns for what-if scenarios.

Like-Kind Exchange Wizard

The Like-Kind Exchange Wizard is located in the Tools menu and walks you through completing exchanges for Form 8824 assets in the Asset Manager. The wizard breaks down the details of the data required to accurately complete a like-kind exchange.

A Select the type of exchange. Available choices are Vehicle trade-in, Deferred exchange, and Other.

What type of exchange did the taxpayer complete?

Select from the following types of exchanges to have the wizard guide you through entering the information required to complete the like-kind exchange.

Type of exchange: [▾]

Vehicle trade-in
Deferred exchange
Other

[Remove LKE] [<< Prior] [Next >>] [Close]
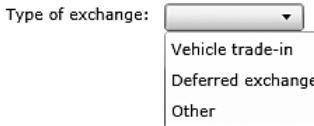
B Click **Next**.

C Verify the information presented for the like-kind property given up (relinquished property).

D Select which part of Form 4797 the asset would be reported on if this were a fully taxable transaction. This will help with any applicable depreciation recapture in later steps.

PART I Information on the Like-Kind Exchange – Like Kind Property Given Up

The following is like-kind information on the property given up (relinquished property) as it was entered at the time the asset was placed in service.

1. Description of like-kind proprety given up (relinquished proprety):	Chevrolet Suburban
Type:	6000 to 14000 GVW SUV
Method:	M5YR
Period:	0
Convention:	HY -- Half Year
Force Options	0 - N/A
Carry to 4797 part #:	[▾]

Part 1
Part 2
[Remove LKE] [<< Prior] [Next >>] Part 3 Sec 1245
Part 3 Sec 1250
Part 3 Other
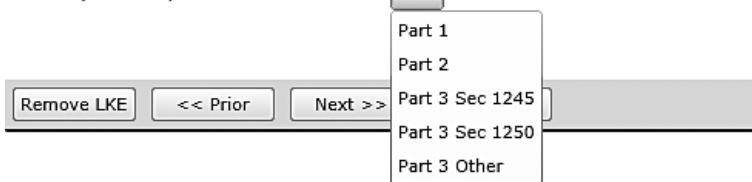
E Click **Next**.

F Enter a description for the like-kind property received (replacement property).

G The other items will default from the relinquished property. Make any adjustments to accurately reflect the replacement property.

Part I Information on the Like-Kind Exchange - Like Kind Property Received

Enter the following information on the like-kind property received (replacement propert

2. Description of like-kind property received (replacement property):	2010 Chevrolet Silverado
Type:	6000 to 14000 GVW SUV ▼
Method:	M5YR ▼
Period:	5
Convention:	HY ▼
Force Options:	N/A ▼
Carry to 4797 Part #:	Part 3 Sec 1245 ▼

[Remove LKE] [<< Prior] [Next >>] [Close]

H Click **Next**.

I Enter the date the relinquished property was transferred.

J Enter the date the replacement property was identified. The replacement property must be identified within 45 days after transferring the relinquished property.

K Enter the date the replacement property was received. The replacement property must be received within 180 days after transferring the relinquished property or by the due date of the tax return, if earlier. If the 180-day window ends after the due date of the tax return, consider extending the tax return so that the taxpayer has the entire 180-day window to complete the transaction.

L If this is a related party transaction, check the box to be able to access the related party information screen; otherwise, the wizard will bypass the related party information.

PART I Information on the Like-Kind Exchange - Dates

Enter the following information on the like-kind property given up (relinquished proprety) and the like-kind property received (replacement property):

3. Date like-kind property given up (relinquished property) acquired: 01-13-2011

4. Date like-kind property given up (relinquished property) transferred: 06-05-2011

5. Date like-kind property received (replacement property) identified: 06-30-2011

6. Date like-kind property received (replacement property) received: 06-30-2011

7. Was the exchange of the property given up (relinquished property) or received (replacement property) made with a related party either directly or indirectly (such as through an intermediary)?   ☑

[Remove LKE]   [<< Prior]   [Next >>]   [Close]

M Click **Next**.

N Enter any applicable related party information.

O Click **Next**.

P Make the appropriate selections for any related party exceptions.

Q Enter an explanation.

R Click **Next**.

S If there was property given up by the taxpayer that was not like-kind property, check the box to access the fields to calculate the gain or loss on the non-like-kind property.

Note ▶ | This will most likely result in a taxable gain for the taxpayer.

T If applicable, enter the fair market value of the other property non-like-kind property) given up.

U If applicable, enter the adjusted basis of the other property (non-like-kind property) given up.

V Any gain or loss will be calculated on line 14 and carry to Form 8824 as well as the applicable form(s)/schedule(s) in the tax return. Again, this will most likely result in a taxable gain for the taxpayer.

PART III Realized Gain or (Loss), Recognized Gain, and Basis of Like-Kind Property Received (Replacement Property)

If the taxpayer gave up any property that was not like-kind as part of the exchange, check the box to answer additional questions. Otherwise, click next. ☑

12. Fair market value of OTHER property given up   `0`

13. Adjusted basis of OTHER property given up   `0`

14. Gain or (loss) recognized on OTHER property given up: `0`

NOTE: Any gain or loss on line 14 is reported on the tax return and is a taxable event. Make sure that any entries on line 12 and 13 reflect only NON like-kind property given up by the taxpayer.

| Remove LKE | << Prior | Next >> | Close |

W Click **Next**.

X Enter any exchange expenses incurred by the taxpayer. This includes items such as commissions paid on the sale of the relinquished property or exchange accommodator (intermediary) fees.

Y Enter any cash the taxpayer received in the transaction. This is the cash the taxpayer actually or constructively received and held control over, not cash held by the intermediary or exchange accommodator.

Z If the taxpayer received any non-like-kind exchange property (boot other than cash) in the transaction, enter the fair market value of the non-like-kind property received.

AA Enter any liabilities or mortgages assumed or paid off by the other parties in the exchange. Any form of debt relief should be entered here, including mortgages paid off with proceeds of the sale of the relinquished property in a deferred exchange.

BB Enter any liabilities the taxpayer assumed in the transaction. This includes mortgages or other debts the taxpayer took over or paid off for other parties in the transaction.

CC Enter the out-of-pocket cash the taxpayer paid in the transaction (e.g., cash down payment or escrow payment on the replacement property).

DD Enter any new loans (mortgages or other liabilities) the taxpayer established to fund acquisition of the replacement property.

EE Enter the fair market value of the replacement property. Typically, this is the purchase price of the property if cash had been paid. This will often include sales taxes and fees or other closing costs paid on the replacement property.

FF If the depreciation allowed or allowable on the relinquished property needs to be adjusted, check the override box and enter the correct depreciation allowed or allowable.

GG Optionally, enter the sales price of the relinquished property. While this is not required on Form 8824, it is useful to make sure the transaction is recorded properly, and may be needed if there is depreciation recapture to deal with in the transaction.

PART III Realized Gain or (Loss), Recognized Gain, and Basis of Like-Kind Property Received (Replacement Property)

Enter the following information related to the like-kind property given up (relinquished property) and/or received (replacement property):

Exchange expenses incurred by the taxpayer:	0
Cash received by the taxpayer:	0
Fair market value of other (not like-kind) property received by the taxpayer:	0
Liabilities (including mortgages) assumed by the other party (debt relief):	0
Liabilities (including mortgages) assumed by the taxpayer:	0

[Remove LKE] [<< Prior] [Next >>] [Close]

HH Click **Next**.

II Verify that the calculations are correct. Click the **Prior** button to make any necessary adjustments.

JJ Click **Next**.

KK Enter the required information to calculate depreciation recapture, if any, or the transaction.

LL Click **Next**.

MM Verify the final calculations. Use the **Prior** button to make any required adjustments.

NN Click **Next**.

OO Select the option under which the new asset(s) will be created.

How does the taxpayer want to depreciate the new asset?

Select from the following options to automatically create the new asset(s) involved in this exchange:

Create new assets under:

Create New Ass

Regulation Section 1.168(i)-6
Election Under Reg Section 1.168(i)-6(i)
IRS Notice 2000-4
Do Not Create New Assets

Creating assets under Regulation §1.168(i)-6 will result in a new asset representing the exchanged basis (carryover basis) being depreciated over the longer slower depreciation method and life of the relinquished property or the replacement property. Any excess basis (boot) will be depreciated as a second, new asset over the depreciation method and life of the replacement property.

Creating an asset under the election in Regulation §1.168(i)-6(i) will result in an asset with the basis as reflected on line 25 of Form 8824 depreciated using

Remove LKE   << Prior   Next >>   Close

PP Click **Create New Asset(s)**. The Asset Manager will add the new assets.

QQ Click **Close** to exit the Like-Kind Exchange Wizard.

RR Click the **Remove LKE** button to remove all information for the like-kind exchange.

Special Depreciation Allowance Elections

The Asset Manager will generate election statements if the taxpayer has elected out of the special depreciation allowance for any of the given classes of property.

A To make these elections, access Special Allowance under All Assets in the asset tree.

B For property that is eligible for the 50% special depreciation allowance, check the None box for each class that the taxpayer elects out of. Check the box for all classes if the taxpayer does not want to claim the 50% allowance on any assets for the current year.

C If the elections have changed, the Asset Manager will recalculate all of the assets to apply the elections.

D The election statement(s) will be available to print when you preview the return.

Note The elections are client-specific.

Section 179 Information

Click Section 179 under All Assets in the asset tree to access all of the section 179 information.

Carryover

Enter any section 179 carryover that was disallowed in prior years.

A Select the form.

B Enter or select the multiple number.

C Enter the amount of the carryover.

K1 Received

View information about section 179 expenses entered on the K1 Received input screen that were reported by any S corporations or partnerships.

Override

To override the business income limitation for the section 179 calculations, enter the appropriate number here.

> **Note** The software will automatically calculate and print a business income limitation worksheet. This override has been provided in case you disagree with the calculated amount.

Settings

To establish the functional categories, locations, account codes, and division codes, click All Assets and then Categories &Codes in the asset tree.

Functional Category

The functional categories are shared across all of your clients. There is a list of 13 categories defaulted within the program. You can add as many categories as you wish, as long as there are no skips in the category numbers.

Location

Locations are client-specific. If the taxpayer wants to see depreciation reports based on location, add as many locations as necessary. Assign locations to each asset in the bottom right-hand corner of the General tab or as you add new assets.

Account Code

Account codes are client-specific. Add as many accounts as necessary if the taxpayer wants to see depreciation reports based on accounts. Assign account codes to each asset in the bottom right-hand corner of the General tab.

Division Code

Division codes are client-specific. If the taxpayer wants to see depreciation reports based on divisions, add as many divisions as necessary. Assign division codes to each asset in the bottom right-hand corner of the General tab.

Depreciation Reports

Global asset report settings are accessible within **Admin>Deliverables> Asset Reports**. Client-specific report settings are available within the asset tree in the Asset Manager. Any selections made within the Asset Manager will override the global settings within Admin.

Admin Asset Report Settings

A Access the asset report settings by clicking **Admin>Deliverables>Asset Reports**.

B Select the desired system.

C Tag one or more reports to print with the return. These reports will print for each client in the specified system with assets entered in the Asset Manager.

1 Print the following current year reports:

- Federal depreciation

- Alternative minimum tax (AMT) depreciation

- ACE depreciation (1120 returns only)

- Nonconforming state depreciation (one report for each state in the return that does not conform to federal depreciation rules)

- Book value depreciation

- Book tax difference

- Other depreciation

- What-if depreciation

- Disposition report

- Separate amortization report

2 Print the following future reports:

- Federal

- AMT

- Book value

- Other

- What-if

D Select one *Sort by* option.

E Select one *Group Section by* option.

F If you are using the Asset ID field, check the box to print the asset ID with the description.

G If you want each group (form, functional category, etc.) to begin on a new page, check the box to separate the sections by page.

H Report the above process for each system.

Asset Tree Asset Report Settings

To override the global asset report settings, selections can be made on a return-by-return basis within the Asset Manager.

A In the asset tree, click **All Assets>Reports**.

B Tag one or more reports to print with the return. These reports will print for this client only.

Report Preview

In prior years, you could preview an asset report by clicking the **View/Print Report** button. For 2012 and future years, reports can be previewed by flipping to the output form. To print the report, preview the return and print the report from preview mode.

Tools

Click the wrench ![wrench icon] icon to access the available tools within the Asset Manager.

- **Recalculate current depreciation on all assets** (Ctrl+Alt+R) – Select this option to recalculate the current depreciation on all assets. As calculations are automatically updated each time a change or new entry is made, this option is seldom needed. This option will apply if the fiscal year for a business return changed and the option to update depreciation for all assets was not selected at the time of the change.

- **Reset book depreciation to same as federal on all assets** (Ctrl+Alt+B) – Select this option to force the Book column on the Other tab to use the same information as the federal Depreciation Column on the **General** tab for all assets. This is most often used as a result of conversions from competing software where book depreciation was not available or could not be converted.

- **Reset what-if depreciation to same as federal on all assets** (Ctrl+Alt+W) – Select this option to force the What-if column on the Other tab to use the same information as the Federal Depreciation column on the General tab for all assets.

- **Reset California prior depreciation on all assets** (Ctrl+Shift+C) – Select this option to recalculate the prior depreciation for California. This is only available if the current return has California in the list of states to process.

- **Reset taxpayer/spouse and state indicators on all assets** – Select this option to reset the taxpayer/spouse and state indicators on all assets to their defaults. Forms, such as Schedule C, will be reset to match the taxpayer/spouse and state indicators on their respective input screens. Forms that do not have a taxpayer/spouse or state indicator will be reset to show Joint, if the return is married filing joint, or Taxpayer for all other filing statuses. The state indicator will reset to the resident state.

- **Split asset** (Ctrl+Alt+S) – Select this option to split an asset into two parts.

  - Select either Percentage (default) or Units.

  - If using Units, indicate how many units are in the entire asset. If using a percentage, the total will default to 100%.

- ◆ Indicate which percentage or how many units should carry to the new asset.

- ◆ Change either or both descriptions as appropriate.

- ◆ Click **OK** to complete the split.

- ◆ Click **Cancel** to avoid splitting the asset.

Note

There is no undo feature for splitting assets. Once the assets are split, the original asset must be edited to restore it to its original state, and the new asset must be deleted.

- ■ **Duplicate Asset** (Ctrl+Alt+D) – Select this option to make an exact copy of the current asset. All attributes from the original asset will be duplicated, including prior depreciation amounts.

Import Assets from Another Return

Select this option to import assets from any other return in the current year tax software.

A Browse to the client's return that contains the desired asset.

B Highlight the return from which the assets should be imported.

C Click **Import**.

Note

If importing from a different system than the current client, the assets will need to be moved to the proper form or schedule to carry correctly in the current return. The assets will be listed under the form number to which they were attached in the original return.

Filing Returns Electronically

The software comes with an integrated electronic filing module for federal systems 990, 990PF, 1040, 1041, 1065, 1120, 1120S, 5500, and Extensions. Many states can also be e-filed.

To file returns electronically, you must go through four basic steps: preparing the return, transmitting the return, handling acknowledgments, and correcting rejects, if required.

How to Become an E-File Participant

To participate in the e-file program, you must be an authorized e-file provider. This requires that you file federal Form 8633 application to participate in the IRS and State e-file programs. Instructions can be found on the IRS website at www.irs.gov.

Before you proceed, click the **Admin** menu option. Select the **Office Setup** tab and the **Firm** option. Enter your **Default EFIN**.

Note

> To help eliminate e-file rejects, check the **Verify Key E-File Information** box under the **Admin** link, **E-File** tab. You will be prompted for re-entry of SSNs, names, and key W-2 and 1099-R fields.

The EFIN can also be entered during the initial software installation configuration.
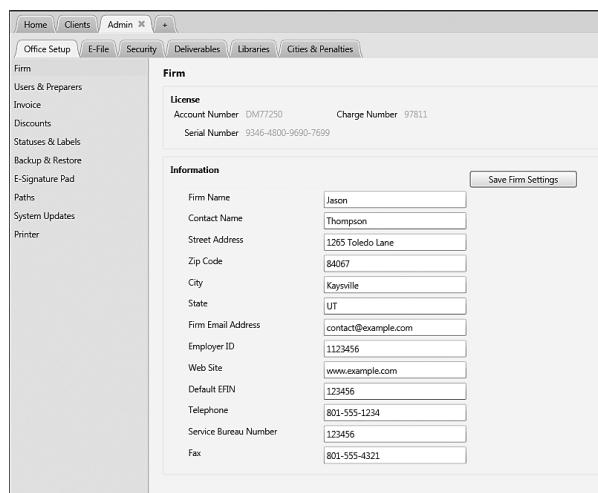
Helpful E-File Tools

EF Settings

We have included several options to help simplify the e-file process and create more accurate e-file returns. These tools can be accessed by clicking the **Admin** link and selecting the **E-File** tab. Tag the items you want to activate.

Step 1 – Preparing the Return

  1   Click **New Client** or open an existing client.

  2   If entering a new client, enter the tax return. Reference the *1040 Sample Return* section for help in entering tax information.

Electronic Filing and Direct Deposit Information

  3   **File federal return electronically** - The software defaults that all returns will be e-filed. If you want to paper file a return uncheck the File federal return electronically box.

> **Note**
>
> If the preparer processes more than 10 returns they must e-file. Refer to *E-File Mandates* section.

Direct Deposit/Electronic Fund Withdrawal

To participate in Direct Deposit or Electronic Funds, enter bank information under the **Direct Deposit/Electronic Fund Withdrawal** section.

  4   Select **More…** to add the bank account number and other details. This allows input of bank information so the taxpayer's refund can be directly deposited (DD), or the balance due amount can have electronic funds withdrawn (EFW) from the taxpayer's bank account.

Direct Deposit and Electronic Funds Withdrawal

Government	US
Same as Fed	
Financial Institution	
Routing #	
Depositor Account #	
Account Type	Savings ▾
DD/EFW	▾
Foreign Bank	☐
Amount	
Percent	
Withdrawal Date	mn

← →   Add New   Close

For direct deposit purposes only, you can select to split your federal refund in up to three accounts.

- **One account** – The amount will default. Account information will print on Form 1040, page 2.

- **Two or three accounts** – You must enter an amount or percent. Account information will print on Form 8888.

Note
The software does not support e-filing of Form 8888. Paper filing is required to use refund splitting.

Note
If you are processing a return with a financial product, do NOT enter deposit information in the DD/EFW grid on the General Information screen. Deposit information for financial products should be entered on the **Bank-Bank App** input screen.

5 **Government** – Verify the federal and/or state information field. US1, US2, US3 for up to 3 different federal accounts. Use the state two-letter code for the state DD or EFW.

6 **Same as Fed** – Select **Federal Account 1, 2, or 3** in the *Same as Federal* column if you want the state bank account information to mirror one of the federal accounts. If you want different account information, leave the column blank. By checking this column, information entered on one of the federal lines will default to the state line in the Financial Institution Name, Routing Number, Depositor Account Number, and Account Type columns.

7 **Financial Institution** – Enter the financial institution name.

Note
If entries were made in the RTN Library, or if you entered the bank information previously, you can select the applicable **Financial Institution** from the drop down box. The *Financial Institution* and *Routing Number* columns will auto-fill. Refer to *Admin>Libraries* section.

8 **Routing #** – Enter the Routing Number. This field will auto-fill if the routing number related to the Financial Institution was entered previously.

9 **Depositor Account #** – Enter the depositor account number.

10 **Account Type** – Click the drop down box and select the desired account.

11 **DD/EFW** – Determine if the client will receive a refund or owe taxes. Click the drop down box and highlight **DD** for direct deposit, **EFW** for electronic funds withdrawal, or none for zero payment/refund. When the return is reviewed, if adjustments need to be made to this field, a related diagnostic will appear.

12 **Foreign Bank** – Check the box if the refund is going through an account outside of the U.S.

13 **Amount** – The software will default the full amount unless multiple federal deposits are used. Leave this field blank if using a percentage.

14 **Percent** – When using multiple accounts, the software calculate an equal percentage for each account. Leave this field blank if using an amount.

15 **Withdrawal Date** – If the client participates in EFW, the withdrawal date will default to April 15th. To override the withdrawal date, enter the desired **date**. If the return is e-filed after April 15th, the program will default to the date the return is entered. The IRS will debit the account on the first business day following acceptance. Default dates will not appear on the screen.

Note ▶ If the client participates in EFW, a daytime phone number is required. Verify the taxpayer's daytime phone number is entered on the General Information screen. For EFW, only one federal account can be used (US1).

Note ▶ Taxpayers may pay their federal taxes using a credit card. Visit www.irs. gov for details and instructions. Do not complete the Direct Deposit and Electronic Funds Withdrawal grid. There are finance charges associated with this service.

Note ▶ A 1040-V will print in case the taxpayer decides to pay by check. State credit card options vary. Check with the individual states for details.

16 When complete, select **Close**.

Practitioner PIN Program

The IRS has mandated the use of the PIN Program for all tax returns. Use of the PIN will generate Form 8879. Form 8453 is a transmittal for certain forms that cannot be e-filed.

