Drake Software®

EVALUATION GUIDE

DrakeSoftware.com › 800.890.9500

Drake Tax 2017

2018 Copyright

Publication Date: Spring 2018

Table of Contents

E-file the Return

Corporation Return

Partnership Return

Tools

Reports

Support Resources

Suite Products

CPE Information

CPE Exam

Glossary

Index

Welcome

Thank you for taking the time to learn about Drake Tax and the *2017 Evaluation Guide*. Drake provides the tools and support tax professionals need to build their businesses and attract new clients. Our customers know they can rely on Drake for comprehensive product excellence.

Drake is a pioneer in the tax software and e-filing industry, processing more than 26 million federal and state accepted returns each year. If you are not already e-filing your clients' returns, or you are considering other return preparation and e-filing options, let us help you.

The *2017 Evaluation Guide* is a free, self-study course in PDF format consisting of three return preparation exercises (1040, 1120 and 1065), review questions, and a final exam. There is no charge to take this course, unless you wish to earn CPE. The cost for CPE is $50 upon successful completion of the final exam. For more information about earning CPE and accessing the final exam, see "CPE Information" on page 269.

Upon completion of this Evaluation Guide you will be able to:

- Navigate Drake Tax
- Prepare basic 1040, 1120, and 1065 returns in Drake
- e-File returns
- Utilize the online EF database, Tax Planner, Drake Documents, and more
- Understand the functions and benefits of Drake tools and other resources
- Report on client and EF data
- Perform software and file maintenance

If you have any questions about Drake Tax, please contact your salesperson at (800) 890-9500 or our courteous and knowledgeable support staff at (828) 524-8020.

This Evaluation CD contains:

- A free evaluation copy of *Drake Tax* 2017 which includes:
    - All federal and state programs
    - *Drake Documents*
    - *Drake Tax Planner*
    - *Drake Scheduler*
- 2017 Drake Tax User's Manual
- Practice returns and solutions in PDF format
- A free evaluation copy of *Client Write-Up 2018* and *Drake Accounting 2018*

Installing the Software

The 2017 Drake Tax evaluation version of the software includes the federal packages and state packages. The software is also available for download on *DrakeSoftware.com*. After installing the software, complete the required and recommended software settings. For setup instructions, see "Setup Assistant" on page 23.

System Requirements

These are the minimum requirements to run most Drake Tax products. For superior performance, we recommend system upgrades above the stated minimums. Actual requirements vary based on your system configuration, and the features and other programs you wish to install.

Supported Operating Systems:

- Windows Vista
- Windows 7
- Windows 8
- Windows 10
- Windows Server 2008/2012

Minimum System Requirements:

- Windows 10 -1 GHz 32-bit or 64-bit processor and 1 GB of RAM(32-bit) or 2 GB of RAM(64-bit)
- Windows 7, 8, Server 2008 and Server 2012 – 1 GHz 32-bit or 64-bit processor and 1 GB of RAM(32-bit) or 2 GB of RAM(64-bit)
- Windows Vista -800 MHz processor and 512 MB of RAM
- Monitor capable of 1024 x 768 screen resolution
- CD Drive (unless choosing download option)
- 1 GB of available hard drive space
- Internet Explorer 9.0
- Internet access (required for regular updates)
- High Speed Internet Access (strongly recommended)
- HP compatible laser printer with Arial font (strongly recommended)
- Adobe Reader

NOTES

The preceding specifications are *minimum* requirements. For best results, upgrade your system to exceed these requirements.

Recommended System Requirements:

- Windows 7 Professional 64 bit, 2.8 GHz Processor, 4 GB RAM or Windows 10 Professional 64 bit, 3.2 GHz Processor, 8GB RAM
- Monitor capable of 1280 x 1024 screen resolution
- High Speed Internet Access
- HP compatible laser printer with Arial font

Additional Recommended Requirements:

- TWAIN-compliant scanner strongly recommended for scanning capabilities within Drake Documents ("Drake Documents" on page 252).
- Microsoft .NET Framework v4.0 or greater
- Microsoft Excel

INSTALLATION FROM DEMO CD

To install your trial copy of Drake Tax from the Drake Demo CD:

1. Insert the Drake Demo CD in your computer's CD/DVD drive.
2. **When the Drake Software Tax Year 2017** window opens, click the **Drake 2017** icon to install. (If the window does not automatically open, use your file browser to navigate to your computer's CD/DVD drive and double-click the **demo.exe** file. Click **Run** to start the installation).
3. On the **Software Installation** screen, use the drop list to select a drive to install Drake Tax.
4. (Optional) Select to install as many states as you like or none at all.
5. Accept the terms of the **Drake Software License Agreement**.
6. Select to install the **Evaluation Version (Demo)**.
7. Click **Install** to begin the installation.
8. When installation is complete, click **OK**, and then click **Finished**.

NOTE If a drive letter does not appear, the software has determined that there is not enough space on that drive.

INSTALLATION FROM DOWNLOAD CENTER

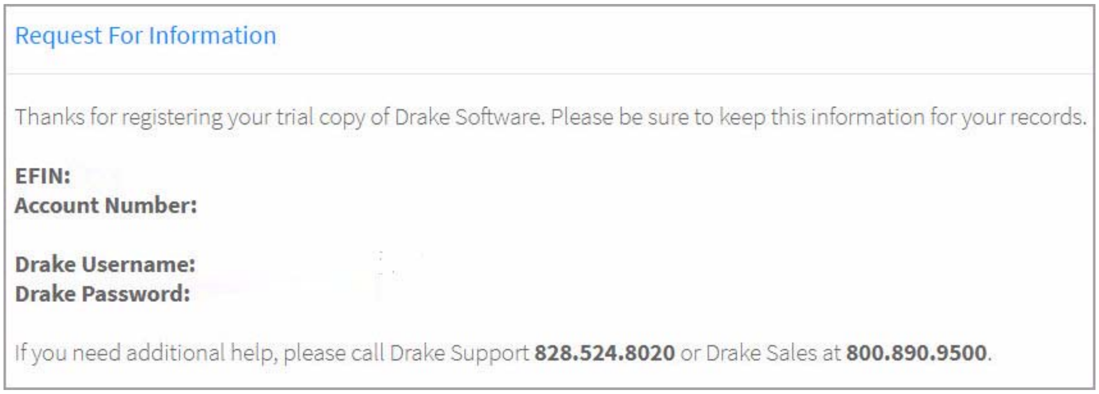
Before you can install your trial copy of Drake Tax from the Download Center online, you will first need to **Register Your Demo**. After you have completed the steps to register your demo, you will receive an email with the credentials needed to access the Drake Download Center.

To register your demo**:**

1. Go to *DrakeSoftware.com* > **Service and Learning > Get Started with Drake > Register Your Demo > Register**.
2. Complete the registration screen and click **Submit**.
3. The **Request For Information** window appears with the following credentials: **Drake Username** and **Drake Password** (for Drake Support website), **EFIN** and **Account** Number. Click **Close** to close the window, and you will be directed automatically to the **Customer Support Sign In** page.
4. Enter your **Drake Username** and **Drake Password** and click **Sign In.**

5. Answer the **Security Question** (one of three security questions and answers that you created during the registration process).
6. The **Download Center** page will open with a list of Drake Software products that may be downloaded.
7. Click the **Drake Software 2017 Evaluation Version** link.

Figure 1: Request For Information window



8. Read the **Software License and Non-Disclosure Agreement** and **Installation Overview**.
9. Click the **Download** button to begin downloading the Drake Tax 2017 Evaluation version.
10. If you receive an **Open File - Security Warning** window, select **Run**.
11. Click **Yes** to begin installing.
12. Under **Step 3** in the next window, click **Install Drake Software**.
13. Select a Drake Tax Software location by choosing a drive from the droplist.
14. (Optional) Select one or more states to install and click **Next**.

NOTE If a drive letter does not appear, the software has determined that there is not enough space on that drive.

15. Check the box to accept the terms of the Drake Software 2017 License Agreement.
16. Select **Evaluation Version (Demo)** and click **Next**.
17. If the installation location and software version are correct, click **Install**.
18. After the installation is complete, click **Finished**.

After the program has been installed, a **Drake 2017 Tax** icon is on your desktop. If you chose to install the Archive Cabinet of the Drake Documents, an icon for that program is also on your desktop.

To start the program, double-click the **Drake 2017 Tax** icon.

State and City Programs

Installing State and City Programs

If you did not install states during the initial installation, choose one of the following methods for installing state and city programs. Installing a state also installs its city programs.

State and city returns are automatically produced with the federal return if indicated on the federal data entry screens. For example, if you indicate in the **State** field (box **15**) of the **W2** screen that the W-2 is for NY, Drake generates a New York return along with the federal return.

Installing States From CD

1. Insert your Drake CD into the CD drive.
2. From the **Home** window, go to **Tools > Install State Programs**.
3. Select **Install states from this location**. Select your CD drive letter from the drop list.
4. Click to select the states to install from the **States Available From Drive** list in the left pane. Click **Select**. (To select all states, click **Select All**.) The selected states appear in the **States Selected for Installation** list in the right pane.
5. Click **Install** to continue with the state installation.
6. When the installation is complete, click **Exit**.

Installing States From the Internet

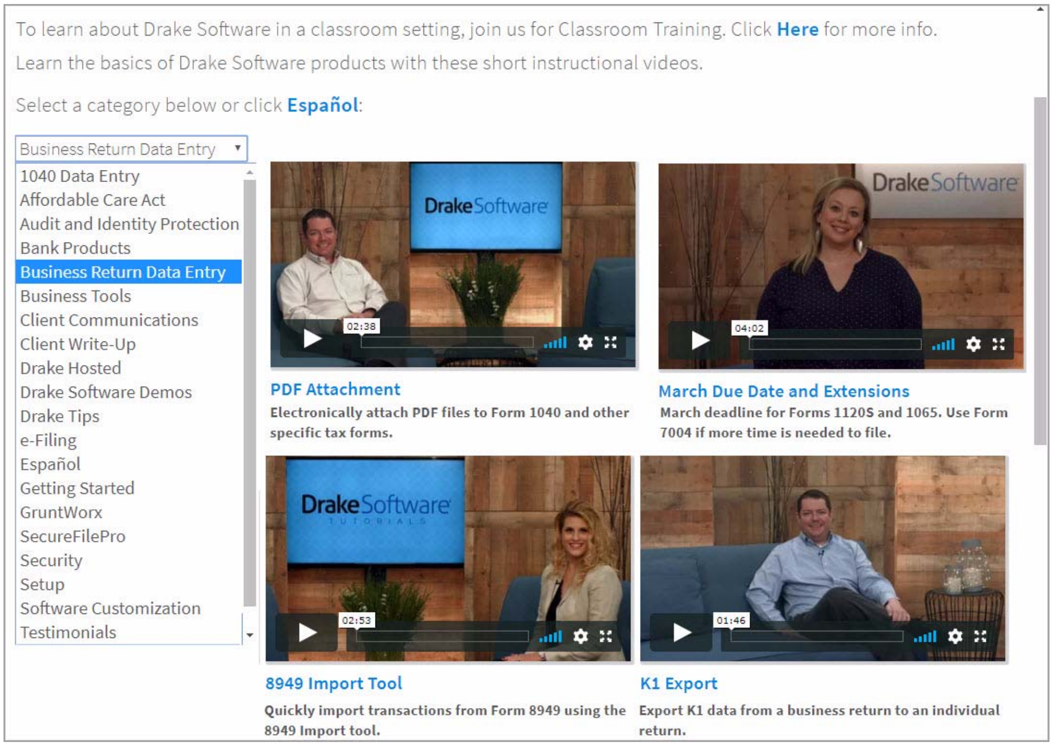
If you installed the Demo software from *DrakeSoftware.com*, and you did not install states with the federal package, complete the following steps to install states online. To install states online, the ERO Setup must be complete (see "ERO Setup" on page 26).

1. From the **Home** window, go to **Tools > Install State Programs**.
2. Select **Install states from this location**.
3. Select **Drake Download** from the drop list.
4. Click to select the states to install from the **States Available For Download** list in the left pane. Click **Select**. (To select all states, click **Select All**.) The selected states appear in the **States Selected for Installation** list in the right pane.
5. Click **Install** to continue with the state installation.
6. When the installation is complete, click **Exit**.

Viewing Drake Video Tutorials

Drake has produced an array of video tutorials that cover Drake Tax Software and related topics. Links to many of these video tutorials are scattered throughout Drake Tax Software. To access Drake's video tutorials from the **Service & Learning** menu on *DrakeSoftware.com* or log in to *Support.DrakeSoftware.com* using your Username and Drake password, select **Training Tools > Videos**, and then select a subject area from the drop list. The related video tutorials are displayed (Figure 2). Click a play button to start a video.

Figure 2: Drake Video Tutorials



Navigating the Program

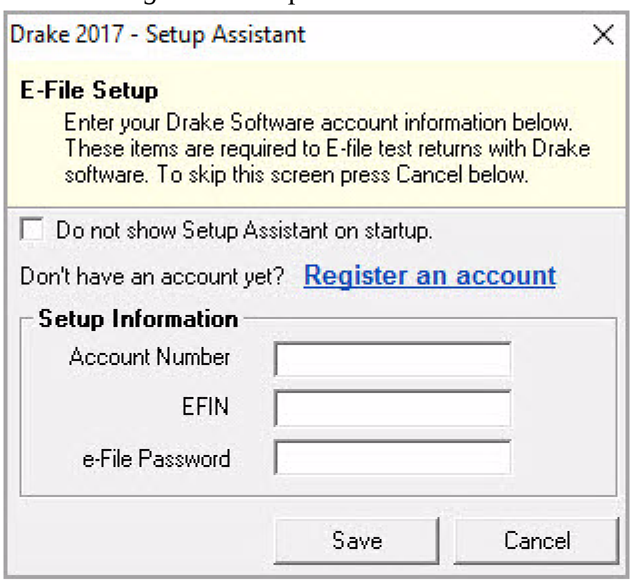
Learn to navigate the **Home** window in Drake Tax once you have completed the installation process.

Logging In

The first time you open the software, you are automatically prompted to create a password and security questions for "Admin," the Administrator login. The screens following the initial login vary depending on your installation type — a demo installation (no serial number required) or a standard installation (serial number required).

Demo installation — if you are running a demo installation of Drake, the demo version of the **Drake 2017- Setup Assistant** opens. Enter the setup information provided when you registered for a Drake account and click **Save.** If you have not yet registered for a Drake account, click the link to **Register an account**. To proceed without account information, click **Cancel**.

Figure 1: Setup Assistant - Demo Version



Standard installation — If you are running a standard installation of Drake, a pop-up is displayed reminding you to test your printers to determine the best print method for achieving optimal results. You can close this pop-up if desired. When you are ready to test your printers, see "Printer Setup" on page 25.

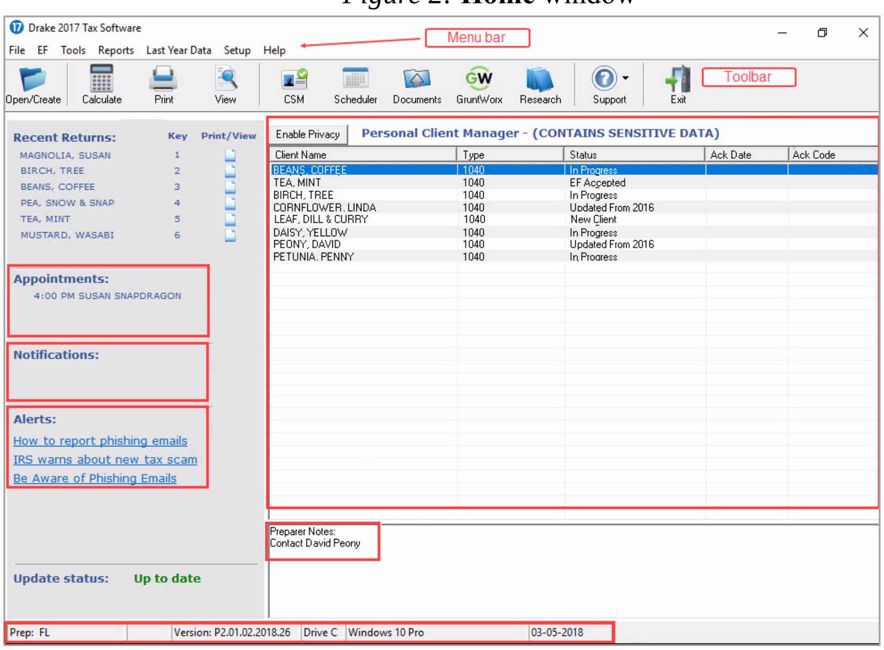
Next, the standard version of the **Drake 2017- Setup Assistant** displays. The Setup Assistant is covered in the next chapter (see "Setup Assistant" on page 23).

HOME WINDOW

The main window of the *Drake* program is referred to as the **Home** window (Figure 2). The **Home** window's features include:

- **Menu bar and toolbar** — These tools allow you to complete tasks in the program.
- **Recent Returns** — Lists the last nine returns opened in the program.
- **Notifications** — Lists acknowledgments to be processed. Information on pending and completed GruntWorx jobs will also appear in the **Notifications** section.
- **Appointments** — Shows the preparer's schedule and provides a link to open the
- Scheduler.
- **Alerts** — Keeps you informed by alerting you to important dates, displaying the status of Drake Tax's system, and linking you to Drake Software broadcast email. Possible alerts might include reminders of filing deadlines or announcements of delayed e-file transmissions, "ack" returns, or bank transactions. Alerts are refreshed every 15 minutes. Your system must be connected to the Internet for this feature to work.
- **Update Status** — Keeps the preparer informed that the program is up to date, provides link to update the program when necessary.
- **Status bar** — Provides system information.
- **Personal Client Manager (PCM)** — This is a personalized version of the Client Status Manager. See "Help Resources" on page 238 for more information.
- **Enable Privacy** — Hides the recent return list, the PCM, and the preparer notes. (Click **Disable Privacy** to view the list again.)
- **Preparer Notes** — Use this section to write brief notes, visible only to the preparer who wrote them, that remain in this section until they are deleted.

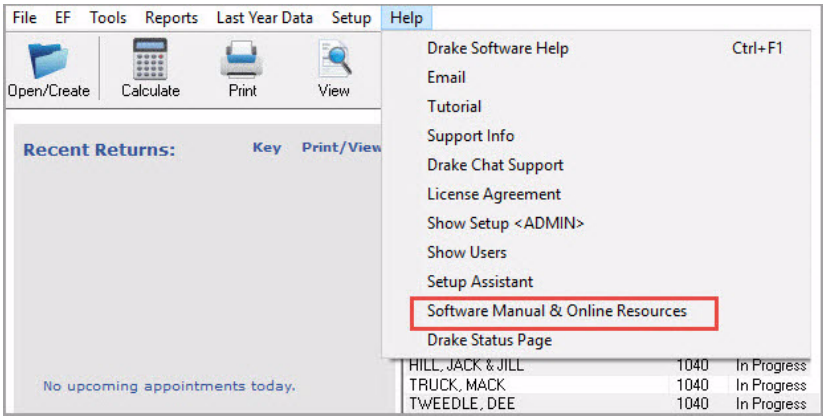
Figure 2: **Home** window



DRAKE TAX USER'S MANUAL

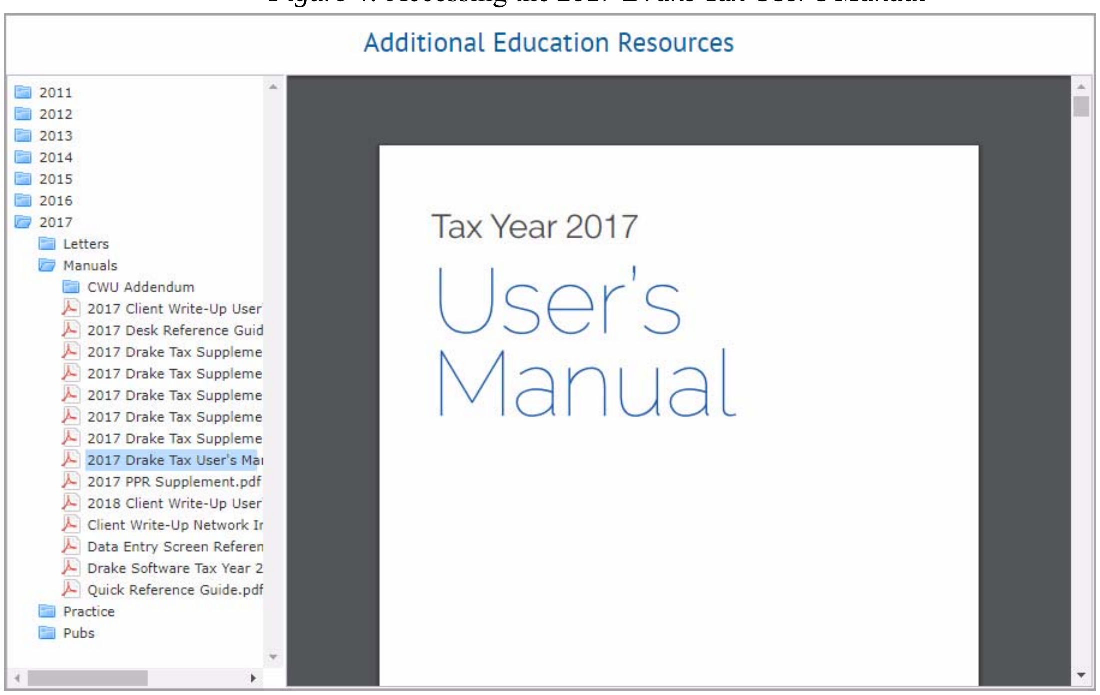
To access the *2017 Drake Tax User's Manual* from the **Home** window, click **Help > Software Manual & Online Resources** on the menu bar (Figure 4).

Figure 3: Accessing Online Resources



On the **Additional Education Resources** web page, Select **2017 > Manuals** and click the PDF file labeled, "2017 Drake Tax User's Manual.pdf." The file is opened to a bookmarked PDF (Figure 4).

Figure 4: Accessing the *2017 Drake Tax User's Manual*



A PDF of the *2017 Drake Tax User's Manual* can also be accessed by logging in to your Drake Support account at *Support.DrakeSoftware.com*, selecting **Training Tools > Manuals**, and clicking the **2017 Drake Software Manual** link. The same web page also provides a link you can click to order printed copies of the *2017 Drake Tax User's Manual*.

Personal Client Manager (PCM)

From the **Home** window, view the Personal Client Manager, or PCM, a personalized version of the Client Status Manager, or CSM. The PCM helps you organize your day by providing a detailed list of all your returns. The logged-in preparer may customize his or her Personal Client Manager by selecting the columns of return data to display, and by filtering the list of returns.

From the Personal Client Manager, right-click a record to:

- Open the client's return
- Display a Quick View of return information
- Open the EF Database for the client
- Set the return status
- Filter the list of returns
- Customize the PCM
- Search client records

Enabling Home Screen Privacy

You can hide the **Recent Returns**, **Appointments**, **Personal Client Manager**, and **Preparer Notes** sections of the Drake **Home** window as needed—for example, if a co-worker or client is looking at your computer screen with you. To do so, click the **Enable Privacy** button (shown in Figure 5) on the **Home** window. The **Enable Privacy** button becomes a **Disable Privacy** button. Click **Disable Privacy** (shown in Figure 6) to view all of the sections of the **Home** window again.

Figure 5: **Enable Privacy** button

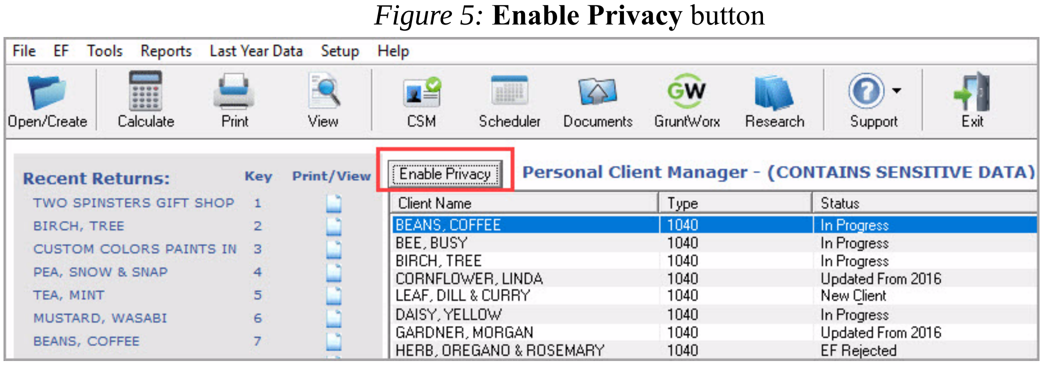
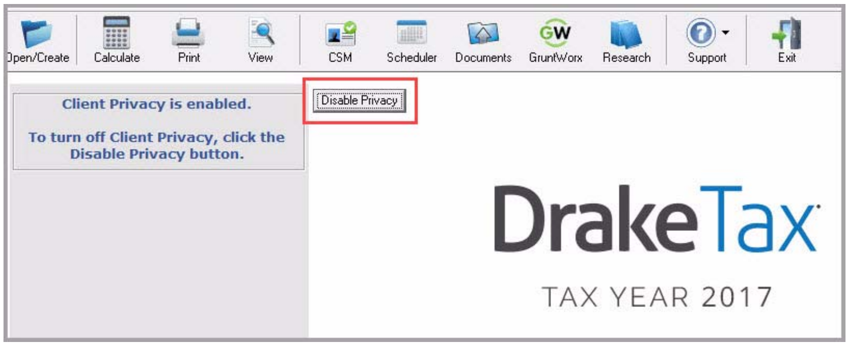


Figure 6: **Disable Privacy** Button



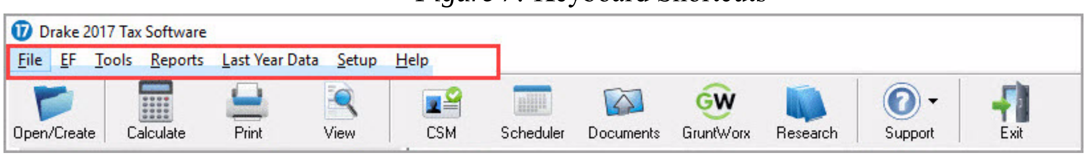
KEYBOARD

Maneuver through the Drake program with the computer keyboard. A variety of specialty keys makes the job easier.

Keyboard Shortcuts

Use *keyboard shortcuts* to perform tasks from the **Home** window without using the mouse. Press ALT to display the underlined keyboard shortcut and then press the desired keyboard shortcut. For example, from the **Home** window, you can press ALT, F, O (F for File, O for Open) to open the **Open/Create a New Return** dialog box, or ALT, L, O (L for Last Year Data, O for Organizers) to open the **Organizer Client Selection** dialog box (Figure 7).

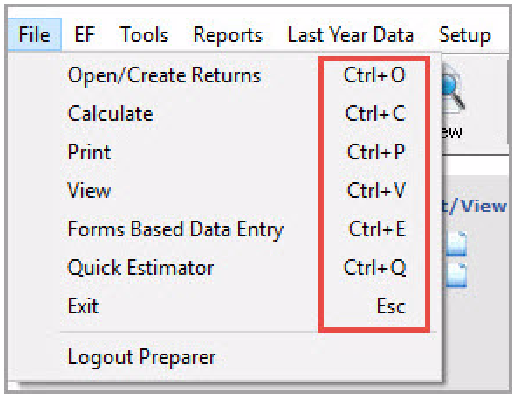
Figure 7: Keyboard Shortcuts



KEY COMBINATIONS

Use key combinations as another way to perform tasks without using the mouse. They are written as two or more key names connected by a plus (+) sign. Press and hold down one key, and then press a second key. Key combinations are shown to the right of each menu item (Figure 8).

Figure 8: Key Combinations



Toolbar

The buttons located under the menu bar can be used to maneuver through the program quickly. Different areas of the program are associated with specific buttons. For a description of a button, place your mouse pointer over the button and see a pop-up box with a description.

Figure 9: **Home** window toolbar buttons

General Flow of Commands

Program instructions refer to parts of the program as follows:

- **Menu bar** — The list of menu options across the top of the window.
- **Droplist** — The list of available actions shown when an option is selected from the menu. Also, some fields on some screens display an arrow (▼) next to an open text box. Click the arrow to open a list of available choices.
- **Buttons on toolbar** — The toolbar directly under the menu bar has buttons that are used for quick access to functions and are represented by icons.
- **Data Entry Menu** — The list of available screens when a return has been opened for data entry.
- **Selector field** — The field at the bottom of the **Data Entry Menu**. Type the letter, number code, word or phrase of the desired form and press ENTER to open its screen in data entry. If you don't know the code, enter a keyword or phrase and press ENTER to search for the screen.
- **Tabs** — The **Data Entry Menu** displays tabs along the top of the screen below the toolbar. Each tab displays a list of data entry screens.
- **Buttons** — Items that perform actions. For example, click the **Exit** button to leave the program.

When instructions are given to perform an action, the flow of commands (for example, **Tools > File Maintenance > Backup**) is as follows:

1. Select the menu option to reveal the drop list. (For example, **Tools**.)

2. Select the action from the drop list. (For example, **File Maintenance**.)
3. If the action displays an arrow (▶) to the right, another list is available.
4. Select the action from that list. (For example, **Backup**.)

To shorten the commands in the instructions, the flow of commands is given with arrows (also known as “angle brackets”) between each function. For example, “Go to **Tools > Install Updates**” simply means, “From the menu bar, go to the **Tools** menu, click to open the drop list, and choose **Install Updates**.” Use the keyboard or the mouse to select the menu option.

The following chart describes the button functions of the **Home** window toolbar including key combinations that can be used to perform the same functions.

Toolbar Button	Function	Key Combination
Open/Create	Opens an existing return or begins a new return.	CTRL+O
Calculate	Opens the **Batch Calculation** window to calculate one or more returns.	CTRL+C
Print	Opens the **Return Selector**, where you may select to print one or more returns.	CTRL+P
View	Opens the **Return Selector**, where you can view one or more returns.	CTRL+V
CSM	Opens the Client Status Manager. For details on the CSM, see “Client Status Manager” on page 224.	CTRL+L
Scheduler	Opens the Drake Scheduler. For details, see “Scheduling Appointments” on page 204.	N/A
Drake Documents	Opens Drake Documents For details, see “Drake Documents” on page 252.	N/A
GruntWorx	Opens GruntWorx. For details, see “Gruntworx” on page 259.	N/A
Research	Opens the Drake Custom Web Tax Search window, where you can search the Internet for answers to tax questions. For details, see “Tax Research” on page 237.	N/A
Support	Allows you to access the Drake Software Knowledge Base, Drake Software Program Help, Drake Software Support Website, Drake Software Video Tutorials, and Drake Software Chat Support	N/A
Exit	Closes the software.	Esc

Program Setup

The Drake Tax **Setup** menu allows you to customize the software to your office requirements. Many of these settings can be carried forward each year, saving you time and effort. (See "Bringing Settings Forward from the Prior Year" on page 44 for more information.)

NOTE Initially log in as "Admin" to enter setup information. The administrator can access all tools, functions, and setup routines in Drake Tax, including firm, preparer, and security setup, network setup, the **Administrative Options** tab of **Setup > Options**, and tracking information on the **ADMN** screen in data entry.

Setup Assistant

NOTE *Demo installation* — If you are running a demo installation of Drake, the demo version of the **Drake 2017- Setup Assistant** automatically opens the first time you log into Drake. Enter the setup information provided when you registered for a Drake account. This is all the setup required for running the demo version of Drake. See "Logging in" on page 15 for details.

The following section describes the Setup Assistant for the standard (licensed) version of Drake Tax.

The Setup Assistant is opened automatically the first time you log in to Drake (Figure 1).

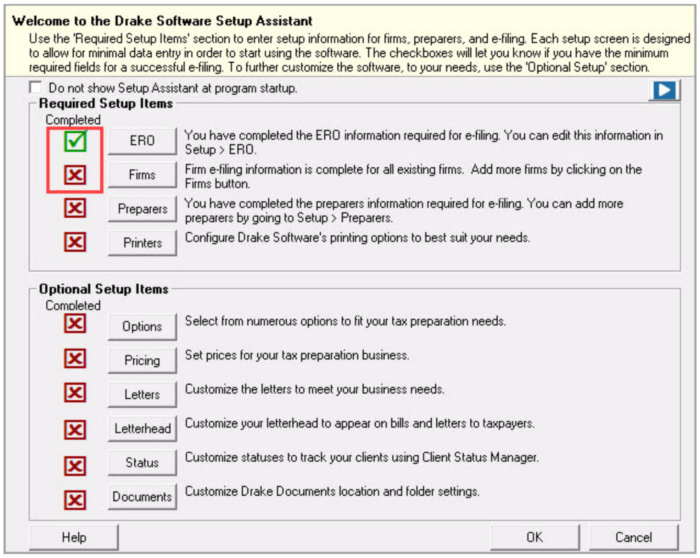
Designed to guide you through the software setup screens, the Setup Assistant appears each time the program is opened until all required setup items are completed. The required settings must be completed before preparing and e-filing tax returns.

A green check mark indicates that a setup item is complete. A red "X" or a question mark indicates an incomplete setup item.

It is not necessary that these screens be completed through the Setup Assistant. To exit the assistant at any time, click **Exit**. Return to the assistant later by going to the **Help** menu and selecting **Setup Assistant**, or access each setup screen individually from the **Setup** menu.

You are not required to use the Setup Assistant. To stop it from opening at program startup, select **Do not show Setup Assistant at program startup**. Go to **Help > Setup Assistant** to return to the Setup Assistant at any time.

Figure 1: **Setup Assistant** (Standard Installation)



When all required settings are completed and labeled with a green check mark, you are prompted to continue displaying the assistant at startup or to no longer show the assistant. This message also appears when the **Do not show Setup Assistant at program startup** box is cleared.

To exit the **Setup Assistant**, click **Exit** or **OK**

Required Program Settings

These settings must be completed before beginning tax preparation and e-filing:

- **ERO** — An Electronic Return Originator (ERO must complete the ERO and Account Information Setup in order to e-file returns, download software updates, and access the online e-file database.
- **Firm** — Set up and edit the firm information that appears on tax forms. Complete bank information if offering bank products.
- **Preparers** — Enter each preparer's general information, designate a login name and set security options for any preparer, data entry personnel, or anyone who needs access to Drake Tax.
- **Printers** — Establish the printers to be used with Drake Tax. Also used to establish sets and advanced printing options not related to a specific printer.

PRINTER SETUP

Your windows default printer is designated as the Drake Tax default printer when Drake Tax is installed.

To edit printer settings:

1. From the menu bar of the **Home** window, go to **Setup > Printing > Printer Setup**.
2. Enter setup changes as needed. Details on each tab are provided in the following table.
3. Click **Save** (If making changes to printer settings on the **F8** tab, click **Update**, then **Save**.)

FIRM SETUP

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

To add a firm in Firm Setup:

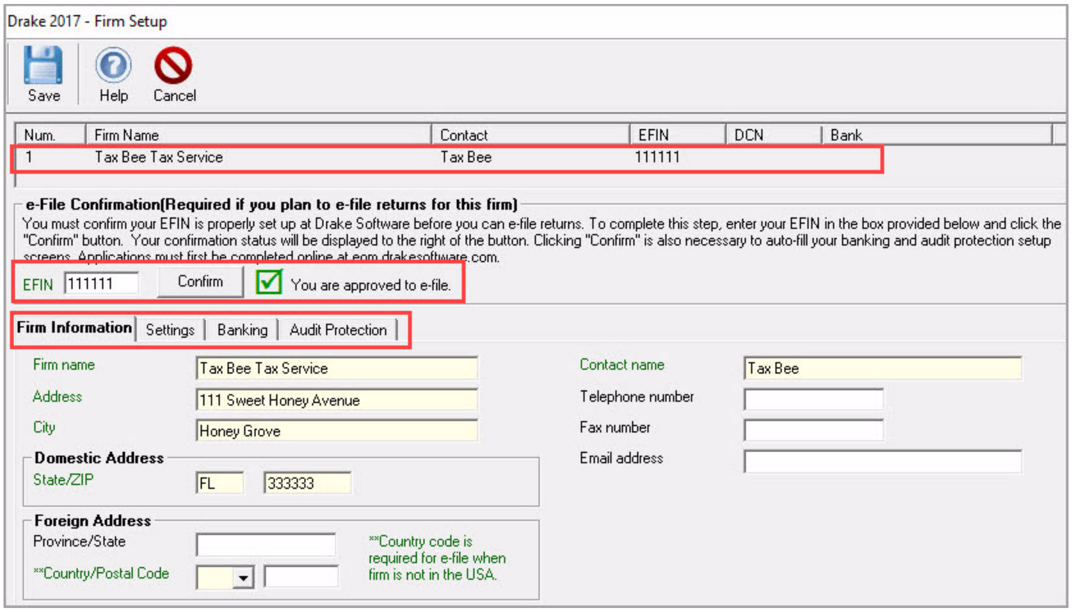
1. From the menu bar of the Drake Tax **Home** window, go to **Setup** > **Firms**.
2. Click **Add** (this will activate the bottom half of the Firm Setup window).
3. In the **Firm Information** section, complete all required information fields, which are indicated by red text. The red text turns green when all required information is entered and saved.
4. Confirm your EFIN is properly set up at Drake Software by entering your EFIN above the **Firm Information** section and click **Confirm**. A green checkmark will indicate that you have been approved to e-file.

The following tabs in the **Firm Setup** window are used for additional firm entries:

- **Settings -** Employer Identification Number (EIN), any state ID numbers, optional DNC and invoice numbers, and state and local sales tax rates.
- **Banking -** If you have completed an online Drake Software bank application, your banking information is imported directly from your bank application when you click to **Confirm** your EFIN in the **Firm Setup** window. (To offer bank products through Drake Tax, you must first submit a bank application, get accepted, then import the bank information to Drake Tax. Bank applications must be submitted annually. For more information about bank products, visit *Support.DrakeSoftware.com* > **Partner Programs > Bank Partners**.
- **Audit Protection -** If you enrolled in Audit Protection, your Protection Plus information is imported when you click to **Confirm** your EFIN in the **Firm Setup** window. For additional details about Protection Plus Audit Protection, visit *Support.DrakeSoftware.com* > **Partner Programs > Audit Assistance**.

Click **Save** to save the firm information and then click **Exit** to leave Firm Setup.

Figure 2: **Firm Setup** Window



When a firm is created, it is assigned a number. In Figure 2, Tax Bee Tax Service is assigned the number 1, since it is the first firm added to Firm Setup. This number is used to identify which firm is associated with each tax return. The firm number can be changed on data entry screen **1** inside a return.

ERO Setup

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

To set up your firm as an ERO in Drake:

1. From the **Home** window menu bar, go to **Setup > ERO & Account Information** to open the **ERO & Account Information** dialog box (Figure 6).
2. Complete the **General Information** section. Fields required for e-filing are labeled with red text. The red text turns green when the required information is entered and saved.
3. Your 16-character serial number should already be displayed.

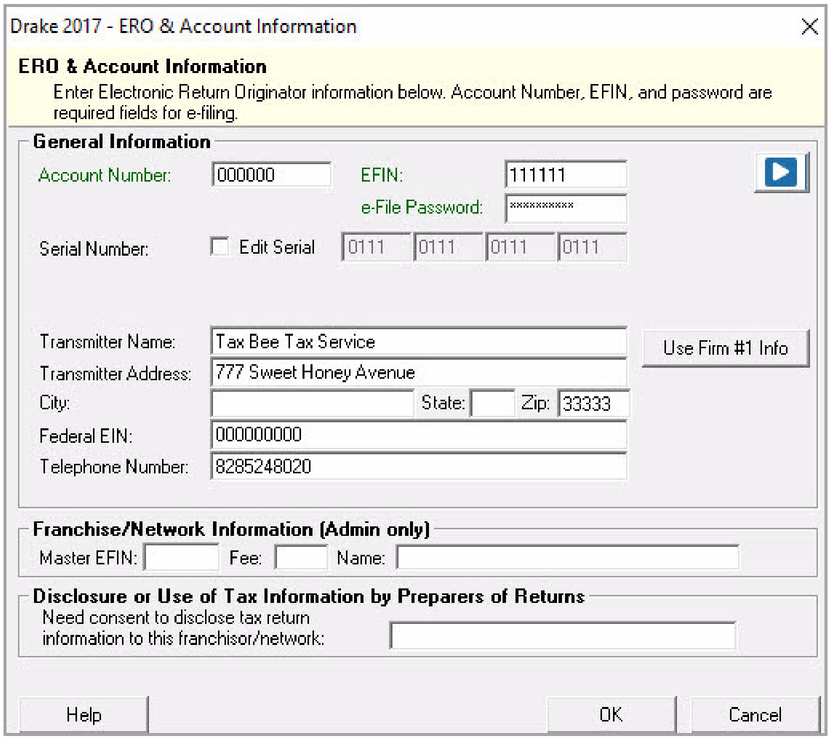
NOTES

- Your account number, EFIN and password are included in the email confirmation you received after registering for a Demo.
- A temporary EFIN assigned by *Drake* allows you to test e-filing and gives you access to *Drake* Internet tools. Preparers who are new to e-filing and wish to transmit live returns must apply with the IRS for an EFIN.
- Click **Use Firm #1 Info** to fill the transmitter name and address information with the info entered for Firm 1 in **Firm Setup.**

4. If your firm is a franchise or network, complete the **Franchise/Network Information** fields; otherwise leave this section blank.

5. If applicable, in the **Disclosure or Use of Tax Information** field enter the name of the franchise or network to which tax information must be disclosed in order to apply for bank products. (The field facilitates compliance with IRS Regulation 7216.)
6. Click **OK** to save changes. Click **Cancel** to exit without saving changes.

Figure 3: **ERO & Account Information** Window



Preparer Setup

Complete **Preparer Setup** and designate security settings for each preparer in your firm. Enter preparer information into the program and the preparer is assigned a preparer number. The preparer number is used to display unique preparer information on letters, returns, and reports It is not necessary to edit the Admin information. Log in as Admin when accessing program setup features. Set up a preparer for use when preparing returns. Set up data entry operators in **Preparer Setup**. Preparer numbers entered on returns are used primarily for tracking purposes.

To enter a new preparer in the software, complete the following steps:

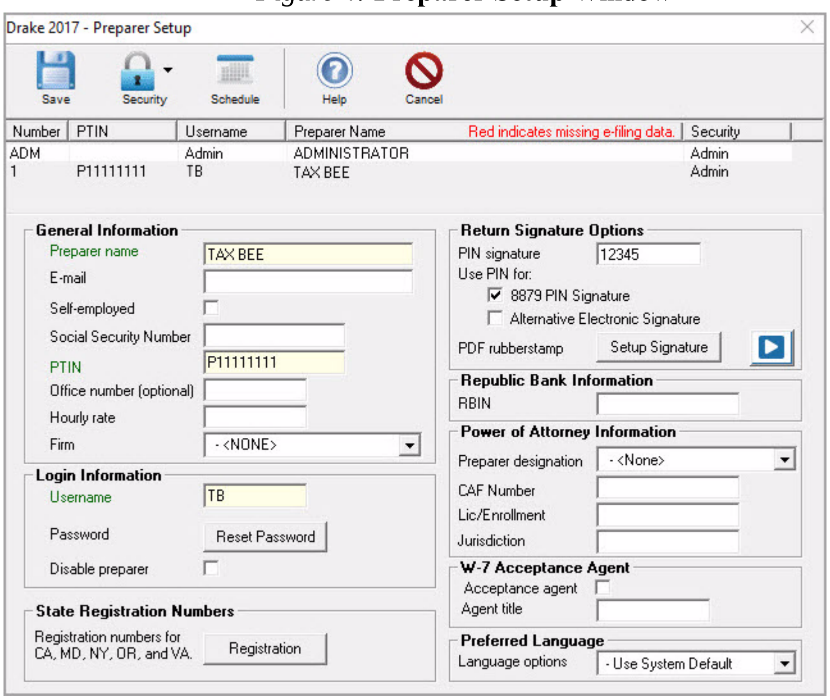
1. From the **Home** window menu bar, go to **Setup** > **Preparers.**
2. From the toolbar at the top of the **Preparer Setup** window, click **Add** to add a new preparer.
3. Enter a username in the Login Information section.
4. Fields required for e-filing are labeled with red text. The red text turns green when the required information is entered and saved.

5. If you are setting up a new preparer, click the **Reset Password** button. When the preparer logs in for the first time, he or she will see the **Password Setup** and **Security Question** windows before being allowed access to Drake Tax.
6. Mark the Disable preparer box (optional) to lock the preparer out of the program. Return to the Preparer Setup and clear the box to allow access (Figure 4).

NOTE A Preparer Tax Identification Number (PTIN) is required by the IRS for tax preparers. For information regarding PTIN requirements, visit *www.irs.gov*.

7. To complete the **Return Signature Options** section, see “Return Signature Options” below.
8. To set security options, click the **Security** button at the top of the window. See “Preparer Security Settings” below.
9. Click **Save** to save changes. Notice that the preparer is now saved with a preparer number.

Figure 4: **Preparer Setup** Window



Return Signature Options

Designate a PIN signature for signing returns electronically to produce the 8879 IRS e-File Signature Authorization.

1. Enter a PIN in the **PIN signature** field. (Choose any five-digit number).
2. Select **Use PIN for: 8879 PIN Signature**

3. **Select Use PIN for: Alternative Electronic Signature** to have the program automatically fill fields requiring electronic signature with the preparer's name. (Do *not* select this option if you are planning to use the **PDF rubberstamp** feature of the e-Signature tool.)
4. **For information on the PDF rubberstamp feature, click the "play" button next to the Setup Signature button and watch a short video tutorial.**

NOTE For details on electronically signing returns, see "Signing the Return Electronically" on page 130.

Preparer Security Settings

Preparer security defines what functions the preparer can access in the program. These settings must be established before the preparer can begin working in the software.

In Drake, you can set preparer security on the individual level, or use group security to assign the same security level to many preparers.

Only administrative users can set security rights.

Default Security Options

With a preparer selected and in Edit mode, select one of the following options:

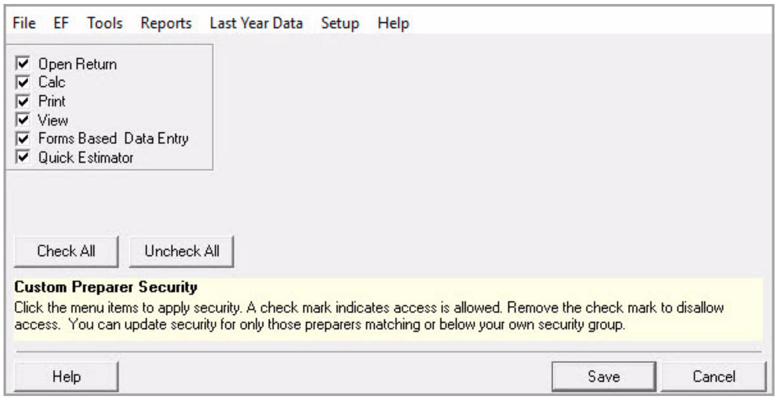
- **Custom Security** — See "Custom Security Setup" below.
- **Set Security to Allow No Options** — The preparer cannot access any items in the program.
- **Set Security to Allow All Options** — The preparer can access all areas of the program.
- **Set Security Equal to Existing Preparer** — Select this option and choose an existing preparer from the list. This sets the current preparer's security rights to match the existing preparer.
- **Add Preparer to Security Group** — See "Group Security" below.
- **Front Office (Scheduling Only)** — Select this option to allow a receptionist to set up views and manage appointments in the Scheduler. For more information, see "Scheduling Appointments" on page 209.
- **Administrator (Full ADMIN Rights)** — The preparer has full administrative rights similar to logging in as "Admin."

Custom Security Setup

Determine which areas of the program a preparer can access.

1. In **Preparer Setup**, double-click a preparer's name or click once then click the **Edit Preparer** button to open the preparer's information in Edit mode. Click the **Security** button at the top of the window and select **Custom Security**. The **Preparer Security Setup** dialog box is opened (Figure 5).
2. Click an item on the menu bar to display a drop list. Click to select menu items for accessibility or clear the check marks to deny access. Boxes with check marks indicate access is permitted. Go through all seven menus.
3. Click **Save**. When prompted, click **OK**.
4. Click **Save** to save the preparer settings. Click **Exit**.

Figure 5: **Custom Security Setup** Window



Group Security

Group security allows you to assign a preparer to a group and to set security on the group level. Assign preparers to predefined groups, or create new groups.

Three security groups are available by default:
- **Admin** — Users with administrative rights; group cannot be deleted
- **Front Office** — Front Office rights (Scheduler access only)
- **Full** — Users with full access to everything except special Admin features

To access group security, go to **Setup > Preparers.** Click **Group Security** to open the **Group Security** dialog box.

NOTE Preparers must have security set up to avoid having all functions of the program disabled when the preparer logs in. A warning message is displayed when you try to save a preparer without assigning security rights.

Preparer Schedule

Preparer schedules can be created in Preparer Setup and using the Drake Scheduler (See "Establishing Preparer Schedules" on page 207). To create a preparer's daily schedule in **Preparer Setup** follow these steps:

1. From **Setup > Preparers**, select a preparer and click **Edit Preparer**.
2. Click **Schedule**.
3. Select day and "in" and "out" times.
4. Click **Apply**, and then click **Save** to save the schedule.

Optional Program Setup

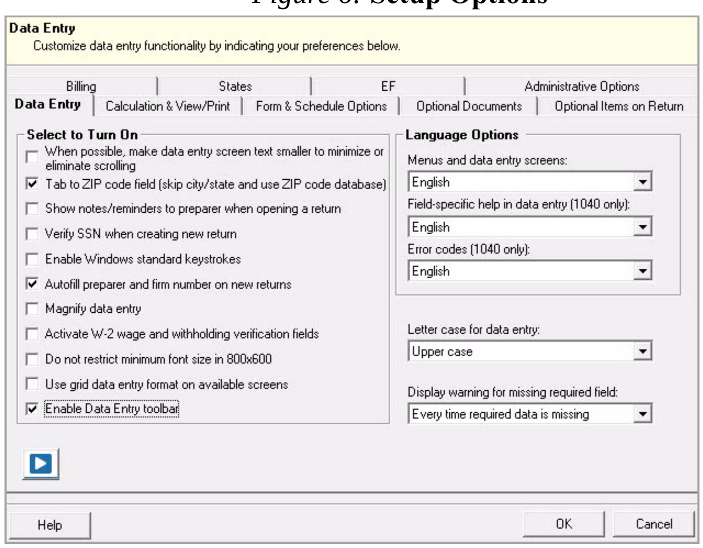
The following settings are not required but Drake recommends reviewing and utilizing each option so you may get the most out of your software. Most optional settings can be carried forward from year to year. From the **Home** window menu bar, select **Last Year Data > Update Settings 2017 to 2017**. See "Bringing Settings Forward from the Prior Year" on page 44.

Setup Options

Setup Options enable you to customize the software to suit your office needs (Figure 6). The default preferences are those that are preferred in most offices. To change or view the defaults, follow these steps:

1. From the menu bar, go to **Setup > Options** to click the tabs for various option windows.
2. After selecting the desired options, click **OK** to save.

Figure 6: **Setup Options**



The following options are available in **Setup > Options**:

Setup Options, Data Entry	
Option	**Description**
Size text on data entry screens	Automatically size the text on screens to minimize or eliminate scrolling
Disable sizing of data entry screens	Keep preparer from resizing screens. Effective usually for monitor resolution set to 800 x 600 or smaller.
Tab to ZIP code field (skip city/state and use ZIP code database)	Press the TAB key after entering a street address to bypass the **City** and **State** fields and go directly to the **ZIP** field. **City, State, County, and Resident state fields** are automatically filled based on the ZIP code entered.
Show notes/reminders to preparer when opening a return	Show all notes and reminders from the **NOTE** and **PAD** screens every time you open a client file that contains notes or reminders.
Verify SSN when creating new return	Require double entry of SSN or EIN, helping eliminate erroneous entries.
Enable Windows standard keystrokes	CTRL+X = cut; CTRL+C = copy; CTRL+V = paste; SHIFT+CTRL+X = autofill amended screen; SHIFT+CTRL+C = calculate return; SHIFT+CTRL+V = view return
Autofill preparer and firm number on new returns	Automatically enter the firm number and preparer number where required on data entry screens.
Magnify data entry	Enlarge the active field for easier reading.
Activate W-2 wage and withholding verification fields	To ensure accuracy of data entry, you can require that wage and withholding amounts be entered twice on the **W2** screen.
Do not restrict minimum font size in 800X600	This is a sizing option for computers using an 800x600 resolution. If this option is selected, the program will not attempt a font substitution to retain readability. Text on screens will shrink to fit as needed.
Use grid data entry format on available screens	Type information into a spreadsheet environment, which can result in faster data entry. This feature is available for the **Dependents**, **INT**, **DIV**, **8949**, **D**, and **4562** screens.
Enable Data Entry toolbar	Mark the checkbox to activate the data entry screen toolbar, clear the checkbox to disable the data entry screen toolbar.
Language Options (1040 package only)	Choose between English and Spanish for menus, data entry screens, field help text, and error codes (EF messages).
Letter case for data entry	Choose between all uppercase letters and mixed case.
Display warning for missing required field.	Choose to receive a warning whenever a required field is empty, once per data entry session, or not at all.

Setup Options, Calculation & View/Print	
Option	**Description**
Autocalculate tax return when exiting data entry	Returns are automatically calculated every time you exit the return.
Display client fee on Calculation screen	Allows the fees charged for return preparation to appear on the **Calculation Results** screen.
Print only one overflow statement per page	Each overflow statement is printed on a separate piece of paper.

Setup Options, Calculation & View/Print	
Option	**Description**
Go directly to form when accessing View or data entry mode	Go from a data entry screen to the corresponding form in View mode when you go to View mode. When the **Data Entry** button is clicked in View mode, the program returns to the data entry screen.
Audible notification of calculation error messages	When calculating a return, the program produces a “beep” to indicate an EF Message.
Mask SSN, EFIN, PTIN on Client and Preparer Sets	Masks taxpayer’s, preparer’s, and ERO’s identification number on printed sets.
Layout for depreciation schedule	Select **Portrait** to produce the depreciation schedule vertically using 8.5 x 11 paper; select **Landscape** to produce it horizontally.
Pause option for calculation	Choose the circumstances under which the **Calculation Results** window appears, allowing a review of calculation results before proceeding to View mode.
Number of days to store print files	Select to store print files from 1 to 9 days, or to have them removed once the return is selected for e-filing. If a return is needed after the print file is removed, recalculate the return to re-create the print file.
Print sort options for Interest/Dividends	Choose how items entered on the **INT** and **DIV** screens are sorted when printed on Schedule B: alphabetically, numerically, or not at all.

Setup Options, Form & Schedule Options	
Option	**Description**
Print Schedule A only when required	Produce Schedule A only when taxpayer qualifies to itemize.
Print Schedule B only when required	Produce Schedule B only when taxpayer has enough interest income to require filing Schedule B.
Print Form 4562 only when required	Produce Form 4562, Depreciation and Amortization, only when the tax return requires it.
Print Form 6251 only when required	Produce Form 6251, Alternative Minimum Tax, only when the tax return requires it.
Next-year depreciation schedule	Produce a depreciation schedule for next year in addition to the one for this year.
W-2/1099 forms	Produce and display in View mode all W-2 and 1099-R forms with the return.
Print two W-2/1099-Rs per page	If return has more than one W-2 or 1099-R Form, print two per page.
Carryover worksheet	Produce any carryover worksheets associated with the return.
Print Page 2 of Schedule K-1 ...	Produce page 2 of Schedule K-1 for Forms 1120S, 1065, and 1041.
Print ES vouchers only when indicated	Print ES vouchers only when screen ES exists.
Always show reason for no EIC	Generate Return Note explaining reason taxpayer not getting EIC
Print shareholder’s/partner’s adjusted basis worksheet	Make this selection to automatically print a partner’s or shareholder’s adjusted basis worksheet
1040A/EZ suppress	Automatically suppress Form 1040A or 1040EZ

Setup Options, Form & Schedule Options	
Option	**Description**
Suppress EZ forms and schedules	Choose to automatically suppress Schedule C-EZ, Form 2106-EZ, or Form 2555-EZ
Form 8879 bank account options.	Select option for printing bank account information on Form 8879.
Select to Turn On ___ list if greater than...	Produce lists of these items (W-2, W-2G, 1099-M, 1099-R, federal withholding summaries, dividends, interest, K-1) when the selected number in the drop list is exceeded.

NOTE Many of the **Form & Schedule Options** settings can be adjusted on a per-return basis from the **Print** screen in data entry. (Type `PRNT` in the selector field and press ENTER.) These are called "on-the-fly" adjustments. They affect *only* the open return and do not change the "global" settings in **Setup > Options**, which affect *all* returns.

Setup Options, Optional Documents	
Option	**Description**
Folder coversheet	Generate a folder cover sheet on which is printed the taxpayers' names and the name, address, and phone number of the preparer's firm.
Prior years comparison form	Produce a comparison sheet containing data from the current-year and prior-year returns.
Return summary	Produce a return summary with every return prepared.
Bill summary	Produce a summary of the taxpayer's bill with each return.
Federal filing instructions	Display detailed federal filing information, including the date to file, form to be filed, address to file, and payment amount. The instructions are listed as FILEINST.PG in View mode. Printed by default. Clear the checkbox to disable, or use the **PRNT** screen to activate or disable on a single return.
State filing instructions	Displays detailed state filing information, including the date to file, form to be filed, address to file, and payment amount. The instructions are listed as "STINST.PG" ("ST" refers to the state abbreviation; for example, OHINST.PG for Ohio instructions). Printed by default. Clear the checkbox to disable, or use the **PRNT** screen to activate or disable on a single return.
Labels	Print a sheet of "mail to" addresses on Avery 5160 labels.
Envelope Sheet (address drop lists)	Choose the size of the envelope on which to print the addresses of the taxpayer, the IRS Service Center, the state tax department, the city tax office, and for Forms K-1.
Estimated payment coversheet	Print coversheet with the address for estimated payments to Nelco ENV500 envelope dimensions for 1040 and 1041 returns with quarterly taxes.
NELCO hyperlink	Click this link to go to the Nelco website to order such Drake-compatible products as envelopes, IRS forms, and checks.
Letter Options (all packages)	Select the results letter templates to be used for each package.
Include privacy letter with returns	Select this option to print the privacy disclosure letter with every return.

Setup Options, Optional Documents	
Option	**Description**
Include engagement letter with returns	Select this option to generate engagement letters for all packages when the return is calculated. At the end of the letter template are spaces for client and preparer signatures. Engagement letters can also be produced prior to completion of the return using **Tools > Letters > Letters**.
Include customized supplemental letter with returns	Print a customized letter that can be used for various purposes.
Include K-1 letter with returns	Print the cover letter for individual K-1s (1065, 1120S, and 1041 packages).
Referral Coupons (3 per sheet)	Enter the number of sheets per return or the coupon amount.

Setup Options, Optional Items on Return	
Option	**Description**
Date on return	The default is the current date. To change this date, enter the required date on the **PRNT** screen. If desired, select to print dates for taxpayer and spouse signatures (excluding 1040).
Print dates for taxpayer and spouse signatures (excludes 1040)	Select this option to print the signature dates for taxpayer and spouse signatures on the return (excluding 1040).
Taxpayer phone number	Select this option to print the taxpayer's phone number entered on screen **1**.
Third party designee	Select the preparer number of the preparer designated as the third-party designee to be printed on the main form of the return.
Interest and Penalty Calculation	Calculate penalties and interest on returns filed after the due date based on interest rates entered.

Setup Options, Billing	
Option	**Description**
Select billing format:	
	Comprehensive Bill: Generates an itemized client's bill. (All packages)
	Summary Bill: Generates a summarized client's bill. (All packages)
	Classic Bill: Uses the same format and features as prior years of Drake Software. Use Classic Bill to continue billing the same as in prior years.
Options for all billing formats:	
– Show preparer fees withheld from bank product	Print the preparer fees withheld from the bank product amount on the bill.
– Sales tax rate	Enter the sales tax rate to add to each bill as a decimal or a whole number. The number must be greater than 1. For example, 4.5 would represent a sales tax rate of 4.5%.

Setup Options, Billing	
Option	**Description**
– Billing statement format	Select from among seven formatting options, including: - Bill by time (preparing bill based on time spent preparing return multiplied by preparer's hourly rate as defined in **Setup > Preparers**) - Bill by form (preparing bill based on forms necessary to complete return by price entered in **Setup > Pricing**); program prepares a bill summary along with the option selected here unless the **Bill Summary** option is cleared at **Setup > Options**, **Optional Documents** tab.
– Header on bill	Select among options for the header to be printed on the bill.
Options for *only* the Classic Bill:	
– Print taxpayer’s phone number on the bill	Print the taxpayer’s phone number (entered on screen **1**) on the bill.
– Print taxpayer’s email address on the bill	Print the taxpayer’s email address (entered on screen **1**) on the bill.
Custom Paragraph Options	
– Options	Choose to have a custom paragraph printed at the top or bottom of the bill.
– Paragraph Content	Write the custom paragraph you want added to the bill in the supplied text box.

Setup Options, States	
Option	**Description**
There are specific options available for some states. Select the state from the drop list and select the options desired. Set up options for each state separately.	

Setup Options, EF	
Option	**Description**
Auto-generate taxpayers PIN (1040 Only)	Have the software assign a randomly generated PIN (1040 only).
Require ‘Ready for EF’ indicator on EF screen	Require that the **Ready for EF** indicator on the **EF** screen be selected before a return can be selected for e-filing.
Lock client data file after EF acceptance	Lock the client's data file once it has been e-filed. Opening a locked file requires you to acknowledge a warning screen before you can edit the return. You can also access a locked file at **Tools > File Maintenance > Unlock Client Files**.
Print 9325 when eligible for EF	Print Form 9325, Acknowledgment and General Information for Taxpayers Who File Returns Electronically, for every eligible return.
Suppress federal EF	Prevent e-filing of all federal returns.
Print EF status page	Generate the **EF Status** page for any return that is eligible for e-file.
Alert preparer when bank product is not included	Alert the preparer via an EF message that a return does not include a bank product.
Activate imperfect return election in data entry	Activate **Imperfect Return Election** checkbox on **EF** screen in data entry.

Setup Options, EF	
Option	**Description**
Allow selection for EF from the 'Calculations Results' screen	Allow preparer to send the currently active return directly from the **Calculations Results** window to the e-filing queue. (The return is then transmitted automatically the next time you e-file returns.)
Enable prompting before automatic transmission of 'Check Print Records'	Allow program to notify you before it transmits the Check Print Records.
Email 9325 Notice to Taxpayer (automatic from Drake Processing Center)	Form 9325, Acknowledgment and General Information for Taxpayers Who File Returns Electronically, is automatically sent to taxpayer by email when return is accepted. (Email address must be present on screen **1**.) Override this section on the **EF** screen.
Require E-Signatures on all electronically signable forms (1040 Only)	Require all preparers to take advantage of Drake's e-Signature capabilities. Override this selection on the **EF** screen.
Disallow EF selection if DoubleCheck Review flag exists	Require all DoubleCheck flags in view mode be removed before return is EF-eligible.
Default ERO	Choose a preparer number, **Paid Preparer**, or **None** to indicate the ERO name that should appear on return documents. This choice can be overridden on screen 1 and the PREP screen in data entry.
Combine EF steps (Select, Transmit, Post Acks)	Combine all e-filing steps. From **EF > Transmit/Receive**, click **Send/Receive** to transmit selected returns, pick up any new acknowledgments, and process the acknowledgments in one step.
Transmit return data to Drake for multi-office web reports	Send Client Status Manager (CSM) data automatically to the Multi-Office Manager (MOM) during the EF process.
State EF	Suppress e-filing of all state returns, or select states to suppress while other state returns remain eligible.
EF Selection Report Options	Customize EF selection reports by specifying which columns (such as SSN/EIN, client name, refund/balance due, etc.) should be included in the EF selection report.

NOTE

Many of the **EF** settings can be adjusted for a single return from the **EF** screen in data entry. These "on-the-fly" changes do not affect the "global" (all return) settings in **Setup > Options**. To access the **Administrative Options** tab, a user must have administrative rights. For more information, see "Preparer Security Settings" on page 29.

Setup > Options, Administrative Options	
Option	**Description**
Use customized data entry selection menu	Select the checkbox, click the top **Customize** box, and then select the package to customize. Click **Load Menu**. When the **Data Entry Menu** is opened, clear the check mark from items to disable them. Click **Save**. The selected (unchecked) items will not be visible or accessible to any user other than those with administrative rights.
Customize user-defined data entry fields	Create option lists for the **Miscellaneous Codes** fields on screen **1** and the **Adjustments** and **Payments** fields on the **BILL** screen.
Use customized flagged fields on all Returns	Select this box, click **Flag**, and select a package. When the **Data Entry Menu** is opened, click the desired screen and click each field to flag. Click a field a second time to clear it. Press Esc to save your changes. **Note**: This option is available for federal packages only.
Lock fields	Select **Use customized flagged fields on all returns**, click **Flag**, and select a package type. When the **Data Entry Menu** is opened, click the desired screen, right-click a field, and select **Lock Field**. No one without Administrator access can enter data in a locked field. Click the field or right-click and select **Unlock Field** to remove the lock. Press Esc to save your changes. **Note**: This option is available for federal packages only.
Apply current-year Admin flag settings when updating from prior year	Flags set globally in 2016 are set globally in 2017 after updating data from **Last Year Data > Clients 2016 to 2017**.
Print all due diligence assistance documents	Print due diligence documents generated from the **DD1 and DD2 screens. (To generate these documents on a per-return basis, go to PRNT screen and select Print DDASSIST.)**
Require due diligence assistance screens to be completed	Require that applicable fields on the **DD1 and DD2** screens be completed before the return can be e-filed.
Enable logged in preparer's Personal Client Manager	Display the Personal Client Manager on the Drake **Home** window for the logged-in preparer (checkbox is selected by default).
Display program update availability to:	Select which preparer groups can view update availability. Selections are **Administrators** (users with administrative rights) and **All w/Update Rights**.
Bank Products - State laws regarding fees: Charge ALL taxpayers the same fees.	Select this box to charge all clients the same supplementary fees (software, franchise/network, and additional fees), regardless of whether a bank product is included. For more information, click the **Program Help** link.
Drake PDF Printer Password Options	Choose to automatically password-protect any generated PDF documents. Passwords can be assigned to PDF documents that are sent through Drake email. The default password format is the first four characters of the client's name plus the last five digits of the client's ID. The **Default password** drop list includes other format options. These settings can be overridden during printing from the **Print Selection** dialog box.
Return Status Notification Programs	Use this option to receive return status notifications through RefundPoint or ABCvoice. Select to generate 7216 consent forms for the customer to sign. Select to require contact information (phone number and/or email address) on screen **1**, or on the **ABCV** screen (for ABCvoice), or on the **CALL** screen (for RefundPoint).

Pay Per Return

The Pay Per Return (PPR) package is available for offices preparing a small number of returns in a tax year. Pay Per Return setup is necessary only for those who have a PPR version of the program installed. Activate returns and purchase additional returns from **Setup > Pay Per Return**. (Restrictions apply.)

Data Locations

Use **Data Locations** to configure where the program finds and stores client data and other files. If you are installing Drake on a network, you must complete **Setup > Data Locations**. See *2017 Drake Tax User's Manual Chapter 2* for specific network installation instructions.

Pricing

The **Pricing Setup** information is used to calculate and generate a client bill during calculation. Prices can be defined for each form and for each item on some forms. Set minimum and maximum charges for a completed return.

To access **Pricing Setup**, go to **Setup > Pricing**.

NOTE You can override **Pricing Setup** during data entry, either by entering an amount in the **Fee Override** field on screen **1** or by adjusting fee amounts on the **BILL** screen. Bank product costs are established in **Setup > Firms**.

Pricing on the Fly

To edit or add pricing amounts without entering **Pricing Setup**, edit "on the fly" (within a return). From View mode, right-click a form in the tree view directory and select **Setup > Form Properties** to set pricing. Pricing changes made on the fly change the pricing file "globally" (for all returns).

Macros

Macros are a series of commands and functions that allow a combination of keys to accomplish tasks. Also called key combinations, some macros are already available in the program; for example, CTRL+V opens View mode.

You can create new macros to make the process of repetitive data entry quicker and easier. For example, if many of your local clients use Small Town Bank, you can arrange for the program to enter "Small Town Bank" every time you press a particular key combination.

To create or edit macros, go to the **Home** window and select **Setup > Macros**. To access a list of macros in data entry right-click and select from the menu or press CTRL+SHIFT+M.

Letters

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

There are also engagement letters, extension letters, letters with amended returns, payment reminders, appointment reminders, preseason and postseason letters, and cover letters.

The following letter templates are available:

Letter Template	Description
Comprehensive	Provides return results for the filed returns—federal, state, and city; gives info on federal, state, and city taxes (plus state and city "Other" taxes), bank products, refunds, payment methods, estimates, due dates, mailing instructions, etc., as applicable.
Custom Results (template)	Contains the same keywords and paragraph tags as the Comprehensive results letter but no pre-written letter is provided.
Summary (default letter)	Provides a summary of all pertinent return results: taxpayer information, return type, balance or refund due, payment or refund method, taxing authority mailing addresses or e-file information, estimates (if needed). This letter is shipped as the default letter. Go to **Setup > Options > Optional Documents** to change the default letter in the **Letter and Bill Option** drop list
Federal Results Only	Contains the same keywords and paragraph tags as the Comprehensive results letter for federal returns (no state or city returns).
Federal, States Only	Contains the same keywords and paragraph tags as the Comprehensive results letter for federal and state returns (no state "Other" taxes or city returns).
Federal, States Cities Only	Contains the same keywords and paragraph tags as the Comprehensive results letter for federal, state, and city returns, including info on federal, state, and city taxes (but no state and city "Other" taxes)
Custom Results	Contains the same keywords and paragraph tags as the Comprehensive results letter but no pre-written letter is provided.
Extension Letter	Explains that an application for extension has been filed.
Amended Letter	Similar to the results letter, but for an amended return.
Estimate Payment Reminder*	Provides details for making a 2017 estimate payment; individual (1040) package only.
Scheduled Appointment Reminder*	Informs prior-year clients of this year's appointment date and gives instructions for preparing for the appointment; individual (1040) package only.
Referral Coupon	Offers client a discount for referring another client; individual (1040) package only.
Preseason Letter*	Reminder to 2016 clients that tax season is coming up; all applicable packages.
Postseason Letter*	Letter thanking 2017 clients for their business; available for all applicable packages.
Customized Supplemental Letter	Fully customizable template that can be used to create a customer survey, package or product offering sheet, generic letter, client coupon, etc. (All packages)
Engagement Letter*	Standard engagement letter for tax services. (All packages)

Letter Template	Description
e-File Status Letter*	Provides 2017 clients with an acknowledgment summary of their e-filed returns; available for all applicable packages.
Privacy Policy	Generic privacy policy for clients. (All packages)
Letterhead	Provides customization of letterhead. (All packages)
Footer	Add custom footers to your letters
Bill	Allows customization of clients' bills. (All packages)
K-1 Cover Letter	Cover letter for a shareholder, partner, or fiduciary receiving a Schedule K-1; S corporation, partnership, and fiduciary packages only.
K-1 Amended Letter	Cover letter for a shareholder, partner, or fiduciary receiving a Schedule K-1 that has been amended; S corp, partnership, and fiduciary packages only.
Grantor Trust Statement	Cover letter for grantor trust statement; fiduciary package only.
Results Letter 706-A	Provides return results for the Additional Estate Tax Return. (Estate package)
Engagement Letter 706-A	Engagement letter for the Additional Estate Tax Return services. (Estate package)

Letter templates with an asterisk (*) indicate letters that can be generated individually or in batches separately from the tax return.

A comprehensive result letter is available for each tax package. It contains pertinent return information for most return scenarios. This includes paper-filing and e-filing information, federal, state, and city result information, and special taxes such as school district tax and franchise tax.

All letters (including the bill) can be previewed and modified in the letters program. Many editing and formatting features are available. Change margins, alignment, font and font size. Add your logo, a border, and a customizable letterhead containing your firm's information. Use bold, italics, and underlining. Cut, copy, or paste.

The bill can also be personalized by adding your logo, a border, and a customizable letterhead.

Other features:

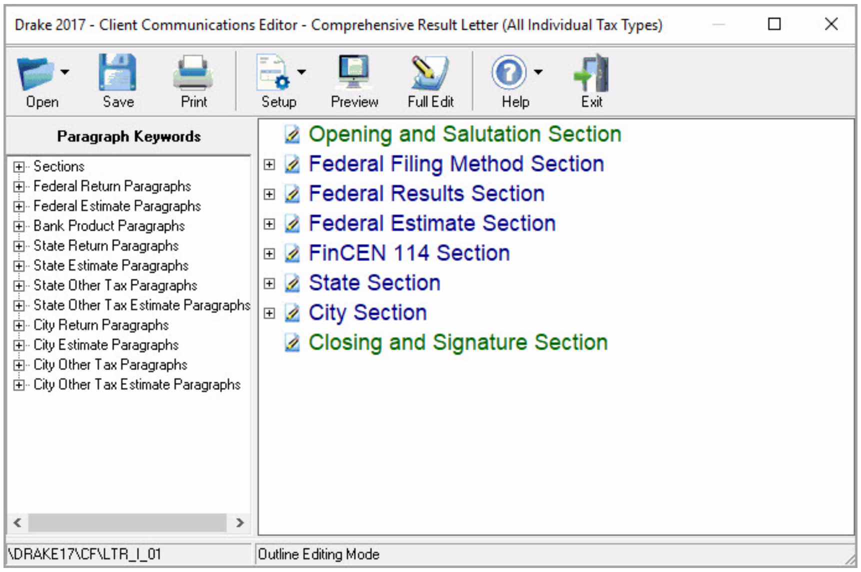
- Choose a default letter to print with each return type (tax package).
- Override the default letter on a per-return basis.
- Add custom paragraphs to result letters on a per-return basis.
- Create your own customized supplemental letter for each tax package.
- Carry letters forward each year.

Editing and Customizing Letters

Letter editing is done through the Client Communications Editor. To open the editor, from the **Home** window of Drake, go to **Setup > Communications Editor** (Figure 7). The editor opens the last selected letter in Outline mode.

To select a different letter, click **Open** on the toolbar, select a tax package, and select a letter.

Figure 7: **Client Communications Editor** Window - **Outline Edit** Mode



Use the editor to:

- Find the areas of the letters you wish to edit
- Change the wording
- Find and insert the proper keywords
- Change font styles and sizes
- Change weight and angle (**bold**, roman, *italics*)
- Change alignment of the headings, the body, or the closing
- Rearrange paragraphs

Because so much of the letters program is automatic, you may never have to edit the letters at all. If you do need to edit one or more letters, see Chapter 2 of the *2017 Drake Tax User's Manual* for detailed instructions.

To set up the letterhead, logo, margins, and border from the **Client Communications Editor**, click the **Setup** button and select **Page Layout** from the drop list. Change the default margins. Select to use the letterhead, logo, and border on your letters and bill. Browse to the location of your bitmap logo or use the default simple graphic. Click **OK** when finished.

NOTE To print batches of letters, mailing labels, envelopes or postcards, go to the **Home** window and select **Tools > Letters**.

Colors

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

Tip

If you used Drake last year, consider customizing colors to make your 2017 program look different from your 2016 program. If you must open the 2016 program during tax season, customized colors will help you avoid entering data into the old program by mistake.

Program Colors

To customize program colors:

1. From the Drake **Home** window, go to **Setup > Colors** to open the **Color Selection** dialog box.
2. Under **Program Colors**, choose one of the following options:
   - **Use Windows System Colors** — Program screens inherit the color scheme used by the operating system.
   - **Use Custom Created Colors —** The **Program text color** and **Program background color** boxes to the right become available. Click a box to view the Windows color palette and choose a color.
3. Click **OK** to save your changes and exit.

