



Supplement: Fiduciaries (1041)

Drake Software User's Manual

Tax Year 2013

**Supplement: Fiduciaries
(1041)**

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Fiduciary Returns (1041)

The basics of data entry on a fiduciary (1041) return are the same as for the 1040. Field- and screen-level help, shortcut keys, and navigation throughout data entry all function as they do in the 1040. See the *Drake Software User's Manual: Tax Year 2013* for the basics of using the program.

What's New in Drake for Fiduciary Returns

Because the IRS converted 1041 from the Legacy to the MeF filing system, there have been a lot of changes made to the Fiduciary package.

Many of the changes are cosmetic and you might not notice them, but many were made to simplify data entry. For instance, we standardized the 1041 screens to more closely resemble those in the other packages. We redesigned screen **1 (Name, Address General Info)**, adding a section for **Fiduciary Information** separate from the section for the estate or trust information. We've also added **F/B (Beneficiary or Fiduciary)** drop lists, **State (ST)** drop lists, and **Passive Activity Number (PAN)** boxes, and foreign address fields to various other screens, where appropriate.

One important change to note is that because of the MeF filing system, preparers will receive their acknowledgments quicker than ever before.

Another big change is that now amended 1041 returns can be e-filed.

Other changes and improvements include the following:

New and Redesigned Screens

We added new **W2**, **W2G**, and **1099R** screens to enter income, and a new **8949** screen for reporting capital gains and losses from stocks, bonds, mutual funds, and other investments. The new Auto Expense Worksheet can be applied to Schedules C, E, and F. Form 8611, Recapture of Low-Income Housing Credit, has also been added to the 1041 package.

W2 Screens Screens new to the 1041 package include the **W2**, **W2G**, and **1099R** screens (available on the **Income** tab of the **Data Entry Menu**). Links to these screens were added to screen **3 (Income, Deductions, Payments)** (see Figure 1 on page 2).

Income, Deductions, Payments	
Income	
1	Interest income.....
2a	Ordinary dividend income.....
2b	Qualified dividends: (1) Beneficiaries..... = [] (2)
8	Other income W-2 W-2G 1099-R []
Deductions	
10	Interest (Do not include amount from Form 4952).....
11	Taxes.....

Figure 1: New links on screen 3 screen to W2, W2G, and 1099R screens

Estate Tax Deduction

In previous years, an estate tax deduction amount was entered on line 19 of screen 3. This field included a CTRL+W worksheet so you could itemize the amounts that led to the total.

The new **Estate Tax Deduction** screen (accessible through the **Estate Tax Deduction** link on line 19 of screen 3) has fields for income and deductions in respect of a decedent (IRD) and produces a worksheet, showing the calculations and the total, which flows to line 19 of Form 1041, and to the individual Schedules K-1.

Form 8949, Schedule D, Form 1099-B

As was the case last year in the business packages, screen 8949 (accessible from the **Assets/Sales** tab of the **Data Entry Menu**) has been added to the 1041 package for reporting capital gains and losses from stocks, bonds, mutual funds, and other investments, on Form 8949, Sales and Other Disposition of Capital Assets, Schedule D, Capital Gains and Losses, and Form 1099-B, Proceeds from Broker and Barter Exchange Transactions.

NOTE

Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, reports individual transaction information and contains cost basis fields for brokers who are required to supply such information.

See the field helps from screen 8949, and “Capital Asset Reporting” in Chapter 5 of the *Drake Software User's Manual* for more information.

On screen D2, also accessible from the **Assets/Sales** tab, has fields in the lower section for use when no Form 8949 is required. Line 1a of this section is for totals for short-term transactions on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments. Line 8a is for long-term transactions on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments.

Net Investment Income Tax

This new tax goes into effect in 2013. The 3.8 percent Net Investment Income Tax applies to individuals, estates, and trusts that have certain investment income above certain threshold amounts. In general, investment income includes, but is not limited to: interest, dividends, capital gains, rental and royalty income, non-qualified annuities, income from businesses involved in trading of financial instruments or commodities, and businesses that are passive activities to the taxpayer.

The threshold for trusts and estates is \$11,950.

Report this tax on Form 8960, Net Investment Income Tax – Individuals, Estates, and Trusts. The 8960 screen in Drake is located on the **Other Forms** tab of the **Data Entry Menu**.

AGI Screen

We have updated how we calculate adjusted gross income (AGI). If a preparer has

entered expenses on lines 12 or 14 of screen **3** (Income, Deductions, Payments), and all or a portion of these expenses were administrative expenses, those administrative expenses should be entered on the new **AGI** screen (accessible from the **Other Forms** tab of the **Data Entry Menu**).

The calculation allows for a deduction for administrative costs to the extent that these costs were incurred in the administration of the estate or trust that would not have been incurred if the property were not held by the estate or trust.

If an amount is entered in the override field of the **AGI** screen, there is no need to enter the administrative costs. The override amount will be used where all AGI amounts are required.

For more information, see **Screen Help** on the **AGI** screen or the IRS instructions.

Auto Expenses

The Auto Expense Worksheet (**AUTO** screen, available from the **Income** tab of the **Data Entry Menu**) has been added to the 1041 package. As in the 1040 package, the **AUTO** screen can be applied to Schedules C, E, and F, through use the **For** drop list. Use a separate **AUTO** screen for each vehicle through use of the multi-form code (**MFC**) box.

A WK_AUTO worksheet is generated for each **AUTO** screen created.

Tax-Exempt Interest Income

Because tax-exempt interest income is required in box 10 of Form 1099-DIV, there is now a line 10 on the **DIV (Dividend Income)** screen. At the bottom of the **DIV** screen are new fields for entering—by amount or percentage—state municipal interest.

Office in Home

A check box was added to screen **8829** for using the optional Safe Harbor Method of computing the amount of deduction being claimed for an office in home.

With this method, only the square footage of the office and the square footage of the home is entered and the program computes the deduction based on \$5 per square foot for a maximum of 300 square feet (or a maximum of \$1,500).

K1G Screen

The new **K1G** screen, General Explanation for Schedule K-1, creates statements that allow you to explain every line of Schedule K-1. From drop lists on screen **K1G**, select a line from Schedule K1 you wish to explain, select a K-1 recipient, then enter an explanation for the line. The statement will be attached to the 1041 return. (Leave the **ID and Name** field blank and the explanation will go to all K-1 recipients.)

Ponzi Losses

Instead of preparing Appendix A, Statement by Taxpayers to Determine a Theft Loss Deduction (listed in Drake12 as “2009_20” in View mode and in **Tools > Blank Forms**), Drake now generates page 3 of Form 4684, Casualties and Thefts. Data entry is made in **Section C** of screen **4684**.

Contact Information

New e-mail address, phone number, and fax number fields for the clients have been added to screen **1 (Name, Address, General Information)**. These fields are for reports only and are not included in the e-file record.

Bank Secrecy Act

Due to new U.S. Treasury Department regulations, all Bank Secrecy Act (BSA) forms must be completed online. This includes the FBAR, Report of Foreign Bank and Financial Accounts (formerly known as Form TD F 90-22.1). In Drake, screen **FBAR** (or screen **9022**) contains a link to the Financial Crimes Enforcement Network's BSA

e-Filing System's website.

IMPORTANT

Allow yourself time to read and understand all the information available on the BSA website and to register as a BSA e-filer.

New Functionality

Other changes made to the functionality of the Drake Software package, include:

PDFs Attachments

Binary, or PDF, files can now be attached to certain tax forms in the Fiduciary package. All such documents are attached through use of the **PDF Attachments** screen, accessible from the **Electronic Filing** section on the **General** tab of the **Data Entry Menu**.

For directions on attaching PDF documents, see "The PDF Attachment Process" on page 26. Help is also available on the **PDF Attachments** screen, and in item "L" of the **FAQs** (located on the **General** tab).

Calculation Results Window

Several new indicators of e-file eligibility have been added to the enhanced **Calculation Results** window to tell you if a return has already been accepted, if it is being suppressed by an option you chose, if it is not e-file-eligible because you did not select it for e-file, or if a type of return is not available for e-file. The status of extensions will also be displayed.

As always, a green check mark is displayed in the **EF Status** column of the **Calculation Results** window (see Figure 2) when the default product (Form 1041) is eligible for e-file, and a red X is displayed when the product has EF messages keeping it from being e-file-eligible.

	Gross Income	Taxable Income	Total Tax	Refund	Balance Due	Payment Method	EF Status
Federal		-300	0	0	0		Not Selected
Amended	N/A	N/A	N/A	N/A	N/A	N/A	✔
Form 7004	N/A	N/A	N/A	N/A	N/A	N/A	Not Selected
NC407 AMD	-300	-300	0	0	0		Not Available

Figure 2: More indicators are available in the **EF Status** column

For details on the **Calculation Results** window, see Chapter 6, "Return Results," of the *Drake Software User's Manual: Tax Year 2013*

Searchable Selector Field

The selector field, located at the bottom of all **Data Entry Menus** (Figure 3) can now search for screens by screen code, name, or keyword.

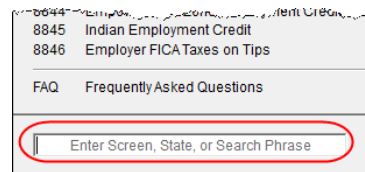


Figure 3: Searchable selector field

You can still type a screen code, state abbreviation, or form number in the selector

field and press ENTER to open a particular screen, but for those times when you can't remember the screen code or form number or on which tab of the **Data Entry Menu** the screen is located, you can now search for the screen with keywords or phrases.

For details, see Chapter 3, "Basics," of the *Drake Software User's Manual: Tax Year 2013*.

Electronic Signatures (e-Sign)

Drake's 2013 tax software supports electronic signature pads that allow taxpayers and tax preparers to digitally sign authorization forms and consent forms, such as Form 8879-F, IRS e-file Signature Authorization for Form 1041, and Form PMT, the ACH Payment authorization.

Go to our online store at <http://drake.computimeonline.com/> for details or to purchase a Drake-recommended e-pad.

For details, see Chapter 6, "Return Results," of the *Drake Software User's Manual: Tax Year 2013*.

Required Fields

We have highlighted more fields that require completion before a return is eligible for e-file (fields in blue in Figure 4). You can change the colors at **Setup > Colors** and turn off the warnings at **Setup > Options > Data Entry** tab.

Figure 4: Required fields in blue

Updating a Prior-Year Return in Drake

If you prepared the tax return last year, you will first need to update it to 2013.