17 Taxpayer PIN – Enter a **5-digit PIN** for the taxpayer. All zeros are not permitted. The taxpayer and spouse PINs can be the same.

18 Spouse PIN – Enter a **5-digit PIN** for the spouse (if applicable).

19 ERO PIN – Enter a **5-digit PIN** for you, the ERO. This number must remain the same on all returns associated with the ERO submitted at one location. If the ERO moves from one office to another, a unique PIN must be used for each office.

> **Note**
>
> To **Default** the taxpayer, spouse, and ERO PINs for all e-file returns, enter the **5-digit number** for each. Press **Ctrl+D** on each field to set the default. Click **OK**. PINs will only be activated if a signature date is entered.

20 Taxpayer(s) entered PIN(s) – Only check the box if the taxpayers entered their own PINs.

21 Signature Date – Enter the signature date then the taxpayers.

For additional e-file options, click the **Electronic Filing Options** link or select the '**EF E-File**' form.

E-File Diagnostics

The software contains several audits and suggestions as you enter data and move from field to field. Diagnostics appear at the bottom of the return pane.

22 After entering all tax and e-file information, check the return for E-File diagnostics. E-File diagnostics are noted in red. They must be fixed before the return can be e-filed.

23 Click **Go** to jump to the field in the return associated with the diagnostic and make the correction.

24 **Preview** the return and verify that federal and state (if applicable) Form 8879 and 8453 (if applicable) were generated. **Print** the form(s) and have the taxpayer(s) sign the forms BEFORE e-filing the return, or use the e-file signature pad.

25 When you are sure the return is ready to e-file, click **E-File** on the task bar to transmit the return to the IRS and/or states. Reference *Step 2 – Transmitting Returns* for more information.

State Electronic Filing

The following states can be e-filed:

1040: AL, AR, AZ, CA, CO, CT, DC, DE, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI MBT, MN, MO, MS, MT, NC, ND, NE, NJ, NM, NY, OH, OK, OR, PA, PR, RI, SC, UT, VA, VT, WI, and WV

1041: MA, MBT, NY

1065: AL, CA, CO, GA, ID, IA, KS, MA, MD, ME, MD, MI MBT, MN, MS, MT, ND, NJ, NY, PA, RI, UT, TX, WI, WI Est. Pmts., WV

1120: AL, CA, CO, FL, GA, ID, IA, IL, KS, LA, MA, MD, ME, MI MBT, MN, MO, MS, MT, ND, NJ, NY, OR, PA, RI, SC, UT, TX, WI, WI Est. Pmts., WV

1120S: AL, CA, CO, FL, GA, IA, ID, KS, LA, MA, MD, ME, MI MBT, MN, MO, MS, MT, ND, NJ, NY, OR, PA, RI, SC, UT, TX, WI, WI Est. Pmts., WV

Note
State programming is contingent on release of specifications by the states. Therefore, this list is subject to change.

Note
Implementation and start dates vary by state. This information can be accessed in the EF Center Release Dates link.

Direct – Direct state e-file returns are sent directly to the state, separate from the federal return. You can e-file MULTIPLE Direct states per client. Direct e-file clients will appear on the *E-File Center Send Clients* screen with the state noted in the *State* column. If a federal e-file return is sent, it will appear on a separate line with *FED* noted in the *IRS* column. CA, IL, MA, ME, MN, and PR can only be sent as Direct states.

Self-Select PIN Program

There are two e-file PIN programs: The Practitioner PIN will generate Form 8879 and must be retained by the ERO for 3 years. The Self-Select PIN will not generate a signature document. However, prior year AGI amounts are required in lieu of the signature. Self- Select PIN information is entered on the EF-E-File screen.

Use Self-Select Pin

Check the **Yes** box to elect to use the Self-Select PIN program.

Taxpayer/Spouse Prior Year PIN

Enter the taxpayer and spouse PIN from the prior year.

Taxpayer/Spouse Designate PIN Type

From the dropdown box, select **1- Prior Year PIN** if the PIN entered was used in the prior year; select **2- Electronic Filing PIN** if the taxpayers forgot or did not have prior year PINs. PINs and AGI information can be obtained from the IRS EF PIN website. A link to the website is included in the program.

Taxpayer/Spouse Prior Year AGI

Enter the taxpayer and spouse adjusted gross income from the prior year tax return. If you filed Married Filing Joint or the spouse did not work, the taxpayer and spouse AGIs should match.

Note Prior year PIN and AGI amounts will carry forward during the update process, if applicable. Those who forget their client's PIN and prior year AGI can go to the IRS website, and by submitting the client's personal information (birthdate, SSN, etc.) will receive a 'Token' containing the client's prior year PIN and AGI.

Taxpayer/Spouse PINs

The taxpayer and spouse can select their own PINs. Each is composed of 5 digits. All zeros are not permitted. The taxpayer and spouse PINs can be the same.

ERO PIN

The ERO must select a PIN. This PIN must remain constant for all returns submitted at one location. If the ERO moves from one office to another, a unique PIN must be used for each office.

Taxpayer(s) entered PIN(s)

Do not check the Taxpayer(s) entered PIN(s) box unless the taxpayers touched your keyboard and entered their own PINs.

Signature Date

A Signature Date noting when the taxpayer PIN was entered is required.

E-File Forms

Form 8879 – IRS E-File Signature Authorization Form

- Taxpayers can enter their own PINs or the taxpayer and/or spouse can authorize the ERO to enter their PINs for them. It is not acceptable for a taxpayer to enter the PIN of a spouse who is not present.

- Form 8879 must be signed by the taxpayer(s).

- Form 8879 can be provided to the taxpayer personally, by mail, or by fax.

- Form 8879 must be returned to the ERO before the return is e-filed.

- The ERO must retain Form 8879 for 3 years.

- The ERO can provide a copy of Form 8879 to the taxpayer upon request.

- If corrections must be made to Form 8879 due to changes or rejections, a new Form 8879 must be used.

Form 8453 – U.S. Individual Income Tax Declaration for an E-file Return

Form 8453 will only be generated if the return contains forms or supporting documents that are required to be mailed to the IRS for e-filed returns. Form 8879 will also be generated and must be signed by the taxpayer(s) and ERO. Reference EF-E-File screen for a list of supporting document forms.

E-File Notes

With the use of a PIN, e-filing is truly a paperless process. The IRS allows electronic notes and explanations for e-file returns. To access notes and explanations, while in the client's return, select the **Tools button** and select **Return Notes**. Notes can be as long as you want. You can enter as many notes as you wish. Notes and explanation pages will print as part of the return.

Notes

Items entered in the **Notes** tab are NOT included in the IRS e-file. They are used to note items you may want to include for the client as part of the return.

EF Preparer Notes

EF Preparer Notes are included in the IRS e-file. They are used to provide additional voluntary information related to the tax return, but are not required.

EF Election Explanation

EF Election Explanations are included in the IRS e-file. They are used to note when the taxpayer makes an election.

EF Regulatory Explanation

EF Regulatory Explanations are included in the IRS e-file. They are similar to EF Election Explanations, but are used when the taxpayer cites a specific regulation. The specific "regulation" must be cited, followed by an explanation or other supporting information.

Information entered under this tab will NOT be included in the e-file sent to the IRS.

Information entered in these tabs will be included in the e-file sent to the IRS.

Return Notes

| Notes | Efile Preparer Notes | Efile Election Explanation | Efile Regulatory Explanation |

New Note ▼

Return notes are not sent as part of an efiled return.

Verify address before e-filing.

Delete Note
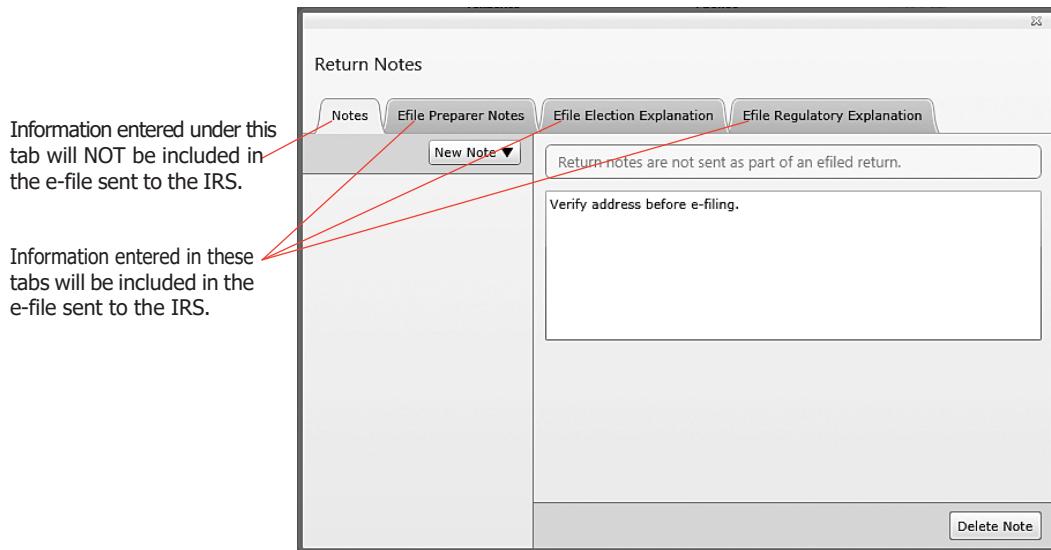
Step 2 – Transmitting Returns

1 When you are ready to e-file a return, click the **E-File** button at the bottom of the Return or Preview screen. Proceed through the Filing Options screen to transmit the return to the EF Center.

1a If you are not quite ready to e-file the return, click the **E-File** button at the bottom of the Return or Preview screen. When the Filing Option screen appears, mark the return **Ready to E-File**. The software will add this label to the return. When you are ready to e-file and transmit the returns, you can access them from the **Clients** tab.

2 E-File returns are held in the EF Center in the 'At Filing Center' status. However, MeF returns are forwarded to the IRS and state agencies every one to three minutes. Ensure returns are ready to be e-file, as the opportunity to delete returns once they are transmitted to the EF Center will be very difficult.

3 State returns transmitted WITH the federal return will be held 'At the Filing Center' until the federal return has been accepted.

4 Transmitted returns can be tracked by logging into the **EF Center**.

5 E-File transmission reports are available in the EF Center. **Log in** to the EF Center. Click **Reports** and select **Transmissions**. Enter desired **beginning** and **ending** dates. Reference the *E-File Center Report* section.

Note ▸ If you used the software in prior years, 'In Send Clients' has been removed from the EF Center.

Step 3 – Handling Acknowledgements

1 Acknowledgements will automatically appear in the EF Center. MeF acknowledgements can be received approximately five minutes to one hour after they are transmitted to the IRS. State acknowledgements vary and can take from 1 to 72 hours after being transmitted.

2 To view acknowledgement detail, **Log in** to the EF Center. Click **Acknowledgments**. Acknowledgments that are bold with a highlighted background are new and have never been viewed. Viewed acknowledgements will appear as regular text without a highlighted background.

3 To view *Acknowledgement Reports*, click the **transmission date**, or tag the **acknowledgement(s)** and click **View**.

4 Acknowledgement report(s) will appear. Among the icon selections are **Print**, **Save**, or **E-mail Report**. Click the red '**X**' tab to **Close**, returning to the overview screen.

5 To remove acknowledgements from the screen, **tag** the acknowledgement(s) and click **Archive**. Acknowledgements will be deleted from the screen and saved to an archive directory. To view archived acknowledgements, click **Reports** on the button bar.

Note ▸ The bottom of the Acknowledgment Report includes legends for information noted on the report.

6 To view Confirmation Letters, click the applicable **Confirmation Letters** link.

7 A list of accepted clients will appear. Click the client's **name**, or **tag** the client(s) and click **View**.

8 The *Confirmation Letter* will appear. Select **Print** or **E-mail**. Click the red '**X**' tab to **Close**, returning to the overview screen.

9 Upon your exit, a screen will appear, asking if you printed the Confirmation Letter. Click **Yes** or **No**. A date will appear in the Printed/Viewed or E-mailed column on the screen.

10 You may also email Confirmation Letters. The e-mail address defaults from the entry on the *General Information* screen. To edit or add an e-mail address, click **Edit**. Enter the correct **email address** and click **Save**. Tag **clients** and click **E-mail**. A message will appear, confirming the email was sent. Click **OK**.

Emails sent through the EF Center are sent through an unmonitored email account. This is due to the fact that some ISPs may block emails with From addresses that do not match the domain server. Emails will be sent through the E-File Center with the domain server and the From field matching. The preparer's email address will be included in the body of the email. You also have the ability to type a message to your clients before sending the email.

Step 4 – Correcting Rejects

1 Reject returns automatically appear in the EF Center.

2 To view reject detail, **Log in** to the EF Center. View rejects from the *Overview* screen under Pending, **Rejects** or from the Database button, which has several reject links.

3 After determining the reject problem, return to the program. Open the **client** and make the necessary corrections.

4 Verify that all e-file diagnostics are removed.

5 Click **E-File** to retransmit the return.

Note ▶ For state reject codes, reference individual state e-file handbooks.

E-Filing Imperfect Returns

The IRS and states will accept e-filing of imperfect individual returns on second or subsequent transmissions for returns relating only to business rules 501 or 504 (dependent name control and SSN mismatch).

On the first transmission of a return containing a dependent name/SSN mismatch, the IRS acknowledgment will be returned with a code "R," indicating "Rejected." Instructions will be noted in the acknowledgment on how to handle the reject. Verify the data and make corrections if applicable. Repeat the e-file transmission process.

If you find the information to be correct, the return may be retransmitted as an imperfect return, and will go through exception processing. To send an imperfect return:

1 Open the **client**. Select **EF E-File** from the Forms pane. Check the **Mark return as "Imperfect"** box.

2 Repeat the e-file transmission process.

3 When the IRS acknowledgement is received, a code "E" will be returned, indicating "Exception Processing." The IRS will accept the return into the system, but the related credit(s) or exemption(s) may be disallowed. The IRS will send a notice to the taxpayers. The taxpayers will need to contact the IRS or the Social Security Administration to clear up the related dependent name/SSN mismatch. Processing of the return will be delayed.

Note

States will also accept imperfect individual returns with business rules 501 or 504.

Step 5 – Tracking E-File Information

Track electronically filed returns in the online EF Center. Use the online EF Center if you are in the office or anywhere with Internet access. The EF Center provides in-depth detail and features reports, letters, check printing, and more.

E-File Center

The program has a powerful e-file command center. The E-File Center allows you to view and track e-file and financial product information from one location. With this feature, your information will reside on a secure server instead of on your network or hard drive. You can access the E-File Center anywhere you have internet access.

E-File Center Login

In order to access the E-File Center you must have an Internet connection.

1   Click the icon in the top left corner and select **EFCENTER 2012** from the drop down menu.

2   The first time you log into the E-File Center for the year, the login screen will appear. Proceed through the steps below.

Note ▶ | After the initial setup, when accessing the E-File Center through the program, login information will be maintained and the login screen will be bypassed.

Note ▶ | You have the ability to login to the E-File Center as the Administrator or as a user. It will be necessary for the Administrator to perform the initial setup, as they will have the ability to see all user names and passwords. If you are the only person in the office, follow the Administrator instructions.

3   If this is the first time accessing the E-File Center, reference your software license notice. Enter the **User Name** and **Password** as follows:

- **Administrator** – Enter the **Account Number** for the User Name and the **Charge Number** for the Password as they appear on your License Notice.

- **User** – Enter the U**ser Name set up by your Administrator**, and enter the word **password** (all lowercase) as your Password.

Click the **Log In** button.

Note ▶ | For security reasons, we recommend that you create unique user names for each individual in your office accessing the E-File Center. Reference steps 9 through 14 for details.

Note ▶ | Check the **Keep me logged in** box to make sure your session in the E-File Center does not expire.

4   A screen will appear requiring you to create a unique User Name and Password.

- **Administrator** – Enter your **First Name**, **Last Name**, and **User Name**. Enter a **new password** and verify it.

- **User** – Your First Name, Last Name, and User Name will be filled in. If you want to make changes, delete the entries and type in the desired names. Enter a **new password** and verify it.

5 Enter your **e-mail address** for recovery purposes and verify the e-mail address.

6 Select the preferred language for display on the E-File Center screens from a choice of English or Spanish or Use Browser Setting to use the preferred language of your browser.

7 Select a **security question** and provide the **answer**.

8 Click **Submit**.

You have successfully completed the Security setup!

9 You will be asked to re-log into the E-File Center using the new password you just set. Reenter your **User Name** and the new **Password**. Click the **Log In** button. You are now in the E-File Center.

You may also click the **Manage User** link at the top of the screen to reset your own password.

10 To set up additional Users, click the **Security** link.

11 The Manage User Login screen will appear.

12 Click the **Add** button to set up additional User Logins.

13 Enter the user's **First Name**, **Last Name**, and **User Name**. The Password will automatically be set as password until the user changes it the first time they log into the E-File Center.

14 **Tag** the areas of the E-File Center the user will be able to access. The default is access to all areas.

15 Click **Submit** when complete.

16 A screen will appear stating your new login has been added. Click **Finish**.

17 If you need to make changes to existing user logins, click the **Security** link on the Overview screen.

18 Click the **Edit Login** link for the user you wish to edit.

19 You have the ability to change the user's first name and last name, create a new user name, reset the password, and edit access to areas of the E-File Center. Make the applicable changes and click **Submit**.

20 You have the ability to reset a password, or recover an existing password. To perform these functions, click the **Exit Login** link. Click the **Reset Password** button. Note on the screen that the password will be reset to your 'charge number' if you are the Administrator, or to 'password' for all other users.

21 If you are a user and have forgotten your password, when the E-File Center Login screen appears, click the **Forgot Username/Password** link.

22 Complete the security questions, which consist of account number, security question, answer to your security question, and e-mail address you entered during your initial login. Click **Submit** to have your user name and password emailed to you.

23 Access your email account to retrieve your login user name and password information.

E-File Center – Overview

The Overview screen is the command center. It is from the Overview screen that you will access all e-file and financial product features and information.

E-File Center buttons – The following buttons are located across the top of the E-File Center screen:

■ **Overview** – Links to the *Overview* screen, covered in items 1 through 20.

■ **Acknowledgements** – Links to federal and state Acknowledgments and Confirmation Letters.

■ **Database** – Links to the *Database* screen, allowing you to select and view e-file and bank status information on clients that have been transmitted to the Filing Center, IRS, states, and bank.

■ **Bank** – Links to the *Bank* screen, allowing you to view and print bank checks, view a summary of information and items received from the bank.

■ **Reports** – Links to the *Reports* screen, allowing you to view and print various e-file and bank reports. Also includes **Archived** e-file and bank reports, alerts, and other times that were previously viewed.
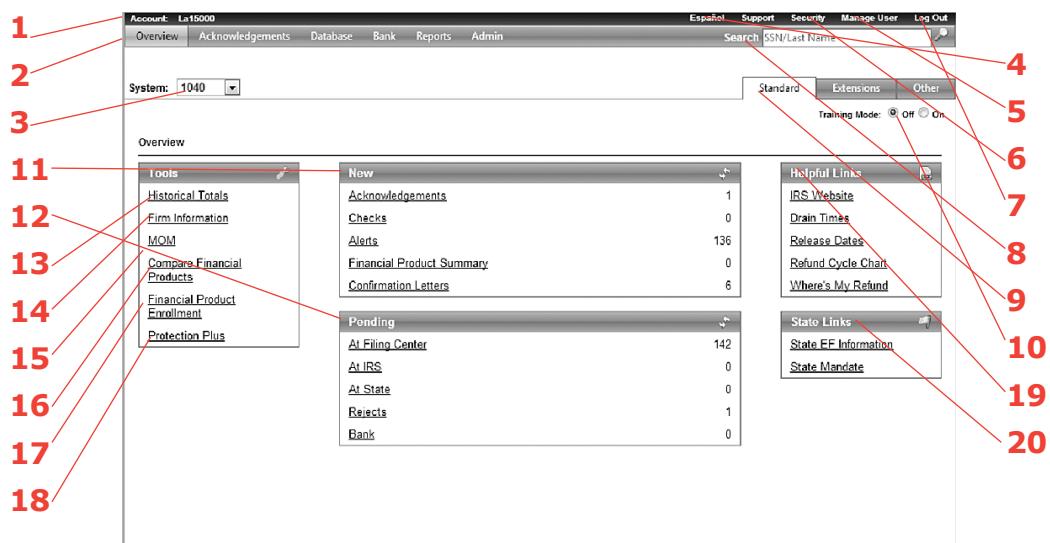
1 **Account** – Displays your account number for quick reference.

2 **Overview** – Displays the main screen which allows you to link to features where you can perform e-file and financial product tasks.

3 **System Selection** – Drop down box allows selection for specific e-file systems.

4 **Español** – Toggles to a Spanish version of the E-File Center.