Data Entry Colors

To change the color of a specific area in data entry from **Setup > Colors**:

1. Click a color box in the **Data Entry Colors** box to open a Windows color palette.
2. Select a color and click **OK**.
3. Once all color selections are made, click **OK** to save your changes.

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

Drake Documents

Use Drake Documents to store and organize electronic documents such as PDF copies of tax returns, scanned Forms 8879 and 1099-B, and scanned copies of driver's licenses, Social Security cards, and other forms of ID. Think of the Drake Documents' file structure as a virtual filing cabinet where files are saved within folders and folders are stored in drawers of the cabinet.

Go to **Setup > Printing > Drake Documents** to indicate where Drake Tax Software will access Drake Documents, apply a password, and customize the default folder layout. (See "Drake Documents" on page 252.)

Bringing Settings Forward from the Prior Year

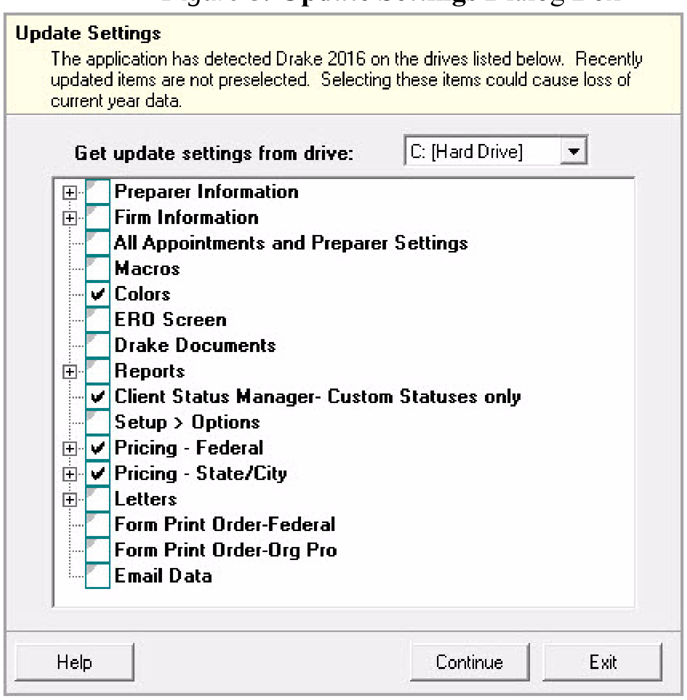
If you used Drake's tax software the prior year, you can apply your firm's prior-year software settings to the current-year program to save preseason preparation time. Once the settings are brought forward for the year, they can be individually adjusted.

WARNING! Bringing settings forward from the prior year for an item that has already been updated in the current-year software can cause a loss of current-year data.

To update settings from the prior year:

1. In Drake Tax 2017, go to **Last Year Data > Update Settings 2016 to 2017**. The **Update Settings** dialog box is displayed (Figure 8).
2. In the **Update Settings** dialog box select the drive where last year's data is stored.
3. Mark each checkbox for the settings category you want to bring forward. (Clicking the plus sign [+] in front of a category expands the sub-items). if you want to select them individually rather than the entire category). Uncheck any items you do not want to bring forward.
4. Click **Continue** and **Confirm** the selections to start the update process.
5. Click **Exit** when the status for each item is displayed as **Completed**.

Figure 8: **Update Settings** Dialog Box



NOTES

- When updating **Pricing** settings, you will be prompted to enter a percentage increase to apply per item, per form, or both, and the option to round to the nearest dollar.
- To update letters, go to the **Home** window of Drake, select **Setup > Communications Editor**, click **Open**, select a letter, and click **Setup > Update Prior-Year Letter**.

Review Questions Part 1

Answer the questions below. See "Answers Part 1" on page 48 for answers and explanations.

1. Which **Setup** menu screen would you use to select the bank for bank products?
   a) **ERO**
   b) **Pricing**
   c) **Firms**
   d) **Preparers**

2. Which **Setup** menu screens must be completed before beginning tax preparation and e-filing?
   a) **Options**
   b) **Data Locations**
   c) **Firms**, **ERO**, and **Preparers**
   d) All **Setup** menu screens

3. You hire your first data entry assistant. This person is responsible only for entering tax return data in the software. You would prefer that this person not do any e-filing. When creating a preparer login for your new hire, which security setting should you use?
   a) **Front Office**
   b) **Custom Security Setup**
   c) **Set Security to Allow All Options**
   d) **Set Security to Allow No Options**

4. You have created a preparer login in **Setup** > **Preparers** for each of your employees. However, when they log in, they do not have access to any of the software's menus. To correct this, you:
   a) Go to **Setup** > **Options** > **Administrative Options** tab and customize the **Data Entry Menu**.
   b) Go to **Setup** > **Preparers** and designate security settings for each preparer.
   c) Suggest that all preparers log in as "ADMIN" to prepare returns.
   d) Suggest that all preparers click **Disable Privacy** on the **Home** window.

5. The following packages can be installed from the Drake Demo CD:
   a) Federal
   b) States
   c) Cities
   d) All of the above

Answers Part 1

1. The correct answer is **c) Firms.** Go to **Setup > Firms**. Select your firm and click **Edit Firm**, select the Banking tab to retrieve your bank information.

   a) is incorrect. **Setup > ERO** is used to enter information about the ERO and to indicate the connection settings used during the e-filing process.

   b) is incorrect. Set pricing for forms and schedules in **Setup > Pricing**. The amounts entered here are used to compile the client bill.

   d) is incorrect. Establish preparer information in **Setup > Preparers**. Custom security and access options are also set here for each preparer.

2. The correct answer is **c) Firms**, **ERO**, and **Preparers**. At least one firm and one preparer must be entered, and the **ERO** screen is required for e-filing or using Drake's Internet tools.

   a) is incorrect. **Options** setup is not required, although we recommend reviewing each option to see which settings best suit your office environment.

   b) is incorrect. **Data Locations** settings are required when running Drake on a network or when custom paths are required.

   d) is incorrect. Not all **Setup Menu** screens are required, but we do recommend reviewing each setup screen before tax season.

3. The correct answer is **b) Custom Security**. Using custom security, determine what areas of the program the preparer can access. Disable the preparer's access to the **EF** menu.

   a) is incorrect. **Front Office** security is designed for office personnel that would need access only to the **Scheduler**. This would not be the setting to choose for a preparer who needs to access data entry.

   c) is incorrect. Choose **Set Security to Allow All Options** when you want an employee to be able to access *all* parts of the program, except for **ADMIN-only** features.

   d) is incorrect. You would not want **Set Security to Allow No Options**. This would lock the new hire out of every menu in the program.

4. The correct answer is **b) Go to Setup > Preparers and designate security settings for each preparer.** All preparers must have security rights defined. You may give them rights individually, or assign them to a security group.

   a) is incorrect. Customizing the **Data Entry Menu** affects access to data entry screens only, and only for preparers who don't have administrative security rights.

   c) is incorrect. The "ADMIN" login is used as the initial software login and to set up the software.

   d) is incorrect. Click **Disable Privacy** to display certain **Home** window features, like the Personal Client Manager and Preparer Notes.

5. The correct statement is **d) All of the above**. All federal, state, and city programs are available on the Drake Demo CD.

Return Preparation

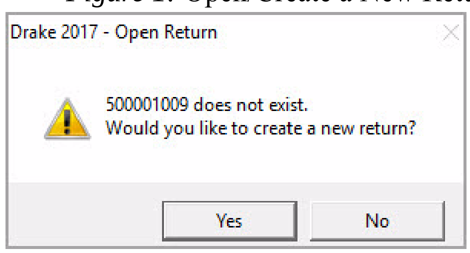
This chapter provides a step-by-step guide to creating and preparing a basic individual (1040) return in Drake Tax while highlighting various return navigation features and tips along the way. While Drake Tax simplifies the tax preparation process as much as possible, it is important that preparers understand the fundamental guidelines and requirements of the U.S. Treasury Department's Circular 230: Regulations Governing Practice before the Internal Revenue Service. More information about these guidelines can be found on the IRS website at https://www.irs.gov/tax-professionals.

CREATING AND OPENING A RETURN

When you enter an ID number (SSN or EIN), Drake Tax searches both current- and prior-year files. If it finds a client record in the prior-year files only, you are given the opportunity to update the record from the previous year into this year's program or create a new record. To create a return in Drake Tax:

1. From the **Home** window, click **Open/Create**.
2. In the **Open/Create a New Return** box, enter the client's ID number and click **OK**.

Figure 1: Open/Create a New Return



3. Click **Yes** when asked if you want to create a new return (Figure 1).
4. In the **New Return** dialog box, select the return type.
5. Enter the client's name.
6. Click **OK**. Data entry screen **1** for the new return is displayed.

OPENING AN EXISTING RETURN

In the **Open/Create a New Return** dialog box, use one of the following methods to open an existing return:

- Enter the client's SSN or EIN in the text box with no dashes, spaces, or other characters (numbers only). Click **OK** or press ENTER to open the return.
- Enter the taxpayer's last name or the business name in the text box. Click **OK** or press ENTER to open the return. The closest match will be selected automatically in the displayed list of returns. Select a different return, if necessary. Click **OK** or press ENTER to open it.
- Use the filters on the right to display a list of all clients or narrow your search by return type. Click the column headers to sort the list by name, EIN, or SSN. Scroll through the displayed list and double-click the desired return to open it.
- Clear the text box and click **OK** or press ENTER to display a list of all clients, and click the column headers to sort by name, SSN, or EIN. Scroll through the displayed list and double-click the return to open.

UPDATING A PRIOR YEAR RETURN

When you update a client's return from the prior year of Drake Tax, the following client information is automatically brought forward:

- Tax ID numbers
- Names and addresses
- Dependent names
- Ages
- Occupations
- Filing status
- Business names
- Depreciation
- Installment sales

You have the option of selecting other data to bring forward when you update client files as explained in the following sections. To update an individual return:

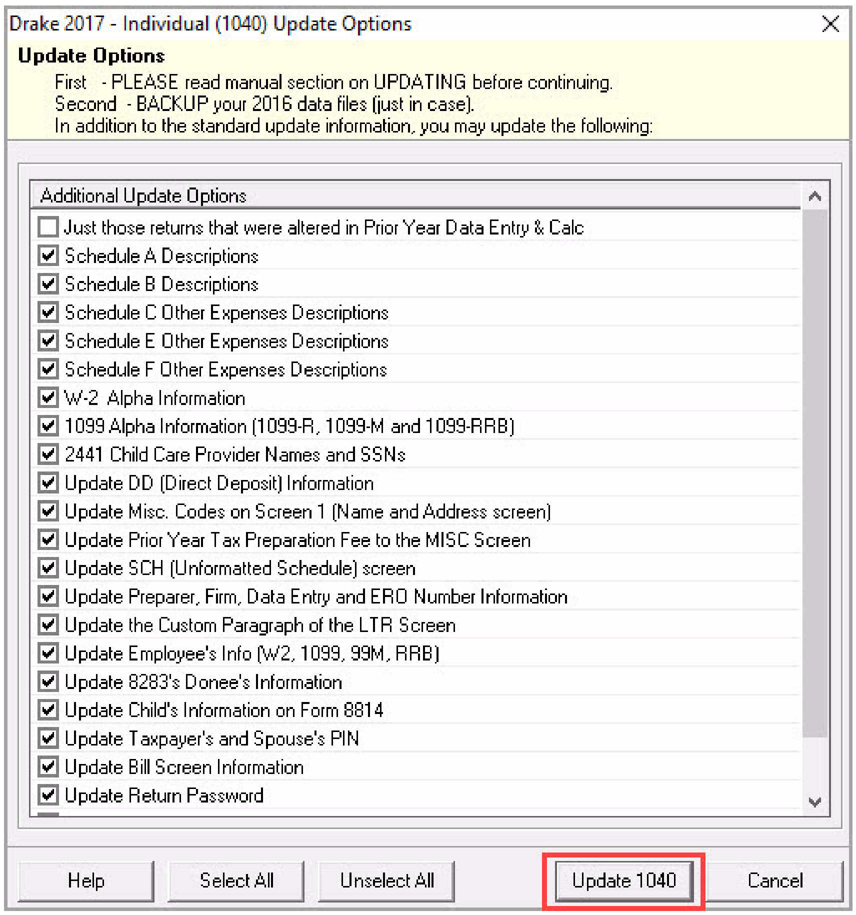
1. Open the return in Drake Tax 2017. An **Individual Update Options** dialog box lists all options for updating (Figure 2).
2. Select additional items to update (optional) or **Select All** to choose all update options and click **Update 1040**.
3. Once updated, the return is opened to the **Data Entry Menu**.

NOTE To ensure that files are updated according to your clients' needs, update returns individually as you meet with your clients. Drake Tax does not recommend updating all returns in a package at once.

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

1. From the **Home** window, select **Last Year Data > Update Clients 2016 to 2017**.
2. Click **Next** to open the **Basic Search Conditions** dialog box.
3. Select filters (optional), and then click **Continue**. The **Update Options** dialog box is displayed.
4. (optional) Select additional items to bring forward.
5. Click **Update 1040**. All returns are updated according to selections in the **Update Options** box.
6. Once the program has updated the returns, it displays a report listing the updated returns.
7. Click **Exit** to close the Report Viewer.

Figure 2: **Individual (1040) Update Options** Dialog Box

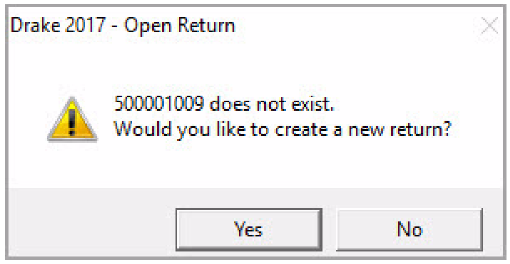


Creating a New Return

To create a *new* return from the **Open / Create New Return** dialog box:

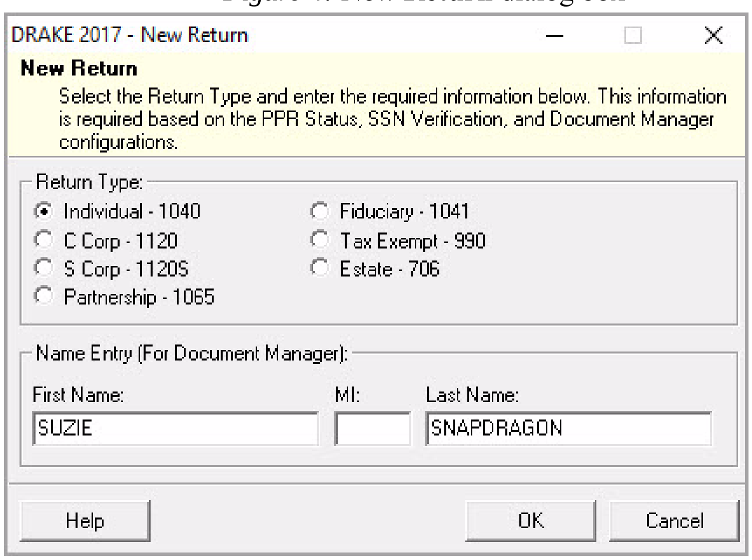
1. Type the client's SSN or EIN in the text box with no dashes, spaces, or other characters (numbers only). Then click **OK** or press ENTER.
2. If the return does not exist, you will be prompted to create a new return. Click **Yes** or press ENTER to continue, (Figure 3) or click **No** to exit.

Figure 3: New Return Prompt



3. Enter the client's SSN or EIN. (SSN/EIN verification is required for the Pay-Per-Return version of Drake Tax. It is optional in the unlimited version of Drake Tax and may be selected from the **Home** window under **Setup** > **Options** > **Data Entry**).
4. In the **Return Type** section, select the type of return you want to create.
5. In the **Name Entry** section, enter the taxpayer's name or business name. Upon creating a new return, a client folder is automatically created in Drake Documents (DDM) "Drake Documents" on page 252.

Figure 4: **New Return** dialog box



6. Click **OK** or press ENTER to continue, and the return is opened to the **Name and Address** screen (screen **1**). You can either complete the remainder of the screen and press ESC to return to the **Data Entry Menu**, or exit the incomplete screen by pressing ESC. From the **Data Entry Menu**, press ESC to return to the **Home** window.

In the **Home** window, use one of the following methods to access an existing return:

- **Recent Returns -** If the return has been recently opened it may appear in the list of the last nine recently opened returns. Click the taxpayer's name from the **Recent Returns** list to open the return.
- **Personal Client Manager** (**PCM**) **-** Double-click a taxpayer's name in the **Personal Client Manager (**PCM), and in the **Client Quick View** window click **Open**.
- **Open/Create** - Click **Open/Create** on the toolbar and when the **Open/Create a New Return** window opens. Use one of the following options to locate an existing return from this window:
  - **Name or SSN/EIN -** Enter the taxpayer's name (or SSN) or business name (or EIN) in the text box and press ENTER or click **OK**. The closest match will be selected automatically.
  - **Filter List -** Narrow your search by selecting the desired return package type on the right side of the screen (1040, 1120, 1120S, 1065, 1041, 990, or 706). Double click the desired return to open it.
  - **Sort by Column**- Clear the text box and click **OK** or press ENTER to display a list of all clients. Click the column headers to sort by name or SSN. Scroll through the displayed list and double-click the desired return to open it.

DATA ENTRY NAVIGATION

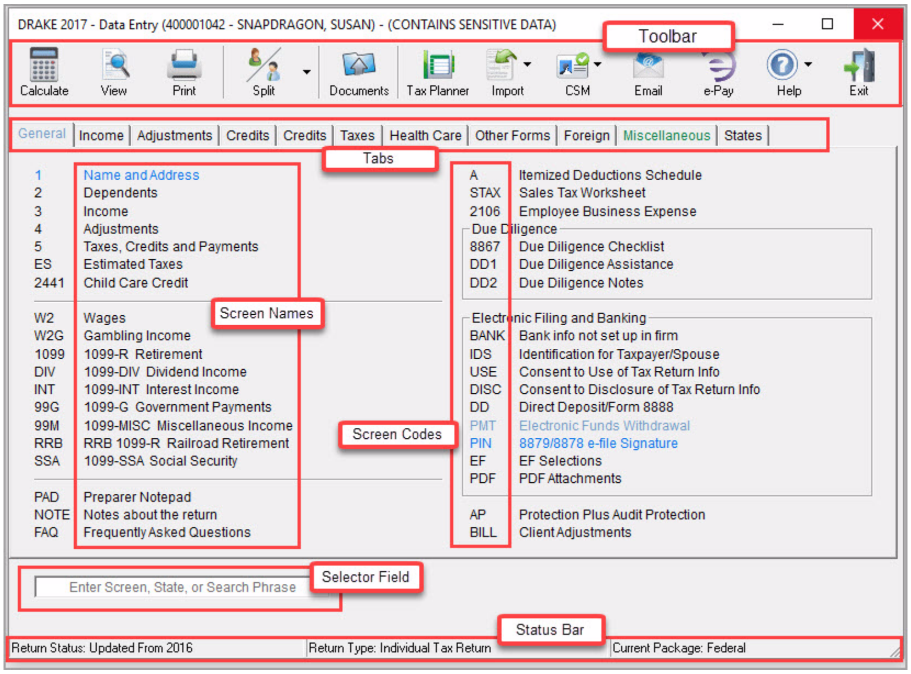
Working within a return is known as "data entry." The screens, in almost every instance, resemble the corresponding tax forms. The following sections are specific to data entry navigation and features.

DATA ENTRY MENU

Newly created returns open to screen **1** (**Name and Address** screen). Close screen **1** and you are taken to the **Data Entry Menu** (Figure 5). Existing returns open to the **Data Entry Menu**. Use one of the following methods to access a form for data entry:

- Click the applicable tab, find the corresponding data entry screen in the displayed list, and click the screen code or name.
- Type the screen code in the selector field (at the bottom) and press ENTER.
- Conduct a screen search by entering a keyword in the selector field and then press ENTER. *The search results are displayed. Double-click the screen you want or select the screen and click* **Load Screen**.

Figure 5: **Data Entry Menu**



Toolbar

The toolbar in the **Data Entry Menu** allows you to access program features and perform tasks quickly, making return preparation easier.

Figure 6: **Data Entry Menu** Toolbar

Tabs

Data entry screens are organized by tabs. Each tab is labeled with a different category of data entry screens. The tabs and categories vary depending on the tax package. Click a tab to access the data entry screens in that category. To select a tab using your keyboard, press TAB, UP ARROW, or DOWN ARROW.

Status Bar

The status bar at the very bottom of the **Data Entry Menu** displays the **Return Status**, the **Return Type**, and the **Current Package** (“Client Status Manager” on page 224).

DATA ENTRY SCREEN NAVIGATION

There are several ways to navigate data entry screens in Drake Tax:

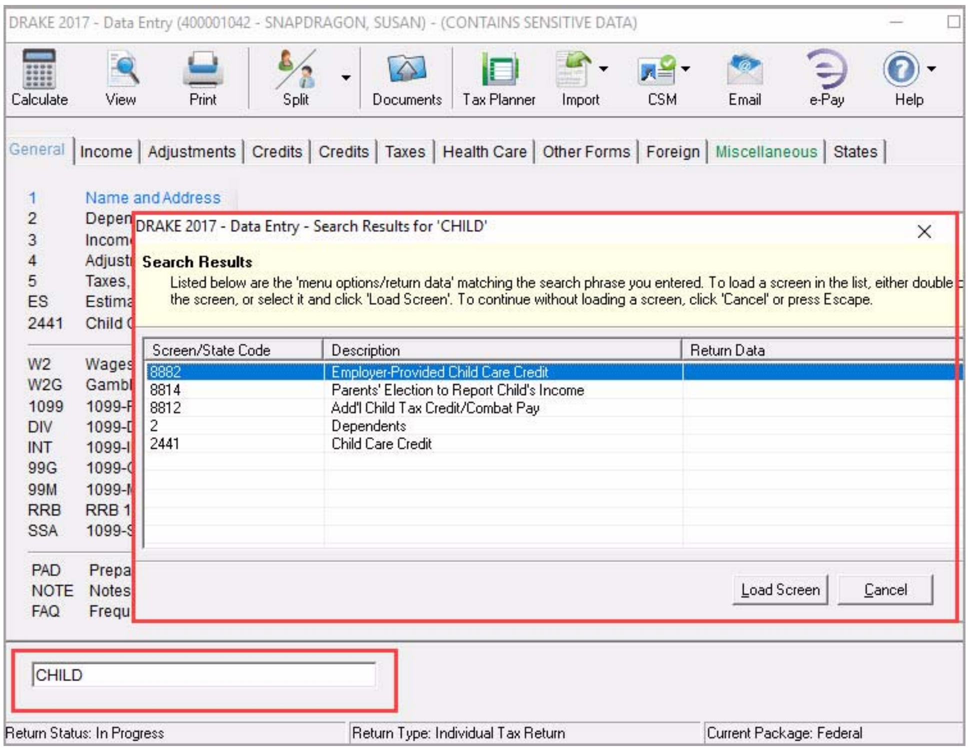
- **Keyboard** — From any tab in your **Data Entry Menu**, enter the screen code in the selector field and press ENTER.

Mouse — Click a tab in the **Data Entry Menu** to display a list of data entry screens within that tab. Open a screen by clicking on the screen name or code.

Screen Codes and Selector Field

Data entry screen codes are listed to the left of each screen name in the **Data Entry Menu**. Screens may be opened by clicking on the screen name or code, or by entering the screen name or code in the selector field and pressing ENTER (Figure 7). You can enter keywords or search phrases in the selector field and press ENTER to produce a list of screens matching your search word or phrase. For example, enter a word in such as `Child`, press ENTER, and all related screens will be listed in the search results window. Either double-click a screen name in the results list to open, or click a screen name once to highlight it, and then click the **Load Screen** button.

Figure 7: Selector Field and Data Entry Search Results



NOTE You can also use the selector field to find any data entered on any screen within that return. Type a name, address, an amount, an ID number—anything from data entry—in the selector field at the bottom of every **Data Entry Menu**, and press ENTER to locate every instance of that entry in that return.

Toolbar

All data entry screens in all packages of Drake Tax (including federal and state), contain a toolbar allowing you to perform several functions without the need to leave the screen (Figure 8). To view the toolbar, move your mouse pointer to the top of any data entry screen. Click the buttons of the toolbar to perform the various functions. Certain buttons are activated depending on previous-year's return or current-year entries. To hide the toolbar, click elsewhere on the screen. If you wish to keep the data entry toolbar from appearing on your screens, from the menu bar of the **Home** window of Drake Tax, go to **Setup > Options**, **Data Entry** tab, and on the lower left corner of the window, clear the **Enable Data Entry toolbar** checkbox.

Figure 8: **Data Entry Screen** Toolbar

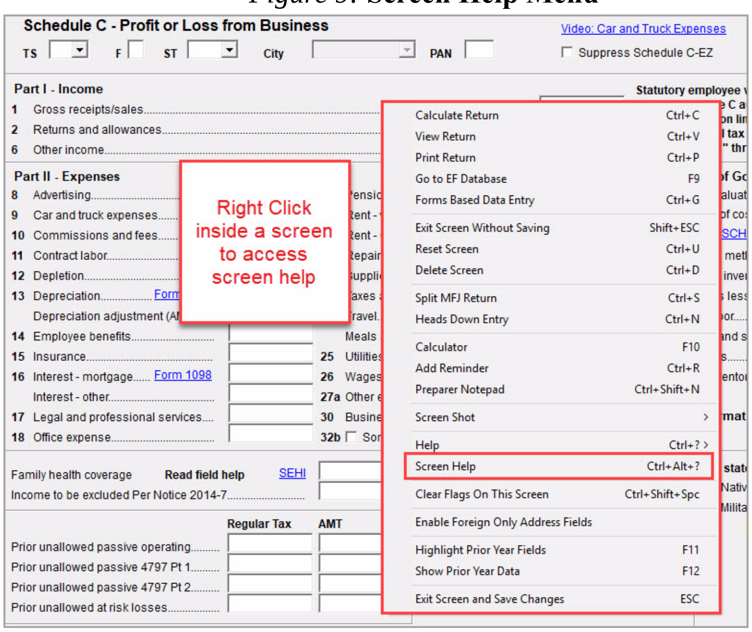
Right-Click Menu

All screens in data entry have a right-click menu, which offers a convenient list of shortcuts, common program functions and helpful information. While in data entry, right-click the mouse anywhere on the screen to display the right-click menu.

In some screens, the right-click menu contains the **Screen Help** feature. **Screen Help** gives additional details and resources specific to that screen (Figure 9).

Screen Help

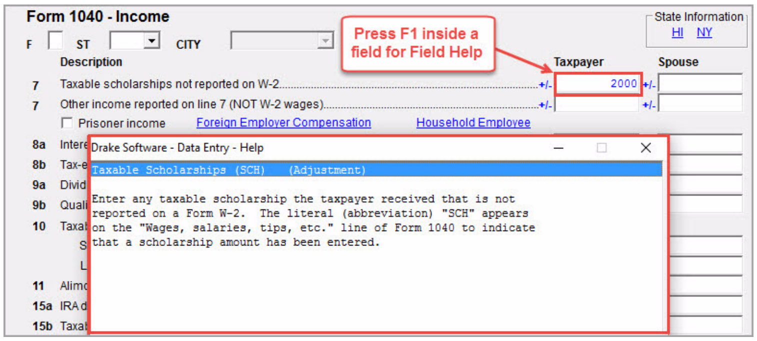
Figure 9: **Screen Help Menu**



Field Help

Click inside a data entry field and a cursor will blink, indicating the field is active. Once a field is active, you can access **Field help**, which provides specific explanations, acceptable entries, lists, and other details about that field. Either press F1 inside a field to open the field help window, or right-click inside a field and click **Help** > **Help for this Field** (Figure 10).

Figure 10: Field Help Menu



Screen Links and Tabs

Many data entry screens have links, allowing you to access related screens without returning to the **Data Entry Menu**. Simply click a link to move from the current screen to the related screen. For example, you may access a state-related screen from the federal data entry screen by clicking the state link, or click the **Form 2441** link to access the **Child and Dependent Care Expenses** screen (Figure 18). Once you press ESC to exit the related screen, you will be returned to the original screen.

Save and Exit Data Entry Screens

Information in a data entry screen is saved if you leave the screen. Exit a data entry screen by clicking **X** in the top right corner or press ESC. If there are required fields that you have not completed (highlighted in blue), you will have to click **Cancel** to exit the screen.

Reset Screens or Exit Without Saving

To reset a screen without saving your entries, either click your mouse pointer anywhere in the screen and enter the key combination SHIFT + ESC, or right-click and click **Exit Screen without Saving** from the menu. This resets the screen and returns you to the **Data Entry Menu**. To reset the screen without exiting, select **Reset Screen** from menu or press CTRL + E.

Delete a Screen

To delete a screen, use one of the following methods:

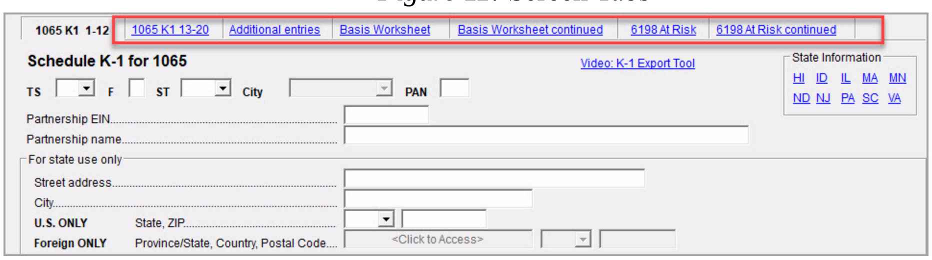
- Press CTRL+D from within the screen, and at the prompt, click **Yes**.
- Right-click within the screen (but not within a field) and select **Delete Screen** from the menu.

NOTE If a data entry screen has saved data, the screen name is displayed in colored text on the **Data Entry Menu**. Removing all data from the screen does *not* delete the screen. If a screen name is colored but contains no data, the screen must be deleted to prevent e-file errors.

Screen Tabs

Some screens in Drake Tax contain multiple sections (or pages). The **K1P**, **K1S**, and **K1F** screens each contain multiple tabs. Use **Screen Tabs** to move from one section (or page) to another.

Figure 11: Screen Tabs



Access States and Cities In Data Entry

Drake automatically prepares state forms based on federal data entered. In data entry, click the **States** tab to view a list of states with individual tax programs. If you need to add or alter state information, click a state from the list to open the **Data Entry Menu** for that state.

Press ESC to return to the **States** list. You can also enter the two-letter state code in the selector field and press ENTER to open the state's **Data Entry Menu**. To access another state, press ESC to return to the **States** tab and click the state. For states with city tax, the city data entry screens for that state are listed on the **Cities** tab of that state's **Data Entry Menu**.

LookBacks

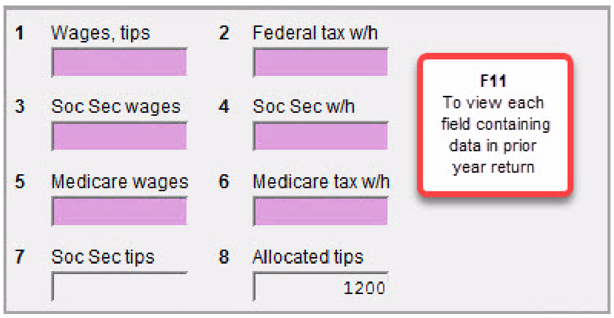
The LookBacks feature allows you to compare data entry from last year's return to that required for the current tax year (provided that last year's return was prepared in the prior year of Drake Tax). LookBacks is available on most of the high-use screens in the federal tax packages.

With Drake Tax open to a data entry screen, click the **PY Fields** button on the data entry toolbar (or press F11 on your keyboard) and any field on the open screen that contained data last year will be highlighted in a contrasting color (Figure 13). To see what the actual entry was in the previous year, click the **PY Data** button (or press F12) to open a read-only version of the open screen (Figure 13).

If multiple instances of the screen exist, a **Prior Year Forms** List will offer you the chance to select which screen instance to open.

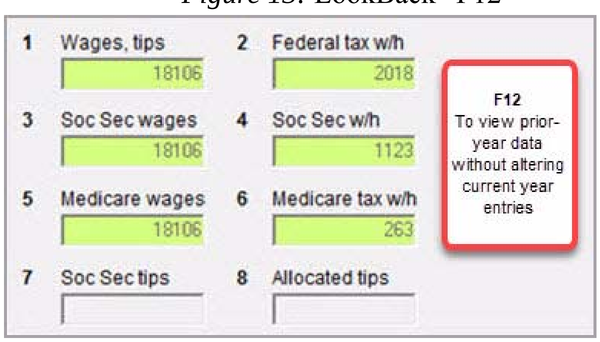
If the screen had no entries in the prior year, a message window will appear stating that no prior-year data exists. Press any key to return to data entry for 2017.

Figure 12: LookBack "F11"



NOTE You can also **right-click** anywhere in an open screen and select **Highlight prior year fields** or **Show prior year data**.

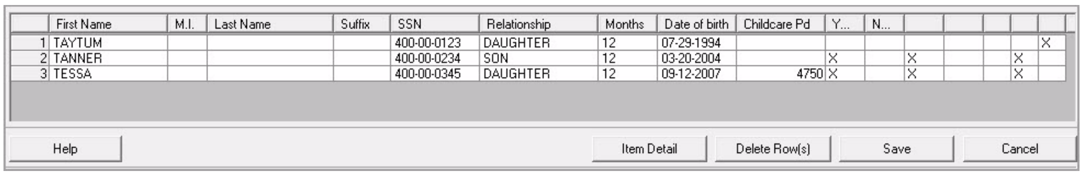
Figure 13: LookBack "F12"



Grid Data Entry

This feature allows faster data entry for the **Dependents**, **Interest Income**, **Dividend Income**, and **Depreciation Detail** screens. Only the most commonly used fields are displayed in grid data entry (Figure 14).To turn grid data entry on or off in Drake Tax, go to the **Home** window, select **Setup > Options > Data Entry** tab, and click **Use grid data entry format for available screens**. Once on a data entry screen that offers grid data entry, press F3 to toggle back and forth between grid data entry mode and full screen mode. You do not have to activate grid data entry in **Setup > Options** to use the F3 feature.

Figure 14: Grid Data Entry

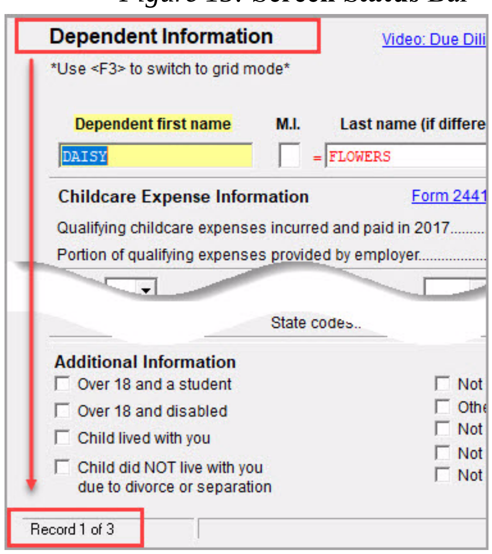


Multiple Instances of a Form

Many clients require multiple instances of such forms as Form W-2. In most cases, while in a screen such as the **W2** screen, press PAGE DOWN to open a new screen and enter data for a second form.

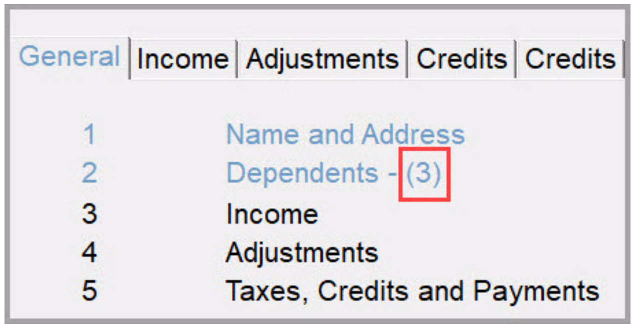
Each time a new screen is opened, Drake indicates the record number on the status bar of the screen (Figure 15).

Figure 15: **Screen Status** Bar



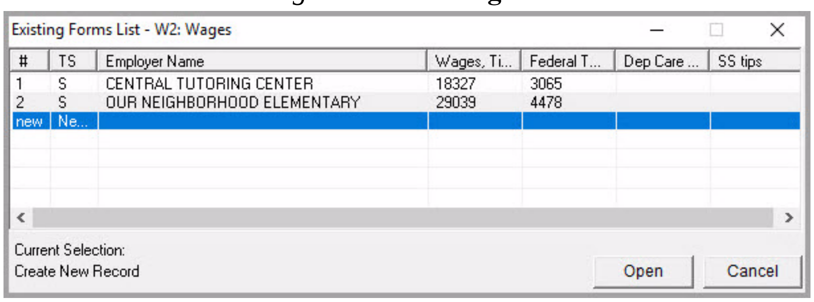
If there are multiple occurrences of a form or screen in data entry, the number of forms entered appears in parentheses next to the screen name on the **Data Entry Menu** (Figure 16).

Figure 16: Multiple Instances of **Dependent Screen**



When opening a screen that has multiple instances, an **Existing Forms List** is displayed. To view the full screen, double-click a row or click once and then click **Open**. To create a new instance from the **Existing Forms List**, double-click the **New Record** row.

Figure 17: **Existing Forms** List



Tabs are the only way to access related screens and directly associate the information on each related screen (Figure 19). To access the next tab in a data entry screen, you can either click the tab using your mouse pointer, or press CTRL+TAB on your keyboard.

Figure 18: Screen Links

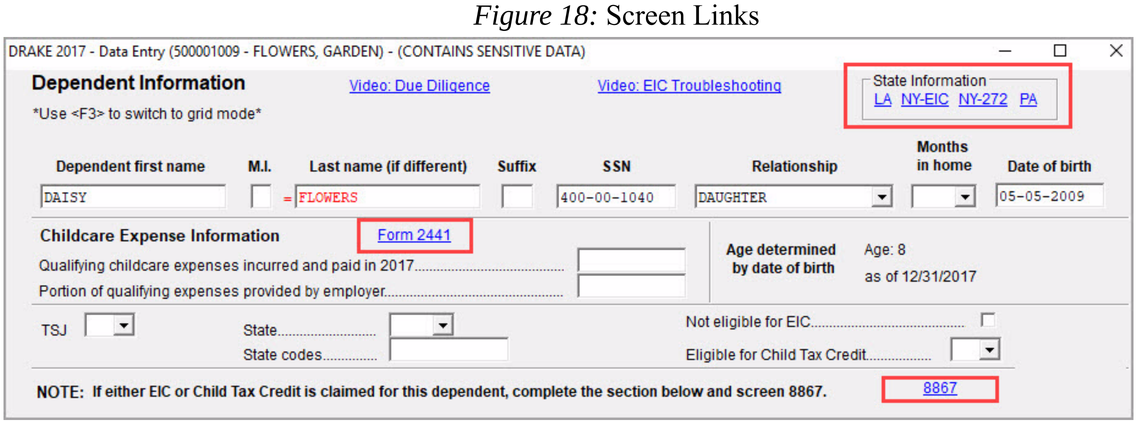
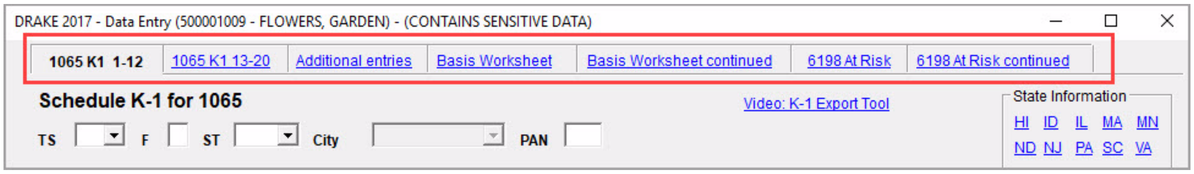


Figure 19: Screen Tabs

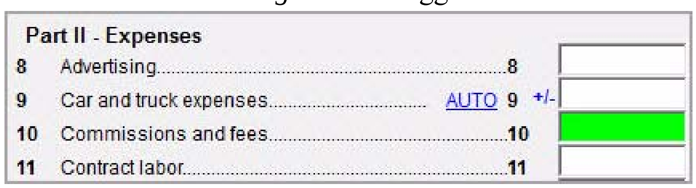


Flag Fields

Use field flags to set certain fields apart for review. Flagged fields require verification before the return can be e-filed. You can "flag" fields during data entry or set flags globally for all new returns.

To flag a field during data entry, press F2 in the field or right-click the field and choose **Flag For Review**. The field is displayed with a green background (Figure 20).

Figure 20: Flagged Field



Once you have verified the field, clear the flag by clicking the field and pressing F4, or right-clicking the field and selecting **Remove Flag**. A return with one or more flagged (unverified) fields generates an EF message when the return is calculated. Clear all flags to remove the message. To clear *all* flags in a return, press CTRL+SHIFT+SPACEBAR on the **Data Entry Menu**.

Flagging Fields For All Returns (Globally)

A user with administrative security rights can designate certain fields to be flagged in all returns. When flags are set globally, they apply to *all* returns. Global flags can be for *screens* or for *new returns*.

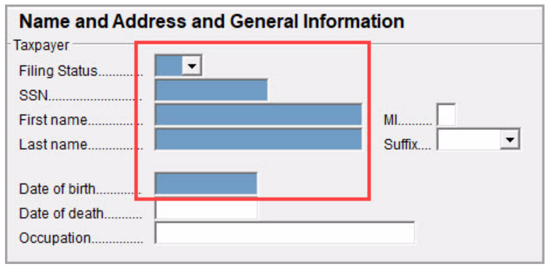
- **Screens** — The presence of an unverified flag produces an EF message *only if the screen exists for the return*. For example, if the **Employer ID #** field on screen **C** is flagged, an EF message for the unverified field is produced only if a Schedule C is present on the return and the **Employer ID #** field has not been verified. If there is no Schedule C, no verification is required.
- **New Returns** — When a field is flagged for all new returns, an unverified flag produces an EF message *whether or not the screen has been opened for the return*. In the above example, an EF message would be created even if no Schedule C was present in the new return. In effect, this type of global flagging forces the data entry operator to open screen **C**, even if only to clear the flag.

To prevent flagged fields from being overlooked, all new-return flags turn the corresponding screen and tab names green. Once the field has been verified, the highlighted tab and screen names go back to their original colors.

Required Fields

Fields required for e-file are highlighted in blue in data entry (Figure 21). All required fields (highlighted in blue) must be completed before the return can be e-filed.

Figure 21: Required Fields

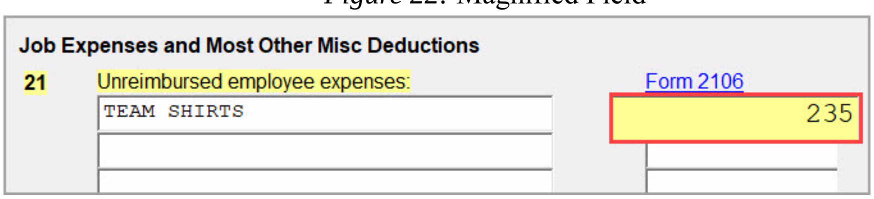


Reminders appear when you try to escape from a screen on which required fields have not been completed. You can set up the software to remind you every time you leave a required field blank, only once per data entry session, or not at all. From the **Home** window, go to **Setup > Options**, select the **Data Entry** tab, and select your preference from the **Display warning for missing required field** drop list. Then click **OK**.

Magnifying Fields

Data entry fields can be magnified for easier viewing. When this feature is activated, the active field is displayed with large text and a yellow background (Figure 22).

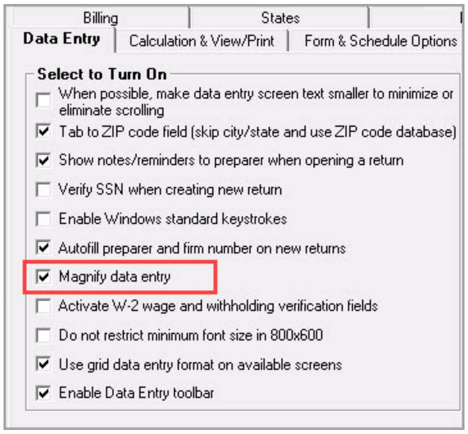
Figure 22: Magnified Field



TIP

Activate or disable this feature from **Setup > Options**. On the **Data Entry** tab, select (or clear) **Magnify data entry**, then click **OK** (Figure 23).

Figure 23: Magnify Data Entry

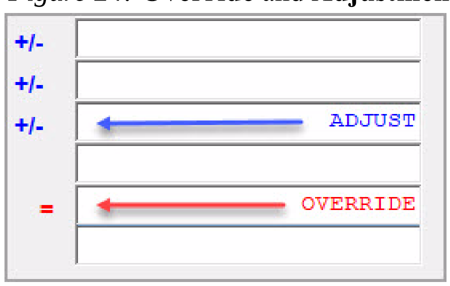


Override and Adjustment Fields

Override fields and adjustment fields can be found throughout data entry.

- **Override fields** — Data entry fields that allow overrides are preceded by a red equals sign (=). Data entered in these fields replaces, or overrides, program calculations.
- **Adjustment fields** — Data entry fields that allow adjustments are preceded by a blue plus/minus sign (+/-). Data entered in these fields adjust program calculations by the amount entered. Enter a negative number to subtract an amount (Figure 24).

Figure 24: **Override** and **Adjustment** Fields



ZIP Code Database

For quicker data entry on screens requiring ZIP codes, enter the ZIP code and press TAB before entering city or state information. City and state fields are automatically filled from the program's ZIP code database.

EIN Database

The program stores EINs and related data in the EIN database for later retrieval. Each time an employer or other business is entered on a data entry screen, the EIN, business name and address, and state ID number are automatically added to the EIN database.

From the **Home** window, go to **Tools > Edit EIN Database** to edit or delete a saved business, or if you want to add a business.

An EIN stored in the database helps you enter data more quickly. The next time the EIN is entered in a **W2**, **1099**, or **2441** screen followed by TAB, the business name and address are automatically displayed in the associated fields.

NOTE The EIN database can be brought forward from the prior-year Drake tax software to the current-year Drake tax software by going to the **Home** window and selecting **Last Year Data > Build EIN/Name from (year)**.

Bank Name Database

The program retains the names of all financial institutions when they are entered for the first time in data entry. The next time the first few letters of a saved name are entered, the program “auto-completes” the entry. To add, edit, or delete entries from the bank name database, place the mouse pointer in a bank name field and press CTRL+SHIFT+E (or right-click and select **Edit Auto-Complete Data**), and follow the instructions that are displayed.

Search for Resident City, School District, and Business Code

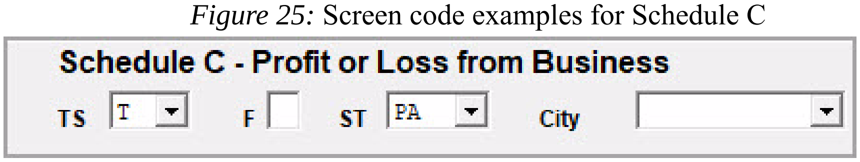
To search the list of valid entries for the **Resident city** and **School district** fields on screen **1** and the **Business code** field on schedule **C**, place the mouse pointer in the field and press CTRL+SHIFT+S (or right-click and select **Search**). Enter search data and click **Go**.

Commonly Used Codes

Many screens in Drake have fields labeled **TS**, **F**, **ST**, and **City**. These fields are used to apply the data entered on the screen to the taxpayer or spouse (or both), on federal, state, or city returns (Figure 25).

- **TS (or TSJ)** — Select **T** if the screen applies to the primary taxpayer, **S** if it applies to the spouse, or **J** if it applies to each spouse equally. (Default is **T** if none are selected.)
- **F** — All data on a screen is automatically carried to the federal return as applicable. Enter 0 (zero) in the **F** field to prevent a screen’s data from being carried to the federal return. In that case, the data on the screen is carried only to the state indicated in the **ST** field (if any) and the city indicated in the **City** field (if any).
- **ST** — The two-digit state code indicates whether the screen data should be used in calculating a specific state return. If this field is blank, the software uses the resident state by default. The data is not carried to *any* state or city if a zero (0) is selected here.
- **City —** The code entered indicates the source of the income on city returns.

Figure 25: Screen code examples for Schedule C



Splitting a Joint Return

When you split a joint return in Drake, the program calculates three returns: one for Married Filing Jointly (MFJ), and two for Married Filing Separately (MFS).

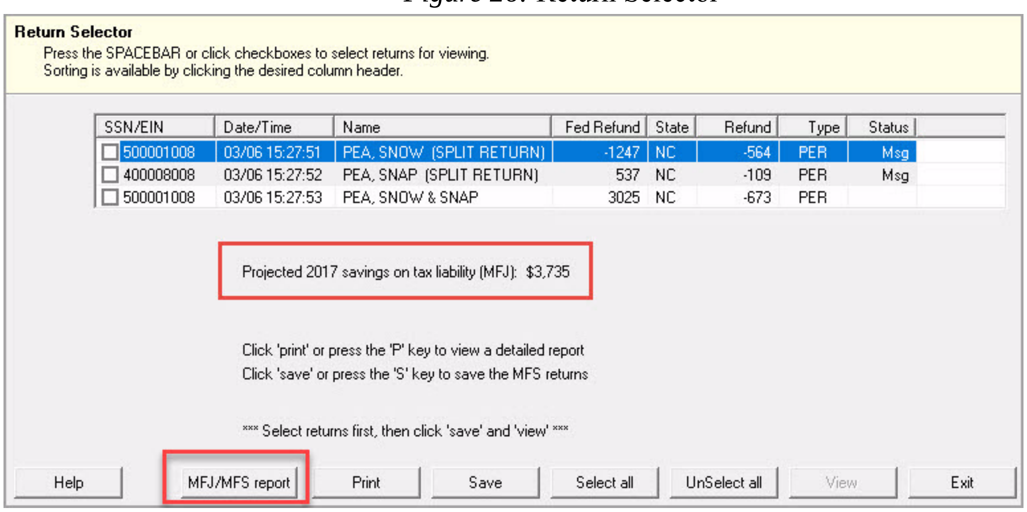
Before splitting a joint return, ensure that data on all screens clearly applies to either the taxpayer (T) or spouse (S), and make sure **Ready for EF** is not selected on the **EF** screen. If **Ready for EF** is selected, all three returns will be marked eligible for e-file.

To split a return, complete the following steps:

1. Open the return
2. Choose one of the following options:
   - To compare returns for two individuals who lived together for the entire year, click the **Split** button or press CTRL+S.
   - To compare returns for two individuals who did *not* live together for the entire year, click the down arrow next to the **Split** button and select a category of MFS filing status.

NOTE If you have not selected either the **Force itemized** box or the **Force standard** box on screen **A**, and certain types of data have been entered in the joint return, you are prompted to select **Itemize**, **Standard**, or **Optimize**. If you select **Optimize**, the program determines which is the better treatment of the Schedule A deductions.

Figure 26: Return Selector



3. The **Return Selector** is opened, displaying three return results: the joint return and two separate returns. Details for each return are listed (Figure 26). Select the checkboxes to the left of the returns and click **Print**, **View**, or **Save**, as applicable. The program saves the MFS data shown in the reports only if you save the split returns. The joint return is saved whether or not you save the split returns.

NOTE Do not save the split returns if the joint return will be filed. The split returns can be viewed without being saved, by clicking **View**.

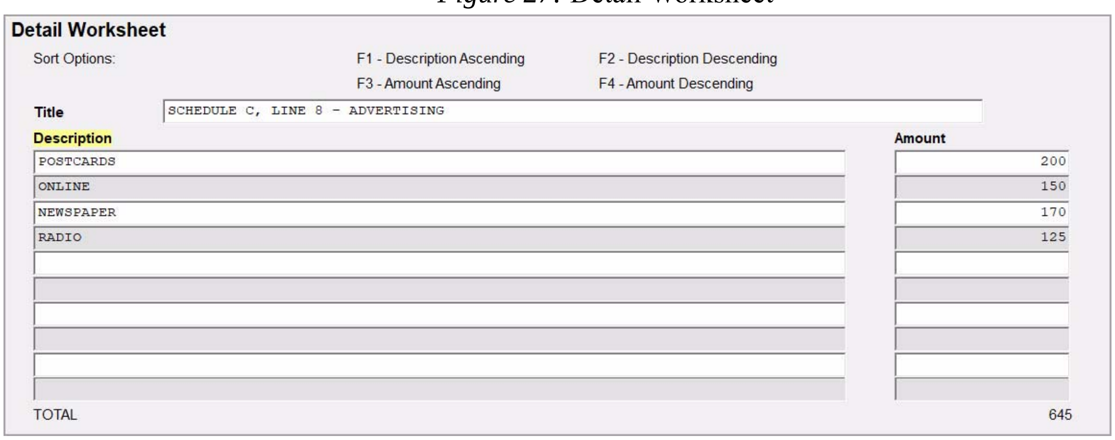
4. To view the **Filing Status Optimization Report,** click the **MFJ/MFS Report** button (Figure 26). The report compares the taxpayer's and spouse's joint, combined separate, and individual separate returns. Then click **Exit**.

If the split returns are saved, the MFJ return and both MFS returns can be opened for additional data entry. When you open the taxpayer's return, select a version (MFJ or MFS) to open. To open the spouse's MFS return, go to the **Home** window, click **Open/Create**, enter the spouse's SSN, and click **OK**.

Detail Worksheets

A detail worksheet is available in every numerical field in data entry. Worksheets allow up to 30 lines of descriptions and amounts. When the worksheet is saved, the amounts entered are totaled in the data entry field. Press CTRL+W or double-click a numeric field to open a **Detail Worksheet** for the field. (Figure 27).

Figure 27: Detail Worksheet



Once a worksheet is added, the data entry field is shaded red to indicate a worksheet is present (Figure 28). When the return is viewed, the worksheet is displayed on an OVERFLOW page (Figure 29). Detail worksheets are *not* e-filed with the return. Worksheet names and descriptions can be included when a return is updated from the prior year of Drake Tax.

Figure 28: Field with Worksheet

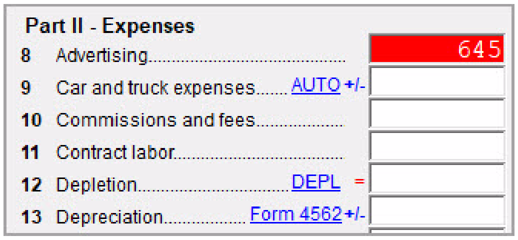
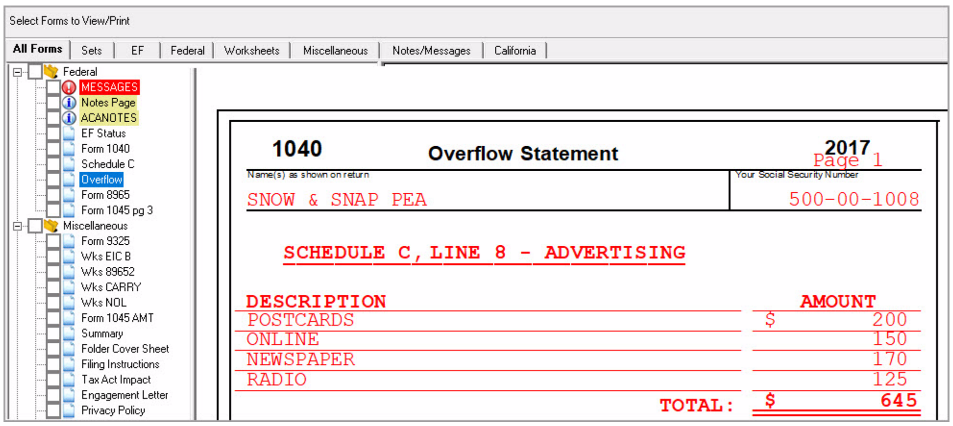


Figure 29: Overflow Worksheet



Macros

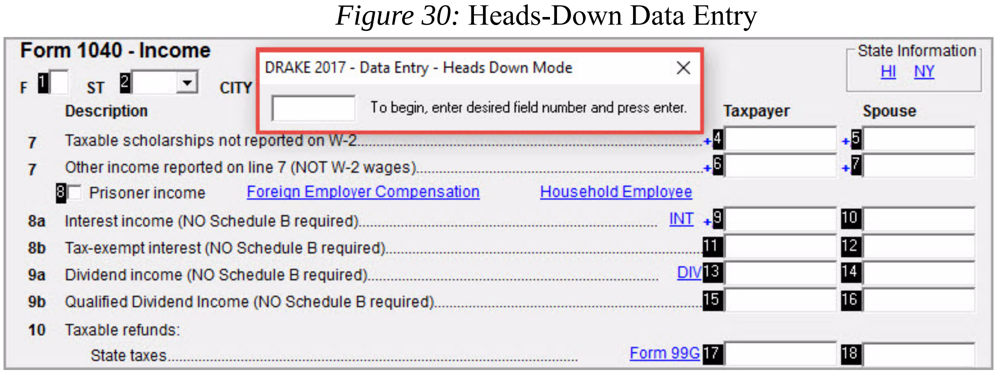
Macros can make data entry quicker and easier, entering frequently used data entry items with just a few keystrokes. To use a macro, place the mouse pointer in the appropriate field and press the key combination that identifies the macro.

Press CTRL+SHIFT+M (or right-click) in a data entry field to view a list of available macros. Create your own Macros in **Setup** > **Macros** from the **Home** window.

Heads-Down Data Entry

Heads-down data entry is an efficient method of data entry when working from a proforma interview sheet. To activate heads-down data entry, press CTRL+N while in a data entry screen (Figure 30).

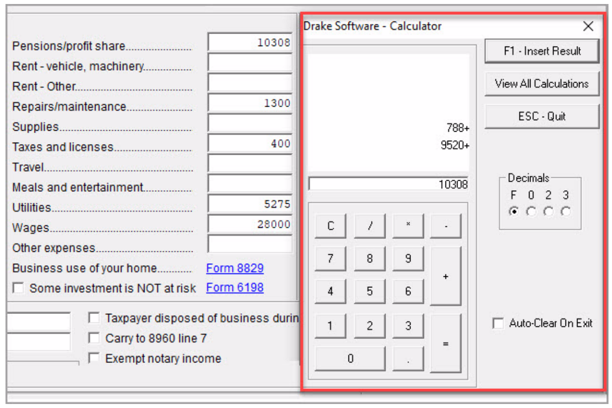
Figure 30: Heads-Down Data Entry



Calculator

A calculator is available in every numeric field in data entry. To access the calculator, press F10 from within the field. Press F1 to insert the calculated results into the data entry field. When the calculator is active, the NUM-LOCK status is activated and cannot be disabled.

Figure 31: Calculator



W-2 Import

If your client is an employee of a company that uses W-2 eXpress®, that client's W-2 can be downloaded directly into Drake Tax from the **W2** screen. To learn how to purchase W-2 downloads, and to view a list of companies that supply employee W-2s using W-2 eXpress®, log in to your Drake Support account at *Support.Drakesoftware.com* and select **My Account > W-2 Block Purchase**.

Click **Import** on the **Data Entry Menu** toolbar to access the following import features:

Form 8949 Import

Import capital gain and loss transactions into Drake using the **Form 8949 Import/ GruntWorx Trades** tool. Import transaction information from a worksheet saved as an Excel, TAB (Tab delimited), or CSV (Comma delimited) file. For the data to import correctly, the spreadsheet must contain specific columns of information. Details about the required spreadsheet format are available from the **Form 8949 Import/GruntWorx Trades** window.

GruntWorx Populate Job

Use the **GruntWorx Populate Job** tool to extract data from certain Drake-supported federal tax forms and import it directly into Drake Tax, saving you data entry time and expense.

NOTE To learn more about GruntWorx Trades and GruntWorx Populate Job imports, see “Gruntworx” on page 259.

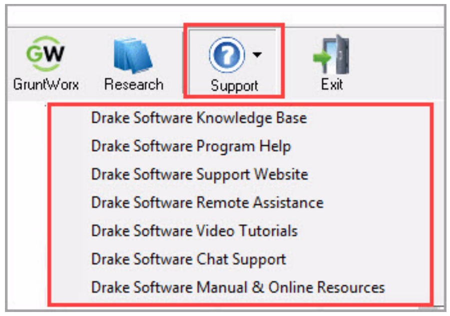
Help Resources

Support Button

When you click the **Support** button from the **Home** window (Figure 32), you are given these options:

- **Drake Software Knowledge Base**, an online reference source containing answers to common tax and program questions. (See “Knowledge Base” on page 242.)
- **Drake Software Program Help**, a searchable “Drake encyclopedia,” arranged in “books.” The Program Help includes a Search feature, a searchable index, and a Favorites list. Program Help answers many of the most commonly asked questions about the tax program. (See the following paragraphs for more information.)
- **Drake Software Support Website**, a website with links to all of our online help resources, including the Knowledge Base, Drake ETC and many other helpful webpages. (See “Support Resources” on page 233.)
- **Remote Assistance**. This feature is used by Drake Software personal in certain support situations.
- **Video Tutorials**, a compendium of more than 200 how-to videos released on how to use Drake Tax and related programs. To access a complete list of our video tutorials, go to the **Home** window toolbar, select **Support > Drake Software Video Tutorials,** select a subject area from the drop list, and click the play button for the video tutorial you are interested in. Video links with related topics are also available in many data entry screens.
- **Chat Support**, an easy method of having an online discussion with a member of Drake Software’s Support staff.
- **Manual and Online Resources**, a link to Drake Tax manuals, practice returns, IRS pubs, and Drake Software shipment letters, all in PDF format, readable online or available for download.

Figure 32: **Support** Button

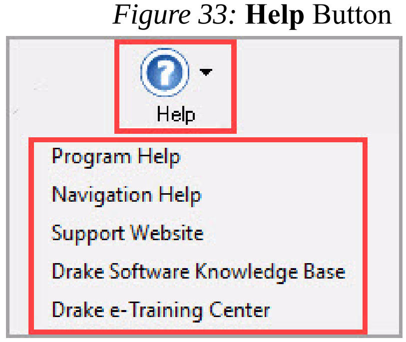


Help Button

All windows in Drake Tax (not including data entry screens) have a clickable **Help** button for accessing the Drake Tax Help System (Figure 33). When you access the Help System, it is opened for the window you are in. For example, if you are in pricing setup (**Setup > Pricing**) and click **Help**, you are shown the help information for pricing setup. When you click the **Help** button from the **Home** window, you are given these options:

- **Program Help —** Access Help System items by using the following tabs:
  - **Contents** — Lists all available Help topics in a “table of contents” style format
  - **Search** — Search help topics by keyword
  - **Index** — Index that shows every instance of a searched-for word or phrase
  - **Favorites —** Save articles you have found in your search
- **Navigation Help —** Offers a short explanation of how to navigate in Drake Tax and includes a link to a list of keyboard shortcuts that help make data entry easier and faster.
- **Support Website —** Links to the Drake Software Support site (“Drake Support Website” on page 241). You need your user name and password to log in.
- **Drake Software Knowledge Base —** Links to Drake Software’s Knowledge Base, including a list of the eight popular articles on program functionality (“Knowledge Base” on page 242).
- **Drake e-Training Center —** Links to the DrakeETC website (“Drake e-Training Center” on page 233). You need your user name and password and your ETC user name and password to log in.

Figure 33: **Help** Button



Preparing The 1040 Evaluation Return

The following sections provide step-by-step instructions for creating a simple individual return. As you read this section, create a return and work through the various data entry screens so you become comfortable with Drake Tax. (To view a completed version of the evaluation return, open return **400001940**).

1. In the Drake **Home** window, click **Open/Create** in the toolbar.
2. In the **Open/Create A New Return** dialog box, enter the following SSN (without dashes) in the text box: **400001901** and click **OK**.
3. In the next window, click **Yes** to create a new return
4. In the **New Return** dialog box, you may be required to re-enter the taxpayer's SSN in the SSN/EIN Verification field (SSN/EIN verification is required for the Drake Tax Pay Per Return package, and an optional setting for the Drake Tax unlimited package. This selection can be made in **Setup** > **Options** > **Data Entry** tab. **The individual - 1040** option is already selected in the **Return Type** section. In the **Name Entry** section, enter **Thomas Taxpayer** and click **OK**.
5. The return will be opened to data entry screen **1**, which is the **Name and Address** screen (Figure 34).

Name and Address Screen

The information entered on the **Name and Address** screen flows to each form that is generated with this client's return, and is visible in the View/Print mode. Use the following information to continue your return preparation for this exercise:

- Thomas and Tasha Taxpayer are married and filing a joint return. (To view a list of valid filing status entries, press F1 in the **Filing Status** field.)
- The Taxpayers have three children: Taytum, Tanner, and Tessa. (It is not necessary to enter the last name for spouse or dependents; the software uses the primary taxpayer's last name by default.)
- Tasha receives one salary from her teaching job and one from her tutoring job. (To create a second W2 screen, press PAGE DOWN.)
- Thomas is the sole proprietor of his restaurant
- Thomas and Tasha have no foreign accounts

Press ESC to save the data entered on screen **1** and go to the **Data Entry Menu**.

Notice that screen **1** is highlighted blue on the **Data Entry Menu**, indicating that data has been saved on this screen (Figure 35).

* Enter numbers with no formatting (dashes, dots, or spaces) and the program automatically formats the information for the **SSN**, **Date of birth**, **Phone**, and **ZIP** fields.		
Data Entry Field	**Primary Taxpayer**	**Secondary Taxpayer**
Filing Status	2 - MFJ	
SSN*	400-00-1901	400-00-1902
First name	THOMAS	TASHA
Last name	TAXPAYER	TAXPAYER
Date of birth*	08-25-1968	05-28-1969
Occupation	RESTAURANT OWNER	TEACHER
Daytime (phone)*	602-555-1111	602-555-3333
Evening (phone)*	602-555-2222	602-555-4444
Email/text msg	TTAXPAYER@1EMAIL.COM	TTAXPAYER2@2EMAIL.COM
Address	123 CUL DE SAC STREET	
ZIP*	85003 (Press TAB after entering the ZIP code to autofill the City, State and County fields).	
Resident state	(This field is auto-filled with the state selected in the address section, which is AZ in this case). For this exercise, enter 0 to prevent the state return from generating.	
Foreign Accounts	NO	

NOTES

- If the resident state differs from the state in the mailing address, select the appropriate state code from the **Resident state** drop list. If the taxpayer is a part-year (PY) resident of the state in the mailing address, select **PY** from the **Resident state** drop list. To keep a state return from being calculated, select **0** from the **Resident state** drop list.
- The **Resident city** drop list is activated if a city return is required. The **School district** drop list is activated when needed.

Figure 34: Name and Address and General Information

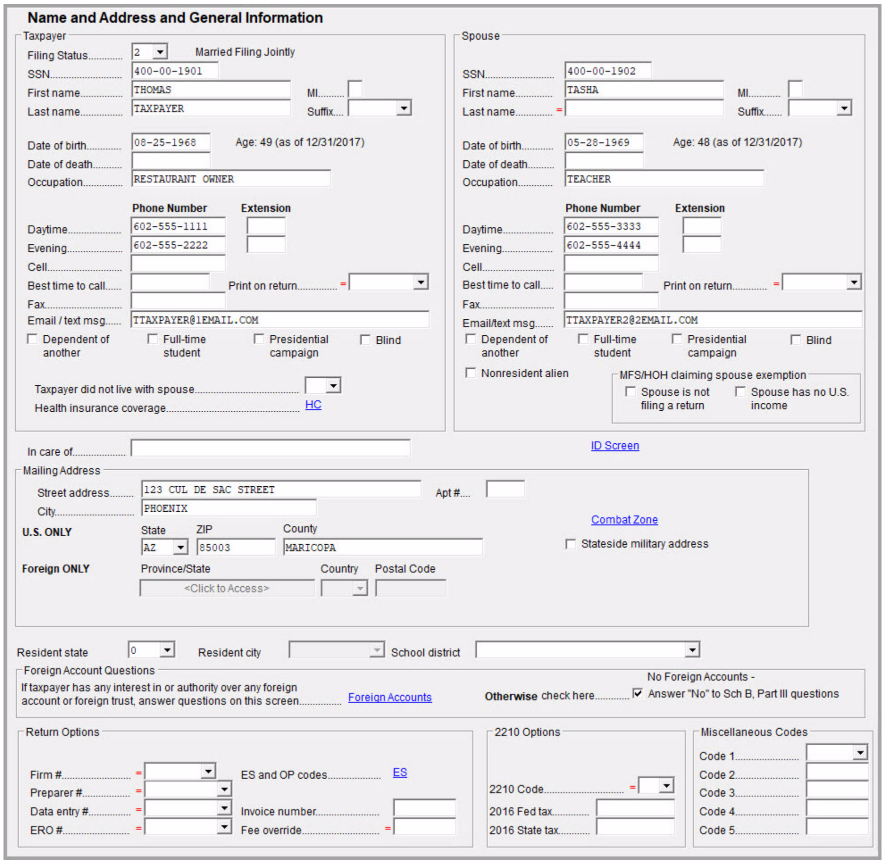
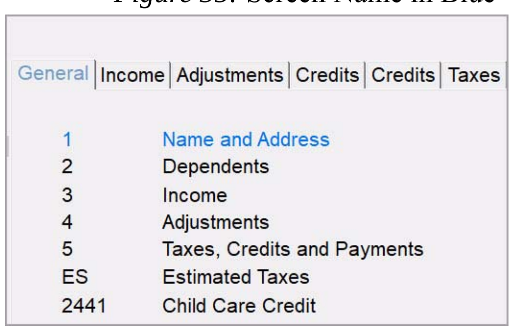


Figure 35: Screen Name in Blue



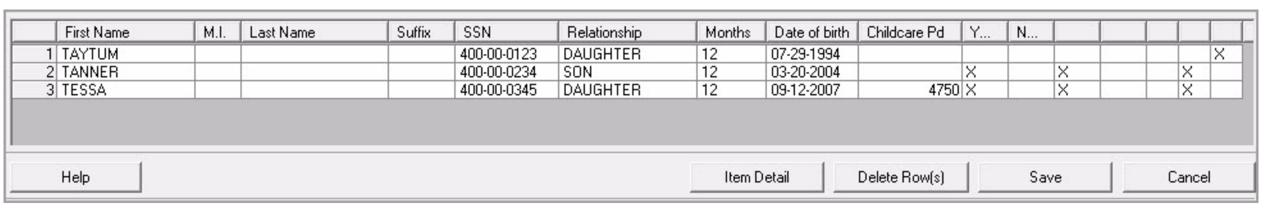
NOTE If a screen is highlighted but contains no data, it must be deleted or it can cause e-file errors. Open the screen and press CTRL + D to delete it.

Dependent Information

Thomas and Tasha have three dependents. Open screen **2**, the **Dependent Information** screen. (Click the screen name or enter 2 in the return selector field and press ENTER). By default, the **Dependents** screen is opened to grid data entry mode (Figure 36). If you prefer to enter information in full screen mode, click **Item Detail** or press F3. Pressing F3 toggles back and forth between grid data entry and the full data entry screen. (For more information on grid data entry, see "Grid Data Entry" on page 60). Use the following table to enter information in each dependent's screen. Child care expenses must also be entered on the **2441** screen. This will be covered later in "Screen 2441, Form 2441 - Child and Dependent Care Expenses" on page 78.

Fields	First Dependent	Second Dependent	Third Dependent
Dependent first name	TAYTUM	TANNER	TESSA
SSN	400-00-0123	400-00-0234	400-00-0345
Relationship	Daughter	Son	Daughter
Months in home	12	12	12
Date of birth	07-29-1994	03-20-2004	09-12-2007
Qualifying child care expense			4750

Figure 36: Grid Data Entry for screen **2**, **Dependent Information**



	First Name	M.I.	Last Name	Suffix	SSN	Relationship	Months	Date of birth	Childcare Pd	Y...	N...					
1	TAYTUM				400-00-0123	DAUGHTER	12	07-29-1994								X
2	TANNER				400-00-0234	SON	12	03-20-2004		X		X			X	
3	TESSA				400-00-0345	DAUGHTER	12	09-12-2007	4750	X		X			X	

NOTE

- If you leave the dependent's **Last name** field blank, Drake uses the primary taxpayer's last name.
- If you leave the **Months in home** field blank, Drake assumes the child was in the home for 12 months.
- When you are entering information on the dependent's relationship to the taxpayer, enter D to fill the field with the word "DAUGHTER" and S to fill the field with the word "SON." Similar features are available on other screens in data entry.

The **EIC or Child Tax Credit** section of screen **2** must be completed for *each* qualifying child for taxpayers claiming the Earned Income Credit (EIC) or Child Tax Credit (CTC). Tanner and Tessa Taxpayer qualify for the Child Tax Credit; however they do not qualify for the Earned Income Credit because the Taxpayers' AGI exceeds the income limit.