Prior-year returns can be updated in three ways:

- A single return (updated one at a time) using **Last Year Data > Update Clients 2012 to 2013** (recommended)
- When you open the return for the first time in the 2013 program and are prompted to update it
- With all other returns in the program using **Last Year Data > Update Clients 2012 to 2013** (not recommended)

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

NOTE

When you update a 1041 return that was marked as "final" the previous year, the program informs you that the return was marked as such before prompting you to proceed.

About the F/B Field

Many of the screens in the 1041 package have an **F/B** drop list at the top of the screen, where “F” indicates the fiduciary and “B” indicates beneficiary. If the screen pertains to the fiduciary, enter (or select) an **F** in this box. If it pertains to the beneficiary, enter (or select) a **B**.

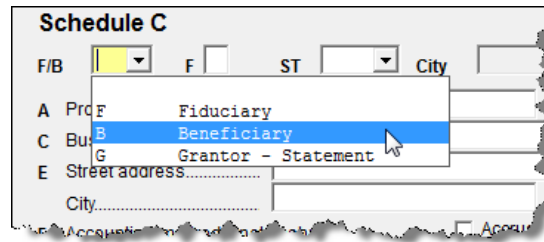


Figure 5: F/B drop list on screen C

Select “G” to have the information from the screen flow to an automatically generated grantor statement.

Header Information

Screen **1** contains fields for the general information printed in the top section of page 1 of Form 1041.

Estate, Trust and Fiduciary Information

On screen **1**, enter the name of the estate or trust and the name, title, and address of the fiduciary (individual or business) handling the estate or trust.

If the fiduciary has a mailing address in one state but does business in another, select the state in which the fiduciary does business from the **Resident state** drop list.

NOTES

If the fiduciary is a financial institution that submitted estimated tax payments for the trusts for which it is the trustee, mark the check box in the **Fiduciary information** section. For the purpose of this form, a financial institution is one that maintains a Treasury Tax and Loan (TT&L) account. Attorneys and other individuals functioning in a fiduciary capacity should not mark this box.

For information on entering a name control, see the field help for the **Entity name control** box.

Tax Year

The software uses the calendar year as the default period for all fiduciary returns; no date entries are required on screen **1** for a December 31 tax year-end. If the return uses a fiscal year (where the year begins in the current year and ends in the next), specify

the beginning and ending dates in the **Fiscal begin** and **Fiscal end** fields on screen **1**.

NOTE The program adjusts calculations for depreciation, gains, and losses on sales of assets based on the tax year used.

Boxes A through G

Enter most information for boxes A through G (top of Form 1041) on screen **1**. Note that boxes B (“Number of Schedules K-1 attached”) and C (“Employer identification number”) are completed automatically based on information entered elsewhere in the program. Other boxes are:

- **Box A** — Type of entity
- **Box D** — Date entity created
- **Box E** — Check boxes for nonexempt charitable and split-interest trusts
- **Box F** — Check boxes to indicate if a return is an initial, a final, or amended return, and to indicate name change for the trust or an address or name change for the fiduciary
- **Box G** — Check box to indicate if a section 645 election was made and a field to enter EIN of the trust.

NOTE If the estate or trust was closed or terminated during the year, enter the date of closure or termination in the **Date closed/terminated** field in the lower right section of screen **1**.

Types of Entities

Indicate the type of entity in section **A** of screen **1**. If the return is for a decedent's estate, mark the **Decedent's estate** check box and (required) enter the decedent's SSN and date of death. For a trust, mark the type of trust. For a bankrupt estate, select the applicable Bankruptcy estate box (Chapter 7 or Chapter 11). For a grantor-type trust, see “About Grantor-Type Trusts,” following. If the return is for a Pooled Income Fund, mark that box. (For more information, see the field help for the **Pooled Income Fund** check box.)

NOTE If the entity is a trust and must distribute all of its income during the year, indicate that in the **Yes** and **No** check boxes in the **Other Information** section on the right side of screen **1**.

About Grantor-Type Trusts

If the entity is a grantor-type trust, make a selection from the **Grantor type trust** drop list on screen **1**, and then click the **Form GRS** hyperlink to open the **GRS** screen. (Screen **GRS** is also accessible from the **Grantors Schedules** tab.)

NOTE If you select **G** from the **Grantor type trust** drop list on screen **1**, pages 1 and 2 of Form 1041 will not contain any amounts.

Income and expenses entered on certain data entry screens — such as screen **C** (for business income), screen **DIV** (for dividend interest), screen **E** (for real estate income and expense), or screen **F** (for farm income and expense) — will flow to the grantor statement (“GRANTOR~” in View mode) if you select **G** from the **F/B** drop lists on those screens (see Figure 5 on page 6). It is not necessary to enter all the income and

expense amounts on the **GRS** screen; you must, however, enter the grantor's name, address, and tax ID number on the **GRS** screen.

Consult the screen help and field-level helps for more information on completing screen **GRS**.

Income

In Drake, much of the information for the "Income" section of Form 1041 is generated from several sources:

- **Direct entry on screen 3** — If you enter an amount directly on screen **3**, be aware that it will be added to any other amounts flowing to the same line from other screens.
- **Calculations from other screens** — For example, line 3, "Business income or (loss)," is calculated from entries on screen **C** (for Schedule C). As another example, the amount on line 1, "Interest income," might be affected by amounts flowing from screen **3** (Income, Deductions, and Payments), screen **INT** (Form 1099-INT) or screen **6252** (Form 6252, Installment Sales).

Interest and Dividends

Use screen **INT** to enter information from Form 1099-INT, and use screen **DIV** to enter information from Form 1099-DIV. You can also enter interest and dividend information on screen **3** in the fields for lines 1, 2a, and 2b; however, be aware that any amounts entered on the **INT** and **DIV** screens will be added to the corresponding amounts on screen **3**.

The **INT** and **DIV** screens in the 1041 package (accessible from the **Income** tab or by typing **INT** or **DIV** into the selector field and pressing **ENTER**, or clicking the links on screen **3**) are similar to those in the 1040 package. For information on entering amounts as percentages and entering state-specific information, see the *Drake Software User's Manual: Tax Year 2013*.

Business Income or Loss (Schedule C)

If the estate or trust operated a business, use screen **C** (Schedule C) to report income and expenses in addition to the estate's or trust's share of depreciation, depletion, and amortization (generally, depreciation and amortization are entered on screen **4562**), and any interest paid or incurred on indebtedness allocable to a trade or business. Net income or loss from a Schedule C is shown on line 3 ("Business income or loss") of Form 1041.

Screen **C** in the 1041 package is identical to screen **C** in the 1040 package, with the exception of the **F/B** drop list (see "About the F/B Field" on page 6).

For more information on completing Schedule C and entering vehicle information, see the "Self-Employment Income (Schedule C)" section and the "Auto Expenses" section in Chapter 5, "Return Preparation," of the *Drake Software User's Manual: Tax Year 2013*.)

Capital Gains and Losses (Schedule D)

Screen codes
8949, D2

The amount on line 4, "Capital gain or (loss)," flows from entries on screens **8949** and **D2**, both located under the **Assets/Sales** tab in the 1041 package.

NOTE

Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, reports individual transaction information and contains cost basis fields for brokers who are required to supply such information. Enter 1099-B data on screen **8949**.

Form 8949, Schedule D, Form 1099-B

Screen **8949** has fields for Form 8949, Schedule D, and Form 1099-B data. Following are some guidelines for data entry on this screen, first for 1099-B information, and then for 8949-specific information.

- **Date of Sale or Exchange** — If a single date does not apply, type *Bankrupt*, *Worthless*, or *Expired*, as applicable. Select **S** or **L** from the **Type of gain or loss** drop list to have it treated as short-term or long-term. (If *Expired* is entered, the return must be paper-filed.)
- **Date of Acquisition** — Enter the date acquired as an eight-digit number using MMDDYYYY format. This date is used to determine whether the sale is short-term or long-term. Enter *VARIOUS* or *INHERIT* as applicable. (Only "Various" and "Inherit" are acceptable for e-filing.) Select **S** or **L** from the **Type of gain or loss** drop list to have it treated as short-term or long-term.
- **Type of gain or loss** — Select from the drop list to describe the gain or loss as long term or short term.
- **Stock or other symbol** — Enter the stock or other symbol for the security sold.
- **Quantity sold** — Enter the quantity of securities sold.
- **Proceeds from sale...** — Enter the sale amount. If only the gain amount is available, enter the gain amount and leave the **Cost or other basis** field blank.
- **Cost or other basis** — Enter the cost or basis. If only the loss amount is available, enter the loss amount and leave the **Proceeds from sale...** field blank.
- **Federal tax withheld** — Enter the amount of federal tax withheld from the proceeds of a sale.
- **Wash sale loss disallowed** — Enter amount of wash sale loss that is disallowed.
- **Description** — Enter description of capital gain or loss item using stock ticker symbols or abbreviations. (Limit 32 characters)
- **Basis not reported...** — If the asset being entered is not being taken from a Form 1099-B, indicate why by selecting an option from the drop list.
- **Adjustments** — Up to three adjustments per screen are permitted. For each adjustment, select the applicable code from the drop list and enter the amount of adjustment (and AMT adjustment, if applicable) to the gain or loss.
- **AMT** — Several AMT-related fields are included on screen **8949**:
 - The Capital Gains and Losses worksheet (D_AMT) will use the same number as the regular Schedule D unless entries are made in the **AMT Adjust. to gain/loss** and **AMT Cost Basis** fields on screen **8949**.
 - If the **U.S. Real Property sold by a nonresident** box is marked, the program might have to do a special calculation for line 30 of Form 6251 (AMT — Individuals); see Form 6251 instructions for more information.

- **Amount of gain or loss subject...** — Enter amount of gain or loss subject to 28% rate.
- **State Use Only** — Check with your state for required codes.
- **Summaries** — If you are reporting only the *totals* of 1099-B transactions rather than reporting individual transactions, read the notes at the bottom of the **8949** screen. For information on using paper document indicators with e-filed returns, see “Paper-Filing Forms and Supporting Documentation (Form 8453)” on page 255 of the *Drake Software User's Manual: Tax Year 2013*. For information on attaching PDF documents to e-filed returns, see “The PDF Attachment Process” on page 26.

Screen D2, Carryovers & Other Entries

Screen **D2** has fields for short-term gains/losses from other sources, long-term gains/losses from other sources, loss carryovers from the prior year, and capital gain tax computation. If Drake was used for the taxpayer last year, the loss carryover fields are updated automatically.