5 **Manage User** – Allows you to reset your password and related security items.

6 **Security** – Allows you to access and secure E-File Center options by user.

7 **Log Out** – Allows you to log out of the E-File Center.

8 **Search** – Allows you to track returns by SSN, EIN, or last name and then view detailed client information.

9 **Return Mode** – There are three e-file return modes:

■ **Standard** – Use when working with regular e-file returns.

■ **Extensions** – Use when working with e-file extensions.

■ **Other** – Use when working with other e-file returns (e.g. amended returns).

10 **Training Mode** – Move radio button to **On** to simulate the e-file process. Returns will be passed through Filing Center steps but will not go to the IRS/States/Banks. Move radio button to **Off** when working with live e-files.

11 **New** – Links to new items that have never been viewed.

12 **Pending** – Links to returns that are at the Filing Center/IRS/State, unresolved rejects, and returns awaiting bank approval.

13 **Historical Totals** – Keeps a running history of the number of e-file returns that have been accepted, as well as financial products that have been approved.

14 **Firm Information** – Allows you to change the firm information that will print on E-File Center reports vs. pulling the firm data entered within the software.

15 **Multiple Office Management (MOM)** – Allows you to access and manage multiple office information and reports. (For users with multiple accounts and offices.) Refer to *Multiple Office Management* in this section for details in working with this feature.

16 **Compare Financial Products** – Provides a comparison of fees for all banks.

17 **Financial Product Enrollment** – Links to the *Financial Product Enrollment* screen and helpful bank information.

18 **Protection Plus** – Links to Protection Plus enrollment.

19 **Helpful Links** – Links to helpful IRS information, IRS websites, and program documents.

20 **State Links** – Links to helpful state information and state websites.

> **Note**
>
> To link to Alerts from within the E-File Center, click **Alerts** located under the New section.

E-File Center Database

We have provided a utility to help you track the status of your e-file and bank clients. After transmitting clients to the E-File Center, you will be able to view the status of returns as they progress through the IRS, state, and bank.

From the *Overview* screen, click the **Database** button. The initial Database screen gives a quick summary of all available database options. Select one of the available options.

You will link to a grid listing clients meeting criteria for the option selected. The grid has several columns noting information related to the option selected. Click on the column header to sort the grid per the selected column. Click a client's name to view detailed client information.

E-File Center Reports

We have provided several e-file and bank reports to help you manage your clients' information. From the *Overview* screen, click the **Reports** button. Select one of the reports.

You will link to a screen asking you to enter various report limitations. Select the report by SSN, date range, type and status, and sort by options. Click **View** to create and view the report. You can **print**, **e-mail**, **export to Excel** or **save** the report in PDF.

E-File Center Archive

After viewing alerts, transmissions, acknowledgments, and bank reports, you may want to archive them for later access.

Archiving Items

For this example we will archive an acknowledgement report. From the *Overview* screen, click the **Acknowledgements** button. Tag a **report** and click the **Archive** button. The acknowledgment will be moved to an archive location. Click **OK**.

Accessing Archived Items

To access items you have archived, from the *Overview* screen, click the **Reports** button. From the **Archived** column select the archived item you want to access. You will link to a grid allowing you to view archived items.

E-File Center Helpful Links

We know how helpful it is to have ready access to many e-file and bank documents. From the E-File Center, Overview screen we have provided access to several helpful documents. In addition, we allow you to link to IRS and state websites. Click any of the items listed under **Helpful Links** and **State Links** to view and access this information.

E-File Test Procedures

To help you become familiar with the e-file procedure, we have created a test simulation environment. You can test entering and transmitting e-file returns through the program. Then follow them through the E-File Center federal, state, and bank processes. Procedures are similar to working with regular e-file returns with the following two exceptions:

■ When you log into the program, check the box **Log into Training**.

■ When you log into the E-File Center, select the 1040 system from the dropdown and move the **Training Mode** radio button to **ON**.
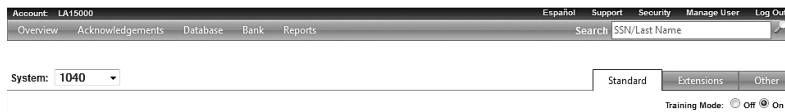
An Alert Bar will appear noting that you are in Training Simulation Mode. While in **Training Simulation** mode, under **Tools**, click **Training Simulation**, to set the manual work flow process. This will allow you to manually move the return through each e-file step including: Send to IRS, Receive State Acks, Print Bank Checks, etc. You will be able to test transmitting a return, viewing/printing a transmission report, acknowledgment report, and bank check, if applicable. After sending the test return, refer to the instructions printed on the sample transmission report for viewing/printing sample acknowledgments and bank checks.

Multiple Office Management (MOM)

The Multiple Office Management (MOM) utility allows tax preparation firms with multiple locations to manage and view all or limited offices e-file and bank activity. This utility allows you to establish tier structures.

Designate a parent, child, and other groups as applicable. From the E-File Center *Overview* screen click **MOM** under the Tools menu.
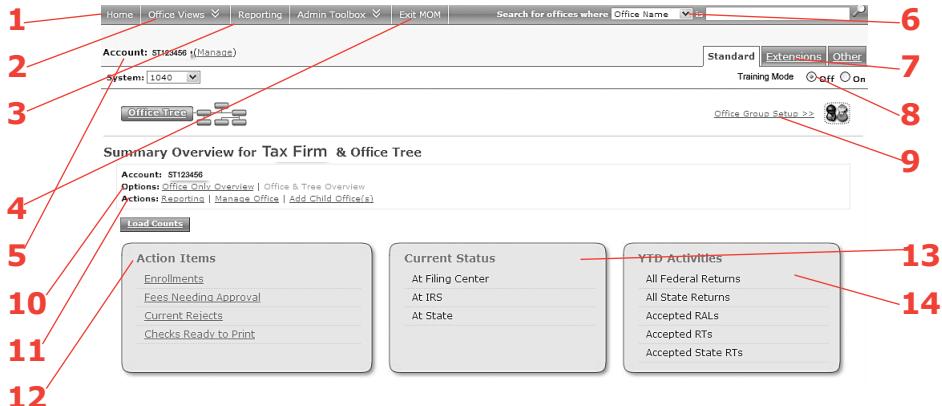
1   **Home** – Click to return to the MOM home page.

2   **Office Views** – Allows you to view information for all offices, office trees, add and manage office groups, and search for a specific office.

3 **Reporting** – Allows you to view reports for office trees, full listings, or organization.

4 **Exit MOM** – Exits the MOM Utility and returns you to the E-File Center.

5 **Account** – Displays office account number assigned by the software. Click **Manage** to display screen allowing you to view and manage office detail for applicable account number.

6 **Search** – Allows you to search for a specific office by account number, address, city, state, contact name or office name.

7 **Return Mode:**

- **Standard** – Use when working with regular e-file returns.

- **Extensions** – Use when working with e-file extension returns.

- **Other** – Use when working with other e-file returns. (e.g. amended)

8 **Training** – Move radio button to **On** to work in e-file sample simulation mode. Move radio button to Off to work in live e-file return mode.

9 **Office Group Setup** – Allows you to create unique groups.

10 **Options** – This option allows you to select **Office Only Overview** displaying an overview of the office information. The **Office & Tree Overview** displays offices associated with the parent office in a 'tree' format.

11 **Actions** – Click **Reporting** to produce federal, state, bank and other reports. Click **Manage Office** to view specific 'sub' office or 'child' office details. Click **Add Child Office** to add 'child' or additional offices to the 'parent' or main company tree.

12 **Action Items** – Displays a summary of the items that need action. Items include financial product enrollment, fees, reject returns and checks to print.

13 **Current Status** – Displays the number of returns that are in send clients, at the filing center, IRS and states.

14 **Daily Activities** – Displays daily activity totals for federal and state returns, and financial products.

Creating a Group

To set up groups, from the Home page click **Office Group Setup**. Click +**Add New Group**. Enter the **Group Name** and **Group Description**. Click +**Add Offices to Group**.

Tag desired offices to add to group and click **Submit**.

A banner will appear, confirming that offices have been added to the group. To add additional groups, select the **Office Views** tab. Click **Office Groups** and then **Management**.

Establishing a 'Parent' or 'Child'

- **Parent**

  By default, all offices (and newly created accounts) in an organization point to the master account/office as the 'Parent'. Offices can be moved under other accounts as 'Child' accounts. Therefore, an office becomes a parent inherently by adding offices under it using the 'Add Child Office(s)' feature.

- **Child**

  To add a child(ren), select the **Office Views** tab. Click **Full Office Listing** or **Office Tree**. Locate desired parent office and click **Add Child Office(s)**. Tag desired 'Child Offices' and click **Add**.

1040 IRS E-File

E-File Service Centers – Applies only to Legacy Processing

The IRS has five 1040 e-file processing centers: Andover, Austin, Fresno, Kansas City, and Philadelphia. For you, the user, service center assignments will be handled through the program. 1040 e-file processing and Help Desk phone support will be handled at two centers.

- Andover will handle Andover and Kansas City e-files.

- Austin will handle Austin, Fresno, and Philadelphia e-files.

Note
The software supports e-filing for Form 2555, Foreign Earned Income Exclusions. All e-file returns containing Form 2555 will be e-filed and handled through the Austin center.

IRS E-Help Phone Number

The IRS has one centralized toll-free number for e-file help. The e-help number is menu driven. Proceed through appropriate prompts in order to speak to the applicable e-file processing center. You can speak to a live attendant or leave a message.

The IRS e-help telephone number is *1-866-255-0654*.

Form 8453

Form 8453 will only be generated if the return contains forms, or supporting documents, that are required to be mailed to the IRS for e-filed returns.

These include: Rev Proc 2009-20, 1098-C, 2848, 3115, 3468, 4136, 5713, 8283, 8332, 8858, 8864, 8885, and 8949. Form 8879 will also be generated and must be signed by the taxpayer(s) and ERO.

Internal Revenue Service
Attn: Shipping and Receiving, 0254
Receipt and Control Branch
Austin, TX 73344-0254

Note State Signature document requirements vary per state. Reference the individual state e-file handbooks or view the state requirements from the E-File Center Overview screen, **State EF Information** link.

Drain Times

The software has an automated E-File Center that operates day and night. It handles federal, state, and bank transmission and receipt processes. Beginning in 2013, all returns, with the exception of NJ 1065, MA 1040 and System 1041, will be processed through the Modernized e-File (MeF) system. MeF returns are sent to the IRS continually near real time. NJ 1065, MA 1040 and System 1041 will be processed under the Legacy system. Legacy returns are picked up by the IRS at scheduled drain times. To view the latest e-file drain times, access the E-File Center Overview screen and click on the **Drain Times** link. Drain times indicated are one hour prior to the actual IRS drain times to allow adequate time for processing. Users will be notified via an Alert message if drain times change.

Note In the case of a problem with the IRS MeF system, federal 1040 returns may be processed using the Legacy system. If this situation occurs, users will be notified via an Alert message.

Refund Cycle Chart

The Refund Cycle Chart provides an estimated date when refunds may be expected based on whether funds are sent as a direct deposit or a mailed paper check. The IRS does not guarantee a specific date that a refund will be deposited. In 2012, the IRS issued more than 9 out of 10 refunds in less than 21 days. They expect the same results for 2013.

The IRS has implemented a system known as CADE (Customer Account Data Engine) to process and access tax return data more efficiently. This allows taxpayers to receive their refunds sooner and allows IRS Customer Service representatives access to accurate and up-to-date information. With CADE, some clients may receive refunds more quickly than is indicated on the IRS Refund Cycle Chart. However, the IRS will not include ALL taxpayers with the above criteria, and they do not indicate specific returns, which have fallen into the CADE processing.

E-File Extensions

Forms 4868, 7004, 8868 (Automatic Extensions of Time) can be filed electronically. The e-file extension process is similar to the regular e-file process.

Form 4868 (1040 Extension)

1 Check the **File Form 4868 extension electronically** box on the GI screen.

2 On the EXT-4868 screen, select the appropriate **Extension Option** from the dropdown box.

3 On the E-File Center Overview screen, select **1040** from the System drop down box and then click the **Extensions** tab.

Note If you e-file a 1040 extension, you can later e-file your client's 1040 return. When you do this, uncheck the boxes you checked in steps 1 and 2 above. Check the **File Federal Return Electronically** box on the GI screen. Follow the e-file instructions for 1040 returns.

Form 8878 will be generated if an Electronic Funds Withdrawal was requested with the extension.

Form 7004 (1065, 1120, and 1120S Extensions)

1 On the General Information screen click the **Electronic filing options** link to access the e-file screen.

2 Complete the applicable information in the Electronic Filing section.

3 In the Extension section, click the **extension** link to access the Form 7004 input screen.

4 Complete the applicable information on Form 7004.

5 Reference the *E-File - Step 2 – Transmitting Returns* section.

6 On the E-File Center Overview screen, select the **applicable system** (1065, 1120, 1120S). Click the **Business Extensions** tab to access the e-file returns.

Form 8868 (990 Extension)

1 From the forms list, select **EF-EF Options**.

2 Complete the applicable information in the Electronic Filing section.

3 In the Extension section, click the **extension** link to access the Form 8868 input screen.

4 Complete the applicable information on Form 8868.

5 Reference the *E-File - Step 2 – Transmitting Returns* section.

6 On the E-File Center Overview screen, select the system **990** from the dropdown box. Click the **Other** tab to access the e-file returns.

Extension Drain Times

View the latest e-file drain times in the E-File Center. From the Overview screen, click **Drain Times** in the Helpful Links box.

990 E-File

The IRS has mandated that all 990 Exempt Organizations with assets of $10 million or more and filing 250 federal returns must file Form 990 electronically. The 990 e-file process is similar to the 1040 process.

1 From the forms list, select **EF-EF Options**.

2 Complete the applicable information in the Electronic Filing Options screen.

3 On the E-File Center Overview screen, select **990** from the System dropdown box.

Note

IRS 990 E-help Phone Number

1-866-255-0654 – Ogden

1041 E-File

The 1041 e-file process is similar to the 1040. However, 1041 returns are processed through the Legacy platform.

1 On the General Information screen click the **Electronic Filing options** link to access the e-file screen.

2 Complete the applicable information on the Electronic Filing Options screen.

3 Reference the *E-File - Step 2 – Transmitting Returns* section.

4 On the E-File Center Overview screen, select **1041** from the System dropdown box.

IRS 1041 E-help Phone Number

1-866-255-0654 – Ogden

1065 E-File

The IRS mandated all partnerships with 100 or more K-1s to be filed electronically. A $50 penalty for each K-1 over 100 is imposed. The 1065 e-file process is similar to the 1040.

1 On the General Information screen click the **Electronic Filing options** link to access the e-file screen.

2 Complete the applicable information on the Electronic Filing Options screen.

3 Reference the *E-File - Step 2 – Transmitting Returns* section.

4 On the E-File Center Overview screen, select **1065** from the System dropdown box.

IRS 1065 E-help Phone Number

1-866-255-0654 – Ogden

1120/1120S E-File

The IRS has mandated that all 1120/1120S corporations with assets of $10 million or more and filing 250 federal returns must file form 1120/1120S electronically. The 1112/1120S e-file process is similar to the 1040 process.

1   On the General Information screen click the **Electronic Filing options** link to access the e-file screen.

2   Complete the applicable information on the Electronic Filing Options screen.

3   Reference the *E-File - Step 2 – Transmitting Returns* section.

4   On the E-File Center Overview screen, select **1120** or **1120S** from the System dropdown box.

IRS 1120/1120S E-help Phone Number

1-866-255-0654 – Ogden

5500 E-File

The IRS has mandated that all 5500 returns be filed electronically. The 5500 e-file returns go to the E-File Center. Returns are then passed to EFAST2 (ERISA Filing Acceptance System 2) versus IRS.

E-Filing the Return

■   You must register for **EFAST2** electronic credentials through www.efast.dol.gov in order to receive the required ID number.

■   The **Administrator Signer ID**, **Sponsor Signer ID**, and **DFE Signer ID** are 8 digits (the first character is alpha followed by 7 numbers) The ID number is issued by EFAST2. It must remain constant for all 5500 e-filed returns.

- The **Administrator PIN**, **Sponsor PIN**, and **DFE PIN** are 4 digits (all numbers). The PIN is issued by EFAST2. It must remain constant for all 5500 e-filed returns.

- From the forms list select **EF-EF Options**. Complete applicable information.

- Reference the *E-File - Step 2 – Transmitting Returns* section.

E-File Help Desk

The help desk for EFAST2 is 1-866-GO EFAST (1-866-463-3278) and is available 8am to 8pm ET Monday through Friday.

Michigan Business Tax (MBT) E-File

Michigan mandates electronic filing of individual and business returns with $350,000 in gross receipts. Michigan does allow certain waivers. Form 803c can also be filed electronically.

E-File for Michigan Business Tax (MBT) 1040, 1041, 1065, 1120, and 1120S systems is available through the software.

To access MBT e-file returns from the E-File Center, select **MI-MBT** from the System drop down box.

E-File Mandates

Federal Mandates

1040/1041 – Preparers who prepare more than 10 individual or trust returns iare required to e-file.

1065 – All 1065 partnerships with 100 or more K1s must be filed electronically. A penalty of $50 per partner will be assessed for those not complying with the mandate. Certain waivers are available, but are very limited.

1120/1120S – All 1120/1120S corporations with assets of $10 million or more and filing 250 federal returns must e-file.

990 – All 990 exempt organizations with assets of $10 million or preparers filing 250 federal returns must e-file. 990PF has been added to the 250 federal return mandate.

990N – ePostcards for small Exempt Organizations must be e-filed.

5500 – All 5500 Annual Return/Report of Employee Benefit Plans must be e-filed.

If you fall into any of the mandates and do not currently e-file, you are required to apply with the IRS to obtain an EFIN. Reference the *How to Become an IRS E-File Participant* section.

State Mandates

AL – (1040) Preparers who prepare more than 50 individual income tax returns, and use tax preparation software, must file all returns using electronic means. Electronic means include electronic filing or printed returns with 2D barcodes. Taxpayers not wanting to electronically file must complete an additional "Opt-Out" form, Form EOO – Taxpayer E-File Opt-Out Election form. This form must be completed and attached to the taxpayer's printed 2D barcode return.

All business returns must be filed electronically.

(1120/1120S/1065) If an income tax return preparer prepares 25 or more acceptable, original corporate/partnership income tax returns using tax preparation software, all acceptable corporate/partnership income tax returns prepared by that income tax preparer must be filed using electronic technology. There is no opt-out provision.

CA – Preparers who prepare more than 100 individual income tax returns during a calendar year are required to e-file all individual income tax returns. The preparer will be assessed a $50 penalty for each acceptable individual income tax return that is prepared using software and not filed by the preparer electronically, unless the failure to file electronically is due to reasonable cause and not due to willful neglect. The tax preparer would then not be subject to the penalty if the taxpayer elects not to e-file the tax return.

CT – Connecticut legislation requires preparers who prepared 50 or more income tax returns in the previous calendar year to file all personal income tax returns electronically.

FL – If you paid $20,000 or more in tax during Florida's fiscal year (July 1-June 30), you must electronically file and pay Florida corporate income tax.

GA – All 1120 State returns must be e-filed.

IL – All persons required to file their federal return electronically, must also file its equivalent Illinois state return by the same electronic means.

IN – Preparers who prepared 100 individual income tax returns in the previous tax-filing season are required to electronically file all individual income tax returns.

KS – Preparers who prepare more than 50 Kansas Individual Income tax returns during any calendar year must electronically file a minimum of 90% of the returns. There is currently no opt-out provision. However, the mandate does not have a penalty for failure to comply with the electronic filing requirement.

LA – Individual income tax returns prepared by a tax preparer that prepares more than 100 Louisiana individual income tax returns during any calendar year are required to be filed electronically as follows.

1. For returns due on or after January 1, 2008, 30 percent of the authorized individual income tax returns must be filed electronically.

2. For returns due on or after January 1, 2010, 60 percent of the authorized individual income tax returns must be filed electronically.

3. For returns due on or after January 1, 2012, 90 percent of the authorized individual income tax returns must be filed electronically.

MA – (1040) Preparers who prepared 100 or more MA Forms 1 and 1-NRPY during the previous calendar year are required to file electronically.

Preparers must continue to file electronically in subsequent years unless they prepare no more than 25 individual income tax returns. Electronic payment of tax liability for e-file individual income tax returns is encouraged, but not required. Payment may be made with the e-file return or by the taxpayer through the DOR's website. The taxpayer may opt out of e-filing, but must file paper forms containing 2D barcodes.

(1040 Extension) Personal Income Tax Extension requests with no payment or payments of $5,000 or more must be made electronically. Extensions may be filed through the software.

(1041) Fiduciaries filing Form 2 with total Part A, Part B, and Part C net taxable income of $50,000 or more must use electronic means to make any payments to the Department. Payments may be made through the DOR's website.