Use the following information to complete both Tanner's and Tessa's Screens **2** (Figure 38):

- Both are unmarried
- Both lived in the home for the full year
- Neither has another person who could claim them as an exemption
- Neither has an active Form 8332 claim in place, and no claims have been released to another person

On Taytum Taxpayer's screen **2**, make the following selections (Figure 37):

- **Not eligible for EIC**
- **Not eligible for Child Tax Credit**
- **Over 18 and a student**

Figure 37: Dependent Screen *Without* EIC or CTC

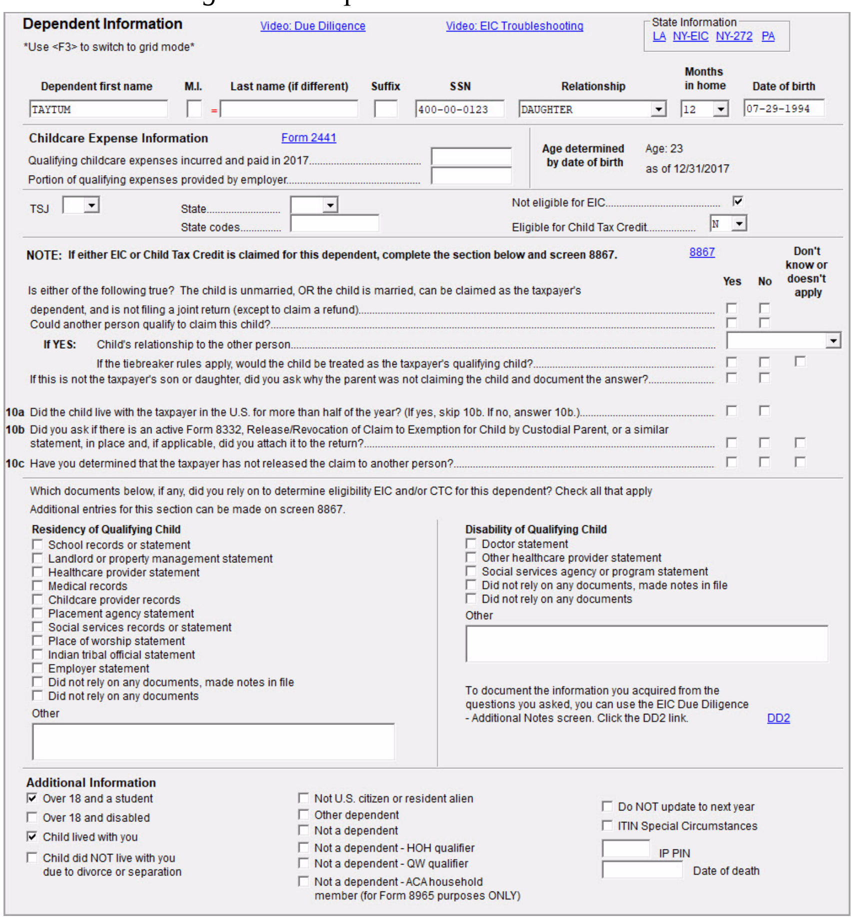
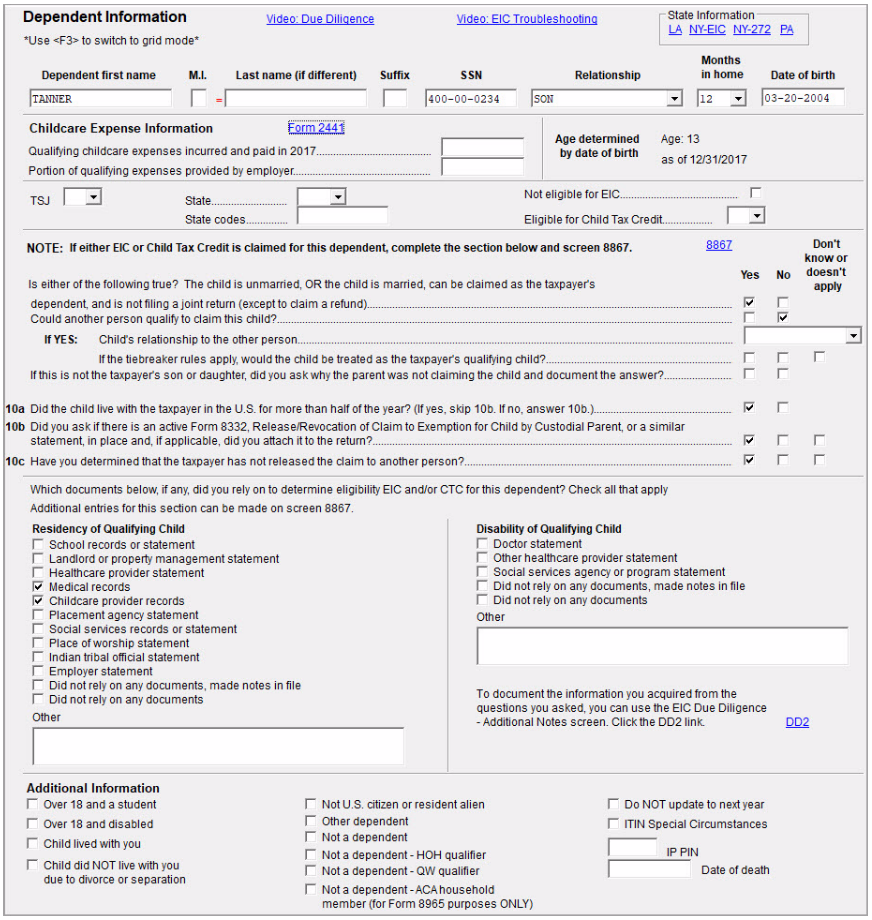


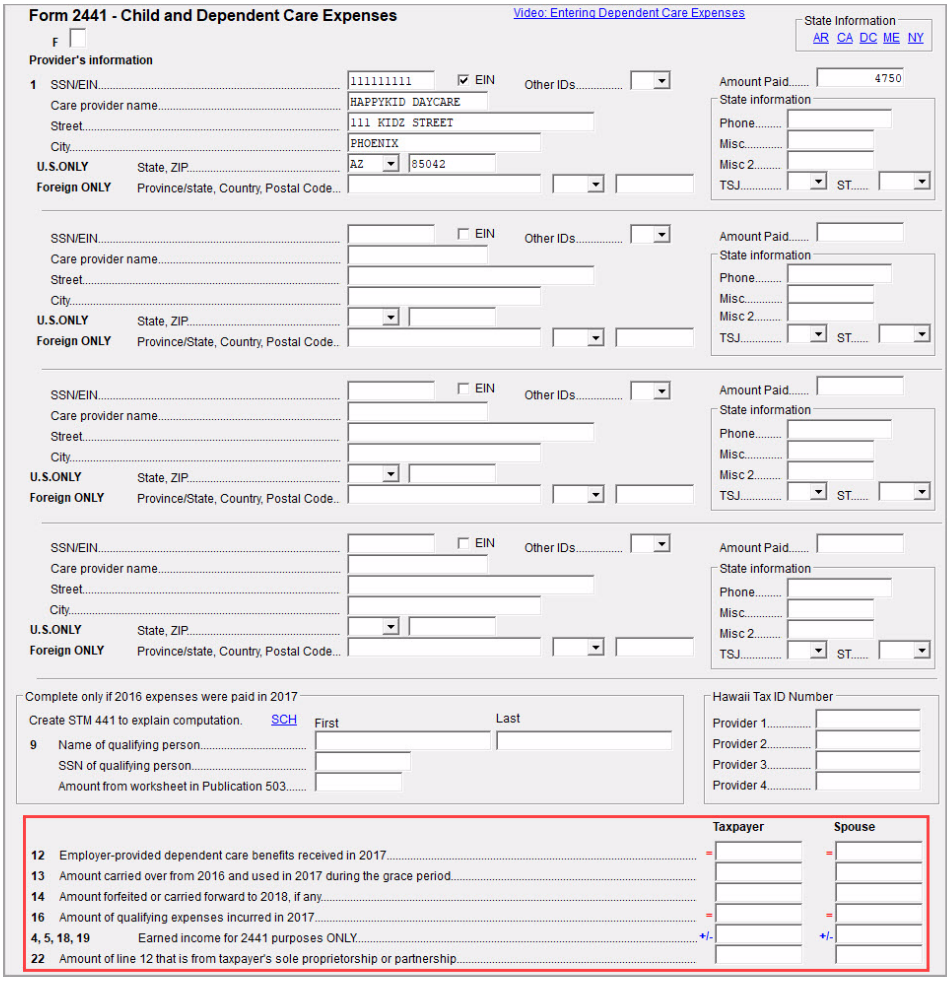
Figure 38: Dependent Screen *With* CTC



Child and Dependent Care Expenses

Child care expenses and information are entered on screen **2441**, the **Form 2441 — Child and Dependent Care Expenses** screen. Click the screen name to open the screen, or enter 2441 in the selector field and press ENTER. When entering child care expenses, make sure the expense amounts are listed on both the **Dependent Information** screen and the **2441** screen. Press ESC to return to the **Data Entry Menu**.

Figure 39: Screen **2441**, **Form 2441 - Child and Dependent Care Expenses**


Form 2441 - Child and Dependent Care Expenses

Video: Entering Dependent Care Expenses

State Information: AR CA DC ME NY

F

Provider's information

1 SSN/EIN: 111111111 ☑ EIN Other IDs Amount Paid: 4750
Care provider name: HAPPYKID DAYCARE
Street: 111 KIDZ STREET
City: PHOENIX
U.S.ONLY State, ZIP: AZ 85042
Foreign ONLY Province/state, Country, Postal Code
State information: Phone, Misc, Misc 2, TSJ, ST

SSN/EIN ☐ EIN Other IDs Amount Paid
Care provider name
Street
City
U.S.ONLY State, ZIP
Foreign ONLY Province/State, Country, Postal Code
State information: Phone, Misc, Misc 2, TSJ, ST

SSN/EIN ☐ EIN Other IDs Amount Paid
Care provider name
Street
City
U.S.ONLY State, ZIP
Foreign ONLY Province/State, Country, Postal Code
State information: Phone, Misc, Misc 2, TSJ, ST

SSN/EIN ☐ EIN Other IDs Amount Paid
Care provider name
Street
City
U.S.ONLY State, ZIP
Foreign ONLY Province/state, Country, Postal Code
State information: Phone, Misc, Misc 2, TSJ, ST

Complete only if 2016 expenses were paid in 2017
Create STM 441 to explain computation. SCH First Last
9 Name of qualifying person
SSN of qualifying person
Amount from worksheet in Publication 503

Hawaii Tax ID Number
Provider 1
Provider 2
Provider 3
Provider 4

	Taxpayer	Spouse
12 Employer-provided dependent care benefits received in 2017	=	=
13 Amount carried over from 2016 and used in 2017 during the grace period		
14 Amount forfeited or carried forward to 2018, if any		
16 Amount of qualifying expenses incurred in 2017	=	=
4, 5, 18, 19 Earned income for 2441 purposes ONLY	+/-	+/-
22 Amount of line 12 that is from taxpayer's sole proprietorship or partnership		

NOTE

Items **12** through **22** in screen **2441** are used for special situations regarding income requirements for the Child and Dependent Care Credit. Use Line **4**, **5**,**10**,**19** for adjustments (for example, a spouse has no income but is a full-time student and qualifies for the credit). Use the F1 field help if needed.

Education Credits

The Taxpayers are claiming the American Opportunity Credit for their daughter, Taytum, who completed two semesters of college as a full-time student in 2017. To access the **Forms 8863 & 8917 - Education Credits & Deduction** screen, enter 8863 or 8917 in the selector field and press ENTER (Figure 41). Use the following table to enter Taytum's education information, and after completing the screen, press ESC to return to the **Data Entry Menu.**

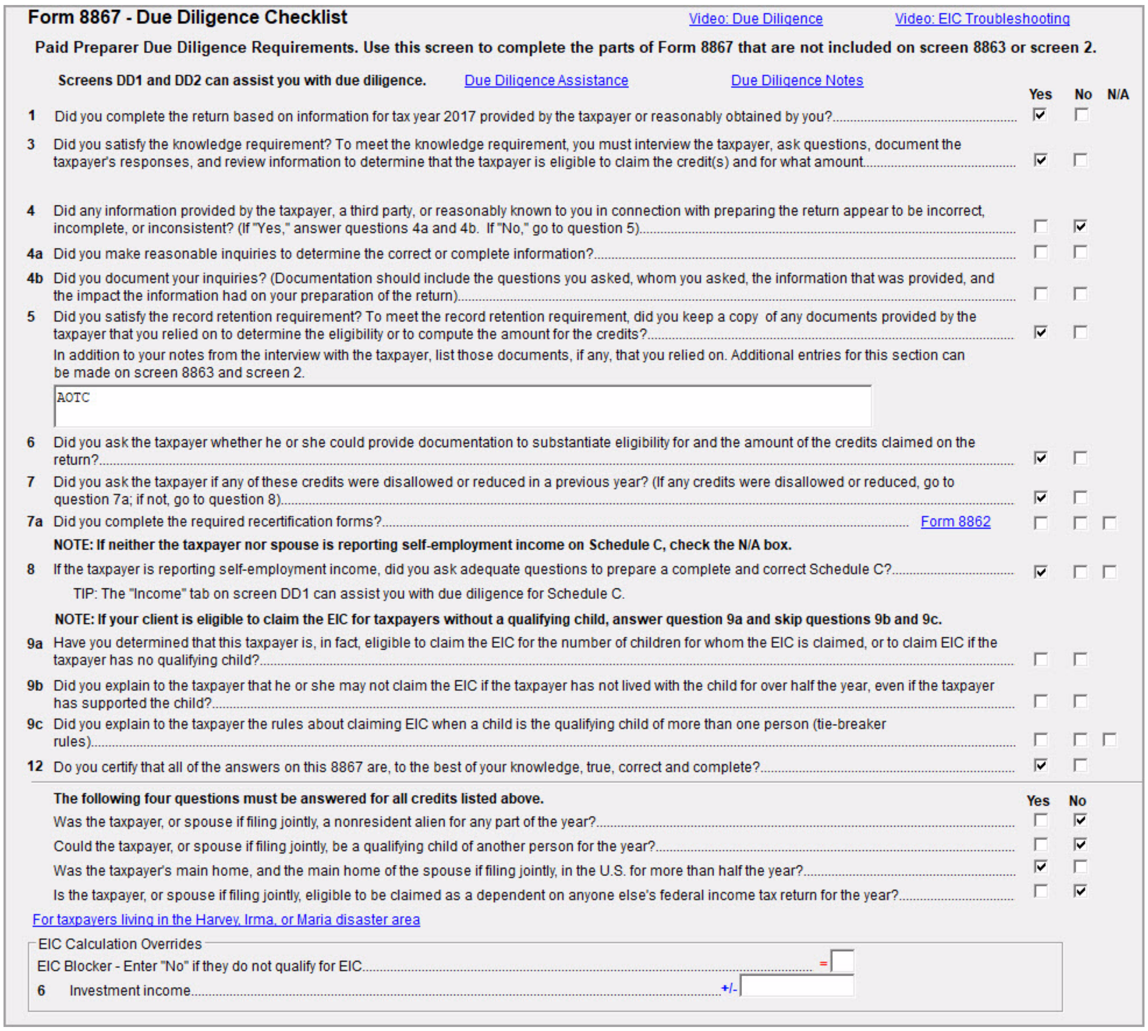
Fields	Data
TS	T
Student's SSN (select from drop list)	400000123
Student's first name	TAYTUM
Student's last name	TAXPAYER
Line 23 - Has the Hope Scholarship Credit or American Opportunity Credit been claimed for this student for a total of 4 times in any prior years?	NO
Line 24 - Was the student enrolled at least half-time for at least one academic period that began in 2017 at an eligible education institution in a program leading toward a post-secondary degree, certificate, or other recognized post-secondary educational credential?	YES
Line 25 - Did the student complete the first 4 years of post-secondary education before 2017?	NO
Line 26 - Was the student convicted before the end of 2017 of a felony for possession or distribution of a controlled substance?	NO
Years AOTC taken	1
Pursuing a degree?	YES
Total qualified education expenses (including the cost of books, supplies, and equipment that were required to be paid directly to the educational institution)	4000
Education benefit being claimed for this student	AOTC
Educational Institution EIN	99-9999999
Educational Institution Name	PHOENIXVILLE CENTRAL UNIVERSITY
Street	123 SCHOLAR STREET
ZIP code	85003
Did the student receive Form 1098-T from this institution for 2017?	YES
Did the student receive Form 1098-T from this institution for 2016 with box 2 filled in and box 7 checked?	NO
Line 5 - In addition to your notes, list any documents that you relied on. Additional entries for this section can be made on the 8867 screen	AOTC
Line 11 - Did the taxpayer provide substantiation, such as Form 1098-T and receipts, for the qualified tuition and related expenses for the claimed AOTC?	YES

NOTES

If a dependent's SSN is not displayed in the **Student's SSN** drop list, press CTRL+V to view the return, and CTRL+E to return to the 8863/8917 screen. The dependent's SSN should then be displayed in the **Student's SSN** drop list.

To place a checkmark in a checkbox, left-click the checkbox, or press the SPACEBAR, or press the X key.

Figure 40: Screen 8867 - Due Diligence Checklist



Form 8867 - Due Diligence Checklist Video: Due Diligence Video: EIC Troubleshooting

Paid Preparer Due Diligence Requirements. Use this screen to complete the parts of Form 8867 that are not included on screen 8863 or screen 2.

Screens DD1 and DD2 can assist you with due diligence. Due Diligence Assistance Due Diligence Notes

		Yes	No	N/A
1	Did you complete the return based on information for tax year 2017 provided by the taxpayer or reasonably obtained by you?	☑	☐	
3	Did you satisfy the knowledge requirement? To meet the knowledge requirement, you must interview the taxpayer, ask questions, document the taxpayer's responses, and review information to determine that the taxpayer is eligible to claim the credit(s) and for what amount	☑	☐	
4	Did any information provided by the taxpayer, a third party, or reasonably known to you in connection with preparing the return appear to be incorrect, incomplete, or inconsistent? (If "Yes," answer questions 4a and 4b. If "No," go to question 5)	☐	☑	
4a	Did you make reasonable inquiries to determine the correct or complete information?	☐	☐	
4b	Did you document your inquiries? (Documentation should include the questions you asked, whom you asked, the information that was provided, and the impact the information had on your preparation of the return)	☐	☐	
5	Did you satisfy the record retention requirement? To meet the record retention requirement, did you keep a copy of any documents provided by the taxpayer that you relied on to determine the eligibility or to compute the amount for the credits?	☑	☐	

In addition to your notes from the interview with the taxpayer, list those documents, if any, that you relied on. Additional entries for this section can be made on screen 8863 and screen 2.

AOTC

		Yes	No	N/A
6	Did you ask the taxpayer whether he or she could provide documentation to substantiate eligibility for and the amount of the credits claimed on the return?	☑	☐	
7	Did you ask the taxpayer if any of these credits were disallowed or reduced in a previous year? (If any credits were disallowed or reduced, go to question 7a; if not, go to question 8)	☑	☐	
7a	Did you complete the required recertification forms? Form 8862	☐	☐	☐

NOTE: If neither the taxpayer nor spouse is reporting self-employment income on Schedule C, check the N/A box.

		Yes	No	N/A
8	If the taxpayer is reporting self-employment income, did you ask adequate questions to prepare a complete and correct Schedule C?	☑	☐	☐

TIP: The "Income" tab on screen DD1 can assist you with due diligence for Schedule C.

NOTE: If your client is eligible to claim the EIC for taxpayers without a qualifying child, answer question 9a and skip questions 9b and 9c.

		Yes	No	N/A
9a	Have you determined that this taxpayer is, in fact, eligible to claim the EIC for the number of children for whom the EIC is claimed, or to claim EIC if the taxpayer has no qualifying child?	☐	☐	
9b	Did you explain to the taxpayer that he or she may not claim the EIC if the taxpayer has not lived with the child for over half the year, even if the taxpayer has supported the child?	☐	☐	
9c	Did you explain to the taxpayer the rules about claiming EIC when a child is the qualifying child of more than one person (tie-breaker rules)	☐	☐	☐
12	Do you certify that all of the answers on this 8867 are, to the best of your knowledge, true, correct and complete?	☑	☐	

The following four questions must be answered for all credits listed above.	Yes	No
Was the taxpayer, or spouse if filing jointly, a nonresident alien for any part of the year?	☐	☑
Could the taxpayer, or spouse if filing jointly, be a qualifying child of another person for the year?	☐	☑
Was the taxpayer's main home, and the main home of the spouse if filing jointly, in the U.S. for more than half the year?	☑	☐
Is the taxpayer, or spouse if filing jointly, eligible to be claimed as a dependent on anyone else's federal income tax return for the year?	☐	☑

For taxpayers living in the Harvey, Irma, or Maria disaster area

EIC Calculation Overrides

EIC Blocker - Enter "No" if they do not qualify for EIC =

6 Investment income +/-

NOTES

Taxpayers may be eligible to receive education credit on the federal return however, some states do not offer the credit and will add back the education credit to the state return.

Wages

To open the **W2** screen, enter W2 in the selector field and press ENTER. In the **TS** field, select "T" for taxpayer or "S" for spouse, depending on the W-2 being entered. After you press TAB to move to the next field, the corresponding taxpayer or spouse information automatically fills the **Employee name and address** fields.

While entering wages, notice that Drake fills boxes **3-6** and **16**, based upon the wages entered in box **1**. Enter the following employer information (Figure 42):

Press PAGE DOWN to create another **W2** screen and enter the following information:

Fields	Data
TS	S
EIN	45-4444444
Name	CENTRAL TUTORING CENTER
Street	123 EDUCATION AVENUE
ZIP	85003
Wages, tips	18327
Federal tax w/h	3065
ST	AZ
Employer's state ID number	51111111
State tax	735

Fields	Data
TS	S
EIN	54-3210123
Name	OUR NEIGHBORHOOD ELEMENTARY
Street	123 ELEMENTARY AVENUE
ZIP	85003
Wages, tips	29039
Federal tax w/h	4478
ST	AZ
Employer's state ID number	11111111
State tax	1512

Press ESC to return to the **Data Entry Menu**. Because data has been saved on two **W2** screens, a **(2)** appears in parentheses next to the screen name (Figure 42).

Figure 41: Data Entry Menu - Wages

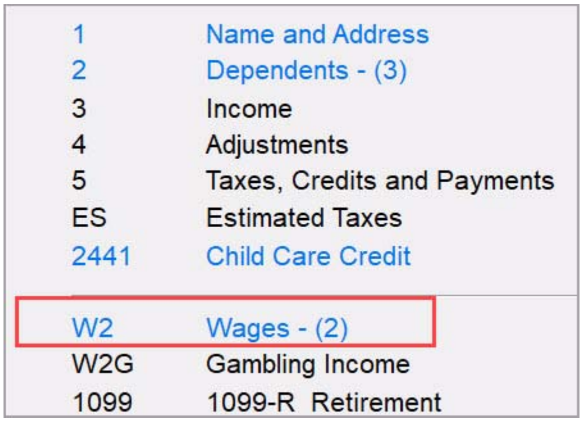
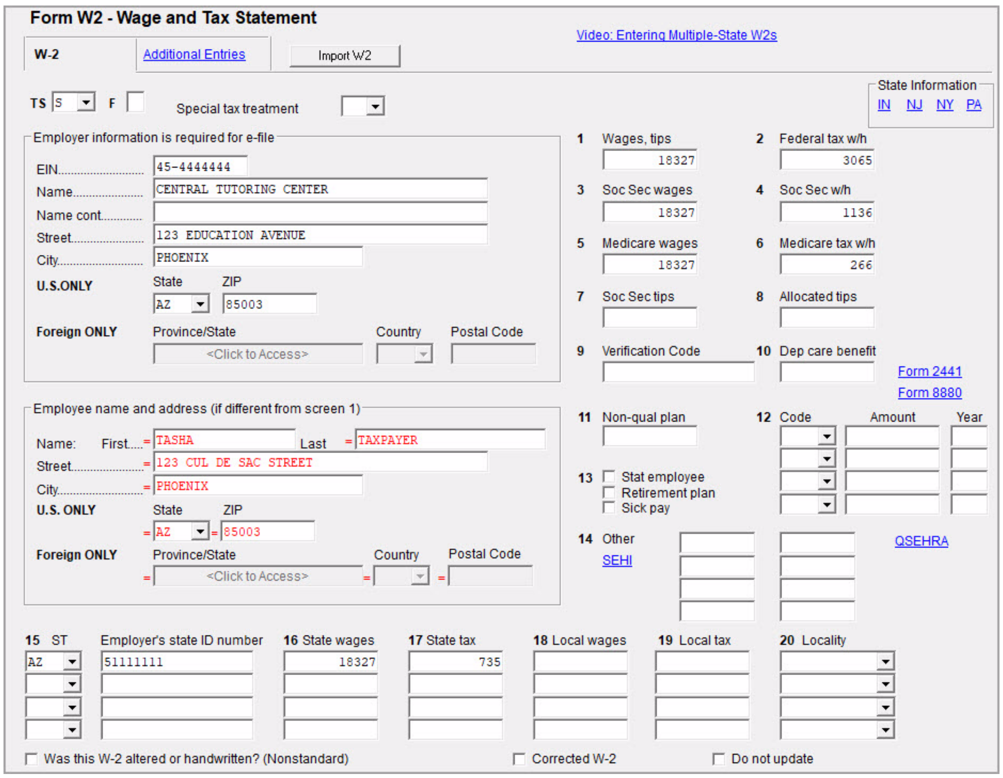
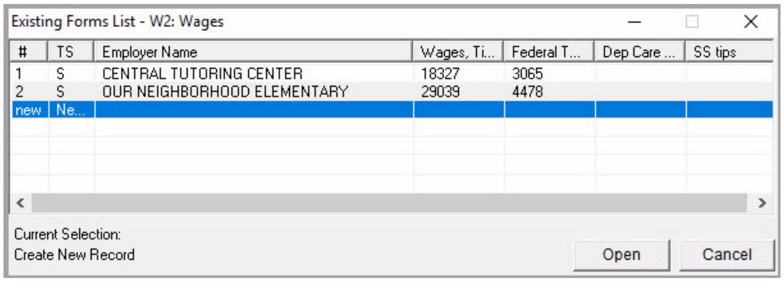


Figure 42: **W2** Screen



When the **W2** screen is opened again, an **Existing Forms List - W2: Wages** is displayed (Figure 43). To open a screen on the list, double-click a row or select a row and click **Open.** To open a new, blank screen**,** double-click the **New Record** row or select it and click **Open**.

Figure 43: **Existing W2 Forms List**



2D Barcode Scanning

For W-2 forms with a 2D barcode, the data on W-2 forms with a 2D barcode can be scanned directly into Drake (1040 package only). Open the program to the client's **Data Entry Menu** (*not* the **W2** screen) to scan the barcode; the scanned information is automatically entered on a new instance of the **W2** screen.

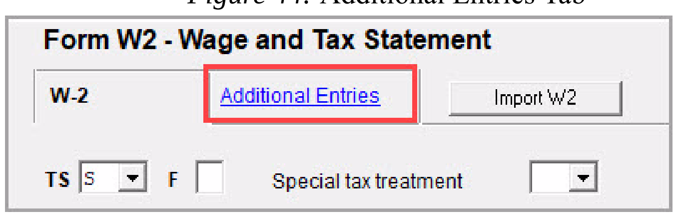
Most barcode scanners can be used, but Drake recommends the Honeywell/Metrologic MS1690 Focus.

For more information on how to use a 2D barcode scanner in Drake, see Chapter 5 of the *2017 Drake Tax User's Manual*. To view a short Drake video on using a 2D barcode scanner, go to the **Home** window, select **Support > Drake Software Video Tutorials,** select **1040 Data Entry** from the drop list, and click the play button for this video.

Additional Entries Tab

If the taxpayer has W-2 information from more than four states, click the **Additional Entries** tab at the top of the **W2** screen to access 10 more lines of data entry fields for box 15 of Form W-2 (Figure 44). There are also four more lines of data entry fields for boxes 12 and 14, and four lines for entering wages from Ohio school districts.

Figure 44: Additional Entries Tab



Interest Income

To enter interest income, type `INT` in the selector field and press ENTER. The **Schedule B — Interest Income** screen is opened in grid data entry. Click **Item Detail** or press F3 to access the detail screen (Figure 45).

NOTES

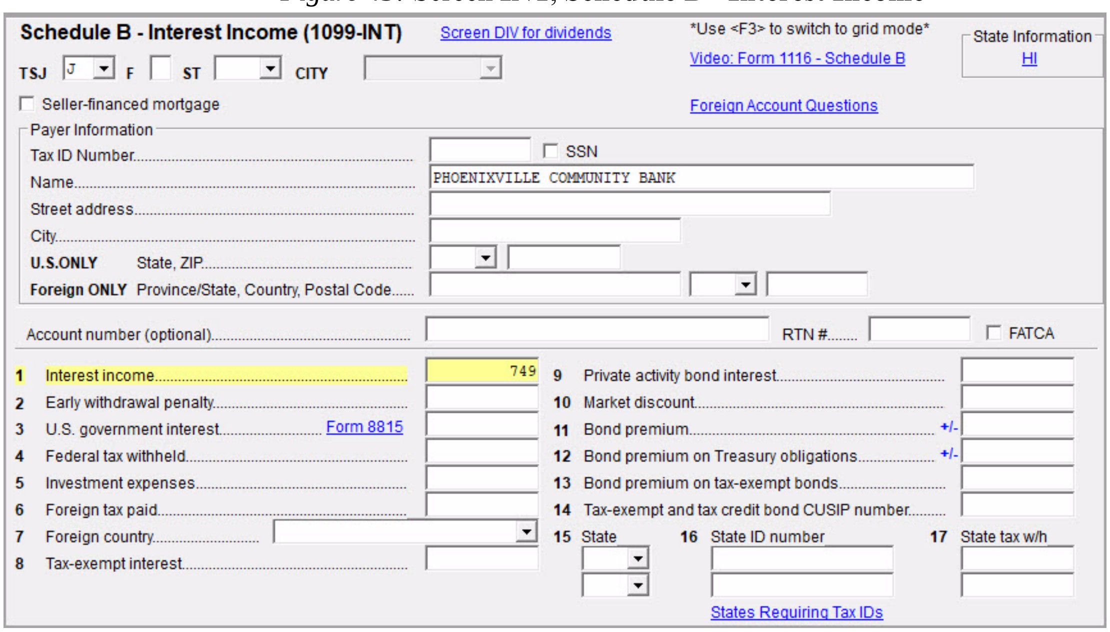
After the name of a financial institution has been entered once, the program automatically fills the name field the next time the first few letters are typed.

Dividend income is entered in the same manner as interest income. To open the **Schedule B - Dividend Income** screen, enter `DIV` in the selector field and press ENTER.

Enter the following information in the **Schedule B - Interest Income** screen:

Fields	Data
TS	J
Name of payer	PHOENIXVILLE COMMUNITY BANK
Interest income	749

Figure 45: Screen **INT**, **Schedule B - Interest Income**



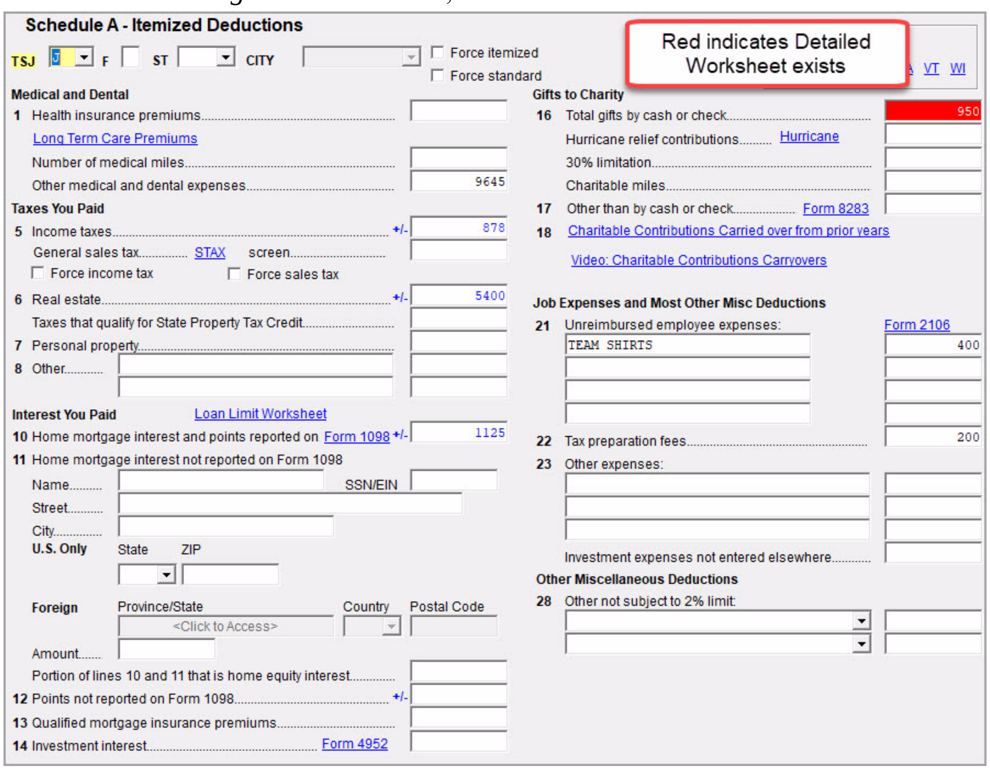
Press ESC twice to exit the screen and return to the **Data Entry Menu**.

Itemized Deductions

To open the **Schedule A - Itemized Deductions Schedule** screen, enter A in the selector field and press ENTER. This screen has the same lines and fields as IRS Schedule A (Form 1040). Enter the following information for the Taxpayers' itemized deductions (Figure 46).

Fields	Data
TSJ	J
Other medical and dental expenses	9645
Income Taxes	878
Real estate	5400
Home mortgage interest and points reported on Form 1098	1125
Total gifts by cash or check *(Press CTRL+W or double-click to create a worksheet; then press ESC to return to screen **A**)*	FOOD BANK - 500 HUMANE SOCIETY - 450
Unreimbursed Employee Expenses	TEAM SHIRTS - 400
Tax preparation fees	200

Figure 46: Screen **A**, **Schedule A - Itemized Deductions**



Press ESC to return to the **Data Entry Menu**.

NOTE Drake Tax uses the amounts entered on screen **A** to determine if it is more advantageous for the taxpayers to take the standard deduction or to itemize deductions. To override the program selection, select **Force itemized** or **Force standard** at the top of screen **A**.

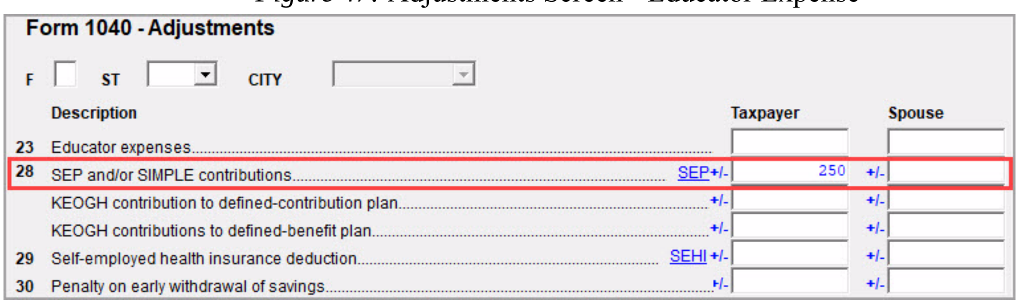
To force the Schedule A to be generated in View/Print mode, even if taking the standard deduction, go to the **PRNT** screen and select **Print Schedule A**.

ADJUSTMENTS

Michelle Taxpayer is eligible to report up to $250 expenses paid to purchase educational items as an education professional working in a primary school. To open the **Adjustments** screen, enter `Adj` in the selector field and press ENTER (Figure 47). Enter the following information in the Taxpayers' return.

Fields	Data
Line 23, Spouse Column	250

Figure 47: Adjustments Screen - Educator Expense



PROFIT OR LOSS FROM BUSINESS

To open the **Schedule C - Profit or Loss from Business** screen, enter C in the selector field and press ENTER (Figure 48). Enter the following information in the Taxpayers' return:

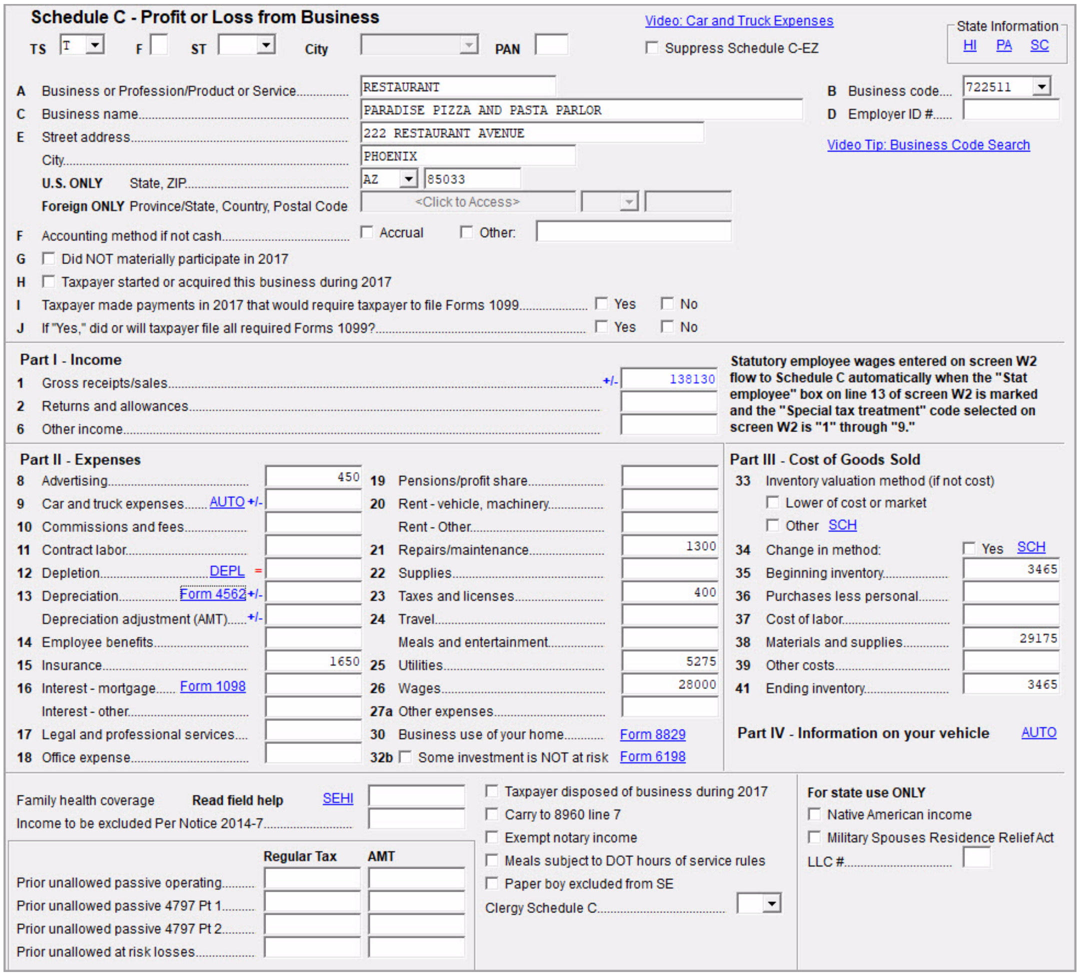
NOTE To search for business codes on line B, press CTRL+SHIFT+S to open a data entry search, enter restaurant in the **Please input search data** field, and click **Go**. Related business codes are listed and can be selected for entry.

Fields	Data
TS	T
Business or Profession/Product or Service	RESTAURANT
Business code	722511
Business name	PARADISE PIZZA AND PASTA PARLOR
Street address	222 RESTAURANT AVENUE
ZIP	85003
Accounting method if not cash	(no entry necessary)
Gross receipts/sales	138130

Part II - Expenses	Data
Advertising	450
Insurance	1650
Repairs/maintenance	1300
Taxes and licenses	400
Utilities	5275
Wages	28000

Part III - Cost of Goods Sold	Data
Inventory valuation method (if not cost)	(no entry necessary)
Beginning inventory	3465
Materials and supplies	29175
Ending inventory	3465

Figure 48: Screen **C**, **Schedule C - Profit or Loss from Business**

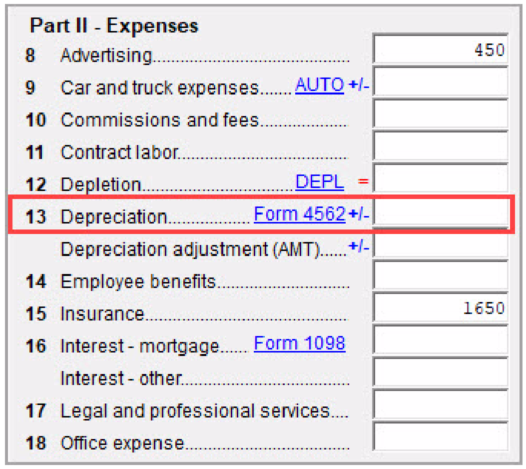


Press ESC to return to the **Data Entry Menu**.

DEPRECIATION

Drake Tax provides six data entry screens for depreciation. On the **Income** tab of the **Data Entry Menu**, the six screens are grouped in a section labeled **Depreciable Assets**. Selection options include screen **4562 - Depreciation Detail**, and five additional screens containing data entry fields for additional parts of Form 4562. The **4562** screen is usually the only screen needed for entering depreciation. Screens **6 – 9** are used to complete Form 4562 in situations where another fixed asset or depreciation program is used to account for fixed assets. Screen **10** is used to elect out of bonus depreciation. You can also access screen **4562** from the depreciation fields on screens **C**, **F**, and **E** by simply clicking the **Form 4562** link or double-clicking the field (Figure 49).

Figure 49: Depreciation Link to 4562

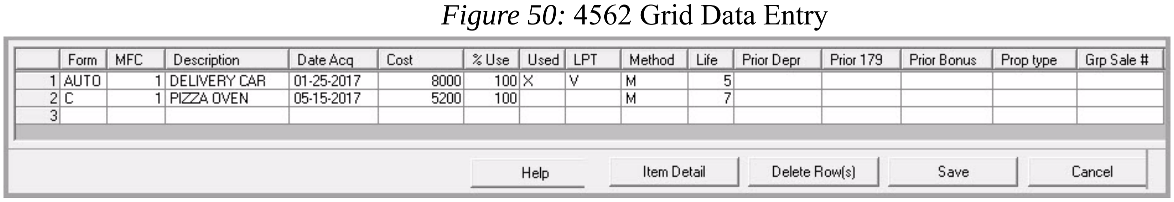


To generate a Form 4797, Sale of Business Property, complete the **If sold** section of the **4562** screen (Figure 50).The only required fields are **Date sold**, **Property type,** and **Sales price**. For the Taxpayers' return, there are two depreciable assets: Thomas's delivery vehicle and a new pizza oven. To open the **4562** screen, enter 4562 in the selector field and press ENTER. Enter the following information on the **4562** grid data entry screen:

Fields	Asset 1 - Data	Asset 2 - Data
Form	AUTO	C
Multi-Form Code	1	1
Description	DELIVERY CAR	PIZZA OVEN
Date Acquired	01-25-2017	05-15-2017
Cost	8000	5200
Business % Use	100	100
Used Prop	CHECKMARK	(Leave blank)
Listed Prop Type	V	(Leave blank)
Method	M	M
Life	5	7
Bonus Depreciation	leave blank	0

NOTE If there is an entry in any of the **Current-Year Mileage** fields on the **AUTO** screen (**Business**, **Commuting**, or **Other**), Drake figures the business use percentage for the vehicle on the **4562** screen.

Figure 50: 4562 Grid Data Entry



	Form	MFC	Description	Date Acq	Cost	% Use	Used	LPT	Method	Life	Prior Depr	Prior 179	Prior Bonus	Prop type	Grp Sale #
1	AUTO	1	DELIVERY CAR	01-25-2017	8000	100	X	V	M	5					
2	C	1	PIZZA OVEN	05-15-2017	5200	100			M	7					
3															

Now click **Item Detail** or press F3 to view the **4562** screen in full screen mode. To view each depreciable asset entered, press PAGE DOWN (Figure 51).

Figure 51: Item Detail for **4562** Screen

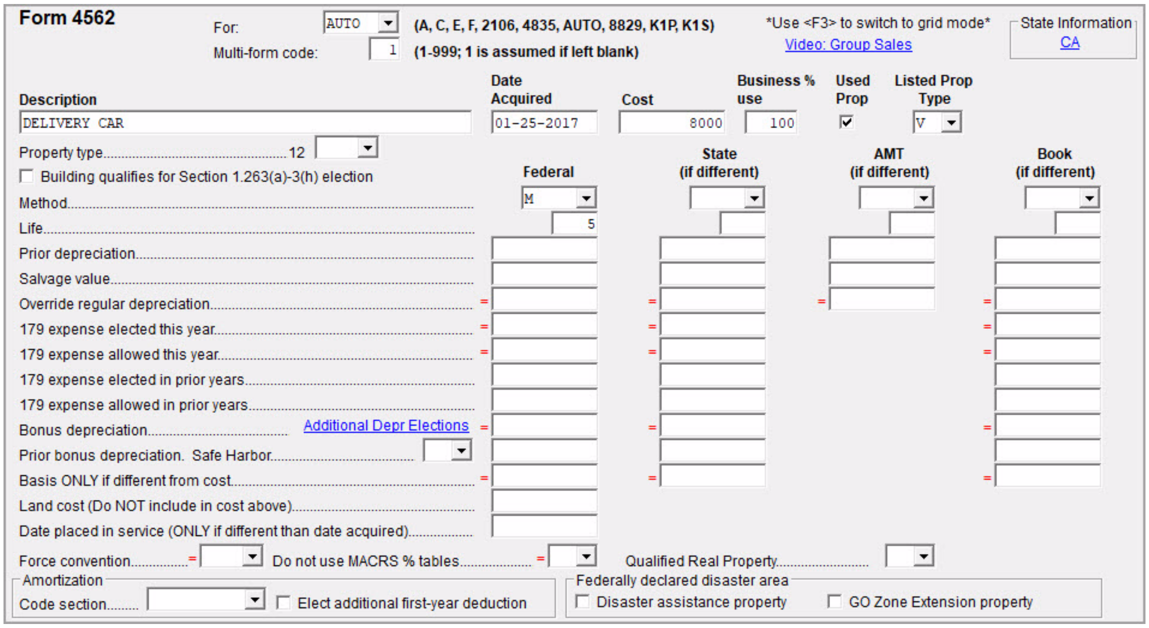
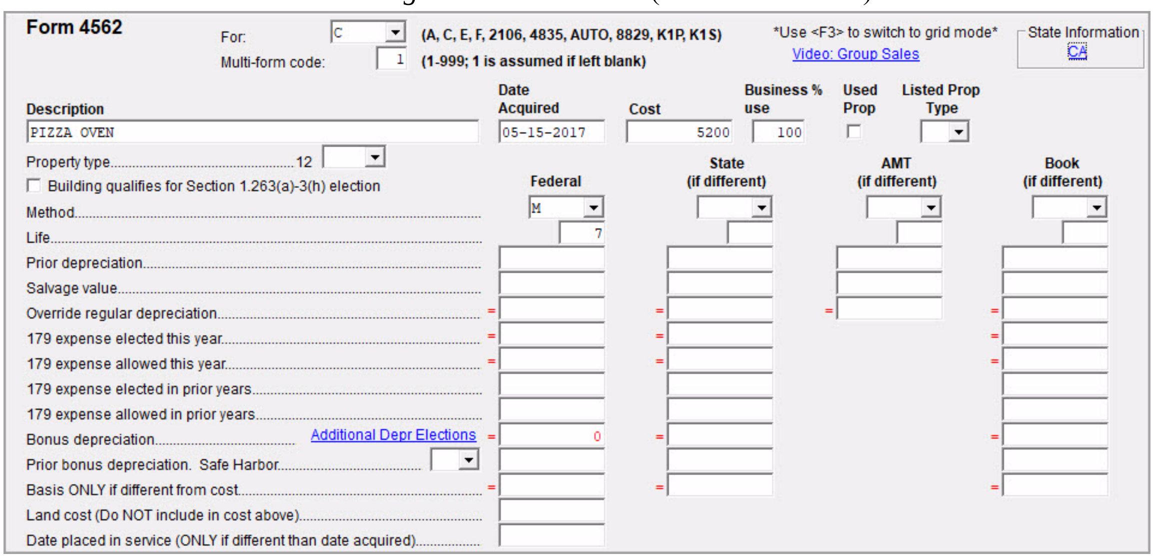
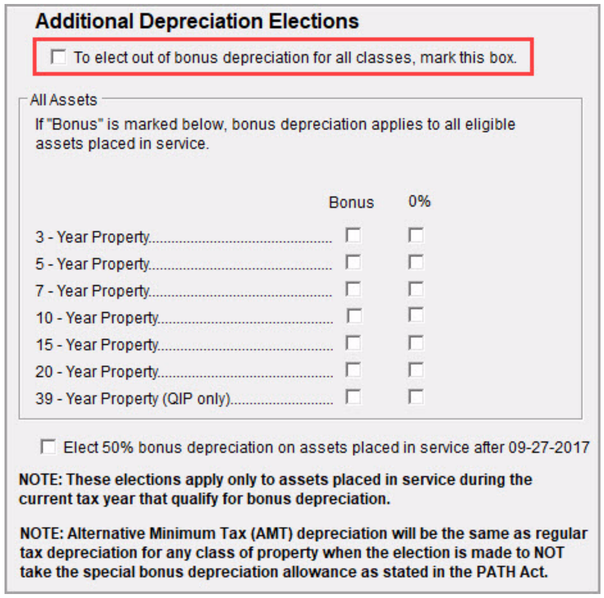


Figure 52: Item Detail (Full Screen View)



The Taxpayers will not elect out of bonus depreciation for the delivery car, but they will elect out of bonus depreciation for the pizza oven (see Figure 52). To elect out of 50% bonus depreciation per individual asset, enter a zero (0) on the **Bonus depreciation** line in the **4562** screen for that asset. When choosing to elect out of bonus depreciation for *all* assets, go to screen **10** (**Additional Depreciation Elections**). To open the **10** screen, enter `10` in the selector field and press ENTER. Check the box to elect out of 50% bonus depreciation for *all* assets placed in service for 2017. Screen **10** is also accessible from the **Additional Depr Elections** link on screen **4562** for that asset. The checkboxes in the **Form 4562** heading on the **ELEC** screen can be used for other Form 4562 elections. Press ESC to return to the **Data Entry Menu**.

Figure 53: Additional Depreciation Election



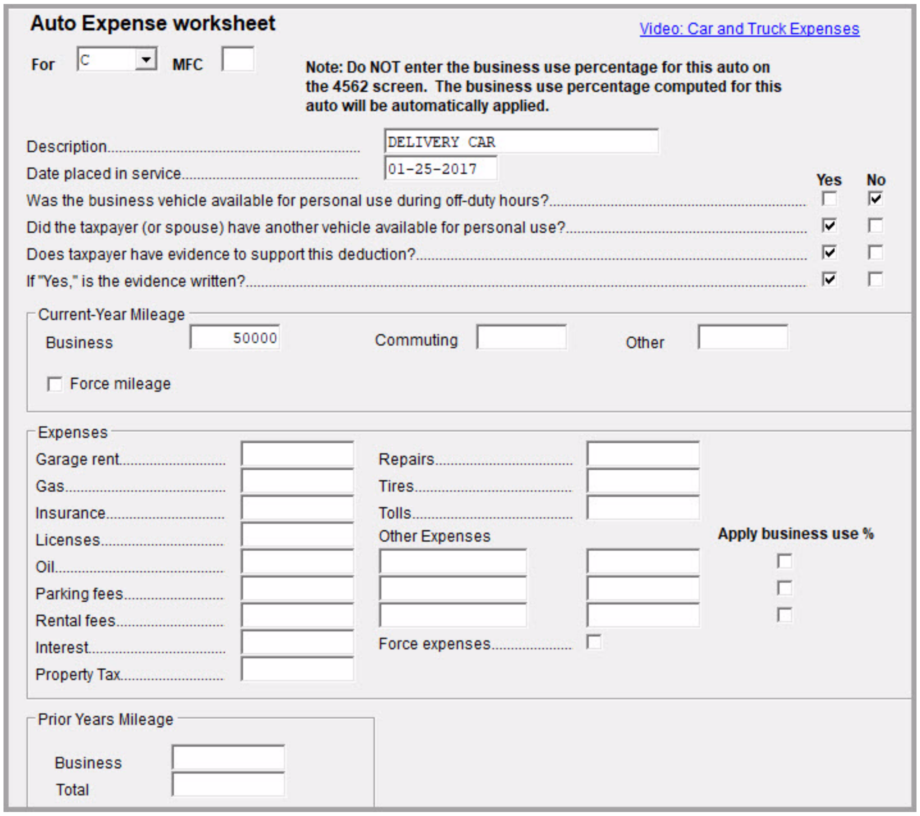
AUTO MILEAGE FOR SCHEDULE C

Information on the Thomas Taxpayer's delivery vehicle is entered on the **AUTO** screen to determine whether to take expenses or mileage on this asset. Type AUTO in the selector field and press ENTER to open the **AUTO** screen. Enter the mileage information from the following table on the **Auto Expense worksheet** screen (Figure 54).

The vehicle was used primarily by the owner and was not available for personal use. Thomas maintains a written policy prohibiting personal use of the vehicle and has written evidence to support the miles driven. Choose to let the software determine the mileage rate.

Fields	Delivery Vehicle Data
For	C
Description	DELIVERY CAR
Date placed in service	01-25-2017
Was the business vehicle available for personal use during off-duty hours?	NO
Did the taxpayer (or spouse) have another vehicle available for personal use?	YES
Does the taxpayer have evidence to support this deduction?	YES
If "Yes," is the evidence written?	YES
Current-Year Mileage: Business	50000

Figure 54: **AUTO** Screen, **Auto Expense Worksheet** (for Schedule C)



Press ESC to return to the **Data Entry Menu**.

Election Options

The **ELEC** screen has checkboxes to indicate “elections” from the Internal Revenue Code. If any boxes on this screen are selected, the program generates an “ELECTION” page listing the elections when the return is viewed. To attach an additional statement detailing an election, go to the **SCH** screen and select **E – Election Explanation** for the type of schedule.

Due Diligence Checklist and Assistance Screens

The IRS requires tax return preparers complete Form 8867, Paid Preparers’ Earned Income Credit Checklist, for all taxpayers applying for Earned Income Credit (EIC). Use the Due Diligence screens in Drake Tax to record and retain inquiries made of taxpayers to ensure that they meet EIC and other credit eligibility requirements.

Questions on screen **8867** cover the **Earned Income Credit** (**EIC**), the **Child Tax Credit** (**CTC**) and **Additional Child Tax Credit** (**ACTC**), and the **American Opportunity Tax Credit** (**AOTC**). To open this screen, enter `8867` in the selector field and press ENTER.

Answer the applicable questions and the program will mark the proper forms for whichever credits the taxpayer is claiming. In Thomas and Tasha Taxpayer’s return scenario, the adjusted gross income is over the limit to qualify for the Earned Income Credit (Figure 55).

The **Due Diligence Assistance** screen (**DD1**) provides supplemental questions to help ensure a more comprehensive interview with each taxpayer. Screen **DD1** is a tabbed screen, with a tab for answering qualifying child questions, income questions, and for Head of Household questions. While the IRS does not require answers to these supplemental questions to be submitted with the return, these screens provide a means of collecting valuable supporting documentation in case of a due diligence audit.

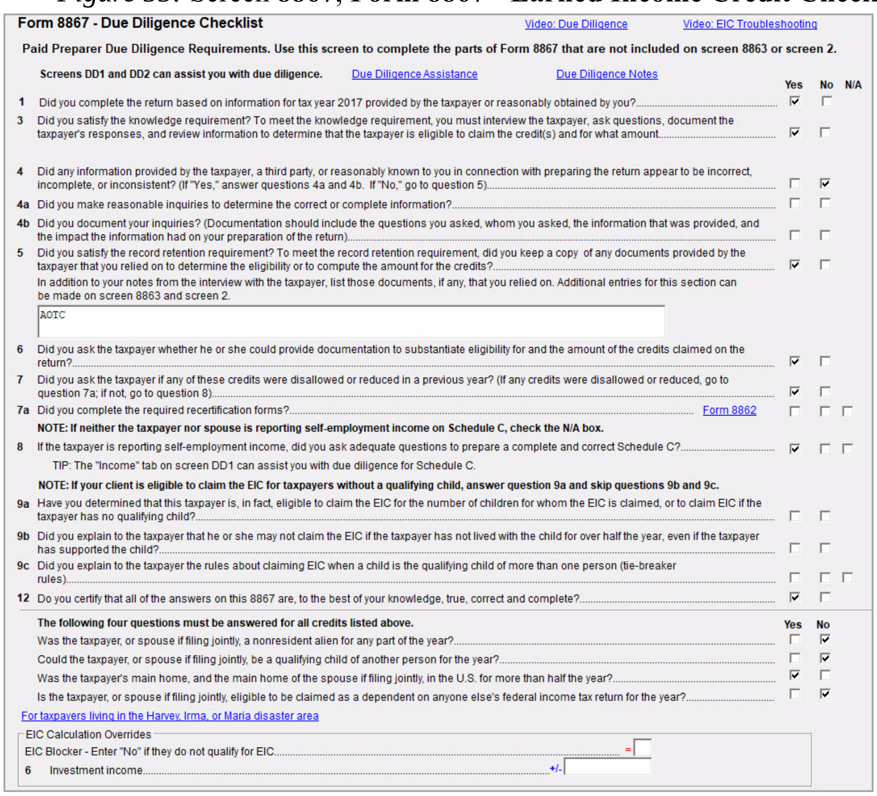
Screen **DD2**, **Due Diligence Notes**, provides a place to record information unique to each client and provides additional supporting documentation in case of a due diligence audit.

The **DD1** and **DD2** screens are supplemental to the required **Due Diligence Checklist** (**8867** screen), but you can require that the screens be completed with each Form 8867. In the **Home** window menu bar, select **Setup** > **Options** > **Administrative Options** tab and select **Require due diligence assistance screens to be completed** (or on a per-return basis, open the **PRNT** screen and select **Print DDASSIST**).

In some cases, a taxpayer may not be eligible for EIC, even though the information on the tax return indicates otherwise. To block the program from calculating EIC, type NO into the **EIC Blocker** in the **Additional EIC Information** section of the **8867** screen.

See **Screen Help**, **FAQs** and online help for further information and links to IRS documents and other resources related to these requirements.

Figure 55: Screen **8867**, **Form 8867 - Earned Income Credit Checklist**



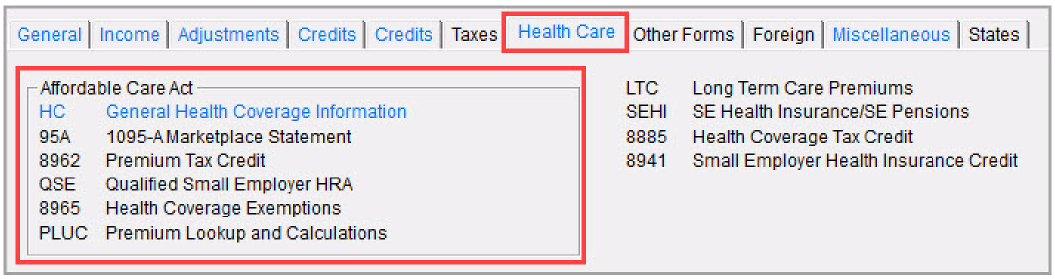
AFFORDABLE CARE ACT

Under the provisions of the Affordable Care Act (ACA), all Americans must have healthcare coverage, and the federal government, state governments, insurers, employers, and individuals share the responsibility for paying for that coverage. Those who don't have coverage may be exempt from coverage or be liable for penalties. The information about taxpayers' healthcare coverage is reported on their annual 1040 returns.

Health Care Tab and Screens

The **Health Care** tab on the **Data Entry Menu** includes five screens to help you complete the ACA information and forms for your clients (Figure 56).

Figure 56: A **healthcare** tab has been added to the **Data Entry Menu**



The screens and their uses are as follows:

- Screen **HC** — For general healthcare coverage information: whether or not the taxpayer and his or her "tax household" had coverage and whether or not any coverage was through the Marketplace.
- Screen **95A** — Used to complete Form 8962, to calculate the amount of the Premium Tax Credit, and reconcile that amount with any Advance Payment Tax Credit paid. (This information is available from the taxpayer's Form 1095-A, Health Insurance Marketplace Statement).
- Screen **8962** — Used in special circumstance (married taxpayer seeking relief from the requirement to file a joint tax return in order to claim the Premium Tax Credit; taxpayer moved to or from Alaska or Hawaii during the tax year; taxpayer is using alternative calculation for year of marriage.
- Screen **8965** — Use for reporting exemptions from purchasing healthcare coverage or paying the resulting penalty for noncompliance.
- Screen **PLUC** — Use the **Premium Lookup and Calculation** (**PLUC**) screen for looking up the second-lowest cost Silver and lowest Bronze plans, auto-filling the necessary fields on screen 8965 for each member of the tax household, and completing a Marketplace Coverage Affordability Worksheet (WK_89654), which computes what insurance coverage would have cost if the taxpayer or anyone in his or her tax household was not covered during the year.

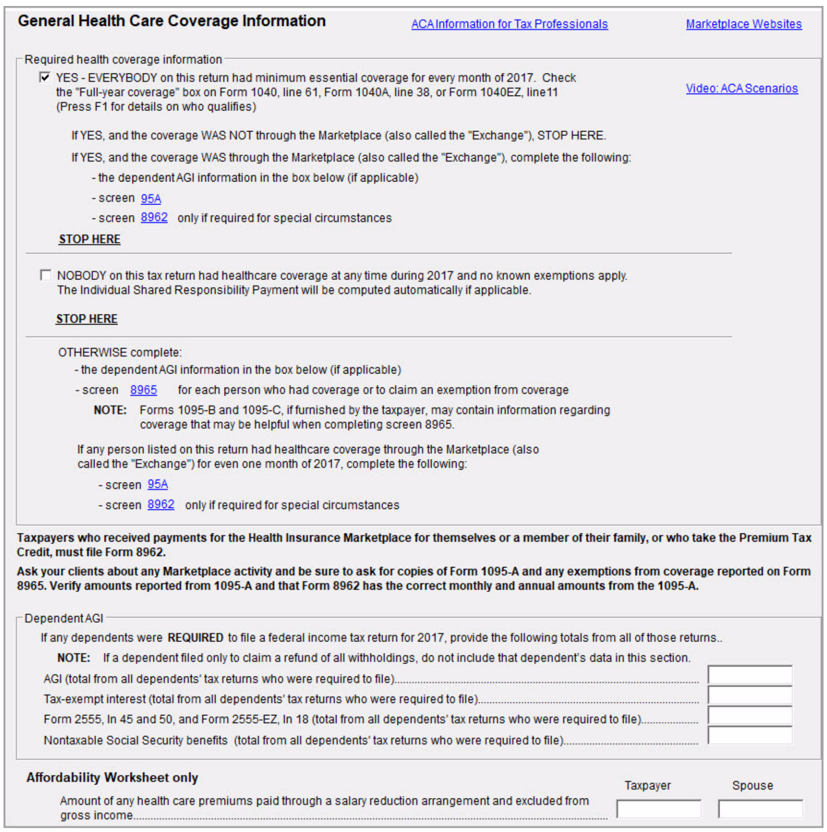
In addition to information available in Chapter 5 of the *2017 Drake Tax User's Manual*, Drake Software has also produced the following ACA Reference Guides:

- ACA Reference Guide
- ACA Quick Reference Guide
- ACA Employer Mandate Quick Reference Guide

The Taxpayer family had healthcare coverage for the entire year through Tasha's job as a schoolteacher, so the **HC** screen is the only screen that needs to be completed (Figure 57). To open this screen, enter HC in the selector field and press ENTER. Select the **YES** box at the top of the screen. This causes the **Full-year coverage** box on line 61 of the Form 1040 to be selected when the return is calculated.

Press ESC to return to the **Data Entry Menu**.

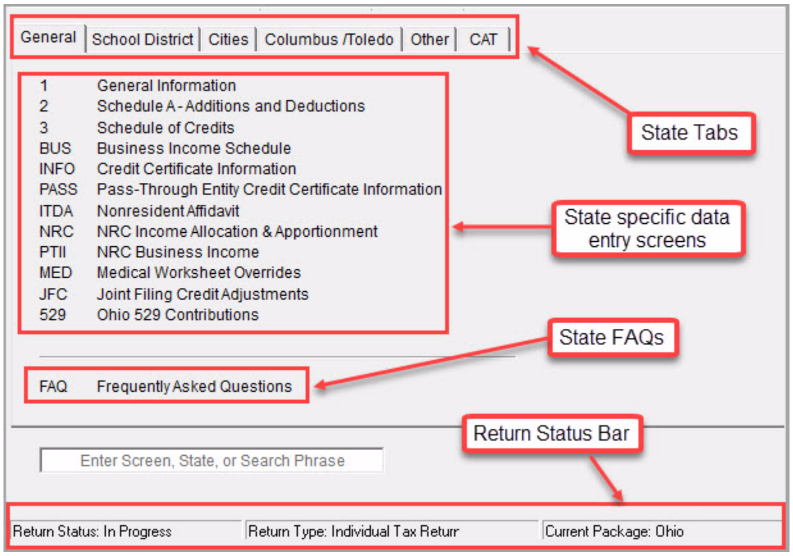
Figure 57: **HC** Screen



STATE AND CITY RETURNS

When a return is prepared, Drake Tax automatically generates state returns based on data entered for the federal return. Calculation is based on the state entered on screen **1** for resident state and on the state codes indicated on other forms (W-2, Schedule C, 1099, Schedule B, etc). Click the **States** tab in data entry to view a list of states. Click any state from the list or enter the two-letter state code in the selector field to access the **Data Entry Menu** for that state. For states that To access city screens (if applicable) enter a city code into the selector field, or select the **Cities** tab inside that state's **Data Entry Menu**. In Figure 58 the Ohio Data Entry Menu includes a **School District** tab, **Cities Tab**, and others. The status bar at the bottom of each **Data Entry Menu** supplies you with return specific information such as the return status, return type, and current package.

Figure 58: State (Ohio) Data Entry Menu



Schedule K-1

Screens for Schedule K-1 can be accessed from the **Income** tab of the federal **Data Entry Menu**. The program contains three types of **K1** screens: **K1P** for partnership income; **K1S** for S corporation income; and **K1F** for fiduciary income. Enter information directly on a **K1** screen, or export K-1 information from the return of a pass-through entity (such as a partnership or S corporation) into an individual return.

These screens are not applicable for the Taxpayers' return.

Estimated Taxes

Use the **ES** screen, **Form 1040-ES - Estimated Tax Payments**, to enter by quarter, the 2016 overpayment that was applied to 2017, estimated taxes paid for 2017, and to e-file state estimated tax payments and vouchers for states that allow it. Although many estimated tax calculations are automatic in Drake Tax, the ES screen can be used to make other necessary entries or overrides. Type ES in the selector field and press ENTER to open the **ES** screen.

The **ES** screen is divided into **Federal** and **State and City** sections, which are divided into two columns, one for **Estimated Tax Payments Already Paid for This Year** and one for **Estimated Tax Payments to be Paid for Next Year**. If you have multiple states and cities, press PAGE DOWN to open additional **ES** screens.

Estimated Taxes Already Paid

Use the **Estimated Taxes Already Paid for This Year** column to enter the overpayment that was applied from the previous year and, by quarter, the estimated taxes already paid for this year. The standard estimate payment dates are automatically applied in Drake Tax. If any of these dates are different, enter the correct dates in the applicable override fields.

The Taxpayers' made four estimated payments for 2017, each payment was made on the standard due date. Use the following table to enter their payments in the ES screen.

Quarter	Amount
1st Qtr.	250
2nd Qtr.	250
3rd Qtr.	250
4th Qtr.	250

Estimated Taxes to be Paid

Use the **Estimated Taxes To Be Paid for Next Year** column to enter the amount of overpayment to apply to next year and, by quarter, the amount desired on each payment voucher. Select the appropriate estimated tax and overpayment codes in the **ES Code** and **OP Code** fields, respectively.

Printing Estimate Vouchers

Drake Tax calculates the balance due and generates this year's payment vouchers (Form **1040-V**). Drake Tax also calculates and generates estimate vouchers for next year's payment by default, unless **N – Prevents vouchers from being printed** is selected from the **ES Code** drop list. Click the **ES Code** field and press F1 to see the codes and their descriptions. All vouchers include the taxpayer's SSN, name, and address.

Making Estimated Tax Payments

Make *federal* estimated tax payments by debit card or credit card using the Drake e-Payment Center at *1040paytax.com*. See the link at the top of the **ES** screen. Both *federal* and *state* estimated tax payments can be made through the **PMT** screen. Use the **PMT** link on the right side of the **ES** screen.

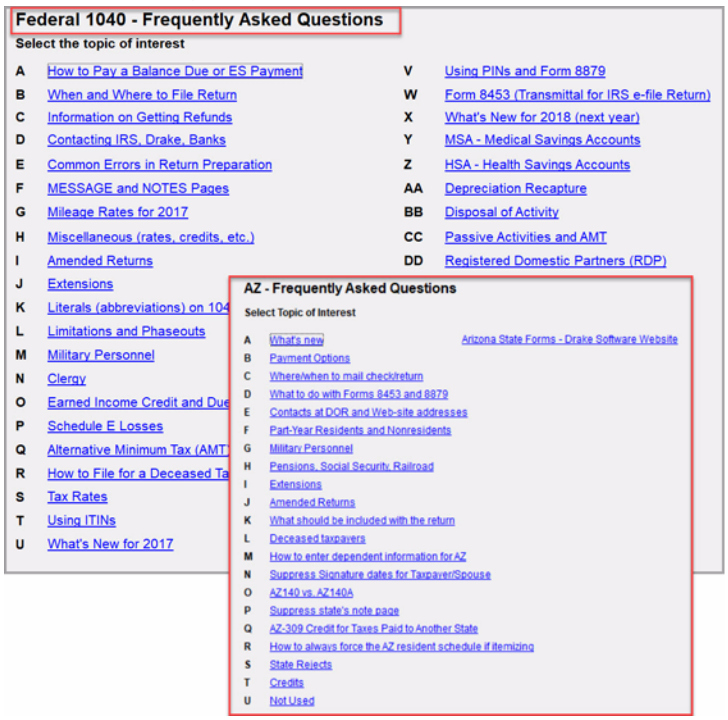
Review

The Taxpayers' return will not require any more entries for this exercise. The remaining sections discuss the use of other commonly used screens such as amendment screen **X** (**1040X**), **DD** (**Direct Deposit**) screen, **EXT** (**Extension**) screen, and more. The next two chapters, "Calculate, View, & Print the Return" on page 109 and "E-file the Return" on page 129, continue basic 1040 return completion and e-file in Drake Tax. For more individual return practice scenarios, see "Practicing e-Filing" on page 138 and "Practice Returns" on page 241.

FAQ Screen

The **FAQ** screen is a great resource for federal-, state-, and city-specific information. On the federal, state, or city **Data Entry Menu**, click the **FAQ** screen or enter FAQ in the selector field and press ENTER. Click to view the desired topic.

Figure 59: Federal and State **FAQ** Screens



Direct Deposit

Use the **DD** (**Direct Deposit Information**) screen for direct deposits of IRS refunds into the taxpayer's checking or savings account. To access the **Direct Deposit Information** screen, enter DD in the selector field and press ENTER. (Figure 60).

Taxpayers can elect to deposit their federal refund directly into up to three checking or savings accounts. If the federal refund is to be deposited into more than one account, the program generates Form 8888, Allocation of Refund (Including Savings Bond Purchases). This form can be paper-filed or e-filed. If only one account is entered, direct deposit information for the single account is printed on lines 76b, 76c, and 76d of the 1040.

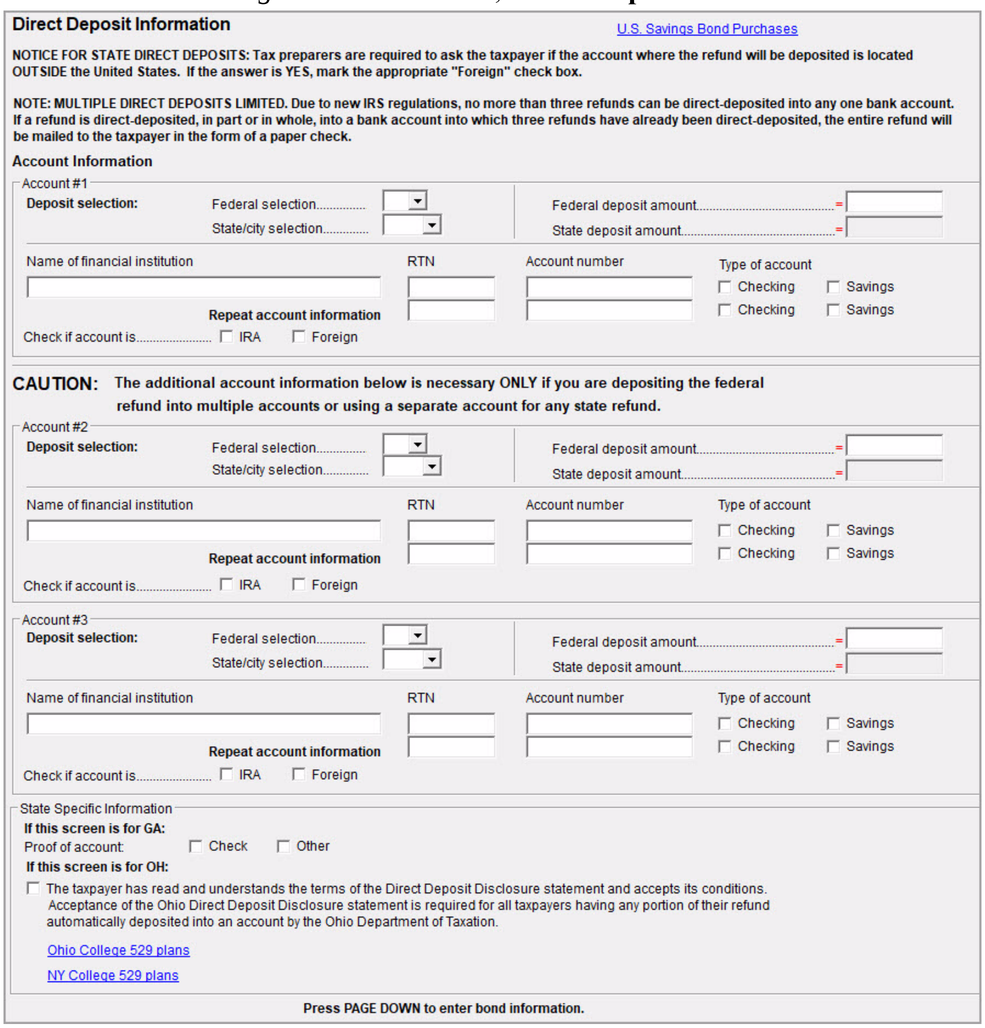
State refund direct deposits are also entered on the **DD** screen. Not all states provide direct deposit of refunds, nor do all states offer splitting the refund deposit into separate accounts. Only eligible states and cities are available from the **State/city selection** fields on the **DD** screen. If these fields are left blank, no state or city refund will be deposited into an account.

NOTES

Do *not* use this screen to enter direct deposit information related to bank products. Use the applicable bank screen to apply for bank products.

If the taxpayer chooses to purchase Series I Savings Bonds from all or part of his or her tax refund, enter the information on the **BOND** screen. To open the **BOND** screen from the **DD** screen, click the link at the top of the screen or press PAGE DOWN.

Figure 60: **DD** Screen, **Direct Deposit Information**



Direct Deposit Information

U.S. Savings Bond Purchases

NOTICE FOR STATE DIRECT DEPOSITS: Tax preparers are required to ask the taxpayer if the account where the refund will be deposited is located OUTSIDE the United States. If the answer is YES, mark the appropriate "Foreign" check box.

NOTE: MULTIPLE DIRECT DEPOSITS LIMITED. Due to new IRS regulations, no more than three refunds can be direct-deposited into any one bank account. If a refund is direct-deposited, in part or in whole, into a bank account into which three refunds have already been direct-deposited, the entire refund will be mailed to the taxpayer in the form of a paper check.

Account Information

Account #1

Deposit selection: Federal selection.............. State/city selection............ Federal deposit amount.............. State deposit amount..............

Name of financial institution — RTN — Account number — Type of account: Checking / Savings; Checking / Savings

Repeat account information

Check if account is.................. IRA Foreign

CAUTION: The additional account information below is necessary ONLY if you are depositing the federal refund into multiple accounts or using a separate account for any state refund.

Account #2

Deposit selection: Federal selection.............. State/city selection............ Federal deposit amount.............. State deposit amount..............

Name of financial institution — RTN — Account number — Type of account: Checking / Savings; Checking / Savings

Repeat account information

Check if account is.................. IRA Foreign

Account #3

Deposit selection: Federal selection.............. State/city selection............ Federal deposit amount.............. State deposit amount..............

Name of financial institution — RTN — Account number — Type of account: Checking / Savings; Checking / Savings

Repeat account information

Check if account is.................. IRA Foreign

State Specific Information

If this screen is for GA:

Proof of account: Check Other

If this screen is for OH:

The taxpayer has read and understands the terms of the Direct Deposit Disclosure statement and accepts its conditions. Acceptance of the Ohio Direct Deposit Disclosure statement is required for all taxpayers having any portion of their refund automatically deposited into an account by the Ohio Department of Taxation.

Ohio College 529 plans

NY College 529 plans

Press PAGE DOWN to enter bond information.

Electronic Payment Options

Electronic payments can be made by credit card, debit card, or electronic funds withdrawal (direct debit).

Pay Balance Due with Credit or Debit Card

Drake Tax offers two options for paying a balance due with a credit or debit card (MasterCard®, Visa®, American Express®, or Discover®):

- **Integrated File and Pay (IFP)** — Complete the taxpayer's return and *then* complete the **IFP** screen (accessible on the **Miscellaneous** tab). On the **IFP** screen, select the form (1040 or 4868) associated with the payment. Then click the **Authorize Credit Card** button, enter the card information, and submit the authorization. The credit or debit card is charged *after* the e-filed return is accepted by the IRS.

  Important: If the return is rejected, or not accepted within 21 days of card payment authorization, the authorization is automatically cancelled. You must then complete the authorization step *again* prior to retransmitting the return.
- **Drake e-Payment Center** — Taxpayers can use the Drake e-Payment Center, located at *1040paytax.com*, to pay a balance due by debit or credit card *after* the return has been filed. This website can also be used to pay quarterly estimated tax payments, prior-year balances, installment agreements, and some business taxes.

Electronic Funds Withdrawal (Direct Debit)

Use the **PMT** screen, accessible on the **General** tab, to pay federal and state taxes due through electronic withdrawal from the taxpayer's bank account. Separate accounts can be designated for federal and state payments. To access the **Electronic Funds Withdrawal Information** screen, enter PMT in the selector field and press ENTER.