The fields on lines 17 and 18 are override fields. If either line is used, then all fields must be completed. Amounts entered in them override program calculations for lines 17, 18, and 19 on Schedule D and affect the calculation of line 4 of Form 1041.

Amounts under the **Beneficiaries** column also flow to the appropriate line of Schedule B, and amounts under the **Fiduciary** column flow to the capital gain calculation. For information on using these fields, click inside a field on line 17 and press F1.

Rents, Royalties, etc. (Schedule E)

Use screen **E** to enter most Schedule E information. The Schedule E calculation flows to line 5 of the return.

NOTE

Page 2 of Schedule E (Parts II through V) is calculated from K-1 schedules. The corresponding screens in Drake (**E2**, **E3**, and **E4**) primarily contain override fields; data entered on those screens overrides amounts that would otherwise flow from the K-1 schedules. Enter data on one of these screens only if transcribing from a completed Schedule E.

For Schedule K-1 information, see “Schedule K-1” on page 15.

The **E** screens in the 1041 package are similar to those in the 1040 package. For more information on completing these screens, see the *Drake Software User's Manual: Tax Year 2013*.

Income from Pass-Through Entities (Schedule K-1)

If the estate or trust received a Schedule K-1 from a pass-through entity, the corresponding lines on Form 1041 should be used to report the interest, dividends, capital gains, etc., from the pass-through entity.

In Drake, use the following screens to report income from a pass-through entity:

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

When the return is generated, the amounts from pass-through entities flow to the corresponding lines on Form 1041. Specifically where the amounts flow depends on the type of entity. In most cases, the amounts flow to page 2 of Schedule E, but in certain cases, the amounts flow to Form 4797, Form 3800, or page 1 of Schedule E.

NOTE

For information on completing Schedule K-1 (Form 1041) used to report a beneficiary's share of income, deductions, and credits from either the trust or the decedent's estate, see "Schedule K-1" on page 15.

Farm Income or Loss (Schedule F)

Use screen **F**, accessible from the **Income** tab, to enter farm income or loss. Information from screen **F** flows to line 6 ("Farm income or loss") of Form 1041. Screen **F** in the 1041 package is almost identical to screen **F** in the 1040 package. For details on completing screen **F**, see the *Drake Software User's Manual: Tax Year 2013*.

NOTE

Do not use screen **F** to report farm rental income and expenses based on crops or livestock produced by a tenant. Use screen **E** instead.

Gain or Loss From Sale of Assets (Form 4797)

Information entered on screen **4797** (accessible from the **Assets/Sales** tab) flows to line 7 ("Ordinary gain or loss") of Form 1041 or to line 14 of Schedule D. Screen **4797** in the 1041 package is almost identical to screen **4797** in the 1040 package. For details on completing screen **4797**, see the *Drake Software User's Manual: Tax Year 2013*.

Other Income

Use screen **3** to enter amounts for line 8 ("Other income") of Form 1041. Enter any type of income that is not reported on lines 1 through 7. Note that line 8 on screen **3** has two text boxes; enter the income type in the first box, and the amount in the second. Use a CTRL+W worksheet to list multiple **Other income** items. Information entered on the CTRL+W worksheet appears in an OVERFLOW statement when the return is generated.

Items reported on line 8 include:

- Unpaid compensation received by the estate that is IRD (In Respect of Decedent)
- Any part of a total distribution shown on a Form 1099-R that is treated as ordinary income

W2, W2G, and 1099R Screens

New for 2013: Links to screens **W2**, **W2G**, and **1099R** were added to screen **3** so the preparer can enter W-2 income, income from gambling, and income from pensions, annuities, retirement, IRAs, etc. For details on completing these screens, see "Personal Service Income" and "Gambling Income and Loss" in Chapter 5 of *Drake Software User's Manual: Tax Year 2013*.

Deductions

Lines 10 through 21 of Form 1041 comprise the "Deductions" section of the form.

Many of the amounts for this section can be directly entered using screen 3, though some amounts are calculated from data entry on other screens in the program.

Deduction Allocation

Deductions can be directed to one of the income types listed on screen 3.

On the right side of screen 3 (item #1 in Figure 6) are four override fields under the heading, **Portion of first column not allocable to tax exempt**. Amounts entered in these fields are not allocated to tax-exempt income.

Income, Deductions, Payments

Income

1 Interest income..... [Interest Income](#) []

2a Ordinary dividend income..... [Dividend Income](#) []

2b Qualified dividends: (1) Beneficiaries..... [] (2) Estate/Trust..... []

8 Other Income [W-2](#) [W-2G](#) [1099-R](#) []

Deductions

10 Interest (Do not include amount from Form 4952)..... []

11 Taxes..... []

Amount of tax from line 11 that is also deductible on resident state return..... []

12 Fiduciary fees..... []

14 Attorney, accountant, and return preparer fees..... []

15a Other deductions NOT subject to the 2% floor..... []

15b Net operating loss deduction for losses from other years..... [LOSS](#) []

15c Allowable miscellaneous deductions subject to the 2% floor..... []

19 Estate tax deduction..... [Estate Tax Deduction](#) []

Tax and Payments

24a 2013 estimated tax payments and amount applied from 2012..... +/- []
Do NOT duplicate estimated tax payments on the ES screen

24b Estimated tax payments allocated to beneficiaries..... []

1041-T date filed..... []

24d Tax paid with extension..... 7004 [Form 7004](#) []

24e Federal income tax withheld..... Mark if any is from Form 1099 +/- []

26 Penalty for underpayment of estimated taxes..... [Form 2210](#) []

29a Amount of overpayment to be applied to 2014 estimate..... [Estimates](#) []

Apply deductions against non-capital gain income first **2**

Override amounts of deductions allocated to income type when distributing on K1

1 - Interest	2 - Dividends	3 - Short Term Cap Gain	4 - Long Term Cap Gain
= []	= []	= []	= []
5 - Other Portfolio Income	6 - Ordinary Business Income	7 - Net Rental Real Estate	8 - Other Rental Income
= []	= []	= []	= []

3

1 Portion of first column not allocable to tax exempt

Figure 6: Screen 3, Amounts not allocated to tax-exempt income (#1); applying deductions against ordinary income (#2); allocating income type (#3)

Below line 29a on screen 3 is an **Apply deductions against non-capital gain income first** check box (item #2 of Figure 6). If you mark this box, the deductions entered on lines 10 through 19 of screen 3 will be applied against ordinary income and will preserve the preferential tax rate so that the beneficiaries receive maximum capital gain treatment. For more information, see the field help for this check box, or the IRS instructions.

NOTE

Drake has provided override fields on screen 3 (item 3 in Figure 6) that allow you to allocate amounts from certain lines to certain income types rather than allowing the program to allocate the expenses according to character of the income. The total for these boxes should be no more than the total of all deductions listed in lines 10 through 15c.

Interest Deductions

Use screen **3** to enter interest amounts for line 10 (“Interest”) of Form 1041. See the IRS instructions or consult the field-level help on for line 10 or click **Screen Help** on screen **4952** for the types of interest to include on that line.

Form 4952, Investment Interest Expense Deduction, may be required if the estate or trust wishes to claim a deduction for investment interest expense; see Form 4952 instructions for exceptions. Form 4952 is used for figuring the amount of investment interest expense that can be deducted for the current year, and the amount that can be carried forward to future years. In Drake, use screen **4952**, accessible from the **Assets/Sales** tab, to complete this form.

NOTES

The amount entered on screen **3** should *not* include the amount from Form 4952.

For more information on the investment interest expense deduction, click **Screen Help** on screen **4952**, the IRS instructions for Form 4952, or Pub. 550, Investment Income and Expenses.

Taxes

Use screen **3** to enter data for line 11 (“Taxes”) of Form 1041. The amount entered here should include any deductible taxes paid or incurred during the tax year that are not deductible elsewhere on Form 1041. See the IRS instruction for the types of taxes that are deductible.

Fiduciary Fees

Enter fiduciary fees on line 12 of screen **3**. The amount entered here should include any fees the estate or trust paid or incurred to the fiduciary for administering the estate or trust.

NOTE

Fiduciary fees deducted on Form 706, Estate (and Generation-Skipping Transfer) Tax Return, cannot be deducted on Form 1041.

Note that there are two text boxes for line 12 on screen **3**. In the second box, enter the amount (if any) that is not to be allocated to tax-exempt income.

Charitable Deductions (Schedule A)

The amount for line 13 (“Charitable deduction”) flows from Schedule A, line 7. Use the top section of screen **4** to complete fields for Schedule A.

The calculation for Schedule A flows to line 13 when the return is generated. Entries are also shown in the “Schedule A” section on page 2 of the 1041 return. Worksheet WK_B2 in View mode also displays the calculations for charitable contributions allocated to tax-exempt income and charitable contributions allocated to tax-exempt interest.

For more on WK_B2, see “WK_B2 Worksheet” on page 24.

Attorney, Accountant, and Return Preparer Fees

Use screen 3 to enter data for line 14 (“Attorney, accountant, and return preparer fees”) of Form 1041. The amount entered here should include any attorney, accountant, and return preparer fees that were paid or incurred by the estate or trust.

NOTES

Attorney, accountant, and return preparer fees deducted on Form 706, Estate (and Generation-Skipping Transfer) Tax Return, cannot be deducted on Form 1041.

There are two text boxes for line 14 on screen 3. In the second box, enter the amount (if any) that is not to be allocated to tax-exempt income.

Other Deductions

Use screen 3 to enter data for lines 15a, 15b, and 15c of Form 1041 (Figure 7).

The screenshot shows a portion of the software interface for Form 1041. It displays several lines of the form:

- Line 14: Attorney, accountant, and return preparer fees. This line has two input fields.
- Line 15a: Other deductions NOT subject to the 2% floor. This line has an input field and a small box to its right.
- Line 15b: Net operating loss deduction for losses from other years. This line has an input field, a blue link labeled "LOSS", and an equals sign followed by another input field.
- Line 15c: Allowable miscellaneous deductions subject to the 2% floor. This line has an input field and a small box to its right.
- Line 19: Estate tax deduction. This line has an input field and a blue link labeled "Estate Tax Deduction".

 A red oval highlights lines 15a and 15b.

Figure 7: Lines 15a and 15b on screen 3

Note that line 15a is for other deductions *not* subject to the 2% floor, while line 15c is for allowable miscellaneous itemized deductions *that are* subject to the 2% floor.