(1065) Partnerships filing Forms 3 and meeting the following income thresholds, loss thresholds, or with 25 or more partners, must submit all Forms 3 and Schedules 3 K1 by electronic means. Income threshold: (1) $50,000 or more in gross income, or (2) $100,000 or more received from the sale of stock and securities. Loss threshold: (1) $50,000 or more in ordinary loss from trade or business activities, or (2) $100,000 or more in losses from the sale of stock and securities.

(1120) All corporations subject to the corporate excise, including security corporations, with more than $100,000 in gross receipts or sales, must file returns and tax payments using electronic means. Exception: financial institutions, insurance companies, and public utilities.

(1120 Extension) Corporate Extension requests and accompanying payments must be filed electronically. Any corporation with more than $100,000 in gross receipts or sales must e-file. In addition, any corporation making a payment of $5,000 or more with its corporate excise extension must e-file the request and make the payment by electronic means. Requests and payments can be made through the DOR's website.

Reference MA Mandate TIR04-30 on the MA DOR website at www.dor.state. ma.us.

MD – Preparers filing 100 or more individual returns must e-file.

There is a taxpayer opt out provision and the preparer can apply for a hardship waiver by writing to the Maryland Comptroller's office. A penalty may be imposed of $50 per return with a maximum penalty for one year of $500.

ME – A tax return preparer must file by electronic data submission all original Maine tax returns for individual income tax that are eligible for electronic filing, except:

1. When for the previous calendar year, the tax return preparer prepared 10 or fewer original Maine tax returns for individual income tax that are eligible for electronic filing;

2. When the taxpayer refuses to allow the return to be filed by electronic data submission and the tax return preparer notes the refusal in the taxpayer's records; or

3. When the tax return preparer has been granted a waiver from mandatory participation under section .05.

MI – The Michigan Department of Treasury mandated electronic filing for both individual income tax and single business tax returns. Preparers completing 10 or more personal income tax returns are required to e-file all eligible returns that are supported by their software.

MN – Preparers who prepared more than 100 individual income tax returns in the previous tax-filing season are required to e-file all individual income tax returns. Exceptions: (1) Joint returns where both reciprocity and form M1NR are required to file, or (2) the SSN was used erroneously on a previously e-filed return. The preparer will be fined $5 per return for each return filed on paper.

NE – Preparers filing 11 or more returns may be required to file them electronically.

NJ – Practitioners who prepared 25 or more returns will be required to file returns electronically.

NM – 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.

NY – Individual/Partnership/Fiduciary: If a practitioner filed a total of 4 NY state returns for individual, partnership, and fiduciary, *or* uses tax software to prepare one or more returns, they must file all of their returns electronically.

A $50 penalty applies to each return or extension that they fail to e-file. The taxpayer will be assessed a $25 penalty for not e-filing. Preparers may not charge a separate e-file fee.

Corporate: The new mandate requires tax return preparers who meet certain requirements to e-file authorized tax documents. The mandate also requires electronic payment of the balance due on any authorized tax document.

There are two parts to this mandate:

Part I – If a preparer prepares over 100 corporate business documents, then they must file their corporate returns electronically. The following are considered corporate business documents and figure into the threshold for the mandate: Estimated payments, Extensions, and Corporate return. So, the actual threshold could be as low as 17 corporate returns for a practitioner if they filed 4 estimated payments, the extension, and the return.

Part II – If a business files their own return and they use tax software that has been approved for corporate electronic filing, they must file their return electronically.

A $50 penalty applies to each document that they fail to e-file, unless the taxpayer opted out of e-filing or they have other reasonable cause for failure to comply.

The taxpayer will be subject to a $50 per tax document penalty for failing to electronically pay the balance due. The Department cannot abate the payment penalty for reasonable cause.

New York City – Tax preparers who prepare more than 100 original New York City General Corporation Tax or Unincorporated Business Tax documents, including tax documents for prior periods; and used tax software to prepare one or more corporation tax documents must electronically file New York City Forms NYC-3L, NYC-4S, NYC-204, NYC-204EZ and NYC-EXT; and submit the payment electronically.

OH – Paid tax preparers who filed more than 75 tax returns must use electronic filing technology to file state income tax returns. This requirement does not apply to paid tax preparers who, during the previous calendar year, prepared 25 or fewer tax returns. The law provides that the tax commissioner may impose a $50 penalty for each return above 75 that is not filed, but should have been filed, by electronic technology.

OK – Preparers who prepare more than 50 individual income tax returns in the previous tax-filing season are required to e-file all individual income tax returns. There is an opt-out if the taxpayer indicates on the return that they do not want the return to be filed by electronic means.

PA – If a third party preparer has prepared more than 50 PA Corporate returns/reports within the last calendar year, that person is required to file them electronically. Once the preparer has filed his/her returns electronically, they must continue to file PA Corporate returns electronically regardless, even if the number of PA Corporate returns prepared decreases.

RI – Preparers who prepared more than 100 individual income tax returns in the previous tax-filing season are required to e-file all individual returns. The tax administrator won't require e-filing by a paid preparer's client who specifically requests that a return be filed on paper.

SC – Preparers who prepare more than 100 individual income tax returns in the previous tax-filing season are required to electronically file all individual income tax returns.

UT – A tax return preparer, or two or more tax return preparers affiliated together in the same establishment, who prepare 101 or more individual income tax returns, must submit all individual income tax returns electronically or use 2D barcode technology. Exceptions: Taxpayers who elect out of electronic filing or 2D barcode technology, returns that include a schedule that cannot be electronically filed or by 2D barcode, and undue hardship on the tax return preparer.

VA – Preparers who prepare more than 50 individual income tax returns must file individual income tax returns using electronic means or software that produces a 2D barcode. A waiver can be requested in writing to the Tax Commissioner clearly demonstrating the nature of the undue hardship to comply with the mandate.

WI – Preparers who prepare 100 or more WI Forms 1, 1A, and WI-Z, and Schedule H are required to e-file individual income tax returns. Exception: WI returns on which the taxpayers write "no e-file" before their signatures to indicate they do not want to e-file the return.

WV – Preparers who prepare more than 100 individual returns in any calendar year are required to e-file.

Financial Products

We have partnered with several leading financial institutions to offer a variety of financial products with many pricing options to choose from. Financial products are a quick and cost-effective method for taxpayers to receive their money based on the federal and state tax refunds. All fees are deducted from the refund requiring no out-of-pocket expenses from the taxpayer.

Financial products are offered to the client at the time of tax preparation. The bank establishes a temporary bank account for the sole purpose of receiving the taxpayer's refund via direct deposit from the IRS and states. The taxpayer may choose to receive their funds via direct deposit, paper check or debit card. Approximately 8 to 21 days after the return is filed electronically, the IRS/State transmits the taxpayer's refund to the bank account. All fees are deducted from the refund amount. Tax preparation fees are deposited into a bank account designated by the tax preparer. The remainder of the refund is delivered to the taxpayer via their choice of disbursement.
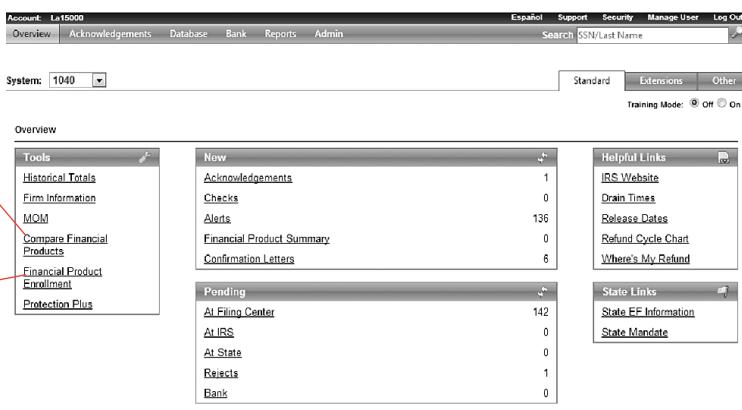
Click to view a comparison of all financial product offerings.

Click to enroll with a financial partner.

Financial Product Enrollment

Financial Product enrollment is available in the *E-File Center*. Click **Financial Product Enrollment** on the Overview screen to enroll.

Completing the Client Bank Application

The client bank application screen can be accessed within the software by typing 'Bank' or clicking Bank Bank Appl in the Forms pane. Enter all required data on the Bank input screen. Upon e-file of the return, the bank application will be transmitted to the bank for processing of the bank product. To ensure that the bank application is attached to the return, click on **Preview/Deliver** and verify that the bank application is listed in the forms to be filed. The bank application will print with the tax return documents. Follow all instructions listed on the printed bank application.

Check Alignment

Each printer functions differently. Your printer may pull check stock differently than another. This could impact the check print alignment. If the check print alignment needs to be adjusted, proceed through the following steps.

1   Under the **Bank** tab select **Print Setting**s.

2   Load blank paper in the printer. Click **Print Test Check**. Hold the printed information up against the check stock to verify alignment.

3   From the vertical and/or horizontal alignment drop down boxes, make the applicable selection. Click **Save Settings**.

4   Repeat steps 2 and 3 until alignment is correct.

Print Checks

When the bank releases the check print records, they will automatically appear in the E-File Center.

Click **Bank** and the **Check** to access the available checks.

Tag the checks to be printed.

Click to print the checks.

	Name	SSN	EFIN	Check Type	Bank	Amount
☐	BUR, TIM	XXX-XX-8109	099001	FED #1	CH	1500.00
☐	BUR, TIM	XXX-XX-8109	099001	FED #1	CH	2304.60
☐	FRIDAY, FIVE	XXX-XX-8518	860065	FED #1	CH	3210.06
☐	FRIDAY, FOUR	XXX-XX-4568	860065	FED #1	CH	2863.56
☐	FRIDAY, FOUR	XXX-XX-4568	860065	FED #2	CH	2863.56
☐	FRIDAY, THREE	XXX-XX-9846	860065	FED #1	CH	2863.56

Complete the following to access checks ready to print within the E-File Center.

1 On the E-File Center Overview screen, click the **Bank** button, then click **Checks**.

2 Tag the **check(s)** that are ready to print. Click **Print**.

3 Enter the *first* **check number** in the sequence and click **Next**. The computer will automatically list the rest of the check numbers.

4 Verify the check numbers against your check stock. Load the checks in the correct sequence into your printer and click **Print**.

5 Verify that the check(s) printed correctly. Click **Yes** or **No**.

6 If *Yes*, the check reconcilement record(s) will be created automatically. The software will forward these records to the bank.

7 If *No*, tag the check(s) that did not print correctly and click **Next**.

7a A screen will appear with reasons the check(s) may have printed incorrectly. Select the applicable reason and click **Next**.

7b The check(s) to be reprinted will appear. Verify the information and click **Finish** to continue or **Back** to make adjustments.

7c After clicking *Finish*, the checks will reappear on the *Bank, Checks* screen. Repeat the *Print Checks* process.

> **Note** Separate disbursements will be made for the federal and state check records.

> **Note** Reference the bank's user manual for check stock storage and security instructions.

Delete Available Check Records

If for some reason a check you have already printed appears on the *Bank>Checks* screen, you may delete the check record from the screen.

1 Tag the **check** you want to delete and click **Delete**. The check will disappear from the screen.

Issuing the Check

1 Before issuing the check to the client, verify the client's identification again.

2 Verify that the check number printed by the computer matches the number preprinted on the check. If there is a discrepancy, DO NOT issue the check. Reference the *Reprint Checks* section.

3 Explain to the client the fees printed on the check stub.

4 If applicable, secure the client's signature on the *Check Received By* line at the bottom of the bank application to certify the receipt of the check.

5 Write the number of the check and the date received.

6 Issue the check to the client. The bank provides a Good Funds Letter, if needed.

Multiple Disbursements

If more than one disbursement is required, the bank will:

- Issue multiple check print records.

- Make multiple direct deposits.

If the client decides to decline the check, contact the bank for Stop Check information.

Reprint Checks

Printed checks that are damaged, torn, or used out of sequence *prior* to the disbursement to the taxpayer may be reconciled internally using the *Reprint Checks* procedure. An automatic VOID check reconcilement record will be created.

1   Click the **Bank** button, then click **Reprint**.

2   Enter the taxpayer's **SSN** for the check to be reprinted. Click **Go**. Tag the desired **check** and click **Reprint**. Use caution when selecting checks to be reprinted as one client could receive multiple checks.

3   A screen will appear with reasons the check may need to be reprinted. Select the applicable reason and click **Next**.

4   The check to be reprinted will appear. Verify the information and click **Finish** to continue or **Back** to make adjustments.

5   After clicking **Finish**, the check will reappear on the *Bank, Checks* screen. Follow the *Print Checks* procedure.

6   After printing the check, a check reconcilement record is again created for the reprinted check. The previously printed check will have a VOID reconcilement record created automatically. The system will forward both reconcilement records to the bank.

7   Reference the bank's user manual for procedures on handling VOID checks.

Lost or Stolen Check

Printed checks that are damaged, lost, or stolen after disbursement to the taxpayer may require bank intervention. Due to the tight security related to lost and stolen checks, and different scenarios encountered, the ERO should contact the bank.

1   Click the **Bank** button, then click **Lost or Stolen Check**.

2   This process varies by bank. Follow the prompts given for the requested information.

Summary

The *Bank, Summary* screen is where you will find information for items passed to you from the bank. Available check print records, fee records, deposits, checks cleared, and other bank information are detailed on the summary reports.

1   Click the **Bank** button, then click **Summary** located under Bank Tools.

2   Tag the desired **report** and click **View**, or double click on the desired **summary report**.

3   Summary reports can be **printed, saved** as PDF files, **exported** as Excel Files, or **e-mailed**.

4   Click **Close** to return to the E-File Center.

5   At any time you can tag the **report** and click **Archive** to remove the report from the screen, if desired.

Database

The E-File Center Database is a convenient utility to help you track the bank status on clients that have been transmitted to the E-File Center. From the E-File Center, click the **Database** button.

1   Select the desired database option.
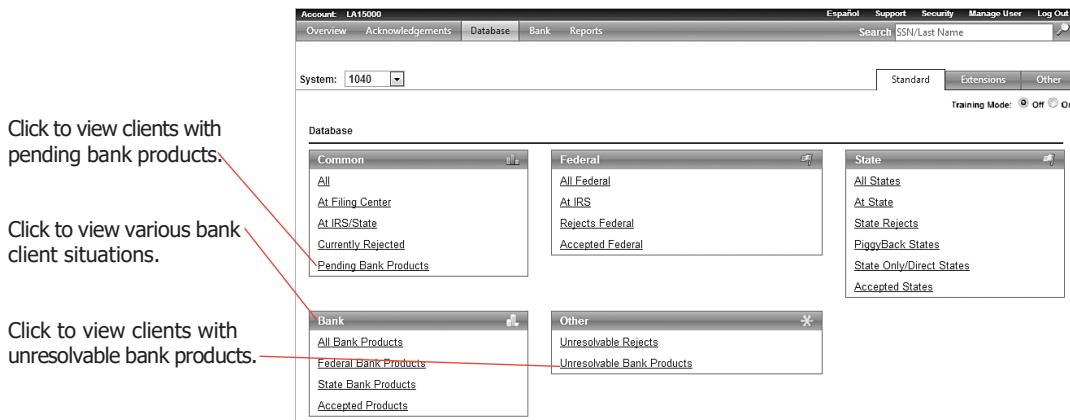
Click to view clients with pending bank products.

Click to view various bank client situations.

Click to view clients with unresolvable bank products.

- **Common, Pending Bank Products** – Click to view bank clients with pending bank products. These include nonfunded and partially funded clients.

- **Bank, All Bank Products** – Click to view all bank clients and associated bank products.

- **Bank, Federal Bank Products** – Click to view federal bank clients only.

- **Bank, State Bank Products** – Click to view state bank clients only.

- **Bank, Accepted Products** – Click to view accepted bank clients only.

- **Other, Unresolvable Bank Products** – Click to view bank clients with unresolvable bank products.

Check the box next to the client and click View as Report to view the client information.

Find a specific client by entering the name or SSN.

2   Click the **client name** to view the detailed information.

3   The following screen will appear.

Select Bank to view the detailed bank information.

Click various tabs to display detail Disbursement, Reconciliation, and Bank Summary information.

4 From the drop down box select **Bank** to view bank details.

5 Click **Reconciliation** while viewing the client's detail bank information. Reconciliation information will be displayed. Click **Bank Summary List** to view a summary of bank transactions. Click **Disbursements** to return to bank disbursement display.

Reports

Reports are a great way to manage and track the status of your bank clients.

1 Click the **Reports** button.

2 Select the desired **Financial Product report**.
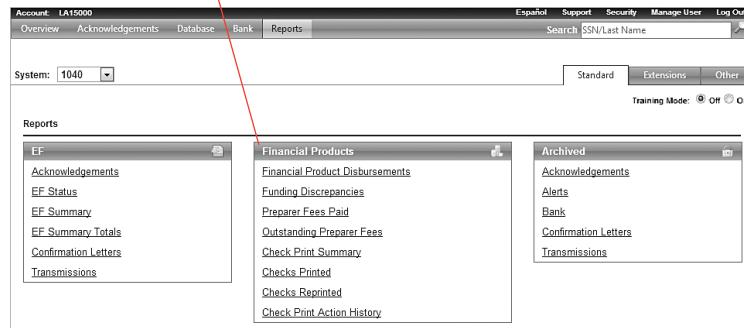
3 Select the **report range**, **type and status**, and **sort by** options, if applicable.

4 Click **View**. The report may be **printed**, **emailed**, **exported** to Excel, or **saved** as a PDF file. Click **Close**.

- **Financial Product Disbursements** – Lists acknowledgment status, bank product, and authorization information.

- **Funding Discrepancies** – Lists clients who have not received funds or have received only partial funding.

- **Preparer Fees from Bank** – Lists requested bank fees, bank fees received, and deposit dates.

- **Outstanding Preparer Fees** – Lists clients with outstanding fees to be paid to the preparer.

- **Check Print Summary** – Lists checks printed by date range.

- **Check Printed** – Lists information about printed checks including print date and time, check number, amount, SSN, paid to, and phone.

- **Check Reprinted** – Lists information about reprinted checks including reprint date, check number, check amount, SSN, EFIN, phone number, pay to, and reprint reason.

- **Check Print Action History** – List all actions performed during the check print process.

Tools

From the *E-File Center, Overview* screen, click **Financial Product Enrollment** under the Tools menu. Click **Compare Financial Products** to view the bank fees, available states, products offered, and contact information for the respective banks.

Financial Reports

The program has integrated four Financial Planning Report tools: Two-Year Comparison Report, Net Worth Statement, Retirement Planning Report, and Education Planning Report. These reports can help you provide important billable financial planning services to your clients.

This is a valuable service to provide every year to assist your clients in reaching specific goals. You can create these whether you provide associated investment and/or insurance services.

You may create a quick draft plan set during the tax interview using estimated amounts or schedule a detailed meeting later for in-depth planning. This allows the client to think about their goals with a rough draft in hand.

These reports can be accessed from the forms pane list.

Two-Year Comparison Report

The Two-Year Comparison Report is a direct result of the tax return. It compares key items on the prior year's return with those on this year's return. Select **2YR 2 Yr Anlys** from the forms pane. Prior year data is carried forward during the update process. If the tax program was not used to prepare the prior year return, enter last year's amounts in the applicable fields.

To produce the report, check the **Prepare Two-Year Comparison Worksheet** box on the 2YR input screen or the **Two-Year Comparison** box on the PO -Options input screen. This report can also serve as a Personal Income Statement to a lending institution.

Net Worth Statement

The Net Worth Statement Report represents a Personal Balance Sheet, showing assets and liabilities. It also summarizes monthly payment obligations. This, along with the Two-Year Comparison, is the baseline for where your client stands financially. It may also be used when working with a lending institution. Select **NET-Net Worth** from the forms pane to make entries and generate the report.

Retirement Planning Report

The Retirement Planning Report will give you a clear retirement picture with total control of most variables. It does not include expected Social Security income, which can be obtained from www.ssa.gov. To produce the report, you must check the **Print Retirement Planning Calculator** box on the **PLAN Retire/Ed St** input screen. Two report pages are produced. The first page shows the build-up in the fund with the year and age of the clients. The second page shows the withdrawal from the fund by year and associated ages.

Education Planning Report

The Education Planning Report allows you to plan a fund for children's post-secondary education. You can import dependent information from the dependent grid. You have total control of most variables. A report page is produced for each student, showing contribution build-up and withdrawal. A summary page is also produced, which shows the combined contributions and withdrawals. To produce this report, make entries in the Education Statement section of the **PLAN Retire/Est** form.

States and Cities

The software provides software for all 1040 states with a state tax as well as the Florida intangible tax. Business software includes all 1041, 1065, 1120, and 1120S states that have an applicable tax. The software also supports select 1040 cities, including Michigan, New York, Ohio and Pennsylvania cities. Movement through the federal and state returns is similar.