Signing the Return

An e-filed tax return must contain electronic signatures of the taxpayers and the ERO in order to be accepted. Electronic signatures are produced using PINs.

Form 8879

Form 8879, an electronic signature document used to authorize e-file, allows taxpayers to select a PIN signature. It also authorizes the ERO to enter the taxpayers' PIN signatures authorizing electronic funds withdrawal (direct debit) for tax payments.

NOTE The signed Form 8879 does not have to be mailed to the IRS. It must instead be retained by the ERO for three years. See Form 8879 instructions for more information.

Use the **PIN** screen, accessible on the **General** tab, to electronically sign the return and produce Form 8879, IRS e-file Signature Authorization. See "Signing the Return Electronically" on page 130 for instructions on completing the PIN signatures for the Taxpayers' return.

EF Override Options

By default, the program designates all eligible federal and state forms for e-file. Use the **EF** screen, accessible on the **General** tab, to override program defaults on a per-return basis.

The **EF** screen allows you to suppress federal and state e-file on a per-return basis. For more information on the **EF** screen, see "Designating EF Options" on page 131.

Bank Products

Bank products are available through EPS Financial, Refund Advantage, Refundo, Republic Bank & Trust, River City Bank, and Tax Products Group. Indicate the bank you use for bank products in **Setup > Firms**.

Once you select a bank in **Firm Setup**, the corresponding bank screen is activated. Enter bank information on the **EPS** (EPS Financial), **RA** (Refund Advantage), **RF** (Refundo), **RB** (Republic Bank & Trust), **RCB** (River City Bank), or **TPG** (Tax Products Group) screen, as applicable. Do *not* enter information on the **DD** (**Direct Deposit Information**) screen if you are entering information on a bank screen.

IRC Section 7216 Regulations

Internal Revenue Code (IRC) section 7216 contains regulations for tax return preparers regarding the use and disclosure of their clients' tax information to third parties, such as banks.

The IRC section 7216 regulations are explained to the taxpayer through the *Consent to Use of Tax Return Information*, which can be found in the **USE** screen. The taxpayer (and spouse, if filing Married Filing Jointly) must sign the consent form before the return is prepared. We will not complete this information for the Taxpayers' return in this exercise.

The *Consent to Disclosure of Tax Return Information* contains banking-option information and explains the IRC section 7216 regulations to the taxpayer. It must be signed and dated by the taxpayer (and spouse, if filing Married Filing Jointly) *before the return is e-filed* and the information submitted to a third party, such as a bank. If a bank product has been selected on a bank screen, the software generates this form automatically when the return is viewed. This can be found in the **DISC** screen.

Since none of the Taxpayers' tax information will be disclosed to a third party, we will bypass the *Consent to Disclosure of Tax Return Information Form*.

Drake Tax offers several options for making these forms available to your clients, including printing forms in batches and having clients provide their signatures electronically in their returns. For detailed instructions, see Chapter 7 of the *2017 Drake Tax User's Manual*.

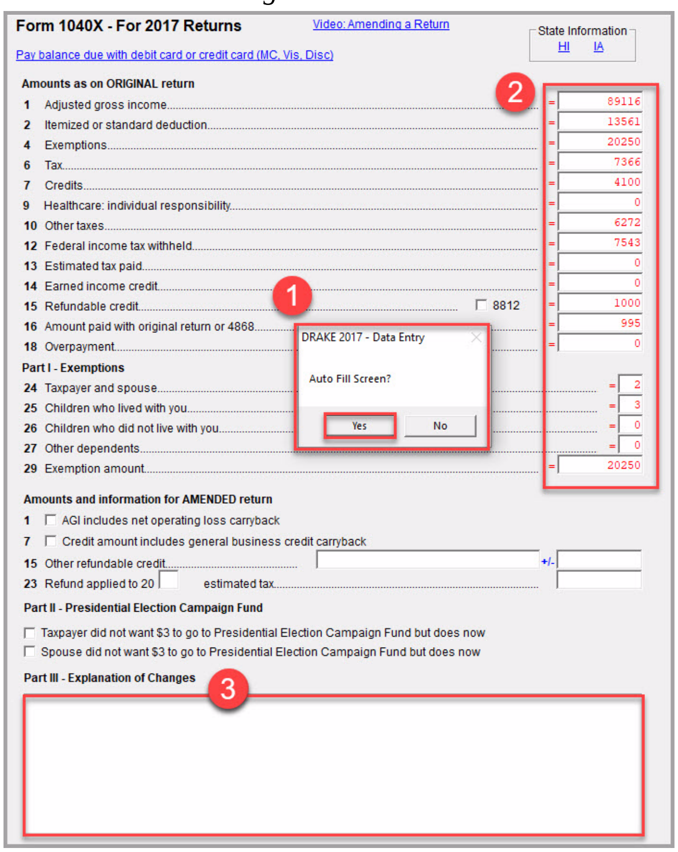
Filing an Amended Return

Amended returns cannot be e-filed, but they can be prepared for paper-filing using Drake Tax. A return must be established in Drake Tax before the amended version can be created. If the original return was created using a different program, you must create the return in Drake Tax and enter basic taxpayer information (filing status, address, etc.) before amending the return.

To create an amended return in Drake Tax:

1. Open the return to be amended.
2. From the **Other Forms** tab, click **X**, **1040X Amended Return**.
3. To have the program autofill the **1040X** screen with data from the original return, click **Yes**. To leave the fields blank, click **No**.
4. If there is also a state return to be amended, open the state return at this point and follow steps 2 and 3 for the state return before moving to step 5.
5. Enter all applicable data on the **1040X** screen.
6. Revise any other sections of the original return as needed.

Figure 61: 1040X Screen



Make sure you have a backup copy of the original return *before* you change any data. You can create both a PDF copy and a backup client file in Drake Documents if you archive the return ("Archive Manager" on page 118).

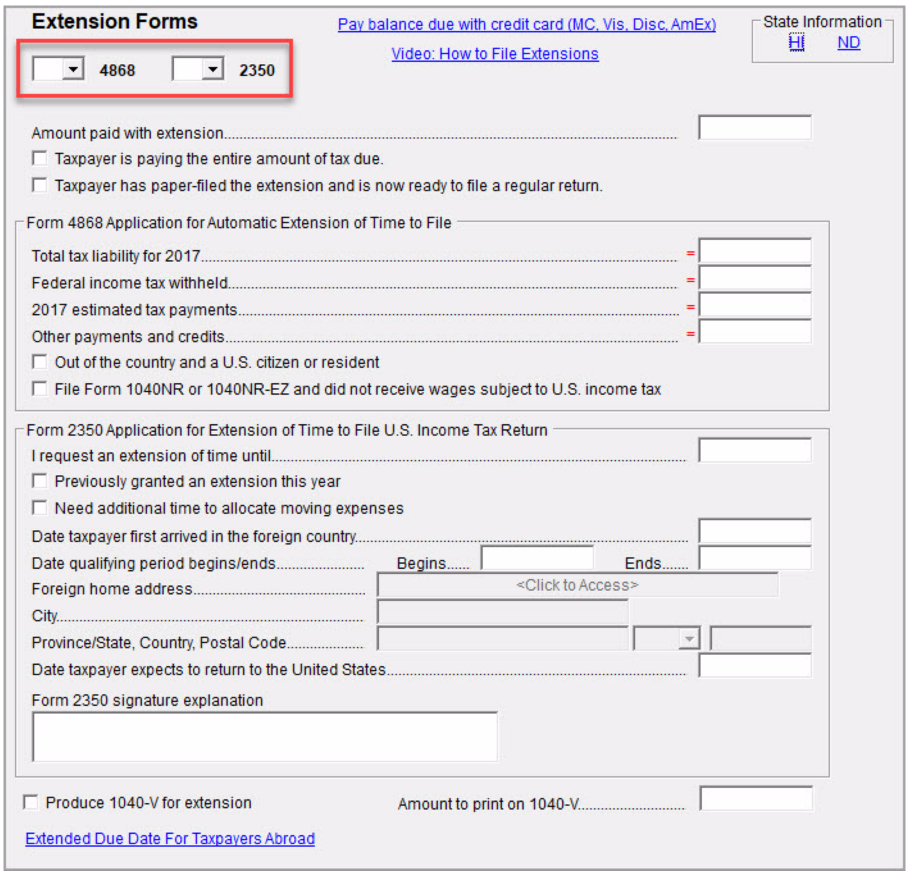
Filing an Extension

To apply for an extension using Drake Tax:

1. Open the return for which an extension application is being filed.
2. From the **Other Forms** tab, click **EXT**, **Extension Forms 4868 & 2350**.
3. Make the applicable selection from the **4868** drop list (if filing Form 4868) or the **2350** drop list (if filing Form 2350).
4. Enter all applicable information, including the amount to be paid with the extension.

For further instructions, see the **Screen Help** for the **EXT** screen.

Figure 62: Extension



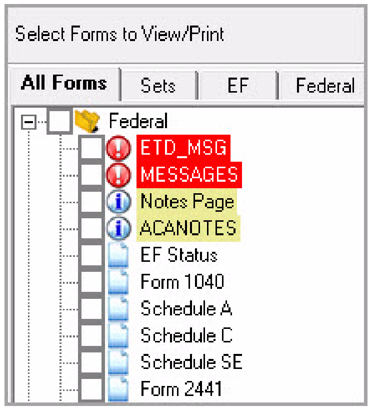
e-Filing an Extension

If e-filing an extension application, complete the **EXT** screen, and then select the applicable form number on the **EF** screen. For more information on the **EF** screen, see "Designating EF Options" on page 131.

ETD Messages

When e-filing a 1040 extension, it is necessary to clear all of the errors shown on the ETD_MSG page. Because you are not sending the actual return, it is not necessary to address other EF messages. *Only the ETD_MSG page needs to be addressed.*

Figure 63: ETD Message



PDF Attachments

Binary, or PDF, files can be attached to certain tax forms. These attachments are generally signature or third-party documents such as a copy of a divorce decree, bankruptcy papers, a signed lease, or a signed appraisal statement, transmitted with the return. In some instances, the IRS or state requires that a document be attached to an e-filed return; in other instances, a document can be attached voluntarily. In either case, a PDF file must be available to be attached to the return in order to be e-filed with the return.

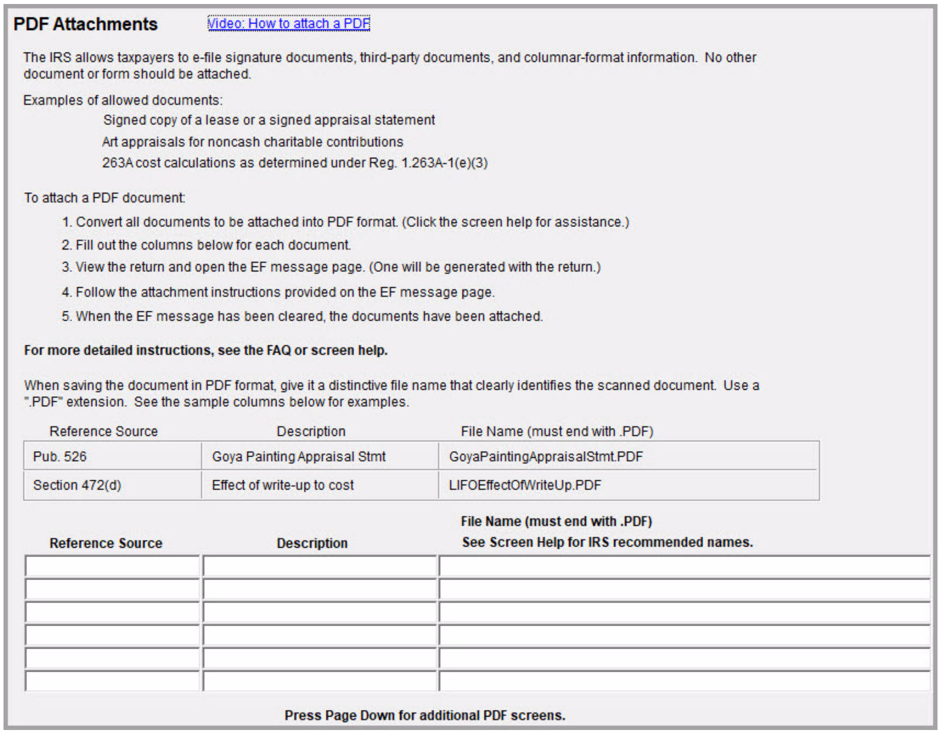
The PDF Attachment Process

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

1. Create a PDF file to be attached.
2. Use the **PDF** screen (accessible on the **General** tab) to inform the program that a PDF file will be attached to the *federal* return (Figure 64). This step is *not* necessary if the program notifies you that a PDF attachment is required.
3. Attach the PDF file to the return.

Once step 2 is completed, the program generates an EF message regarding the attachment when the return is calculated. This EF message provides step-by-step instructions on how to attach the PDF file to the return. For more detailed instructions, go to the **FAQ** screen and click topic GG, “Attaching a PDF Document to the Return.”

Figure 64: **PDF Attachments** Screen


PDF Attachments Video: How to attach a PDF

The IRS allows taxpayers to e-file signature documents, third-party documents, and columnar-format information. No other document or form should be attached.

Examples of allowed documents:

Signed copy of a lease or a signed appraisal statement

Art appraisals for noncash charitable contributions

263A cost calculations as determined under Reg. 1.263A-1(e)(3)

To attach a PDF document:

1. Convert all documents to be attached into PDF format. (Click the screen help for assistance.)
2. Fill out the columns below for each document.
3. View the return and open the EF message page. (One will be generated with the return.)
4. Follow the attachment instructions provided on the EF message page.
5. When the EF message has been cleared, the documents have been attached.

For more detailed instructions, see the FAQ or screen help.

When saving the document in PDF format, give it a distinctive file name that clearly identifies the scanned document. Use a ".PDF" extension. See the sample columns below for examples.

Reference Source	Description	File Name (must end with .PDF)
Pub. 526	Goya Painting Appraisal Stmt	GoyaPaintingAppraisalStmt.PDF
Section 472(d)	Effect of write-up to cost	LIFOEffectOfWriteUp.PDF

Reference Source	**Description**	**File Name (must end with .PDF) See Screen Help for IRS recommended names.**

Press Page Down for additional PDF screens.

Review Questions Part 2

Answer the questions below. See "Answers Part 2" on page 108. for answers and explanations.

1. When creating a new return, which information is *not* required in the **Open/Create a New Return** dialog box?
   - **a)** Primary taxpayer's SSN
   - **b)** Return type
   - **c)** Select long form or short form
   - **d)** Primary taxpayer's name
2. Which of the following is true? To access a screen from the **Data Entry Menu** using your keyboard:
   - **a)** enter the screen name in the selector field and press ENTER
   - **b)** enter the screen code in the selector field and press ENTER
   - **c)** enter a search phrase in the selector field and press ENTER
   - **d)** All of the above
3. An override field is preceded with a _____.
   - **a)** red plus/minus (+/-) sign
   - **b)** blue plus/minus (+/-) sign
   - **c)** red equal (=) sign
   - **d)** blue equal (=) sign
4. By default, fields in data entry that must be completed before e-filing are colored:
   - **a)** green
   - **b)** blue
   - **c)** red
   - **d)** white
5. To open another instance of a data entry screen, such as when you complete one **W2** screen and you need to create a second one, press:
   - **A)** ALT+D
   - **B)** ENTER
   - **C)** SHIFT+ESC
   - **D)** PAGE DOWN

ANSWERS PART 2

1. The correct answer is **c) Select long form or short form.** The program generates a short form of a return or schedule if the IRS's criteria are satisfied; otherwise, the long form is generated. If you want to make sure the long form is generated for a particular return or schedule, you can suppress the short form on the **PRNT** screen (Form 1040EZ and/or Form 1040A) or a schedule's data entry screen (screen **C** for Schedule C). If you want to suppress Form 1040EZ and/or Form 1040A for *all* returns, go to **Setup > Options**, select the **Form & Schedule Options** tab, and select your preference on the **1040A/EZ suppress** option drop list. Then click **OK**.

   a) is incorrect. The primary taxpayer's SSN is required to create a new return.

   b) is incorrect. You must select the return type so the program creates the correct type of return.

   d) is incorrect. You must enter the primary taxpayer's name in order to create a return, and a client folder in Drake Documents.

2. The correct answer is **d) all of the above.**

   a), b), and c) can each be used as an efficient method to access a data entry screen.

3. The correct answer is **c) Red equal (=) sign**. An entry in an override field replaces, or overrides, program calculations.

   a) and b) are both incorrect. A plus/minus (+/-) sign indicates an adjustment field, which adjusts program calculations by the amount entered.

   d) is incorrect. Drake does not have any fields preceded by a *blue* equal (=) sign.

4. The correct answer is **b) blue**. If a required field is left blank, an EF Message is generated that prevents e-filing of the return.

   a) is incorrect. A green colored field indicates a "flagged" field. Press F2 to flag a field that requires review before completing the return.

   c) is incorrect. A red colored field indicates that a detailed worksheet has been added to the field. Double-click the field or press CTRL+W in the field to add a detailed worksheet.

   d) is incorrect. A field colored white is a blank field.

5. The correct answer is **d) PAGE DOWN**. When multiple instances of screens are needed (for example, multiple **W2**, **1099**, or **Dependent Information** screens), press PAGE DOWN to save the current screen and produce an additional (blank) data entry screen.

   a) is incorrect. Pressing ALT+D inserts today's date in any date field.

   b) is incorrect. Pressing ENTER moves the cursor forward one field on a data entry screen.

   c) is incorrect. Pressing SHIFT+ESC exits a screen without saving changes.

Calculate, View, & Print the Return

Before a return can be printed or filed, the results must be calculated. A return can be changed, viewed, or calculated repeatedly before it is finally submitted. This chapter covers the basics of calculating, viewing, and printing a return in Drake.

Return Calculations

Drake Tax automatically saves all data as it is entered. To view a summary of the return results, calculate the return. A return can be calculated at any time during data entry and from anywhere in the return.

NOTES

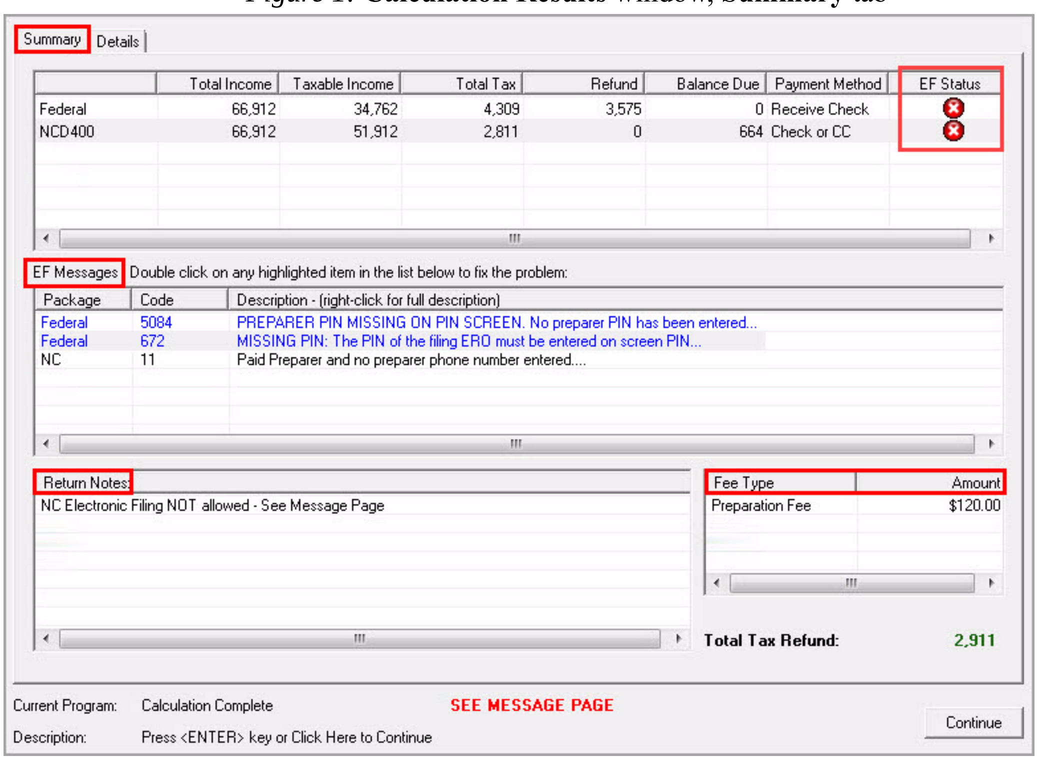
Customize how the software functions when calculating and viewing returns in **Setup > Options** on the **Calculate & View/Print** tab.

To view the results of the return on tax forms, see "Viewing and Printing the Return" on page 111.

Calculating the Return

Click **Calculate** on the **Data Entry Menu**, or press CTRL+C from anywhere in the return to calculate the return and view the **Calculation Results** window (Figure 1).

Figure 1: **Calculation Results** window, **Summary** tab



The Calculation Results window provides two tabs of information, **Summary** and **Details.** The **Summary** tab has four sections:

1. The calculation summary (top section)
2. **EF Messages**
3. **Return Notes**
4. **Fee Type** and **Amount**

If a return is *eligible* for e-filing, a green check mark is displayed in the **EF Status** column of the calculation summary. If a portion of the return is *ineligible* for e-filing, a red **X** is displayed in the **EF Status** column and a message appears in the **EF Messages** section. Other **EF Status** indicators are possible. They are listed in the following table:

EF Status Indicator	EF Eligibility
Green checkmark	Return is eligible for e-file and has no EF messages.
Red **X**	Return not eligible for e-file due to EF messages.
Accepted	Return has already been transmitted and has received “A” acknowledgment.
Suppressed	Return is ready for e-file (no EF messages) but a checkbox has been selected on the **EF** screen or an option has been selected at **Setup > Options > EF** tab that is preventing e-file of the return.
Not Selected	Occurs on any return that is ready for e-file (no EF messages) but has not been selected on the **EF** screen.
Not Available	Indicates that e-file is not available for a specific state return. Can be used in a federal return for forms that are part of the federal return but cannot be e-filed with the return.

The **EF Messages** section lists e-file message codes and descriptions by package. Some messages do not fit in the **Description** column. Right-click an EF message and select **View Full Text Of EF Message** to open a window that displays the full EF message. Double-click a blue EF message to jump directly to the data entry screen that contains the error. If applicable, the field that caused the EF message is activated. EF messages are listed on a red MESSAGES page in View/Print mode. All EF messages must be cleared in order to make a return eligible for e-filing.

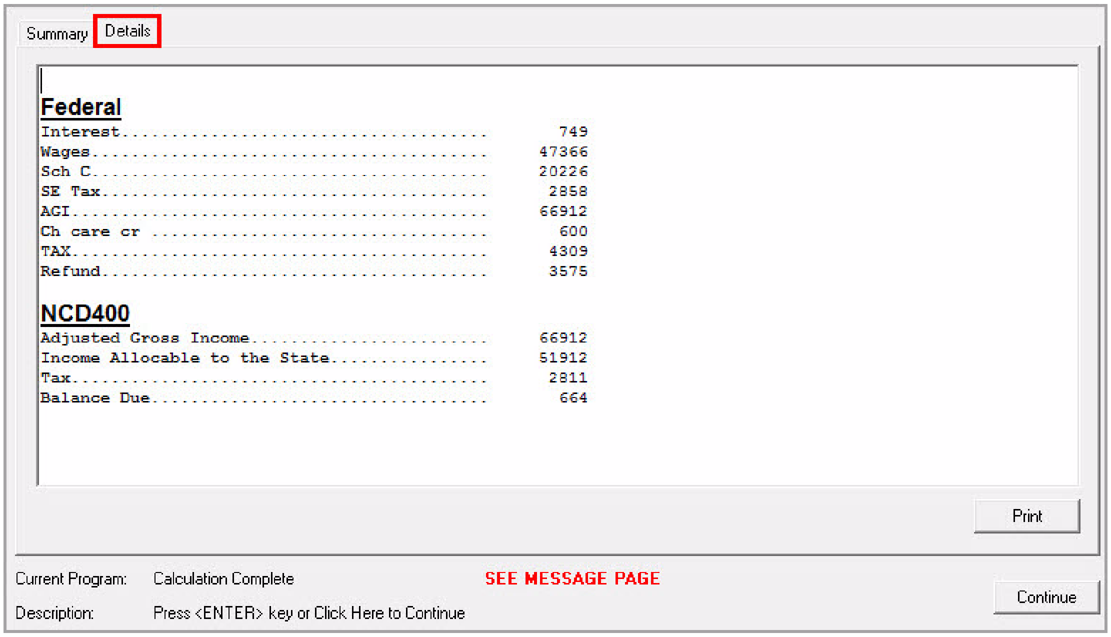
NOTE When you calculate the Taxpayers' return, an EF message will be listed in the **EF Messages** section regarding the PIN signature for the federal return. The next chapter reviews the process for clearing this EF message.

The **Return Notes** section displays informational notes about the return. These notes provide details about the return, but they do not require that changes be made, and they do not prevent e-filing. They are listed on a yellow NOTES page in View/Print mode.

The **Fee Type** and **Amount** section lists the preparation fees and, when bank products are present, the bank fees and the net amount of any refund check (or the total of all fees charged if the return has a balance due). (To have the fee and amount displayed here, the **Display client fee on Calculation screen** option must be selected on the **Calculation & View/Print** tab of **Setup > Options**.)

The **Details** tab displays a printable summary of return amounts (Figure 2).

Figure 2: **Calculation Results** window, **Details** tab



Click **Continue** to return to the **Data Entry Menu**.

Viewing and Printing the Return

View or print tax forms generated for a return from the **Home** window or from within the return.

To view or print a return from the **Home** window, click **View** or **Print**, select the return you want to view or print, and click **View**.

To view or print a return from the return's **Data Entry Menu**, click **View** or **Print**.

To view or print a return from a data entry screen within a return, press CTRL+V or CTRL+P, or right-click the screen and select **View Return** or **Print Return**.

View/Print Mode

View/Print mode allows viewing and printing from the same window and makes it easier to see how the printed return will look (Figure 3 on page 113). It consists of five main components:

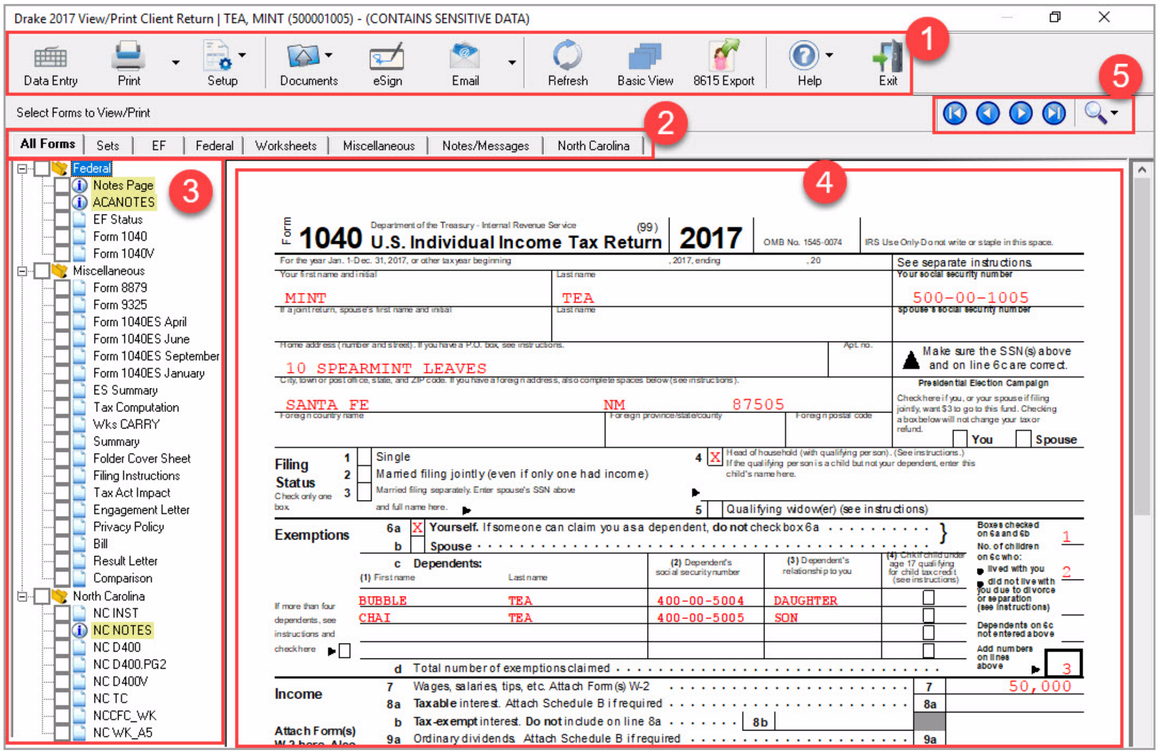
1. A *toolbar* with the following options (see Chapter 3 in *2017 Drake Tax User's Manual*):
   - **Data Entry** — Leave View/Print mode and return to the **Data Entry Menu**
   - **Print** — Select options to print, print to PDF, or send an email with the selected pages of the return attached
   - **Sign** — Use with electronic signature pad to digitally sign tax forms in View/Print mode or from the DDM.
   - **Setup** — Choose View/Print setup options such as form properties, color, and order
   - **Archive** — Create archives of different return scenarios that can be reviewed, restored, or deleted at a later time (See "Archive Manager" on page 118.)
   - **Email** — Encrypt and attach a PDF of the selected forms to an email message
   - **Refresh** — Update the viewed return to reflect any changes made by another preparer working in the open return
   - **Basic View** — Switch to the cascade view
   - **8615 Export** — This option is available only on returns with dependents under age 24
   - **Help** — Access Drake Help
   - **Exit** — Exit View/Print mode
2. A *viewing tool* that allows zooming and scrolling. (See item 2 in Figure 3 on page 113.) Click arrows to move through the return; click the **Zoom** icon to zoom in or out.
3. *Category tabs* group documents within a return. (See item 3 in Figure 3 on page 113.) Select a tab to view all documents within the category on the tab.
4. A *tree view* showing all documents in a return. (See item 4 in Figure 3 on page 113.) It can be expanded or collapsed. Click plus signs (+) to expand the lists of documents. Click minus signs (-) to collapse the lists.
5. A *viewing panel* that displays a preview of the selected document. (See item 5 in Figure 3 on page 113.)

Viewing Forms in View/Print Mode

To view a form in View/Print mode, expand the tree view directory as necessary until you see the form you want to view, then click the name of the form. The form is displayed in the viewing panel.

NOTE The checkboxes next to the form names are used to select forms for printing, as described in "Printing Forms in View/Print Mode" on page 114.

Figure 3: Enhanced View



MESSAGES and NOTES Pages

When you view a return, red MESSAGES pages may be present. These pages list EF messages that are generated when a return has certain issues that would cause an IRS or state rejection. Each EF message provides a brief description to help you resolve the issue. When these issues are resolved, the return is ready for e-filing. You cannot select a return for e-filing that has a red MESSAGES page in the tree view of a return.

Yellow NOTES pages provides reminders or tips about the tax return but do *not* prevent e-filing of the return. Please read the NOTES pages.

NOTE When preparing to e-file a 1040 extension, it is only necessary to clear the error messages shown on ETD_MSG pages. Because you are not sending the actual return, it is not necessary to clear the error messages shown on MESSAGES pages.

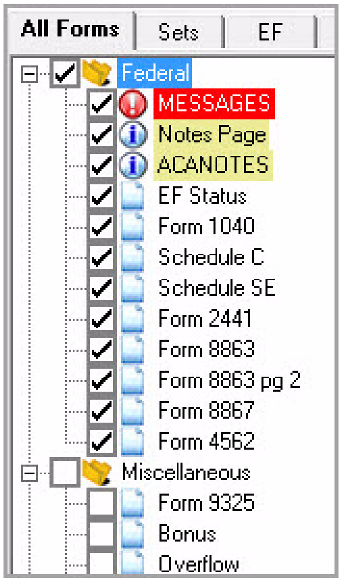
Printing Forms in View/Print Mode

Printing Selected Forms

To print selected forms and other documents from View/Print mode:

1. Collapse or expand the tree view directory as needed, then select the forms to be printed by selecting the checkbox to the left of each form. To print all forms in a set (such as the Federal set), select the main box to the left of the set. This causes all sub-boxes in the set to automatically be selected (Figure 4).

Figure 4: Tree view with Federal set selected for printing



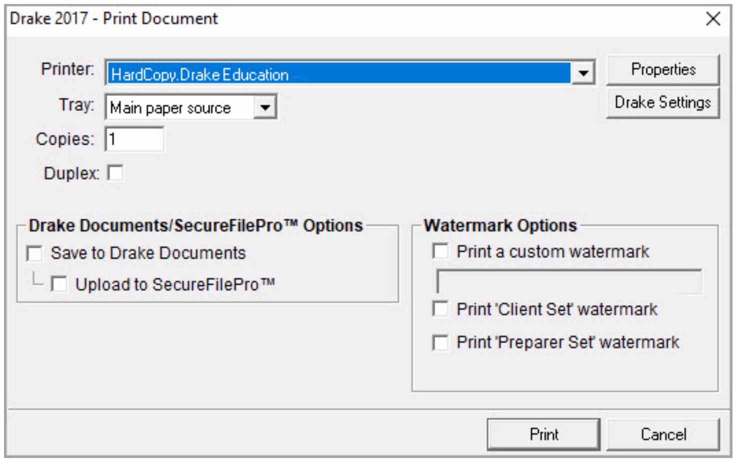
2. Click **Print** to open the **Print Selection** dialog box. See Figure 5 on page 115. (If you click the arrow next to the **Print** icon, select **Print Selected Forms**.)
3. (optional) Select printing options shown in the **Print Selection** dialog box.
4. Click **Print** again. All of the selected items are printed using the printer selected in the **Print Selection** dialog box.

NOTES

Select **Print 'Client Set' watermark** or **Print 'Preparer Set' watermark** to add watermark text to the paper copies of your printed forms. You can also select **Print a custom watermark** and enter the watermark you want to use.

When printing returns, you can simultaneously create a paper copy and an electronic copy. In the **Print Selection** dialog box, select **Send to DDM** to send a PDF of the selected forms to Drake Documents. You will be given the option of password-protecting the file.

Figure 5: **Print Selection** dialog box

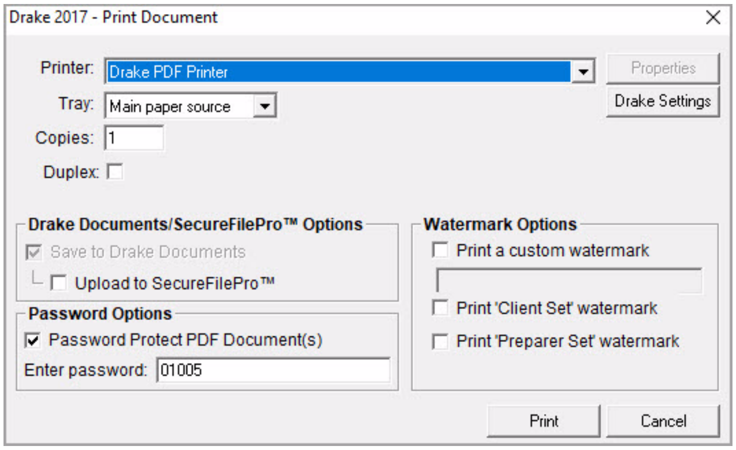


Printing Selected Forms to PDF

To print selected forms to PDF format from View/Print mode:

1. Select the forms to be printed.
2. Click the arrow next to the **Print** icon and select **Print Selected Forms to PDF Document**. The **Print Selection** dialog box is displayed with the Drake PDF Printer selected (Figure 6).
3. (optional) The program is set up to password-protect the PDF document. By default, the software uses as the password the first four letters of the primary taxpayer's last name followed by the last five numbers of the primary taxpayer's SSN. To print the PDF document without having to enter the password, clear the check mark from the **Password Protect** box.
4. Select other options, as desired, in the **Print Selection** dialog box.
5. Click **Print** to open the **Save As** dialog box.
6. If necessary, assign a filename and select a location for the document. (The default location is the taxpayer's current-year folder in Drake Documents).
7. Click **Save.**
8. (optional) The program is set up to password-protect the PDF document. By default, the software uses as the password the first four letters of the primary taxpayer's last name followed by the last five numbers of the primary taxpayer's SSN. To print the PDF document without having to enter the password, clear the check mark from the **Password Protect** box.
9. Select other options, as desired, in the **Print Selection** dialog box.
10. Click **Print** to open the **Save As** dialog box.
11. If necessary, assign a filename and select a location for the document. (The default location is the taxpayer's current-year folder in Drake Documents).
12. Click **Save**.

Figure 6: **Print Selection** dialog box with Drake PDF Printer selected



NOTE

Among the options in the **Print Selection** dialog box is the **Drake Documents/Portal Options** for sending a PDF copy of the printed forms to a SecureFilePro™ portal. For more information, see "SecureFilePro" on page 260.

NOTES

To change the default password format, log in as Admin (or as a preparer with administrative security rights), go to **Setup > Options, select the Administrative Options** tab, and make a selection from the **Default password** option drop list. Then click **OK** to save the selection.

If you password-protected the PDF document, the password will be required for anyone, inside or outside the tax software, who tries to open the file.

Printing Printer Sets of Forms

Default printer sets are established in **Setup** > **Printing** > **Printer Setup**. The established defaults can be overridden.

To print specific sets of a return from View/Print mode:

1. Select the **Sets** tab. All the sets in the return are displayed in the tree view.
2. Select the sets to print (Figure 7).
3. Click **Print** to open the **Print Sets** dialog box (See Figure 8 on page 117). (If you click the arrow next to the **Print** icon, select **Print Selected Forms**).
4. (optional) Select printing options shown.
5. To change the number of forms to be printed in a set, click **Sets Setup** to open the **Copies Per Set** dialog box. Follow the instructions provided to change the number of forms to be printed in each set; then click **Save.** Any changes you make here affect *all* returns.
6. Click **Print** again**.** All of the selected items are printed.

Figure 7: **Sets** tab in View/Print mode

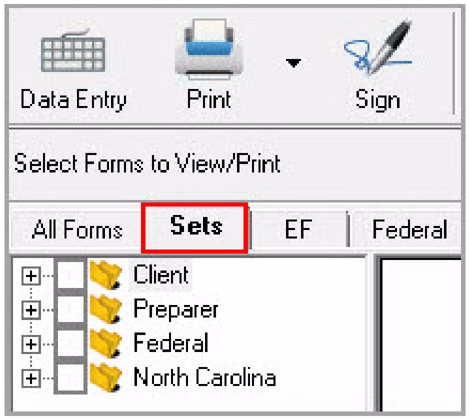
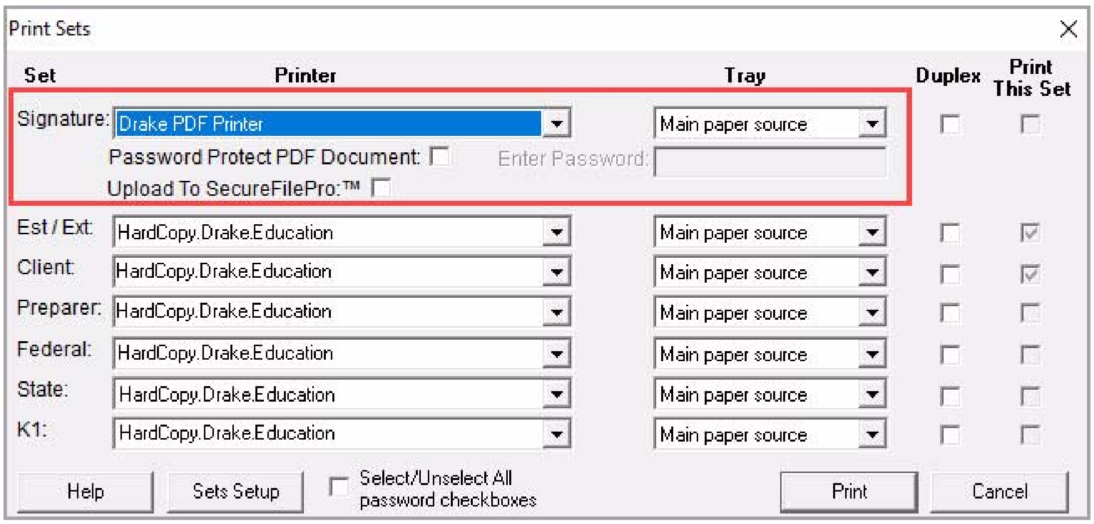


Figure 8: **Print Sets** dialog box



7. (optional) Select printing options shown.
8. To change the number of forms to be printed in a set, click **Sets Setup** to open the **Copies Per Set** dialog box. Follow the instructions provided to change the number of forms to be printed in each set; then click **Save.** Any changes you make here affect *all* returns.
9. Click **Print** again**.** All of the selected items are printed.

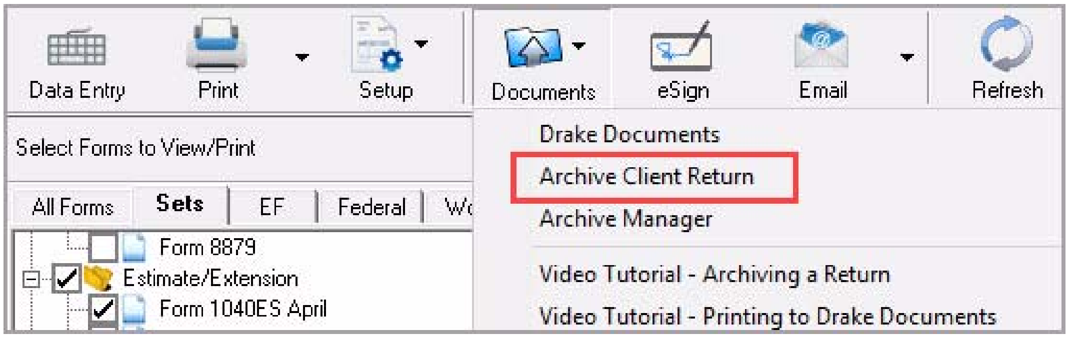
Quick-Printing a Single Form

Print only the document currently in view in View/Print mode by pressing CTRL+Q or clicking the arrow next to the **Print** icon and selecting **Quick Print (form name)**. Select printing options in the **Print Selection** dialog box; then click **Print**. Printing a single form in this manner is referred to as *quick printing*.

ARCHIVE MANAGER

Use the Archive Manager to archive returns and to review, restore, or delete the archived returns. This means you can save various versions of a return, such as the amended return *and* the original return prior to amending.

Figure 9: Archive Menu



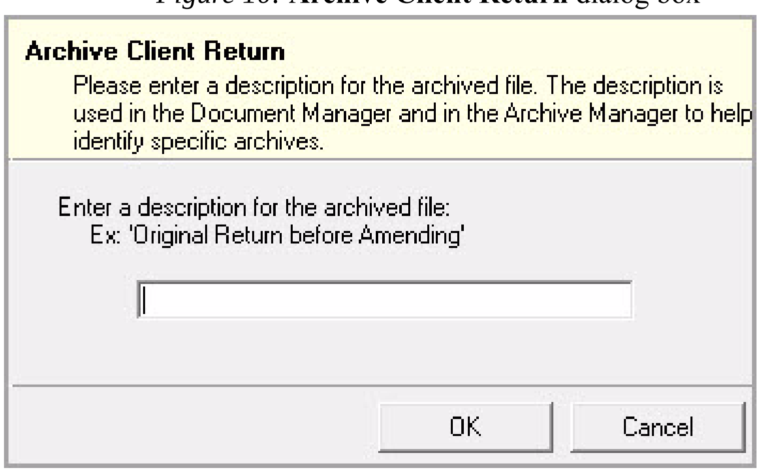
Creating an Archive

To create an archive of an open return:

1. From View/Print mode, select **Archive > Archive Client Return** (Figure 9).
2. In the **Archive Client Return** dialog box, enter a description of the archived file; then click **OK** (Figure 10).
3. When the program tells you that the archive has been created, click **OK**. The program adds the archived return to the **Archive Manager** list (Figure 11).

NOTE The archived return is saved to the client's file in Drake Tax and to the client's Drake Documents folder. Go to Drake Documents from View/Print mode by selecting **Archive > Document Manager**.

Figure 10: **Archive Client Return** dialog box



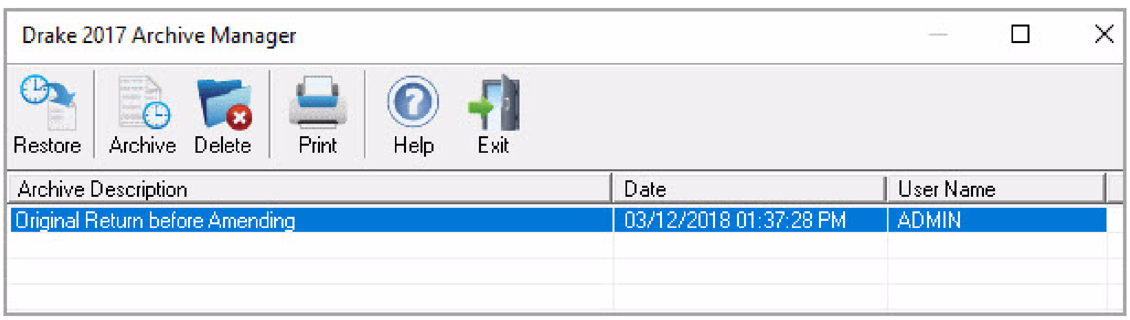
Restoring an Archive

When you restore an archive, you replace the open (current) version of the return with an archived version. A built-in prompt suggests that you archive the latest version of the return before restoring an older version (recommended).

To restore an archive:

1. From View/Print mode of the return, select **Archive > Archive Manager**.
2. Click the row of the archive to restore (Figure 11).
3. Click **Restore**. The program prompts you to create a new archive of the current version of the return before restoring the older version.
    - To create a new archive, click **Yes**. The **Archive Client Return** dialog box is opened so you can name and save the new archive.
    - To proceed without creating a new archive, click **No**. A final warning is displayed; click **OK** to proceed.
4. When the archive has been restored, click **OK**. Then exit the **Archive Manager**.

Figure 11: **Archive Manager**



SENDING A RETURN TO A CLIENT FROM VIEW/PRINT MODE

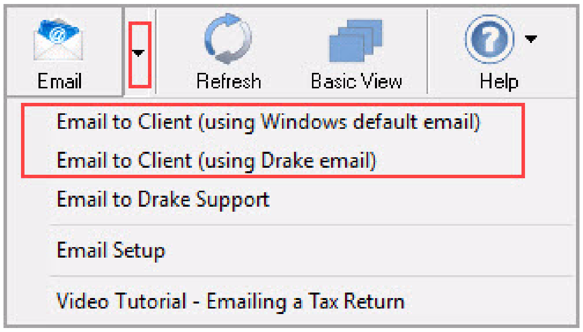
You can send an email with tax return documents attached directly from View/Print mode using your Windows default email program or using the Drake email program.

Note:

To send a PDF copy of a return to a client from View/Print mode:

1. Select the forms to be attached to the email by selecting the checkboxes to the left of the forms in the tree view directory (Figure 4 on page 114).
2. Click the down arrow next to the **Email** button (Figure 12).
3. The **Email Return** dialog box is opened showing the default password. (See Figure 13 on page 121.) Change the default password and add a watermark, if desired. Then click **Continue**.

Figure 12: **Email** button menu



From the menu, select one of the following options:

- **Email to Client (using Windows default email)** – to use the Windows default email program (such as Outlook) installed on your computer.

NOTE

To make this selection permanent, so that your Windows default email program will be used automatically when you click the **Email** button on the View/Print mode toolbar, click the down arrow next to the **Email** button, select **Email Setup**, choose **Use My Email Software** from the drop list in the **Email Preference** section, and click OK.

- **Email to Client (using Drake email)** – to use a web-based email program (such as Gmail) that you have set up in Drake.

NOTES

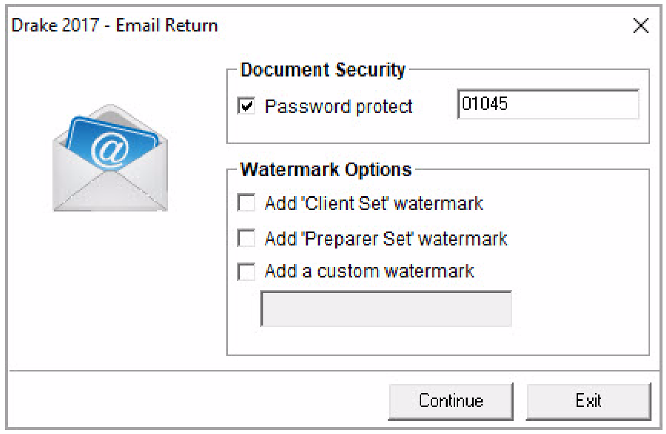
To learn how to set up a web-based email program in Drake, go to the **Home** window, select **Support > Drake Software Video Tutorials** from the toolbar, select **Setup** from the drop-list menu, and click the play buttons to view the email setup video tutorials.

NOTES

You can replace the default password with a new one. To change the default password format, log in as Admin (or as a preparer with administrative security rights), go to **Setup > Options, select the Administrative Options** tab, and make a selection from the **Default password** option drop list. Then click **OK** to save the selection.

A client must know his or her return's password in order to open the return. The default message provides the client with the format for the default password: the first four letters of the client's last name followed by the last five numbers of the client's SSN (see Figure 14 on page 122).

Figure 13: **Email Return** dialog box

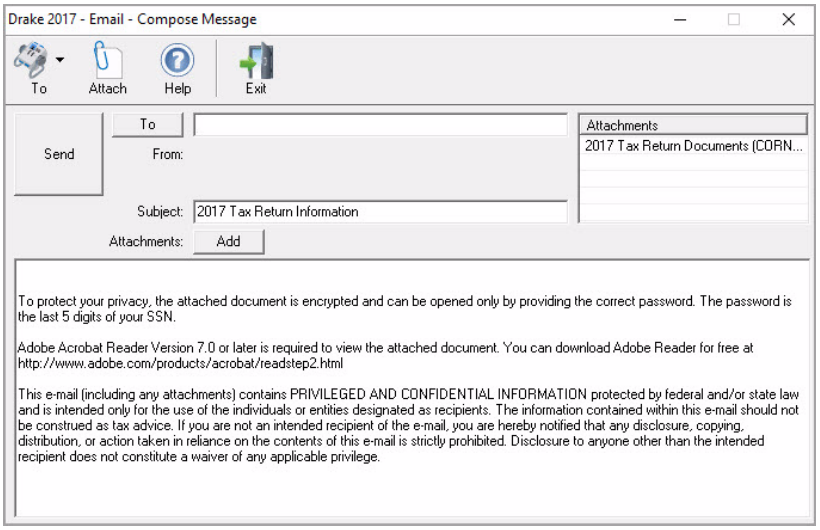


4. In the **Save As** dialog box, browse to the location where you want to save a PDF copy of the return, and change the filename, if desired. (The default location is the client's folder in Drake Documents.) Then click **Save**.
5. The email message is opened in the selected email program, with the selected return documents attached. See Figure 14 on page 122 for an example. The taxpayer's and spouse's email addresses are automatically displayed in the **To** address field if they were entered on screen **1**. Add additional email addresses, if necessary.
6. Add a salutation, closing, and signature. Revise the body of the message, if desired.
7. Then click **Send**

NOTE You can set up email addresses that will be used for *every* email sent from View/Print mode. For example, if you have preparers working for you, you may want to receive a carbon copy (CC) or blind carbon copy (BCC) of every email sent from View/Print mode. To set this up, go to **Email > Setup**, add your email address to the **Cc** or **Bcc** address field, and click **Save**.

NOTE You can edit the default message that is displayed when you are preparing to send documents to clients from View/Print mode. To set this up, go to **Email > Setup**, revise the displayed message, and click **Save**.

Figure 14: Example: Sending a return to a client from View/Print mode using Outlook



NOTE

Email can be setup in Drake Tax from the **Home** window by clicking **Help > Email**.

LinkBacks and DoubleChecks

Drake offers two features to help you review your data entry and find problems before returns are e-filed. These features offer another way to double-check and verify your work before you transmit a return.

LinkBacks

LinkBacks help you locate the source of data on a tax return—in other words, the data entry screens on which the information was entered—and the forms, schedules, and worksheets to which the information flows. They can also help you find the proper screens for entering data from unfamiliar forms or sources.

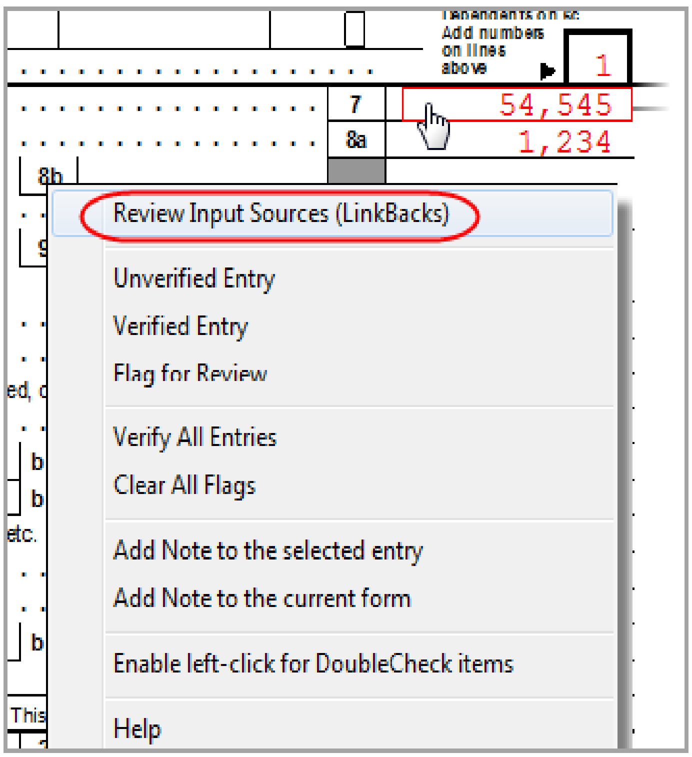
For instance, if you want to know how income data gets to line 7 of Form 1040, view the return (Enhanced mode only), open the LinkBack for line 7, and view a list of the screens from which the program pulls income sources that flow into the line 7 total—for instance, screen W2, screen 3 (Income), screen 2441 (Child Care Credit), screen 4137 (Tax on Tips), among others. Open a screen and go directly to the relevant line to make changes. (The line will be highlighted if data has been entered.)

Viewing LinkBacks

To see the LinkBacks:

1. View the return in Enhanced mode.
2. Select a form from the document tree on the left side of the window.
3. Right-click a text box in the form and from the right-click menu, select **Review Input Sources (LinkBacks)** to open the **LinkBacks** window.

Figure 15: View LinkBacks

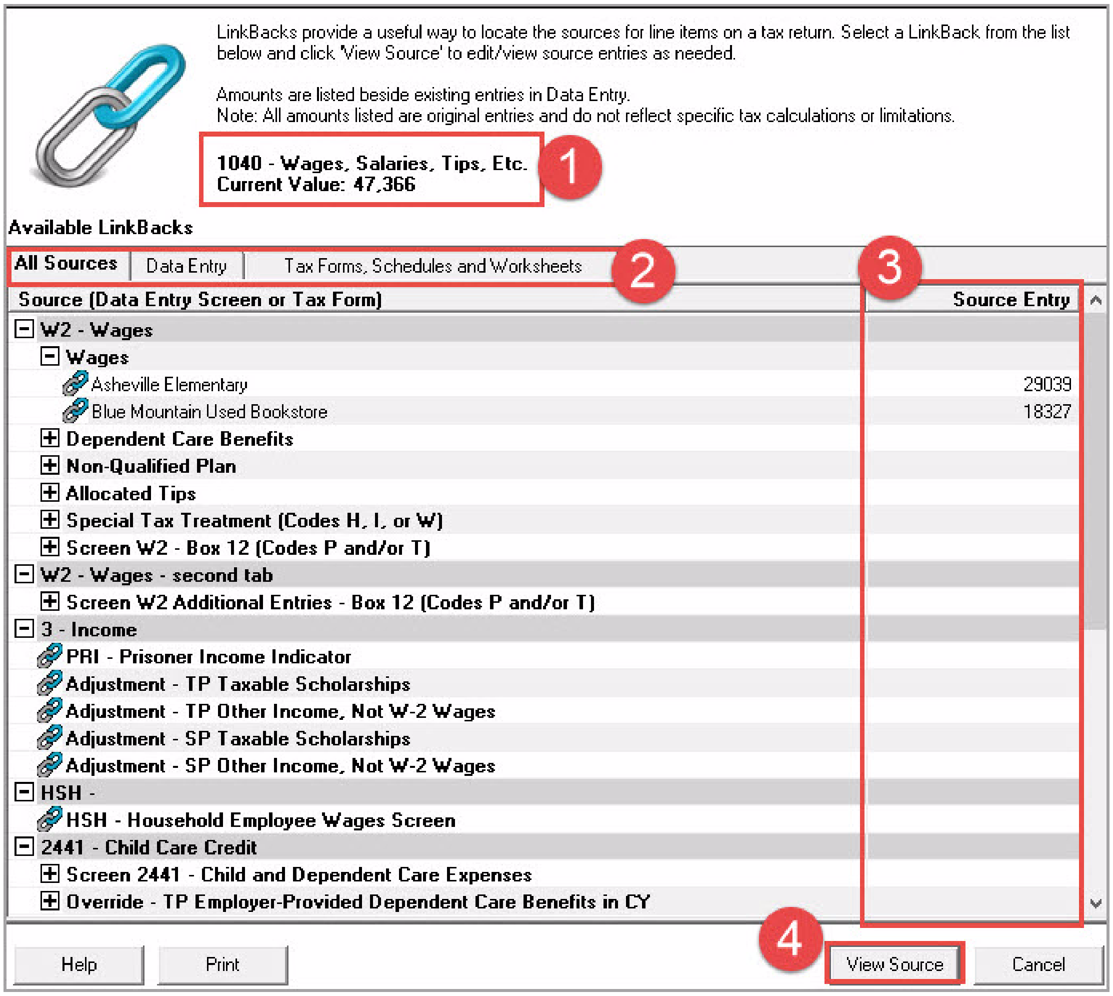


Using LinkBacks

At the top of the LinkBacks window is a note reminding you of which form and which line of the form you selected (1). (See Figure 16 on page 124.) If an amount was entered or calculated, that amount is also shown. Below that note are three tabs (2):

- All Sources – All items that appear on the other two tabs.
- Data Entry – The data entry screens from which the program pulls data. If an amount was entered on one of these screens, that amount is listed to the right side of the screen in the Source Entry column (3).
- Tax Forms, Schedules, and Worksheets – The items listed on this tab are the forms that have been generated by data entry. Double-click one of the items on the Tax Forms, Schedules, and Worksheets tab and you open the actual form that was generated.

Figure 16: LinkBacks window



To view a screen in data entry, select a screen from either the All Sources and Data Entry tab and click View Sources (4) or double-click the item. The screen is opened and the line and data entry field are highlighted in yellow.

To view other forms, schedules or worksheets to which the data flows, go to the Tax Forms, Schedules, and Worksheets tab of the LinkBacks window, select a form, schedule, or worksheet from that list, and click View Source (or double-click the form name).

Available LinkBacks

Active LinkBacks are available for following forms, schedules, and tax packages:

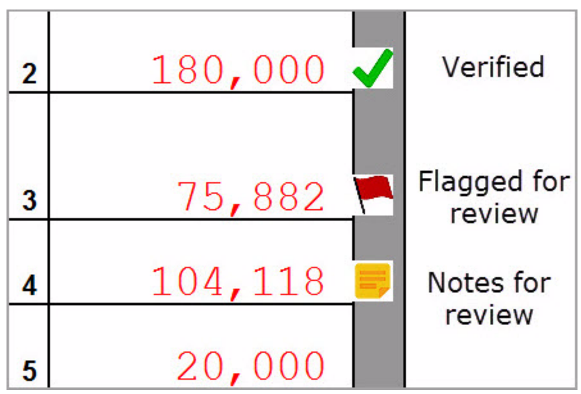
- Most forms and Schedules A through F (federal 1040 package)
- Main forms (federal 1041, 1120, 1120S, 1065 packages)
- Individual resident and nonresident main forms (all state 1040 packages)

DoubleChecks

Mark items on a return as “reviewed” or “in need of review” using the new DoubleCheck feature in Enhance View mode. This feature allows you to verify or flag for review any item on any form, statement, or document within a return.

In Enhanced View mode, select any item from the document tree in the left side of the window to open it in the document viewing pane on the right side of the window. In the viewing pane, roll your mouse pointer over any text box, checkbox, or amount on the document to see a gray check mark. Click the item once to place a green check mark beside it indicating that this result has been verified. Click the box twice to place a red flag beside it, indicating that this entry or amount should be reviewed further. When the flagged item has been reviewed and verified, return to the form in Enhance View mode and click the item once more to remove the flag and replace it with a green “Verified” checkmark.

Figure 17: DoubleChecks



As you work your way through the fields and checkboxes, the document in the document tree receives either a green check mark (indicating that items on that form have been verified), a red flag, (indicating something on the form has been flagged), or a yellow box (indicating a note has been placed on an item).

When an item is marked as “verified” (green check mark) in View mode, and then a change is made in data entry that affects the verified amount, the green check mark will be changed to a red flag, requiring re-verification.

NOTE To deactivate the DoubleCheck feature, right-click any item, and from the right-click menu, select Enable left-click for DoubleCheck items, and when prompted, select **Yes**. To reactivate, repeat these steps.

Notes

The DoubleCheck feature also includes a Notes tool, allowing you to make notes about any of the items on the open document, or a general note about the document as a whole.

- To make a note about a text box, checkbox, or calculated amount in the document, right-click it and select **Add Note** to selected entry. This opens a **Note Editor** window.
- Type your note in the **Notes** pane and click **Save**. A small yellow "note" box then appears beside the item in the document, reminding you that a note was made about this item.
- You can make general notes about the open form by selecting **Add note to the current form** from the right-click menu. When the **Note Editor** is opened, make your notes and slick Save. The yellow "note" reminder box then appears in the upper-left corner of the document viewing pane, reminding you of the notes.
- You can edit the notes—the screen note or the entry note—by selecting **Edit Note** from the right-click menu, or delete the notes by selecting **Remove Note** from the **Note Editor** window. You can also click the yellow reminder box in the upper-left corner of the window to edit a general note.
- When notes have been added to the form or to an item of the form, a yellow "note" reminder also appears in the document tree.

Right-Click Menu

Another way to use the DoubleCheck feature is through the right-click menu. Right click any text box, checkbox, or calculated amount on the document and from the right-click menu, select **Unverified Entry** (remove a check mark or flag), **Verified Entry** (add a check mark), or **Flag for Review** (add a red flag).

You can also verify all entries on a form from the right-click menu by selecting **Verify All Entries**. This places a green check mark beside every box or field on the form that contains entries. Clear all green check mark and all red flags from the form by selecting **Clear All Flags** from the right-click menu.

e-File Eligibility of Flagged Returns

Flags on a return do not make an otherwise EF-eligible return ineligible for e-file unless you select that option in Setup. From the **Home** window, go to **Setup > Options > EF** tab, and at the bottom of the left-hand column, select **Disallow EF selection if DoubleCheck Review flag exists**. This selection automatically displays an otherwise EF-eligible return as ineligible on the **EF Return Selector**. To restore the return's e-file eligibility, remove the flag from the return (in View mode, click the flag once or right-click the page and from the right-click menu, select **Clear all flags**) and recalculate the return.

Review Questions Part 3

Answer the following questions. See See "Answers Part 3" on page 128. for answers and explanations.

1. Which of the following is true about NOTES pages?

- **a)** NOTES pages are highlighted in *yellow* in the tree view when viewing a return
- **b)** NOTES pages require that changes be made in the return
- **c)** NOTES pages prevent e-filing
- **d)** NOTES pages are highlighted in *red* in the tree view when viewing a return

2. What steps are taken when archiving a return?

- **a)** From the **Data Entry Menu**, select **Archive > Archive Client Return**
- **b)** From **View/Print** mode, select **Archive > Archive Client Return**
- **c)** From the **Data Entry Menu**, select **Doc Mgr > Archive Client Return**
- **d)** From **View/Print** mode, select **Archive > Archive Manager**

3. Which of the following details are NOT listed on the **Calculation Results** window?

- **a)** EF Messages
- **b)** Return Notes
- **c)** Fee Type and Amount
- **d)** MFJ/MFS comparison

4. Which of the following items is true about LinkBacks?

- **a)** LinkBacks are available for main forms in federal 1041, 1120, 1120S, and 1065 packages
- **b)** Use LinkBacks to see data that was in last year's tax return
- **c)** LinkBacks are available in individual resident and nonresident main forms in all state 1040 packages
- **d)** LinkBacks are active for most forms and Schedules A through F in the Federal 1040 package

ANSWERS PART 3

1. The correct answer is **a) NOTES pages are highlighted in yellow in the tree view when viewing a return**.

   b) is incorrect. NOTES pages list return notes that are informational only. They do not require that changes be made to the return.

   c) is incorrect. NOTES pages list return notes that are informational only. They do not prevent the return from being e-filed.

   d) is incorrect. NOTES pages are highlighted in *yellow*. MESSAGES pages are highlighted in *red*.

   .

2. The correct answer is **b) From View/Print mode, select Archive > Archive Client Return**. In the **Archive Client Return** dialog box, enter a description of the archive you are creating. Then click **OK** to create the archive.

   a) is incorrect. You do not have the option to archive a return from within data entry. You must be in View/Print mode.

   c) is incorrect. You cannot archive a client data file in Drake Documents.

   d) is incorrect. The **Archive Manager** is for managing archived returns previously created.

3. The correct answer is **d) MFJ/MFS comparison**. You can't find information comparing an MFJ return to MFS returns on the **Calculation Results** window. That information can be viewed by clicking **Split** on the **Data Entry Menu** of an MFJ return, then clicking **MFJ/MFS report** on the **Return Selector**.

   a) is incorrect. The **Calculation Results** window lists EF Messages, which prevent e-filing and must be corrected.

   b) is incorrect. The **Calculation Results** window lists Return Notes, which provide information about the return but do not prevent e-filing.

   c) is incorrect. The **Calculation Results** window lists the Fee Type and Amount, as long as the **Display client fee on Calculation screen** option is selected in **Setup > Options** on the **Calculation & View/Print** tab

4. The correct answer is **b). It is not true that LinkBacks allows a preparer to see data that was entered in last year's return.** That feature is called **LookBack** (see).

   a), c), and d) are all features of **LinkBacks**.

E-file the Return

Electronic Return Originators (EROs) can e-file federal and state tax returns through *Drake Tax*. Becoming an ERO requires some preseason planning but pays off when tax season arrives.

NOTE *Demo installation* — While you may review the steps to e-file a return, live returns cannot be e-filed using a Demo version of Drake Tax. Test returns may be e-filed if you have registered your IRS EFIN with Drake Software.

APPLYING FOR AN EFIN

To transmit live returns, you must become an Electronic Return Originator (ERO) and obtain an EFIN. If you do not have an Electronic Filing Identification Number (EFIN), Drake assigns you a temporary EFIN. A temporary EFIN allows you to e-file test returns and gives you access to Drake Internet tools. If you have not yet received a temporary EFIN, go to *DrakeSoftware.com*, go to the **Service and Learning** menu > **Get Started with Drake** menu, and register your 2017 demo software. After verifying your information, Drake will send you an email with your temporary EFIN, Drake account number, and Drake password.

To apply for an EFIN, go to *www.irs.gov* and search for *"Become an Authorized e-file Provider."* You will have to create an IRS e-services account (if not already created), complete an online application, and pass a suitability check. Preparers who are not CPAs or EAs must submit fingerprint cards to complete the application process (the IRS can provide a fingerprint card). Established EROs should update their application whenever their information changes.

Applications to become an authorized e-file provider are accepted throughout the year. The IRS encourages all prospective EROs to apply as soon as possible because processing and suitability checks can take up to 45 days.

NOTE Some states require a separate application for e-filers. For more state information, log in to your Drake Support account at *Support.DrakeSoftware.com*, select **Resources > Federal/State Facts**, and select a state.

REGISTER YOUR EFIN WITH DRAKE

Before you can e-file live returns in Drake, you must register your EFIN with Drake. To register your EFIN or change your existing EFIN registration, you must provide Drake with the IRS documentation of the completed status of your EFIN application, specifically, you IRS e-file Application Summary showing a status of "Completed". This application can be submitted by fax, email or online.

Verifying EF Settings

After obtaining a temporary or live EFIN, enter it in **Setup > ERO** along with your Drake account number and password and in **Setup** > **Firms**. An Internet connection is also required to e-file. Make adjustments to the **Connection Settings** portion of the screen, if necessary. (See "ERO Setup" on page 26 and "Firm Setup" on page 25.)

Before transmitting live returns, review the **Setup > Options**, **EF** tab. These options allow you to customize your EF process. (See "Setup Options" on page 31.)

Preparing the Return for e-Filing

Before you e-file a return, it must be signed electronically and, if necessary, any return transmission overrides must be designated. Also, any remaining EF Messages must be cleared.

Signing the Return Electronically

All e-filed returns must first be signed by the taxpayer (and spouse if it is a joint return) and by the preparer with a Personal Identification Number (PIN). To electronically sign the return with a PIN and produce Form 8879, IRS e-File Signature Authorization, complete the **PIN** screen in data entry. The 8879 generated must be printed, signed by the taxpayer (and spouse if it is a joint return), and retained in the tax preparer's office for three years.

To complete the **PIN** screen, first set up a PIN signature in **Preparer Setup**. For details on setting up a PIN signature, see "Return Signature Options" on page 28.

By default, the software generates the PIN signatures for the taxpayer and spouse. If you prefer the taxpayers to determine their own five-digit PIN signatures, go to **Setup > Options**, **EF** tab to disable the **Auto-generate taxpayers PIN (1040 Only)** feature.

To electronically sign the Taxpayers' return and clear the EF Message concerning PIN signatures, complete the following steps:

1. From the **Data Entry Menu**, enter `PIN` in the selector field and press ENTER, or click the **PIN – 8879/8878 e-file Signature** screen on the right side of the **Data Entry Menu**.
2. Type today's date in the **PIN signature date** field, or press ALT+D to insert today's date. Press TAB. The **Taxpayer's PIN signature** and **Spouse's PIN signature** fields are automatically filled (Figure 1).
3. Enter the **ERO's PIN signature**. The PIN signature entered must match either the PIN signature of the **Default ERO** (selected at **Setup > Options**, **EF** tab) or the PIN signature of the preparer specified in the **Preparer #** field on screen **1**.
4. Press ESC to save and exit the **PIN** screen.

Figure 1: **PIN** screen

NOTES

After entering the **PIN signature date**, press TAB to automatically fill the **Taxpayer's PIN signature** field, and on a joint return, the **Spouse's PIN signature** field.

If there will be a direct debit from the client's bank account to make a tax payment, selecting **Direct Debit Consent** on the **PIN** screen indicates that the taxpayer authorizes funds to be electronically withdrawn from his or her account.

Electronic Signature Pads

Drake Tax supports electronic signature pads. This feature allows taxpayers and tax preparers to digitally sign a variety of documents, including authorization forms, consent forms, and bank applications. Using an electronic signature pad allows you to produce forms, have them signed, and save them to Drake Documents without having to print and sign a piece of paper. For more information, see Chapter 6 of the *2017 Drake Tax User's Manual*.

NOTE

To view or purchase the electronic signature pads recommended by Drake, go to http://DrakeSoftware.com > **Products** > **e-Sign**.

DESIGNATING EF OPTIONS

By default, the program designates all eligible federal and state forms for e-file. Use the **EF** screen to override program defaults on a per-return basis.

Open the Taxpayers' return, enter EF in the selector field, and press ENTER to open the **EF** screen (Figure 2) Press F1 for field-specific information.

To customize the e-filing process for a return, make one of the following selections:

- In the **Ready for EF** field, enter X when the return is ready for e-filing. (This entry is required *only* if the **Require 'Ready for EF' indicator on EF screen** option is selected in **Setup > Options** on the **EF** tab.)
- In the **FEDERAL E-FILE OVERRIDE** section, select the federal form to e-file. To transmit state returns only, select **Do NOT send Federal**.

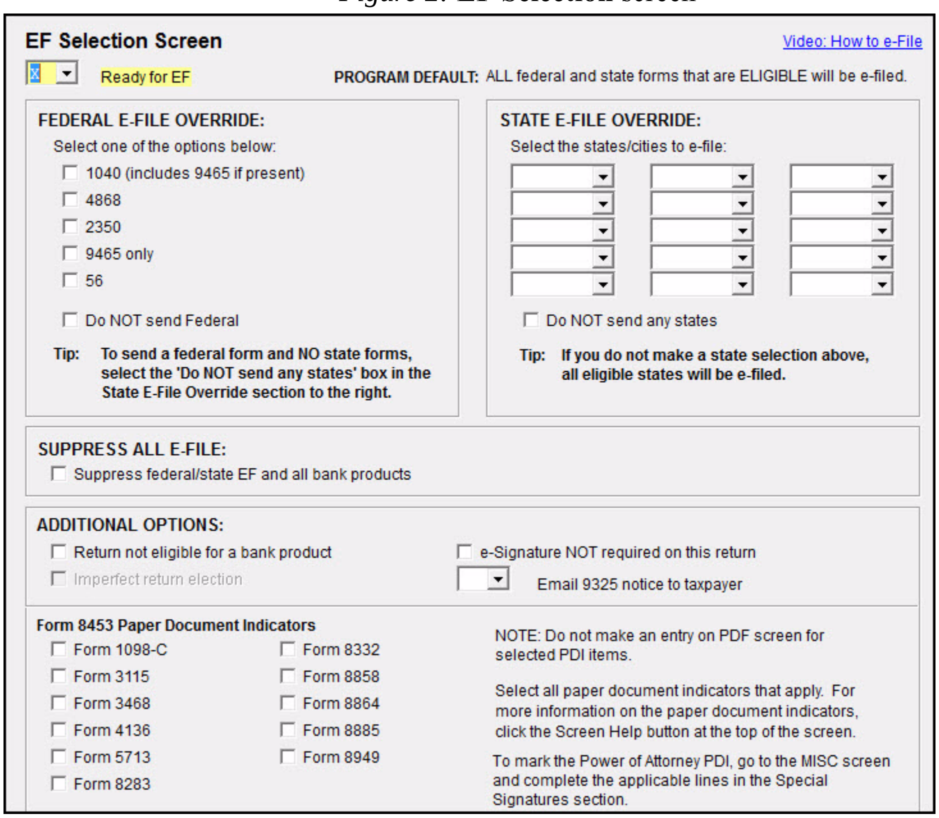
NOTES

Leaving the **1040** box blank does *not* prevent the 1040 from being transmitted if it is otherwise ready to be e-filed. It will *not* be transmitted, however, if you've selected one of the other checkboxes in the **FEDERAL E-FILE OVERRIDE** section of the **EF** screen. If you're filing an extension, the applicable box (**4868** or **2350**) *must* be selected on the **EF** screen in order for the program to transmit it.

- In the **STATE E-FILE OVERRIDE** section, select the state and city returns to e-file if you do not want all eligible state and city returns to be e-filed. This section is also used to select state extension forms for e-filing. To transmit federal returns only, select **Do NOT send any states**.
- In the **SUPPRESS ALL E-FILE** section, select the **Suppress federal/state EF and all bank products** box to prevent e-filing of federal and state returns and all bank products.

Review the **Additional Options** and **Form 8453 Paper Document Indicators** sections.