An amount entered in the **Portion of first column not allocable to tax exempt** fields to the right of the 15a and 15c fields are not allocated to tax-exempt income.

NOTES

The **LOSS** link, shown in Figure 7, takes you directly to the **LOSS** screen, where NOL carryforwards can be recorded.

For examples of deductions that can be reported on lines 15a and 15c, see the IRS instructions for Form 1041.

Income Distribution Deduction

Income distribution deduction information flows from entries made elsewhere in the program. This section covers Schedule B (“Income Distribution Deduction”) and Schedule K-1 of Form 1041.

Schedule B

The amount for line 18 (“Income distribution deduction”) on page 1 of the 1041 return flows from line 15 of Schedule B, Income Distribution Deduction. Schedule B, which is used to determine the estate’s or trust’s income distribution deduction, is completed from screen 4.

Adjusted Tax-Exempt Interest

Enter adjusted tax-exempt interest on line 2 of screen 4. Note that line 2 is an override field. An entry here overrides the calculated amount.

Sch A, Line 4 Adjustment

Section **Schedule B** of screen 4 has a field for line 4 (“Adjustments for Schedule A, line 4”) of Schedule B. This field is an adjustment field; an amount entered here combines with the amount entered on line 4 of Schedule A. (This pertains only to

trusts other than simple trusts.)

Total Distributions

Line 11 (“Total distributions”) of Schedule B is calculated automatically by the program when the return is generated. If the calculated amount is greater than the amount on line 8 and your client is filing for a complex trust that has previously accumulated income, Schedule J (Accumulation Distribution for Certain Complex Trusts) may be required. Use screen **J**, accessible from the **Other Forms** tab, to complete Schedule J in Drake.

Schedule K-1

Schedule K-1 (Form 1041) is used to report a beneficiary's share of income, deductions, and credits from either a trust or a decedent's estate. In Drake, many of the amounts generated on Schedule K-1 flow from elsewhere in the program. For example, the amount for line 1 (“Interest income”) of the K-1 is calculated from the interest income amount entered on screen **3** and/or the **INT** screen. Use the override fields on the **K1** screen to override program calculations.

To see the source of data for a particular field on the **K1** screen, press F1 in the field. To see the formula used when calculating the amount for the **K1**—and for general help for the **K1** screen—go to **FAQ** item M, “Help for Schedule K-1.”

NOTES

For information on entering income from a pass-through entity as reported on a Schedule K-1, see “Income from Pass-Through Entities (Schedule K-1)” on page 10.

Schedule K-1, Part I

Part I of the Schedule K-1 (Information About the Estate or Trust), is completed automatically based on the information entered on screen **1** of Drake. (See “Estate, Trust and Fiduciary Information” on page 6.)

Schedule K-1, Part II

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

- **ID number** — An **EIN or other** drop list is included to indicate if the ID number is an EIN or if this K-1 is for a Form 1042S, Foreign Person's U.S. Source Income Subject to Withholding. (Form 1042S does not require an ID number.)
- **Name and Address** — Separate fields are provided for street address, city, state, and ZIP code. (As with most Drake addresses, an entry in the ZIP code field automatically fills in the city and state fields.) To use the foreign address fields, enter data in the **Address** and **City** fields, click in the **Province/State** field, then enter the name of the foreign province or state, as appropriate. Select the appropriate foreign country from the drop list and then enter the postal code, if appropriate.
- **Resident State** — Select the resident state from the drop list, if needed.
- **Percentages** — Use the **Fed %** and **State %** fields to indicate the percentage of income, deductions, or credits that the beneficiary received. For instance, to divide the income, deductions, or credits equally among four federal K-1s, enter 25—for 25 percent—in each beneficiary's **Fed %** text box.
- **Foreign beneficiary** — Mark the **Foreign beneficiary** box to indicate that the beneficiary is a nonresident alien individual, a foreign corporation, or a foreign estate or trust

The **K1** screen also has check boxes for indicating an **Amended K-1** and a **Final K-1**.

NOTE From the **K1** screen, press PAGE DOWN to create additional K-1 schedules.

Schedule K-1, Part III

Part III of the Schedule K-1 (Beneficiary's Share of Current Year Income, Deductions, Credits, and Other Items) is completed automatically by the program based on information entered elsewhere in the program. Use the corresponding fields on screen **K1** *only* if you want to override program calculations for a particular item. (For instance, if you place an entry in the override field of line 2a, "Ordinary dividend income," the program accepts this amount; otherwise the program uses the amount calculated on WK_K1 worksheet multiplied by the beneficiary's percentage.)

Form 1041-T

At the bottom of **K1** screen are two *override* fields for Form 1041-T, Allocation of Estimated Tax Payments to Beneficiaries.

- Use the **Address** field to enter an address, if the address for Form 1041-T is different from the address entered at the top of the **K1** screen.
- Use the **Amount** field to override the amount of estimated taxes paid for all beneficiaries (which is entered on screen **3**, line 24b). If you override that amount here, you must override the amount on all the **K1** screens. If a beneficiary did not receive any taxes paid on his or her behalf, enter 0 here. (Use this override field only for allocating the amount entered on screen **3** using percentages other than those entered at the top of the **K1** screen.)

Flow of Depreciation

To have the depreciation amount claimed on a schedule (such as Schedule C, E, or F) rather than flow to the beneficiary's Schedule K-1, go to screen **5** and mark the **K1** box that states, **Do NOT Carry depreciation to Schedule K-1 but to the Schedules**. (The trust instrument, state law, or federal law should provide guidance.) Note that an estate or trust cannot make an election under section 179 to expense certain tangible property.

Flow of Credits

To prevent credits from a Schedule K-1 from other entities (such as S corporation, partnership, or fiduciary) from flowing to the Schedule K-1 being produced with the 1041 return, go to screen **5** and mark the **K1** box that states, **Do NOT carry credits from K1P, K1F, or K1S screens to the 1041 K1**.

K-1 Cover Letters

You can select to generate K-1 cover letters with all 1041 returns at **Setup > Options > Optional Documents** tab. (Mark the **Include K-1 letters with returns** check box.) The letters will contain the name and title entered on the **PIN** screen of the person who will sign the letters.

To generate these letters on a per-return basis, clear the check mark at **Setup > Options > Optional Documents** tab, and in each return, follow these steps:

1. Open the **K1L** screen, accessible from the **Miscellaneous** tab, for the return. (This is also the **LTR** screen.)
2. At the bottom of the screen, enter the name and title of the person who will sign the K-1 cover letter. (See NOTES, following.)

3. (optional) Select **Do not print entity information...** in order to prevent the name and address of the estate or trust from appearing in the heading of the K-1 letter or on the coversheet produced with the letter. (See NOTES, following.)

If you have opted to print the K-1 letters but wish to override the name and title of the person entered on the **PIN** screen, enter a name and title of the person to sign the letter on the fields of the **K1L** screen.

NOTES

To print the coversheet with the letter, (globally), go to **Setup > Options > Optional Documents** tab, and make a selection from the **K-1 Address** field of the **Envelope Sheet** section. To print a coversheet on a per-return basis, go to the **PRNT** screen of the return and make a selection from the **Print K-1 envelope coversheet** drop list.

Review the following sections of the *Drake Software User's Manual: Tax Year 2013* before making changes to letter templates:

- “Introduction to Letters in Drake” in Chapter 2, Installation & Setup
- The “Letter Keywords” section of Appendix C, Keywords

NOTE

For an amended return, the K-1 letter automatically refers to the amended K-1. To edit the letter for an amended K-1, from the **Home** window of Drake, go to **Setup > Letters**. Click **Open > Fiduciary > Fiduciary K1 Amended**. Follow the steps outlined in “Introduction to Letters in Drake” in Chapter 2 of the *Drake Software User's Manual: Tax Year 2013* to make changes in the letter.

K1G General Explanation

New for 2013: The **K1G** screen was added to create statements that allow you to explain any entry on Schedule K-1.

From the **K1 Line and Code** drop list of the **K1G** screen, select the line and code number for that line that you wish to include an explanation for. From the **ID and Name** drop list, select a K-1 recipient. (Only those beneficiaries for whom you have created a **K1** screen appear in the drop list.) In the **General Explanation** text box, include your explanation. Press PAGE DOWN to add another explanation.

A statement is created for each K-1 line explained for the beneficiary selected from the **ID and Name** drop list.

NOTE

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

Estate Tax Deduction

If the estate or trust includes income in respect to a decedent (IRD) in its gross income, and such amount was included in the decedent's gross estate for estate tax purposes, the estate or trust is allowed to deduct, in the same tax year, that portion of the estate tax imposed on the decedent's estate that is attributable to the inclusion of the IRD in the decedent's estate.

Use the **Estate Tax Deduction** screen, accessible through the link on line 19 of screen

3, to enter data for this line. Amounts entered on the **Estate Tax Deduction** screen generate worksheet WK_ESTTX, with calculations flowing to line 19 (“Estate tax deduction including certain generation-skipping taxes”) of Form 1041, and box 10 (“Estate Tax Deduction”) of the Schedules K-1.

For details, see the field helps and Screen Help on the **Estate Tax Deduction** screen.

Exemption

The amount on line 20 (“Exemption”) is an automatic entry, determined by the type of entity filing the return.

- Trusts that must distribute all income are allowed a \$300 exemption. (Other types of trusts receive a \$100 exemption.)
- Estates receive a \$600 exemption
- Estates and trusts filing their final returns (marked **Final return** in section **F** of screen **1** in Drake) receive no exemption.

Tax and Payments

For the “Tax and Payments” section of the Form 1041, the totals come from information entered on screen **3** and elsewhere in the program.

Tax Computation (Schedule G)

The “Total Tax” amount on Form 1041 flows from Schedule G calculations. Drake makes these calculations when generating the return; results are shown on line 7 of the “Schedule G” section on Form 1041, page 2, with the total tax flowing to line 23 of page 1.

Much of the information used to figure the total tax comes from data entered elsewhere in the program (such as for tax credits), but some comes from direct entry in the “Schedule G” section of screen **4**.

Lump-Sum Distributions

An amount on line 1b of Schedule G comes from calculations made when data is entered on screen **4972**.

Alt Min Tax

Schedule I (Form 1041), Alternative Minimum Tax - Estates and Trusts, is used to compute the DNI, income distribution deduction on a minimum tax basis, and the estate's or trust's alternative minimum tax (AMT). In Drake, all Schedule I computations are made automatically. To override any of the calculated amounts, use screen **I**, accessible from the **Other Forms** tab.