State and City Access

To access state and city input screens click on the **+/-** tab to the left of the forms list. The state screen defaults to the two letter state code entered on the federal General Info screen in the address field. Find the state needed and the list of cities will be listed below the state. From this menu select the desired states and/or cities from the list.

The list displays the states and cities included in the return.

Click to add or remove a state.

The forms menu lists the forms available for the selected state/city.
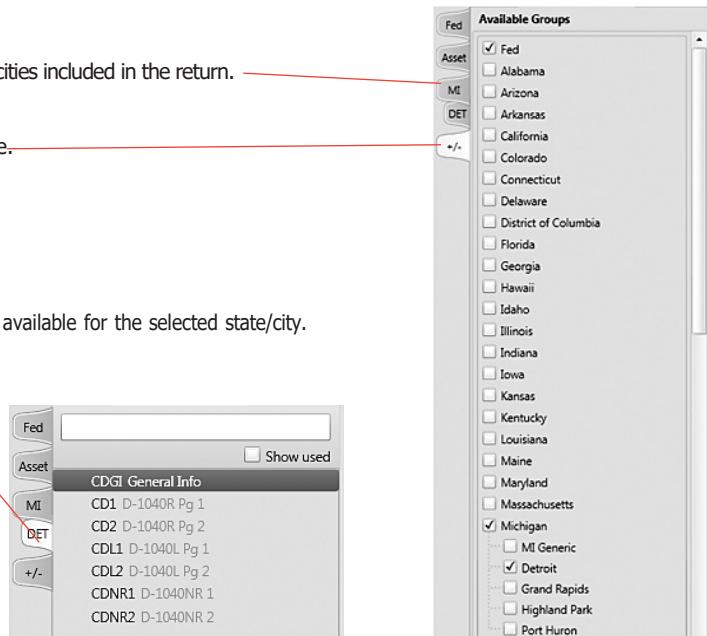
Ohio Cities

For Ohio cities, the software has working city and working date input fields on the federal Schedules C, E, F, K-1 Received, and 1099-Misc. input screens. The W-2 input screen also contains inputs for entering Ohio city information. The income entered on these federal forms will carry to the corresponding working city return(s). The software has income grids as well as a *Cities to Process* grid on the *OHCGI, Ohio City Information* input screen which is located on the Ohio state forms list. Clicking on the *Add New* button in the *Cities to Process* grid allows you to access the *resident cities* and *residency dates* input fields. Entries in these fields will generate the resident city return(s). The income will be split between multiple resident cities, if applicable. City income must be imported or entered in these income grids in order for the city returns to calculate correctly.

When adding a city to the *Cities to Process* window or in one of the city grids, the city name must be spelled correctly according to our city database. If the city is misspelled, the information will not flow to the city return. The Ohio city tax rates and mailing addresses are contained in the *City Taxes* database. To access this database, click the **Admin** menu, **Cities & Penalties** tab and select **City Taxes**. Information from this database will be read only. Any changes to the tax rates will occur with the program updates.

Cities to process grid.

Multiple State Processing

The state indicated on the *General Info* screen will be the resident state, State of Incorporation, or State of Organization. To add additional states, click the **+/- tab** to the left of the forms list. Check the additional **States** needed. The states will be listed in alphabetical order on the forms list. For new clients the resident state defaults to the state entered in the address field on the federal *General Info* screen. If the resident state is different, enter the resident state abbreviation in the *Resident state in 2012 if different* field on the federal *GI General Info* screen.

Address, County and School

In care of

Address   Apt #

ZIP, City, State

County

County / Muni code

School Dist Name

School Dist No.

Resident state in
2012 if different   Permanent resident of Guam or U.S. Virgin Islands . . ☐ Yes

State W-2, W-2G, 1099-R, 1099-Misc, 1099-G, and City W-2

The state entered in the address field on the federal *General Info* screen will automatically carry to the state fields on Forms W-2, W-2G, 1099-R, 1099-Misc, and 1099-G. Enter the **two-letter state code** on these forms to override the state entered on the *General Info* screen.

Click **More**... to access the City locality code. The following box pops up.

Click to access the Ohio City Income Grid.

Enter the City locality code.

Enter the Two-letter state code

Ohio City income should be entered on the *Michigan/Ohio City Income* grid and not on the state wages grid. See the *Form Helps* for further instructions.

1099-R

This screen allows for state-specific exclusions of pension income based on the type of income. The program will automatically list any applicable pension types in the drop down box based on the state that is entered in the State input field. The following states have additional Types to select: AZ, HI, KS, LA, ME, MA, MI, NC, NJ, NY, OK, RI, and WI.

State Distribution Information

	1st State		2nd State
Enter the two-letter state code.	State		State . . . .
	12 State tax withheld . .		12 State tax withheld . . . . .
	13 Payer State number .		13 Payer State number . . . .
Select the type of income for state exclusions.	14 State distribution . . .		14 State distribution . . . . . .
	15 Local tax withheld . .		15 Local tax withheld . . . . .
	16 Locality name		16 Locality name . . . .
	17 Local distribution . . .		17 Local distribution . . . . . .

Type: (For State exclusion purposes)

Type: (For State exclusion purposes)

Business Systems

We provide the following business systems:

- 1041 Fiduciary
- 1065 Partnership
- 1120 Corporation
- 1120S S Corporation

All state programs are available with each of these federal systems. Business systems have the same features as the 1040 Individual program.
These features include:

- Asset Manager
- Audit and diagnostic statements
- Batch Process
- Client Management and reports
- Data entry
- Electronic signatures
- Multi-state processing
- Real-time calculation
- Simple entry and integration of K-1s received

Business systems offer the following additional features:

- Carry assets from Asset Manager to balance sheet
- Carry book/tax depreciation differences from Asset Manager to Schedule M-1
- Calculate weighted average for change in ownership (1065 & 1120S)
- Convert Corp to S Corp / S Corp to Corp
- Produce election statements
- Manage up to 10,000 K-1s

- ◆ Electronic filing

- ◆ Prepare Oil and Gas returns in 1041, 1065, 1120, and 1120S

- ◆ Perform Special Allocations on Form 1065

- ◆ Prepare Form 1041-A and/or Form 5227 for charitable and split-interest trusts

- ◆ Prepare Forms 1120-C, 1120-H, 1120X, Sch M-3, Sch PH

- ◆ Prepare financial statements

- ◆ Produce various information forms (i.e., Forms 2553, 2848, 8822, SS-4, etc.)

- ◆ Carry several book/tax differences automatically to Sch M-1

- ◆ Track NOL and charitable deductions in 1120/1120S systems

- ◆ Track outside basis for partners and shareholders

Business E-Filing Screen

We have included a standard business e-file options screen. The screen can be accessed by selecting **EF-EF Options** in the forms pane list when entering federal or state tax data. Reference the *Electronic Filing* section for more details.

Business Systems Other Features

Oil and Gas Returns

An Oil and Gas input screen is available in the 1041, 1065, 1120 and 1120s systems. Information entered on this screen will carry to the main form. Related worksheets and attachments will be created for the return and each Schedule K-1.

Note | Schedule K-1 attachments for 1065 and 1120s only.

Ohio Cities Business Returns

The software allows you to prepare the CCA, RITA or Generic business returns. The Ohio Cities information database contains over 550 Ohio Cities' information. The Ohio Cities Database is available in the Settings menu under **Edit City Tax Info**.

Change of Ownership Grid

Access input fields for Change of Ownership from the 1065, K-1 input screens by clicking the Change of Ownership link. This grid saves you time by allowing you to enter the dates only once for each period, versus entering the dates for each partner or shareholder for every period. The entire year must be input including the period before any change in ownership occurred.

Federal 1065 Special Allocations/Overrides, Schedule K-1

Amounts on Schedule K will automatically carry to Schedule K-1 using the applicable profit/loss percentage for each partner. If a special allocation or override on Schedule K-1 is desired, use the Special Allocation/K-1 Overrides screen.

Access this screen by clicking the **Special Allocations/K-1 Overrides** link on various input forms (Schedule K, Schedule K-1, 1065 pg. 1, etc.) or click the **Special Allocations/K-1 Overrides** link at the top of the Schedule K and Schedule L input screens. You can also access the screen by using the Tools menu.

The partners' names will appear with the profit/loss percentage noted from the Schedule K-1 input screen. You may change the **amount** or **percentage** in the Special Allocations/K-1 Overrides grid. The grid will indicate if you reconcile to the amount reported on the Schedule K input screen. To apply multiple special allocations or overrides:

1   Scroll down the list on the left hand side of the grid.

2   Highlight and click the description for the amount you wish to adjust.

3   Enter the amount or percentage for each partner.

4   Repeat steps 1 through 3 for all special allocations.

5   Click **Close** to exit the grid.

1040 Sample Return

Information in *Italics* represents action taken or where information should be entered. Information in **Bold** represents data entry.

Richard and Stephanie Jones have recently moved into the area and have just come into your office to have their 2012 tax returns prepared. They are also interested in some financial planning services. Let's quickly prepare the return for the Jones family and learn about some of the features in the software.

Step 1 – Create New Client

A   Since the Jones return is new, click the *New Client* button. This can be found on both the Home screen and the *Clients* screen.

Step 2 – New Client

A   The *New Client* screen will appear, enabling you to create the client.

B   To move from field to field, use your mouse or press the *Tab* key. Press the *Shift* and *Tab* keys together to move back a field.

C   Enter the *Client ID* as **JONE1234**. (We used the first four letters of the client's last name and the last four digits of the SSN.) The Client ID is an optional input field.

D   Enter **Richard Jones** as the *taxpayer's first and last names*.

E   Enter Richard's *social security number* as **525-01-6543**. The dashes are already provided and do not need to be entered.

F   Enter Richard's *birth date* as **01-01-1982**.

G   Enter his *address* as **1350 South Main Street**.

H   Enter his *ZIP Code* as **84037**.

Note

The city and state will be filled in based on the ZIP Code entered.

I   Click *OK* to continue.

Step 3 – General Information

A   The first interview input screen will appear. This is the *General Info* screen. Notice that the taxpayer's name, social security number, birth date, and address have all been carried from the *New Client* screen.

B   Click on the *Spouse First Name* input field.

C   Enter **Stephanie** as the *spouse's first name*.

Note   If the spouse's last name is the same as the taxpayer's, an entry in the Spouse Last Name field is not necessary.

D   Enter Stephanie's *social security number* as **529-00-6543**.

E   Enter Stephanie's *birth date* as **02-02-1982**.

F   Enter the taxpayer's and spouse's *occupations*.

- Richard owns a computer consulting firm and prefers **Self-Employed** as his occupation.

- Stephanie is a **Web Designer** for Web Design, Inc.

G   Enter their phone numbers.

- Their *home phone number* is **(801) 555-3254**.

- Richard's *work phone number* is **(801) 555-1212**.

- Richard's *cell phone number* is **(801) 555-0777**.

- Richard's *work fax number* is **(801) 555-1213**.

- Stephanie's *work phone number* is **(801) 555-0659**.

- Stephanie's *cell phone number* is **(801) 555-0776**.

- Stephanie's *work fax number* is **(801) 555-5809**.

Note   The *Title* field is used for such things as **Jr., III, MD**, etc. We do not need to make an entry in this field for the Jones' return.

Note   The *occupation* field is an auto-fill library.

H Richard and Stephanie prefer phone calls on Stephanie's **cell phone**; list this as their *daytime phone number*. They want their **home phone number** to be listed as their evening phone number. Click the ▼ button on the drop down box next to the phone numbers to make the appropriate selections. The ▼ button will appear when the mouse hovers over the field.

Note ▶ The daytime phone number will not print on the return, unless you have selected this on the *Preparer Options* screen.

I Stephanie finished her degree earlier this year. Click on the Education 8863/8917 screen link under the phone numbers. Choose Spouse as the student name. Select **4- Force Lifetime** from the *Type of education expenses* drop down box. Scroll down to the education expense grid and click on the *Add New* button. Stephanie did not receive a Form 1098-T so skip questions A and B, and enter:

Weber State University, 3848 Harrison Blvd, Ogden, UT 84408. At the bottom of the box enter an education expense of **$3,500** in the *Tuition and fees Override* field. In addition to tuition, she paid **$1,100** for books and other school supplies. Enter this in her *AOC expenses* box.

Note ▶ The Tuition and Fees Adjustment line will override any entry from Box 1 of the Form 1098-T entry.If no Form 1098-T is received, simply enter the financial institution name, address, and EIN and enter all tuition and fees in the Tuition and Fees Override field at the bottom of the box. Enter any American Opportunity Credit expenses at the bottom of the box as well.

J Click the *Close* button to continue.

K They live in **Davis County**. This should have auto-filled based on the ZIP Code selected on the *New Client* screen.

L The *school district name* is **Davis**. The *school district number* is **07**. This information also should have auto-filled based on the ZIP Code selected on the *New Client* screen.

M For this tutorial, enter **your own firm's email address** on the *TP e-mail address* line. We will use this email address later in the tutorial. Do not enter an e-mail address for Stephanie at this time.

Step 4 – Filing Status, Dependents, Earned Income Credit, and Child Care Credit

A Scroll down to the *Filing Status* field. Because this is a joint return, and Stephanie's information has already been entered, no entry is necessary.

> **Note** ▶ To override the default filing status, select the proper code from the codes on the right and enter it in the *line number* box.

B Mr. and Mrs. Jones have two children, **Trevor** and **Anna**. Dependent information must be added from the *DI Dependents* screen. Under the Filing Status section click on the blue *Dependent Information* link. This link will take you to the *DI Dependents* screen.

C On the DI Dependents screen under the dependents name click on the *Add New* button to enter each dependent.

D Enter the following information:

- Their son, **Trevor**, was born **06-15-2004**. His *SSN* is **646-67-2973**.

E Click on *Add New Form* on the forms list under *DI Dependents* to add second dependent. Enter the following information:

Their daughter, **Anna**, was born **04-05-2006**. Her *SSN* is **646-89-4649**.

> **Note** ▶ If the last name of each dependent is the same as the taxpayer's, an entry is not required.

> **Note** ▶ The program defaults to 12 months in the home and assumes the dependent lived with the taxpayer unless an entry indicating the contrary is made in the Months in home field or an overriding entry is made on the *1 1040 Pg 1* screen. Line 6c.

F Since both parents work, the children are enrolled in a daycare program.

Richard and Stephanie paid **$4,160** for Anna and **$3,900** for Trevor's daycare expenses. Enter the amount for Anna in the *Child Care Expenses* box. Click on Trevor's name under *DI Dependents* on the forms list, and enter the amount for Trevor's daycare expenses.

The *Status* drop down box is used to indicate special dependent situations. If the exemption is not allowed for the dependent, but the child still qualifies for the Dependent Care Benefits, Earned Income Credit, or Head of Household filing status, select the appropriate status. The status is also used in a divorce situation when the parents alternate years of claiming the child as a dependent. Choosing the appropriate status allows you to keep the child's information from year to year. Since Richard and Stephanie are claiming both children, no action is required in the *Status* drop down box.

G The next section of the *Dependent Information* screen is for EIC purposes and relates to Form 8867 – Paid Preparers Earned Income Credit Checklist. Questions MUST be answered for any child used in the EIC calculations. In addition to questions on the *Dependent* screen, required fields on the *EIC* input screen relating to Form 8867 must be answered. If the software can determine that a return will qualify, but the Form 8867 questions have not been completed, diagnostic audits will display alerting the preparer to complete the required information.

If you have questions when completing the EIC section, click the **Link to Sch EIC/8867 to complete additional Due Diligence** link at the bottom of the EIC section and then click the **EIC Knowledge Base Document** link for helpful information on this subject.

If an override is needed for the number of children that lived with the taxpayer during the year, enter the override on the 1040 Pg 1 input screen.

H Click on the *GI General Info* screen to continue.

The bottom section of the *Dependents Information* screen is the education expense section. All education information required for a dependent tuition and fees deduction or credit must be entered on this screen. However, all education information required to calculate the education credits or deduction for a taxpayer or spouse is entered on the *Education 8863/8917* screen, as we entered for Stephanie.

I **Care Provider Information** is entered on the Form 2441 input screen. Hit the *Click to enter child care provider information on Form 2441* link, right below the *Click to enter Dependent Information* link, on the *GI General Info* screen.

J On the Form 2441 screen click on the *Add New* button, and then click on the *More…* link.

K In California, **Mary Smith** watched the children. Her *address* is **912 Ottawa Avenue**. Her *ZIP Code* is **92507**. She lived in **Riverside, California**. Her phone number is **(945) 715-6784**. (Some states require the phone number so the software has included it on the entry screen). Her SSN is **545-34-1113**. She received **$3,699** for watching the children. Click on *Add New*.

L In Utah, **Wee Care** cared for Trevor and Anna. Wee Care's address is **502 East 200 North**. The ZIP Code is **84037**. The phone number is **(801) 752-2435**. Their EIN is **87-9641646**. They received **$4,361** for their services.

M Click the *Close* button to close the screen.

Note ▶ If any adjusting entries are necessary on Form 2441, make them on the *Form 2441* input screen.

Step 5 – Form W-2

Stephanie received two W-2s. The first one is from *California Design Services*, her employer before moving.

A Click on the *GI General Info* screen on the forms list to continue. In the *Income* section, click on the *Form W-2* link. This will open the W-2 input screen. Or click on the W2 listed in the forms list. Click on the *+Add New Form* under the W2.

B Select **Spouse** from the *Ownership Code* drop down box.

C Enter the *Employer's ID number* as **82-0002871**.

Note ▶ The program will carry the taxpayer's or spouse's information from the *General Info* screen. Stephanie reported her change of address to California Design, so her address reported on the W-2 is her current address.

Note ▶ The program will automatically populate the Employer's name, street address, city, state and zip code if the Employer is already in the Employer Library.

D Enter the *Employer's name* as **California Design Services**.

E Enter the *Employer's address* as **1220 E Hunter Avenue**.

F The *Employer's ZIP Code* is **92507 (Riverside)**.

G Enter Stephanie's wages. She earned **$18,223** from California Design last year. Notice that the wage amount carries to lines 3 and 5 as well as to the state and local wages on the first row in the *state* grid. The program also calculates social security and Medicare withholdings based on those amounts. If the calculated numbers disagree with the form, override the necessary amounts by replacing the calculated figures.

> **Note** The program will round all numbers to whole dollar amounts. Do not enter dollar signs ($) or commas.

H Stephanie had *federal income tax withheld* of **$2,842**. Notice that the *Social security tax withheld* and *Medicare tax withheld* was automatically calculated.

I Click the *Add New* button under the State Income section. Enter the *state* as **CA (for California)**.

J California Design Services' *state employer ID number* is **CA6955061**.

K Stephanie had **$942** in *California state taxes withheld*.

> **Note** Clicking on the *More* button in the state line will give the options to enter Local Wages, Local tax and Locality name.

L Click on the *+ Add New Form* under the California Design Services W2 on the form list to add a new W-2.

M Select **Spouse** as the *Ownership Code*.

N Enter the following information about Web Design, Inc.:

- *Employer's ID number* **87-1929047**
- *Employer's name* **Web Design, Inc.**
- *Employer's address* **350 South Main Street**
- *Employer's ZIP* **84037 (Kaysville)**
- *Wages* **$23,589**
- *Federal withholding* **$3,370**
- *Utah state code* **UT**
- *UT State Employer ID Num.* **12345678901WTH**
- *UT withholding* **$1,613**

O Click the *GI General Info* screen from the forms list to continue.

Step 6 – Schedule B Interest and Dividends

The Jones family received both interest and dividends in 2012. Let's enter the interest and dividends now.

Interest

A On the forms list click on *B Schedule B*. The *Interest Income* grid allows you to enter basic interest income amounts as well as more advanced entries. This includes all items reported on a Form 1099-INT, i.e. a bank account number, foreign taxes paid, investment expenses, and withholdings. Click on the *Add New button* in Part I – Interest Income and then click on *More...* to enter Richard's interest.

B Enter the following information:

- Richard received a *Form 1099-INT* from **Barnes Bank** (*account number* **5678877**) with *interest income* of **$274**.

- Richard and Stephanie received a *Form 1099-INT* from **California Union Bank** (*account number* **11234**) with **$303** of *interest income*. This interest was earned while the Jones family lived in California, so enter **CA** in the Carry To *State* box.

> **Note**
>
> The state defaults to the state entered on the federal *General Information* screen.

C Click the **Close** button. This will return you to the *B Schedule B – Interest and Ordinary Dividends* input screen.

Dividends

A The B Schedule B - Interest and Ordinary Dividends input screen also has the entry grid for dividends. In Part II – Ordinary Dividends section, click on the *Add New* button and then click on *More...*to enter the following 1099-DIV information:

- The Jones received a *Form 1099-DIV* from **Investors Growth Fund**. It showed **$375** of *ordinary dividends* (of which all were **qualified**) and **$225** of *capital gain dividends*.

> **Note**
>
> The Schedule B may also be accessed from links on the income section of the *GI General Information* screen and line 8 on the *1040 pg 1* screen for interest income and line 9 for dividend income.