Figure 2: **EF Selection** screen

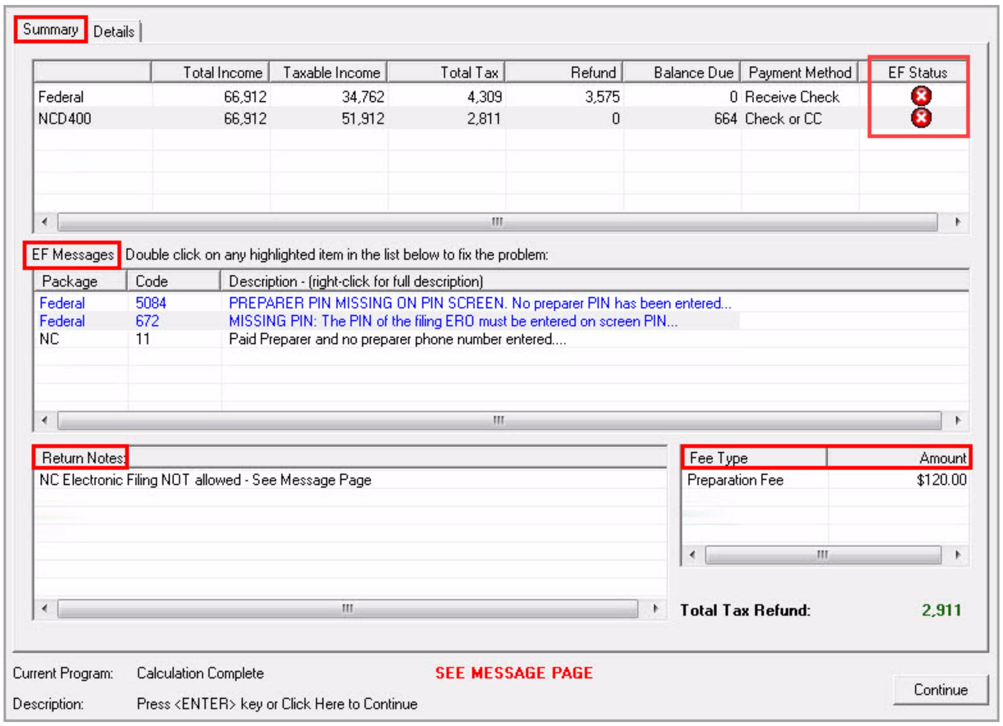


Press ESC to return to the **Data Entry Menu**.

CLEARING EF MESSAGES

Finally, before a return is eligible for e-filing, all EF messages must be cleared. For details on EF messages, see "MESSAGES and NOTES Pages" on page 113. Before you attempt to e-file a return, verify that all EF messages are cleared and that the return is eligible for e-filing on the **Calculation Results** window (Figure 3).

Figure 3: **Calculation Results** window showing returns eligible for e-filing



E-FILING RETURNS

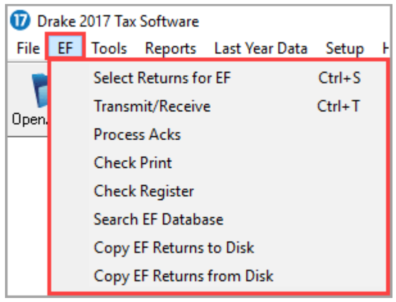
The following section covers the steps required to e-file returns in Drake:

1. Selecting returns for e-filing,
2. Transmitting returns, and
3. Processing acks (acknowledgments).

Selecting Returns For EF

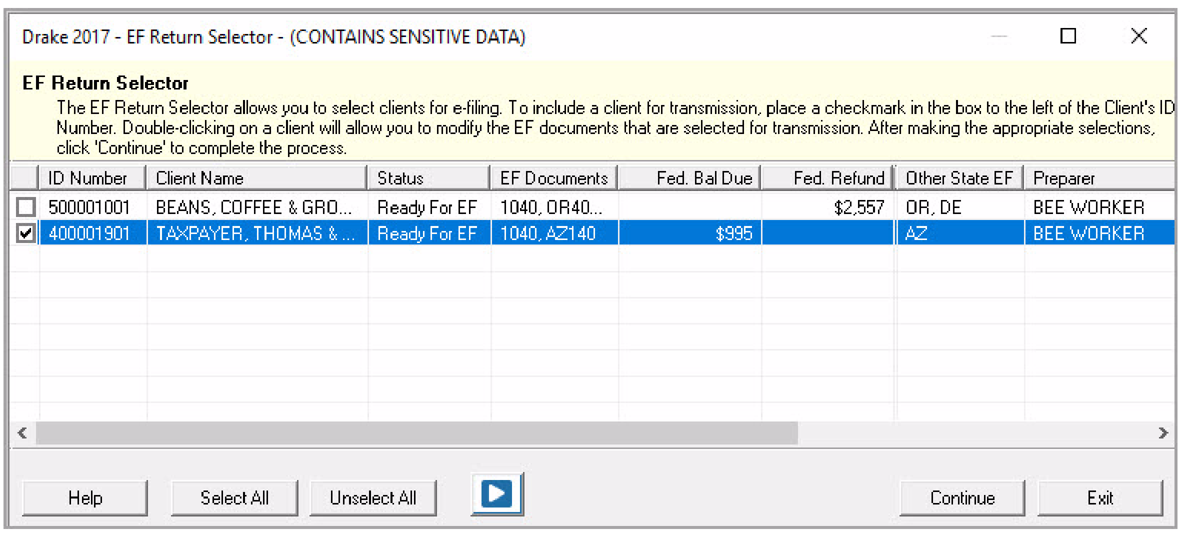
1. From the **Home** window, go to the menu bar and select **EF > Select Returns for EF,** or press CTRL+S (Figure 4).

Figure 4: **EF** menu



2. The **EF Return Selector** is opened displaying a list of recently-calculated returns (Figure 5). Click a column header to sort the returns by that column in ascending or descending order.

Figure 5: **EF Return Selector**



3. Select the checkboxes of the returns you want to transmit. Use the **Select All** or **Unselect All** buttons as needed.
4. (optional) Double-click a return to select it for e-file and open an **EF Transmission Detail** dialog box for the return. This box displays the client's name, ID number, return EF status, and the documents to be e-filed. Make changes if desired; then click **Save**.
5. Click **Continue**. The Report Viewer displays an **EF Selection Report**, which lists all the returns that are awaiting transmission. Select **Print** to print the report. Click **Exit** to close the Report Viewer.

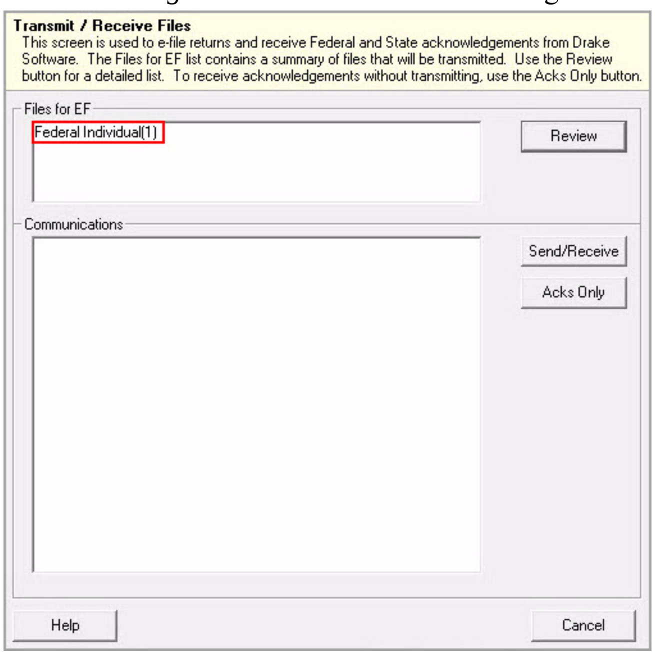
Transmitting Returns

Transmitting tax returns and receiving acknowledgments (also known as "acks") is a simple process. It takes just a few clicks to e-file returns to the IRS and the states.

All returns transmitted through Drake are forwarded to the correct IRS Service Center. Drake sends an immediate "P" ack, acknowledging a successful transmission. (The "P" also indicates that the transmission is being "processed.") After the IRS (or a state) receives and processes the forwarded return, Drake receives acknowledgments indicating the return was accepted (A) or rejected (R). The acknowledgments are then forwarded to the ERO for pick-up the next time the ERO makes a connection to Drake. To transmit returns:

1. From the **Home** window, select **EF > Transmit/Receive** or press CTRL+T.
2. The **Transmit/Receive** dialog box is opened (Figure 6). It displays the types and numbers of returns to be e-filed, and it provides five options: **Review**, **Send/Receive**, **Acks Only**, **Help**, and **Cancel**.

Figure 6: **Transmit/Receive** dialog box

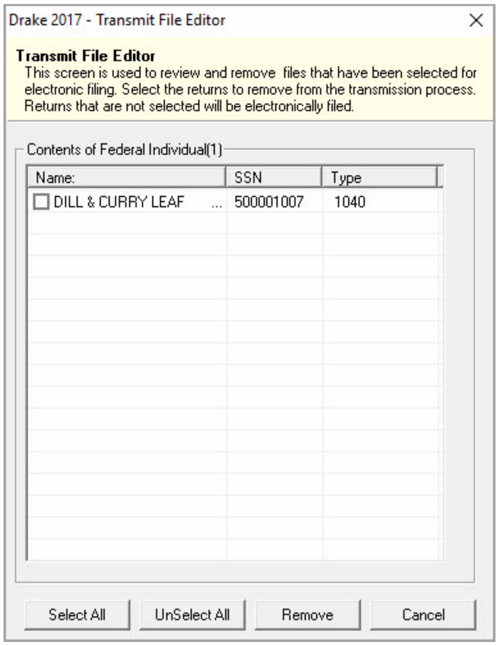


Review

Use this option to review the transmission files listed in the **File for EF** pane of the **Transmit/Receive** dialog box and remove returns before connecting to Drake.

1. To review the files in the **Files for EF** pane (also called the "send" queue), select a return type and click **Review**. The **Transmit File Editor** is displayed (Figure 7).
2. (optional) To remove one or more of the listed returns from the "send" queue, select checkboxes next to the returns in the **Transmit File Editor,** and click **Remove**.
3. Click **Cancel** to return to the **Transmit/Receive** dialog box.

Figure 7: **Transmit File Editor**



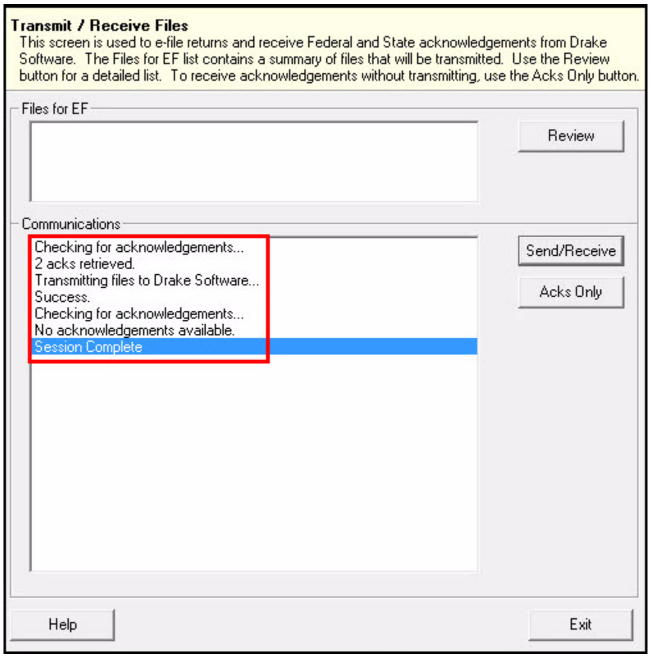
Send/Receive

Use this option to transmit the returns in the **Files for EF** pane of the **Transmit/Receive** dialog box and pick up acknowledgments.

1. Click **Send/Receive**.
2. The Report Viewer displays a **Transmission Report**. Select **Print** to print the report. Click **Exit** to close the Report Viewer.
3. The program immediately logs in to Drake and performs the following tasks:
   - Checks for new acknowledgments
   - Transmits files to Drake
   - Retrieves pending acknowledgments of the transmitted files (if available)
   - Logs out of Drake

Transmission notes are displayed in the **Communications** pane of the **Transmit/Receive** dialog box as transmission progresses (Figure 8). When transmission is complete, all returns transmitted through Drake are forwarded to the correct IRS processing center.

Figure 8: Transmission notes



Receiving "Acks Only"

Use this option to pick up IRS and state acknowledgments, bank-product acknowledgments, and check authorizations. No files are transmitted to Drake.

1. Click **Acks Only**.
2. The program connects and retrieves the acknowledgments.
3. Click **Exit** to close the **Transmit/Receive** dialog box.

NOTES

The **Transmission Report** lists returns that are *planned* for transmission. Because transmittal can be interrupted or a return denied, this list is *not* suitable as a record of transmitted files. After you exit the **Transmission Report**, a green progress bar is displayed, assuring you that the transmission is proceeding normally.

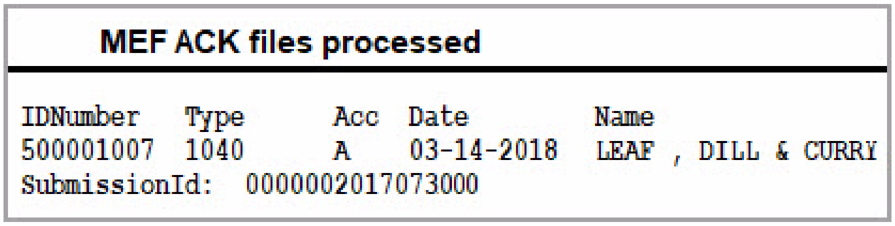
Processing Acknowledgments

Every successfully transmitted tax return receives an acknowledgment. EROs transmitting through Drake receive:

- Drake acknowledgments – to indicate the transmission was received by Drake and is being processed: (P) for live return transmissions and (T) for test return transmissions
- IRS acceptance or rejection acknowledgments (when a federal return is e-filed)
- State acceptance or rejection acknowledgments (when a state return is e-filed)
- Bank acknowledgments – to indicate if a bank product has been accepted or rejected, when checks are ready to print, and when funds have been deposited

All available acknowledgments are retrieved when the ERO connects to Drake, whether or not files are being transmitted. To retrieve and process acknowledgments, go to the **Home** window menu bar and select **EF > Process Acks**. The **Process Acknowledgments** box displays the progress. When complete, the Report Viewer displays an **Acknowledgment Report, which lists the acknowledgment files processed** (Figure 9). Select **Print** to print the report. Click **Exit** to close the Report Viewer.

Figure 9: IRS **Acknowledgment Report**



MEF ACK files processed

IDNumber	Type	Acc	Date	Name
500001007	1040	A	03-14-2018	LEAF , DILL & CURRY

SubmissionId: 0000002017073000

Another way for you to process acknowledgments is to click the **You have acks to process** link in the **Notifications** section of the **Home** window (Figure 10) This action will process acknowledgments that were previously retrieved in the **EF** menu. It will also connect the ERO to Drake, and retrieve and process all available acknowledgments.

Figure 10: **You have acks to process** link on **Home** window

When you process acknowledgments, they are posted to your EF database for future reference. See "Searching the EF Database" on page 139 for details. You can run EF/Bank reports using information from this database. (See "Report Manager" on page 219.)

Practicing e-Filing

Practice e-filing with a few more returns. You may use the EF-Banking practice returns provided in the software (SSNs 500-00-1001 through 500-00-1008). Open and view the returns, correct any EF messages that are displayed on MESSAGES pages, view the returns again, and then e-file them.

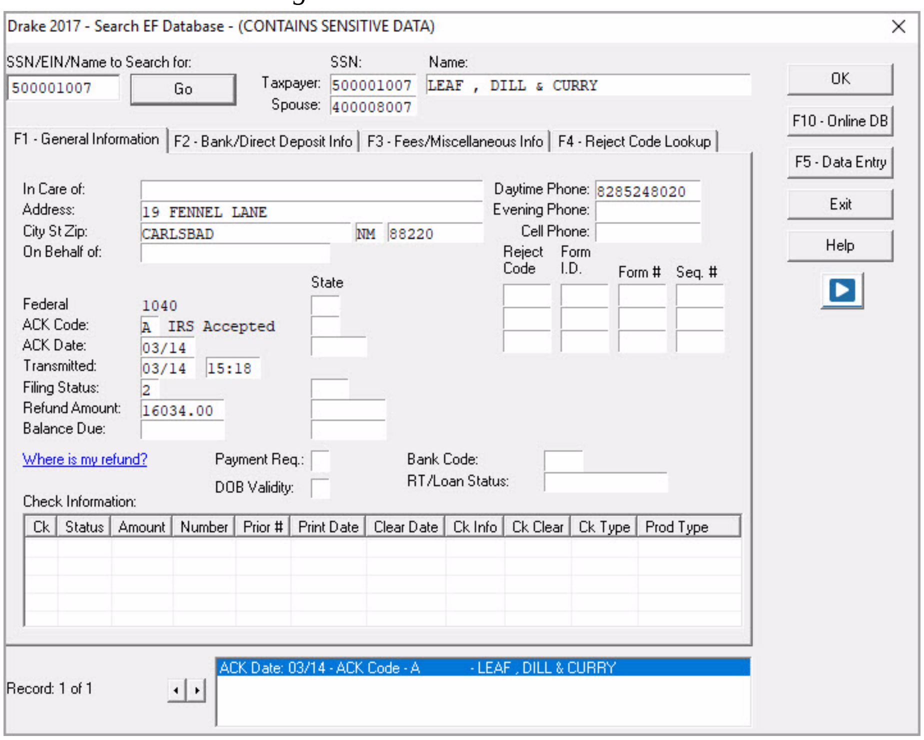
WARNING! Select *only* the returns in the 500-00-XXXX series provided in the software. All other returns are processed as actual ("live") tax returns.

Searching the EF Database

The EF database is a searchable database that displays information about all returns your office has e-filed for the current tax year. To view your EF database, select **EF > Search EF Database** on the menu bar. The **Search EF Database** window is displayed (Figure 11). Use one of the following methods to search the EF database:

- To search for the records for a particular taxpayer or business, enter the SSN, EIN, or last name of the primary taxpayer (without spaces, dashes, or additional characters) in the **SSN/EIN/Name to Search for** field. Then click **Go**.
- To browse *all* records for all taxpayers and businesses, leave the **SSN/EIN/Name to Search for** field blank and click **Go**.

Figure 11: **Search EF Database** window



There are four tabs available for viewing with the following information available:

F1 - General Information tab

- Taxpayer information
- Return
- Federal and state acknowledgment codes
- Acknowledgment dates
- Transmission date & time
- Filing status
- Refund amount or balance due
- Reject codes (click the code to jump to the **F4 - Reject Code Lookup** tab)
- **Where is my refund?** link to the IRS "Refund Status" website
- Bank check information

F2 - Bank/Direct Deposit Info tab

- Bank product information
- Direct-deposit information
- Account information
- Submission ID number

F3 - Fees/Miscellaneous Info tab

- Earned Income Credit (EIC)
- Adjusted Gross Income (AGI)
- PINs, firm number, preparer number, ERO number
- Bank distribution fees

F4 - Reject Code Lookup tab: Search for explanations of federal reject codes.

NOTE All of the records for an SSN or EIN are listed in the box at the bottom of the window. To scroll through the records for a taxpayer or business, click the arrow keys at the bottom of the window, or press PAGE UP and PAGE DOWN on your keyboard.

Take one of the following actions to close the EF database or access another application from within it.

- To close the EF database and return to the Drake **Home** window, click **Exit**.
- To open the **Online EF Database** (an Internet connection is required), click **F10 - Online DB** (or press F10). The EF database in Drake remains open. For more information on the online EF database, see "Viewing Your Online EF Database" on page 141.
- To close the EF database and access data entry for a selected return, click **F5 - Data Entry** (or press F5).

Viewing Your Online EF Database

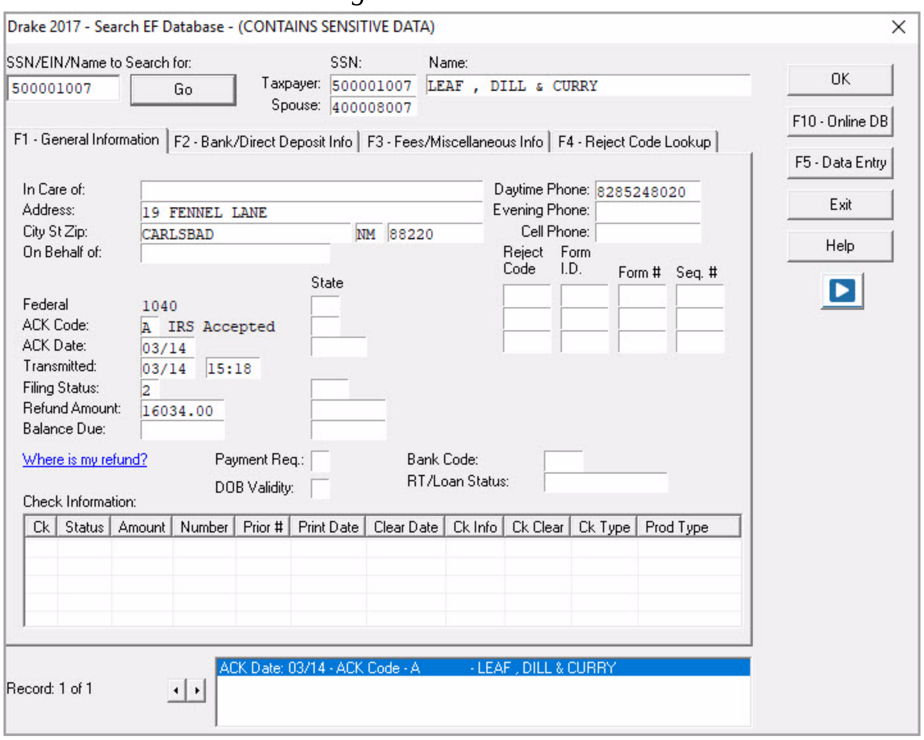
The online EF database displays real-time data on e-filed returns (Figure 12). You can run reports on returns, bank products, and checks; search for e-filing information for a single SSN or EIN; access the Multi-Office Manager (MOM); view Client Status Manager (CSM) data for one or multiple offices; and check the status of each IRS Service Center.

To access your online EF database from the **Home** window within the software (an Internet connection is required):

1. Click **Help > Support Info** and then click the **Web Support** link. Log in to your Support account by entering your EFIN and Drake password.
2. Go to **My Account > EF Database**.

To access your online EF database from the **Search EF Database** window in the software (an Internet connection is required), press F10 or click the **F10 - Online DB button on the right side of the window**.

Figure 12: Online EF Database



By default, the online EF database displays information for the *current* tax year. To view information for one of the two *previous* tax years (if you were a Drake client during those tax years), select the tax year from the **Tax Year** field drop list on the lower-left side of the page.

Below the **Tax Year** field drop list is the **SSN/Last Name** search field. To find information on a specific return, enter the SSN or last name in this field and click the blue arrow.

Including Bank Products

Bank products provide taxpayers a way to pay their preparation fees from their refund rather than having to pay their fees up front. They also give taxpayers without bank accounts an alternate way to receive their refund proceeds.

To provide a bank product, the bank sets up a temporary account for direct deposit of the taxpayer's refund. Once the IRS deposits the refund into the temporary account, the bank deducts applicable fees and issues the remaining funds to the taxpayer.

NOTE The taxpayer *must* understand that a bank product is *not* a loan. The disbursement reflects the *actual deposited refund amount* with the bank, transmitter, and preparer fees already deducted.

Bank products work seamlessly with Drake Tax e-filing. Preparers have several banks and products to choose from. Go to *Support.DrakeSoftware.com*, log in to your Support account, and click **Partner Programs > Bank Partners** for bank details.

Review Questions Part 4

Answer the following questions. See "Answers Part 4" on page 144 for answers and explanations.

1. Which of the following statements is *true* about EROs?

- **a)** To become an ERO, simply contact the IRS and ask to be added to the ERO list.
- **b)** EROs must request a temporary EFIN from Drake.
- **c)** Prospective EROs must submit a fingerprint card to the IRS along with their application.
- **d)** Prospective EROs must create an IRS e-services account to apply for an EFIN.

2. What steps must be taken on the **EF Selections** screen to prevent a taxpayer's federal and state returns from being e-filed?

- **a)** Select the **Suppress federal/state EF and all bank products** checkbox.
- **b)** Clear the **1040** and other federal form checkboxes, and select the **Do NOT send any states** checkbox.
- **c)** Select the **Do NOT send Federal** checkbox.
- **d)** Remove the **X** from the **Ready for EF** box.

3. Which of the following statements is *not* true?

- **a)** You cannot remove a return from the **Files for EF** pane of the **Transmit/Receive** dialog box.
- **b)** The program automatically checks for new acknowledgments when you transmit returns.
- **c)** The program automatically checks for new acknowledgments when you process acks.
- **d)** Information is added to your EF database when you receive new acknowledgements.

4. What should you do if you want to look up data about the returns you e-filed and the acknowledgments you received during the current tax year?

- **a)** Search the Drake Knowledge Base.
- **b)** Call your bank partner.
- **c)** Go online to *www.irs.gov.*
- **d)** From the **Home** window, go to **EF > Search EF Database**.

5. The PIN entered in the **ERO's PIN signature** field of the **PIN** screen:

- **a)** Must match either the PIN signature of the **Default ERO** (selected in **Setup > Options** on the **EF** tab) or the PIN signature of the preparer specified in the **Preparer #** field on screen **1**.
- **b)** Can be changed throughout tax season according to the preparer's preference.
- **c)** Is not required for returns that will be e-filed as a batch.
- **d)** Is the taxpayer's 5-digit, self-selected PIN number.

ANSWERS PART 4

1. The correct answer is **d) Prospective EROs must create an IRS e-services account to apply for an EFIN.** Go to *www.irs.gov*, search for "Become an Authorized e-File Provider," and follow the listed steps, which include creating an IRS e-services account, completing an online application, and passing a suitability check.

   a) is incorrect. This is not how a preparer becomes an ERO. There is an application process.

   b) is incorrect. Temporary EFINs are assigned by Drake to preparers who have not yet become EROs so they can e-file test returns and access Drake Internet tools.

   c) is incorrect. CPAs and EAs are not required to submit fingerprint cards when applying for an EFIN, all other preparers are required to submit fingerprint cards.

2. The correct answer is **a) Select the Suppress federal/state EF and all bank products checkbox**. This marks the return as ineligible and ensures it cannot be sent electronically to the IRS.

   b) is incorrect. Clearing the **1040** checkbox does not prevent e-filing of a 1040 return.

   c) is incorrect. Selecting the **Do NOT send Federal** box suppresses federal e-filing, but it does not prevent e-filing of state and city returns.

   d) is incorrect. Removing the **X** from the **Ready for EF** box prevents e-filing of federal and state returns only if the **Require 'Ready for EF' indicator on EF screen** option is selected in **Setup > Options** on the **EF** tab.

3. The correct answer is **d) Information is added to your EF database when you receive new acknowledgements.** Acknowledgment information is not added to your EF database until you *process* the acknowledgments.

   a) is incorrect. You *can* remove a return from the **Files for EF** pane of the **Transmit/Receive** dialog box (by selecting the return type, clicking **Review**, selecting the return, and clicking **Remove**).

   b) is incorrect. The program *does* check for new acknowledgments when you transmit returns.

   c) is incorrect. The program *does* check for new acknowledgments when you process acks.

4. The correct answer is **d) From the Home window, go to EF > Search EF Database**. Drake Support personnel see the same information you see in your EF database: acknowledgment types, acceptance and rejection dates, bank product information, and reject codes.

   a) is incorrect. The Drake Knowledge Base is a searchable database of articles covering topics that generate the most Drake support calls. It does not contain any data about the returns you e-filed and any acknowledgments you have received.

   b) is incorrect. Bank partners have very limited information.

   c) is incorrect. The *www.irs.gov* website does not provide details about your e-filed returns.

5. The correct answer is **a) Must match either the PIN signature of the Default ERO (selected at Setup > Options, EF tab) or the PIN signature of the preparer specified in the Preparer # field on screen 1.** Otherwise, the software will generate an EF message to prevent e-filing the return.

   b) is incorrect. The PIN should never be changed during the tax season, per IRS guidance.

   c) is incorrect. Each return must be signed electronically using the **PIN** screen before it is eligible for e-filing regardless of the number of returns to be sent.

   d) is incorrect. The ERO PIN is a self selected, 5- digit number used by the ERO, not the taxpayer.

Corporation Return

In addition to the 1040 package, Drake Tax includes packages for Corporation (1120), S Corporation (1120S), Fiduciary (1041), Partnership (1065), Tax-Exempt (990), and Estate (706) returns. This chapter summarizes the basic steps to prepare Form 1120 for a Corporation return. *(A completed version of this return scenario can be viewed by opening a return with the following EIN: 400001515).*

Preparing the 1120 Evaluation Return

NOTE Use the corporation's Balance Sheet, (Figure 22 on page 168) Profit Loss Statement (Figure 23 on page 169), and information tables to assist you in this exercise.

To create a new corporation return from the Drake Tax **Home** window:

1. Click **Open/New** in the **Home** window toolbar, type EIN `400001516`, and click **OK**.
2. Click **Yes** to create a new return and select return type: `1120`.
3. Enter the corporation's name: `The Paint Palette Design Studio Inc` and click **OK**.

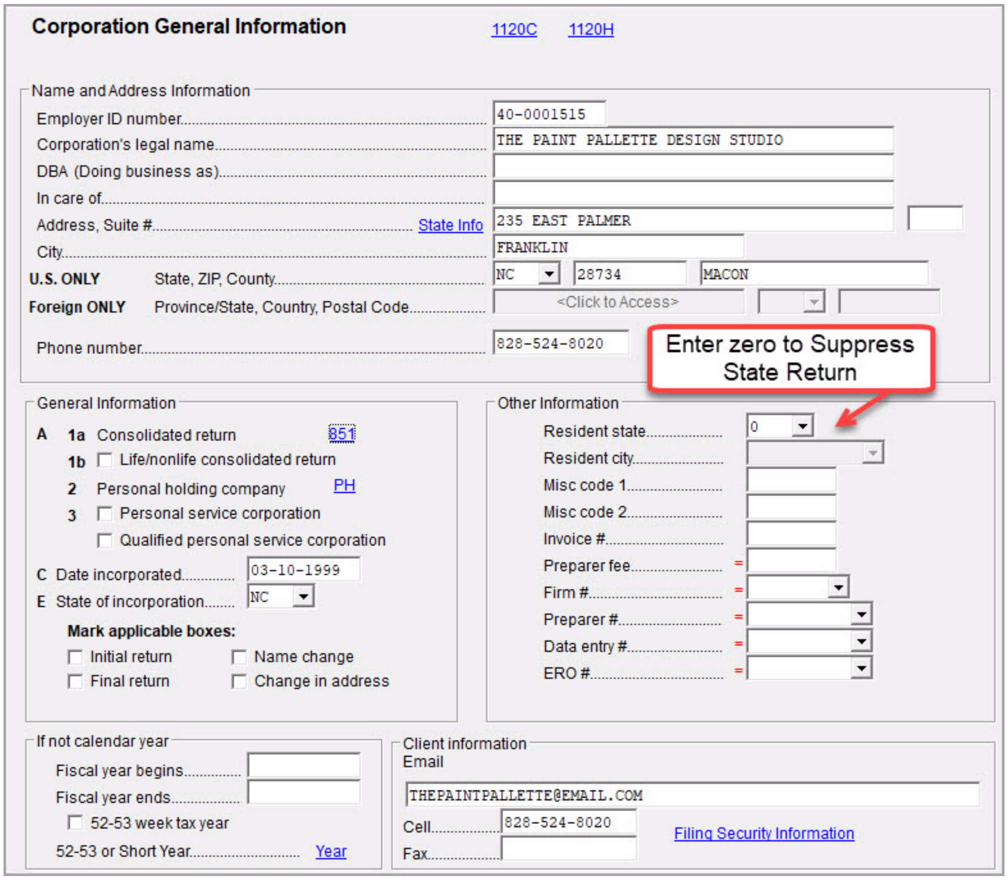
Corporation General Information

The 1120 return is opened to screen **1**, the **Corporation General Information** screen. Begin return preparation using the corporation's general information in the table listed below:

Fields	Data
Corporation's Name	THE PAINT PALETTE DESIGN STUDIO, INC.
Address	235 EAST PALMER
ZIP code	28734
Phone number	828-524-8020
Date incorporated	03-10-1999
State of incorporation	NC
Resident state	0 (enter zero to suppress the state return) for this exercise
If not calendar year	leave section blank - this corporation uses a calendar year
Email	THEPAINTPALLETE@EMAIL.COM
Cell	828-524-8020

NOTE When a corporation's resident state differs from the state in the mailing address, select the appropriate state code from the **Resident state** drop list in the **Other Information** section of screen **1**.

Figure 1: Screen **1**, **Corporation General Information**



After completing screen **1**, press ESC to return to the **Data Entry Menu**.

NOTE Entries made in data entry screens are automatically saved. To exit a screen *without* saving data, right-click inside the screen to open the **Screen Help menu**, and select **Exit Screen Without Saving**.

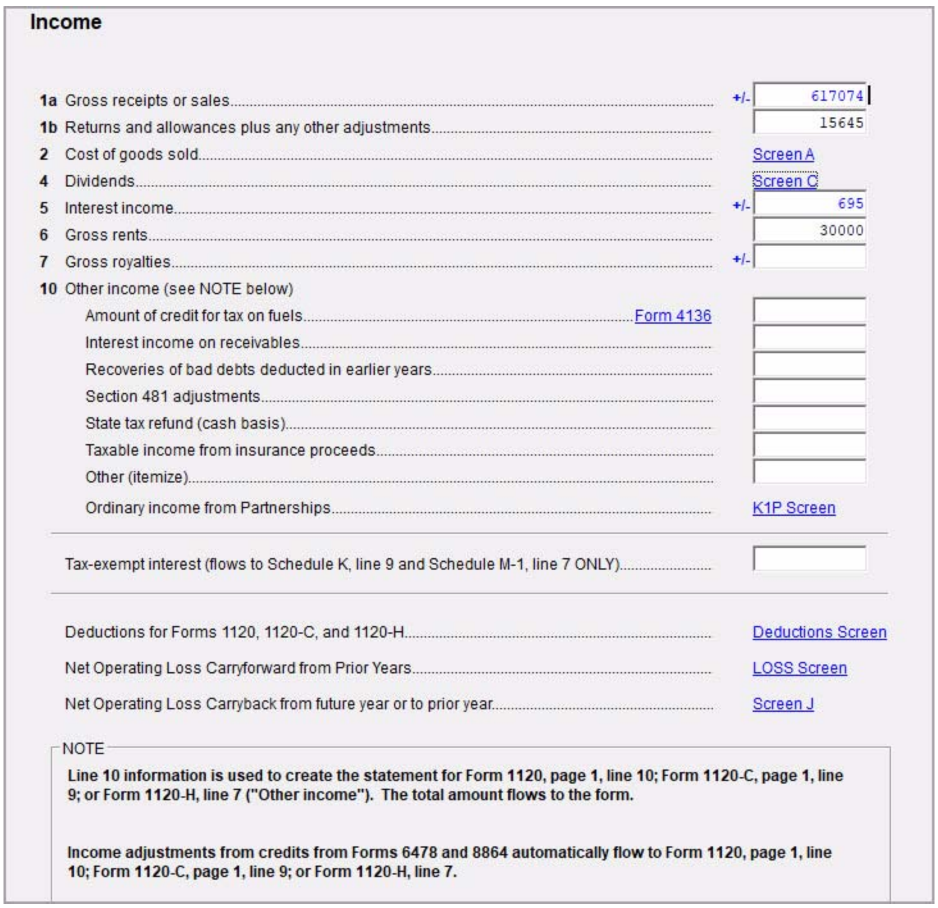
INCOME

Corporation income is reported on the **INC** (**Income**) screen. To open the **INC** screen, either click the screen name in the **Data Entry Menu**, or from the selector field type `INC` and press ENTER. Use the table below to enter the corporation's income information in the **INC** screen:

Fields	Data
Gross receipts or sales	617,074
Returns and allowances plus any other adjustments	15,645
Interest Income	695
Gross rents	30,000

NOTE Enter all dollar amounts in Drake Tax without using dollar signs or commas.

Figure 2: **Income** Screen



Press ESC to return to the **Data Entry Menu**.

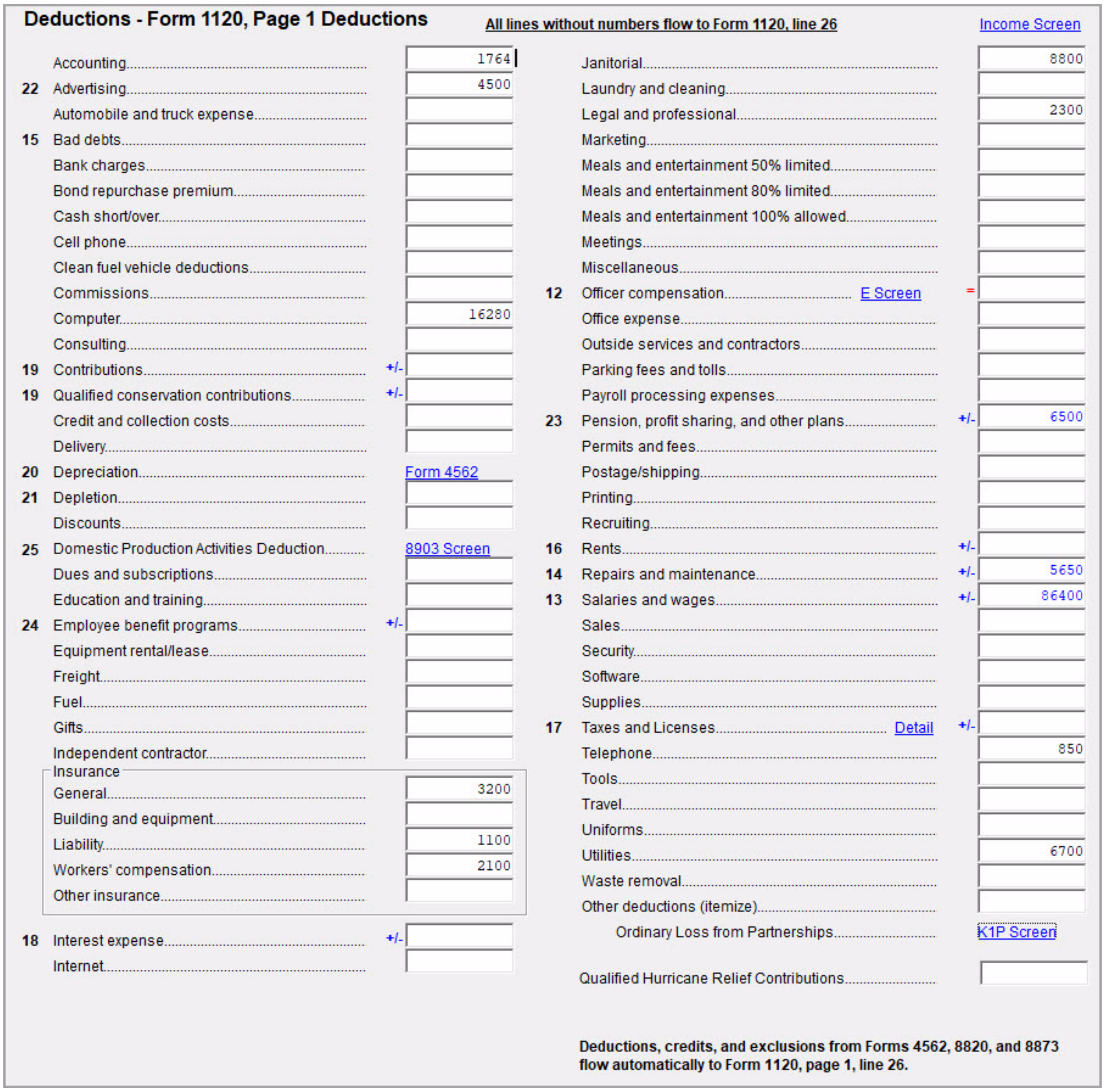
DEDUCTIONS

Corporation deductions are entered on the **DED** (**Deductions**) screen (Figure 3). Type DED into the selector field and press ENTER to open the **DED** screen. Use the table below to enter the corporation's information in the **DED** screen:

After you have completed entering the deduction information in this screen, press Esc to return to the **Data Entry Menu**.

Fields	Data
Accounting	1,764
Advertising	4,500
Computer	16,280
Insurance - General	3,200
Insurance - Liability	1,100
Insurance - Workers compensation	2,100
Janitorial	8,800
Legal and professional	2,300
Pension Plans	6,500
Repairs and maintenance	5,650
Salaries and wages	86,400
Telephone	850
Utilities	6,700

Figure 3: **Deductions** Screen



Deductions - Form 1120, Page 1 Deductions All lines without numbers flow to Form 1120, line 26 Income Screen

	Accounting		1764
22	Advertising		4500
	Automobile and truck expense		
15	Bad debts		
	Bank charges		
	Bond repurchase premium		
	Cash short/over		
	Cell phone		
	Clean fuel vehicle deductions		
	Commissions		
	Computer		16280
	Consulting		
19	Contributions	+/-	
19	Qualified conservation contributions	+/-	
	Credit and collection costs		
	Delivery		
20	Depreciation	Form 4562	
21	Depletion		
	Discounts		
25	Domestic Production Activities Deduction	8903 Screen	
	Dues and subscriptions		
	Education and training		
24	Employee benefit programs	+/-	
	Equipment rental/lease		
	Freight		
	Fuel		
	Gifts		
	Independent contractor		
	Insurance		
	General		3200
	Building and equipment		
	Liability		1100
	Workers' compensation		2100
	Other insurance		
18	Interest expense	+/-	
	Internet		

	Janitorial		8800
	Laundry and cleaning		
	Legal and professional		2300
	Marketing		
	Meals and entertainment 50% limited		
	Meals and entertainment 80% limited		
	Meals and entertainment 100% allowed		
	Meetings		
	Miscellaneous		
12	Officer compensation	E Screen =	
	Office expense		
	Outside services and contractors		
	Parking fees and tolls		
	Payroll processing expenses		
23	Pension, profit sharing, and other plans	+/-	6500
	Permits and fees		
	Postage/shipping		
	Printing		
	Recruiting		
16	Rents	+/-	
14	Repairs and maintenance	+/-	5650
13	Salaries and wages	+/-	86400
	Sales		
	Security		
	Software		
	Supplies		
17	Taxes and Licenses	Detail +/-	
	Telephone		850
	Tools		
	Travel		
	Uniforms		
	Utilities		6700
	Waste removal		
	Other deductions (itemize)		
	Ordinary Loss from Partnerships	K1P Screen	
	Qualified Hurricane Relief Contributions		

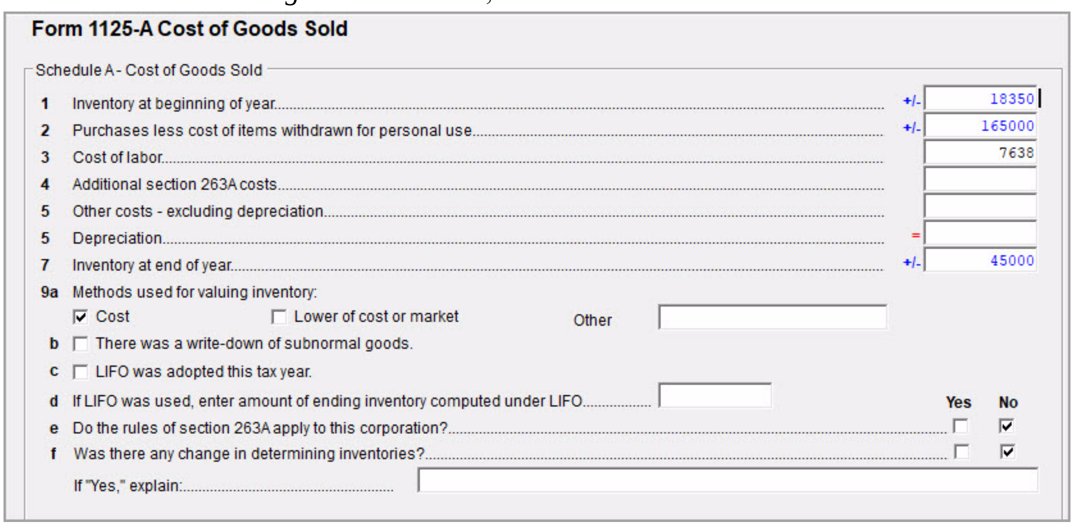
Deductions, credits, and exclusions from Forms 4562, 8820, and 8873 flow automatically to Form 1120, page 1, line 26.

Form 1125-A Cost Of Goods Sold

Corporation cost of goods sold is entered on **Form 1125-A Cost of Goods Sold** screen (Figure 4). Type A in the selector field and press ENTER to open the **Form 1125** screen. Use the table below to complete the cost and inventory information in the **Form 1125** screen:

Fields	Data
Inventory at beginning of year	18,350
Purchases less cost of items withdrawn for personal use	165,000
Cost of labor	7,638
Inventory at end of year	45,000
Methods used for valuing inventory	Cost
Do the rules of section 263A apply to this corporation?	No
Was there any change in determining inventories?	No

Figure 4: Screen **A, Form 1125-A Cost of Goods Sold**


Form 1125-A Cost of Goods Sold

Schedule A - Cost of Goods Sold

1	Inventory at beginning of year	+/-	18350
2	Purchases less cost of items withdrawn for personal use	+/-	165000
3	Cost of labor		7638
4	Additional section 263A costs		
5	Other costs - excluding depreciation		
5	Depreciation	=	
7	Inventory at end of year	+/-	45000

9a Methods used for valuing inventory:

- [x] Cost
- [ ] Lower of cost or market

Other

b [ ] There was a write-down of subnormal goods.

c [ ] LIFO was adopted this tax year.

d If LIFO was used, enter amount of ending inventory computed under LIFO

		Yes	No
e	Do the rules of section 263A apply to this corporation?	[ ]	[x]
f	Was there any change in determining inventories?	[ ]	[x]

If "Yes," explain:

Press Esc to return to the **Data Entry Menu**.

Form 1125-E Officer Information

The **E** screen, (**Form 1125-E Officer Information**) is used to enter the corporation's officers information, percentage of ownership, and compensation (Figure 5). To open the **E** screen, type E in the selector field and press ENTER. Use the table below to complete the officer information for Form 1125-E:

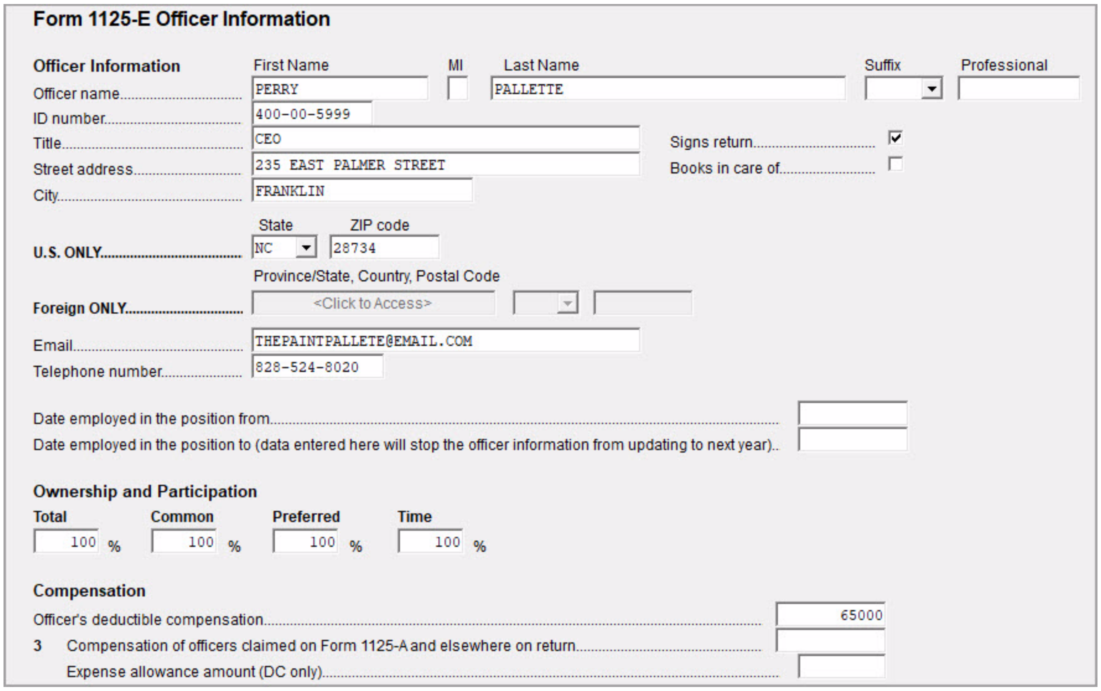
NOTE The Paint Palette only has one officer. In this case, however, you can press PAGE DOWN in screen 1125-E to create another page for more officers.

Fields	Data
Officer name	PERRY PALETTE
Title	CEO
Street address	235 EAST PALMER STREET
ZIP	28734
Email	THEPAINTPALETTE@EMAIL.COM
Telephone number	828-524-8020
ID Number	400005999
Signs return	YES
Total Percentage	100
Common Percentage	100
Preferred Percentage	100
Time Percentage	100
Officer's deductible compensation	65,000

Press Esc to return to the **Data Entry Menu**.

NOTE If a corporation has total receipts of $500,000 or more and deducts compensation for officers, Form 1125-E must be completed and included when filing the 1120 return.

Figure 5: Screen **E**, **Form 1125-E Officer Information**



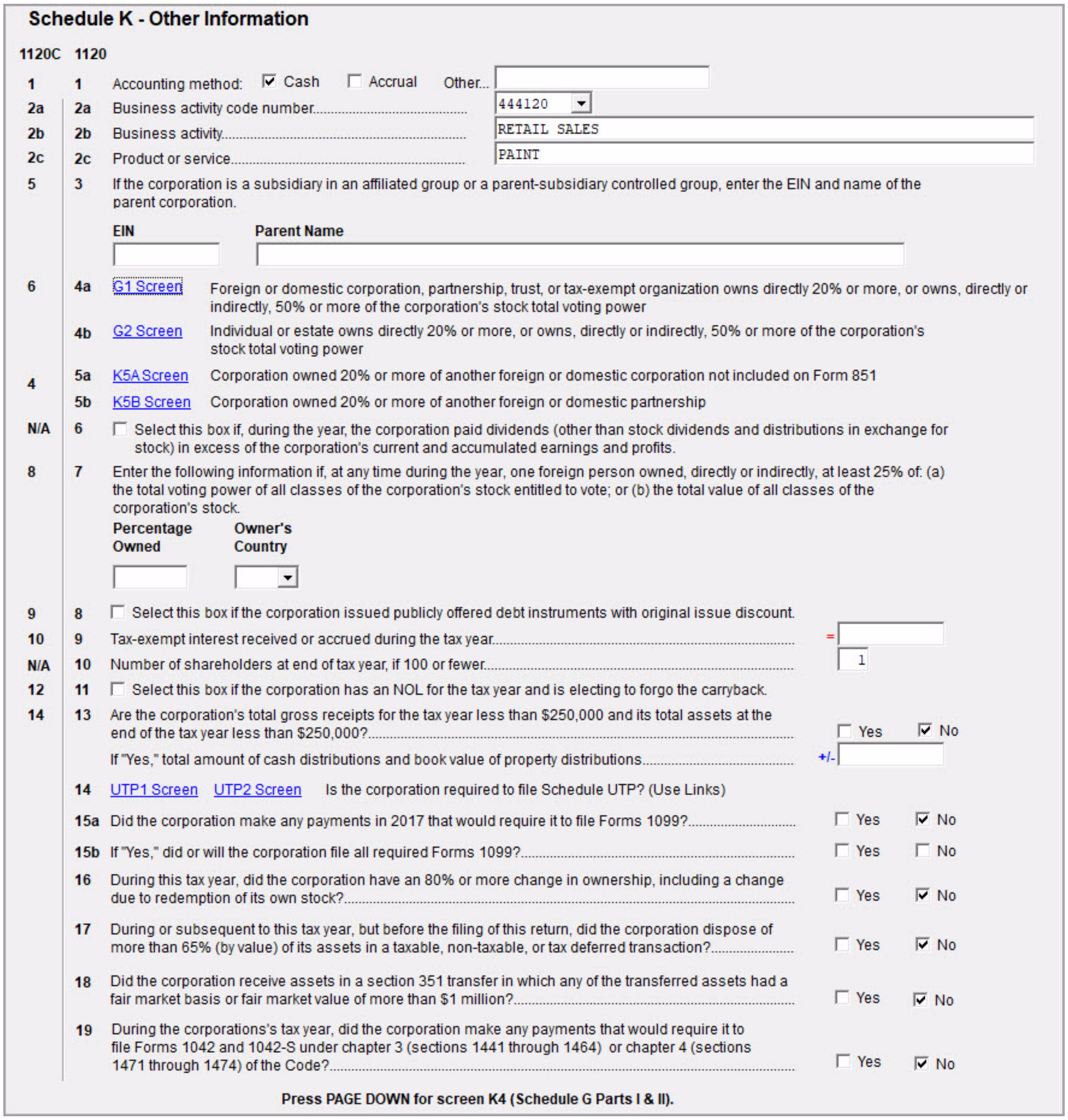
Schedule K - Other Information

The **K** screen (**Schedule - K Other Information screen**) is used to provide additional business information about the corporation. To open the **K** screen, type K in the selector field and press ENTER. Use the table below to enter the additional business information for the corporation:

Fields	Data
Accounting method	CASH
*Business activity code number *(see note below)*	*444120
Business activity	RETAIL SALES
Product or service	PAINT
Enter the number of shareholders at the end of tax year if 100 or fewer	1
1120 Questions 13, 15a, 16, 17, 18, and 19	All "NO"

NOTE * To locate the **Business activity code** number, place your mouse pointer in the field for line 2a, press CTRL+SHIFT+S to open a field search, type `Paint` in the **Please input search data** field, and click **Go**. Select **444120 Paint & Wallpaper Stores**, and click **OK**.

Figure 6: Screen **K, Schedule K - Other Information**



Schedule K - Other Information

1120C	1120		
1	1	Accounting method: ☑ Cash ☐ Accrual Other...	
2a	2a	Business activity code number	444120
2b	2b	Business activity	RETAIL SALES
2c	2c	Product or service	PAINT
5	3	If the corporation is a subsidiary in an affiliated group or a parent-subsidiary controlled group, enter the EIN and name of the parent corporation. EIN / Parent Name	
6	4a	G1 Screen — Foreign or domestic corporation, partnership, trust, or tax-exempt organization owns directly 20% or more, or owns, directly or indirectly, 50% or more of the corporation's stock total voting power	
	4b	G2 Screen — Individual or estate owns directly 20% or more, or owns, directly or indirectly, 50% or more of the corporation's stock total voting power	
4	5a	K5A Screen — Corporation owned 20% or more of another foreign or domestic corporation not included on Form 851	
	5b	K5B Screen — Corporation owned 20% or more of another foreign or domestic partnership	
N/A	6	☐ Select this box if, during the year, the corporation paid dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits.	
8	7	Enter the following information if, at any time during the year, one foreign person owned, directly or indirectly, at least 25% of: (a) the total voting power of all classes of the corporation's stock entitled to vote; or (b) the total value of all classes of the corporation's stock. Percentage Owned / Owner's Country	
9	8	☐ Select this box if the corporation issued publicly offered debt instruments with original issue discount.	
10	9	Tax-exempt interest received or accrued during the tax year	=
N/A	10	Number of shareholders at end of tax year, if 100 or fewer	1
12	11	☐ Select this box if the corporation has an NOL for the tax year and is electing to forgo the carryback.	
14	13	Are the corporation's total gross receipts for the tax year less than $250,000 and its total assets at the end of the tax year less than $250,000?	☐ Yes ☑ No
		If "Yes," total amount of cash distributions and book value of property distributions	+/-
	14	UTP1 Screen UTP2 Screen — Is the corporation required to file Schedule UTP? (Use Links)	
	15a	Did the corporation make any payments in 2017 that would require it to file Forms 1099?	☐ Yes ☑ No
	15b	If "Yes," did or will the corporation file all required Forms 1099?	☐ Yes ☐ No
	16	During this tax year, did the corporation have an 80% or more change in ownership, including a change due to redemption of its own stock?	☐ Yes ☑ No
	17	During or subsequent to this tax year, but before the filing of this return, did the corporation dispose of more than 65% (by value) of its assets in a taxable, non-taxable, or tax deferred transaction?	☐ Yes ☑ No
	18	Did the corporation receive assets in a section 351 transfer in which any of the transferred assets had a fair market basis or fair market value of more than $1 million?	☐ Yes ☑ No
	19	During the corporations's tax year, did the corporation make any payments that would require it to file Forms 1042 and 1042-S under chapter 3 (sections 1441 through 1464) or chapter 4 (sections 1471 through 1474) of the Code?	☐ Yes ☑ No

Press PAGE DOWN for screen K4 (Schedule G Parts I & II).

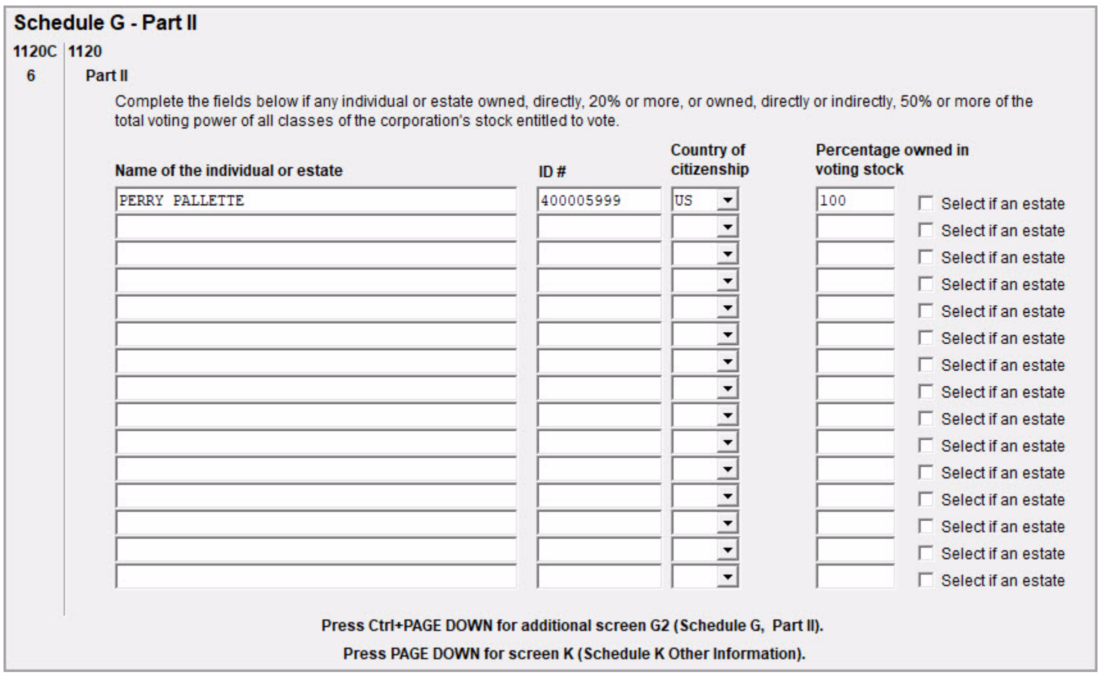
NOTE The **K** screen has lines for both the 1120C and the 1120. When a corporation is a cooperative, this would be entered on the **20C** screen, **1120-C-Cooperative Associations**. The line numbers on the **K** screen would then correspond to the 1120C.

Schedule G - Part II

The **G2** screen (**Schedule G - Part II**) is used to record ownership information for individuals or estates that directly owned 20% or more, or owned 50% or more (directly or indirectly) of the total voting power of all classes of the corporation's stock entitled to vote (Figure 7). Type G2 in the selector field to open the **G2** screen. (The Page Up and Page Down keys can be used to toggle between the **G1** and **G2** screens). Perry Palette is the only owner in this exercise. Use the table below to complete the **G2** screen with his ownership information:

Fields	Data
Name of Individual	PERRY PALETTE
ID#	400005999
Country of Citizenship	U.S.
Percentage owned in voting stock	100

Figure 7: Screen **G2**, **Schedule G - Part II**



Press Esc to return to the **Data Entry Menu**.

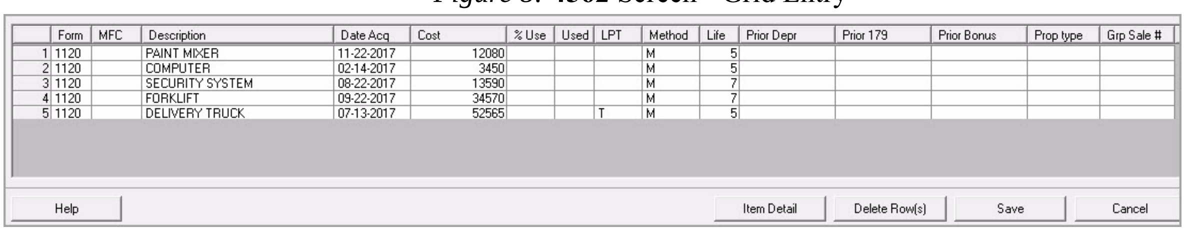
DEPRECIATION

To access the **Form 4562** screen, enter `4562` in the selector field and press ENTER. The screen may open in grid data entry mode (Figure 8) if that setting has been selected in **Setup** > **Options**, **Data Entry** tab). The assets for The Paint Palette are used 100% for business. The program uses 100% automatically, so you can leave the **Use%** field blank. The **Cost** field amount is also the depreciation basis. For this exercise, assume that all other depreciation column amounts match the federal column entries. Leave the **State**, **AMT**, and **Book** depreciation columns blank for all five assets.

Fields	Asset 1	Asset 2	Asset 3	Asset 4	Asset 5
For	1120	1120	1120	1120	1120
Description	Paint Mixer	Delivery Truck	Computer	Security System	Forklift
Date Acquired	11-22-2017	07-13-2017	02-14-2017	08-22-2017	09-22-2017
Cost	12080	52565	3450	13590	34570
Business% Use	leave blank	leave blank	leave blank	leave blank	leave blank
Used Prop	leave blank	leave blank	leave blank	leave blank	leave blank
Listed Prop Type	leave blank	T	leave blank	leave blank	leave blank
Method	M	M	M	M	M
Life	5	5	5	7	7

To access the **4562** screens in full screen mode, click an asset from the grid view and click **Item Detail** or press F3 to toggle back and forth between grid mode and full screen mode (Figure 10). Use your TAB or UP ARROW and DOWN ARROW keys to move around within the grid view, and in full- screen mode, press PAGE DOWN to move to another **4562** screen.

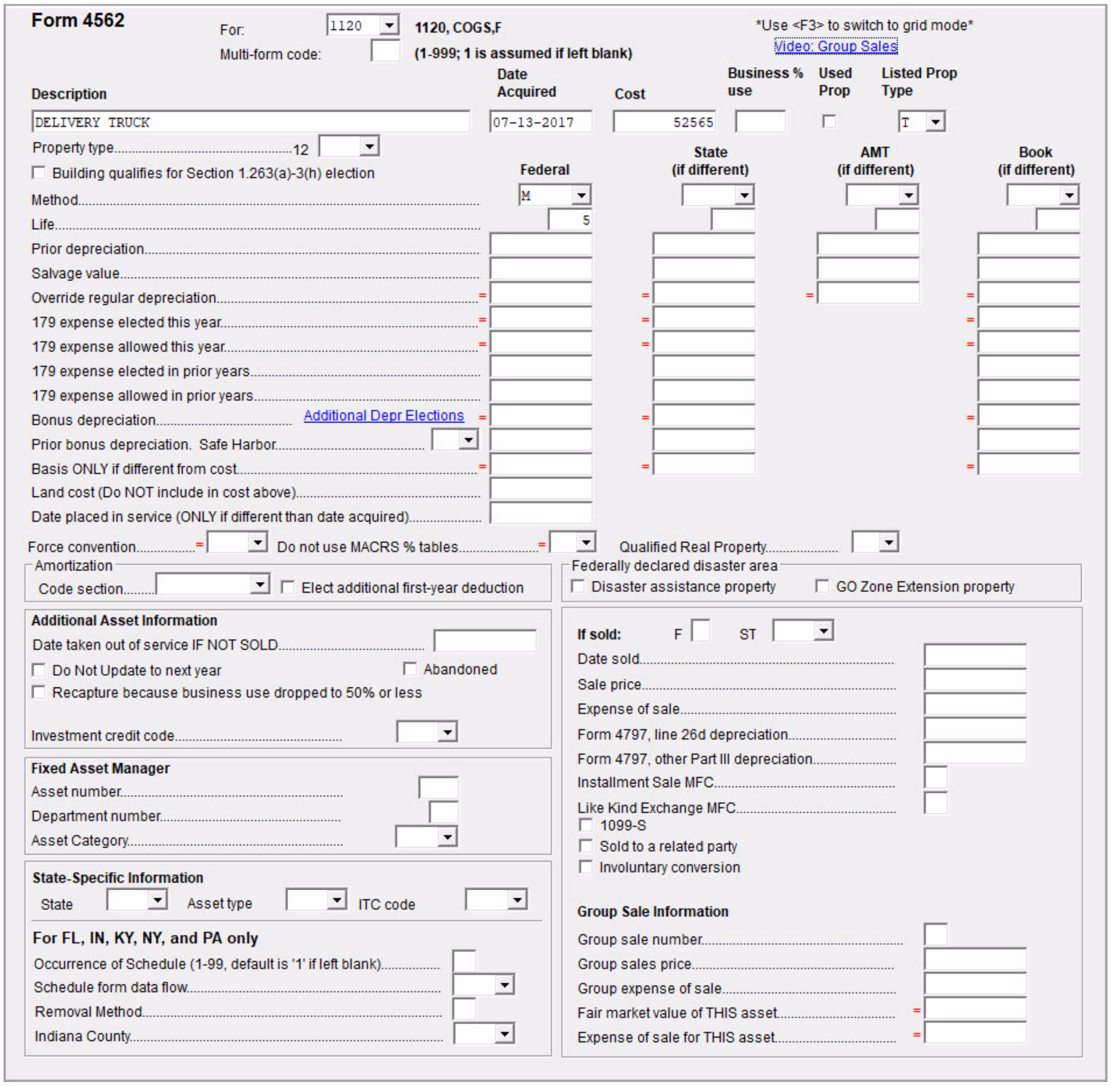
Figure 8: **4562** Screen - Grid Entry



	Form	MFC	Description	Date Acq	Cost	% Use	Used	LPT	Method	Life	Prior Depr	Prior 179	Prior Bonus	Prop type	Grp Sale #
1	1120		PAINT MIXER	11-22-2017	12080				M	5					
2	1120		COMPUTER	02-14-2017	3450				M	5					
3	1120		SECURITY SYSTEM	08-22-2017	13590				M	7					
4	1120		FORKLIFT	09-22-2017	34570				M	7					
5	1120		DELIVERY TRUCK	07-13-2017	52565			T	M	5					

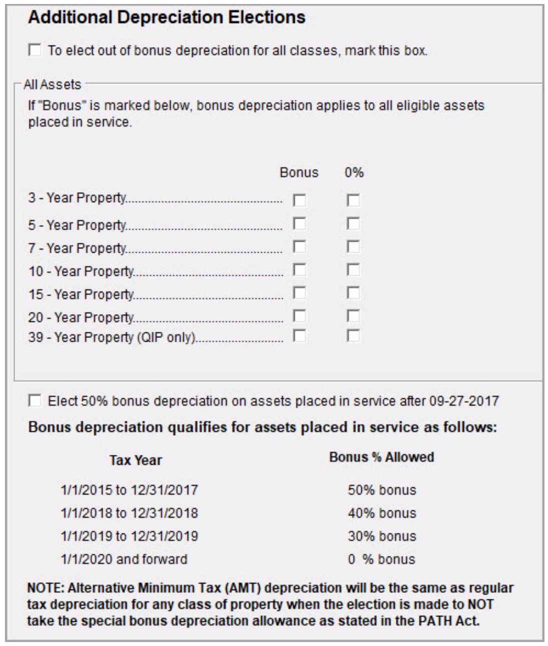
Press ESC to return to the **Data Entry Menu.**

Figure 9: **4562** Screen - Full Screen Mode



The Paint Palette will not be electing out of bonus depreciation for any of its assets; however, screen **10** (**Additional Depreciation Elections**) is used for returns electing out of bonus depreciation for all assets or for specific property classes (Figure 10).

Figure 10: Screen **10, Additional Depreciation Elections**

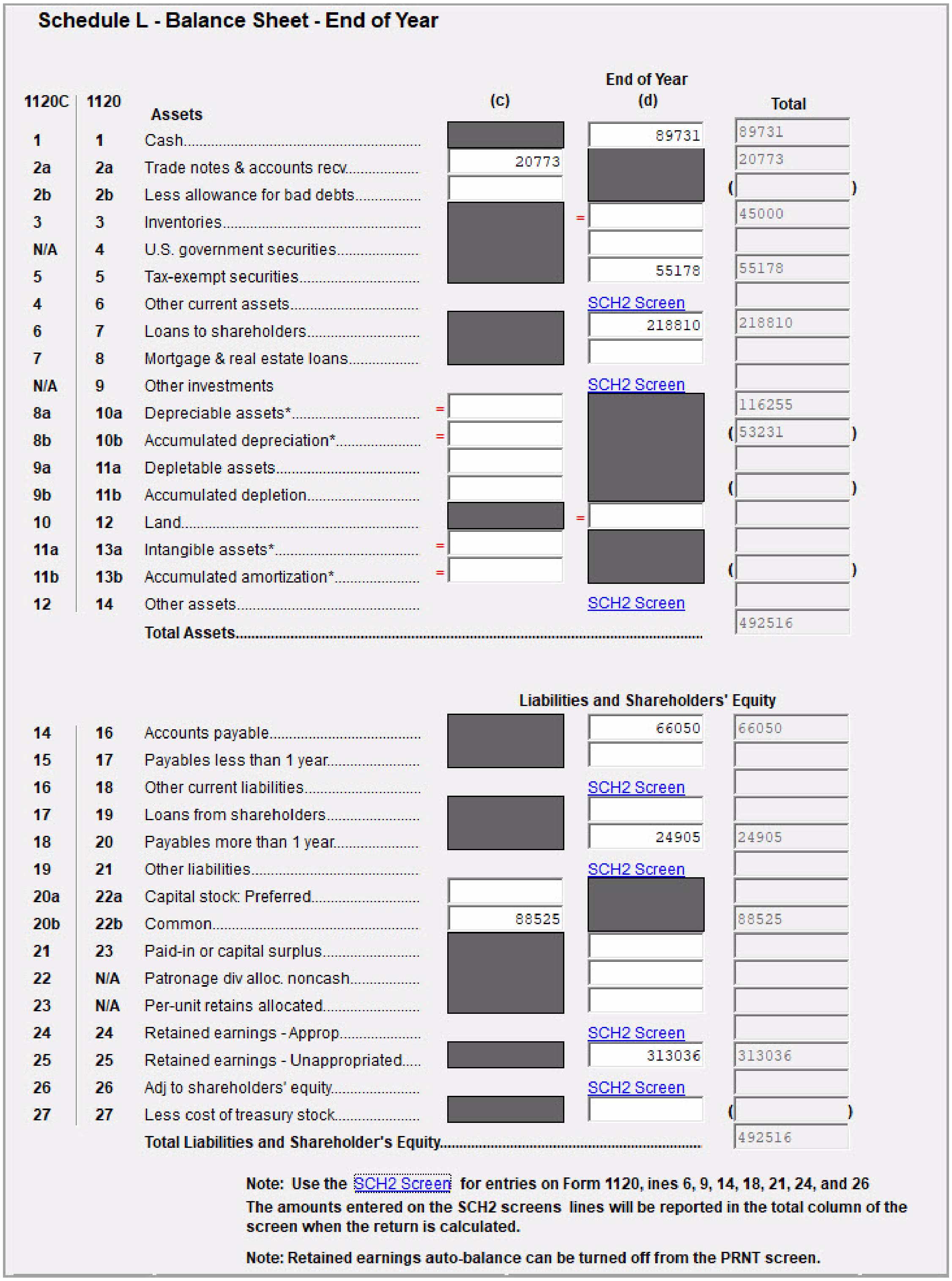


Schedule L - Balance Sheet - Beginning of Year

To open the **L** screen (**Schedule L Balance Sheet - Beginning of Year**), enter L in the selector field and press ENTER (Figure 11). Enter the following data:

Fields	Beginning of Year - Column (a)	Beginning of Year - Column (b)
Cash		79,055
Trade notes & accounts receivable	85,715	
Less allowance for bad debts	13,065	
Tax-exempt securities		56,820
Loans to shareholders		20,000
Accounts Payable		23,330
Payables less than 1 year		18,450
Payables more than 1 year		55,545
Capital Stock - Common	58,275	
Retained earnings - Unapprop		91,275

Figure 11: Screen **L, Schedule L - Balance Sheet - Beginning of Year**



Schedule L - Balance Sheet - End of Year

1120C	1120	Assets	(c)	End of Year (d)	Total
1	1	Cash		89731	89731
2a	2a	Trade notes & accounts recv.	20773		20773
2b	2b	Less allowance for bad debts			( )
3	3	Inventories		=	45000
N/A	4	U.S. government securities			
5	5	Tax-exempt securities		55178	55178
4	6	Other current assets		SCH2 Screen	
6	7	Loans to shareholders		218810	218810
7	8	Mortgage & real estate loans			
N/A	9	Other investments		SCH2 Screen	
8a	10a	Depreciable assets*	=		116255
8b	10b	Accumulated depreciation*	=		(53231)
9a	11a	Depletable assets			
9b	11b	Accumulated depletion			( )
10	12	Land		=	
11a	13a	Intangible assets*	=		
11b	13b	Accumulated amortization*	=		( )
12	14	Other assets		SCH2 Screen	
		Total Assets			492516

Liabilities and Shareholders' Equity

1120C	1120	Liabilities and Shareholders' Equity	(c)	(d)	Total
14	16	Accounts payable		66050	66050
15	17	Payables less than 1 year			
16	18	Other current liabilities		SCH2 Screen	
17	19	Loans from shareholders			
18	20	Payables more than 1 year		24905	24905
19	21	Other liabilities		SCH2 Screen	
20a	22a	Capital stock: Preferred			
20b	22b	Common	88525		88525
21	23	Paid-in or capital surplus			
22	N/A	Patronage div alloc. noncash			
23	N/A	Per-unit retains allocated			
24	24	Retained earnings - Approp		SCH2 Screen	
25	25	Retained earnings - Unappropriated		313036	313036
26	26	Adj to shareholders' equity		SCH2 Screen	
27	27	Less cost of treasury stock			( )
		Total Liabilities and Shareholder's Equity			492516

Note: Use the SCH2 Screen for entries on Form 1120, ines 6, 9, 14, 18, 21, 24, and 26
The amounts entered on the SCH2 screens lines will be reported in the total column of the screen when the return is calculated.

Note: Retained earnings auto-balance can be turned off from the PRNT screen.

Schedule L Beginning of Year totals are displayed in the **Total** column of the **Schedule L - Balance Sheet - Beginning of Year** screen *after* the return is calculated. This will help you determine if the balance sheet is in balance (Figure 11).

Press ESC to return to the **Data Entry Menu**.