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

Schedule I is printed with the return only when needed. To force the program to print the Schedule I, go the **PRNT** screen (accessible from the **Miscellaneous** tab) and select **Print Form 1041-I (Schedule I - AMT)** in the **Items to Print** section.

Credits

To claim a credit other than those appearing on lines 2a through 2d of Schedule G, use

the fields on line 2e in the Schedule G section of screen **4**. In the first field of line 2e, enter the name of the form, and in the second field, enter the dollar amount for the credit. Other credits are claimed by entering amount directly onto data-entry screens. (Most of these credits are listed on the **Credits** tab of the **Data Entry Menu**.)

Foreign Tax Credit

Line 2a ("Foreign tax credit") is calculated by the program based on information entered on screen **1116** (for Form 1116, Foreign Tax Credit). There is no input field for line 2a on screen **4**.

General Business Credits

Use screen **3800** to fill out Form 3800, General Business Credit. This screen consists mostly of override fields for passive activity credits (see "Passive Activity Credits," following); data should be entered in the override fields only to override the program's calculated amounts from Form 3800, Part III, General Business Credits or Eligible Small Business Credits

NOTE

Part III was added to the form to reflect all the general business credits reported on Form 3800 and to identify the type of credit being reported: General Business Credits (GBC) or Eligible Small Business Credits (ESBC). In Drake, use screen **GBC** to complete Part III.

The GBC screen is used for reporting the following types of information:

- Data for current-year credits reported on forms Drake does not support (To enter data for a credit programmed into Drake, use the credit's screen. For example, use the **8820** screen for Form 8820, Orphan Drug Credit.)
- GBC and ESBC carryforwards and carrybacks

Data entry for the General Business Credit is the same in the 1041 package as in the 1040 package. For more information on completing screens **3800** and **GBC**, see the *Drake Software User's Manual: Tax Year 2013*. Details are also available in the *Drake Software User's Manual Supplement: Corporations (1120)*.

NOTE

An amount on Form 3800, General Business Credit, may prevent the return from being eligible for e-file.

Passive Activity Credits

The **Passive Activity Credit Carryover (PACR)** screen streamlines data entry and increases the number of passive credit carryforward amounts that can be updated each year. It is to be used for returns requiring passive activity credit calculations for Forms 8582-CR (Passive Activity Credit Limitations) and 3800 (General Business Credit). For more on the **PACR** screen and related worksheets produced, see "Passive Activity Credits" in Chapter 5, "Return Preparation," of the *Drake Software User's Manual: Tax Year 2013*.

Prior-Year Minimum Tax

Credit for prior-year minimum tax flows from Form 8801, Prior Year Minimum Tax, to line 2c of Schedule G. In Drake, you can fill out prior-year minimum tax information on screen **8801**. The **8801** screen is accessible from the **Credits** tab.

Bond Credit

Bond credit flows from screen **8912** to line 2d of Schedule G. In Drake, you can fill out bond credit information on screen **8912**. The **8912** screen is accessible from the **Credits** tab.

Recapture Taxes

If the estate or trust disposed of investment credit property or changed its use before the end of its useful life or recovery period, fill out Form 4255, Recapture of Investment Credit (screen **4255**) and figure the recapture allocable to the estate or trust. When the return is generated, the amount flows from the **4255** screen to line 5 of Schedule G.

If the estate or trust disposed of property (or there was a reduction in the qualified basis of the property) on which the low-income housing credit was figured, fill out Form 8611, Recapture of Low-Income Housing Credit. There is no screen in Drake for Form 8611. A blank copy is available from **Tools > Blank Forms**. Once the amount of recapture credit has been figured using this form, enter that amount in the corresponding field of line 5 in the **Schedule G** section of screen **4**.

Household Employment

Household employment taxes are reported on Schedule H (screen **H** in Drake, accessible from the **Other Forms** tab). When the return is calculated, the total flows to line 6 of the Schedule G.

Net Investment Income Tax

New for 2013: Use screen **8960**, Net Investment Income Tax, to complete Form 8960, Net Investment Income Tax – Individuals, Estates, and Trusts, used to report the 3.8 percent Net Investment Income Tax that now applies to individuals, estates and trusts that have certain investment income above certain threshold amounts.

Most of the fields on screen **8960** are override fields: entries in the fields override system calculations.

Line 7 Computation

If an obligation arising from the disposition of real property to which section 453A or section 453(l) applies is outstanding at the close of the year, the estate or trust must include the interest due under section 453(l) or section 453A(c) in the amount to be entered on line 7 of Schedule G, Form 1041, and attach a statement showing the computation.

From line 7 of the Schedule G section of screen **4**, click the **Required STM** link to open the **SCH (Unformatted Statement)** screen (Figure 8). (If you have entered other statements, an **Existing Forms** list is opened. Double-click the **New Record** line to open a new statement window.)

From the **Type of attachment/statement number and title** drop list, select “011 - 1041 Sch G Ln 7, deferred tax.” In the large text box, show your computations for the amount you entered on line 7 of screen **4**.

The screenshot shows a software window titled "SCH - Unformatted Attachment to Return". It contains several input fields:

- An "F/B" dropdown menu with the letter "F" selected.
- A dropdown menu for "Type of attachment/statement number and title" with the selected value "011 - 1041 Sch G Ln 7, Deferred Ta".
- A text box for "Multi-form code" which is currently empty.
- A large text area for "This computation was made in the following manner:" which is also empty.

Figure 8: From the **SCH** screen, select “011” from the drop list and show your computation in the text box

For more information, see the IRS instructions for Form 1041.

Payments

Generally, an estate or trust must pay estimated income tax if it expects to owe \$1,000 or more in tax, and expects the withholdings and credits to be less than the smaller of:

- 90% of the tax shown on the current-year return
- 100% of the tax shown on the prior-year return

Estimated Payments and Amount Applied from Prior Year

Drake offers several ways to enter estimated tax amounts that were applied from the prior-year tax return and paid in the current year. The preferred method is to enter quarterly and total amounts on the **ES** screen, accessible from the **Other Forms** tab.

- **Estimated Taxes** — Enter the estimated taxes due for next year on the right side of the screen in the **Estimate Amt** fields. From the **ES Code** drop list, choose how you want payment vouchers to be printed with the return. (Press F1 to view the full code descriptions.)
- **Overpayment of Taxes** — For overpayment of taxes, make a selection from the **OP Code** drop list and enter the amount of the overpayments in the applicable text boxes on the right side of the screen. (Press F1 to view the full code descriptions.)

On screen **3**, line 24a (“2013 estimated tax payments and amount applied from 2012”) is an adjustment field; an amount entered here adjusts (is added to) the amount entered on the **ES** screen for estimated tax payments for the current year and overpayments from the prior year. If you choose to adjust the amount from the **ES** screen, enter in this field any estimated tax payments made with Form 1041-ES for the current year, plus the amount of any overpayment from the prior-year return that was applied to the current year’s estimated tax.

Do not include on Form 1041 any estimated tax paid by an individual before death. Instead, include the payments on the decedent’s final income tax return.

NOTES

See Form 1041 instructions for more information on estimated taxes. For more information on using the **ES** screen, see the “Estimated Taxes” section of the *Drake Software User's Manual: Tax Year 2013*. To apply overpayment to next year’s tax, see “Applying OP to Next Year’s Tax” on page 23 of this document.

Estimated Payments Allocated to Beneficiaries

Form 1041-T, Allocation of Estimated Tax Payments to Beneficiaries, is used to elect, under section 643(g), to have part of an estate or trust’s estimated tax payments (but not income tax withheld) treated as having been made by the beneficiary or beneficiaries. The 1041-T must be filed within 65 days of year end or the election is invalid.

To indicate this election in Drake, complete the fields (amount and a date) for line 24b on screen **3**. (The program generates Form 1041-T if an amount is entered for line 24b.) When the return is calculated, the amount entered here flows to Form 1041-T, to line 10 of Schedule B of Form 1041 and to Schedule K-1 for each beneficiary.

(Returns with an amount of line 24b of screen **3** cannot be e-filed.)

Make sure you have the beneficiary information filled out with a federal percentage entered on the **K1** screens.

NOTES

To override the calculated amount for a beneficiary, open the beneficiary's **K1** screen and enter an amount in the **Amount** field of the **1041-T Entries** section at the bottom of the screen. This amount is also carried to column (d) of Form 1041-T.

Tax Paid with Extension

If Form 7004 was filed previously and Form 1041 is now being filed, use screen **3** to complete line 24d ("Tax paid with Form 7004") of Form 1041. Note that this line on screen **3** consists of a **7004** check box, a field for entering the amount of tax paid, and a link to screen **7004** for completing the form.

For more information on filing Form 7004, see "Filing an Extension" on page 34.

To indicate that an extension was previously filed, and that tax was paid at the time of the extension request:

1. On screen **3**, line 24d, select the **7004** check box.
2. On the same line, enter the amount of tax paid with the extension request.

Federal Income Tax Withheld

Federal income tax withheld reported on screens **8949**, **1099**, **INT**, **DIV**, **W2**, **W2G**, **K1P**, **K1F** and **K1S** flows to line 24e of Form 1041 automatically. This includes any federal income tax withheld (and not repaid) by:

- An employer on wages and salaries of a decedent received by the estate
- A payer of certain gambling winnings (such as state lottery winnings)
- A payer of distributions from pensions, annuities, retirement, or profit-sharing plans, IRAs, insurance contracts, etc., received by a decedent's estate or trust

Any amount entered on screen **3**, line 24e ("Federal income tax withheld") adjusts the calculated amount. Select the **Mark if any is from Form 1099** check box if any federal income tax withheld and entered on this line is from Form 1099. This box will automatically be marked if federal tax withholdings are entered on screen **INT**, **DIV** or **1099R**.

NOTE

Except for backup withholding, withheld income tax may not be passed through to beneficiaries on either Schedule K-1 or Form 1041-T.

Other Payments (Forms 2439 and 4136)

Lines 24f and 24g of Form 1041 are used to report other payments from Form 2439 (Notice to Shareholder of Undistributed Long-Term Capital Gains) and the refundable credit from Form 4136 (Credit for Federal Tax Paid on Fuels), respectively.

For Form 2439, complete screen **2439**; the calculated amount flows from that screen to line 24f of Form 1041. Screen **2439** is accessible from the **Assets/Sales** tab of the **Data Entry Menu**.

The line 24g amount comes from calculations of the fuel tax credit from Form 4136, Credit for Federal Tax Paid on Fuels. Use screen **4136** (accessible from the **Credits**

tab) to complete Form 4136; the calculated credit flows to line 24g of Form 1041.