B Click the *Close* button.

Step 7 – Schedule D

Richard and Stephanie sold some stock during the year. These can be added on the *D Schedule D* screen on the forms list. Let's enter the capital gain/loss now.

Note

The Schedule D may also be accessed from links on the income section of the *GI General Information* screen and line 13 of the *1- 1040 pg 1* screen.

A Select the *D Schedule D* screen from the forms list and click on the *Add New* button below the *Form 8949 / Schedule D – Capital Gains and Losses* section. Then click on the *More…*link and the transaction entry box will open.

B Enter the Jones' information as follows:

- They sold **100 shares** of **Microsoft stock**. The stock was *purchased* on the open market on **10-08-2005.** He sold them on **7-11-2012** for **$2,588**. The **cost** or *basis* was **$2,230**. The Jones have a Form 1099-B with basis provided, so choose option A for *1099-B Basis (Required)* field.

Note

The state will default to the state entered on the *General Info* screen. The *Adj* drop down allows for handling advanced transactions such as Wash Sales.

Note

The entry screen has a separate field for shares sold. You can preserve the name of the company in the auto-fill library without the specific share amounts.

Note

The program will sort all of the entries into short-term and long-term according to the acquired and sold dates. The sorting is accomplished when the return is processed.

Note

Based on your input, the program determines whether the Schedule D is required. If not required, the program automatically checks the box on line 13 of the Form 1040, enters the amount of taxable capital gains, and suppresses the Schedule D.

C Click the *Close* button.

Step 8 – Schedule C #1

Richard owns a computer consulting business. He started the business in California and moved it to Utah.

A On the *General Info* screen, click on the *Schedule C* link on *line12*. This will take you to the *Schedule C - Summary* screen. Click on the *Add New* button.

> **Note** Schedule C may also be accessed from the forms list and on line 12 of the 1-1040 pg 1 screen.

> **Note** Schedule SE for self-employment tax will be generated automatically from the Schedule C information.

> **Note** The two-letter state code does not need to be entered if the business is in the same state as the taxpayer's address on the *General Information* screen. If the business relates to another state, entering the state in this field will carry the business income/loss to that designated state.

B Richard's *principal business* is **Computer Systems Design & Related Services**. Enter this into the *Principal business activity* field and the *Principal business including product or service* field. The program also allows you to search and select the principal business code for you to enter.

C Once you select the principal business, the *business code* (*541510* for this return) is automatically populated from the library.

D Richard's *business name* is **Jones Computer Consulting**.

E Richard runs his business out of his home. The *address* from Form 1040 will carry automatically to the Schedule C.

F Richard uses the **cash** method of accounting. No entry is necessary, as this is the default.

G Jones Computer Consulting had *gross receipts* of **$112,742**.

H Enter Richard's expenses by clicking on the appropriate lines:

Advertising	**$1,755**
Legal/professional svcs	**$1,386**
Office expense	**$912**
Supplies	**$422**
Travel	**$3,979**
Meals and entertainment (limited 50%)	**$1,258** (total amount)

I Enter Richard's *Cost of Goods Sold* information as follows:

- Richard uses the **cost** method to value closing inventory. No entry is necessary because the cost method is the default method.
  Beginning inventory............................**$0**
  Purchases **$43,429**
  Inventory at the end of the year **$0**

J Enter Richard's other expenses in *Part V – Other Expenses*:

   Telephone **$821**

Use the *Add New* button to add the following:

   Subscriptions..................................**$322**

Note | Entries made in the *Other Expenses* simple grid are registered to the *Schedule C* library.

Step 9 – Detail Information

A Occasionally, you may want to provide a detail statement for an item. In this case, we will detail three tax items on Richard's Schedule C.

B Hover over the input field for *line 23, Taxes and Licenses* until the appears. Click on the   button.

C Select *Detail Statement* from the menu.

D Click the *Add* button and enter the three tax items as follows:

   State sales tax...**$3,250**
   Miscellaneous taxes **$420**
   Business license **$175**

E Click *OK* to return to the *Schedule C* input screen.

When you move from this field, the color of the field will change, which lets you know that it was detailed. The total amount will also appear.

Step 10 – Depreciation

Richard has two assets that he depreciates. We will use the *Asset Manager* to help track depreciation.

A Click the *Assets* tab on the left, just below the *Fed* tab, or the *Depreciation* link on *Schedule C, line 13* to open the *Asset Manager*.

B Because no assets have been entered in this return, click the *New Asset* button to add the first asset.

1 Make sure that the *Form* is set to **Schedule C**.

2 This will open the *Multiple* box. Verify that it is set to **1**.

3 Make sure the *State* is **UT**. The state indicator is to enhance the automation of the sale of assets for state nonresident/part-year returns. If no entry, the default state will be the resident state.

C Complete the steps to enter the details for the second asset.

1 Make sure the *Form* is set to **Schedule C**.

2 This will open the *Multiple* box. Set it to **1**.

3 Enter the *Description* as **Chevy Suburban**.

4 It was purchased on **06-01-2012**.

5 The *Cost* was **$45,475**.

6 The *Type* is **> 6000 GVW Vehicles**.

7 Richard drove **25,000** *business miles*. These can be divided between before the two time frames of 1st half of the year and 2nd half of the year.

8 Because this is the first year the Suburban has been used, the *Asset Manager* will optimize between Standard Mileage Rate (SMR) and actual expenses. Leave the choice as **Optimal**.

9 The *Method* should default to **M5YR**.

| Note | *Type* is an optional entry. You can select the Type by clicking the t button on the Type field, or start typing **> 6000 GVW Vehicles** to use the auto-fill feature. |

10 Click *Done* to continue.

11 Click the Schedule C #1 menu on the left and click on Chevy Suburban. Click the Vehicle tab on the top of the screen to enter the remaining actual expenses.

12 Enter the following additional information:

Parking and Tolls **$300**
Interest Expense **$1,473**
Gasoline and Oil **$3,266**

13 Scroll down to the bottom of the Vehicle screen and answer *Yes* to the three vehicle questions.

The listed property questions are on the General tab and must also be answered for vehicles.

D Click the *Fed* tab to return to the *Schedule C* input screen.

E Click the *Flip* button (right-click mouse) and notice that the car/truck expenses, depreciation, and other interest have all carried from the *Asset Manager.*

F Click the *Flip* button (right-click mouse again) to return to the input screen.

G Click on the *Fed* menu on the far left. Return to the *General Information* screen.

Step 11 – Adjustments

Richard and Stephanie have been contributing to individual retirement accounts each year. They put the maximum deductible contribution in for each of them. Neither of them is covered by an employer's plan. Since Richard is self-employed, he is eligible to deduct his insurance premiums on Form 1040, page 1. Let's make the appropriate entries.

A On the *General Information* screen, scroll down to the *Adjustments* section.

B Click on **line 29**, **Self-employed health insurance**, and enter **$7,280** in the *Taxpayer* field.

C Click the **Retirement Plans** link on *line 32, IRA contribution.*

D Enter the number **1** on the *IRA contribution* line for both the Taxpayer and Spouse fields. This allows the program to calculate the maximum deductible IRA contribution for both Richard and Stephanie.

E Return to the *GI General Information* screen.

Step 12 – Schedule A

Before moving, Mr. and Mrs. Jones rented a home. They purchased their first home after moving and want to see if they can itemize deductions. All of their significant medical expenses were covered by Richard's health insurance policy. They also had some charitable contributions. Let's prepare the 1040 Schedule A to see if it is beneficial for them to itemize deductions.

A On the *GI General Information* screen, click the *Schedule A* link on line 36.

B Enter the following tax information on the correct lines:

- *Previous year's state income tax paid this year* **$209**
- *State and local real estate taxes* **$1,171**

C Richard and Stephanie paid **$6,174** in interest on their mortgage for their personal residence. It was reported on Form 1098.

D Enter the following charitable contribution information on the correct lines (click on *Add New* in the appropriate grid):

- *Cash – Church* **$1,395**
- *Cash – Boy Scouts of America* **$250**
- *Non-Cash – Miscellaneous items* .... (FMV) **$200**

> **Note**
>
> Entries made in the *contributions* simple grids are registered to the *Auto-fill Library*. To edit this library, click the *Admin* menu and select Libraries.

E Return to the *GI General Information* screen.

Step 13 – Form 3903 Moving Expenses

After completing her degree, Stephanie accepted a job offer in Utah. The move was not covered by Stephanie's new employer. They are therefore eligible to deduct certain moving expenses on Form 3903.

A From the forms list choose **3903 - Form 3903**. Click on the *Add New* button.

B Enter the miles from their *old home* to Stephanie's *new workplace:* **677 miles**.

C Enter the miles from their *old home* to Stephanie's *old workplace*: **15 miles.**

D   The Jones rented a U-Haul truck and trailer for **$1,072**. They also paid **$279** for *boxes and moving supplies*. Include these on *line 1*. You can use a *detail statement* on *line 1* to indicate the two expenses, or you can use the *Calculator* to add them together. To use the calculator, enter 1072 on *line 1* and then press the **plus** key (+) on the keyboard. When the calculator opens, enter **279** and press *Enter* to automatically paste the result to *line 1*.

E   They paid **$129** for *lodging* during the move. Include this on *line 2*.

F   They paid a total of **$130** for *meals* on the trip. Since meals are a nondeductible expense, this amount cannot be claimed.

G   Return to the *GI General Information* screen.

Step 14 – State Instructions

Because Richard and Stephanie lived in California for part of the year, they will need to file a California tax return with their federal and Utah tax returns.

A   Look to the tabs listed on the left of the forms list. It should have the Utah state tab on it since Utah was entered as the *resident state* on the federal *General Information* screen.

B   Click the **+/- tab** located under the **UT** tab.

C   Check **CA** to add it to your return. A tab will be added to the tabs on the left of the forms list.

D   Click on the **CA** tab to access CA.

E   On the California *General Information* screen, check the box to **Prepare Form 540NR, Part-Year/Nonresident**.

F   In the forms selection go to the *NRA1 CA(NR) Pg 1* and on *line 3*, enter **UT** for both the taxpayer and spouse as the *New state of residence*. Enter **06-01-2012** as the *Date of move* for both Richard and Stephanie.

G   On *line 5*, enter **151** days for both the taxpayer and the spouse.

H   On *lines 7, 8*, and *9*, the Jones family lived in California from **01-01-2001** to **06-01-2012**. They entered California on **01-01-2001** and left **06-01-2012**.

Note that $303 should automatically flow from the schedule B input screen as California-source income on *line 8, Column E*. Also, because the Schedule C was identified as a CA business, the profit from this business will automatically flow from Schedule C to *Line 12, Column E*.

I   From the Forms list, click *NRA2 - CA(NR) Pg 2*.

J   Enter **$1,040** in *Column E* for *line 27*. This is figured by taking the federal self-employment tax deduction and multiplying it by the California self-employed income divided by federal self-employed income. In this case, the formula is $1,796 x ($14,722 /$25,423).

K   Enter **$4,216** in *Column E* for *line 29*. This is calculated by taking the federal self-employed health insurance deduction and multiplying it by California self-employed income, divided by the federal self-employed income. In this case, the formula is $7,280 x ($14,722 / $25,423).

L   California allows the same deduction for the IRA as the federal, so enter **$10,000** in *Column E* for *line 32*.

M   Click on the *UT* tab to the left of the forms list.

N   On the Utah *GI General Info* screen, check the box to **Prepare part-year resident return**. Enter the *dates of residency* as **06-01-2012** to **12-31-2012**.

O   In the Forms list, click *B - TC-40B*.

P   On *line 6, Business income/loss*, enter **$10,701** to show the Utah portion of Richard's profit from Jones Computer Consulting.

Q   On *line 21*, the moving expenses are automatically carried from Federal Form 3903.

R   On *line 22, One-half of self-employment tax*, enter **$756** $1,796 federal reduced by $1,040 (allocated to California).

S   On l*ine 24, Self-employed health insurance deduction*, enter **$3,064** ($7,280 federal reduced by $4,216 allocated to California).

T   Enter **$5,833** on *line 27* to represent 7/12 of their IRA contributions for the time they lived in Utah.

Step 15 – Estimated Payments Made and Estimated Payment Vouchers

Richard is a sole proprietor and not an employee; therefore, he had no income tax withholding. In order to avoid any possible penalty, Richard paid $350 a quarter in federal estimated payments.

A Click the **Fed** tab on the left of the forms list.

B In the *Forms list*, click **ES - Estimates**.

C Enter the following information for Richard's federal payments:

04/17/2012 .... **$350**
06/15/2012 .... **$350**
09/17/2012 .... **$350**
01/15/2013 .... **$350**

If the payments were made on the voucher dates, no entry is needed in the *Payment Date* column.

Step 16 – 2013 Estimated Tax

The Jones family would like to have vouchers prepared for next year and want to pay the estimated 2013 tax over the year even if it is more than the required payment.

A In the *2013 Estimated Tax Worksheet* section of the *1040 Federal Estimated Tax* input screen, click the **2013 Estimated Tax** drop down box. You will see seven different options for estimating the 2013 tax. For this return, select **4 - 100% of 2012<NY> estimated ta**x. You will notice that the output pane will now show calculations on the *2013 Federal Estimated Tax Worksheet.* Check the *Ignore withholdings for 2013 Estimated Tax* box to disregard current year withholdings from the calculations.

B In the *2013 Vouchers* section, click the *Rounding* drop down box and select **3 - Round voucher amount up to the next 100**. If you click the *Flip* button (right-click mouse), the worksheet should show appropriately rounded amounts in the *Voucher Amount* column of the *Voucher Amounts* section of the worksheet.

Note Estimated tax vouchers will not generate if there is no Balance Due on the 2013 Federal Estimated Tax Worksheet.

Step 17 – Finishing the General Information Screen

Now, let's go back to some of the other information found on the *General Information* input screen. Click the *GI - General Info* form in the *Forms* list.

Type of Return and Referral

A The *Client referred* by field is used to track advertising effectiveness. You can make any entry that you choose in this field. It will remember previous entries and use the auto-fill feature to help save time if the same entry is required on a later return. Mr. and Mrs. Jones saw an advertisement in the **Yellow Pages**.

B The *Return filed* as field is used to indicate, from the outset of the return, what type of return you expect to file for the taxpayer. *Audits* will be generated to warn you if inconsistencies are found in the data entered and the type of return requested. Richard and Stephanie are expecting a refund and would like to have it directly deposited into their checking account. They are not interested in filing electronically at this point. Select **Paper DD** as the *return type* located under *Return filed* as.

C The *Appointment* fields are for your information only; they will not print anywhere on the return. You can use these fields to help create a custom report for your tax practice.

Direct Deposit Information

Mr. and Mrs. Jones would like their tax refund deposited directly into their checking account. They also would like to have the IRS contact you with any questions on the tax return.

A Scroll down to the *Electronic Filing and Direct Deposit Information* section. Under the **Direct Deposit and Electronic Funds Withdrawal** heading choose the US Government row to input information for the federal return. Click on the *More* button and enter the following information:

> *Government* ....**US**
> *Financial Institution Name*.................... **Barnes Bank**
> *Routing Number*... **123456780**
> *Deposit Account number*................................ **5678877**
> *Account Type* ....**Checking**
> *DD/EFW* ....**DD**

B Click **Close** to return to the *GI General Info* screen.

C Check the **Preparer is third party designee** box.

Step 18 – Financial Planning Services

As indicated earlier, Richard and Stephanie are looking for financial planning information to help them prepare for the future. Specifically, they wish to know if they are saving enough for retirement and what they need to save for their children's college education. The software has tools that can answer these questions. Scroll toward the bottom of the *Forms list* and select *PLAN - Retire/Ed St.*

A   Enter the following information under the Retirement Statement section:

    1   Check the **Print Retirement Planning Calculator** box.

    2   Richard's and Stephanie's ages will both carry to the 2012 Retirement Statement from birthdates entered on the federal *General Information screen*. The program assumes a retirement age of 65. This is in accordance with Richard's plans. The program assumes *20 years* in retirement.

    3   Richard and Stephanie desire a yearly **$75,000** (line 8) retirement income. To accomplish this goal they have saved **$20,000** (line 10) to date and are currently contributing **$3,000** (line 9) a year to **both** of their IRAs. They want to know how much more they should be saving to meet their goals.

    4   The program assumes a 10% return on investment and a 3% rate of inflation. The Retirement Statement in the output pane will show that their current yearly contribution of $6,000 will meet their goals if they adjust it for inflation.

B   Click the *Add New* button under *Student Information* under the *Education Statement* section. Click on the *More* button.

C   Trevor is **eight**. Anna is **six**. Richard and Stephanie want to provide **$7,000** a year to each child for four years of education. They **have not started** any education savings at this point. Enter the appropriate information for each child and then click *Close* to continue.

D   The program assumes a 10% return on investment and a 3% inflation rate. Unless you wish to override these assumptions, no entry is required on the remaining input fields for the *Education Statement* section.

Step 19 – Preview | Delivery

A   The software has the capability of viewing the audit statements at any time during return preparation. The audits are listed on the bottom of the screen.

B   The *Audit Statements* are concerns that have come to the program's attention while the return was processing. When possible, suggestions to resolve these concerns are given. If available, click the *Go link* to resolve these situations. If any red audits appear, they must be corrected before you will be allowed to e-file the return.

C   Click on the number of the colored audit to view the details. Locate the red audit for the US third-party designee and click the *Go* link to correct it.

D   This will take you directly to the *Third Party Designee* section on the *Form 1040, page 2* input screen.

E   Enter the following information:

   - *Name:* **Your Name**
   - *Phone number:* **Your phone number**
   - *Personal ID number:* **12345**

F   Notice that the **audit** message is gone. The remaining audits are meant to remind you to be aware of various items within the return, but for this tutorial we do not need to make any further changes.

G   As you have already noticed forms can be viewed on the right side of the screen at any time during return preparation. In order to view the entire federal and state(s) processed returns, click on the *Preview | Delivery* button just below the *Federal Return Summary*.

Step 20 – Printing the Return

Refer to the Print Features section of this manual to find detailed instructions on how to print, save/archive and email copies of the return(s) to your client. Delivery options are accessed by clicking on the *Print/Archive/Email* button along the bottom of the screen.

Congratulations!

You have just completed the 1040 Sample Return.

1041 Sample Return

Dan Smith and his eldest son, Alan, have come into your office to have Dan's fiduciary tax return prepared. Let's prepare a fiduciary return for the Smith Trust and learn about some of the features in the software.

Step 1 – Background Information

Dan created the Smith Trust (EIN 87-1454876) on February 19, 2001 to set aside money for education for his sons, Alan (SSN 847-45-6800) and Josh (SSN 748-54-7847). Alan's address is 136 East Main Street in Glendale, AZ 85308. Josh's address is 1210 East Brown Road in Chandler, AZ 85286. Alan serves as a trustee of the trust.

The trust agreement requires that all income be distributed equally between the two beneficiaries annually. Although the trust permits distributions of principal to the beneficiaries at the discretion of the trustee, no distributions of principal were made during the year. The agreement contains no provisions for contributions to charity. Capital gains are allocated to principal and expenses are allocated to income.

Step 2 - New Client

A Since the Smith Trust return is new, click the *New Client* button.

The New Client screen will appear, enabling you to initialize the client. To move from field to field, use your mouse or *Tab* button. Press the *Shift and* Tab keys together to move back a field.

B From the *Tax System* drop down menu select **1041**.

C Enter the *Client ID* as **SMITH4876** (we have used the first five letters in the trust name and the last four digits of the EIN).

D Enter the *Estate/Trust Name* as **Smith Trust**.

E Enter the *Fiduciary Name* as **Alan Smith**.

F Enter the *EIN* withouta dash, as it is already provided. Smith Trust's EIN is **87-1454876**.

G Enter the Smith Trust's *Zip Code* **85308**, and the *Address* as **136 East Main Street**.

The fields for the city and state will be populated automatically based on the zip code entered. If the zip code represents more than one city, the program will open a window with a selection of cities for that zip code. Select the correct city by highlighting it.

H Click *OK*. If any required fields have been left blank, the program will stay on the new client screen and highlight the missing entries in red.

Step 3 - General Information

A The first input screen will appear. This is the General Information screen. Notice that the client ID, state/trust name, address, city, state, zip, county, and EIN have all carried from the New Client screen.

B Enter **(623) 555-2231** as the *Fiduciary Phone No.*

C For this tutorial, enter your own firm's email address in the E-mail address field. We will use this email address later in the tutorial.

Step 4 - Electronic Filing Options

A Click the Electronic filing options link to access the Electronic Filing Options input screen.

This link will be present for 2011 and later years only.

B From the Electronic filing options drop down box, select 1 - E-file return.

C Enter **SMIT** as the Name control.

D In the Form 8879-F and Form 7004 area, enter the following PIN information:

- *Taxpayer's PIN*: **88888**
- *Practitioner's PIN*: **33333**
- *Taxpayer entered PIN*: **Yes**
- *Fiduciary PIN signature date*: **03-06-2012**

E In the Electronic Funds Withdrawal section, check the Payment with electronic funds withdrawal box.