SCHEDULE L - BALANCE SHEET - END OF YEAR

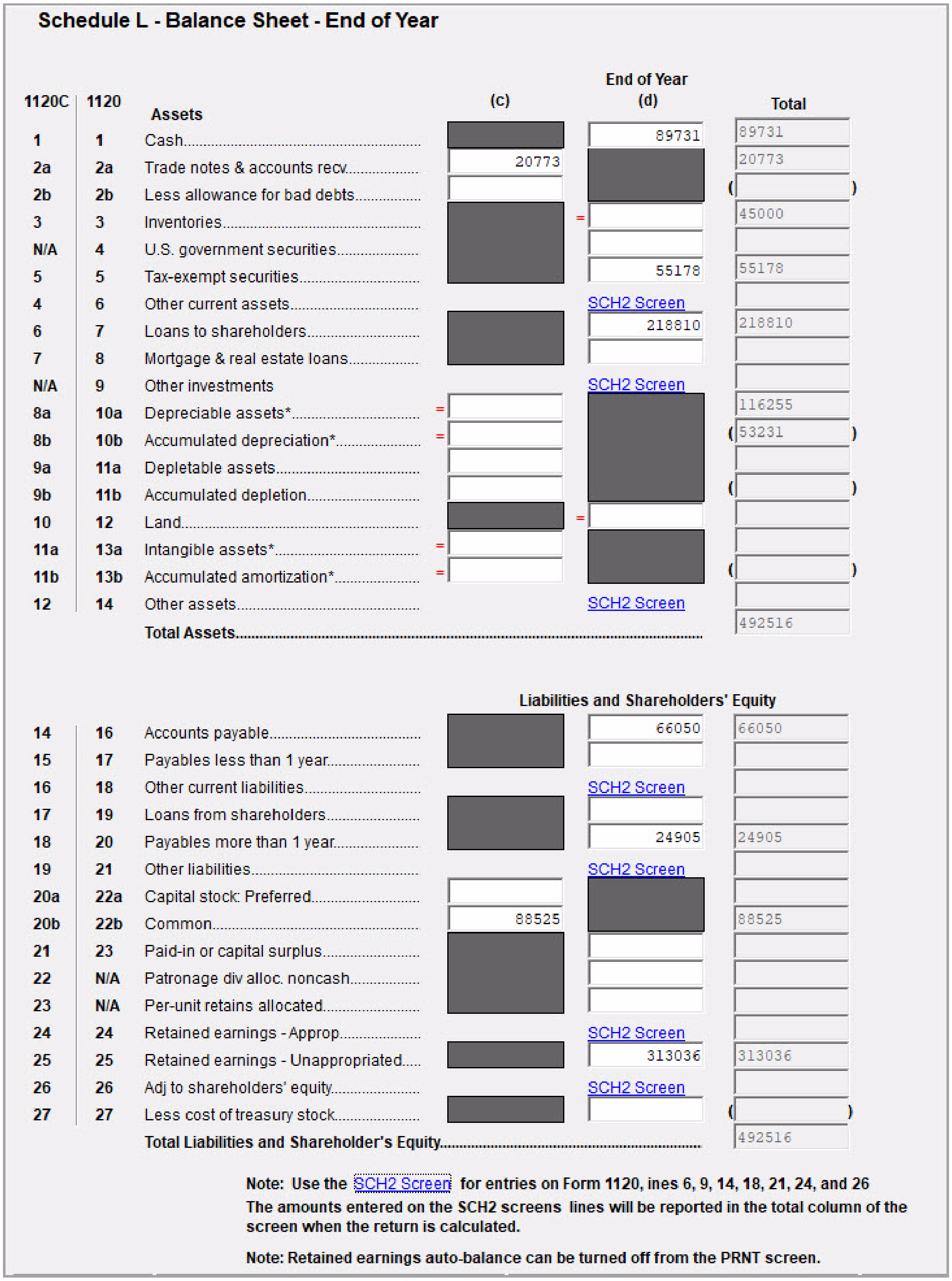
To open the **L2** screen (**Schedule L Balance Sheet - End of Year**), type `L2` in the selector field and press ENTER (Figure 12) Use the following table to compete the **L2** screen:

Schedule L End of Year totals are displayed in the **Total** column of **Schedule L - Balance Sheet - End of Year** screen *after* the return is calculated. This will help you determine if the balance sheet is in balance.

Fields	End of Year - Column (c)	End of Year - Column (d)
Cash		89,731
Trade notes & accounts receivable	20,773	
Tax-exempt securities		55,178
Loans to shareholders		218,810
Accounts Payable		66,050
Payables more than 1 year		24,905
Common Stock	88,525	
Retained earnings - Unappropriated		313,036

Press ESC to return to the **Data Entry Menu**.

Figure 12: Screen **L2, Schedule L - Balance Sheet - End of Year**



Schedule L - Balance Sheet - End of Year

1120C	1120	Assets	(c)	End of Year (d)	Total
1	1	Cash		89731	89731
2a	2a	Trade notes & accounts recv.	20773		20773
2b	2b	Less allowance for bad debts			( )
3	3	Inventories			45000
N/A	4	U.S. government securities			
5	5	Tax-exempt securities		55178	55178
4	6	Other current assets		SCH2 Screen	
6	7	Loans to shareholders		218810	218810
7	8	Mortgage & real estate loans			
N/A	9	Other investments		SCH2 Screen	
8a	10a	Depreciable assets*			116255
8b	10b	Accumulated depreciation*			(53231)
9a	11a	Depletable assets			
9b	11b	Accumulated depletion			( )
10	12	Land			
11a	13a	Intangible assets*			
11b	13b	Accumulated amortization*			( )
12	14	Other assets		SCH2 Screen	
		Total Assets			492516

Liabilities and Shareholders' Equity

1120C	1120	Item	(c)	(d)	Total
14	16	Accounts payable		66050	66050
15	17	Payables less than 1 year			
16	18	Other current liabilities		SCH2 Screen	
17	19	Loans from shareholders			
18	20	Payables more than 1 year		24905	24905
19	21	Other liabilities		SCH2 Screen	
20a	22a	Capital stock: Preferred			
20b	22b	Common	88525		88525
21	23	Paid-in or capital surplus			
22	N/A	Patronage div alloc. noncash			
23	N/A	Per-unit retains allocated			
24	24	Retained earnings - Approp		SCH2 Screen	
25	25	Retained earnings - Unappropriated		313036	313036
26	26	Adj to shareholders' equity		SCH2 Screen	
27	27	Less cost of treasury stock			( )
		Total Liabilities and Shareholder's Equity			492516

Note: Use the SCH2 Screen for entries on Form 1120, ines 6, 9, 14, 18, 21, 24, and 26 The amounts entered on the SCH2 screens lines will be reported in the total column of the screen when the return is calculated.

Note: Retained earnings auto-balance can be turned off from the PRNT screen.

SCHEDULE M-1 RECONCILIATION OF INCOME

The Schedule M-1 in Drake Tax is calculated by starting with the amount of income from page 1, line 28 of the 1120 (line 10 of Figure 13) and adding it to the amounts reported on lines 7 and 8 of the M-1, and subtracting the amounts reported on lines 2 through 5 of the M-1. The net income per books for The Paint Palette is $221,761. The Paint Palette does not need to make any adjustments in the **M-1** screen. In this case, however, any necessary adjustments to the Schedule M-1 calculations can be made in the **M-1, Reconciliation of Income (Loss)** screen.

Figure 13: **Schedule M-1**

Schedule M-1 **Reconciliation of Income (Loss) per Books With Income per Return**
Note: The corporation may be required to file Schedule M-3. See instructions.

1 Net income (loss) per books	221,761	7 Income recorded on books this year not included on this return (itemize): Tax-exempt interest $	
2 Federal income tax per books			
3 Excess of capital losses over capital gains			
4 Income subject to tax not recorded on books this year (itemize):		8 Deductions on this return not charged against book income this year (itemize):	
5 Expenses recorded on books this year not deducted on this return (itemize):		a Depreciation $	
a Depreciation $		b Charitable contributions $	
b Charitable contributions $			
c Travel and entertainment $			
		9 Add lines 7 and 8	
6 Add lines 1 through 5	221,761	10 Income (page 1, line 28)—line 6 less line 9	221,761

SCHEDULE M2 - RETAINED EARNINGS

In Drake Tax, the beginning **Unappropriated Retained** earnings flows from the 1120 Schedule L and the **Net Income or Loss per books** flows from the **Schedule M-1** (Figure 21). These numbers are used to calculate the ending **Unappropriated Retain Earnings** as seen in **Schedule M-2** (Figure 14). No adjustments in the Schedule M-2 are necessary for The Paint Palette. In this case, however, adjustments to the Schedule M-2 calculations can be made in the **M-2, Retained Earnings** screen.

Figure 14: **Schedule M-2**

Schedule M-2 **Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)**

1 Balance at beginning of year	91,275	5 Distributions a Cash	
2 Net income (loss) per books	221,761	b Stock	
3 Other increases (itemize):		c Property	
		6 Other decreases (itemize):	
		7 Add lines 5 and 6	
4 Add lines 1, 2, and 3	313,036	8 Balance at end of year (line 4 less line 7)	313,036

AUTOBALANCE

Autobalance forces Schedule L to balance for both the beginning of year and end of year amounts. The program adjusts the unappropriated retained earnings amount on Schedule L by the difference between the total assets and the total liabilities and capital before the adjustment.

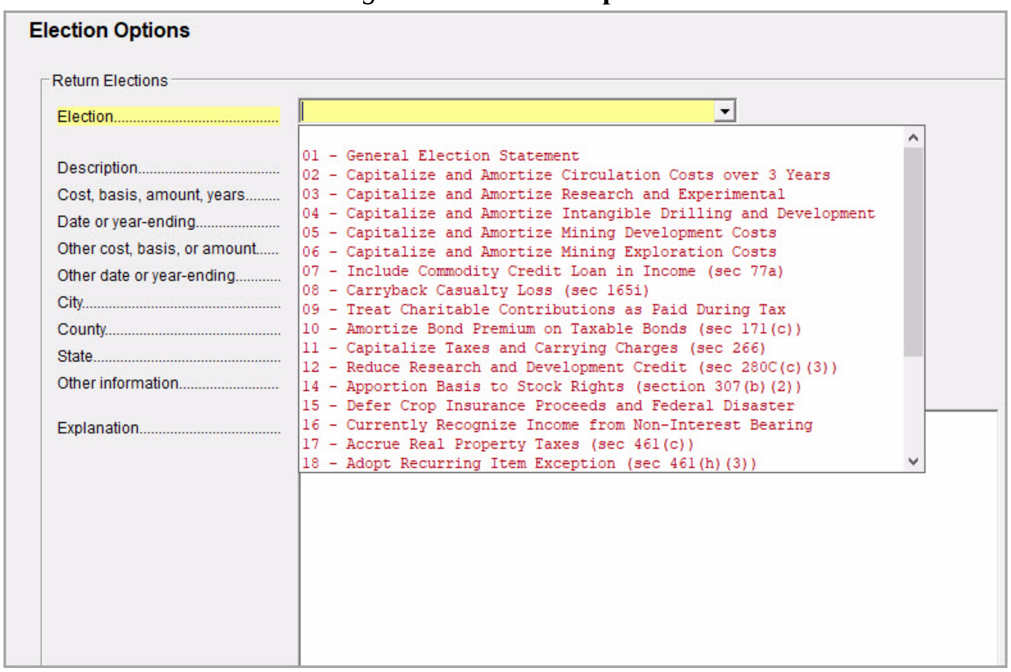
For example, if assets are $1,000 and liabilities and capital are $900, the unappropriated retained earnings increase by $100.

The autobalance setting is turned on by default. If you do not wish to use the autobalance in a return, it can be turned off in the **PRNT (Print Options)** screen. On the **Data Entry Menu**, enter PRNT in the selector field, press ENTER, and select the **Turn off autobalance** checkbox in the **Other Return Options** section.

ELECTIONS

All Drake Tax business packages include the option to make certain tax elections in the **ELEC** (**Election Options**) screen. To open this screen, enter ELEC in the **Data Entry Menu** selector field and press ENTER. An election can be selected from the **Return Elections** drop list (Figure 15). It is not necessary to make a selection for Paint Palette in this exercise.

Figure 15: **Election Options Screen**



When you have more than one election in a return, a new **ELEC** (**Election Options**) screen can be created by pressing PAGE DOWN.

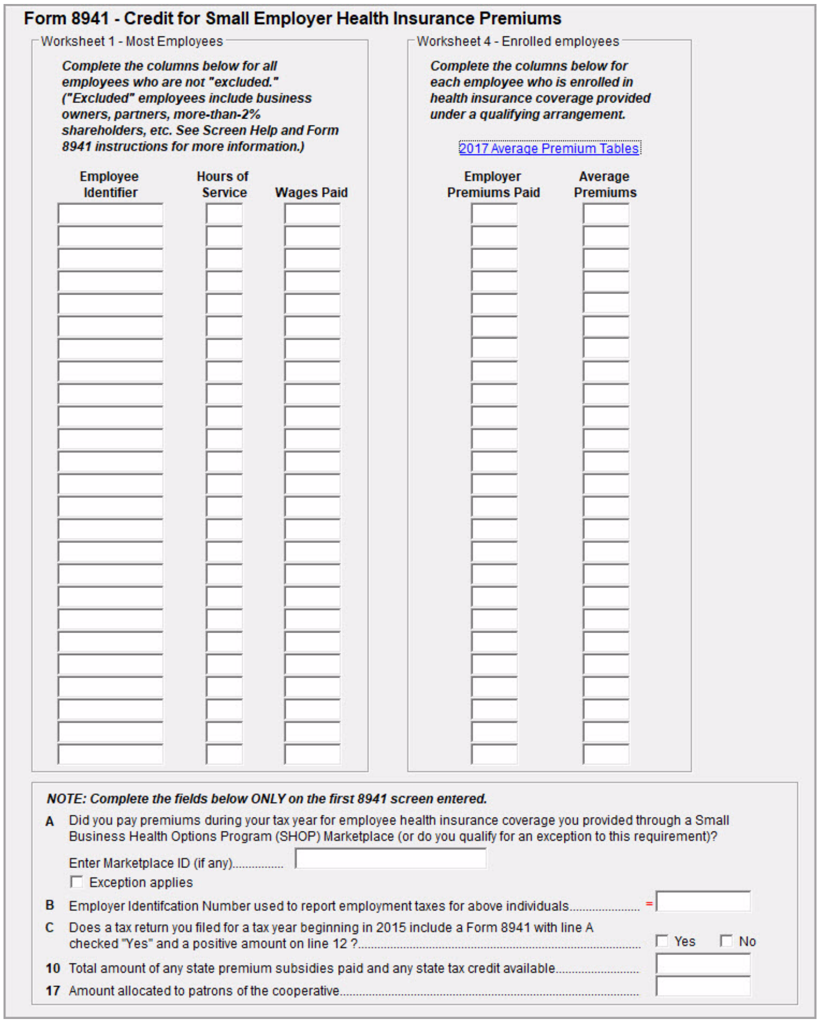
Once an election is made and the return is viewed, the election information is displayed on a referenced statement “STM #ELXX,” where “XX” is the election number.

Press ESC to return to the **Data Entry Menu**.

Credit for Small Employer Health Insurance Premiums

The **8941** screen (**Small Employer Health Insurance Credit**) can be used to determine if a business is eligible to claim the Small Employer Health Insurance Credit for health insurance premiums paid on behalf of their employees enrolled in a qualified health plan through the Small business Health Options Program (SHOP) Marketplace. Eligibility can be determined by completing lines A and B at the bottom of the 8941 screen. The **8941** screen will not be used for the Paint Palette return in this exercise.

Figure 16: **8941** Screen **- Credit for Small Employer Health Insurance Premiums**



Form 8941 - Credit for Small Employer Health Insurance Premiums

Worksheet 1 - Most Employees

Complete the columns below for all employees who are not "excluded." ("Excluded" employees include business owners, partners, more-than-2% shareholders, etc. See Screen Help and Form 8941 instructions for more information.)

Employee Identifier | **Hours of Service** | **Wages Paid**

Worksheet 4 - Enrolled employees

Complete the columns below for each employee who is enrolled in health insurance coverage provided under a qualifying arrangement.

2017 Average Premium Tables

Employer Premiums Paid | **Average Premiums**

NOTE: Complete the fields below ONLY on the first 8941 screen entered.

A Did you pay premiums during your tax year for employee health insurance coverage you provided through a Small Business Health Options Program (SHOP) Marketplace (or do you qualify for an exception to this requirement)?

Enter Marketplace ID (if any)...............

☐ Exception applies

B Employer Identifcation Number used to report employment taxes for above individuals.....................

C Does a tax return you filed for a tax year beginning in 2015 include a Form 8941 with line A checked "Yes" and a positive amount on line 12 ?.......... ☐ Yes ☐ No

10 Total amount of any state premium subsidies paid and any state tax credit available.........................

17 Amount allocated to patrons of the cooperative..........

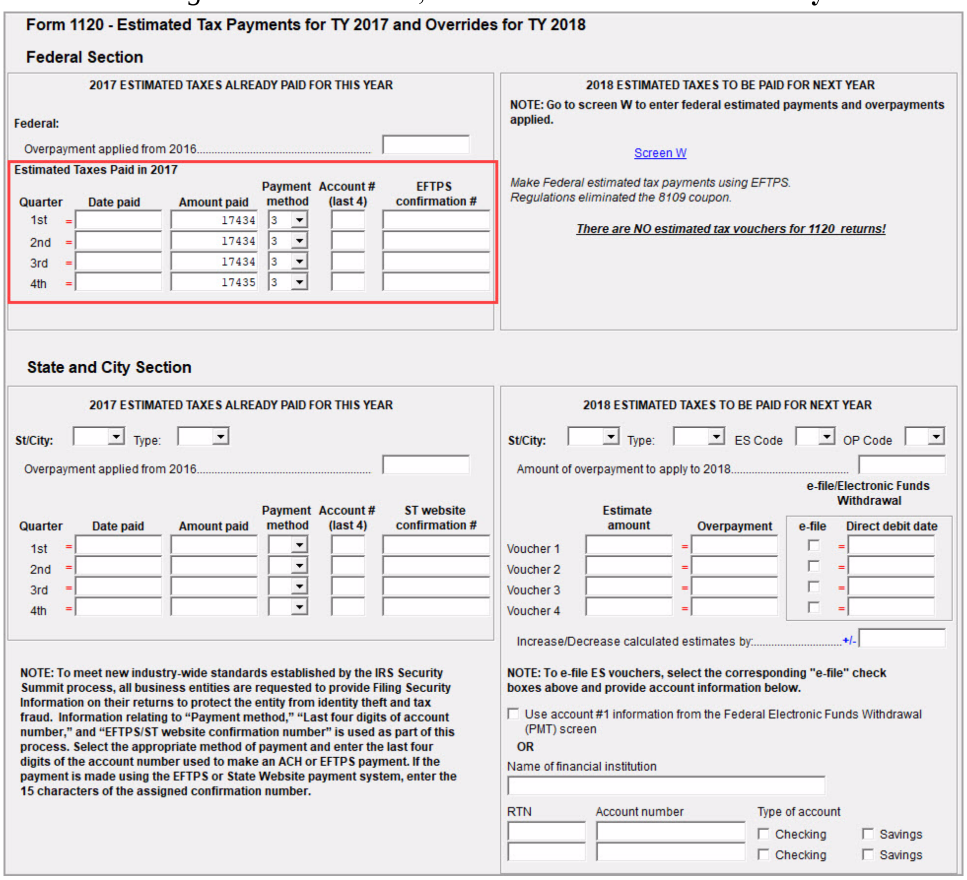
Press ESC to return to the **Data Entry Menu**.

Estimated Tax Payments

The Paint Palette made estimated tax payments in 2017 (Figure 17). To open the **ES** screen (**Form 1120 - Estimated Tax Payments)**, type ES in the selector field and press ENTER. Each of the estimated payments were made on the due date for each quarter. In the **Date Paid** column, it is not necessary to enter the payment date if it occurred on the actual due date, since the software uses the quarterly due dates by default. Entries in this column are necessary only if the payment date differs from the due date. Use the table below to enter payment information in the ES screen (the last payment is $1 more):

Quarter	Amount	Payment Method
1st Qtr.	17,434	3 - Check
2nd Qtr.	17,434	3 - Check
3rd Qtr.	17,434	3 - Check
4th Qtr.	17,435	3 - Check

Figure 17: Screen **ES**, **Form 1120 - Estimated Tax Payments**


Form 1120 - Estimated Tax Payments for TY 2017 and Overrides for TY 2018

Federal Section

2017 ESTIMATED TAXES ALREADY PAID FOR THIS YEAR

Federal:

Overpayment applied from 2016

Estimated Taxes Paid in 2017

Quarter	Date paid	Amount paid	Payment method	Account # (last 4)	EFTPS confirmation #
1st		17434	3		
2nd		17434	3		
3rd		17434	3		
4th		17435	3		

2018 ESTIMATED TAXES TO BE PAID FOR NEXT YEAR

NOTE: Go to screen W to enter federal estimated payments and overpayments applied.

Screen W

Make Federal estimated tax payments using EFTPS. Regulations eliminated the 8109 coupon.

There are NO estimated tax vouchers for 1120 returns!

State and City Section

2017 ESTIMATED TAXES ALREADY PAID FOR THIS YEAR

St/City: Type:

Overpayment applied from 2016

Quarter	Date paid	Amount paid	Payment method	Account # (last 4)	ST website confirmation #
1st					
2nd					
3rd					
4th					

2018 ESTIMATED TAXES TO BE PAID FOR NEXT YEAR

St/City: Type: ES Code OP Code

Amount of overpayment to apply to 2018

	Estimate amount	Overpayment	e-file	Direct debit date
Voucher 1				
Voucher 2				
Voucher 3				
Voucher 4				

e-file/Electronic Funds Withdrawal

Increase/Decrease calculated estimates by: +/-

NOTE: To meet new industry-wide standards established by the IRS Security Summit process, all business entities are requested to provide Filing Security Information on their returns to protect the entity from identity theft and tax fraud. Information relating to "Payment method," "Last four digits of account number," and "EFTPS/ST website confirmation number" is used as part of this process. Select the appropriate method of payment and enter the last four digits of the account number used to make an ACH or EFTPS payment. If the payment is made using the EFTPS or State Website payment system, enter the 15 characters of the assigned confirmation number.

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

Use account #1 information from the Federal Electronic Funds Withdrawal (PMT) screen

OR

Name of financial institution

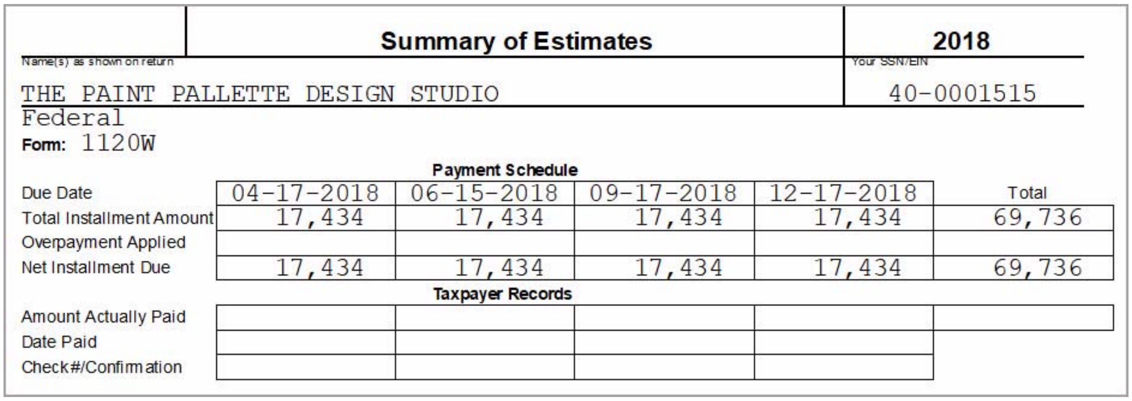
RTN Account number Type of account

Checking Savings

Checking Savings

Drake Tax calculates the estimated taxes due for the tax year; these amounts can be viewed on the Summary of Estimates Worksheet (Figure 18). There are no estimated tax vouchers for corporation (1120) returns. Instead, make federal estimated tax payments using the **Electronic Federal Tax Payment System** (EFTPS).

Figure 18: Summary of Estimates Worksheet



Summary of Estimates — **2018**

Name(s) as shown on return: THE PAINT PALLETTE DESIGN STUDIO — Your SSN/EIN: 40-0001515

Federal
Form: 1120W

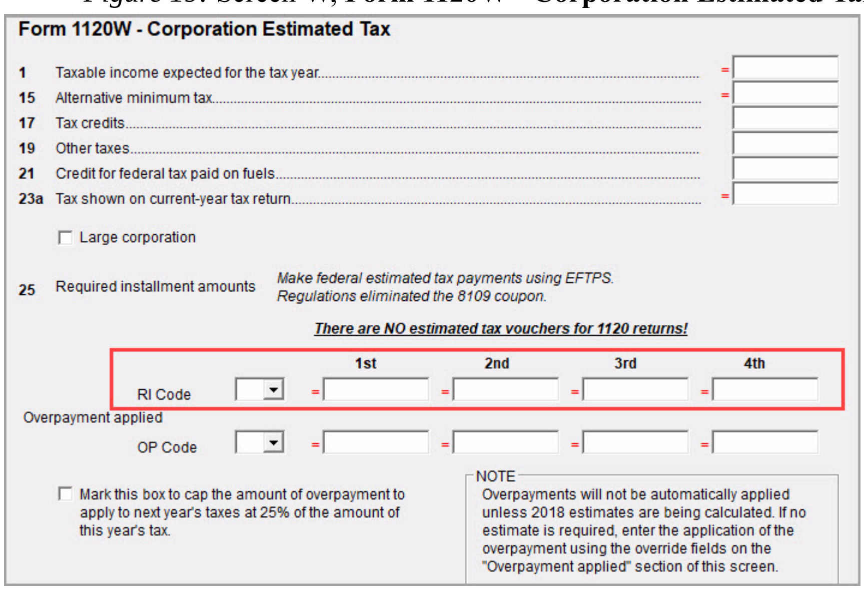
Payment Schedule

Due Date	04-17-2018	06-15-2018	09-17-2018	12-17-2018	Total
Total Installment Amount	17,434	17,434	17,434	17,434	69,736
Overpayment Applied					
Net Installment Due	17,434	17,434	17,434	17,434	69,736
Taxpayer Records					
Amount Actually Paid					
Date Paid					
Check#/Confirmation					

Corporation Estimated Tax - 1120W

The Paint Palette does not expect to have any substantial changes, so it is not necessary to complete the **W** screen (**Form 1120W - Corporation Estimated Tax**) for the corporation. In this case, however, expected changes to income next year can be made on the **W** screen (Figure 19). Click the **Screen W** link inside the **ES** screen to open the screen. If opening from outside of the **ES** screen, type `W` into the selector field and press ENTER. The entries in this screen generate the Form 1120-W, Estimated Tax for Corporations Worksheet in View/Print mode.

Figure 19: Screen **W**, **Form 1120W - Corporation Estimated Tax**



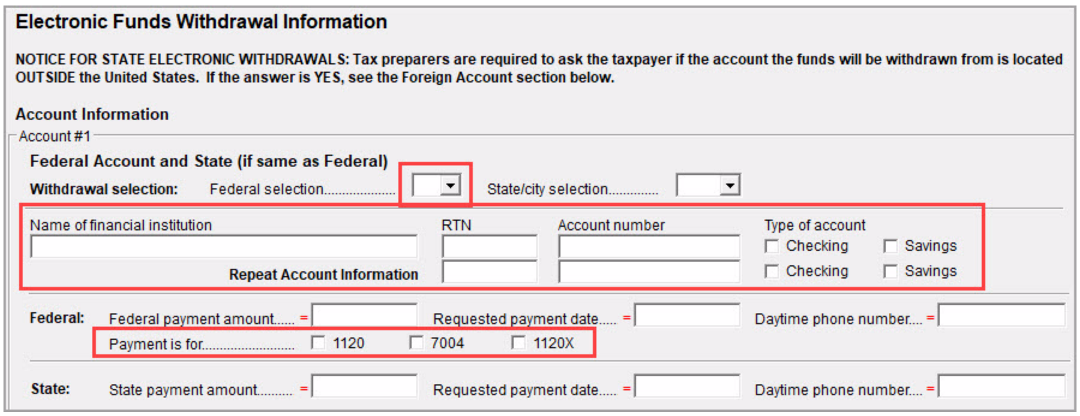
Press ESC to return to the **Data Entry Menu**.

Payment Screen

Payments can be made with **Form 1120** or **Form 7004 Application for Automatic Extension for Form 1120**. In the **PMT** (**Electronic Funds Withdrawal)**) screen, preparers would select **Yes** from the Federal selection droopiest, and enter the financial institution's name. The routing number, account number, and type of account must be entered twice. In the payment section, the checkbox 7004 or 1120 would be selected to indicate if the payment is for the 7004 or 1120 (Figure 20). If the 7004 is selected, for example, **Form 8878-A, IRS e-File Electronic Funds Withdrawal Authorization for Form 7004** generates in View/Print mode.

NOTE Many states also allow 1120 e-file, and are listed in the State/City selection drop list (Figure 20).

Figure 20: **Electronic Funds Withdrawal Information** Screen - **PMT** Screen



Review

You have just completed Form 1120, Corporation Tax Return for The Paint Palette in Drake Tax. To review the return for accuracy, click **View** in the toolbar of the **Data Entry Menu** and use the following steps to **r**eview the forms, calculations, EF Messages, and Return Notes for the return:

1. In **View/Print** mode of the return, click **1120.PG5**.
2. The **1120.PG5** is used to determine if the return is in balance (Figure 21 on page 167). In the **Schedule L** section, line 15, "Total assets," should be the same as line 28, "Total liabilities and shareholders' equity," for both the beginning of year and end of year.
3. In the **Schedule L** section, line 25, "Retained earnings-Unappropriated" should be the same as line 8, "Balance at end of year" in the **Schedule M-2** section.
4. Line 1, "Net income (loss) per books" in the **Schedule M-1** section should equal line 2, "Net income (loss) per books" in the **Schedule M-2** section

Figure 21: Form 1120.PG5

Schedule L — Balance Sheets per Books

	Assets	Beginning of tax year (a)	Beginning of tax year (b)	End of tax year (c)	End of tax year (d)
1	Cash		79,055		89,731
2a	Trade notes and accounts receivable	85,715		20,773	
b	Less allowance for bad debts	(13,065)	72,650	( )	20,773
3	Inventories		18,350		45,000
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)		56,820		55,178
6	Other current assets (attach statement)				
7	Loans to shareholders		20,000		218,810
8	Mortgage and real estate loans				
9	Other investments (attach statement)				
10a	Buildings and other depreciable assets			116,255	
b	Less accumulated depreciation	( )		(53,231)	63,024
11a	Depletable assets				
b	Less accumulated depletion	( )		( )	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	( )		( )	
14	Other assets (attach statement)				
15	Total assets		246,875		492,516
	Liabilities and Shareholders' Equity				
16	Accounts payable		23,330		66,050
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach statement)				
19	Loans from shareholders		18,450		
20	Mortgages, notes, bonds payable in 1 year or more		55,545		24,905
21	Other liabilities (attach statement)				
22	Capital stock a Preferred stock				
	b Common stock	58,275	58,275	88,525	88,525
23	Additional paid-in capital				
24	Retained earnings-Appropriated (attach statement)				
25	Retained earnings-Unappropriated		91,275		313,036
26	Adjustments to shareholders' equity (attach statement)				
27	Less cost of treasury stock		( )		( )
28	Total liabilities and shareholders' equity		246,875		492,516

Schedule M-1 — Reconciliation of Income (Loss) per Books With Income per Return

Note: The corporation may be required to file Schedule M-3. See instructions.

1	Net income (loss) per books	221,761	7	Income recorded on books this year not included on this return (itemize): Tax-exempt interest $	
2	Federal income tax per books				
3	Excess of capital losses over capital gains				
4	Income subject to tax not recorded on books this year (itemize):		8	Deductions on this return not charged against book income this year (itemize):	
5	Expenses recorded on books this year not deducted on this return (itemize):			a Depreciation $	
	a Depreciation $			b Charitable contributions $	
	b Charitable contributions $				
	c Travel and entertainment $		9	Add lines 7 and 8	
6	Add lines 1 through 5	221,761	10	Income (page 1, line 28)—line 6 less line 9	221,761

Schedule M-2 — Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1	Balance at beginning of year	91,275	5	Distributions: a Cash	
2	Net income (loss) per books	221,761		b Stock	
3	Other increases (itemize):			c Property	
			6	Other decreases (itemize):	
			7	Add lines 5 and 6	
4	Add lines 1, 2, and 3	313,036	8	Balance at end of year (line 4 less line 7)	313,036

NOTE To force the **1120.PG5** to print Schedule L information, go to the **PRNT** screen in data entry and select the **Force Schedules G (1120-C), L, M-1, and M-2 to be printed** box.

FINANCIALS

The Paint Palette Design Studio Balance Sheet and Profit Loss Statement are listed below for your reference in completing the corporation return (Figure 22 and Figure 23).

Figure 22: Balance Sheet

THE PAINT PALLETTE DESIGN STUDIO
Balance Sheet
As of 12/31/2016 & 12/31/2017

		12/31/2016	12/31/2017
ASSETS			
Current Assets			
	Cash	$ 79,055	$ 89,731
	Less allowances for bad debts	$ (13,065)	
	Loans to shareholders	$ 20,000	$ 218,810
	Tax exempt securities	$ 56,820	$ 55,178
	Accounts Receivable	$ 85,715	$ 20,773
	Inventories	$ 18,350	$ 45,000
	Total	$ 246,875	$ 429,492
Fixed Assets			
	Buildings & other depreciable assets	$ -	$ 116,255
	Less Accumulated Depreciation	$ -	$ (53,231)
		$ -	$ 63,024
TOTAL ASSETS		$ 246,875	$ 492,516
LIABILITIES & EQUITY			
	Accounts Payables	$ 23,330	$ 66,050
	Loans from shareholders	$ 18,450	
	Payables more than 1 year	$ 55,545	$ 24,905
	Retained earnings Unappropriated	$ 91,275	$ 313,036
	Common stock	$ 58,275	$ 88,525
TOTAL LIABILITIES AND EQUITY		$ 246,875	$ 492,516
	Retained earnings - Beginning		$ 91,275
	Income		$ 221,761
	Retained earnings - Ending		$ 313,036
			$ 626,072
Federal estimated tax payments			$ 69,737

Figure 23: Profit Loss Statement

THE PAINT PALLETTE DESIGN STUDIO
Profit and Loss Statement
For the Year Ended December 31, 2017

INCOME		
	Gross receipts	$617,074
	Less Returns and allowances	$ (15,645)
	Interest income	$ 695
	Gross rental Income	$ 30,000
	TOTAL GROSS INCOME	**$632,124**
COST OF GOODS SOLD		
	Beginning Inventory	$ 18,350
	Purchases	$165,000
	Labor	$ 7,638
	Ending Inventory	$ 45,000
	TOTAL COST OF GOODS SOLD	**$145,988**
TOTAL INCOME		**$486,136**
EXPENSES		
	Officer compensation	$ 65,000
	Depreciation	$ 53,231
	Accounting	$ 1,764
	Advertising	$ 4,500
	Computer	$ 16,280
	Repairs and Maintenance	$ 5,650
	Insurance	$ 6,400
	Janitorial	$ 8,800
	Telephone	$ 850
	Legal & professional	$ 2,300
	Salaries and wages	$ 86,400
	Utilities	$ 6,700
	Pension plans	$ 6,500
	SUBTOTAL EXPENSES	**$264,375**
	Federal Income Tax	$ 69,737
	TOTAL EXPENSES	**$334,112**
NET PROFIT/LOSS		**$152,024**

REVIEW QUESTIONS PART 5

Answer the questions below. See "Answers Part 5" on page 172 for answers and explanations.

1. Which of the following statements is *incorrect* concerning the **4562** data entry screen in an 1120 return?
   - **a)** If an item is used for 100% business, you may leave the **Business% use** field blank.
   - **b)** If prior depreciation for the state is the same as the federal, the state amount does not need to be entered.
   - **c)** The software will automatically opt out of bonus depreciation on items entered on the **4562** screen.
   - **d)** The **4562** screen can be toggled between grid data entry mode and full screen mode using the F3 key.
2. Where in 1120 data entry is the Beginning of Year and Ending of Year Inventory entered?
   - **a)** Screen **SCH 2**, **Balance Sheet Subsidiary Schedule**
   - **b)** Screen **M1, Reconciliation of Income**
   - **c)** Screen **A, Form 1125-A Cost of Goods Sold**
   - **d)** Screen **K, Schedule K Other Information**
3. To make a payment with a Form 7004 extension application, use the following screen to enter payment information:
   - **a)** **DD**
   - **b)** **PIN**
   - **c)** **PMT**
   - **d)** **EF**
4. Which of the following is *not* true about the Autobalance feature in Drake Tax?
   - **a)** Autobalance is an option that forces the Schedule L Balance Sheet to balance if certain amounts are not entered on **Schedule L** screen.
   - **b)** Autobalance can be turned off by checking a box in the **Print Options** (**PRNT**) screen
   - **c)** Autobalance adjusts the Unappropriated Retained Earnings amount on Schedule L by the difference between total assets/liabilities and capital before the adjustment
   - **d)** In the 1120, 1120s, and 1065 packages, the Autobalance feature is turned off by default, and preparers need to go to the **PRNT** screen to activate it.

ANSWERS PART 5

1. The correct answer is **c) The software will automatically opt out of bonus depreciation on items entered on the 4562 screen**. The software does not automatically opt out, instead the preparer must indicate this on screen **10, Additional Depreciation Elections**.

   a) is incorrect. The default is 100% business use, so no entry is necessary unless another percentage applies to the item.

   b) is incorrect. If the federal and state prior depreciation amounts are equal, the preparer does not have to re-enter the state amount.

   d) is incorrect. The software defaults to grid data entry mode for the **4562** screen.The preparer may press F3 to access full screen mode, and then press F3 again to return to grid data entry mode. Pressing F3 toggles between the two data entry modes for the **4562** screen.

2. The correct answer is **c) Screen A, Form 1125-A Cost of Goods Sold**

   a) is incorrect. Screen **SCH 2**, **Balance Sheet Subsidiary Schedule**

   b) is incorrect. Screen **M1, Reconciliation of Income**

   d)is incorrect. Screen **K, Schedule K Other Information**

3. The correct answer is **c) PMT.** The payment screen is where bank information can be entered for electronic funds withdrawal.

   a) is incorrect. The **DD**, Direct Deposit Screen is used for receiving refunds, not making payments.

   b) is incorrect. The **PIN** screen is used to electronically sign a return.

   d) is incorrect. The **EF** screen is used to indicate which forms will be efiled.

4. The *untrue* statement is **d.) The autobalance feature is turned off by default in Drake Tax.** The autobalance feature is actually turned *on* by default. It can be turned off by going to the **PRNT** screen and checking the box to turn it off.

   a), b), and c) are all true statements about the autobalance feature.

Partnership Return

This chapter summarizes the basic steps to prepare a 1065 partnership return in Drake Tax. To view the completed return, open `400001615`.

Preparing the 1065 Evaluation Return

NOTE The tables used in this exercise contain financial information found in the Balance Sheet ("Balance Sheet" on page 192) and Profit Loss Statement ("Profit and Loss" on page 193) located at the end of this chapter.

To create a new partnership from the Drake Tax **Home** window:

1. Click Open/New in the **Home** window toolbar, enter EIN: `400001616`, and click **OK**
2. Click **Yes** to create a new return and select return type: Partnership - 1065.
3. Enter the partnership name: **Grannys Gifts Gadgets and Gear**, and click **OK**.

NOTE When opening and preparing a return, enter all numbers without dashes (unless the number is negative), slashes, dollar signs, or commas.

General Information

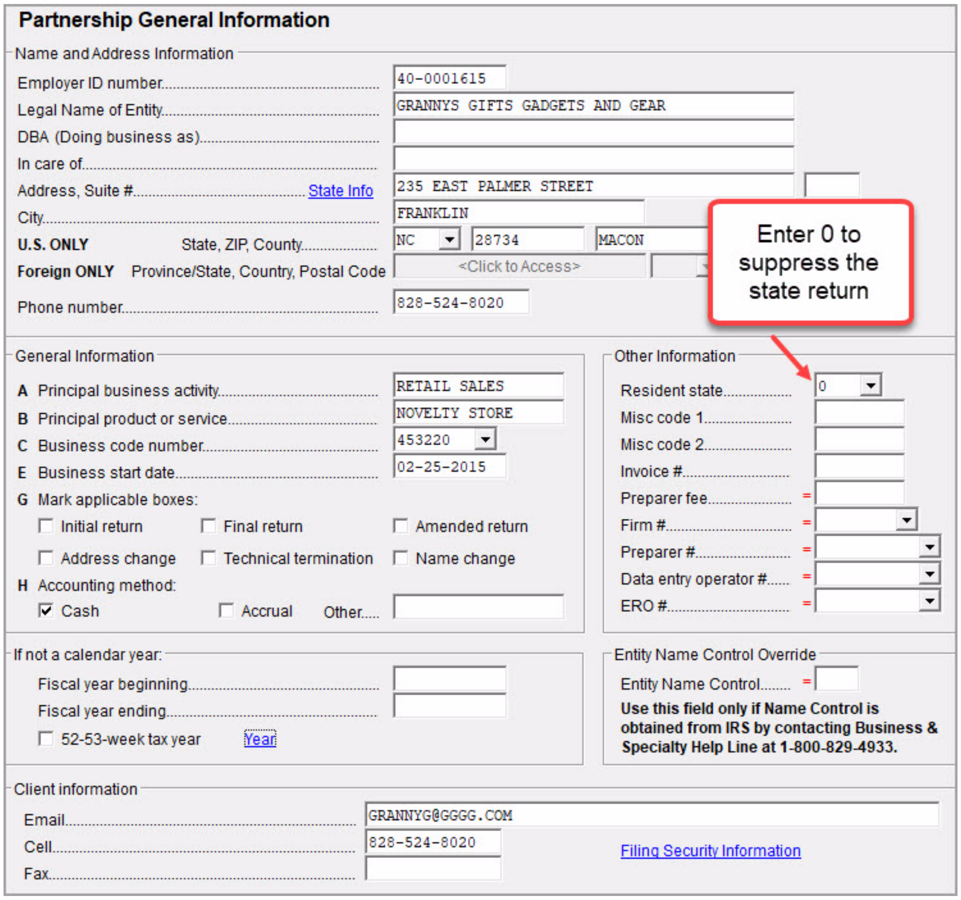
The 1065 return is opened to screen **1**, the **Partnership General Information** screen. Begin return preparation using the corporation's general information in the table listed below:

Fields	Data
Corporation Name	GRANNYS GIFTS GADGETS AND GEAR
Address	235 EAST PALMER
ZIP code	28734
Phone number	828-524-8020
Principal business activity	RETAIL SALES
Principal product or service	NOVELTY STORE
Business code number	*453220 (see note below)
Business start date	02-25-2015
Accounting Method	CASH
If not calendar year	leave section blank - this corporation uses a calendar year
Resident state	0 (enter zero to suppress the state return) for this exercise
Email	GRANNYG@GGGG.COM
Cell	828-524-8020

NOTE

* To locate the **Business activity code** number, place your mouse pointer in the field for line 2a, press CTRL+SHIFT+S to open a field search, enter `Paint` in the **Please input search data** field, and click **Go**. Select **444120** (Paint & Wallpaper Stores), and click **OK**.

Figure 1: Screen **1**, **Partnership General Information**



Press ESC and go to the **Data Entry Menu**.

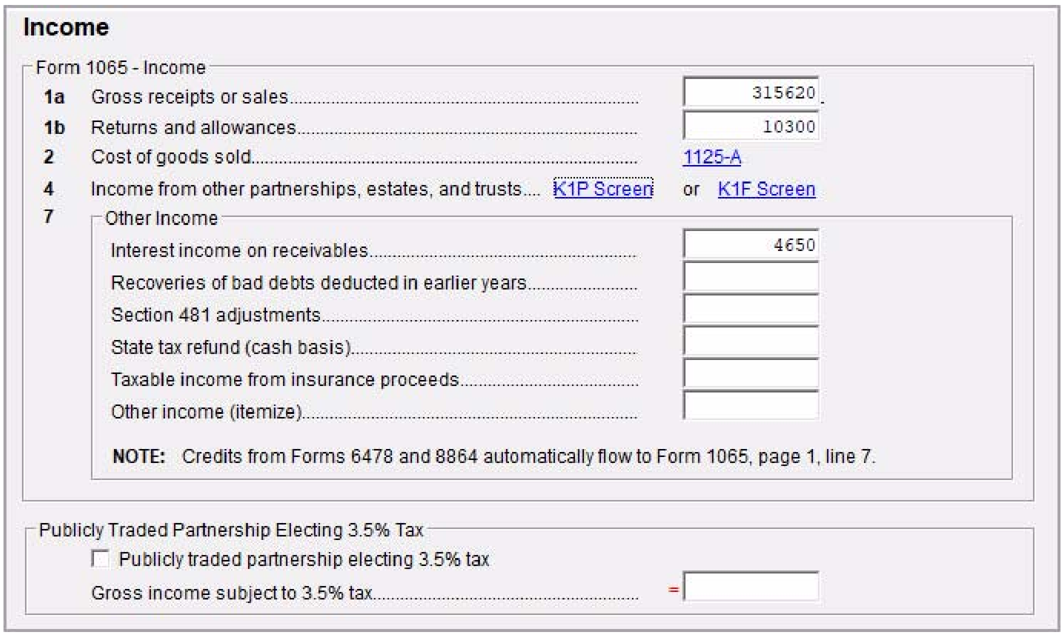
INCOME

Partnership income is reported on the **Income** screen (Figure 2) and dividend income is reported on the **K - Schedule K Partners' Distributive Share** screen.

To open the **Income** screen, type `INC` in the selector field and press ENTER. Use the following table to enter information on the INC screen.

Fields	Data
Gross receipts or sales	315,620
Returns and allowances	10,300
Interest income on receivables	4,650

Figure 2: **INC** Screen**, Income and Common Schedule K Items**



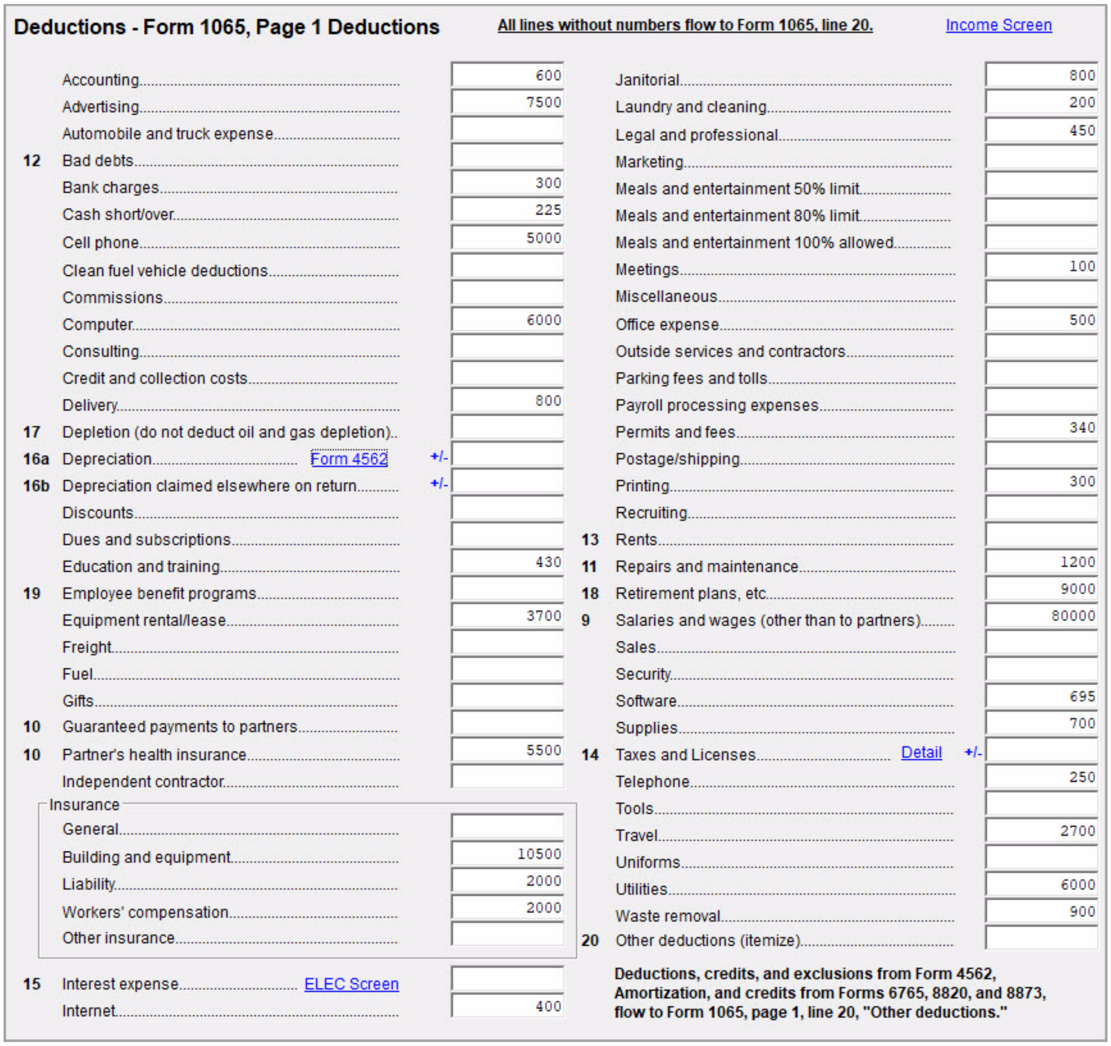
Press ESC to return to the **Data Entry Menu**.

DEDUCTIONS

Deductions are recorded on the **Deductions - Form 1065, Page 1 Deductions** screen. To open the **Deductions - Form 1065, Page 1 Deductions** screen, type DED in the selector field and press ENTER. Use the table below to enter expense information in the **Deductions** screen (Figure 3).

Fields	Data
Accounting	600
Advertising	7,500
Bank charges	300
Cash Short/over	225
Cell phone	5000
Computer	6000
Delivery	800
Education and training	430
Equipment rental/lease	3700
Partners’ health insurance	5,500
Insurance - Building & equipment	10500
Insurance - Liability	2000
Insurance - Workers’ Compensation	2000
Internet	400
Janitorial	800
Laundry and cleaning	200
Legal and Professional	450
Meetings	100
Permits and fees	340
Printing	300
Repairs and maintenance	1200
Retirement plans	9,000
Salaries and wages	80000
Software	695
Supplies	700
Telephone	250
Travel	2700
Utilities	6000
Waste removal	900

Figure 3: **DED** Screen



Deductions - Form 1065, Page 1 Deductions All lines without numbers flow to Form 1065, line 20. Income Screen

	Accounting	600		Janitorial	800
	Advertising	7500		Laundry and cleaning	200
	Automobile and truck expense			Legal and professional	450
12	Bad debts			Marketing	
	Bank charges	300		Meals and entertainment 50% limit	
	Cash short/over	225		Meals and entertainment 80% limit	
	Cell phone	5000		Meals and entertainment 100% allowed	
	Clean fuel vehicle deductions			Meetings	100
	Commissions			Miscellaneous	
	Computer	6000		Office expense	500
	Consulting			Outside services and contractors	
	Credit and collection costs			Parking fees and tolls	
	Delivery	800		Payroll processing expenses	
17	Depletion (do not deduct oil and gas depletion)			Permits and fees	340
16a	Depreciation Form 4562 +/-			Postage/shipping	
16b	Depreciation claimed elsewhere on return +/-			Printing	300
	Discounts			Recruiting	
	Dues and subscriptions		13	Rents	
	Education and training	430	11	Repairs and maintenance	1200
19	Employee benefit programs		18	Retirement plans, etc.	9000
	Equipment rental/lease	3700	9	Salaries and wages (other than to partners)	80000
	Freight			Sales	
	Fuel			Security	
	Gifts			Software	695
10	Guaranteed payments to partners			Supplies	700
10	Partner's health insurance	5500	14	Taxes and Licenses Detail +/-	
	Independent contractor			Telephone	250
	Insurance			Tools	
	General			Travel	2700
	Building and equipment	10500		Uniforms	
	Liability	2000		Utilities	6000
	Workers' compensation	2000		Waste removal	900
	Other insurance		20	Other deductions (itemize)	
15	Interest expense ELEC Screen				
	Internet	400			

Deductions, credits, and exclusions from Form 4562, Amortization, and credits from Forms 6765, 8820, and 8873, flow to Form 1065, page 1, line 20, "Other deductions."

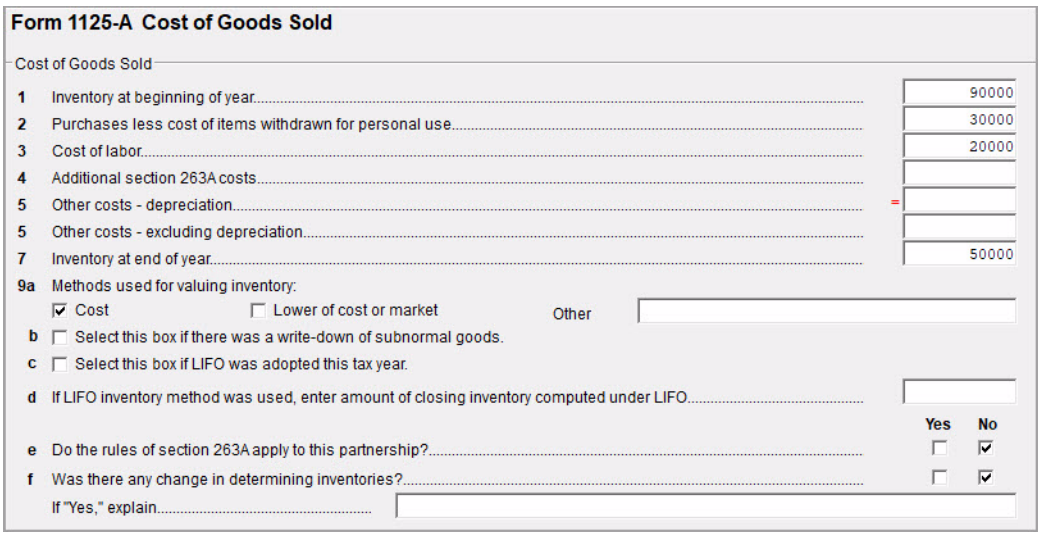
Press ESC to return to the **Data Entry Menu**.

Form 1125-A Cost of Goods Sold

Open the **Form 1125-A Cost of Goods Sold** screen (Figure 4) by typing A in the selector field and pressing ENTER. Use the following table to enter information in screen **A**.

Fields	Data
Inventory at beginning of year	90,000
Purchases less cost of items withdrawn for personal use	30,000
Cost of labor	28,000
Inventory at end of year	50,000
Methods used for valuing inventory	Cost
Do the rules of section 263A apply to this partnership?	No
Was there any change in determining inventories?	No

Figure 4: Screen **A**, **Form 1125-A Cost of Goods Sold**


Form 1125-A Cost of Goods Sold

Cost of Goods Sold

1	Inventory at beginning of year	90000
2	Purchases less cost of items withdrawn for personal use	30000
3	Cost of labor	20000
4	Additional section 263A costs	
5	Other costs - depreciation	
5	Other costs - excluding depreciation	
7	Inventory at end of year	50000

9a Methods used for valuing inventory:

☑ Cost ☐ Lower of cost or market Other

b ☐ Select this box if there was a write-down of subnormal goods.

c ☐ Select this box if LIFO was adopted this tax year.

d If LIFO inventory method was used, enter amount of closing inventory computed under LIFO

		Yes	No
e	Do the rules of section 263A apply to this partnership?	☐	☑
f	Was there any change in determining inventories?	☐	☑

If "Yes," explain

Press ESC to return to the **Data Entry Menu**.

Schedule B - Other Information

Open the **B** screen (**Schedule B - Other Information**) by typing B in the selector field and pressing ENTER. In the **Type of Entity** field, select **Domestic general partnership**. The partners each own 50% of the partnership, and their ownership percentages should be entered on the **Schedule B1** screen.

On the third line in the **B** screen, click the **Schedule B1** link. Use the following table to enter the partners' ownership percentages in the bottom section for individuals or estates.

Fields	Partner 1	Partner 2
ID Number	400001910	400001911
Name of Individual or Estate	GENEVIEVE GADGETS	GEORGIA GADGETS
Select if an estate	leave blank	leave blank
Country of Citizenship	US	US
Max% Owned in Profit, Loss, or Capital	50	50

Press ESC to return to the **B** screen. Use the following table to enter partnership information in the **B** screen.

Line	Data
2 through 18a	NO
18b through 20	leave blank
21 and 22	NO
Tax Matters Partner/ Partnership Representative	leave blank (will Indicate on K1 Screen)

Figure 5: **Schedule B1 - Other Information** Screen

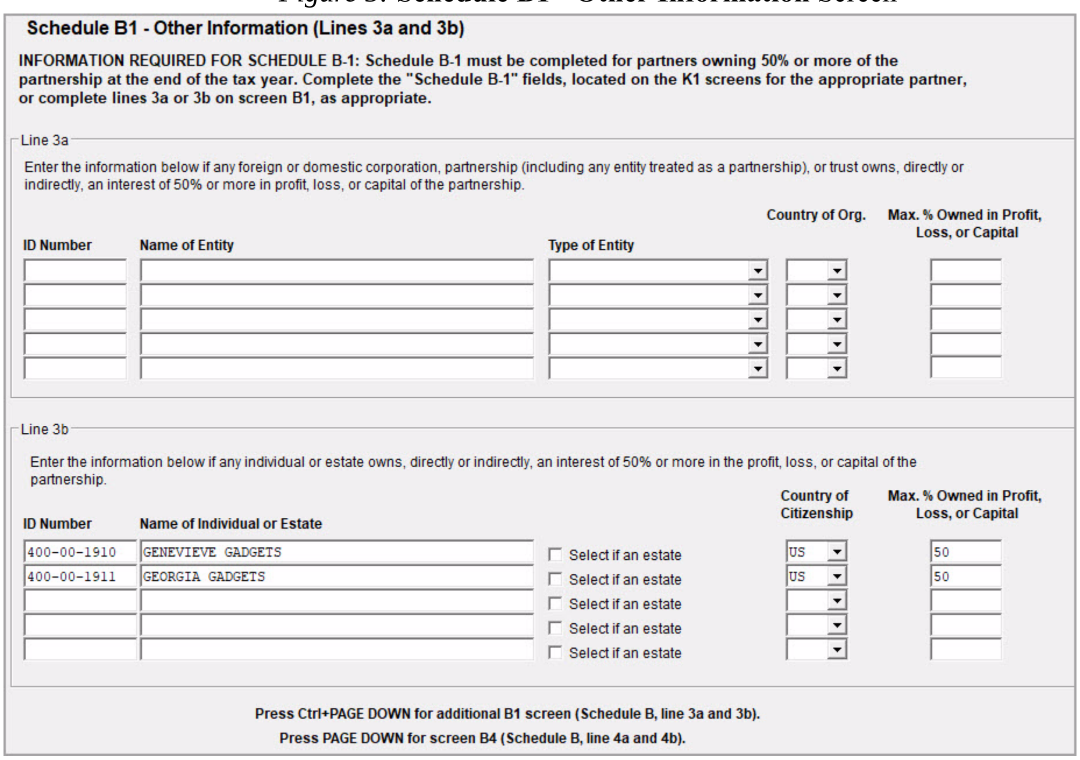
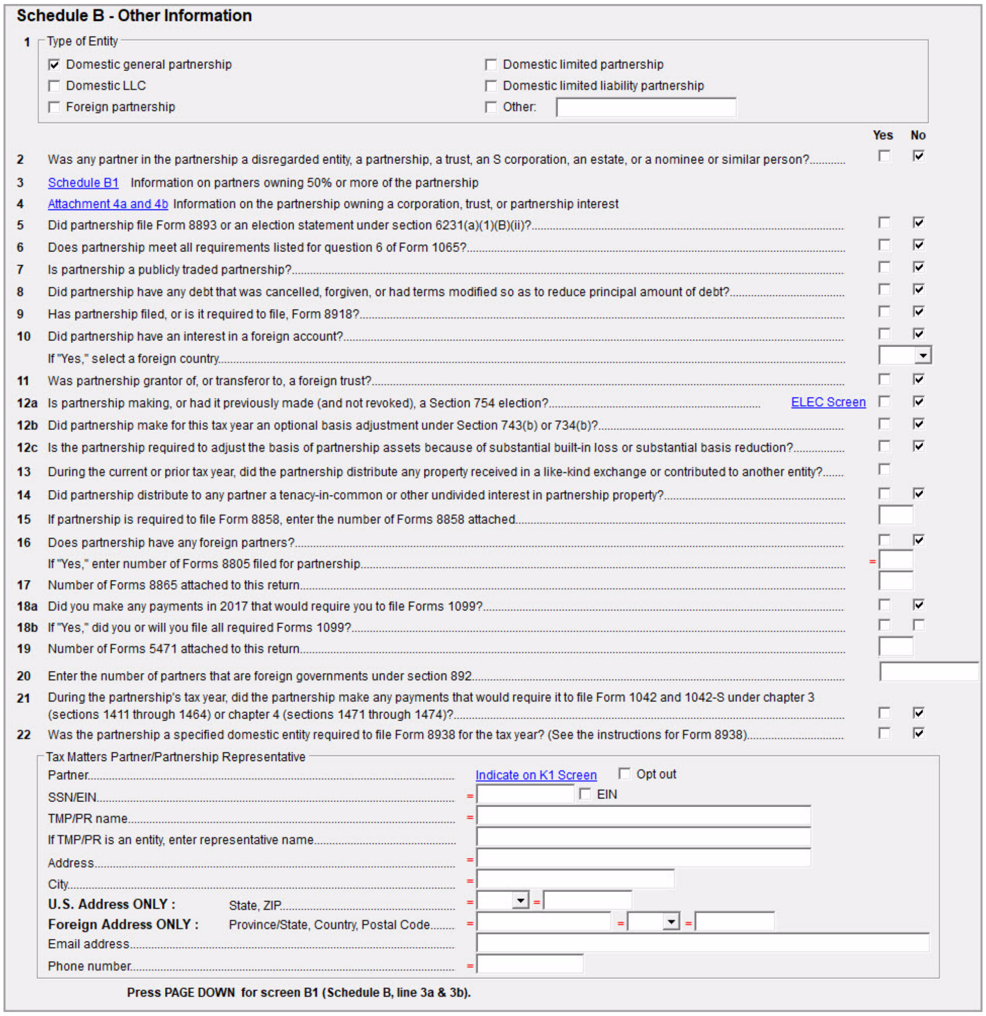


Figure 6: **Schedule B - Other Information** Screen



Schedule B - Other Information

1 Type of Entity
- [x] Domestic general partnership
- [ ] Domestic limited partnership
- [ ] Domestic LLC
- [ ] Domestic limited liability partnership
- [ ] Foreign partnership
- [ ] Other:

		Yes	No
2	Was any partner in the partnership a disregarded entity, a partnership, a trust, an S corporation, an estate, or a nominee or similar person?	☐	☑
3	Schedule B1 Information on partners owning 50% or more of the partnership		
4	Attachment 4a and 4b Information on the partnership owning a corporation, trust, or partnership interest		
5	Did partnership file Form 8893 or an election statement under section 6231(a)(1)(B)(ii)?	☐	☑
6	Does partnership meet all requirements listed for question 6 of Form 1065?	☐	☑
7	Is partnership a publicly traded partnership?	☐	☑
8	Did partnership have any debt that was cancelled, forgiven, or had terms modified so as to reduce principal amount of debt?	☐	☑
9	Has partnership filed, or is it required to file, Form 8918?	☐	☑
10	Did partnership have an interest in a foreign account?	☐	☑
	If "Yes," select a foreign country		
11	Was partnership grantor of, or transferor to, a foreign trust?	☐	☑
12a	Is partnership making, or had it previously made (and not revoked), a Section 754 election? ELEC Screen	☐	☑
12b	Did partnership make for this tax year an optional basis adjustment under Section 743(b) or 734(b)?	☐	☑
12c	Is the partnership required to adjust the basis of partnership assets because of substantial built-in loss or substantial basis reduction?	☐	☑
13	During the current or prior tax year, did the partnership distribute any property received in a like-kind exchange or contributed to another entity?	☐	
14	Did partnership distribute to any partner a tenacy-in-common or other undivided interest in partnership property?	☐	☑
15	If partnership is required to file Form 8858, enter the number of Forms 8858 attached		
16	Does partnership have any foreign partners?	☐	☑
	If "Yes," enter number of Forms 8805 filed for partnership		
17	Number of Forms 8865 attached to this return		
18a	Did you make any payments in 2017 that would require you to file Forms 1099?	☐	☑
18b	If "Yes," did you or will you file all required Forms 1099?	☐	☐
19	Number of Forms 5471 attached to this return		
20	Enter the number of partners that are foreign governments under section 892		
21	During the partnership's tax year, did the partnership make any payments that would require it to file Form 1042 and 1042-S under chapter 3 (sections 1411 through 1464) or chapter 4 (sections 1471 through 1474)?	☐	☑
22	Was the partnership a specified domestic entity required to file Form 8938 for the tax year? (See the instructions for Form 8938)	☐	☑

Tax Matters Partner/Partnership Representative
- Partner — Indicate on K1 Screen ☐ Opt out
- SSN/EIN ☐ EIN
- TMP/PR name
- If TMP/PR is an entity, enter representative name
- Address
- City
- **U.S. Address ONLY :** State, ZIP
- **Foreign Address ONLY :** Province/State, Country, Postal Code
- Email address
- Phone number

Press PAGE DOWN for screen B1 (Schedule B, line 3a & 3b).

Press ESC to return to the **Data Entry Menu**.

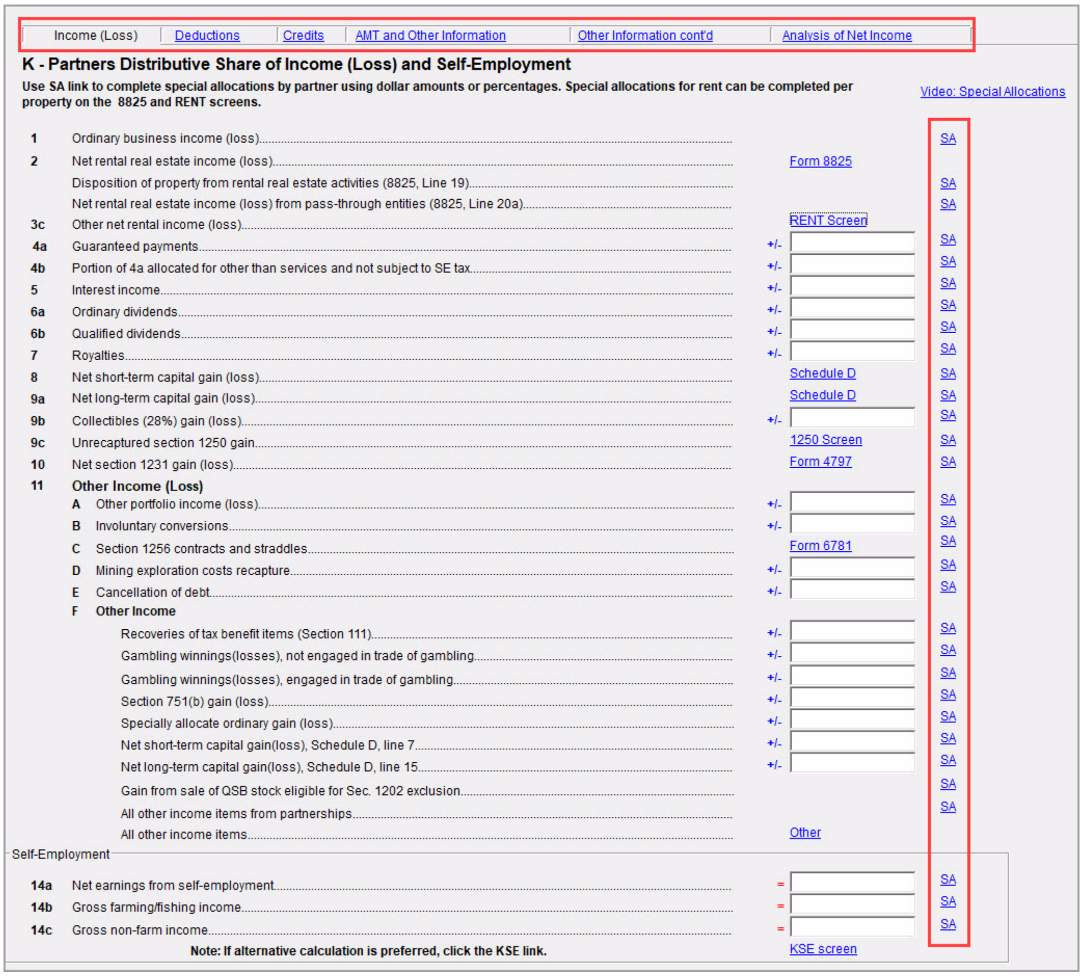
NOTE Line 6 was answered no, because the partnership did not meet all four requirements:

- The partnership's total receipts for the tax year were less than $250,000.
- The partnership's total assets at the end of the tax year were less than $1 million.
- Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) of the partnership return.
- The partnership is not required to file Schedule M-3, which would be required if the balance sheet's total assets at the end of the tax year equal or exceed $10 million.

Schedule K Partners' Distributive Share

The **K** screen, **Schedule K, Partners' Distributive Share**, is used to enter or adjust partners' share of income, loss, and self-employment (Figure 7). It contains screen tabs, which are used to access worksheets associated with Schedule K, and **SA** links are used to make special partner allocations ("Special Allocations for Partners" below). Tabs in the **K** screen include: **Income** (**Loss**), **Deductions**, **Credits**, **AMT and Basis**, **Other Information**, and **Analysis of Net Income**.

Figure 7: Screen **K**, **Partners Distributive Share**

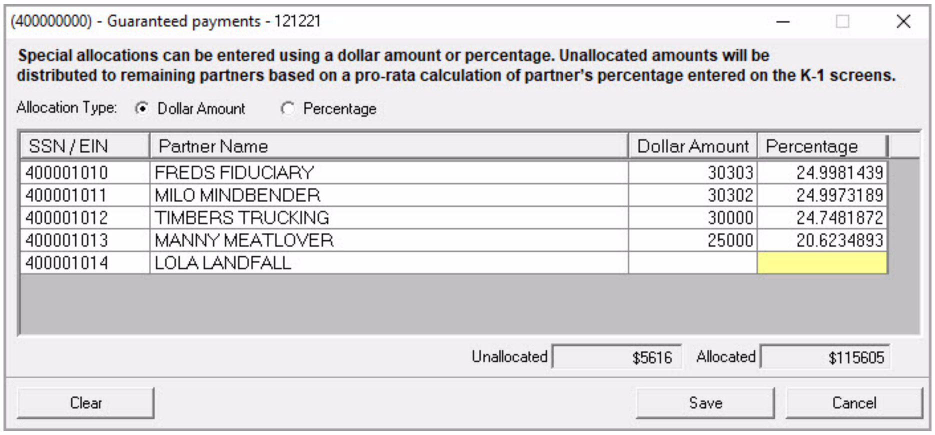


Special Allocations for Partners

Any line with an **SA** link, **Special Allocations**, can be selected to override the allocation of that item for any or all of the listed partners. Special allocations can be made by selecting the **SA** link beside the line you want to adjust. In the **SA** window, either dollar amount or percentage allocation type must be selected. A running total of the allocations is displayed at the bottom of the **SA** window under **Unallocated** and **Allocated**.

No special allocations will be made for the partners in this exercise. For an example of special allocations made among five partners in the **SA** window, see Figure 8 below.

Figure 8: **Special Allocations** (**SA**)



SCHEDULE K-1 - PARTNER INFORMATION

The **K1** screen, **Schedule K-1 - Partner Information**, is where information about each partner is entered. Type `K1` in the selector field and press ENTER to open the **K1** screen. Complete a **K1** screen for the first partner, and press PAGE DOWN to open a **K1** screen for the second partner. Use the following information to complete each partner's K1 screen.

Field	Data	Data
SSN	400001910	400001911
Name	GENEVIEVE GADGETS	GEORGIA GADGETS
Title for PIN Signature	General Partner	leave blank
Country of Incorporation/ Organization	US	US
Max Percentage Owned	50	50
Address	235 EAST PALMER STREET	235 EAST PALMER STREET
ZIP	28734	28734
Type of Partner	checkboxes **G**, **H**, and select **Individual** from the **I1** drop list	checkbox **H**, and select **Individual** from the **I1** drop list
Partner's%	50, 50, 50	50, 50, 50
Beginning capital account	131512	131513
Did the partner contribute property with a built-in gain or loss?	leave blank	leave blank

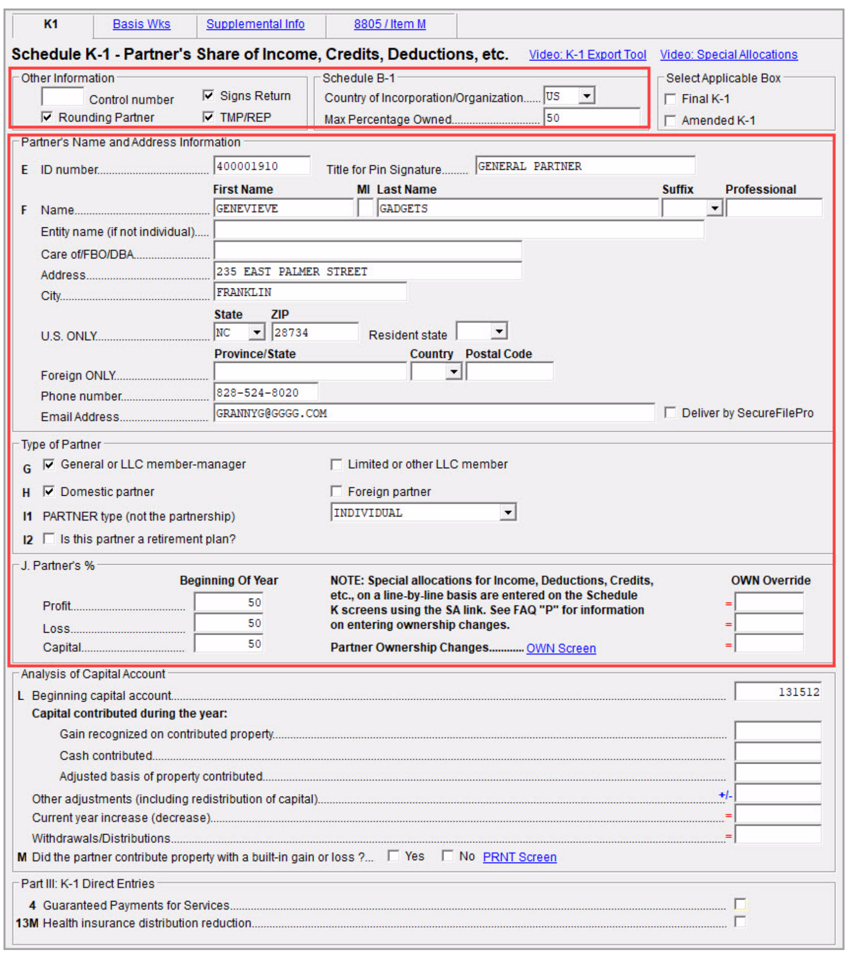
- Click the **PRNT Screen** link to the **Print Options** screen and mark the **No** checkbox beside **All Partners contrib. prop. w/ build-in gain or loss**.
- Mark the **Tax basis** checkbox below **Item L on Schedule K-1** in the **Print Options** screen.

TAX MATTERS PARTNER

Genevieve Gadgets is the General Partner, and she holds several other responsibilities (Figure 9). Mark the following checkboxes in Genevieve's **K1** screen:

- **TMP/REP** - Genevieve is the Tax Matters Partner for Granny's Gifts Gadgets and Gear.
- **Rounding Partner** - Genevieve's Schedule K-1 will be the last K-1 calculated.
- **Signs Return** - Genevieve's information in the **K1** screen will flow to the IRS e-file Signature Authorization for Form 1065 (8879-PE), and only her partner PIN and signature date (along with the ERO's PIN) should be entered in the **PIN**, **e-file Signature** screen when the return is ready for e-file (Figure 10).