NOTE

Screen **4136** consists of two screens. The first screen covers lines 1 through 8f, and the second screen covers lines 9 through 16b. To access the second screen from the first, press PAGE DOWN.

Estimated Tax Penalty

Form 2210, Underpayment of Estimated Tax by Individuals, Estates, and Trusts, is used to determine whether a penalty is owed for underpaying estimated tax, and to determine the amount of the penalty. In Drake, use screen **2210** (accessible from the **Other Forms** tab or the **2210** link on screen **3**) to complete Form 2210. When the return is generated, the calculation from screen **2210** flows to Form 1041, line 26 (“Estimated tax penalty”).

If screen **2210** is not used, a tax penalty amount can be directly entered on line 26 of screen **3**. If you do use screen **2210**, an entry on screen **3** is not necessary. If you use the **2210** screen and enter a number on line 26 of screen **3**, the program uses the calculation from the **2210** screen.

NOTE

To calculate the tax penalty, the program uses the amount of tax paid from the previous year. If the return was not updated from last year, you must manually enter the amount of tax paid. To do so, go to screen **1** and complete the **2210 Section** in the bottom-right corner of the screen.

Applying OP to Next Year's Tax

On line 29a of screen **3**, enter any overpayment that your client would like applied to next year's estimated tax. If you enter an amount greater than the overpayment on the return, the amount applied will be set equal to the overpayment. (Click the blue **Estimates** link on line 29a or on the **Other Forms** tab to open the **Estimated Tax Payments** screen.)

Other Information

To complete the “Other Information” section on page 2 of Form 1041, use the **Yes/No** check boxes and other fields provided on screen **5**. The following sections provide additional information on completing this part of Form 1041.

Tax-Exempt Income

If the estate or trust received tax-exempt income, the total is calculated from amounts entered on other screens for tax-exempt income— for instance, on line 8 of **INT** screen or line 10 of the **DIV** screen. The “Yes” column in the “Other Information” section of page 2 of Form 1041 is marked and the amount appears on line 1 (as noted in Figure 9 on page 24):

Other Information		Yes	No
1	Did the estate or trust receive tax-exempt income? If "Yes," attach a computation of the allocation of expenses	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Enter the amount of tax-exempt interest income and exempt-interest dividends ▶ \$ 11,321		
2	Did the estate or trust receive all or any part of the earnings (salary, wages, and other compensation) or any individual by reason of a contract assignment or similar arrangement?	<input type="checkbox"/>	<input type="checkbox"/>
3	At any time during calendar year 2013, did the estate or trust have an interest in or a signature or other authority over a bank, securities, or other financial account in a foreign country?	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Figure 9: Notation on line 1 of the "Other Information" section that tax-exempt interest and/on dividends were received and shows the amount

If the estate received tax-exempt income *not* included in interest or dividends as reported on the **INT** and **DIV** screens, enter that amount at the top of screen **5**. Such tax-exempt income might include, for example:

- Certain death benefits (section 101)
- Compensation for injuries or sickness (section 104)
- Income from discharge of indebtedness in a title 11 case (section 108)

WK_B2 Worksheet

If tax-exempt interest and certain deductions are present in the return, the program produces a Worksheet for Allocation of Deductions to Tax-Exempt Income (WK_B2), to be kept for your records. This worksheet is not submitted to the IRS with the return. The worksheet consists of four statements:

- Allocation of Deductions to Tax-exempt Income: Fiduciary Fees
- Allocation of Deductions to Tax-exempt Income: Fees of Attorneys, Accountants, and Tax Preparers
- Adjusted Tax-exempt Interest (Schedule B, line 2)
- Adjusted Tax-exempt Income (Schedule B, line 12)

The amounts and other information on this worksheet are calculated by the program; however, you can override certain lines on the worksheet as needed. To do so, use the **WK_B2 Tax Exempt Worksheet Overrides** section at the bottom of screen **5**. These fields allow you to override program calculations for fiduciary, attorney, accounting, and preparer fees.

Foreign Bank Information

If the estate or trust had an interest in or signature over a bank, securities, or other financial account in a foreign country, click the **FBAR** link on line 3 of screen **5** to open the **FBAR** screen.

Due to new U.S. Treasury Department regulations, all Bank Secrecy Act (BSA) forms must be completed online. This includes the FBAR, Report of Foreign Bank and Financial Accounts (formerly known as Form TD F 90-22.1). In Drake, screen **FBAR** (or screen **9022**) contains a link to the Financial Crimes Enforcement Network's BSA e-Filing System's website.

IMPORTANT

Allow yourself time to read and understand all the information available on the BSA website and to register as a BSA e-filer.

Seller-Provided Financing

If the estate or trust is claiming an interest deduction for qualified residence interest paid on seller-provided financing, the IRS requires an attachment with the name, address, and taxpayer ID of the seller. To enter this information, click the **Paid** link on line 5 to open the **Qualified Residence Interest Paid on Seller-financed Mortgage** screen. This screen accepts information for up to three sellers. Entering information on this screen generates a indicator in the “Yes” column on line 5 in the “Other Information” section on page 2 of Form 1041 and generates a statement containing information on the sellers.

If the estate or trust *received* seller-financed mortgage interest, click the **INT** link from screen 5, line 5, (or open the **INT** screen from the **Income** tab of the **Data Entry Menu**) and enter the *payer's* information in the **If seller-financed mortgage interest** section.

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

Estate Open 2+ Years

Mark box 8 on screen 5 if the decedent's estate has been open for more than two years. The IRS requires a separate explanation for the delay in closing the estate. To create this explanation in the program, go to the **SCH** screen, select **R** from the **Type of attachment** drop list, enter the explanation in the large text box on that screen, and enter a title at the bottom of the screen. A statement entitled “REG_NOTE” is generated in View mode.

Elections

The **ELEC (Election Options for 1041)** screen allows the preparer to make various “elections” from the IRS code. If you mark a box on this screen, go to the **SCH** screen to produce a statement for the election. From the **Type of attachment** drop list on the **SCH** screen, select **E - Election Explanation**, as shown in Figure 10. Enter an explanation for the election in the text box. At the bottom of the screen, enter a title for the statement if you wish.

The screenshot shows a software interface window titled "SCH - Unformatted Attachment to Return". At the top left, there is a label "F/B" followed by a dropdown menu showing the letter "F". Below this, there are two rows of input fields. The first row is labeled "Type of attachment/statement number and title:" and contains a dropdown menu with the text "E - Election Explanation - For cer". The second row is labeled "Multi-form code:" and contains an empty text box. At the bottom of the window, there is a large text area with the text "The trust made this election because...".

Figure 10: Completing election statement on **SCH** screen

The program produces a Preparer Note (listed as “Election” in View/Print mode) noting the election selected (Figure 11 on page 26).

	Elections	2013 PG01
Name(s) as shown on return	Freds Fiduciary	Your Social Security Number 10-4110411
The trust made this election because...		

Figure 11: The election explanation appears as an “Election” statement

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

The PDF Attachment Process

Binary, or PDF, files can now be attached to certain tax forms in the Fiduciary package. All such documents are attached through use of the **PDF Attachments** screen, accessible from the **Electronic Filing** section on the **General** tab of the **Data Entry Menu**.

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

1. Creating a PDF document to be attached
2. Informing the program that a PDF document will be sent with the return
3. Attaching the PDF document for e-filing

These steps are described in the following sections.

Creating a PDF File

To create a PDF file:

1. Scan the document to be attached to the return.

TIP

It's a good idea to use the DDM scanning feature for this step.

2. Save the document to your client's DDM file, your computer's desktop, or anywhere you can readily find it.

NOTE

Many types of documents (for instance, documents created in Microsoft Word) can be printed or “saved” as PDF documents if you have a PDF printer (such as Adobe Reader) installed.

Adding PDF Documents in Drake

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

1. Open the return in Drake. From the **Data Entry Menu**, click **PDF Attachments**, accessible from the **Electronic Filing** section of the **General** tab (or type PDF in the selector field and press ENTER). (See Figure 12 on page 27)

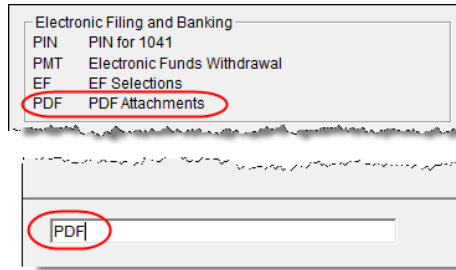


Figure 12: Select **PDF Attachments**, or type PDF into the selector field and press ENTER

- Fill out the columns on the **PDF Attachments** screen. See Table 1 for examples.

Table 1: PDF Attachment Window Columns

Name of Column	Description	Examples
Reference Source	Name or number of regulation, publication, or form instruction that makes attachments necessary	- IRS Pub xxx-1.4 - Form Instructions for 1041
Description	Description of form or document to be attached	- Title of house on Oak Street - Appraisal of Lot 1234
File name	Distinctive, easily recognizable file name, followed by ".pdf"	- TitleHouseOakSt.pdf - AppraisalLot1234.pdf

- Exit the **PDF Attachments** window.

Because you've indicated that a PDF document is attached, the program generates an EF message regarding the attachment when the return is calculated.

Attaching Documents to the Return

To attach a PDF file to a return:

- From the return, click **View**. If anything was entered in the **PDF Attachments** window (see "Adding PDF Documents in Drake," previously), there will be two PDF-related items in the **View/Print** window:
 - An EF Message alert (item #1 in Figure 13)
 - An **Attach PDF** button on the toolbar (item #2 in Figure 13)

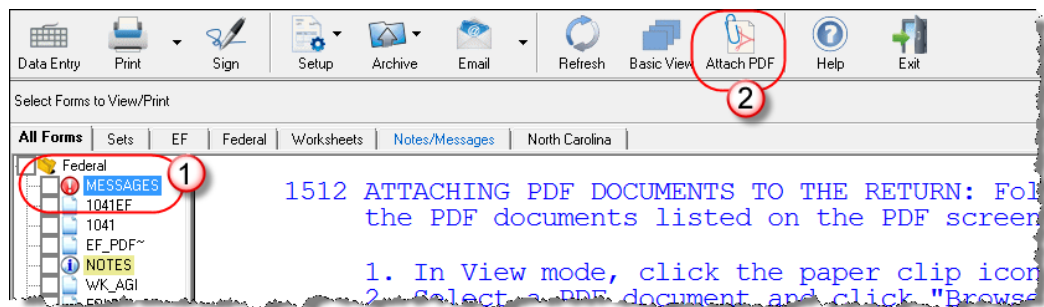


Figure 13: The **MESSAGES** file (1) and the **Attach PDF** button (2)

- Click the **MESSAGES** file to view EF messages, including information on how to attach the required documents to the return.