F Enter the following bank information.

- *Bank name:* **Arizona State Bank**
- *Routing transit number:* **012345678**
- *Bank account number:* **7632154**
- *Type of account:* **Checking**
- *Payment date:* **04-10-2012**

G Click the *GI General Info* form to return to the General Information screen.

Step 5 - Finishing the General Information Screen

A Select **Simple** as the *Type of Entity*.

B Enter the *Date Entity Created* as **02-19-2001**. The dashes are already provided and do not need to be entered.

C Enter **Trustee** in the *Title of Person Signing Return* field.

D Enter the name **Alan Smith** in the *Name of fiduciary or officer representing the fiduciary signing the return* field.

E Click the *Gear* button on the far right and select *Flip* to view the information entered in the heading section of the output form.

F Click the *Gear* button again and select *Flip* to the *General Information* screen.

Note | Instead of clicking the *Flip* option, simply use the *F3* key on your keyboard. This will switch between the input screen and the form you are currently working on.

Step 6 - Preparer Options

A Click *PO Options* in the Forms pane to access the Preparer Options screen. Alan would like the *Two-Year Comparison Worksheet*. This worksheet lists the income, deductions, taxes, and credits for the current and prior years and computes the differences between them.

B Check the *Two-Year Comparison* box.

Step 7 – Interest and Dividends

Now let's enter the income and deductions on the Form 1041, page 1 input screen for the Smith Trust.

A In the Forms pane, click **1 1041 Pg 1**.

B Click *Add New* on the Interest section and then select *More* on the far right column.

C Enter the following information on the Fiduciary Interest window that opens:

- *Interest Income Description:* **USA Bank**

- *Account Number:* **5546582**

- *Interest Income (Not US Govt):* **$2,864**

D Click *Add New* to open the second entry window and enter the second item.

- *Interest Income Description:* **Arizona State Bank**
- *Account Number:* **7632154**
- *Total Muni Bonds:* **$783**

E Click *Close*.

F Click *Add New* on the Dividend section and then click *More* on the far right column.

G Enter the following information on the Fiduciary Dividend window that opens:

- *Dividend Income Description:* **Diversified Funds**

- *Account Number:* **96482**

- *Total Ordinary Dividends:* **$1,223**

The Qualified Dividends field automatically populates based on the entry made in the Total Ordinary field. Press Enter or Tab after making an entry in the Total Ordinary field and the amount will automatically carry to the Qualified Dividends field. If you need to change this amount, simply type the correct amount in the field.

H Click *Add New* to open the second entry window and enter the second item.

- *Dividend Income Description:* **First Choice Funds**
- *Account Number:* **34665**
- *Total Ordinary Dividends:* **$299**

I Click *Close*.

Step 8 – Capital Gains and Losses

A Click the *Schedule D* link on line 4 of the Form 1041, page 1 input screen. By clicking this link, the program will jump directly to the *Schedule D - Capital Gains and Losses* input screen.

B Click *Add New* on the *Details on Sales of Short-Term and Long-Term Capital* grid and then click *More* on the far right column.

C Enter the following information on the first screen of the Schedule D Sales of Short-Term and Long-Term Capital Assets grid.

- *1099 Transactions Prop Desc:* **Southwest Airlines**

- *# Shares:* **300**

- *Type:* **0 - Non specific**

- *Acquired Date:* **08-01-2007**

- *Sold Date:* **10-17-2011**

- *Term:* **L** (auto populates)

- *Sales Price:* **$11,475**

- *Cost or Basis:* **$8,754**

D Enter the following information on the second entry screen of the Schedule D Sales of Short-Term and Long-Term Capital Assets grid by clicking Add New.

- *1099 Transactions Prop Desc:* **Delta Airlines**
- *# Shares:* **260**
- *Type:* **0 - Non specific**
- *Acquired Date:* **04-17-2008**
- *Sold Date:* **03-24-2011**
- *Term:* **L** (auto populates)
- *Sales Price:* **$11,736**
- *Cost or Basis:* **$4,214**

The Gain or Loss will automatically be calculated based upon the Sales Price and Cost or Basis amounts; no entry is required in the Gain or Loss field.

E Click *Close*.

F Click the *1 1041 Pg 1* to return to the Form 1041 input screen.

Step 9 – Form 1041, page 1, Deductions

A Scroll down to the Deductions section of the Form 1041, page 1 input screen.

B On line 11, enter **$735** in the *Tax: Other* field for intangible taxes. The software automatically allocates indirect expenses to tax-exempt income.

Expenses deemed indirect are:

- Fiduciary fees
- Attorney's fees
- Unlimited other deductions
- Limited other deductions

Note ► Taxes are not deemed indirect by the program and, therefore, are not automatically allocated. Override the allocated amount by entering the amount directly in the input field. For purposes of this tutorial, leave the return as completed by the program.

C Enter the following additional deductions:

- *Fiduciary fees:* **$430**

- *Attorney fees:* **$220**

You will notice that the Form 1041, page 1 input screen skips lines 16 – 18. This is because the program automatically calculates these lines based on the entries in the Income section as well as the entries on lines 10 through 15b of the Deductions section.

The Income distribution deduction on line 18 is pulled from Schedule B on page 2 of Form 1041. Most of the fields on Schedule B are populated based on information entered in the program, such as whether the trust is a simple trust or a complex trust and whether any discretionary distributions were made to the beneficiaries.

The program automatically enters an exemption amount on line 20 of Form 1041 based on the type of entity selected in the Heading section of the return.

Step 10 – Form 1041, page 2, Schedule A

The Smith Trust is a simple trust. Therefore, no entries are made in the Schedule A- Charitable Deduction section of the input screen.

Step 11 – Form 1041, page 2, Schedule B

The program automatically completes Form 1041, page 2, Schedule B for simple trusts. Use the Tier 1 and Tier 2 Allocations grids to report required (line 9) and discretionary (line 10) distributions.

Step 12 – Form 1041, page 2, Schedule G

The total tax amount on line 23 of Form 1041, page 1 is pulled from Schedule G on page 2 of Form 1041. The tax due for the Smith Trust is $1,146. This amount is computed on Schedule D, part V using the maximum capital gains rates. The software makes an entry on line 1a of Schedule G, noting that the amount is Schedule D tax.

Step 13 – Form 1041, page 2, Other Information

A The Other Information section is located at the bottom of the Form 1041, page 2 input screen. Line 1 is automatically answered based on income information entered on page 1 of Form 1041. As the Smith Trust had $783 of tax-exempt interest income, the box for line 1 is automatically checked Yes and $783 is entered for the amount of tax-exempt income.

B The remaining questions in this section should be answered No for the Smith Trust, which is the default. When viewing the output form, the Other Information section of Form 1041 should appear as follows:

Step 14 - Schedule I, Alternative Minimum Tax

A Click **I Schedule I** in the Forms pane. The software carries the necessary information to Schedule I. Adjustments can be entered in part I of Schedule I by entering amounts directly in the fields on the input screen.

Lines 1-6, 8, 14, and 15 are computed automatically. Entries in these fields will override the calculated amounts. The manual entries are the amounts that carry to Form 1041, Schedule I.

B The software carried the $735 of other taxes to Schedule I, line 3 based on the entries on the Form 1041, page 1 input screen.

C The Part II section is used to calculate the income distribution deduction for minimum tax purposes. Adjustment amounts in Part II are pulled from other portions of the return by the program. Entries in these fields will override the calculated amounts.

D The Part III and Part IV sections are also computed automatically. Therefore, no further adjustments to Schedule I are required for the Smith Trust.

Step 15 - Schedule K-1

A In the Forms pane, click *K1 Benef K-1*.

B Click on the *Add New Form* option either in the input pane or in the forms list. Enter the following information for Alan Smith:

- *Beneficiary's Name:* **Alan Smith**
- *Street Address:* **136 East Main Street**
- *Zip Code:* **85308**
- *Social Security Number:* **847-45-6800**

C Enter **50%** in the *Percent of distribution* field.

Since only one beneficiary has been entered to this point, and all the income is required to be distributed, the software will allocate all of the income to Alan's K-1 until another beneficiary is entered.

D Click the *Add New Form* in the Forms Pane below where it now shows Alan's name.

E Enter the following information for Josh Smith:

- *Beneficiary's Name:* **Josh Smith**
- *Street Address:* **1210 East Brown Road**
- *Zip Code:* **85286**
- *Social Security Number:* **748-54-7847**

F Enter 50% in the *Percent of distribution* field.

Step 16 – Two-Year Comparison

Alan wanted a two-year comparison report so he could identify any significant changes in amounts reported in the current year versus the amounts reported in the previous year. In Step 7, Preparer Options, the Two-Year Comparison box was checked. However, because this is a new client, the previous year amounts must be manually entered. In subsequent years, the report will be updated for the prior year amounts.

A In the Forms pane, scroll down and click *2YR - 2Yr Comp P1*.

B Enter the following amounts for the prior year:

- *Interest:* **$3,142**
- *Dividends:* **$783**
- *Capital gain (loss):* **$3,212**
- *Total income:* **$7,137**
- *Taxes:* **$712**
- *Fiduciary fees:* **$250**
- *Total:* **$962**
- *Adjusted total income:* **$6,175**
- *Income distribution deduction:* **$2,963**
- *Exemption:* **$300**
- *Total deductions:* **$3,263**
- *Taxable income:* **$2,912**
- *Total tax:* **$107**
- *Tax due:* **$107**

Step 17 – Reviewing the Return

Now let's review the return. The program will produce Form 1041, pages 1 and 2; Schedules K-1 for Alan and Josh; the Two-Year Comparison Worksheet; the Accounting Income statement, Schedule I, the Allocable Shares Worksheet, and detail statements.

The program produces audit statements that may provide useful information or help identify trouble spots in the return. These audits are located in the Audits Pane in the bottom left corner of the program. Green audits, which are reminders and information-only audits require no further action. However, red audits must be resolved before electronically filing the return. To correct an audit, click Go on the right column. This will take you to the form and field in question where you can make changes. You can suppress an audit by clicking the drop arrow on the far right and selecting either Suppress for Client or Suppress for All Clients.

A Click on the *Preview* / *Delivery* button in the bottom right corner of the program. This will show you the finished forms in the return.

Step 18 – Create E-File

You can create the e-file and prepare it to send to the IRS and/or state agency from the Input mode or the Preview mode. The E-File button appears in the bottom right corner next to the *Preview* / *Delivery* button. If you haven't cleared the red audits on the return you will receive a message advising you that the return is not ready to be E-Filed. For step-by-step instructions on creating the e-file and transmitting the return, refer to Filing Returns Electronically.

Caution: If returns created in Client Selection folders other than the Samples folder are electronically filed, they are considered live returns and will be sent to the IRS/state agency. Take care when clicking the E-File button to ensure that live data does not get transmitted when testing and exploring the e-file process.

Step 19 – Printing the Return

Options for printing are covered in the Printing section of the manual.

Step 20 - Exiting the Return

When you are finished printing or viewing the return, use the following steps to exit:

A Click the Clients tab on the top left. This will return you to the Client Selection screen and leave the return open. Use this if you wish to leave the return open while working on another return.

B Or, you may click the small *X* next to the name of the return. This will close the client and return you to the Home screen.

Congratulations!

You have just completed the 1041 sample return.

1065 Sample Return

Frank Able and Susan Baker, partners of AbleBaker Bookstore, have just come into your office to have their partnership tax return prepared. Let's quickly prepare a partnership tax return for the AbleBaker Bookstore and learn about some of the features in the program.

Step 1 – New Client

A Since the partnership is new, click the *New Client* button. The *New Client* screen will appear, enabling you to initialize the client.

To move from field to field, use your mouse or *Tab* button. Press the *Shift* and *Tab* keys together to move back a field.

B Select **1065** from the *Tax System* drop down.

C Enter the *Client ID* as **ABLE9999** (we have used the first four letters in the partnership name and the last four digits of the EIN).

D Enter the *Partnership Name* as **AbleBaker Bookstore**. An input field for the second name, if applicable, is provided.

E Enter the *EIN* without the dashes, as they already provided. AbleBaker Bookstore's EIN is **10-9999999**.

F Enter the Address as **334 North Main Street**.

G AbleBaker Bookstore's *Zip Code* is **20904**.

The fields for the city and state will automatically be populated by the program based on the zip code entered. If the zip code represents more than one city, the program will open a window with a selection of cities for that zip code. Select the correct city by highlighting it.

H AbleBaker Bookstore's *City* is **Silver Spring, MD**.

I Click *OK* to continue.

Step 2 – General Information

A The first input screen will appear. This is the *General Information* screen. Notice that the Client ID, partnership's name, address, city, state, zip, county, and EIN have all carried from the *New Client* screen.

B The partnership is a calendar year partnership. The *Fiscal/Short Year* is not applicable for this return. Leave this area blank.

C The business activity for AbleBaker Bookstore is **Retail**. Highlight the *Business Activity* input field. Click the down arrow ▼ button on the drop down box. A listing of the principal business activities will appear in a tree format based on the North American Industry Classification System in the IRS form instructions. Find *Retail Trade* and click the *plus (+) sign* to expand the tree. A more detailed listing will appear. Select **Book Stores**. The program will insert the *Principal Business Activity* as **Retail Trade**, the *Principal Product or service* as **Book Stores** and the *Business Code Number* as **451211**.

D Enter the Date Business Started as **10-01-81**.

E The *Method of Accounting* is **Accrual**.

F For this tutorial, enter your firm's email address on the Email address line under Contact Information.

Step 3 – Preparer Options

We will now go to the *Preparer Options* screen listed in the Forms pane as **PO - Options**. Frank and Susan want to produce financial statements in the program in order to determine their ability to obtain financing for a future real estate investment. The financial statements prepared on a tax basis include a *Statement of Revenue and Expenses*, a *Balance Sheet*, and a *Statement of the Partner's Capital*.

A Check the box to *Prepare financial statements*.

Frank and Susan also want the *Two-Year Comparison Worksheet*. This worksheet lists the ordinary income, expenses, and Schedule K amounts for the current and prior years and computes the differences between them.

B Check the box to *Prepare two-year comparison worksheet*.

Step 4 – 1065 page 1, Ordinary Income and Expenses

Let's start by entering the ordinary income and expenses on page 1 of Form 1065 for the AbleBaker Bookstore.

A In the Forms pane, click on *1 1065 Pg 1*.

B Enter the following ordinary income in the appropriate field in the Input pane:

Gross receipts or sales, line 1b............................ **$409,465**
Returns and allowances, line 1d.............................. **$3,365**
Interest income on accounts receivable, line 7*.......... **$559**

* We will create a detail statement on line 7 for the interest income of $559. Click on the line 7 input field, then click the small arrow in the top right corner of that input field and select *Detail Statement*. In order to enter the information, click the **Add** button in the top right part of the detail window. Enter the description as *Interest income on accounts receivable*. Enter the amount as **$559**.

C Click *OK* to return to the *1065 Pg 1* input screen, and hit *Tab* or select another input to close the options for line 7.

Note

When you move from this field, the color of the field will change, indicating that it was detailed. The total amount will also appear.

D Enter the following allowable deductions in the appropriate input fields:

Salaries and wages, line 9 .... **$29,350**

Guaranteed payments to partners, line 10 .... **$25,000**
(Frank received $20,000 and Susan received $5,000)

Repairs and maintenance, line 11 .... **$1,125**

Bad debts, line 12 .... **$250**

Rent - Real Property, line 13 .... **$20,000**

State Income Taxes, line 14 .... **$3,295**

Interest, line 15 .... **$1,451**

Other Deductions, line 20

Advertising **$4,000**

Other business deductions* **$4,003**

   * We will create a detail statement for the other business deductions of
     $4,003. Click on the line 20 input field for *Other business deduction*,
     then click the small arrow in the top right corner of that input
     (Context Menu) and select *Detail Statement*. In order to enter the
     information, click the *Add* button in the top right part of the detail
     window. Enter the descriptions as **Labeling Costs** and
     Miscellaneous Deductions on separate lines. Enter the amounts as
     $3,000 and **$1,003**, respectively.

E Click *OK* to return to the 1065 Pg 1 input screen.

Step 5 – Depreciation

The partnership has bookshelves that they are currently depreciating. The
bookshelves were purchased in one transaction. Therefore, they will be set up
as one asset. We will use the Asset Manager to help track the depreciation.

A Click the *Assets* tab located on the left side of the forms list, just below
the Fed tab, to open the *Asset Manager*.

B Click the *New Asset* button to add the asset.

   1 Make sure the *Form* is set to **1065**.

   2 Set the *State* is set to **MD**.

   3 Set the *Apportion-ment Class* to **Furniture**.

   4 Enter the *Description* as **Shelves**.

   5 The shelves were purchased on **05-01-2011**.

6 The *Cost* was **$3,356**.

7 The *Prior Depreciation* is **$480**.

8 The *Type* is **Furniture and Fixtures**.

9 The *Method* should default to **MACRS 7 Year (M7YR)**.

10 The *Optional Entries* are for categorizing and sorting depreciation reports. For this return, you do not need to make any entries.

11 Click *Done* to continue.

12 Click the *Shelves* link to open the newly created asset. You will now see the General tab.

13 The Current Depreciation should be **$822**.

14 Enter **$480** as the *Prior Depreciation* in the *AMT* column.

C AbleBaker Bookstore keeps separate book and tax depreciation records. If the asset has a book value that is different than the tax value, then the book value will carry to the Balance Sheet and the difference between book and tax depreciation will carry to Schedule M-1.

1 Click the *Other* tab.

2 In the *Book Value* column, uncheck the *Same as Federal* box.

3 Select **Method 19, Nonrecovery Straight Line (NRSL)**.

4 Enter the *Period* as **10** years.

5 Enter the *Convention* as **Full Year**.

6 Enter the *Prior Depreciation* of **$320**.

D Frank and Susan would like a federal depreciation report to print with the return. The default setting is to produce the Federal Depreciation, AMT Depreciation, and Nonconforming State Depreciation reports automatically. To select additional reports or to deselect these reports, click the *All Assets* section on the forms list and select *Reports*.

1 Notice that the Federal Depreciation, AMT Depreciation, and Nonconforming State Depreciation reports are selected.

2 Click *OK* to return to the *Asset Manager*.

E To exit the Asset Manager and return to the *1065 Pg 1* input screen click the **Fed** tab on the far left.

Step 6 – 1065 Cost of Goods Sold

A From the 1065, page 1 input screen, click the link for *COGS* on line 2, *Cost of goods sold*. Form 1125-A input screen will open.

  1 Enter the following amounts:

   Inventory at beginning of year, line 1 .... **$18,125**
   Purchases, line 2 .... **$268,741**
   Inventory at end of year, line 7 .... **$19,225**

  2 Click the *Gear* button on the far right side and select the Flip option. The program will calculate the cost of goods sold and enter $267,641 on line 8. Use F3 or the Flip option in the Gear button to return to the input screen.

  3 The method used for valuing inventory in this partnership is Cost, which is the default method in the program. Therefore, no entry is necessary.

  4 The remaining questions regarding inventory are answered No by default for the partnership. You do not need to make any entry.

B Click *1 1065 Pg1* in the *Forms Pane*. This will return you to the 1065, page 1 input screen.

C Use the Flip option in the gear button, or the F3 key, to view the output form. As a result of the Cost of goods sold entries, 1065 page 1 should show the following:

   Total income, line 8 .... $139,018
   Total deductions, line 21 .... $89,296
   Ordinary business income, line 22 .... $49,722

Step 7 – 1065, page 2 & 3, Other Information, Schedule B

The AbleBaker Bookstore is a Domestic General Partnership, which is the default in the program. Therefore, an entry on line 1 of Schedule B is not necessary. In addition, the partners will all be treated as general partners on the Schedule K-1s.

The questions on lines 2 and 4-16 are answered No by default for the partnership. Question 3 will automatically be produced based on information entered on the Partner K-1s, to be entered later in this tutorial.

Also, question 17, the last question on Schedule B deals with foreign partnerships and is not applicable for this return.

Step 8 – 1065, page 4, Schedule K

A In the Forms pane, click on *4 1065 Pg 4*.

B The partnership has several items that must be reported separately on Schedule K.

1 Click *Add New* under the Interest Income section and then the *More* option on the right side. Enter the *Interest Income Description* of **Maryland Municipal Bonds**. In the *Total Muni Bonds* field, enter **50**. Note that the resident state of **MD** appeared in the State input field. This state can be changed to indicate the state that issued the bonds, if needed. The tax-exempt interest will carry to line 18a of Schedule K. Click the *Close* button.

2 Click *Add New* under the Dividend Income section and then the *More* option on the right side. Enter the *Dividend Income Description* of **Amazon.com Stock**. Press the *Tab* key to move to the next field and enter **150** as the *Total Ordinary Dividends*. Press the *Tab* key to move to the next field. Notice that the 150 automatically appears in field 1b for *Qualified Dividends*. This is to help eliminate key strokes, as most ordinary dividends are also qualified dividends. Input field 1b can be changed if necessary. Click *Close* to return to the 1065 page 4 input screen.