Figure 9: **Schedule K-1. Partner Information** Screen


K1 | Basis Wks | Supplemental Info | 8805 / Item M

Schedule K-1 - Partner's Share of Income, Credits, Deductions, etc. Video: K-1 Export Tool Video: Special Allocations

Other Information
Control number
☑ Signs Return
☑ Rounding Partner
☑ TMP/REP

Schedule B-1
Country of Incorporation/Organization: US
Max Percentage Owned: 50

Select Applicable Box
☐ Final K-1
☐ Amended K-1

Partner's Name and Address Information
E ID number: 400001910 Title for Pin Signature: GENERAL PARTNER
F Name: First Name GENEVIEVE, MI, Last Name GADGETS, Suffix, Professional
Entity name (if not individual)
Care of/FBO/DBA
Address: 235 EAST PALMER STREET
City: FRANKLIN
U.S. ONLY: State NC, ZIP 28734, Resident state
Foreign ONLY: Province/State, Country, Postal Code
Phone number: 828-524-8020
Email Address: GRANNYG@GGGG.COM ☐ Deliver by SecureFilePro

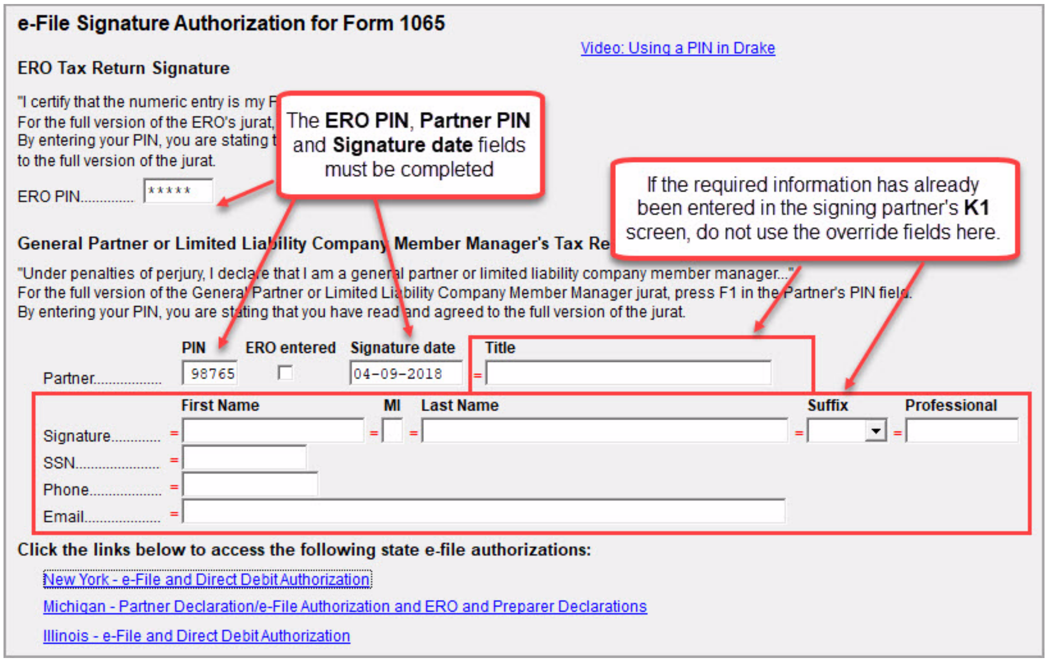
Type of Partner
G ☑ General or LLC member-manager ☐ Limited or other LLC member
H ☑ Domestic partner ☐ Foreign partner
I1 PARTNER type (not the partnership): INDIVIDUAL
I2 ☐ Is this partner a retirement plan?

J. Partner's %
Beginning Of Year — Profit: 50; Loss: 50; Capital: 50
NOTE: Special allocations for Income, Deductions, Credits, etc., on a line-by-line basis are entered on the Schedule K screens using the SA link. See FAQ "P" for information on entering ownership changes.
Partner Ownership Changes: OWN Screen
OWN Override

Analysis of Capital Account
L Beginning capital account: 131512
Capital contributed during the year:
Gain recognized on contributed property
Cash contributed
Adjusted basis of property contributed
Other adjustments (including redistribution of capital) +/-
Current year increase (decrease) =
Withdrawals/Distributions =
M Did the partner contribute property with a built-in gain or loss? ☐ Yes ☐ No PRNT Screen

Part III: K-1 Direct Entries
4 Guaranteed Payments for Services ☐
13M Health insurance distribution reduction ☐

Figure 10: **PIN**, **e-File Signature** Screen



PARTNER'S ADJUSTED BASIS WORKSHEET

The Partner's Adjusted Basis Worksheet is used to calculate a partner's new basis after increases or decreases are made to basis during the current year (Figure 11). Adjusted basis (or outside basis) refers to the partner's investment in a partnership. The basis is determined without considering any amount shown in the partnership books as capital, equity, or similar account.

At the top of the **K1** screen, click the **Basis Wks** tab to open the partner's adjusted basis worksheet screen. Use the following table to enter the preceding year adjusted basis in the **Basis Wks** tab in each partner's **K1** screen.

Fields	Data	Data
Partner	Genevieve Gadget	Georgia Gadget
Adjusted basis from preceding year	16147	16146

Figure 11: **K1** Screen **Basis Wks** Tab

When a partner disposes of an interest in a partnership, the difference between the sale price and the adjusted basis is the taxable gain or loss. Increases to basis can include:

- Cash contributed
- Taxable income of partnership including capital gains
- Tax-exempt income of partnership
- Partner’s adjusted basis of property transferred to a partnership

Decreases to basis can include:

- Distributions of cash or property to partners
- Separately stated losses and deductions
- Nondeductible business expenses
- Credit adjustments

Figure 12: **Partner's Adjusted Basis Worksheet**

Partner's Adjusted Basis Worksheet

Keep for your records.

2017

Partner Number:	**TIN:** 400-00-1910	**Tax year ending:** 12-31-2017	**Ownership %:** 50.000000
Name of Partner: GENEVIEVE GADGETS			
Name of Partnership: GRANNYS GIFTS GADGETS AND GEAR			**EIN** 40-0001615

Line	Description	Reference		Amount		Amount		Amount
A.	Partner's share of partnership liabilities (Sch K-1, Item K)		A.					
B.	Partner's share of partnership liabilities from PRIOR year		B.	( )				
C.	Increases (Decrease) in share of Partnership Liabilities during this tax period		C.					
1.	Adjusted Basis from preceding year						1.	16,147
2.	Capital contributions of property							
a.	Gain (if any) recognized this year on contribution of property to partnership		2 a.					
b.	Cash contributed during the year		b.					
c.	Adjusted basis of property contributed during the year		c.					
d.	Partnership interest acquired other than by cash or property		d.					
	Total additional contributions (Total lines 2a-2d)				2.			
3.	Items of Income or Gain for this period							
a.	Ordinary Income	(Sch K-1, Line 1)	3 a.	14,815				
b.	Real Estate Rental Income	(Sch K-1, Line 2)	b.					
c.	Other Rental Income	(Sch K-1, Line 3c)	c.					
d.	Interest, Dividends & Royalties	(Sch K-1, Lines 5, 6a & 7)	d.					
e.	Capital Gain	(Sch K-1, Lines 8 & 9a)	e.					
f.	Other Portfolio Income	(Sch K-1, Line 11a)	f.					
g.	Section 1231 Gain	(Sch K-1, Line 10)	g.					
h.	Other Income	(Sch K-1, Line 11)	h.					
i.	Tax Exempt Income	(Sch K-1, Lines 18a & b)	i.					
j.	Excess Depletion Adjustment		j.					
k	Increase from Recapture of Business Credits		k					
i.	Gain from 179 disposition		i.					
	(See IRC § 49(a), 50(a), 50(c)(2) & 1371 (d))							
	Total items of Income or Gains (Total lines 3a-3l)				3.	14,815		
4.	Increase in Partnership Share of Partnership Liabilities from line C above				4.			
5.	Total increases in basis (combine lines 1 through 4)						5.	30,962
6.	Distributions to the Partner during the year				6.			
7.	Decrease in Partner's Share of Partnership Liabilities from line C above				7.			
8 a.	Decrease for Non-Deductible Expenses/Credit Adjustments		8 a.					
b.	Decrease for Depletion		b.					
	Total other decreases (lines 8a-8b)				8.			
9.	Subtotal - basis after all distributions and other decreases (Line 5 minus lines 6-8)						9.	30,962
10.	Items of Losses and Deductions (Allowed for the current year)							
a.	Ordinary Loss	(Page 2, Col e, Line 10a)	10 a.					
b.	Real Estate Rental Loss	(Page 2, Col e, Line 10b)	b.					
c.	Other Rental Loss	(Page 2, Col e, Line 10c)	c.					
d.	Capital Loss	(Page 2, Col e, Line 10d)	d.					
e.	Other Portfolio Loss	(Page 2, Col e, Line 10e)	e.					
f.	Section 1231 Loss	(Page 2, Col e, Line 10f)	f.					
g.	Other Loss	(Page 2, Col e, Line 10g)	g.					
h.	Charitable Contributions	(Page 2, Col e, Line 10h)	h.					
i.	Section 179 Expense	(Page 2, Col e, Line 10i)	i.					
j.	Portfolio Income Expenses	(Page 2, Col e, Line 10j)	j.					
k	Other Deductions	(Page 2, Col e, Line 10k)	k					
l.	Interest Expense on Investment Debt	(Page 2, Col e, Line 10l)	l.					
m.	Total Foreign Taxes Paid/Accrued	(Page 2, Col e, Line 10m)	m.					
n.	Section 59(e) Expenditures	(Page 2, Col e, Line 10n)	n.					
o.	Other decreases	(Page 2, Col e, Line 10o)	o.					
p.	Loss from 179 disposition	(Page 2, Col e, Line 10p)	p.					
	Total items of Losses and Deductions (Total lines 10a-10p)				10.			
11.	Adjusted Basis of Partnership Interest (Cannot be negative) (Line 9-Line 10) At-Risk Basis						11.	30,962
12.	At-risk adjustment: (Amount from lines 5)				12.	30,962		
13.	Enter the amount from lines 6, 7, 8 and 10				13.	( )		
14.	Enter any nonrecourse loans, etc.				14.	( )		
15.	Enter the FMV of partner's personal property not used in the partnership that secures a nonrecourse loan on line 14				15.			
16.	Combine lines 12 through 15. If negative, no current year loss can be deducted. See Form 6198						16.	30,962

NOTE The Partner's Adjusted Basis Worksheet is printed (generated in View/Print mode) only when this option is selected on the **PRNT** screen.

DEPRECIATION

Drake provides six data entry screens for depreciation. On the **Assets-Sales-Recapture** tab of the **Data Entry Menu**, the six screens are grouped in a section labeled **Depreciable Assets**. These screens include:

- The **4562** screen is used for entering depreciable assets for Form 1065, Schedule A, Schedule F, Form 8825, the **RENT** screen, and Section 754. The **4562** screen is usually the only screen needed for entering depreciation.
- Screens **6-9** are used only when entering depreciation calculated outside of Drake. Screen **7**, line 18 is where you go to claim the Section 168(i)(4) election.
- Screen **10, Additional Depreciation Elections** is the place to elect out of bonus depreciation for all classes of property or by property class. For this return, we will not opt out of bonus depreciation.

There are three depreciable assets. Open the **4562** screen by typing `4562` in the **Data Entry Menu** selector field and pressing ENTER. The **4562** screen is opened in grid data entry mode If grid mode checkbox is selected in **Setup** > **Options** > **Data Entry**. Use information from the following table to enter the assets.

Fields	Asset 1	Asset 2	Asset 3
Form	1065	1065	1065
Description	BUILDING	DISPLAYS	STORAGE RACKS
Date Acquired	07-12-2017	06-13-2017	09-12-2017
Cost	183,500	32,000	15,000
Method	ARP	M	M
Life	39	7	7

The **Use%** field would be used to indicate a percentage other than 100%. All three assets are 100% business use, so the **Use%** field can be left blank. If you are using grid data entry to enter the asset information (Figure 13), view the individual details of each depreciable asset and make adjustments by clicking **Item Detail** at the bottom of the grid data entry screen. The **4562** screen will open in full screen mode. Press ESC to return to the **Data Entry Menu**.

Figure 13: The **4562** Screen in Grid Data Entry Mode

	Form	MFC	Description	Date Acqu...	Cost / Basis	% Use	Used	LPT	Method	Life	Prior Depr	Prior 179	Prior Bonus
1	1065	1	Building	07-12-2015	183500				ARP	39	2156		0
2	1065	1	Displays	06-13-2015	32000				M	7	2286		16000
3	1065	1	Storage Racks	09-12-2015	15000				M	7	1072		7500
4													

NOTE Grid data entry mode feature is available for select screens (**4562** screens for all tax packages). Press TAB, or use the UP ARROW (↑) or DOWN ARROW (↓) keys to navigate the fields. Press F3 to toggle between the grid data entry mode and full screen mode.

To turn off grid data entry in Drake Tax, click **Setup > Options** from the **Home** window and clear the option to **Use grid data entry format on available screens** and click **OK**.

Schedule L - Balance Sheet Information

Schedule L Beginning of Year (BOY) and End of Year (EOY) totals are displayed in the BOY Totals and EOY Totals columns after the return is calculated. This will help you determine if the balance sheet is in balance.

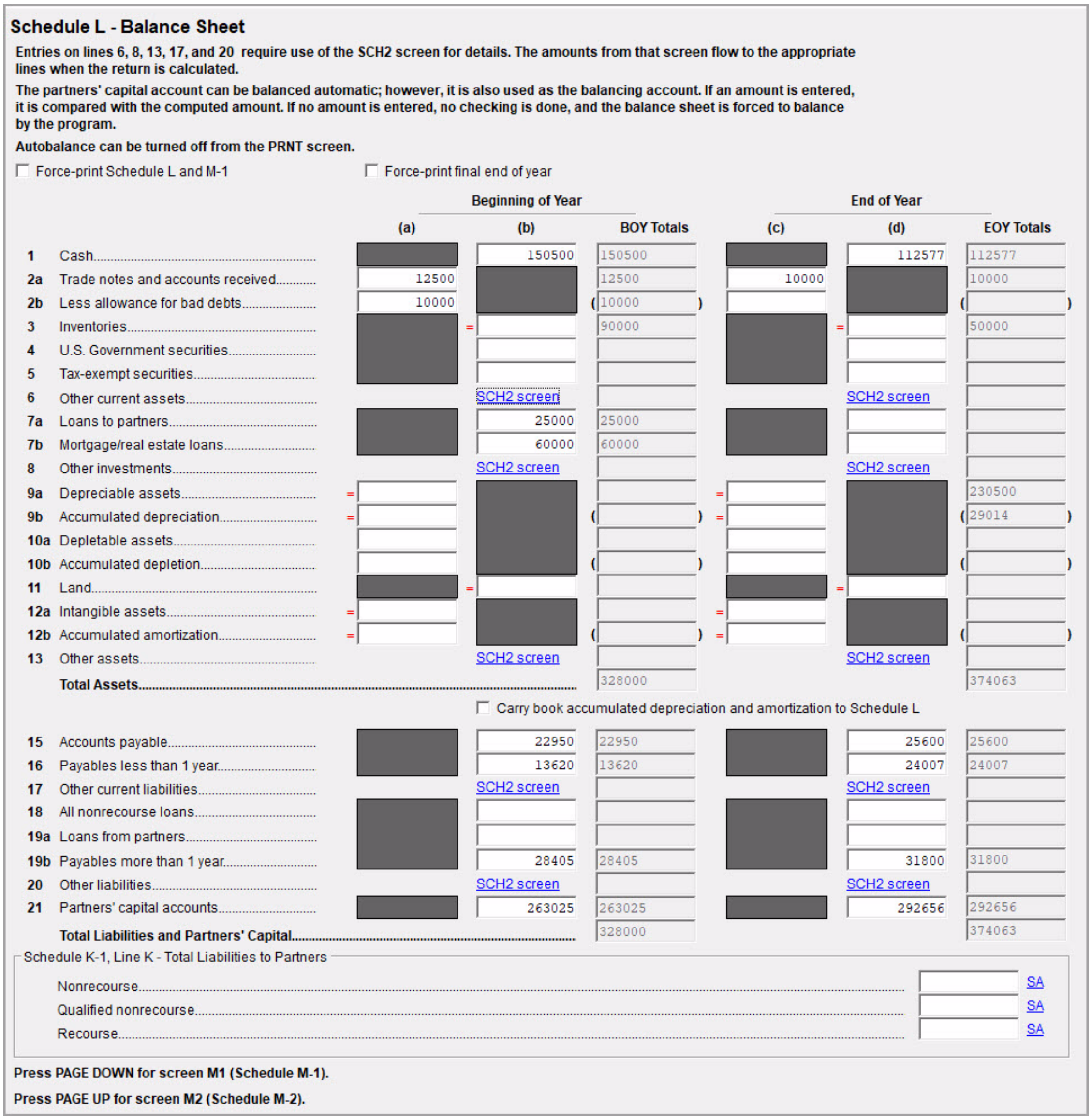
Type L into the selector field and press ENTER to open the **Schedule L - Balance Sheet** screen (Figure 14). Use the following table to enter the beginning of year and end of year totals.

Fields	Beginning of Year	End of Year
Cash	150,500	112,577
Trade notes and accounts received	12,500	leave blank
Less allowance for bad debts	10,000	leave blank
Loans to partners	25,000	leave blank
Mortgage/real estate loans	60,000	leave blank
Accounts payable	22,950	25,600
Payables less than 1 year	13,620	24,007
Payable more than 1 year	28,405	31,800
Partners' capital accounts	263,025	292,656

Press ESC to return to the **Data Entry Menu**

.

Figure 14: Screen **L**, **Schedule L - Balance Sheet**



Schedule L - Balance Sheet

Entries on lines 6, 8, 13, 17, and 20 require use of the SCH2 screen for details. The amounts from that screen flow to the appropriate lines when the return is calculated.

The partners' capital account can be balanced automatic; however, it is also used as the balancing account. If an amount is entered, it is compared with the computed amount. If no amount is entered, no checking is done, and the balance sheet is forced to balance by the program.

Autobalance can be turned off from the PRNT screen.

☐ Force-print Schedule L and M-1 ☐ Force-print final end of year

		Beginning of Year			End of Year		
		(a)	(b)	BOY Totals	(c)	(d)	EOY Totals
1	Cash		150500	150500		112577	112577
2a	Trade notes and accounts received	12500		12500	10000		10000
2b	Less allowance for bad debts	10000		(10000)			( )
3	Inventories			90000			50000
4	U.S. Government securities						
5	Tax-exempt securities						
6	Other current assets		SCH2 screen			SCH2 screen	
7a	Loans to partners		25000	25000			
7b	Mortgage/real estate loans		60000	60000			
8	Other investments		SCH2 screen			SCH2 screen	
9a	Depreciable assets						230500
9b	Accumulated depreciation			( )			(29014)
10a	Depletable assets						
10b	Accumulated depletion			( )			( )
11	Land						
12a	Intangible assets						
12b	Accumulated amortization			( )			( )
13	Other assets		SCH2 screen			SCH2 screen	
	Total Assets			328000			374063

☐ Carry book accumulated depreciation and amortization to Schedule L

		(a)	(b)	BOY Totals	(c)	(d)	EOY Totals
15	Accounts payable		22950	22950		25600	25600
16	Payables less than 1 year		13620	13620		24007	24007
17	Other current liabilities		SCH2 screen			SCH2 screen	
18	All nonrecourse loans						
19a	Loans from partners						
19b	Payables more than 1 year		28405	28405		31800	31800
20	Other liabilities		SCH2 screen			SCH2 screen	
21	Partners' capital accounts		263025	263025		292656	292656
	Total Liabilities and Partners' Capital			328000			374063

Schedule K-1, Line K - Total Liabilities to Partners

Nonrecourse SA
Qualified nonrecourse SA
Recourse SA

Press PAGE DOWN for screen M1 (Schedule M-1).
Press PAGE UP for screen M2 (Schedule M-2).

Schedule M-1 - Reconciliation of Income (Loss)

Schedule M-1 shows all items of income and expense that are not subject to tax, plus those accounting items that are not income tax items (Figure 15). When required, taxpayers must reconcile book income with the taxable income. The book-to-tax difference for Schedule M-1 and any necessary adjustments can be made in the **M-1 Reconciliation of Income (Loss)** screen.

Figure 15: Schedule M-1 Reconciliation of Income

Schedule M-1	Reconciliation of Income (Loss) per Books With Income (Loss) per Return **Note.** The partnership may be required to file Schedule M-3 (see instructions).		
1 Net income (loss) per books	29,631	**6** Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize): **a** Tax-exempt interest $	
2 Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize):			
3 Guaranteed payments (other than health insurance)		**7** Deductions included on Schedule K, lines 1 through 13d, and 16l, not charged against book income this year (itemize): **a** Depreciation $	
4 Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16l (itemize): **a** Depreciation $ **b** Travel and entertainment $		**8** Add lines 6 and 7	
5 Add lines 1 through 4	29,631	**9** Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5	29,631

SCHEDULE M-2 - ANALYSIS OF PARTNERS' CAPITAL

Schedule M-2 is used to show what caused changes during the year in the partners' capital accounts. The amounts on Schedule M-2 should equal the total amounts reported in item L of all the partners' Schedule K-1s. Drake Tax carries amounts entered in item **L** (**Analysis of Capital Account**) on the partners' **K1** screen to Form 1065, Schedule M-2, line 1, "Balance at beginning of year." Any necessary adjustments to the Schedule M-2 calculations can be made in the **M-2 Analysis of Partners' Capital screen.**

Figure 16: Screen **M2**, **Schedule M-2 - Analysis of Partners' Capital**

Schedule M-2	Analysis of Partners' Capital Accounts		
1 Balance at beginning of year	263,025	**6** Distributions: **a** Cash	
2 Capital contributed: **a** Cash		**b** Property	
b Property		**7** Other decreases (itemize):	
3 Net income (loss) per books	29,631		
4 Other increases (itemize):		**8** Add lines 6 and 7	
5 Add lines 1 through 4	292,656	**9** Balance at end of year. Subtract line 8 from line 5	292,656

Press ESC to return to the **Data Entry Menu**.

AUTOBALANCE

Autobalance forces Schedule L to balance for both the beginning of year and end of year amounts. The program adjusts the partners' capital accounts on Schedule L by the difference between the total assets and the total liabilities plus capital before the adjustment.

For example, if the partnership's assets are $1,000 and the liabilities and capital are $900, the program increases the partners' capital accounts by $100.

If you do not wish to use autobalance for a specific return, it can be turned off on the **Print Options** screen. On the **Data Entry Menu**, type PRNT in the selector field, press ENTER, and then select **Turn off autobalance** in the **Other Return Options** section.

Press ESC to return to the **Data Entry Menu**.

Review

You have just completed Form 1065, Partnership Tax Return in Drake Tax. Review the return for accuracy. Click **View** on the **Data Entry Menu** to open View mode to review the forms, calculations, and any EF MESSAGES or NOTES pages.

Click Form **1065.PG5 in the Forms tree**. Use this page to see if the return is in balance (Figure 17). Check the following:

- In the Schedule L section, line 14, "Total assets" should be the same as line 22, "Total liabilities and capital," both beginning of year and end of year.
- The End of tax year line 21, "Partners' capital accounts" in the Schedule L section should equal line 9, "Balance at end of year" in the Schedule M-2 section.
- Line 1, "Net income (loss) per books" in the Schedule M-1 section should equal line 3, "Net income (loss) per books" in the Schedule M-2 section.

NOTE To force the **1065.PG5** to print Schedule L information, go to the **PRNT** screen in data entry and select the **Force Schedules L, M-1, M-2 & K-1 Section L box.**

Figure 17: Form 1065, page 5

Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
	Assets	**(a)**	**(b)**	**(c)**	**(d)**
1	Cash		150,500		112,577
2a	Trade notes and accounts receivable	12,500		10,000	
b	Less allowance for bad debts	10,000	2,500		10,000
3	Inventories		90,000		50,000
4	U.S. government obligations				
5	Tax-exempt securities				
6	Other current assets (attach statement)				
7a	Loans to partners (or persons related to partners)		25,000		
b	Mortgage and real estate loans		60,000		
8	Other investments (attach statement)				
9a	Buildings and other depreciable assets			230,500	
b	Less accumulated depreciation			29,014	201,486
10a	Depletable assets				
b	Less accumulated depletion				
11	Land (net of any amortization)				
12a	Intangible assets (amortizable only)				
b	Less accumulated amortization				
13	Other assets (attach statement)				
14	Total assets		328,000		374,063
	Liabilities and Capital				
15	Accounts payable		22,950		25,600
16	Mortgages, notes, bonds payable in less than 1 year		13,620		24,007
17	Other current liabilities (attach statement)				
18	All nonrecourse loans				
19a	Loans from partners (or persons related to partners)				
b	Mortgages, notes, bonds payable in 1 year or more		28,405		31,800
20	Other liabilities (attach statement)				
21	Partners' capital accounts		263,025		292,656
22	Total liabilities and capital		328,000		374,063

FINANCIALS

Use the following balance sheet and income statement to complete the partnership return (Figure 18 and Figure 19).

Figure 18: Balance Sheet

GRANNY'S GIFTS GADGETS AND GEAR
Balance Sheet
As of 12/31/2016 & 12/31/2017

	12/31/2016	12/31/2017
ASSETS		
Current Assets		
Cash	$ 150,500	$ 112,577
Trade notes and accounts received	$ 12,500	$ 10,000
Less allowance for bad debt	$ (10,000)	$ -
Loans to partners	$ 25,000	$ -
Mortgage/real estate loans	$ 60,000	$ -
Total Current Assets	$ 238,000	$ 122,577
Fixed Assets		
Buildings & other depreciable assets		$ 230,500
Less Accumulated Depreciation		$ (29,014)
Inventory	$ 90,000	$ 50,000
Total Fixed Assets	$ 90,000	$ 251,486
TOTAL ASSETS	$ 328,000	$ 374,063
LIABILITIES		
Current Liabilities		
Accounts payable, trade	$ 22,950	$ 25,600
Mortgages, notes, bonds payables less than 1 yr	$ 13,620	$ 24,007
Mortgages, notes, bonds payables more than 1 year	$ 28,405	$ 31,800
Total Current Liabilities	$ 64,975	$ 81,407
EQUITY		
Partners Capital Account	$ 263,025	$ 292,656
Total Equity	$ 263,025	$ 292,656
TOTAL LIABILITIES & EQUITY	$ 328,000	$ 374,063
Partner's Capital - Beginning		$ 263,025
Income		$29,631
Partner's Capital End		$292,656
		$ 585,312

Figure 19: Profit and Loss

GRANNY'S GIFTS GADGETS AND GEAR
Profit and Loss Statement
For the Year Ended December 31, 2017

INCOME		
Gross receipts		$ 315,620
Returns and allowances		$ (10,300)
Interest income on receivables		$ 4,650
Total Gross Income		$ 309,970
COST OF GOODS SOLD		
Beginning Inventory	$ 90,000	
Purchases	$ 30,000	
Labor	$ 20,000	
Less ending inventory	$ (50,000)	
Total Costs of Goods Sold		$ 90,000
TOTAL INCOME		**$ 219,970**
EXPENSES		
Salaries & wages		$ 80,000
Partner's health insurance		$ 5,500
Repairs & Maintenance		$ 1,200
Depreciation		$ 29,014
Retirement plans		$ 9,000
Taxes & licenses		$ 12,235
Total		$ 136,949
Other Expenses		
Accounting	$ 600	
Advertising	$ 7,500	
Bank charges	$ 300	
Cash short/over	$ 225	
Cell phone	$ 5,000	
Computer	$ 6,000	
Delivery	$ 800	
Education & Training	$ 430	
Equipment Rental/lease	$ 3,700	
Building & equipment insurance	$ 10,500	
Liability insurance	$ 2,000	
Worker's compensation	$ 2,000	
Internet	$ 400	
Janitorial	$ 800	
Laundry & Cleaning	$ 200	
Legal & Professional	$ 450	
Meetings	$ 100	
Office expense	$ 500	
Permits & fees	$ 340	
Printing	$ 300	
Software	$ 695	
Supplies	$ 700	
Telephone	$ 250	
Travel	$ 2,700	
Utilities	$ 6,000	
Waste Removal	$ 900	
Total Other expenses		$ 53,390
TOTAL EXPENSES		**$ 190,339**
NET INCOME/LOSS		**$ 29,631**

Review Questions Part 6

Answer the following questions. See "Answers Part 6" on page 196 for answers and explanations.

1. In a 1065 return, which **Data Entry** screen would be used to enter cash at Beginning of Year and End of Year?
   - **a) M1**
   - **b) M2**
   - **c) L**
   - **d) A**
2. Which schedule has an autobalance feature that can be disabled on the **PRNT** screen?
   - **a) Form 1125-A**
   - **b) Schedule K**
   - **c) Schedule L**
   - **d) Schedule M-1**
3. Partner special allocations:
   - **a)** are entered on the **SA** screen.
   - **b)** are entered on the **K1** screen
   - **c)** are entered on line 7 of the **INC** screen
   - **d)** are entered on the **K** screen
4. What **Data Entry Menu** tab contains the **4562 Depreciation** Screen?
   - **a) General**
   - **b) Credits**
   - **c) Other Forms**
   - **d) Assets-Sales-Recapture**

ANSWERS PART 6

1. The correct answer is **c) Screen L, Assets, Liabilities and Capital**. Use screen **L** to enter cash, since cash is an asset.

   a) is incorrect. The **M1** screen is for reconciling book income/loss with income/loss from the return.

   b) is incorrect. The **M2** screen is used for increases and decreases to partners' capital.

   d) is incorrect. The **A** screen is used to enter costs of goods sold from the income statement.

2. The correct answer is **c) Schedule L**.

   a) is incorrect. **Form 1125-A, Cost of Goods Sold**, doesn't have an autobalance feature.

   b) is incorrect. **Schedule K** is a summary of partner information.

   d) is incorrect. **Schedule M-1** is used to reconcile income or loss from the books to the tax return.

3. The correct answer is **a) Are entered on the SA screen**. Partner special allocations can include ordinary dividends, interest income, and guaranteed payments.

   b) is incorrect. The **K1** screen is used to enter information about a partner.

   c) is incorrect. Special allocations aren't included in Other Income.

   d) is incorrect. The **K** screen is used to enter data for Schedule K, Partners' Distributive Share items and is not used for special allocations. Most common Schedule K items can be entered on the **INC** screen.

4. The correct answer is **d) Assets-Sales-Recapture**. Depreciable assets are usually entered on screen **4562**.

   a) is incorrect. The **General** tab includes demographic information, income and deductions, and partner information.

   b) is incorrect. Depreciation is not a credit.

   c) is incorrect. The **Other Forms** tab contains miscellaneous forms.

Tools

The following sections review some of the functions and file maintenance tools located on the **Tools** menu.

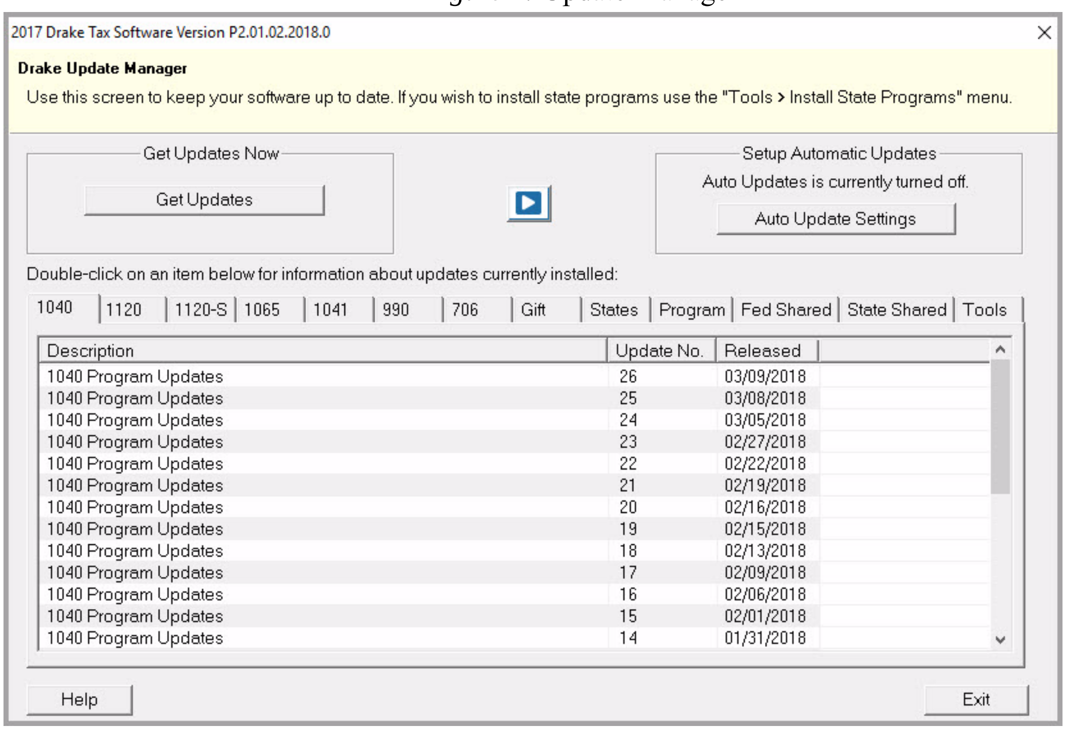
Updating the Software

Regular updates to the program are critical to ensure that your software is performing efficiently. The program will alert you when updates to the program are available, or you can use the Update Manager to obtain and install files manually or automatically. Updates include modifications to both the federal and state packages to reflect the most recent changes in the tax law.

To download and install updates manually, go to the **Home** window and select **Tools > Update Manager**. Click **Get Updates** (item #1 in Figure 1) and follow the prompts.

NOTE The software must be closed before updates can be downloaded and installed. Click **Yes** when the software prompts you to close the program.

Figure 1: Update Manager



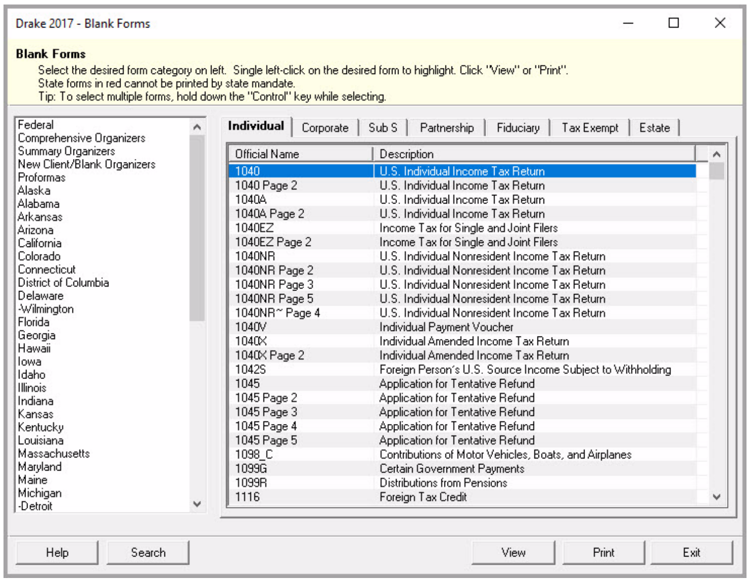
Viewing Release Notes

When updates are installed manually, the program creates an installation log showing the file name, update number, and release date. To view a release note, click the desired tab (item #2 in Figure 1) and double-click the desired row (item #3 in Figure 1) in the **Drake Update Manager** dialog box. The Report Viewer displays the notes for that update.

Printing Blank Forms

All forms and worksheets supported by the program are available as blank forms. From the **Home** window, select **Tools > Blank Forms** on the menu bar (Figure 2). Select the desired form category (**Federal**, **Organizers**, **Proformas**, state, or city) on the left; then select the return enter (tab) and form (row) on the right. Alternatively, click **Search** to search for the desired form. Click **View** to view the selected form or **Print** to print the selected form.

Figure 2: Blank Forms Drake

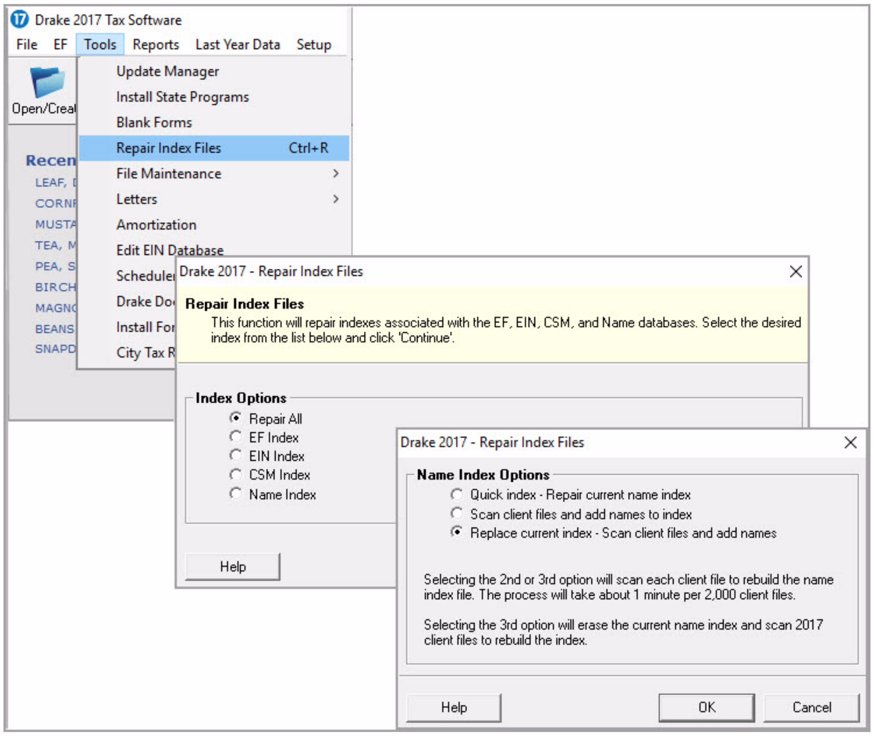


Repairing Index Files

An index file is a comprehensive list of data on the client files in Drake. Keep index files current by repairing them regularly as part of your general file maintenance routine, and also:

- After restoring files using **Tools > File Maintenance > Restore**. (Repair the **Name Index**.)
- After deleting a client file through **Tools > File Maintenance > Delete Client Files**. (Repair the **Name Index**.)
- When the **EF > Search EF Database** function does not seem to work properly. (Repair the **EF Index**.)
- After adding records to the EIN database. (Repair the **EIN Index**.)
- To update the Client Status Manager index. (Repair the **CSM Index**.)

Figure 3: Repairing Index.



To repair index files:

1. From the **Home** window, go to **Tools > Repair Index Files**, or press CTRL+R.
2. Select the index files to repair. To repair all s of index files, click **Repair All**.
3. Click **Continue**.
4. Click **OK**. (If the **Name Index** was selected, select a **Name Index Option** first.)

When the file repair is completed, click **Exit** to return to the **Home** window.

NOTE Repairing the **Name Index** takes approximately one minute for every 2,000 clients.

MAINTAINING FILES

File maintenance tools provide a means to manage data files within the program. To access file maintenance tools, go to **Tools > File Maintenance**. There, you can choose from:

- **Backup** and **Restore** — Use the **Backup** and **Restore** tools to prevent loss of client data or to move client files to another machine. Files backed up to other locations can be used to restore lost data. If multiple machines are used for tax preparation in one office, files can be moved to other computers and uploaded to a single machine to create a master file.
- **Change ID Number on Return** — Change the SSN, EIN or ITIN on a client's file.
- **Clear BBS Files** — Delete Drake update files after they have been downloaded.
- **Export Client/EF Data** — Convert client data and EF files to a text file or CSV (spreadsheet format) file for importing into other programs, such as Microsoft Word, Excel, or Access.
- **Password Protect Files** — Protect files from unauthorized access. A protected file cannot be opened in data entry until it is unlocked with a password.
- **Unlock Client Files** — Unlock a client file that has been locked after e-file acceptance.
- **Delete Print Files** — Delete temporary *print* files. Use this to delete returns from the **EF Return Selector**.
- **Delete Client Files** — Permanently delete client files.
- **Change File Type** — Change an Individual, Corporation, S Corporation, Fiduciary, Partnership, or Tax-Exempt return to another return type. Not all data is transferred, so back up the original file first.
- **Import Data** — Use this tool to:
  - Import client data from *Quickbooks into Drake.*
  - Import client payment information from an Excel, CSV, or tab delimited worksheet to the **BILL** screen of one or more client returns.
  - Manually enter client payment information and apply it to the **BILL** screen of a client's return.
- **Import Client File** — Import a client file into Drake.

LETTERS

The **Letters** function allows you to print letters in batches or one at a time. These letters, listed in the table below, are those that do not typically accompany a tax return.

Type of Letter	Suggested Purpose of Letter
Postseason letter	Thank clients for their business; remind them that you are available for additional tax-preparation assistance.
Preseason letter	Make contact with last year's clients; encourage clients to use organizers.
Estimate payment reminder	Remind current-year clients that estimate payments are due; provide instructions for sending payments.
Appointment letter/ email notifications	Send appointment reminder letters to selected clients via letter or email.
EF status letter	Provide acknowledgment status of e-filed return.
Engagement letter	Enter into contract with clients to prepare their tax return.

You can also use the **Letters** tool to print pre-addressed mailing labels, envelopes, and postcards in batches or one at a time.

NOTES

The information provided here applies to letters that can be printed in batches. For more information on the other types of letters available in Drake, see "Letters" on page 40.

If printing an engagement letter for a taxpayer who has not been entered into the system, you are prompted to provide the person's name and address information and type of return. This action does *not* create a client file in Drake; the information is used for the engagement letter only.

PRINTING LETTERS

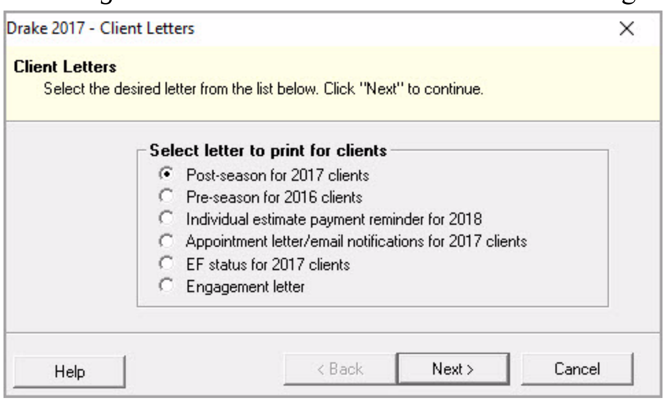
To print one or more letters:

1. From the **Home** window, go to **Tools** > **Letters** > **Letters**. The **Client Letters** dialog box is displayed (Figure 4).
2. Select a letter type.
3. Click **Next** to open the **Client Selection** dialog box.

4. Complete one of the following:
   - **Print a letter for specific clients —** Enter a client's SSN/EIN and click **Add Client**. Repeat for additional clients. Click **Next**.
   - **Print a batch of letters —** Click **Next** to open **Client Letters Filters Selection**. Select filtering and sorting options. Click **Next** for **Basic Search Conditions**. Click **Continue** to **Scan Client Files**.
5. Click **Print**.

NOTE To customize a default letter, go to the **Home** window and select **Setup > Communications Editor**. You can change the font, margins, and alignment. You can also add a border, letterhead, and logo. See "Letters" on page 40.

Figure 4: Letter choices in Client Letters dialog box



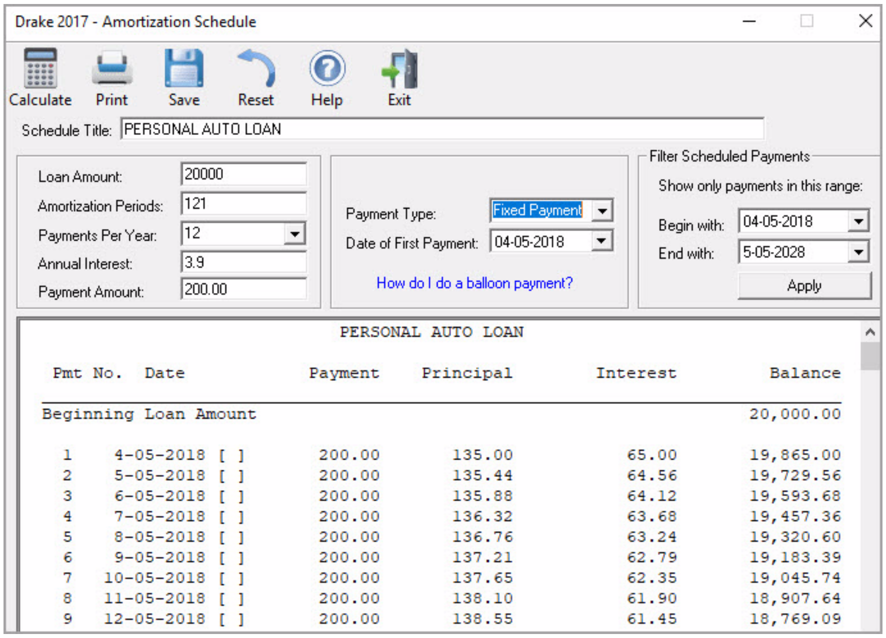
AMORTIZING

The **Amortization** tool prepares loan repayment schedules for various loan scenarios. To access this tool from the menu bar, select **Tools > Amortization**. The **Amortization Schedule** dialog box selections include:

- **Schedule Title** — Type a title to be displayed at the top of the amortization schedule.
- **Loan Amount** — Enter the original amount of the loan.
- **Amortization Periods** — Enter the number of payments to be made over the life of the loan. For example, if the loan is for two years and monthly payments are required, enter `24` for the number of amortization periods.
- **Payments Per Year** — Enter the number of payments to be made each calendar year.
- **Annual Interest** — Enter the annual interest amount for the loan. The interest for each monthly period is calculated automatically. If the interest is unknown, and the payment amount is known, leave the **Annual Interest** field blank.
- **Payment Amount** — In most cases, the program calculates the payment amount based on the other information entered. If this field is blank, and the interest amount is entered in the **Annual Interest** field, the program calculates the payment and displays it in this field. If the interest amount is unknown and the payment amount is known, enter the payment amount in this field. If the **Annual Interest** field is left blank, the program calculates the interest and displays the amount in the **Annual Interest** field.
- **Payment Type** — Choose **Fixed Payment** or **Fixed Principal**. The default is **Fixed Payment**.
- **Date of First Payment —** Enter the date that the first payment for the loan is due. This entry is used to determine the dates for the subsequent payments.

After the information is entered, click **Calculate** or press ENTER to create the amortization schedule. Click **Print** to send the schedule to the printer. Click **Save** to save the schedule for future viewing through **Reports > Report Viewer** (“Report Viewer” on page 219).

Figure 5: Amortization Schedule



Editing the EIN Database

When a business's EIN and related data are entered in data entry, the program stores it in the EIN database for later retrieval. Use the **Edit EIN Database** tool to add, edit, or delete a business's information. To add or edit a business's EIN database information:

1. From the **Home** window, go to **Tools > Edit EIN Database** to open the **EIN/Employer Database** dialog box.
2. (If editing) Type or select the EIN to edit, or begin typing the name of the business and select it when it appears in the list below.
3. Click **New** (if adding) or **Edit** (if editing).
4. Modify or complete the fields in the **Edit EIN/Employer Listing** dialog box.
5. Click **Save**.

Scheduling Appointments

The Drake Scheduler is used to set up appointments for one preparer or a group of preparers, set daily schedules for an entire office, generate batch appointments, organizers, and proformas, and send email reminders to clients. There are tools for customizing, and printing, and exporting schedules.

You can also import your Scheduler appointments from Windows Outlook, Outlook.com, or Google Calendars into your Drake Scheduler, or export your Drake schedule to an Outlook, Outlook.com, or Google calendar.

A separate **Drake Scheduler** icon is added to your desktop when Drake is installed, giving you access to the Scheduler from outside the tax software. Sign in with the same login name and password used to access the tax software.

Scheduler Modes

The Scheduler offers two levels of access:

- **Preparer mode** — Using preparer mode, a preparer has full access to his or her calendars. Preparers can make appointments, manage schedules, and share calendars with other preparers. Preparer mode is the default setting for Scheduler users.
- **Front Office mode** — Designed for the receptionist and others who manage appointments but do not prepare tax returns, front office mode allows the user to set up viewing options and manage appointments. Front office mode is the default setting for users with administrative rights, but it must be assigned manually to other personnel.

  To assign front office mode to an employee:

  1. Log in to Drake as an administrative user and go to **Setup > Preparers**.
  2. Select a preparer and click **Edit Preparer**.
  3. Click **Security** > **Front Office (Scheduling Only)**.
  4. Click **Save**.

IMPORTANT Preparer logins and front office mode assignments must be established in Drake before the Scheduler can be used effectively.

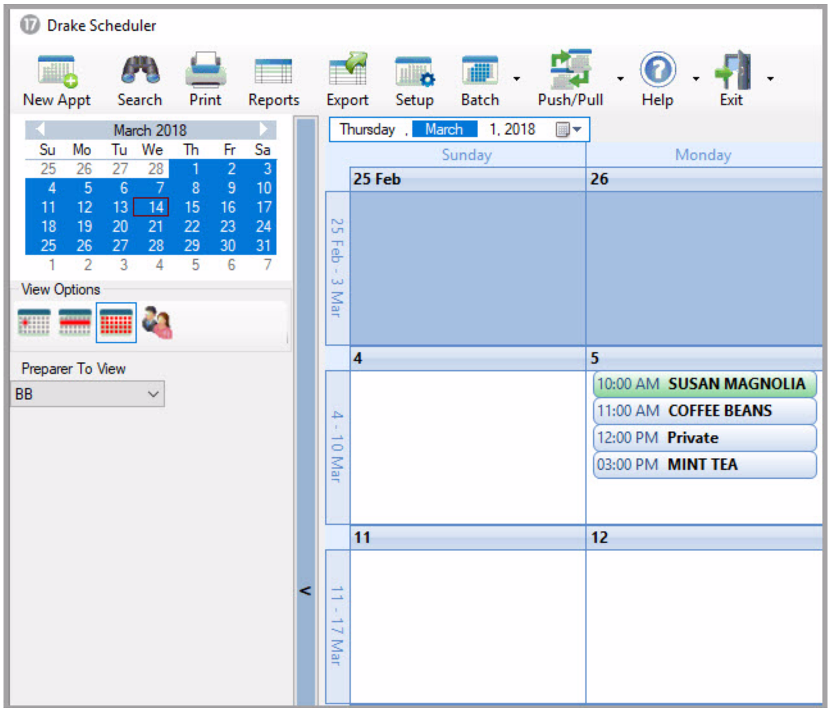
Accessing the Scheduler

There are several ways to access Scheduler: through the desktop icon, from the **Tools** menu, or from the Drake toolbar. You can also add new appointments from a data entry screen in Drake by right-clicking a screen and selecting **Add Appointment** from the right-click menu.

From the **Home** window, select **Tools > Scheduler** or click the **Scheduler** button to open the **Scheduler** window. The **Scheduler** window has five main sections (Figure 6):

- A toolbar (item #1)
- A calendar overview (item #2)
- **View Options** (daily, weekly, monthly, and by logged-in preparer) (item #3)
- A **Preparer to View** drop list (to view a selected preparer's calendar) (item #4)
- A schedule grid (item #5) shows scheduled appointments (depending on the view options selected).

Figure 6: Appointment Scheduler Preparer Mode



Setting Up Scheduler Options

Use the Scheduler Setup feature to establish the logged-in preparer's default settings for appointment durations, automatically filled data, and calendar views. Only the logged-in preparer's calendar and view are affected by any changes.

Click the **Setup** button on the **Scheduler** toolbar (or press CTRL+T) to open the **Scheduler - Setup** dialog box (see Figure 8 on page 209). The settings, divided into three tabs, allow you to choose how you view your Scheduler calendar, establish some parameters for your appointment settings, work with existing calendars (Outlook, Outlook.com, or Google) to share your scheduled appointments, and set up your email account (if necessary) so you can send out appointment reminders automatically. See Chapter 2 of the *2017 Drake Tax User's Manual* for a description of each of the Scheduler Setup options and a step-by-step procedure for setting up a Scheduler email program. Make your selections and click **OK.**

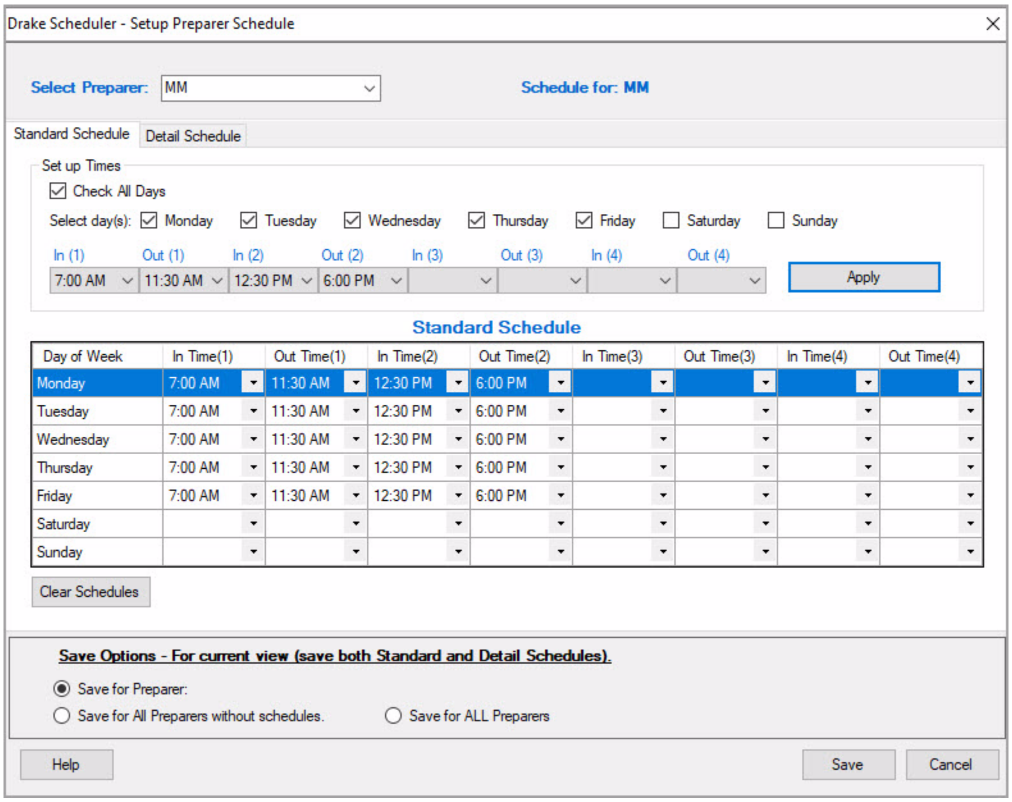
NOTE If you already have an email program set up on your computer, it will not be necessary for you to enter any email settings in the Scheduler.

Establishing Preparer Schedules

Daily work schedules should be established for the preparers in your office before you schedule appointments for them. To establish a daily work schedule for a preparer:

1. From the **Scheduler** toolbar, click **Setup**.
2. From the **Scheduler - Setup** dialog bow, select the **Appointment** tab and then click **Edit** to open the **Setup Preparer Schedule** dialog box (Figure 7).

Figure 7: **Setup Preparer Schedule** dialog box



3. From the **Select Preparer** drop list choose a preparer.
4. In the **Set up Times** section, mark the checkboxes for the days of the week this schedule will cover.
5. Select the **In** and **Out** times. For instance, the time the preparer arrives in the morning (**In (1)**), goes to lunch (**Out (1)**), returns to the office (**In (2)**), and leaves for the day (**Out (2)**) for each day selected with the checkboxes.
6. When you're satisfied with the weekly scheduler, click **Apply** to apply these selections to the preparer's calendar.

Use the **Detail Schedule** tab to enter planned changes or deviations from the regular schedule, such as days off and holidays. Detailed instructions are in Chapter 4 of the *2017 Drake Tax User's Manual*.

NOTE Preparer schedules can also be created in Preparer Setup. See "Preparer Schedule" on page 31.

Printing and Exporting Preparer Schedules

Drake allows you to print or export (to an Excel file) preparer schedules for a specified time range for a specific date or week.

Printing

The **Print** feature prints the appointments for the selected date, week, or month for any preparer selected from the **Preparer to View** list. From View Options (item #3 in Figure 6 on page 206), select **Daily View**, **Weekly View**, or **Monthly View**. From the **Scheduler** toolbar, click **Print**. Results are displayed based on the view (daily, weekly, or monthly) selected.

Exporting

The **Export** feature of the Scheduler sends the data for the selected view (daily, weekly, or monthly) to an Excel spreadsheet.

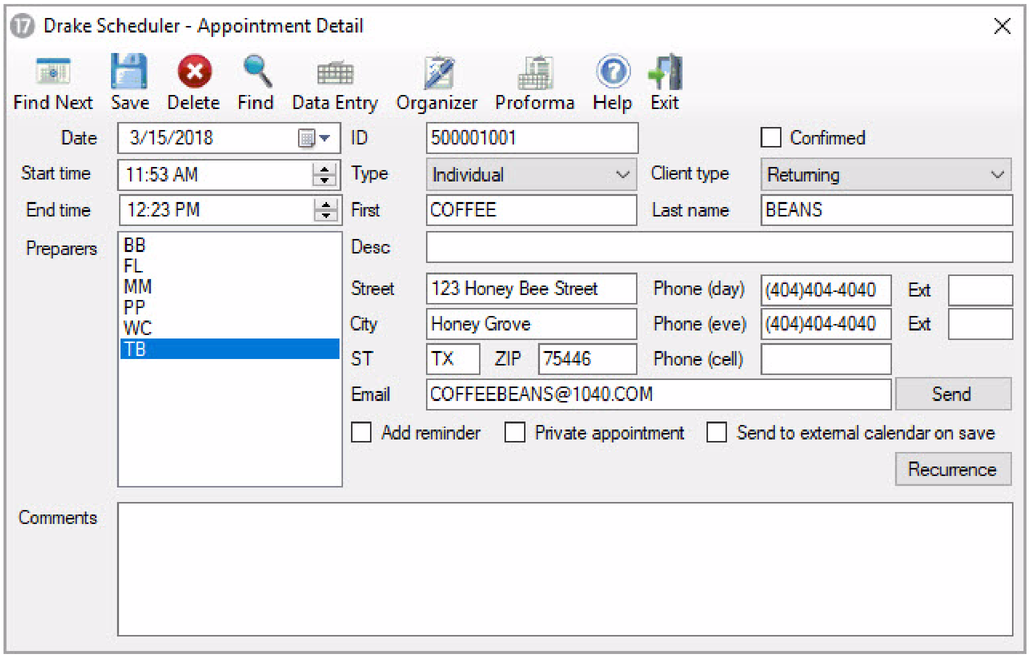
Importing and Exporting Calendars

Drake's Scheduler can communicate with a Windows Outlook calendar, an Outlook.com calendar, or with Google Calendar, exporting appointments in Drake's Scheduler to your Outlook, Outlook.com, or Google calendar, or pulling appointments made in those calendars into your Scheduler calendar.

To import and export calendar appointments, you must first set up your Scheduler:

1. From the **Scheduler** toolbar, click **Setup** (or press CTRL+T) to open the **Schedule - Setup** dialog box.
2. Select the **Appointment** tab (Figure 8).
3. Make a selection (Google, Outlook, or Outlook.com) from the **Select external calendar** drop list.
4. Click **OK**.

Figure 8: **Appointment** tab of **Schedule - Setup** dialog box



To export your Drake calendar or import your Outlook, Outlook.com, or Google calendar, take the following steps:

1. From the **Scheduler** toolbar, click **Push/Pull**.
2. Select to "Pull future appointments from..." or "Send future appointments to..."
   - If you chose to *pull* appointments from your Outlook, Outlook.com, or Google calendar, the **Pull Appts** dialog box was opened. Select those appointments you wish to bring into your Scheduler calendar, and click **Import**.
   - If you chose to *send* your Scheduler appointments to your Outlook, Outlook.com, or Google calendar, all appointments were exported when you made that selection.

NOTES

You can also delete all previously imported appointments by selecting **Remove everyone's imported appointments**.

The Push/Pull feature in the Scheduler works only with Windows versions of Outlook 2007 and later.

Scheduling Appointments

Appointments can be scheduled for an individual preparer or a group of preparers.

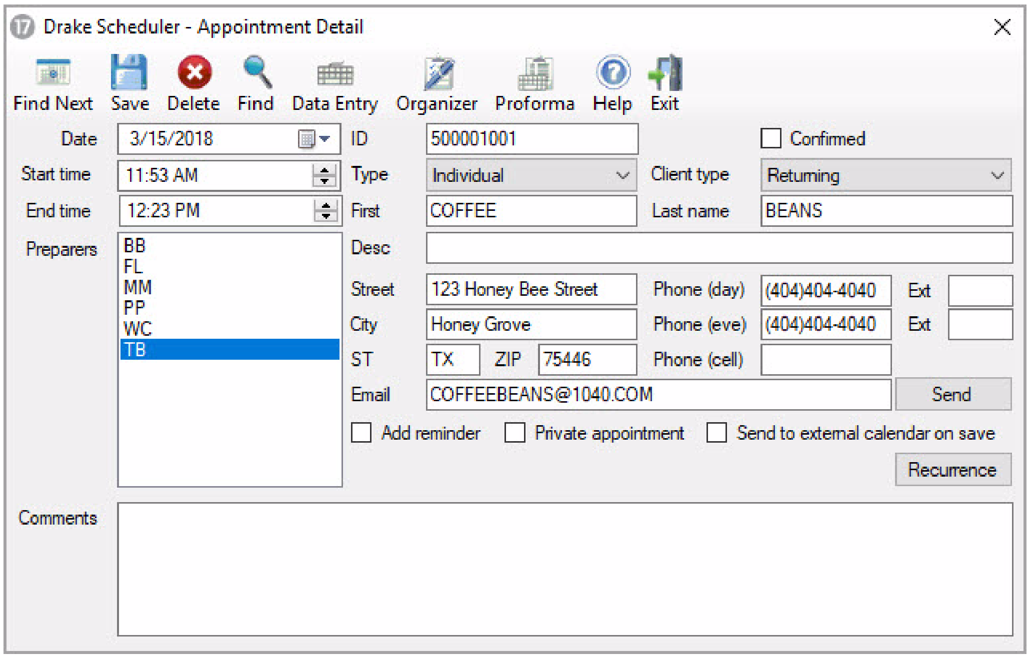
NOTE

Preparer schedules and appointments are carried forward each year. Go to **Last Year Data > Update Settings 2016 to 2017** and select **Preparer Schedules and Appointments**.

To schedule an appointment:

1. From the **Scheduler** toolbar, click **New Appt,** press CTRL+N, or double-click an appointment time in the schedule grid. The **Appointment Detail** dialog box is displayed (Figure 9). If you accessed the dialog box by double-clicking a time in the schedule grid, it is opened to that date and time.

Figure 9: **Appointment Detail** dialog box



2. Select or change the appointment **Date**, **Start Time**, and **End Time** as needed.
3. Enter the client's SSN or EIN in the **ID** field. If a client record already exists in Drake, you will be asked if you wish to autofill the rest of the information. If not, complete the applicable client-information fields manually: name, address, phone, **Client type**, **Appt type**, and **Email** fields.

NOTES

If you replace data in an autofilled field in the Scheduler, this information is *not* overwritten in the client record in Drake.

You can also use the **Find** feature to access data for a client.

4. (optional) Click **Send** to send the appointment to the client via the email address entered.

5. (optional) Override selections made in **Setup** by selecting (or clearing) the **Add reminder** or **Private appointment** boxes.
   - If **Add reminder** is marked, the preparer will receive automatic alerts regarding the appointment when logged in.
   - If an appointment is marked **Private appointment**, the assigned preparer will be the only one allowed access to that appointment data.
   - If an appointment should be a regularly schedule meeting, click **Recurrence**, and provide information about the frequency (**Daily**, **Weekly**, or **Monthly**), the day of the week, and the end date of the recurring appointment. Click **OK**.
6. (optional) Select to send this appointment to the preparer's Google, Outlook, or Outlook.com external calendar automatically when the appointment is saved.
7. Assign the appointment to a preparer by selecting a name under **Preparers**. (More than one preparer can be selected.) To clear a selection, click the name a second time.
8. Click the **Save Appointment** icon. The appointment will now be displayed on the schedule grid.

NOTES

An appointment within a preparer's calendar can be changed by "dragging and dropping" it to another section of the calendar grid, and the duration can be changed by dragging the bottom of the appointment up or down.

Appointments cannot be dragged from one preparer's schedule to another's.

To access the **Appointment Detail** dialog box from the **Data Entry Menu** within a return, right-click in the gray area and select **Add Appointment** from the right-click menu. Click **Yes** on the **Autofill** prompt to complete contact information fields of the **Appointment Detail** dialog box. Click **Save** to save the appointment information.

Because the Scheduler is outside the tax software, if you click **Data Entry**, **Organizers**, or **Proformas** from the **Appointment Detail** dialog box, you will be asked to log in.

Batch Appointment Generator

The batch appointment generator reviews client and recurring appointments from the previous tax year and creates new appointments in the current year's Scheduler. You can set workday and holiday information that will roll forward (or backward) to an available appointment date.

NOTE

This feature is available only to users with administrative rights.
Appointments marked "private" are excluded from the batch process.

Finding the Next Available Appointment

To locate the next available appointment time in the Scheduler:

1. From the **Scheduler** toolbar, click **New Appt**, press CTRL+N, or double-click an appointment time in the schedule grid.
2. From the **Appointment Detail** dialog box, select a preparer and click **Find Next** (or press CTRL+F) to open the **Next Available Time Slots** dialog box.
3. The next five available time slots for that preparer are displayed. Choose a date and time or click the arrows on the right to see the next (or previous) five available time slots (date and time).
4. After your selection, click **OK**. The **Appointment Detail** dialog box now reflects your choice.

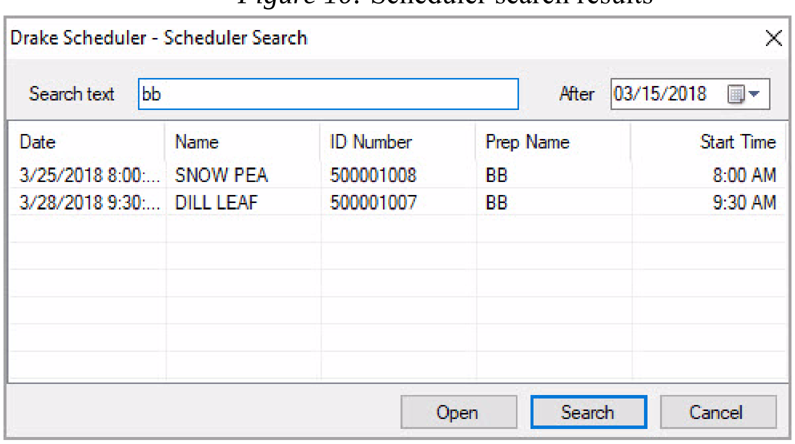
Find Scheduled Appointments

Find scheduled appointments by searching for names or ID numbers from the **Appointment Detail** information for all clients. To search for a client's appointment in the Scheduler:

1. From the **Scheduler** toolbar, click **Search** (or press CTRL+S) to open the **Scheduler Search**.
2. Select a starting date for the search.
3. Enter one or more keywords (SSN, EIN, or name of the client, name of the preparer, etc.,) in the **Search Text** field.
4. Click **Search**.

The program will search all **Appointment Detail** information for these keywords. Results are displayed in the **Scheduler Search** window (Figure 10). Double-click an appointment row to open that appointment is the **Appointment Detail** dialog box.

Figure 10: Scheduler search results



Changing Appointment Details

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

Deleting an Appointment

To delete an appointment from the Scheduler:

1. Double-click the appointment in the appointment grid.
2. Click **Delete** in the **Appointment Detail** toolbar (or press CTRL+DELETE).
3. Click **Yes** to confirm the deletion.

Creating Appointment Reports

The **Report** feature of the Scheduler allows you to build reports based on appointment data. The Scheduler works with the Reports feature in Drake to provide reports based on appointment data. To generate a Scheduler report:

1. From the **Scheduler** toolbar, click **Reports**. The **Report Manager** is opened.
2. Select one of the following four types of **Scheduler Reports > Client Contact** that can generated in the **Report Manager**:
   - **Call List for all Preparers –** Lists the appointments scheduled for all preparers; data types include preparer's name, appointment time and date, client name and ID number, duration of appointment, phone numbers, client type.
   - **New Client Appointments –** Lists new clients entered for a selected preparer; data types include appointment time, start time, client name, client SSN, and client phone numbers.

NOTE The **New Client Appointments** report does not pull data from other parts of Drake; it pulls data only from the Scheduler itself. To designate a client as a new client, select **New** from the **Client Type** drop list in the **Appointment Detail** dialog box. See Figure 9 on page 210.

   - **Preparer Appointments –** Lists the appointments for all preparers. Data types include preparer name, appointment date, state time, appointment time, client name and ID number, duration of appointment, client phone numbers, and client type.
   - **Preparer Call List –** Lists the appointments for a preparer. Data types include preparer name, appointment date, start time, client name and ID number, and client phone numbers.
3. Click **View Report**. You will be asked if you want to create the report again using current data; click **Yes** to do so.
4. Make any desired changes to the **Basic Search Conditions** dialog box (in the "Call List for all Preparers" and "New Client Appointment" reports only).
5. Select the parameters to the report from the **Comparison** drop list (in the "Preparer Appointments" report and "Preparer Call List" report only).

6. Set the report's date range by typing start and end dates in the **Value** fields (in the "New Client Appointments" report only).
7. Click **Continue**. The report is displayed in the Report Viewer.

Once you are in the Report Viewer, you can print or export the report output. For more information on reports, see "Reports" on page 219.

Other Tools

Two tools are located in the **File** menu: **Forms Based Data Entry** and the **Quick Estimator**.

Forms-Based Data Entry

Forms-Based Data Entry is available in Drake for all tax packages. Instead of accessing data entry screens from the **Data Entry Menu**, screens are accessed from an interactive tax form.

Forms-based data entry allows you to enter a previously prepared return into the tax software.

To enter a forms-based return in Drake, go to the **Home** window, select **File > Forms Based Data Entry** (or press CTRL+E), enter or select the desired return, and click **OK** (Figure 11.).

NOTE You can also enter forms-based data entry from within a return by right-clicking in the gray area of the **Data Entry Menu** or a data entry screen and selecting **Forms Based Data Entry** (or pressing CTRL+G).

Click a form line to access the data entry screen associated with the line. Data entry screens may also be accessed by entering the screen code in the **Screen To Load** field (Figure 12).

Figure 11: Forms-Based Data Entry

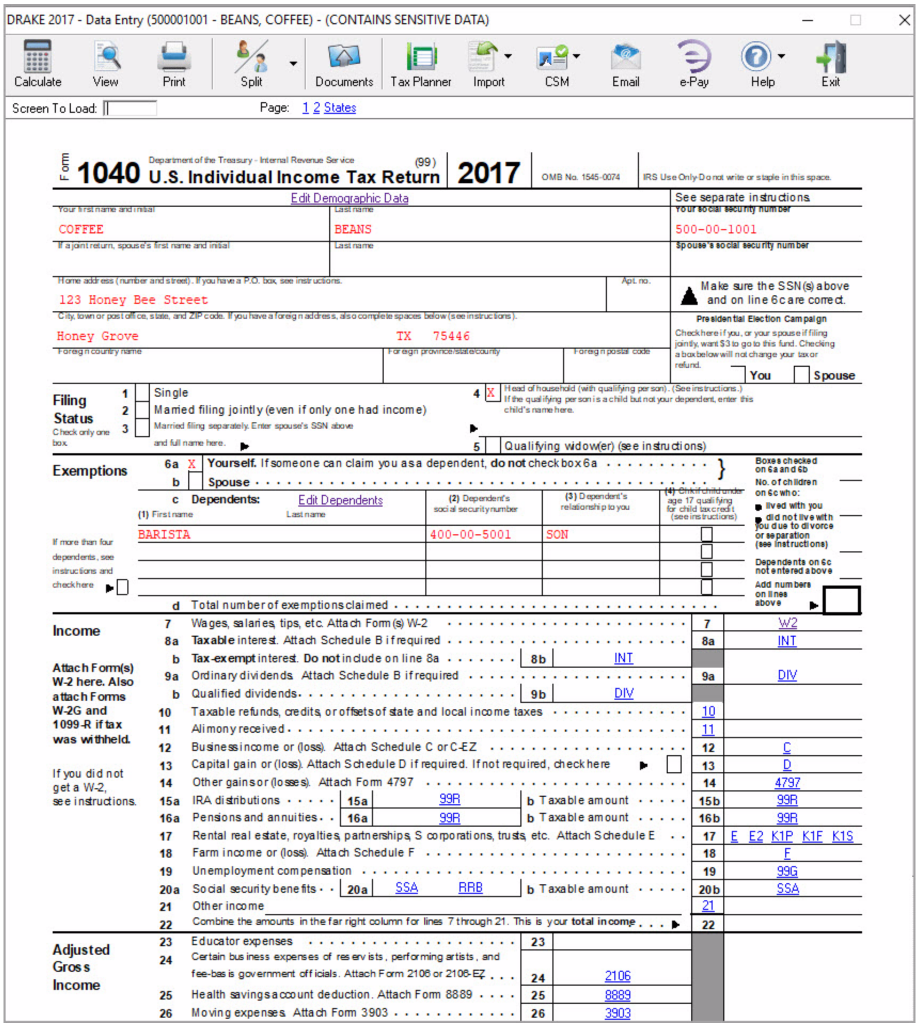
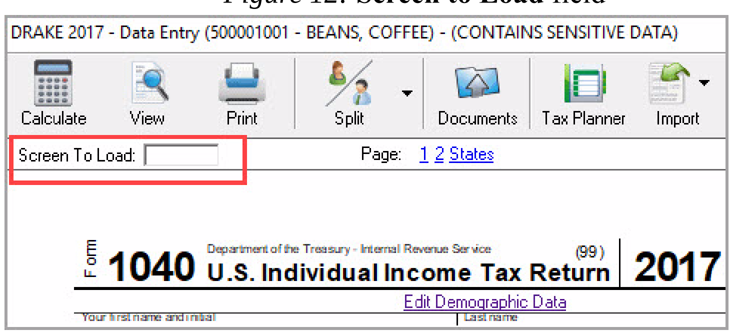


Figure 12: **Screen to Load** field



Data entry screens *with* saved data are displayed on the interactive 1040 Form as *purple* links. Screens *without* saved data are displayed as *blue* links. To go back and make edits to entries on a data entry screen, click the link on the interactive 1040 Form. *Red* characters on the interactive 1040 Form represent data as it will be displayed on the actual Form 1040.

QUICK ESTIMATOR

Use the Quick Estimator to quickly calculate results for an individual (1040) return.

WARNING! Do not e-file or mail the return generated in the Quick Estimator to the IRS, or an amended return will be required.