- Click the **Attach PDF** button. The **EF PDF Attachments** window displays the information entered on the **PDF Attachments** window in data entry. A red **X** means the document has not yet been attached; a green check mark indicates an attached document (Figure 14).

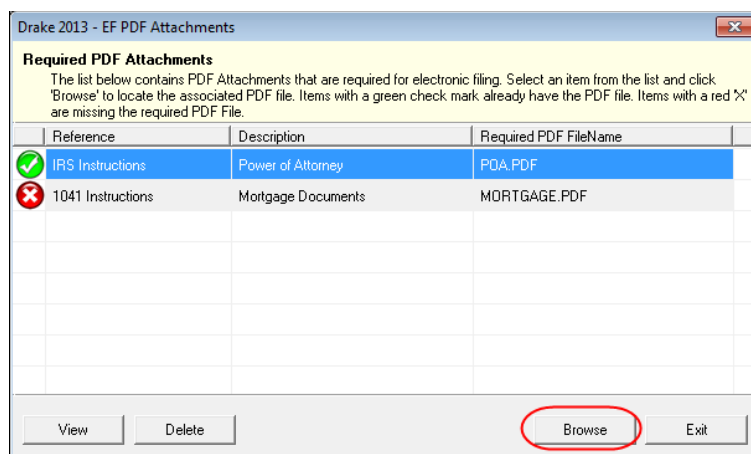


Figure 14: The EF PDF Attachments window

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

Repeat for all documents with a red **X**. When all documents have been attached to a completed return (and show a green check mark), recalculate the return. If all EF messages have been resolved, the return is ready to be e-filed.

Other Screens

Drake provides numerous screens that are not always needed for completing Form 1041. These screens are accessible through the **Assets/Sales** tab, the **Credits** tab, and the **Other Forms** tab. Most of them work in the 1041 program just as they do in the 1040 program. Information on these screens and forms is available in the *Drake Software User's Manual: Tax Year 2013*.

The following sections provide further information on these screens.

Assets/Sales

Most screens accessible from the **Assets/Sales** tab are similar to those in the 1040 package, with the exception of the **F/B** box on the 1041 screens.

Available Assets/Sales Screens

Many of the **Assets/Sales** screens have been covered elsewhere in this manual. Listed

below are those that are available but are *not* covered in this document.

Table 2: Other Screens Available From Assets/Sales Tab

Screen	Schedule or Form
4684	Form 4684, Casualties and Thefts
6198	Form 6198, At-Risk Limitations
6252	Form 6252, Installment Sale Income
6781	Form 6781, Gains and Losses From Section 1256 Contracts and Straddles
8594	Form 8594, Asset Acquisition Statement Under Section 1060
8824	Form 8824, Like-Kind Exchanges

Get more information on these screens by clicking **Screen Help**, by pressing F1 in the various fields of the screens, or by reading about the equivalent screens in the *Drake Software User's Manual: Tax Year 2013*.

Depreciation Use the **Depreciation Detail (4562)** screen to enter depreciable assets for Schedule C, Schedule E, or Schedule F. For more information on depreciation and the **4562** screen (Form 4562, Depreciation and Amortization) in Drake, see the *Drake Software User's Manual: Tax Year 2013*.

NOTE IRS rules do not allow section 179 depreciation in 1041 returns.

Credits

A number of credits, when paid by the decedent's estate, are allowed on Form 1041 even though they were not allowable on the decedent's final income tax return. For more information, see section 691 or IRD in Pub. 559, Survivors, Executors, and Administrators.

Available Credit Screens As is the case on the **Assets/Sales** tab, most of the screens available through the **Credits** tab are identical to their counterparts in 1040 returns. Many of the **Credits** screens have been covered elsewhere in this manual. Listed in Table 3 are those **Credits** screens that are available but are not covered in this document

Table 3: Other Screens Available From Credits Tab

Screen	Form and Credit
3468	Form 3468, Investment Credit
5884	Form 5884, Work Opportunity Credit
6478	Form 6478, Alcohol and Cellulosic Biofuels Credit
6765	Form 6765, Credit for Increasing Research Activities
CR	Form 8582-CR, Passive Activity Credit Limitations

Table 3: Other Screens Available From Credits Tab

Screen	Form and Credit
8586	Form 8586, Low Income Housing Credit
8609	Form 8609, Low-Income Housing Credit Allocation and Certification
8820	Form 8820, Orphan Drug Credit
8826	Form 8826, Disabled Access Credit
8834	Form 8834, Qualified Plug-in Electric and Electric Vehicle Credit. Form 8834, has expired for the current year and has not been released for 2013. The credit will apply only if there is a passive carryover from a prior year.
8835	Form 8835, Renewable Electricity, Refined Coal, & Indian Coal Production Credit
8844	Form 8844, Empowerment Zone and Renewal Community Employment Credit
8845	Form 8845, Indian Employment Credit
8846	Form 8846, Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips
8864	Form 8864, Biodiesel and Renewable Diesel Fuels Credit
8874	Form 8874, New Markets Credit
8881	Form 8881, Credit for Small Employer Pension Plan Startup Costs
8882	Form 8882, Credit for Employer-Provided Child Care Facilities and Services
8896	Form 8896, Low Sulfur Diesel Fuel Production Credit
8907	Form 8907, Nonconventional Source Fuel Credit
8908	Form 8908, Energy Efficient Home Credit
8909	Form 8909, Energy Efficient Appliance Credit
8910	Form 8910, Alternative Motor Vehicle Credit
8911	Form 8911, Alternative Fuel Vehicle Refueling Property Credit
8912	Form 8912, Credit to Holders of Tax Credit Bonds
8936	Form 8936, Qualified Plug-in Electric Drive Motor Vehicle Credit
8941	Form 8941, Small Employer Health Insurance Credit

Other Screens

Many screens from the **Other Forms** tab have been covered elsewhere in this manual. Listed in Table 4 on page 31 are those **Other Forms** tab screens that are available but are not covered in this document. For more information on using those screens listed below that have equivalents in the 1040 package, see the *Drake Software User's Manual: Tax Year 2013*. You can also use the screen help and field-level helps for

individual screens.

Table 4: Other Screens Available From Other Forms Tab

Screen	Screen or Form
SS4	Application for Employer Identification Number
56	Form 56, Notice Concerning Fiduciary Relationship
1045	Form 1045, Application for Tentative Refund
2848	Form 2848, Power of Attorney and Declaration of Representative
4970	Form 4970, Tax on Accumulated Distribution of Trusts
8082	Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR)
8275	Form 8275, Disclosure Statement
8582	Passive Activity Loss Limitations
8821	Form 8821, Tax Information Authorization
8822	Form 8822, Change of Address
8829	Form 8829, Expenses for Business Use of Your Home
8855	Form 8855, Election to Treat a Qualified Revocable Trust as Part of an Estate
8886	Form 8886, Reportable Transaction Disclosure Statement
8903	Form 8903, Domestic Production Activities Deduction
8948	Explanation for Not Filing Electronically
NOL	Schedules A & B of Form 1045

Miscellaneous Tab

Many screens from the **Miscellaneous** tab have been covered elsewhere in this manual. Listed in Table 5 are those **Miscellaneous** tab screens that are available but are not covered in this document. For more information on using those screens listed below that have equivalents in the 1040 package, see the *Drake Software User's Manual: Tax Year 2013*. You can also use the screen help and field-level helps for individual screens.

Table 5: Other Screens Available From Miscellaneous Tab

Screen	Screen or Form
ADMN	Tracking return preparation and banking data
BILL	Client Bill - Adjustments and Payments
COMP	Compare current-year tax return with two prior tax years.
ESUM	Provides an e-file summary of the return.
MISC	Miscellaneous Screen/Foreign Address The only thing on this screen is a "Final Year Override" field.
PREP	Preparer Information Overrides

Miscellaneous Codes for Tracking

At the right side of screen **1** are two **Misc code** fields that can be used for tracking purposes. For more information on using these miscellaneous codes, see “Customized Drop Lists” in Chapter 3: “Installation & Setup” of *Drake Software User's Manual: Tax Year 2013*.

Form 1041-A

Form 1041-A, U.S. Information Return Trust Accumulation of Charitable Amounts, is used to report the charitable information required by section 6034 and the related regulations. It must be filed by a trustee if the trust claims a charitable or other deduction under section 642(c) unless an exception applies; see IRS instructions for more information.

If the trustee must file Form 1041-A, go to the **1041-A** tab, from which you can access screens for Parts I, II, III, and IV of Form 1041-A. You can also open screen **8868** (for an extension application) from this tab.

NOTE If filing an extension for Form 1041-A, mark the **Form 1041-A Type of return to be filed** check box on screen **8868**.

Form 5227

Form 5227, Split-Interest Trust Information Return, is used to report the financial activities of a split-interest trust, provide certain information regarding charitable deductions and distributions of or from a split-interest trust, and determine if the trust is treated (for Chapter 42 excise tax purposes) as a private foundation and subject to certain excise taxes under Chapter 42. Schedule A of the form is used to report accumulations of income for charitable remainder trusts, distributions to non-charitable beneficiaries, and information about donors and assets contributed during the year. Form 5227 must be paper-filed.

To access screens for completing Form 5227, go to the **5227** tab of the **Data Entry Menu**. You can open screen **8868** (for an extension application) from this tab also.

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

Signing the Return

A 1041 return must be signed by the fiduciary or authorized representative. You can use Form 8879-F or Form 8453-F to provide a signature for an e-filed return.

Form 8879-F

Form 8879-F, IRS e-file Signature Authorization for Form 1041, should be used if the preparer is a paid preparer whose information and PIN have been recorded in **Setup > Preparer(s)** and if the fiduciary wants to use a Personal Identification Number (PIN)

to electronically sign the return. This form also serves as consent to electronic funds withdrawal (direct debit) for payment of balance due.

To e-file using Form 8879-F, complete all fields on the **PIN** screen, including the title and signature (name) of the fiduciary or officer.

Setup > ERO must still be completed for e-filing. See the IRS instructions for further details on signature requirements.

NOTES

If the return is not prepared by a paid preparer, go to screen **1** and select **None** for **Firm #** and **Preparer #**. Use Form 8453-F to file the return electronically.