3 We will create a *Detail Statement* for the contributions for line 13. Click on the input for line 13a, *Cash contributions (50%)*. Click on the arrow in the corner of the input and select Detail Statement. Click the Add button twice. Enter the *Description* as **United Way** and **American Cancer Society** on separate lines. Enter the *Amount* as **300** and **350**, respectively. Click *Ok* to close the detail statement. Use the Flip function to view the form. Line 13a now shows the total contributions of $650.

C Return to the input screen for 1065, page 4.

D Enter **$52,880** on line 19a, *Distributions of cash and marketable securities*. Frank and Susan each withdrew $26,440 from the partnership.

Step 9 – 1065, page 5, Analysis of Net Income

A In the Forms pane, click on *5 - 1065 pg 5*.

> **Note** The Analysis of Net Income section will be automatically filled out based on the type of partners indicated on the Schedule K-1 input screen. The Schedule K-1 input will be deferred to a later step in this tutorial.

Step 10 – 1065, page 5, Balance Sheet

A Enter the AbleBaker Bookstore beginning and ending balance sheet amounts as shown below:

	Beginning of Tax Year	End of Tax Year
Cash, line 1	$9,981	$9,181
Notes and accounts receivable:, line 2a	$7,150	$10,990
Tax-exempt securities, line 5*	$1,000	$1,000
Bldg/other depreciable assets, line 9a	$3,356	
Accumulated depreciation, line 9b $320		
Accounts payable, line 15	$8,742	$8,329
Mortgages, notes, bonds under 1 yr, line 16	$3,000	$2,600
Mortgages, notes, bonds over 1 yr, line 19b		$7,739

* For the *Tax-exempt securities*, line 5, create a Detail Statement by clicking the arrow in the corner of the input field on either the beginning or ending amount. Then select Detail Statement. Notice that the detail statements on the balance sheet allow the beginning and ending amounts for the year to be entered.

B Scroll down below the balance sheet to locate *Schedule M-2 - Analysis of Partners' Capital Accounts*. Enter $27,550 as the balance at the beginning of the year on line 1 of Schedule M-2. The M-2 beginning and ending balances for the year will automatically carry to the balance sheet, line 21.

C Verify the following amounts by using the Flip option. These amounts will automatically carry and print on the balance sheet of Form 1065, page 5:

	Beginning of Tax Year	End of Tax Year
Inventories, line 3*	**$18,125**	**$19,225**
Bldg/other depreciable assets, line 9a ^		**$3,356**
Accumulated depreciation, line 9b ^		**$656**
Total assets, line 14	**$39,292**	**$43,096**
Partners' capital account, line 21 ~	**$27,550**	**$24,428**
Total Liabilities and Capital, line 22	**$39,292**	**$43,096**

* This field carries automatically from *Form 1125-A, Cost of Goods Sold.*

^ This field carries automatically from the *Asset Manager.*

~ This field carries automatically from *Schedule M-2.*

In the subsequent year, the beginning balance sheet amounts need not be entered because the amounts will carry from the prior year ending balance sheet amounts to the subsequent year beginning balance sheet amounts during the Proforma process. The detail statements will also be updated.

Step 11 – 1065, page 5, Schedule M-1

No entries are required for the AbleBaker Bookstore because all of the M-1 items carry automatically from other parts of the return.

A Scroll down to locate *Schedule M-1 - Reconciliation of Income per Books with Income per Return*.

B Click *Flip* under the *Gear* button or use the *F3* key to view the output screen.

C On line 3, *Guaranteed payments* of $25,000 automatically carried from page 1, line 10.

D On line 6, *Tax exempt interest* of $50 automatically carried from page 4, Schedule K, line 18a.

E On line 7a, *Depreciation* of $486 automatically carried from the *Asset Manager.*

F On line 9, *Income (loss)* of $74,222 automatically carried from page 5, Analysis of Net Income (Loss), line 1.

G On line 1, *Net income (loss) per books* of $49,758 was computed based on the above amounts.

H Use *F3* or *Flip* to return to the input screen.

Step 12 – 1065, page 5, Schedule M-2

A Scroll below Schedule M-1 to locate Schedule M-2.

B The $27,550 for the balance at the beginning of the year for the Partners' Capital Accounts was entered in Step 11. This amount will carry to the Schedule L. In the subsequent year, it is not necessary to enter this amount because it will be updated and reflect the prior year's ending balance amount.

C *Flip* to view the output form.

D On line 3, *Net income (loss) per books* of $49,758 carried automatically fromSchedule M-1, line 1.

E On line 6, *Distributions* of $52,880 carried automatically from Schedule K, line 19a.

F On line 9, *Balance at end of year* of $24,428 was computed based on the above amounts.

G Return to the input screen.

Step 13 – Schedule K-1, Frank W. Able

We need to enter Frank's K-1 information.

A In the Forms pane, click on the arrow for the *K1 - Partner K-1*.

B Click on the *Add New Form* option, this will open the input for the partner. The K-1 is set up as a multiple input screen where up to 10,000 K-1s may be entered.

C Enter **Frank W Able** as the *Partner's name* (top line).

D Enter Frank's *Street Address* as **10 Green Street**.

E Enter the *ZIP code* as **20904**.

F Select **Silver Spring** as the *City*.

G Enter Frank's *SSN* as **123-00-6789**.

H Check the box to indicate that Frank is the *Tax Matters Partner*. The required information will carry automatically to page 3 of the 1065.

I Because this is a General Partnership, the box for General Partner on item G is automatically checked by the program.

J For *Type of Entity* select *7 - Indiv - Active* from the drop down box for the Type of entity field on item I.

K Enter **50%** in the *Master Default %* field for item J since Frank's percentage of profit sharing, loss sharing, and ownership of capital is 50%.

L Enter **$14,050** for Frank's *Beginning Capital* for item L, Partner's capital account analysis. The remaining amounts from item L are automatically computed. In the subsequent year, you need not enter the beginning capital account because the ending capital account for the prior year will update to the beginning capital account for the subsequent year.

M Enter **$20,000** on line 4, Guaranteed Payments to Partner, of Part III for Frank's guaranteed payment. Frank's guaranteed payment and his share of ordinary income will be subject to Self-Employment Tax. The program will carry the self-employment earnings to line 14a.

N All remaining amounts will carry automatically to Schedule K-1 from Schedule K.

Step 14 – Schedule K-1, Susan L. Baker

Now we need to enter Susan's K-1 information.

A In the Forms Pane select the *Add New Form* option beneath Frank's name to access a second K-1.

B Enter **Susan L Baker** as the *Partner's name* (top line).

C Enter Susan's *Street Address* as **10 Orange Street**.

D Enter the *ZIP code* as **20904**.

E Select **Silver Spring** as the city.

F Enter Susan's *SSN* as **546-01-3333**.

G If you flip the form, you will notice for item G, that the box for *General partner* is automatically checked on the form because this is a General

Partnership.

H Click *Flip* or use *F3* to return to the input screen.

I Select *7 - Indiv - Active* from the drop down box for the *Type of entity* field on item I.

J Enter **50%** in the *Master Default %* field for item J since Susan's percentage of profit sharing, loss sharing, and ownership of capital is 50%.

K Enter **$13,500** for Susan's *Beginning Capital* for item L, Partner's capital account analysis. The remaining amounts from item L are automatically computed. In the subsequent year, you need not enter the beginning capital account because the ending capital account for the prior year will update to the beginning capital account for the subsequent year.

L Enter **$5,000** on line 4, *Guaranteed Payments to Partner*, of part III for Susan's guaranteed payment. Susan's guaranteed payment and her share of ordinary income will be subject to Self-Employment Tax. The program will carry the self-employment earnings to line 14a.

M All remaining amounts will carry automatically to Schedule K-1 from Schedule K.

Step 15 – Self-Employment Worksheet

Because Frank and Susan are general partners and their income is subject to Self-Employment Tax, the total net earnings of $74,722 will carry to Schedule K, line 14a. In addition, the *Self-Employment Worksheet* will be produced. The worksheet is a duplicate of the worksheet found in the IRS form instructions. To view the worksheet, the return must be reviewed (Step 21).

Step 16 – Two-Year Comparison

Frank and Susan want a Two-Year Comparison report so they can identify any significant changes in amounts reported in 2011 versus the amounts reported in 2010. In Step 6, Preparer Options, the Two-Year Comparison box was checked. However, because this is a new client, the 2010 amounts must be manually input. In subsequent years, the report will be updated for the prior year amounts.

A In the Forms pane, click *2YR-2Yr Comp P1*.

B Enter the following amounts for the prior year:

Income:

Gross receipts or sales:	**$300,000**
Less returns and allowances:	**$3,000**
Cost of goods sold:	**$250,000**
Other income:	**$50**

Deductions:

Salaries and wages:	**$25,000**
Guaranteed payments to partners:	**$25,000**
Repairs and maintenance:	**$2,000**
Bad debts:	**$200**
Rent:	**$20,000**
Taxes and licenses:	**$2,500**
Interest:	**$1,400**
Depreciation:	**$320**
Other deductions:	**$5,000**

Schedule K:

Guaranteed payments to partners:	**$25,000**

C In the Forms Pane, click *2YR2-2Yr Comp P2*.

D Enter the following amount for the prior year:

Self-Employment:

Net earnings from self-employment:	**$32,320**

Step 17 – State Instructions

The AbleBaker Bookstore also operates a store in Washington, D.C. The partnership is required to file a Washington, D.C. Partnership Return of Income.

A Click on the *+/- Tab* on the left side of the Forms pane. The Forms pane will then allow you to select which state modules will be included in this return.

B Notice that Maryland is already checked. This happens because the address entered when creating the return was in Maryland.

C Click the checkbox for *District of Columbia*.

D The Tab for DC will now be listed on the left side of the *Forms* pane along with MD.

E Click on the *DC* tab to open its input screens.

F Other state information will carry directly from the federal inputs. If you would like to override any values, you may do so now.

Step 18 – Preview the Return

Now let's preview the return.

A The program produces some audit statements that may provide useful information or help identify trouble spots in the return. These audits are listed in the Audits Pane in the bottom left corner of the program. This return should produce only one green FYI audit. However, if you do see some audits while processing client tax returns, they should be resolved before filing the returns, if possible; green audits, which are reminders and FYI information audits, require no further action.

B Click the *Preview | Delivery* button in the bottom right corner of the program.

The program will produce Form 1065, pages 1 through 5; Schedules K-1 for Frank and Susan; a Two-Year Comparison; Financial Statements; Form 4562; and a Detail Statement. The program will also produce a Self-Employment Worksheet, a Federal Depreciation Schedule, a Partner's Summary, Schedule M-1 explanation, Partner's current year increase/decrease worksheet, an instruction letter for the Partnership, a K-1 letter with each K-1, an invoice, and state forms.

Step 19 – Printing the Return

See the Printing section of the manual for details on printing returns. Print pages 1 through 5 of Form 1065, and Schedules K-1

Step 20 – Exiting the Return

When you are finished printing or viewing the return, click the *X* on the return's tab at the top of the program. This will take you back to the Home screen.

Step 21 – Compare 1065, Pages 1-5, Schedules K-1

On the software DVD, we have included a copy of this return as a sample for you to use to compare to the return you have just completed entering. To view this sample return, logout of the program by clicking *Logout* at the top right corner of the program. Log in again and select the box to "Log into Samples/Training". Click on the *Clients* tab and find the sample return named AbleBaker Bookstore. Click the *Preview | Delivery* button and compare forms 1 through 5 and all Schedules K-1 with the forms printed from the return you entered in this tutorial.

Congratulations!

You have just completed the 1065 Sample Return.

Other Systems

706 Estate Tax

Frequently Asked Questions

Q: What is the due date for filing Form 706, and can I file an extension?

A: The due date for Form 706 is nine months after the date of death. An automatic six-month extension can be granted by filing Form 4768. The IRS releases the current year forms in September. The 706 system is the only system to have a complete set of forms for two years, so the death date is required to determine which forms need to be filed.

Q: Why aren't any forms appearing when I review the return?

A: This usually occurs when the date of death has not been entered on the return. This is a required field.

Q: What are the supporting schedules for Form 706?

A: Review the summary at the bottom of Form 706 (Recapitulation), page 3 for a list of the schedules.

Information to Note

- On January 1, 2008, the estate and gift tax treaty between the US and Sweden was terminated, therefore, Sweden has been deleted from the countries and Credit Under Treaties (Schedule P).

- Form 706 cannot be updated as it is only filed after death.

- Form 706 comprises mostly input grids.

- Assets and property are entered on Schedules A through I.

- Items carry to Schedule M from the asset schedules.

- The Alternate value date for the 2032 election on Form 706, page 2 is automated to six months after the date of death, unless overridden by an earlier date.

- Items from Schedules A, E, F, G, or H can be carried to Schedule A-1, 2032A property election.

- A new Part 6 (Portability of Deceased Spousal Unused Exclusion (DSUE)) has been added to Form 706 and Page 1 line 9 has been expanded with accordance to this new section.

  a. All heirs must sign and agree to the special use valuation on page 4.

  b. A reduction in value cannot exceed $1,000,000.

  c. 25% of the gross estate must be 2032A real property.

  d. 50% of the estate must be real or personal 2032A property.

- The 2032 and 2032A elections may be made together or separately.

- The Marital Deduction is automatically calculated on Schedule M.

  a. Schedule M can be completed directly in the To Surviving Spouse grid.

  b. No values will carry from the other schedules.

  c. Additional information must be entered manually.

- Distributions to beneficiaries of the estate are entered on Schedule M, page 2, line 5.

  a. Specific bequests may be entered separately, but cannot exceed the remainder.

  b. The remainder of the estate can be distributed as a fraction, percentage, or amount.

  c. The last heir receives any remainder.

- The Unified Credit is 1,722,800 which is equivalent to sheltering 5,120,000 of the taxable estate.

- The amount used in computing the 2% portion of estate tax payable in installments is $1,390,000.

- The Generation-Skipping Transfer Tax (GST) exclusion is $5,120,000 in 2012.

- The GST Tax maximum rate has decreased to 45%.

- The Credit for State Death Taxes was repealed in 2005. There is now a State Death Tax Deduction.

- Schedules P, Q, R, and R-1 are not listed in the Recapitulation.

  a. Schedule P is used to report foreign death taxes and any credits.

  b. Schedule Q is used to calculate credits from taxes paid on prior transfers within ten years, prorated for the time since the transfer. The maximum is three entries.

  c. Schedules R and R-1 are used to calculate GST taxes.

- Schedule U is used to report the Qualified Conservation Easement Exclusion.

709 Gift Tax

Frequently Asked Questions

Q: What is the due date for filing Form 709, and can I file an extension?

A: The due date is April 15th of the tax year. Extending the federal Form 1040 with Form 4868 automatically extends the federal Form 709 for six months. If Form 1040 is not extended, Form 8892 is also used as a payment voucher when Form 1040 is extended.

Q: Can taxpayers and spouses file jointly?

A: No. Separate returns must be filed. Information from one spouse's return is required on the other. Separate returns will automatically generate if the box is checked for Will a gift tax return for this calendar year be filed by the spouse?

Information to Note

- Community property is automated if the address listed is a community property state.

- Gift splitting is automated if the Do the donors consent box is checked.

- Returns may be incorrect if the preparer tries to split gifts manually, community property is calculated manually, or one half of the gift amounts were entered manually on each return.

5500 Employee Benefit Plan

Q: Will 5500 or 5500SF have to be filed electronically?

A: Yes, all pension and welfare plans and DFE's that are required to submit an annual return/report under Title I of ERISA must electronically be filed. Prior year delinquent or amended Form 5500 annual return/reports must be filed electronically through EFAST2.

The Form 5500EZ cannot be submitted electronically. A "one-participant" plan that is eligible to file is not required to file under Title I of ERISA. However, you may elect to file Form 5500SF electronically with EFAST2 rather than filing a Form 5500EZ with the IRS.

Q: Short Plan year annual returns/reports (5500/5500SF) may be due before EFAST2 can receive them in January. How do I file these?

A: Short plan year filers whose due date is to submit their filing before January 1, will be given an automatic extension to electronically file their complete Form 5500 annual return/report within 90 days after the filing system is available on the DOL website. This special extension is being granted to encourage such filers to submit their returns/reports electronically under EFAST2. Filers who choose not to take advantage of the special extension must use the prior plan year forms and instructions and submit their annual return/report on or before the due date (before EFAST2 and the 2012 Forms and instructions are available for filing in January).

Q: When I register for electronic credentials through the EFAST2 web site, what are the different user types and what type(s) of user should I select?

A: There are five user types under EFAST2: Filing Author, Filing Signer, Schedule Author, Transmitter, and Third-Party Software Developer. You can check all that apply to you. You may associate more than one user type under your registration if you will be performing multiple functions. (More information is available at www.dol.gov/ebsa/faqs/faq-EFAST2-Credentials.html)

Q: If I am completing Form 5500 or Form 5500-SF using EFAST-approved third-party software. Do I need to register for EFAST2 electronic credentials?

A: You do not need to register for EFAST2 electronic credentials just to complete the annual return/report using third-party software. If you will be signing the filing, you will need to register for credentials as the "Filing Signer" user type.

Q: I already have a PIN and ID for electronic filing in EFAST. Can I use this to submit my filing electronically in EFAST2?

A: No. EFAST2 is a completely separate system from EFAST. You will need to register for and obtain new electronic credentials under EFAST2.

Q: I completed the registration online but did not receive an email to complete my registration. What should I do?

A: Once you complete the online registration, the system sends an email to your registered email address within 5 minutes. If you do not receive the email in your inbox, it may have been blocked as spam or junk mail. Check your "spam" or "junk" email folders to see if you have received the email. If you've checked the email folders and the email is still not received, call 1-866-463-3278 (1-866-GO-EFAST).

Some email providers require that you add an email address to your address book before you can receive any email from the address. To ensure that these messages can be delivered to your inbox, enter the originating email address, efast2@efastsys.dol.gov and the reply to email address, efast2@efast.dol.gov into your address book.

Q: Does the software offer an e-signature option to file 5500/5500SF returns?

A: Yes. On the 5500 or 5500SF GI screen check the box at the bottom to indicate that you will be attaching a PDF of 5500/5500SF pages 1 and 2. The practitioner will have to register at EFAST2's website www.efast.dol.gov to obtain a ClientID and a PIN in order to use this option. This credential must be entered in the EF Administrator's section at the bottom.

Q: If I am filing for an extension of time based on a request for an extension submitted on Form 5558 with the Internal Revenue Service, do I need to attach a copy of Form 5558 to my Form 5500 or Form 5500SF?

A: You do not need to attach a copy of Form 5558 with the annual return/report in EFAST2. However, you must keep a copy of Form 5558 with the plan's records.

Q: I am amending Form 5500 or 5500SF filing. Can I submit only the portion of the return/report that I am amending?

A: No. You will need to check the "Amended" box on the GI screen and resubmit the entire Form 5500 or 5500SF, with all required schedules and attachments, through EFATS2.

Q: Who can I contact regarding Form 5500 filing or EFAST2 if I have questions or problems?

A: You can call the EFAST2 help line at 1-866-463-3278 (1-866-GO-EFAST) or send email to efast2@efast.dol.gov. You may also call the software customer support team.

Information to Note

- **Signature and Date**. The instructions for "Signature and Date" have been updated to clarify that when the Plan Administrator is an entity, the electronic signature must be the name of a person authorized to sign on behalf of the plan administrator.

- **Optional Paid Preparer Information**. The instructions have been updated to include optional preparer's information. Filers may optionally enter the preparer's name and address. See page 6 of the instructions for more information. Although the preparer information is optional, the IRS encourages filers to provide preparer information.

- **Optional Trust Information**. The instructions have been updated to include optional trust information in Schedule H and Schedule I. Filers may optionally enter the trust's name and EIN. See pages 42 and 50 of the instructions for more information. Although trust information is optional, the IRS encourages filers to provide this information.

- **Schedule MB**. Reporting is clarified for changes in adjustable benefits. See the instructions to lines 4d and 4e, Information on Plan Status, on page 53. Reporting is also clarified for amortization charges under the funding standard account statement for the current plan year. See the instructions to line 9c, on page 56.

- **Schedule SB**. Additional detail is requested for the prior year's excess contributions to be added to the prefunding balance. See the instructions to line 11b, on page 67.

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Notes

Keyboard Shortcuts

| Tab | = next field |

| Shift | Tab | = previous field |

| Ctrl | C | = Copy |

| Ctrl | V | = Paste |

| Ctrl | X | = Delete |

| Ctrl | N | = New Client |

| Ctrl | A | = Admin |

| Ctrl | H | = Home |

| Ctrl | L | = Logout |

| Ctrl | E | = Efile |

F3 = Flip

F7 = Input/Review

F8 = Print/Archive/Email

F9 = Erase/Delete Form