To use an alternative electronic signature, see the field-level help for the **Alternative Electronic Signature PIN** text box on the **PRNT** screen (available from the **Miscellaneous** tab).

e-Signing Form 8879-F

You can take advantage of the new e-Signature feature of Drake Software and use an electronic signature pad to sign—and have your client sign—Form 8879-F.

For details, see Chapter 6, “Return Results,” of the *Drake Software User's Manual: Tax Year 2013*.

Form 8453-F

Form 8453-F, U.S. Estate or Trust Income Tax Declaration and Signature for Electronic Filing, is used to authenticate the electronic Form 1041, authorize the e-filer to transmit via a third-party transmitter, authorize direct debit for payment of balance due, and serve as a transmittal for any accompanying paper documents. Use this form if the preparer is not a paid preparer, if the preparer does not belong to a firm entered in **Setup > Firms**, or if a third-party designee is entered on the **PREP** screen.

To use Form 8453-F, leave the **PIN** screen blank. If no EF messages are present when the return is generated, the software produces Form 8453-F by default. Once the e-filed return is accepted by the IRS, mail Form 8453-F to the IRS within five days.

Amending a Return

To file an amended Form 1041:

1. Open screen **1** and select the **Amended return** box in section **F**.
2. Correct or add new information on the appropriate lines of the return.
3. Re-figure the estate's or trust's tax liability.
4. Click the **Amended Expl** link beside the **Amended return** box on screen **1**.
5. On the **Amended Changes** screen:
 - a. Enter the number of the line you changed.
 - b. Describe the line you changed. (For instance, you might enter, “Interest Income” if you changed line 1 of page 1 of Form 1041.)
 - c. Enter previous and amended amounts.
 - d. Enter an explanation.
5. Press **PAGE DOWN** for another screen to explain another change.

If an amended return results in a change to income, distribution, or other information provided to a beneficiary, an amended Schedule K-1 must also be filed with the 1041 and copies given to each beneficiary. To have the program generate an amended Schedule K-1, go to the **K1** screen and select the **Amended K-1** box.

NOTE If the total tax is larger on the amended return, taxpayer should generally pay the difference with the amended return

Filing an Extension

For calendar year estates and trusts, Form 1041 and the K-1 schedules must be filed on or before April 15, 2014. Fiscal year estates and trusts must file Form 1041 by the 15th day of the fourth month following the close of the tax year. When the extension application is submitted, the due date will be changed to the 15th day of the fifth month following the month of the regular due date.

To apply for an extension, open the **EXT** (or **7004**) screen and select the type of return (estate or trust) from the drop list on line 1. If this is a short-year return, select the reason on line 5b. (If the reason is not listed, go to the **Explanation not described on 5b** text box at the bottom of the screen and enter a reason.)

An entry on line 6 overrides the calculated tentative total tax.

Amending the Client Letter

In the **Client Letter Override** section, if less than the total balance due is being paid with the extension, you can amend the client results letter to show the portion of balance that is being paid. An amount on this line changes the <Federal Extension Amount Being Paid> keyword. This entry does *not* flow to Form 7004; it flows only to the client results letter.

NOTE Enter a value in the **Client Letter Override** section only if less than the tax owed is being paid with the extension.

State-specific Information

The program automatically generates a return for the estate's or trust's resident state. Use screen **2** to enter additional, state-specific information as it should appear on the state return.

NOTE The information fields on screen **2** apply for the resident state only.

Screen **2** has fields for the following information:

- Trust information (revocable, irrevocable, testamentary, inter vivos, charitable remainder)
- Method of accounting (cash, accrual, other)
- Grantor or fiduciary information overrides (name and contact information; overrides data entered on screen **1**)

Specific data for state fiduciary/trust returns must be entered manually using screens for the specific state. To access state data entry, select the **States** tab from the **Data Entry Menu**, and then select the desired state for state-specific screens.

Making Changes on the Fly

Use the **PRNT** screen to override most program defaults.

Suppress or Force Printing

To suppress or force the printing of certain documents, go to the **PRNT** screen and select the desired options. Many “on-the-fly” changes override options that are set up globally in **Setup**.

Items to Print

The following **PRNT** screen options allow you to force forms and other information to be generated with the return:

- **Print Form 6198** — Generates Form 6198, At-Risk Limitations, with the return.
- **Print Form 1041-I** — Generates Schedule I, Alternative Minimum Tax – Estates and Trusts, with the return. (This option overrides the **Print Form 6251 only when required** option in **Setup > Options > Form & Schedule Options**.)
- **Print Form 8582** — Generates Form 8582, Passive Activity Loss Limitations, with the return.
- **Print Form 4562** — Generates Form 4562, Depreciation and Amortization, with the return. (This option overrides the **Print Form 4562 only when required** option in **Setup > Options > Form & Schedule Options**.)
- **Print Form 8960** — Generates Form 8960, Net Investment Income Tax - Individuals, Estates, and Trusts.
- **Print next year depreciation listing**— Select this box to generate the next year's depreciation schedule. (This option overrides the **Next-year depreciation schedule** option in **Setup > Options > Form & Schedule Options**.)
- **Print summary** — Select this box to print a diagnostic summary report with the tax return. The summary report lists the forms calculated and provides a brief summary of the return.
- **Print comparison** — Select this box to include a one-page report comparing the client's 2013 return to the 2012 return when the return is generated.
- **Print K-1 codes (Schedule K-1, page 2)** — Schedule K-1 consists of two pages: page 1 is the form itself, and page 2 consists of K-1 code explanations. By default, Drake generates only the first page of the K-1. To have page 2 generated with the return, select this box.
- **Alternative Electronic Signature PIN** — The preparer's alternative PIN entered here must match the one created in **Setup > Preparers**.

NOTE

Code sheets are not displayed in View/Print mode. When the return is printed, the code sheets are printed after the Schedule K-1s.

Items to Suppress

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

- **Proformas/organizers** — Choose not to generate a proforma/organizer for this client next year.
- **K-1 schedules and letters** — Choose to not generate these items with the return.
- **Grantor Trust Letter** — Choose not to generate this letter for a grantor trust.
- **State short form** — Choose to suppress the state short form. (State return will be generated on long form.)

There is no global setting in **Setup > Options** for any of these items.

Overriding Other Printing Options

Printing of the following items can be either forced or suppressed from the **PRNT** screen to override the program defaults and global options selected in Setup Options:

- Envelope cover sheet with taxpayer address
- Envelope cover sheet with IRS address
- Envelope cover sheet with state taxing authority address
- Envelope cover sheet with city taxing authority address
- Envelope cover sheet with K-1s
- Federal filing instructions
- State filing instructions
- Date shown on return (default is current system date)
- Due date to be printed on letters and filing instructions

NOTE

To have the program suppress the date from the return, go to the **Home** window, select **Setup > Options > Optional Items on Return** tab, and clear the **Date on return** check box. If you enter a date on the **PRNT** screen of a return, that date will be shown on the return—regardless of what is selected in Setup Options.

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

By default, the program generates the information shown in Table 6 on the return.

Table 6: Firm, Preparer, and ERO Data that Can Be Changed on the Fly

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

To override any of these defaults for a return, go to screen **1** of the return. In the bottom-right quadrant of the screen, select the name or number of the firm, preparer, and ERO.

You can also use the **PREP** screen (accessible from the **Miscellaneous** tab of the **Data Entry Menu**) to override the following information:

- Third-party designee (See “Third Party Designee” in the “Return Preparation” chapter of the *Drake Software User's Manual: Tax Year 2013*.)
- Federal preparer information (if the firm is not set up in Firm Setup)
- State preparer information (if the firm is not set up in Firm Setup)

Electronic Filing

Steps for e-filing a 1041 are same as for a 1040. See the *Drake Software User's Manual: Tax Year 2013* for details. For information on signing the return electronically, see “Signing the Return” on page 32.

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

Electronic Funds Withdrawal (Direct Debit)

Use the **PMT** screen, accessible from the **General** tab, to indicate that funds due are to be electronically withdrawn (direct-debited) from an account.

Program Defaults and Overrides

By default, the program indicates that the entire balance due is to be electronically withdrawn on the return due date, unless otherwise indicated.

Balance due — To indicate that only part of the balance due should be withdrawn from the account, enter the amount to be withdrawn in one or both of the payment amount override fields: **Federal payment amount** or **State payment amount**.

Payment date — Use the **Requested payment date** override fields to request a payment date other than the due date. If the return is e-filed on or before the due date (April 15) of a calendar year, the requested payment date cannot be later than the due date. If the return is transmitted after the due date, the requested payment date cannot be later than the current date.

Phone number — An entry in the **Daytime phone number** field overrides the phone number entered on screen **1**.

Required Information

A **Withdrawal selection** (**Yes** or **No** from the **Federal selection** drop list, and a selection from the **State/city selection drop** list if applicable) is required if the program is to direct tax authorities to electronically withdraw funds from the account indicated.

The name of the financial institution, the bank's routing number (RTN), the client's account number, and the type of account (checking or savings) are required. The **RTN**, **Account number**, and **Type of account** must be entered twice.

State Balance Due

To have a state balance due electronically withdrawn from an account other than the account indicated for federal, complete the fields in the **Account #2** section of the

PMT screen.

NOTE

Do not attempt to make payments on state taxes through the **PMT** screen unless the payment is for a Massachusetts, New York, or Texas return, or a Philadelphia (PA) Business Income and Receipts Tax return or a Philadelphia (PA) Net Profits Tax return. Only Massachusetts, New York, and Texas, and Philadelphia, PA, allows direct debit for tax year 2013.

Foreign Accounts

Due to new banking regulations regarding International ACH transactions (IAT), state taxing agencies are required to handle foreign transactions differently from domestic transactions. For filing season 2014, no states are supporting IATs.

If a state payment is coming from or through an account located outside of the U.S., indicate which account by marking one of the check boxes at the bottom of the **PMT** screen.

For more information on IATs and handling foreign accounts in the program, see the Screen Help for the **PMT** screen.

Common Error Codes

If the following IRS error reject code is generated when you e-filing a 1041 return, you must contact the IRS for further information. The e-file help desk number is (866) 255-0654.

- **Reject Code 122** — The “EIN Name Control Mismatch” reject (code 122) is by far the most common e-filing error code for 1041 returns, according to the IRS. Drake has made improvements to its 1041 program to prevent returns from being rejected under this code. See the field help for the **Entity name control** box on screen **1** for details.

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