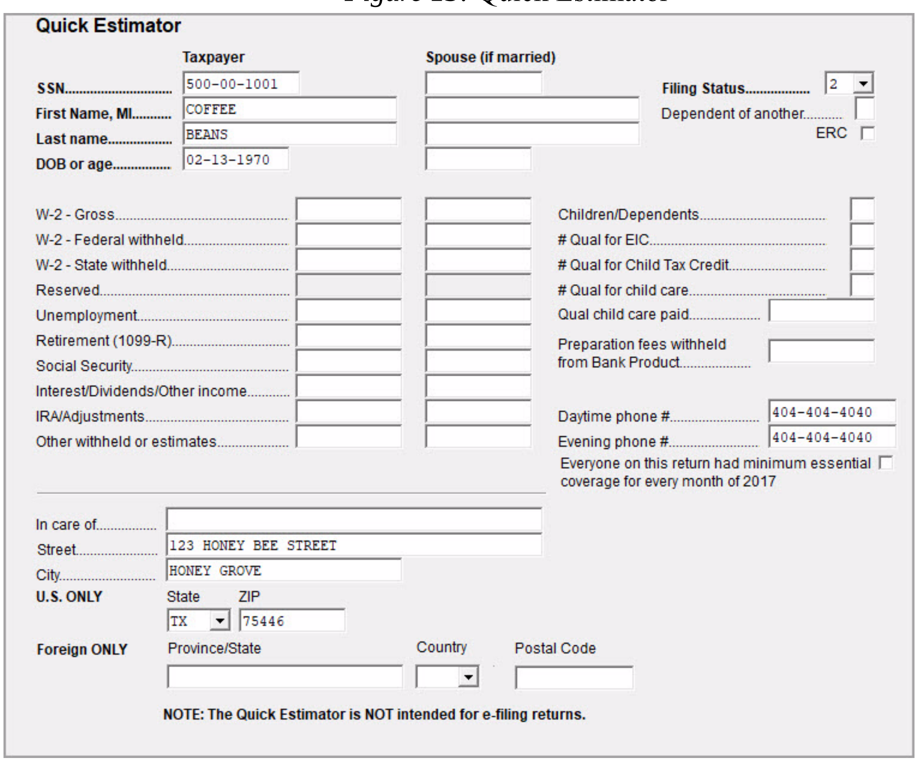
PPR clients: A return created in the Quick Estimator counts as one PPR return.

To use the Quick Estimator:

1. From the **Home** window, select **File > Quick Estimator** (or press CTRL+Q).
2. Enter or select an SSN, and click **OK**. If an existing return is selected, the Quick Estimator will *not* override previous entries.
3. Enter all applicable information on the **Quick Estimator** screen. Press F1 in an individual field for help on that field.
4. Press ESC to save the data, exit the screen, and calculate the return. Exit the **Calculation Results** window and click **View** (or press CTRL+V) to view the return.

NOTE Remember, the Quick Estimator should be used only for *estimating* taxes. A full return should be prepared later. Data from the Quick Estimator flows to the full tax program and might need adjusting.

Figure 13: Quick Estimator



Reports

*To help you manage your practice, Drake Tax offers several reporting options on the **Reports** menu:*

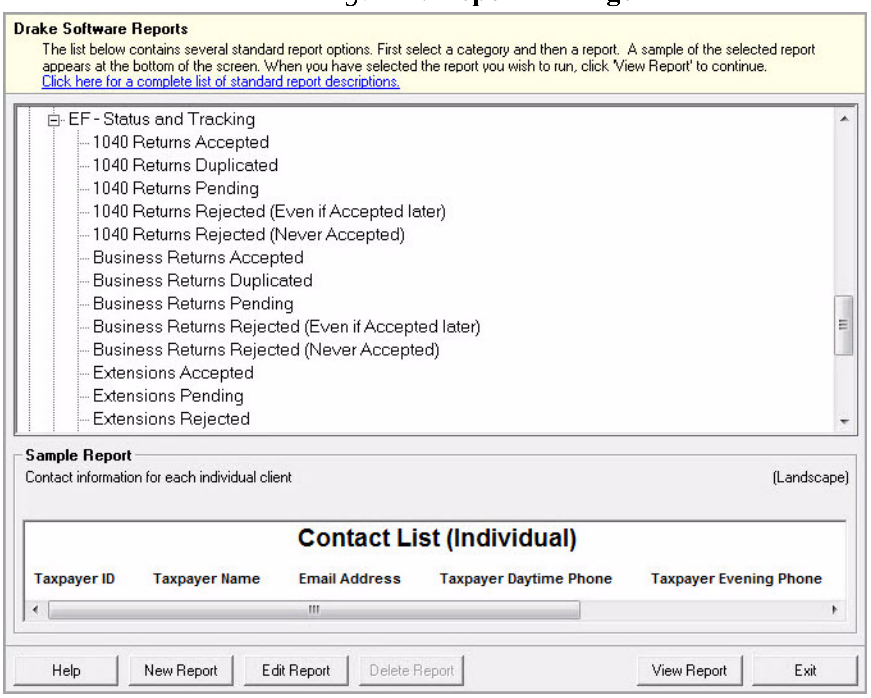
- Report Manager
- Report Viewer
- Depreciation List
- Fixed Asset Manager
- Client Status Manager
- Hash Totals

Report Manager

The Report Manager provides a centralized location for managing reports in Drake. From the Report Manager, choose from predefined reports, edit existing reports, or create new reports with custom filters to suit your office needs. In addition to reporting current-year data, you can also run reports on last year's data. All reports can be saved as CSV (comma separated value), Excel, or text (in TXT format) files.

To access the **Report Manager**, go to the **Home** window and select **Reports > Report Manager** (Figure 1).

Figure 1: **Report Manager**



The **Report Manager** displays the list of reports in a standard tree format. Click the plus sign (+) to expand a category list and display the available reports in that category. Click the minus sign (-) to collapse the list, hiding the reports in that category.

There are multiple reports to choose from among several categories. For example, under **Client Reports**, click **Client Contact** to see such reports as address lists, birthday lists, client lists, K1 lists, and contact lists, all of which can be edited or changed in hundreds of different ways. To view a list and description of all available predefined reports in Drake, select **Click here for a complete list of standard report descriptions** from the **Report Manager** window. The following report categories and subcategories are available:

- **Client Reports** — Predefined reports based on client data
  - Client Contact
  - Preparer and Revenue
  - Return Details
  - Status and Tracking
  - Summary

- **EF/Bank Reports** — Predefined reports based on e-filing and banking data
  - Bank - Status and Tracking
  - Bank Checks
  - Bank Summary
  - EF-Status and Tracking
  - EF Summary
  - Preparer and Revenue
  - Return Details

- **Scheduler Reports** — Reports are based on data entered in the Scheduler and include reports on new clients, preparer call lists, and appointments.

- **My Reports** — Reports that you create, either by editing one of the predefined reports or by starting with a blank report, are automatically stored in **My Reports**.

- **Other Report Options** — Allows you to access report features from other areas of the program, and includes:
  - Client Status Manager Reports
  - Depreciation List
  - Fixed Asset Manager
  - Hash Totals

Sample Report Window

Before generating a report, you can preview the report title and column headers to see how the report will fit on the printed page. The report preview is displayed in the **Sample Report** window at the bottom of the Report Manager (see Figure 1 on page 219). Also included is a brief description (if available) of the selected report. To preview a report in the Report Manager, click the title of the report to preview. The report title and column headings are displayed in the **Sample Report** window. If you edit the report by changing the report title or columns in the report, the changes will be displayed in the **Sample Report** window.

The **Sample Report** window also indicates a report layout of **Portrait**, **Landscape**, or **Potentially too wide**. A layout of **Potentially too wide** means that some data could be cut off in the report if it is *printed* from the Report Viewer. In this case, however, such a report can still be *viewed* in its entirety in the Report Viewer by using the scroll bars, and it can be *printed* in its entirety by exporting it from the Report Viewer as a CSV file, or to Excel, where it is possible to widen columns, change font size, increase margins, and thereby print the report. You can also correct a **Potentially too wide** condition in the Report Manager by using the **Edit** function to remove one or more columns from the report.

The following buttons are available below the **Sample Report** window:

- **Help — Read an overview of the various** Report Manager **functions.**
- **New Report** — Create a new report from scratch.
- **Edit Report** — Edit a predefined report and save it as a new report in **My Reports**.
- **Delete Report** — Delete any reports listed under **My Reports**.
- **View Report** — Run the selected report and view it in the Report Viewer. If you ran the report before, you are asked if you want to run the report again using current data or review the previously-run report.
- **Exit** — Exit the Report Manager and go to the **Home** window.

See Chapter 12 of the *2017 Drake Tax User's Manual* for detailed procedures on creating and editing reports.

Viewing a Report from the Report Manager

To view a report from the Report Manager:

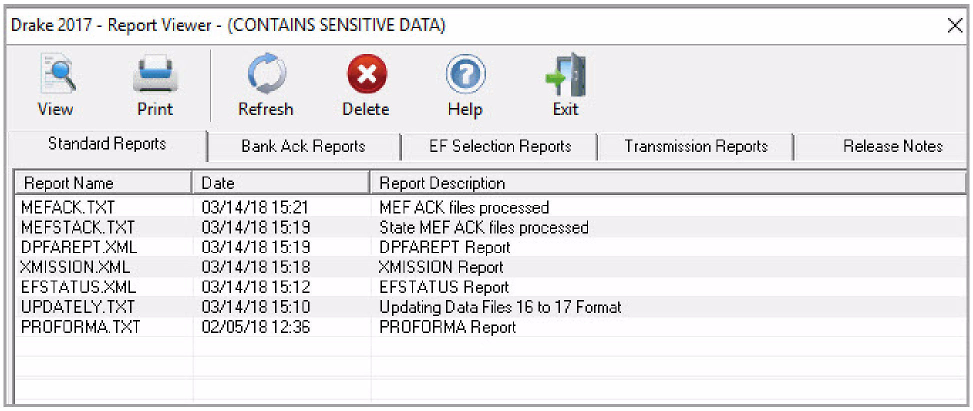
1. Locate and select the report in the report tree.
2. Click **View Report**. If a **Basic Search Conditions** dialog box is displayed, make any desired changes and click **Continue**. If a previously-saved version of the report is detected, you are prompted to:
   - Click **Yes** to re-create the report using the most current data. (If a **Basic Search Condition** box is then displayed, make any desired changes and click **Continue**.)
   - Click **No** to open the previously saved report.
3. Wait for the program to search the records for data matching the report criteria.

The report is displayed in the Report Viewer.

Report Viewer

All reports in Drake are accessible through the Report Viewer. To view a report, go to the **Home** window and select **Reports > Report Viewer** (Figure 2).

Figure 2: Report Viewer



The Report Viewer divides reports into the following tabbed categories:

- **Standard Reports** — Lists reports generated within the Report Manager, Scheduler, Preparer List, Firm List, etc.
- **Bank Ack Reports** — Lists bank acknowledgements processed.
- **EF Selection Reports** — Lists e-filing reports processed.
- **Transmission Reports** — Lists transmission reports processed.
- **Release Notes** — Lists the notes added during the update process.

Each tabbed section lists reports previously generated in that category. For each report, the following information is listed:

- **Report Name** (file name)
- **Date** (the date the report was generated)
- **Report Description**

NOTE If you have not generated any reports, the tabs will be blank.

Select a report and view, print, or delete it using the buttons on the toolbar. You can also view a report by double-clicking it. For some reports, you will need to use the scroll bars to view the entire report. For multi-page reports, use the arrow keys on the toolbar to move from page to page.

Click **Print** to print a report. For some reports, you can change the font size (to 8, 9, or 10) and use the **Export** tool to export it to Excel, save it as a CSV file, or open it in Notepad.

Depreciation List

The **Depreciation List** is a report that displays depreciation information for selected clients. There are two methods for creating depreciation lists in Drake: manually entering client SSNs/EINs to be listed, and filtering the client database for clients that meet specified criteria.

To create a depreciation list for one or more clients:

1. From the **Home** window, select **Reports > Depreciation List**. The **Depreciation List Client Selection** dialog box is displayed.
2. Choose one of the following methods:
   - **Create a list —** Enter the SSN/EIN and click **Add Client**. Repeat for additional clients until all the desired clients are entered, and click **Next**.
   - **Filter the client database —** Click **Next** to open the **Basic Search Conditions** dialog box. Edit settings as desired, and then click **Continue**.
3. Choose to **Print** the depreciation list or to **Export to File**.
   - **Print —** Send the list to the printer. In the **Print** dialog box, click **Print**.
   - **Export to File —** Depreciation lists exported to file are stored in Drake16\Reports as CSV files. Click **OK**.

Fixed Asset Manager

Use the **Fixed Asset Manager** to run reports based on client assets (from the **Home** window, go to **Reports** >**Fixed Asset Manager**). The **Fixed Asset Manager** allows over 40 column header options to customize your asset reports, and nine report types are available:

1. From the **Home** window, select **Reports > Fixed Asset Manager**. The dialog box is displayed with drop lists for choosing report types, depreciation options, and sorting styles.
2. Enter a number in the **ID Number** field.
3. Select a report type
4. Select a **Depreciation** tracking format from the following options:

   Federal - Tracks federal depreciation methods

   State - Tracks state depreciation methods

   Alt Min Tax - Tracks alternative depreciation methods

   Book - Tracks depreciation using book method
5. Select a sorting **Style**. Choose to print a **Full Schedule**, to sort **By Department**, to sort by **Form/Schedule**, or to sort by **Asset Category**. (Not all of these sorting options are available for every tracking format.
6. Choose the columns you want in your report from the **Available columns** drop list. Select a column heading and then click **Select** (or double-click the column heading) to move it onto the **Selected report columns** list on the right side of the Fixed Asset Manager dialog box. To

remove the column headers from the **Selected report columns** list, select them and click **Unselect**, or to remove them all, click **Unselect All**.

7. To keep your formatting for future reports, click **Save**.
8. Click **Run Report**.
9. Select an option for displaying the depreciation list: **Print** (to send the list to a printer) or **Export to File** (to save the report as a.CSV file).

CLIENT STATUS MANAGER

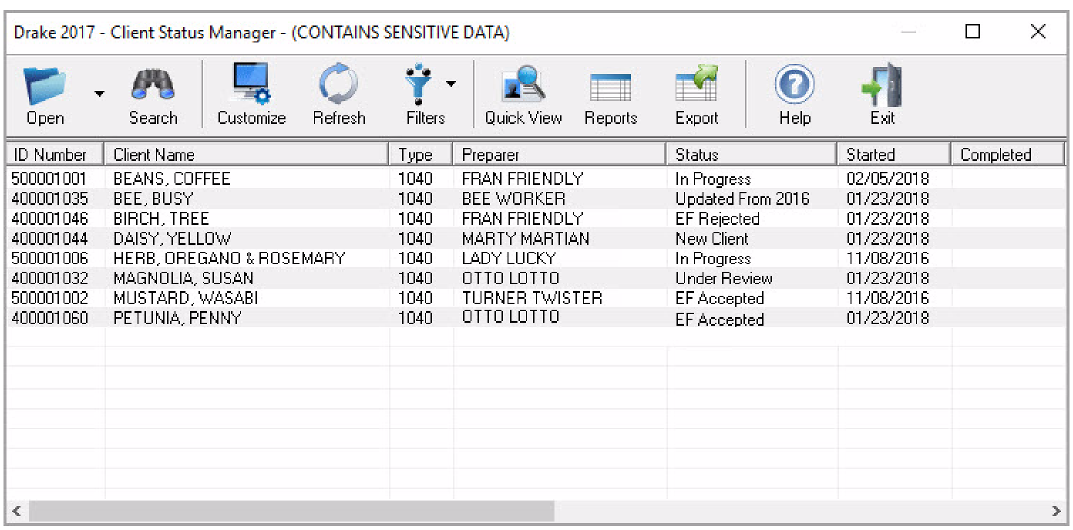
The Client Status Manager (CSM) is used to track the workflow within a tax office. Client files listed in the CSM are easy to search, view, and organize. Customize your view using built-in filters and run reports to narrow your search for data.

Open the Client Status Manager in one of the following ways:

- On the **Home** window menu bar, select **Reports > Client Status Manager**.
- On the **Home** window toolbar, click **CSM**.
- Go to the **Home** window and press CTRL+L.

When the Client Status Manager in opened, all returns existing in the 2017 program are displayed. This includes returns brought forward from previous years, new returns, and returns started but deleted from Drake. It also includes client files imported from QuickBooks. Each column displays specific information about the return (Figure 3).

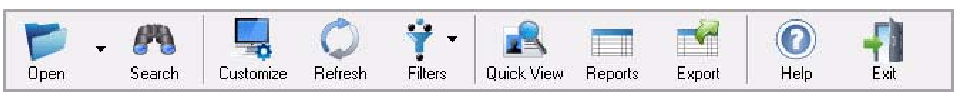
Figure 3: **Client Status Manager**



The toolbar across the top contains buttons that perform various functions (Figure 4). These buttons and their corresponding key combinations are:

- **Open** (CTRL+O) — Click to highlight a return in the CSM and click **Open** to open the file in data entry. You can also right-click a line in the Client Status Manager to view a pop-up menu. Items on this menu include: **Open Selected Client**, **Quick View**, **Set Client Status**, **Delete Record**, **Customize Display**, **Search Client Records**, **Restore CSM Data (This Client)**, **Remove Duplicate Entries (Entire Database)**, and **Cancel**.
- **Search** (CTRL+F) — Enter the first few letters of the client's name or ID number (SSN or EIN). The CSM locates the record and highlights it. Click **Open** to open the client return.
- **Customize** (CTRL+D) — Open the **Customize Display** window, which enables you to tailor the look of the CSM by selecting which columns to display. For more information on customizing, see "Customizing the CSM" on page 226.
- **Refresh** (F5) — Retrieve the latest information for the CSM database. This is useful if the CSM has been open for an extended period of time.
- **Filters** — Use filters to narrow the search for data viewed in the CSM. For more information on filters, see "Filtering CSM Data" on page 228.
- **Quick View** (CTRL+Q) — Click **Quick View** to view a summary of all client status information for a client. Click **Open** to access data entry for that return.
- **Reports** (CTRL+R) — Generate reports from data stored in the CSM. For more information on Reports, see "CSM Reports" on page 229.
- **Export** (CTRL+E) — Open Excel and fill with all columns and rows from the CSM.
- **Help** (F1) — Access the Drake Help System for further assistance.
- **Exit** (ESC) — Exit the Client Status Manager.

Figure 4: Client Status Manager toolbar buttons



Tracking Return Statuses

The **Status** column in the CSM is based on the return status and is set automatically by the software or manually by the preparer. To manually change a return's status, open the return, click the **CSM** button on the toolbar of the **Data Entry Menu**, and select a status. You can also change a return's status in the CSM by right-clicking it, selecting **Set Client Status**, and then selecting a status.

Whether a return status is automatically set or manually set, it can be changed at any time. Statuses include:

- **New Client** — Set automatically when a new return is created
- **Updated from 2016** — Set automatically when a return is brought forward from Drake's 2016 tax software
- **In Progress** — Set automatically when the first change is made to a new or updated return in data entry
- **EF Pending** — Set automatically when a "P" acknowledgment is received
- **EF Accepted** — Set automatically when an "A" acknowledgment is received
- **EF Rejected** — Set automatically when an "R" acknowledgment is received
- **Printed** — Set automatically when a return is printed through **Print Sets**
- **On Hold** — Manual setting
- **Under Review** — Manual setting
- **Under Extension** — Manual setting
- **Signed** — Manual setting
- **Delivered** — Manual setting
- **Complete** — Manual setting
- **Custom** — Manually create your own statuses - See "Status Settings Tab" on page 227

NOTE Return information is updated in the Client Status Manager every time a client return is calculated in data entry. To ensure the CSM data is always current, go to **Setup > Options**, select the **Calculation & View/Print** tab, select the **Autocalculate tax return when exiting data entry** option, and click **OK**.

Customizing the CSM

Initially, the Client Status Manager displays client data in the most commonly referenced columns. These columns can be customized.

Column Layout Tab

Click **Customize** from the toolbar. The **Customize Display** window is opened to the **Column Layout** tab. The **Available Columns** are listed in the left pane, and the **Columns in Current View** are listed in the right pane.

To add an available column to your view:

1. Select the desired column in the left pane. Click **Select** or double-click the desired column.
2. Click **OK** to save and exit.

To remove a column from your view:

1. In the right pane, select the column you wish to remove. Click **Remove** or double-click the desired column.
2. Click **OK** to save and exit.

To reset columns back to the original view:

1. Click **Reset**.
2. Click **OK** to save and exit.

To change the *order* of columns displayed in the C**olumns in Current View** list:

1. Click and drag columns up or down in the list. An arrow shows the new position of a dragged column. Release the mouse button when the column is in the desired position. The new position of the column is reflected in the C**olumns in Current View** list.
2. Click **OK** to save and exit.

Status Settings Tab

You can define as many as 10 custom statuses. They must be set and changed manually.

To define a custom status in the CSM:

1. Click **Customize** on the toolbar. The **Customize Display** dialog box is opened.
2. Select the **Status Settings** tab.
3. Select a status description to rename; then click **Edit**. The **Status Description text** box is opened.
4. Type a new status description and click **OK**. The new status description is listed.

To restore all original statuses, click **Reset**.

CSM Column Views

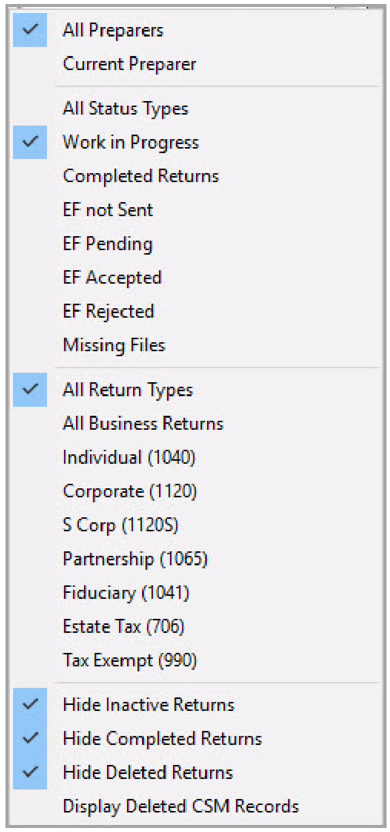
In addition to determining which columns are displayed in the CSM, you can further customize the column display from the main screen of the CSM.

- **Sort** — Click a column header to sort the records in ascending or descending order by that column. (You can further customize the sorting options by clicking **Customize** and selecting the **Sort Options** tab. From here, you can select three columns to sort records by in ascending or descending order.)
- **Adjust column widths** — Drag the edge of a column header to the desired width.
- **Size to fit** — Double-click a column header's right border.
- **Change column order** — Click and drag a column header to the desired location.

FILTERING CSM DATA

Use filters to further customize your CSM view. Click the **Filters** button on the toolbar. Select one filter from each of the first three sections, and any of the filters from the bottom section, to build a "complex filter." For example, in Figure 5, **All Preparers**, **All Status Types**, and **All Return Types** are selected. The CSM displays only client records that match those criteria.

Figure 5: Filters menu



CSM Reports

Several predefined status and financial reports are available in the CSM. To run a report, click the **Reports** button and choose a report from the drop list. A report description is displayed.

Select report options and click **Report**. The report is displayed in the Report Viewer. Click **Print** to print the report. Use the **Export** tool to export the report to Excel, save it as a CSV file, or open it in Notepad. Click **Exit** to exit the Report Viewer.

Multi-Office Manager

The Multi-Office Manager (MOM) is the online version of the Client Status Manager (CSM). Designed for the multi-office environment, MOM allows you to track workflow of multiple offices, providing a snapshot of your entire business. Reports and statistics on return status, return type, bank, payments, fees, and billing information are available.

For CSM data to be transferred to MOM, the software must be configured to send CSM data to Drake during the e-file process. Each Level-1 and Level-2 EFIN office in a multi-office environment must complete the following steps:

1. From the **Home** window, go to **Setup > Options** and select the **EF** tab.
2. In the **Session Options** section, select **Transmit return data to Drake for multi-office web reports**.
3. Click **OK**.

Any changes made in CSM will be transmitted to MOM during e-file transmissions.

To access the Multi-Office Manager, log in to your Drake Support account at *Support.DrakeSoftware.com* and select **My Account > EF Database.** Then click **MOM**.

Review Questions Part 7

Answer the following questions. See "Answers Part 7" on page 232 for answers and explanations.

1. Which of the following statements about the Update Manager is *not* true?
   - **a)** You may choose which program updates to install
   - **b)** You may set a time to install updates automatically
   - **c)** You may view release notes of installed updates
   - **d)** From the **Home** window, it is found at **Tools > Update Manager**
2. Where could you go to customize a preseason letter that reminds all of your 1040 clients to gather their tax information and schedule a meeting with you?
   - a) **Tools > Letters > Letters**
   - b) **Last Year Data > Organizers**
   - c) **Setup > Communications Editor > Open > Individual**
   - d) **Setup > Options**
3. Which statement is true about the Drake Scheduler?
   - **a)** Preparer work schedules can be created and edited in **Setup** > **Preparers** by opening the preparer window, and clicking on the **Schedule** button.
   - **b)** You can push and pull appointments to and from your external Google or Outlook calendar
   - **c)** Reminders are listed in the **Appointments** section of the **Home** window
   - **d)** All of the above
4. To create an Asset Summary Report for a client, use the following report tool:
   - **a)** Report Manager
   - **b)** Depreciation List
   - **c)** Fixed Asset Manager
   - **d)** Client Status Manager
5. Where do you go in Drake to access the tools used to backup or restore files?
   - **a)** **Tools > File Maintenance**
   - **b)** **Help > Setup Assistant**
   - **c)** **Last Year Data > Update Settings 2016 to 2017**
   - **d)** **Setup > Data Locations**

ANSWERS PART 7

1. The only false statement is **a) You may choose which federal and state program updates to download and install.** Drake Tax installs updates for *all* federal packages and any installed states packages.

b) is correct. You can set up automatic updates and choose the exact time you want updates installed, however computers must be turned on for updates to be applied.

c) is correct. Inside the Update Manager select a **tab and double-click an update description** to view a release note.

d) is correct. From the **Home** window, go to **Tools > Update Manager** to install updates.

2. The correct answer is c) **Setup > Communications Editor > Open > Individual**. Make whatever changes you need here.

a) is incorrect. Go to **Tools > Letters > Letters** to generate the **Individual Pre-Season Letter for Last Year Clients** in a batch.

b) is incorrect. Go to **Last Year Data and select Organizers** to generate organizers for your clients.

d) is incorrect. **Setup Options menu is used to customize the functionality of the software, such as data entry and calculations. Letters cannot be edited here.**

3. The correct answer is **d) All of the above.**

4. The correct answer is **c) Fixed Asset Manager**. From the **Home** window, go to **Reports > Fixed Asset Manager** to run various reports based on client assets.

a) is incorrect. Use the Report Manager to run reports on client and EF data.

b) is incorrect. Use the Depreciation List to run detailed depreciation reports for clients.

d) is incorrect. The Client Status Manager is used to track the workflow in an office.

5. The correct answer is **a) Tools > File Maintenance**. You can backup and restore files from this menu.

b) is incorrect. The Setup Assistant guides you through the process of setting up Drake Tax.

c) is incorrect. The **Last Year Data** menu helps you bring clients and settings forward from the previous year. It is also used to print organizers and proformas for selected clients.

d) is incorrect. Use the **Data Locations** dialog box to establish how the software is installed and configured on your computer or network.

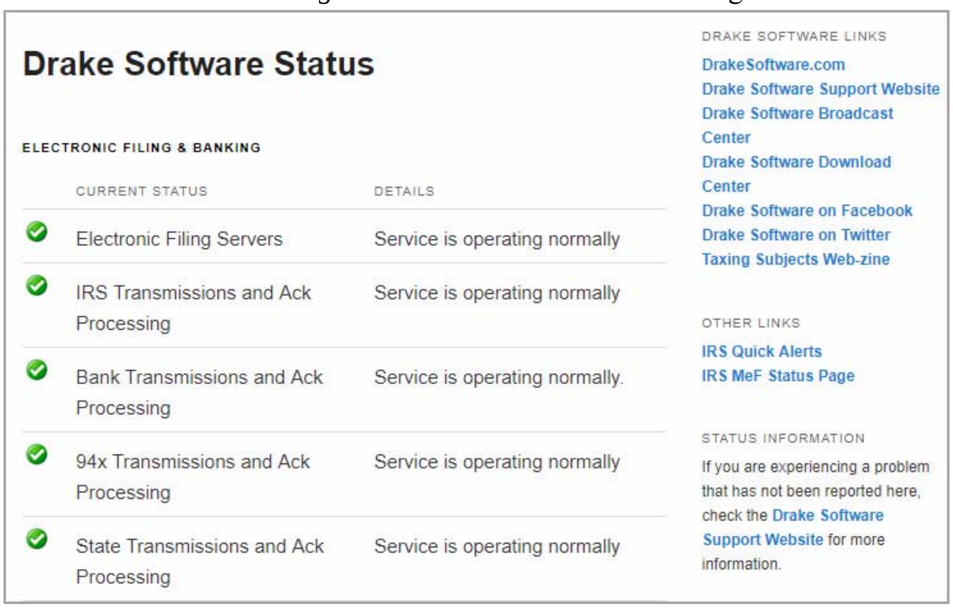
Support Resources

Drake offers several support resources. These resources are constantly updated and reviewed so our clients have 24-hour access to the latest information.

DRAKE SOFTWARE STATUS PAGE

The Drake Software Status page (Figure 1) at *DrakeStatus.com*, displays the status of all of Drake's services, including the e-filing and banking websites, acknowledgment processing, Support Call Center, Support Website, Online EF Database, Secure File Pro, and other online services. From the menu bar at the top of the **Home** window of the tax software, click **Help** > **Drake Status Page** to access the Status page.

Figure 1: **Drake Software Status** Page



DRAKE E-TRAINING CENTER

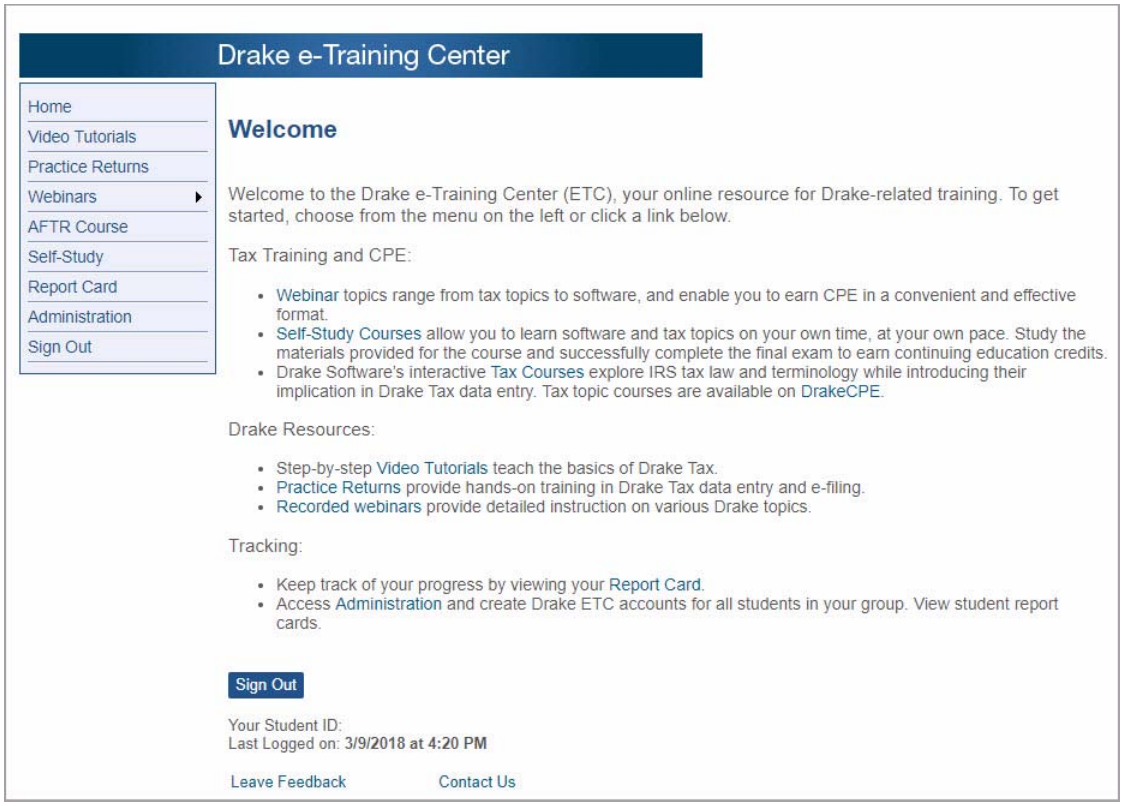
The Drake e-Training Center (or Drake ETC) offers training for both single and multi-site offices by providing tutorials, webinars, and interactive tax courses. With progress-tracking tools and interactive testing, Drake ETC makes it simple for individuals and group administrators to monitor their personal and collective progress through the online training center.

Earn continuing professional education (CPE) credits and track your credits earned and CPE certificates on the Drake ETC site. Be sure to review the CPE Details sheet for each course before registering to determine if the course meets the requirements for your designation. To open Drake's e-Training Center, go to *DrakeETC.com* (Figure 2 on page 235.)

Available on Drake ETC

- **Tax Courses** — Interactive tax courses explore IRS tax law and terminology and what these laws and terms mean in Drake Tax data entry. CPE credits are available.
- **Tutorials** — Watch video tutorials featuring Drake education trainers as they teach you the basics of Drake setup, data entry, return preparation and much more. Client Write-Up and Spanish tutorials are also available.
- **Practice Returns** — Various data entry practice returns are available for individual, 1120, 1120S and 1065 returns. Prepare a return in data entry, calculate the return, and compare it to the corresponding solution. Use practice returns for hands-on training in data entry and e-filing.
- **Webinars** — Live Drake ETC Webinars provide an effective and convenient way to enhance your knowledge through online education. Webinar topics range from tax subjects to Drake Software applications. Earn CPE credit - no test required! Recorded webinars (no CPE credit) are also available for Drake 101 and Client Write-Up webinars.
- **AFTR Course** — Complete the 2018 Annual Federal Tax Refresher (AFTR) course, which is required for unenrolled tax return preparers who want to earn the IRS's Annual Filing Season Program (AFSP) Record of Completion for the 2018 filing season (and so be included in the IRS's Directory of Tax Return Preparers with Credentials and Select Qualifications). Available June through December. For more information on AFSP requirements, go to *DrakeSoftware.com* and select **Training > AFSP**.
- **Self-Study Courses** — Learn about software topics on your own time, at your own pace. Study the materials provided for the course and successfully complete the final exam to earn continuing education credits.
- **Report Card** — Record of each course with the date started and date completed. View results of each test.
- **Administration** — Available only when logged in with an administrator account, this tab allows you to create student accounts and view student report cards.

Figure 2: Drake ETC Welcome page



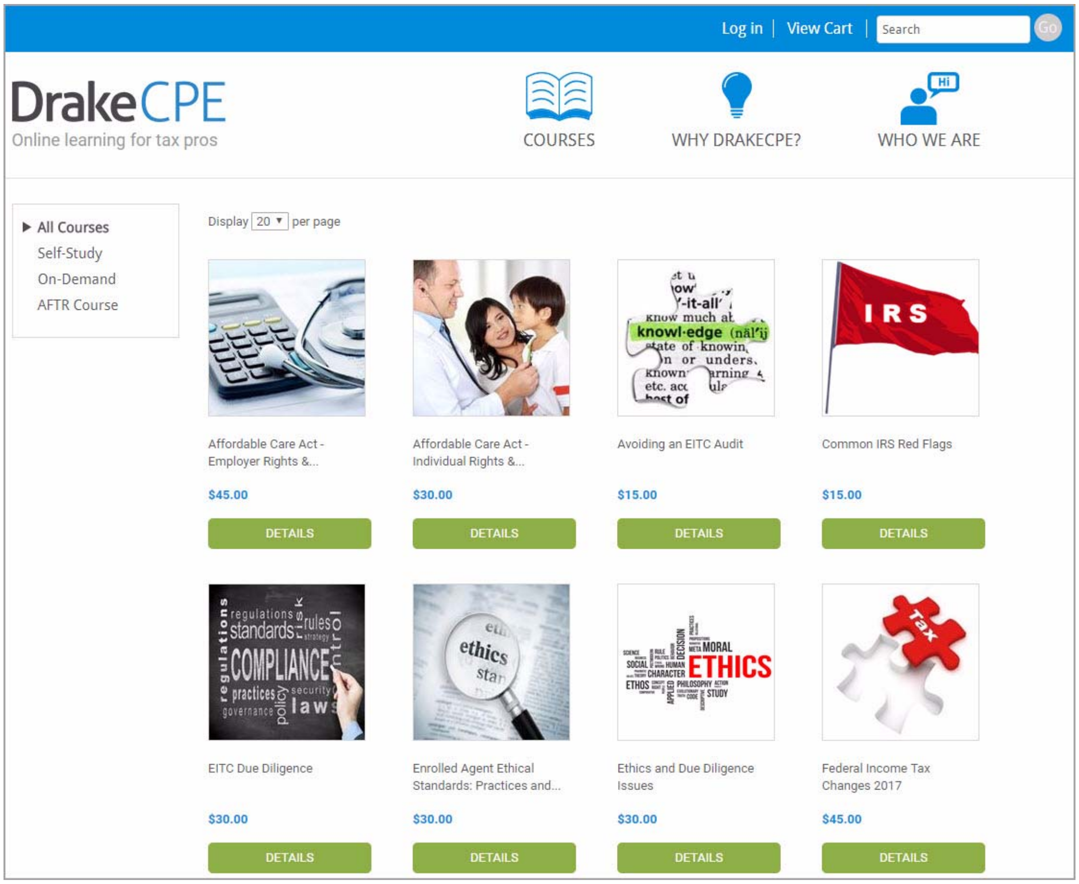
DrakeCPE.com

DrakeCPE.com is an e-learning site created for the busy tax professional who needs quality CPE that is cost effective. Courses created by our experts are relevant and engaging. Choose from a variety of e-learning formats that suit your learning style and schedule (Figure 3):

Available on DrakeCPE.com

- **On-Demand Webinars** — View webinar recordings at your convenience, and take a test to earn CPE.
- **Self-Study Courses** — Learn about a topic on your own schedule, at your own pace, and take a test to earn your CPE.
- **Webinars** — Join a scheduled online presentation, interact with subject-matter experts, and earn continuing education for attending. (Coming Soon)

Figure 3: DrakeCPE.com



Passport to Success

The Passport to Success is an itinerary of "stops" - important items and resources specifically designed to prepare new clients for tax season (Figure 4). Use Passport to Success to explore the stops on the journey, from the installation of the software to discovering Drake Support. Passport to Success includes instructions, tutorials, and forms that prepare Drake clients for tax season. To access your Passport to Success, log in to *Support.Drakesoftware.com* with your username and password and go to **Training Tools > Passport to Success**.

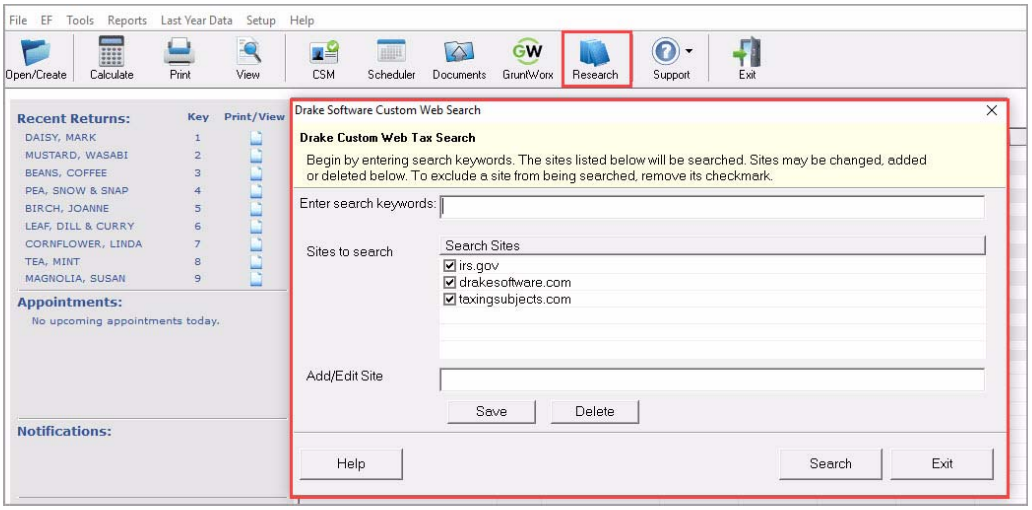
Figure 4: Passport to Success Home Page

Tax Research

Drake's tax research tool provides a way of searching the Internet for answers to most tax questions. Search several websites at once, including any site you wish to add. The default list of research sites includes Drake Software, Taxing Subjects, along with the IRS website. Internet access is required.

To begin a search for tax information, click the Research button on the Drake **Home** window toolbar (Figure 5)

Figure 5: Custom Web Tax Search



In the **Drake Software Custom Web Search** window (Figure 5), enter a keyword (for instance, "Schedule A, line 21") and click **Search**. Any websites selected in the **Search Sites** field are searched and the results are displayed in a browser window.

Help Resources

Drake Tax offers many ways for you to get the help you need. When you click the **Support** button from the **Home** window, you are given several options:

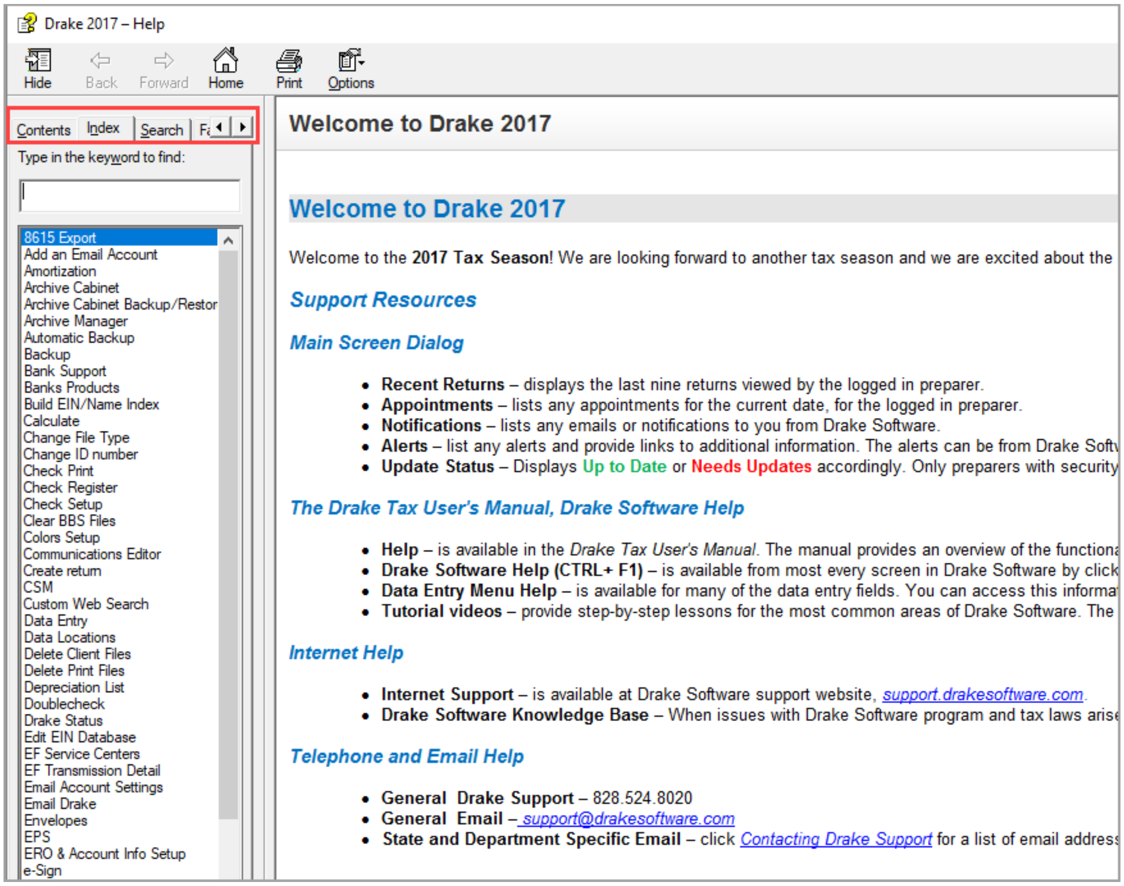
- Drake Software Knowledge Base, an online reference source containing answers to common tax and software questions. See "Knowledge Base" on page 242.
- Drake Software Program Help, a searchable list of topics sorted by categories, and an index. The Help System answers many of the most commonly asked questions about the software. (See the following paragraphs for more information.)
- Drake Software Support website, a website with links to all of our online help resources, including the Knowledge Base, Drake ETC, and many other helpful webpages. See "Drake Support Website" on page 241.
- Drake Software Remote Assistance is a feature used by Drake Software personnel in certain support situations.
- Drake Software Video Tutorials are a compilation of more than 200 how-to videos demonstrating how to use Drake Software programs.
- Drake Software Chat Support is a convenient method of having a live online discussion with a member of Drake Software's Support staff.
- Drake Software Manual and Online Resources provide a link to Drake Tax manuals, practice returns, IRS pubs, and Drake Software shipment letters, all in a PDF format.

All other Drake windows have a clickable **Help** icon or button for accessing the Drake Help System (with the exception of the data entry screens where a right mouse-click will produce a help menu).

Accessing the Help system inside a Drake window will produce topics relevant to that window. For example, if you are in pricing setup (**Setup** > **Pricing**) and click **Help**, you are shown the Help information for pricing setup. To print a topic, click the **Print** icon in the toolbar.

Access Help System items by using the **Contents**, **Index**, and **Search** tabs (Figure 6).

Figure 6: Help System **Contents**, **Index**, and **Search** tabs



Data Entry Help

Drake Tax offers you lots of “helps” in data entry: screen-level helps, field-level helps, instructional “how-to” video clips, and links to other helpful resources. For more information, see “Help Resources” on page 70.

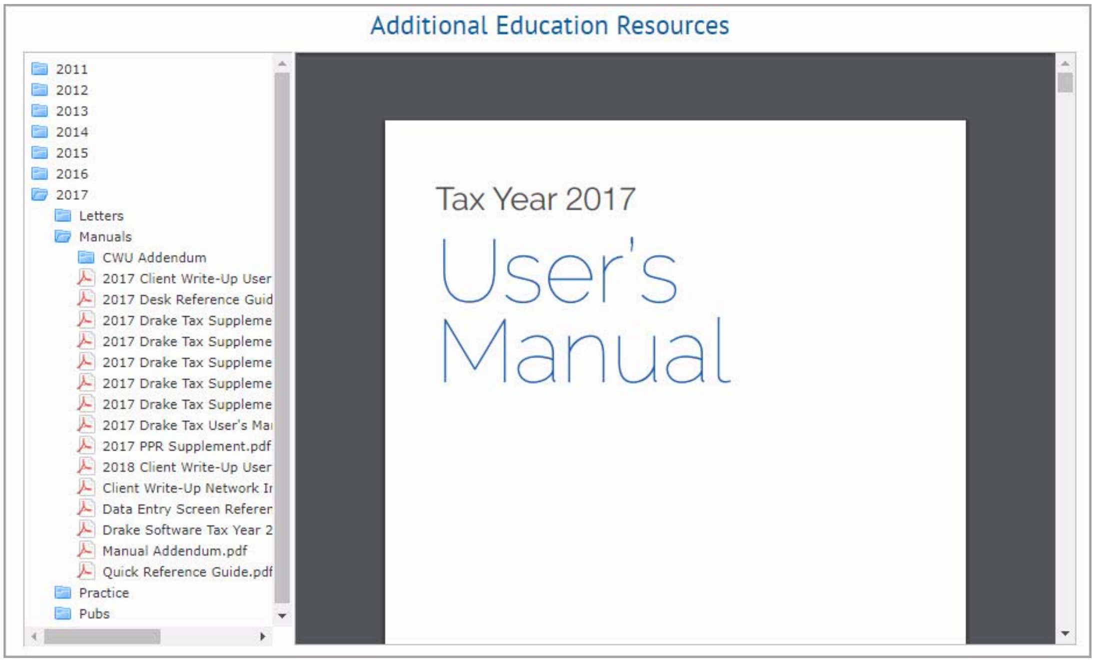
FAQs

The **FAQ** screen, located in return data entry, is a great resource for federal and state-specific information. On the **Data Entry Menu** for the federal or state return, enter FAQ in the selector field. Click to view the desired topic. Reject codes can be found on each state’s **FAQ** pages.

Software Manuals

Drake's software manuals are available online as PDF files and can be accessed in the software through the **Help** menu or the **Support** button. Manuals are also included as PDF files on the installation discs.

Figure 7: Software Manuals



2017 Drake Tax User's Manual — This is a complete resource for all your software questions. With more than 400 pages of information, it includes details on installation, setup, navigation, return preparation, states, e-filing, banking, and reports.

2018 Drake Client Write-Up Manual — A guide for using Drake's Client Write-Up accounting program to prepare and print both live and after-the-fact payroll, vendor checks, W-2s, 1099s, 940s, 941s, 943s, 944s, 941SSs, and 944SSs.

2018 Drake Accounting Manual — A guide for using Drake Accounting software to manage client financial records, prepare and print both live and after-the-fact payroll, vendor checks, W-2/W-3, 1099-MISC/1096, 940, 941, 941SS, 943, 944 and 945 forms.

NOTE All Drake user manuals are available in PDF format for print or download at *DrakeSoftware.com* > **Training Tools** > **Manuals**.

Drake Update Schools and Videos

Each fall, the Drake Education team holds several Update Schools across the country. The information presented at the schools is also available on the Drake Update School Video. With topics to benefit everyone, the video can be used as a training tool or as an office refresher course. For more details on the Drake Update Schools and video, visit *Training.DrakeSoftware.com*.

Practice Returns

Become more familiar with the program's data entry screens and e-filing process by entering and viewing practice returns, test returns, and EF-Banking practice returns.

- Practice data entry returns are located on your Drake CD, the Drake Support website, *Support.DrakeSoftware.com*, and the Drake e-Training Center website, *DrakeETC.com*. There are individual and business return scenarios, including sample documents needed to complete the returns. Enter the provided information into the software as if you were preparing a real return. When finished, calculate and view the results. Compare the results to the solutions.
- View e-filing and banking practice scenarios on the Drake Support website. These scenarios are designed to familiarize beginning e-filers with the process of e-filing and check printing in Drake Tax. These returns have SSNs from 500001001 through 500001005. Calculate the returns in the software and e-file them. These particular returns are set up to be either accepted or rejected. Correct the rejected ones and resend to receive acknowledgments. Practice printing checks for the returns with bank products

NOTE Test transmissions do not receive an additional IRS acknowledgment. The “T” acknowledgment indicates the transmission was successful.

Drake Support Website

All Drake Software clients have access to the Drake Support website, *Support.Drakesoftware.com*. This is a comprehensive online research center designed for Drake preparers. Quickly access the website by selecting the **Support** button in the home window of Drake or open the website in your Internet browser. Some of the features available are:

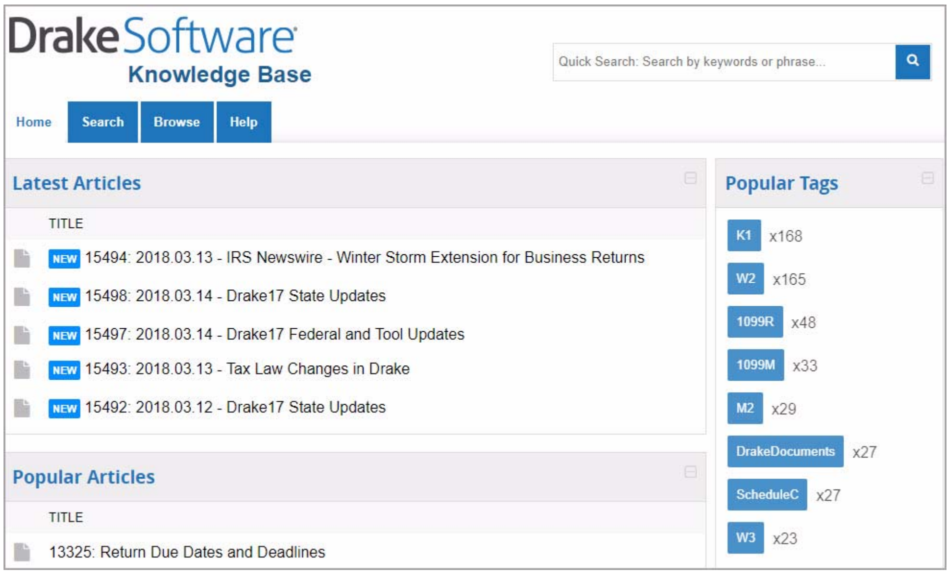
- The Knowledge Base
- Broadcast Center
- Online Federal/State Database
- Online EF Database
- Forum/Message Board

Knowledge Base

The Drake Software Knowledge Base (KB) is a comprehensive searchable database consisting of support solutions and articles of interest. Providing support around the clock, the Knowledge Base is a great alternative to a support call. Continuously updated, the KB ensures that Drake preparers always have access to the most up-to-date information available. Finding the information you need is easy. Search by keywords, read important FAQs, view the most popular articles, or simply browse KB articles by category. From the home page of the KB, view important alerts.

To open the Knowledge Base from the Drake Support website, from the **Resources** page, click **Knowledge Bases**, and select from among several Knowledge Bases.

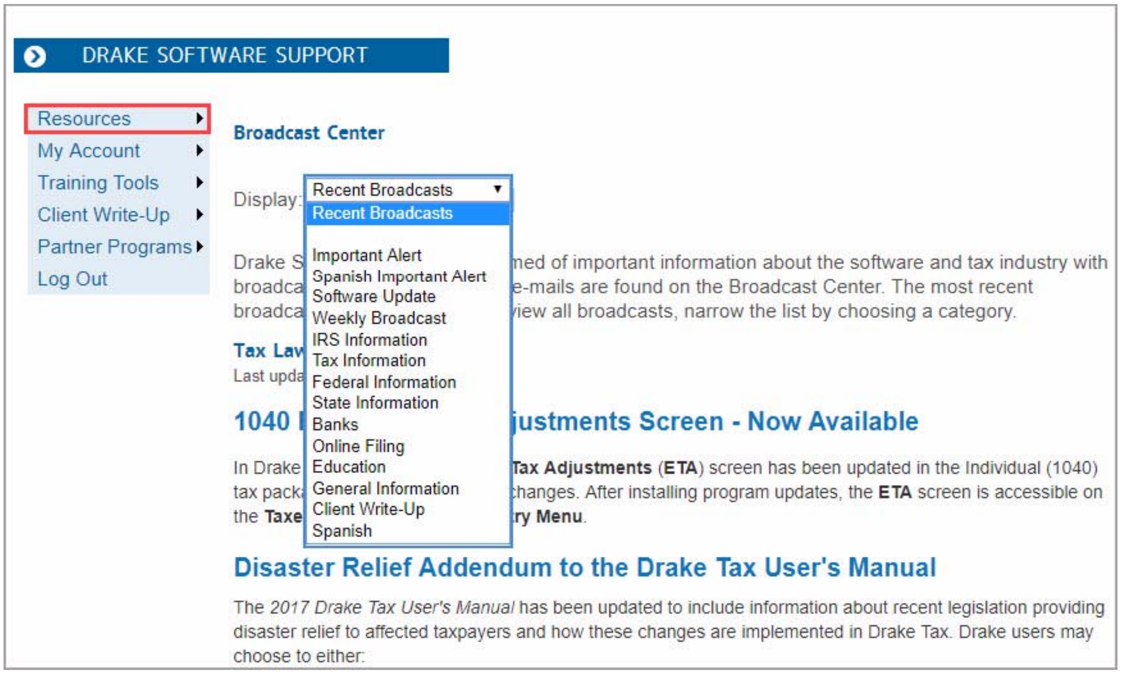
Figure 8: Knowledge Base



Broadcast Center

Drake Software keeps you informed of important information about the software and tax industry via broadcast email. All broadcast emails are posted on the Broadcast Center. To access the Broadcast Center for the Drake Support website, from the **Resources** page, click **Broadcast Center**. The most recent broadcasts are listed for easy viewing. To view a prior broadcast, narrow the list by choosing a category from the **Display** drop list (Figure 9).

Figure 9: Broadcast Center



Federal/State Facts

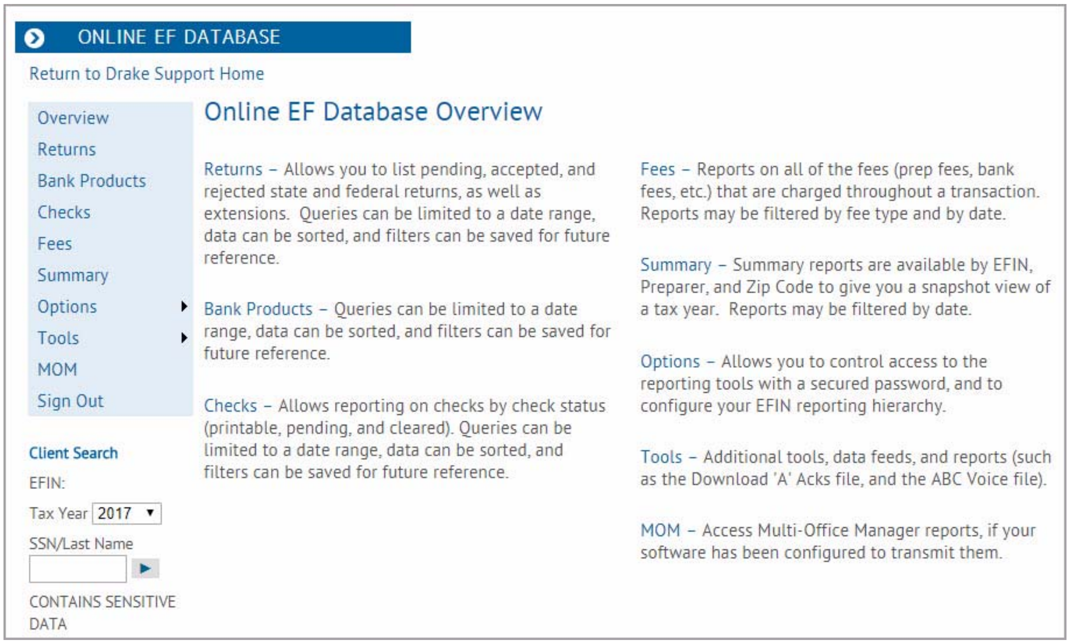
The Federal/State Facts database allows you to quickly access important federal and state-specific information, such as e-filing specifications, form instructions, and support links. Need to prepare a return for an unfamiliar state? We have done all the research for you and stored it in our State Database. To access the Federal/State Facts database from the Drake Support website, go to **Resources > Federal/State Facts**.

Online EF Database

The Online EF Database displays information about your e-filed returns in real time and offers various online reporting features. Because the e-filed information is stored at Drake, the information is always current. Run reports on returns, loans, and checks, or search for e-filing information for a single SSN or EIN. Access the Multi-Office Manager (MOM) and view Client Status Manager data for one or multiple offices.

To access your EF Database from the **My Account** menu of the Drake Support website, click **EF Database**. To access your EF Database from the main screen of the software, go to **EF > Search EF Database** and either click the **F10 - Online DB** button or press F10.

Figure 10: Online EF Database



Forum/Message Board

Forums provide an opportunity for Drake preparers to participate in online discussions of everything from business strategies and software questions to the latest tax news and software suggestions. Sometimes customers answer each other's questions, while other times a Drake moderator may be available to provide explanations. This is a great way to share notes and network with fellow professionals. To access the Forums, from the **Resources** page of the Drake Support website, click **Forums**.

Customer Service and Support

At Drake, we pride ourselves in having the best customer support in the industry. No matter which support method you choose, you can be assured of receiving friendly and accurate service.

Phone Support

Work one-on-one with a support technician to resolve software issues. Drake technicians are trained year-round on Drake topics. The number is (828) 524-8020 and the lines are open Monday - Friday 8 a.m. until 10 p.m., and Saturday 8 a.m. until 6 p.m during tax season. Our non-season hours are Monday - Friday 8 a.m. until 9 p.m., and Saturday 8 a.m. until 5 p.m. (All times are Eastern Time.) For Spanish-speaking Support, call (828) 349-5500.

Chat Support

Have a quick question? To chat with a customer service representative, go to **Support** > **Drake Software Chat Support** in Drake Tax. Chat support is available Monday - Friday 8 a.m. until 10 p.m., and Saturday 8 a.m. until 6 p.m during tax season. Our non-season hours are Monday - Friday 8 a.m. until 9 p.m., and Saturday 8 a.m. until 5 p.m. (All times are Eastern Time.)

Email Support

For those non-urgent questions, or for more difficult questions that may not be resolved over one phone call, you can send us your questions via email. Ask more specific Support questions through the Drake email program.

Our general support email address is *Support@DrakeSoftware.com*. To access additional Drake Software addresses, go to **Help** > **Email**. In the **Compose Message** window, click the **To** button. The default **Address Boo**k is the **Drake Software Support Address Book**. Double-click to select a specific address; then click **OK**.

NOTE To send a return to Drake Support, click **Email** on the **Data Entry Menu** toolbar. The return is automatically attached to the email for your convenience. If you use this method, be sure to include a detailed description of your issue.

Drake Email Program

You can use the email provider of your choice to send and receive emails in Drake. This incudes any of the free email providers such as Gmail.com and Outlook.com. You can also use Drake's email program to send questions or files to Drake Support.

To access Drake's email program, you can:

- From the menu bar of the **Home** window, select **Help > Email**.
- From data entry, click the **Email** icon from the **Data Entry Menu** toolbar. Use this method to send the data entry file to Support.
- From the View mode toolbar, click the **Email** button
- From Drake Documents toolbar, click the **Email** button to send PDF copies of the return to your clients.

NOTE Drake recommends using **SecureFilePro**, a secure client file exchange web portal, to conveniently exchange confidential documents with your clients. To learn more and receive a free 14-day trial, visit *DrakeSoftware.com*.

Suite Products

In addition to providing our comprehensive tax software, Drake offers these additional applications to enhance your practice:

- "Tax Planner"• "SecureFilePro"
- "Drake Accounting"•"Drake Accounting"
- "Gruntworx"

Tax Planner

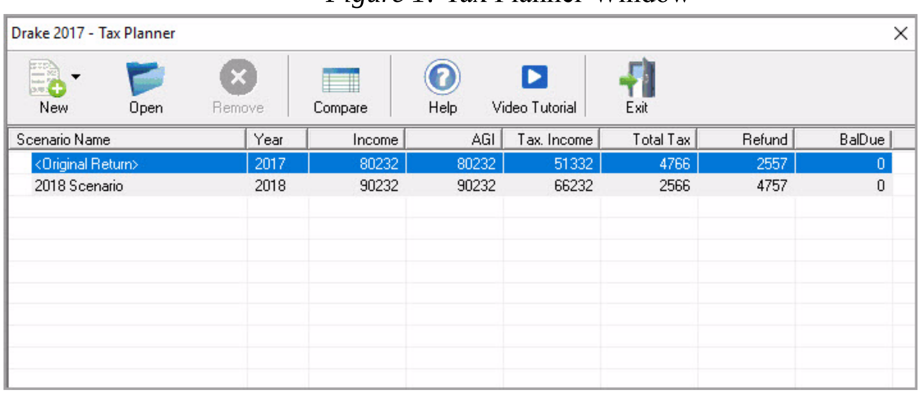
The Tax Planner is installed when you install Drake to help you assist your clients in planning for the future. By comparing the client's current tax situation to different scenarios that could occur—such as marriage, the birth of a child, buying or selling a house, change in income—clients can see how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

Opening the Tax Planner Window

Open the Tax Planner from data entry:

1. Open a client's return and click the **Tax Planner** icon from the **Data Entry Menu** toolbar. The **Tax Planner** window displays a toolbar, the original return, and any planners (or "scenarios") you create (Figure 1).

Figure 1: Tax Planner Window



The items on the toolbar are explained in the following table.

Tool button	Function
New	Click **New** to begin new scenarios for different tax years, or to plan a new scenario based on a previous scenario.
Open	Click **Open** to open data entry screens to set up various scenarios, or to open the client's original return.

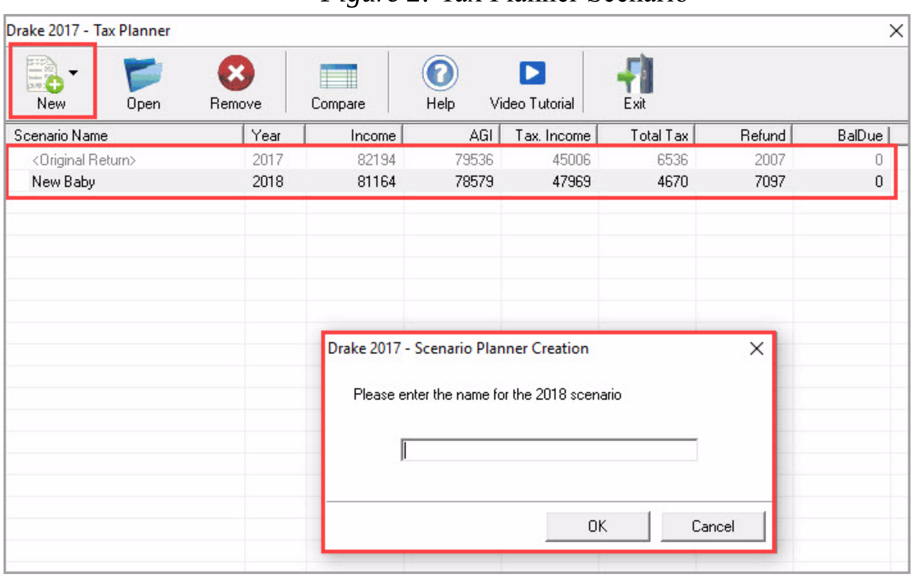
Tool button	Function
Remove	Select a scenario from the scenario pane and click **Remove** to delete the scenario.
Compare	Click **Compare**, select up to three scenarios, and click **Compare** again to compare the chosen scenarios to the client's current tax situation based on the original return.
Help	Click **Help** to get explanations and direction for using the planner.
Video Tutorial	Click the play button to launch a short video tutorial on the basics of using the Tax Planner.
Exit	Click **Exit** to close the planner and return to data entry.

Creating Scenarios in the Tax Planner

The first step in working with the Tax Planner is to create one or more scenarios. After you've created the scenarios, you make changes to the scenarios (such as in marital status, number of dependents, amount of income, etc.), then compare them to taxpayer's original return to see what effect the projected changes would make to the taxpayer's current financial and tax situation. To begin creating tax scenarios to compare with the original return:

1. Open a client's return in Drake.
2. Click the **Tax Planner** button on the **Data Entry Menu** toolbar to open the **Tax Planner** dialog box.
3. Click **New** from the **Tax Planner** toolbar and choose a tax year from one of the options: the current tax year 2017, or the next tax year, 2018.
4. In the **Tax Planner Creation** window, enter a name for the scenario and click **OK**. Create as many scenarios as you wish (Figure 2).

Figure 2: Tax Planner Scenario



NOTE 2018 scenarios incorporate known tax changes for the coming year, once available.

You can create different versions of an existing scenario. For instance, you might make a scenario in which the taxpayer has a child, buys a home, or has a change in income. To make multiple versions of scenarios you have already created:

1. Click the scenario you want to duplicate (it will be highlighted in blue):
2. Click the **New** button.
3. In the droplist, click **Selected Scenario**.
4. Enter a name for the new scenario and click **OK**.

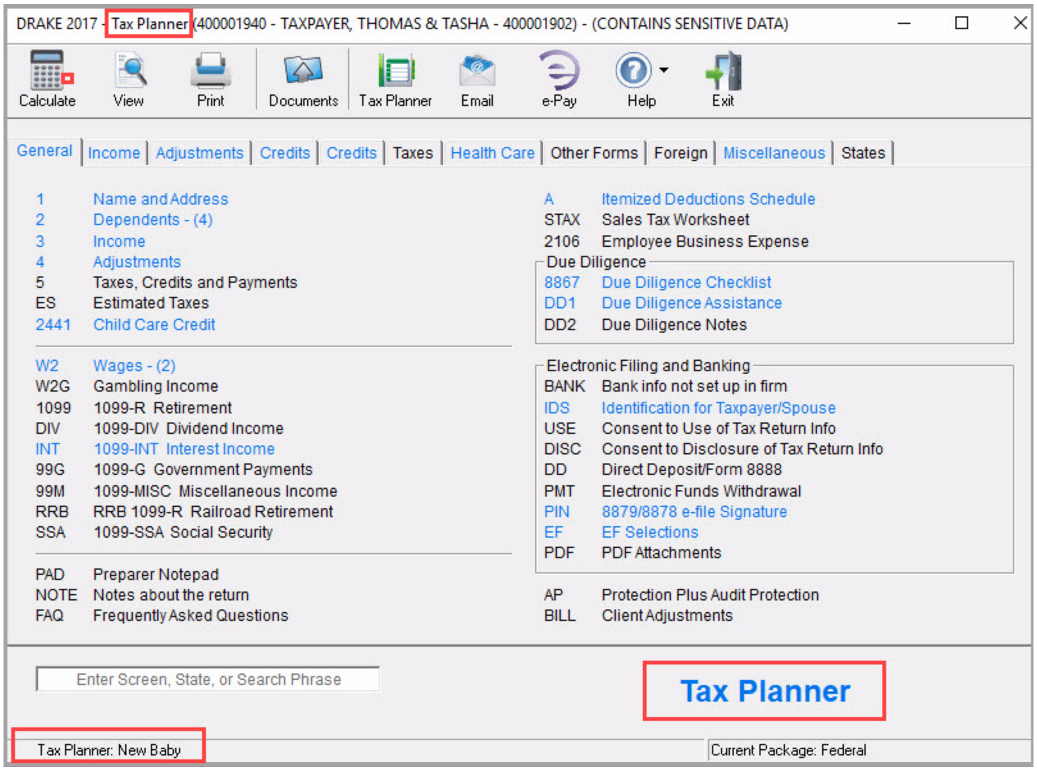
To make changes inside a tax scenario, double-click a scenario in the **Tax Planner** window to open the **Data Entry Menu**. A reminder appears in the lower-right corner of the **Data Entry Menu** (Figure 3), that you are in a Tax Planner scenario and not the original return.

To change, add, or remove information in data entry of the tax scenario as you would in a regular tax return in Drake. For example, you may add a **Dependents** screen for the birth of a child, and possibly a **2441** (**Child Care Credit**) screen.

1. From the **Data Entry Menu**, choose the fields and screens you want to add, change or remove.
2. When you are finished setting up the scenario, click **Calculate** or **View** to see the results.
3. Return to the **Tax Planner** window again by clicking the **Tax Planner** button.

NOTE If you are in a scenario and want to go to the original return, click **Tax Planner**, select **Original Return** from the **Tax Planner** window, and click **Open**.

Figure 3: Data Entry Menu in a Tax Planner Scenario



COMPARING SCENARIOS IN THE TAX PLANNER

You can create multiple tax scenarios using the Tax Planner. To compare tax scenarios with the original return, use the Tax Scenario Planning Comparison worksheet, which allows you to to compare the original return with up to three tax scenarios (Figure 4). To generate the Tax Scenario Planning Comparison worksheet:

1. Click the **Compare** button in the **Tax Planner** toolbar.
2. In the **Scenario Comparison Selector**, choose up to three scenarios to be compared to the original return.
3. Click the **Compare** button to open View/Print mode displaying the Tax Scenario Planning Comparison worksheet. You can choose to print or email the worksheet, save it to Drake Documents (“Drake Documents”), and upload to SecureFilePro (“SecureFilePro”).

Figure 4: Tax Scenario Planning Comparison

Tax Scenario Planning Comparison

Name(s) as shown on return

THOMAS & TASHA TAXPAYER

	Org. Return	Cur. Return		
Filing Status	2	2		
Number of Exemptions	5	6		
Income:				
Wages, salaries, tips, etc	47,366	47,366		
Taxable interest and dividends	749	749		
Business Income (loss)	34,079	33,049		
Gains (losses)				
Pension and IRA distributions				
Rental & Pass-through Income (loss)				
Farm Income (loss)				
Taxable Social Security Income				
Other Income				
Total Income	82,194	81,164		
Adjustments to Income:				
Self-Employment Tax Adjustment	2,408	2,335		
IRA deduction				
Other Adjustments	250	250		
Adjusted Gross Income	79,536	78,579		
Itemized or Standard Deduction	14,280	24,000		
Personal Exemption or QBI Deduction	20,250	6,610		
Taxable Income	45,006	47,969		
Tax and Credits:				
Tax	5,821	5,376		
Credits	4,100	5,376		
Self-employment tax	4,815	4,670		
Other taxes				
Total Tax	6,536	4,670		
Payments:				
Withholdings	7,543	7,543		
Estimated Tax Payments				
Refundable credits & other payments	1,000	4,224		
Total Payments	8,543	11,767		
Refund	2,007	7,097		
Balance Due				
Marginal Tax Rate	15.00	12.00		
Effective Tax Rate	13	11		
State				
Resident Tax				
Total Tax	1,569	1,569		

Drake Documents

Drake Documents is an electronic storage solution for client source documents and returns. Use Drake Documents to streamline and organize your workflow and greatly reduce your paper handling tasks. Easily organize and find documents, such as PDF copies of tax returns, scanned Forms (such as 8879 and 1099-B), scanned copies of driver's licenses and Social Security cards, without ever needing a paper copy. Think of Drake Documents's file structure as a virtual filing cabinet where files are saved within folders.

Use Drake Documents to:

- **Store your clients' documents** — Scanned documents and copies of your clients' returns are stored in electronic "folders."
- **Copy files to CD** — Copy Drake Documents files directly to a CD.
- **Password protect** — Protect your clients' documents with passwords.
- **Assemble documents sent to GruntWorx** — See "Gruntworx" on page 259 for more information on this product.
- **Access SecureFilePro** — See "SecureFilePro" on page 260 for more information of this product.

Drake Documents makes storing and moving documents easy:

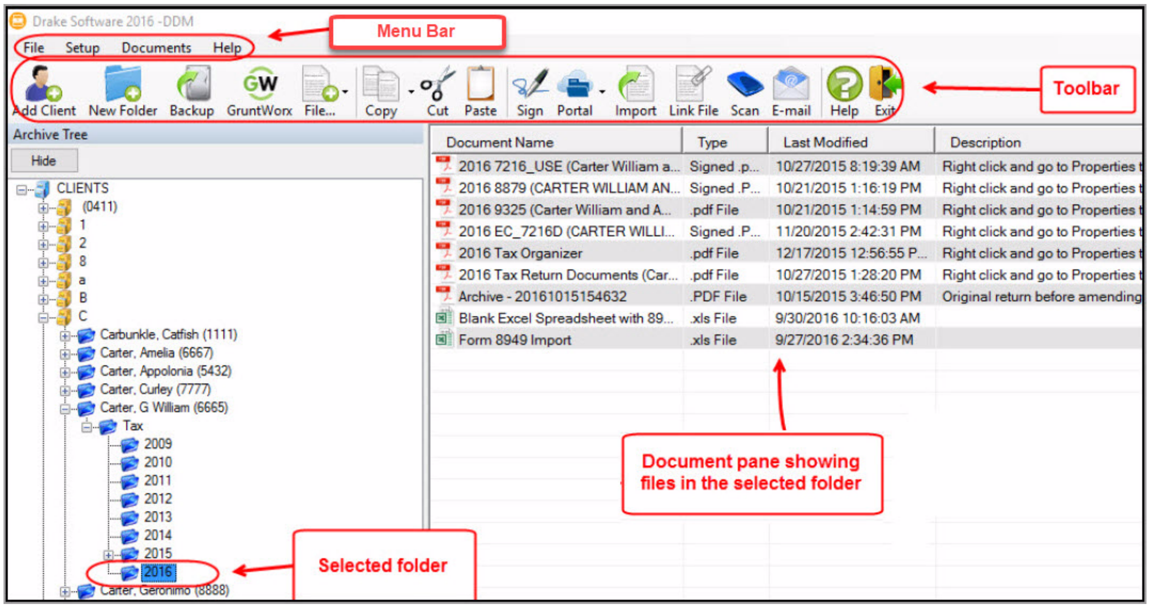
- When you create a new return in Drake Tax, a corresponding folder is automatically created in Drake Documents. When you archive a return from View/Print mode of the tax program, a copy of the archived return is automatically saved in Drake Documents.
- You can click the **Documents** button from the toolbar of the **Data Entry Menu** in any package to open Drake Documents directly to the client's folder.
- Files saved in Drake Documents can easily be attached to email messages or e-filed with a return as a PDF attachment.

Selecting a Drake Documents Cabinet

Drake Documents users have two storage options or "sources" to choose from: the "Archive Cabinet" and the "Working Cabinet." Which Drake Documents cabinet you choose depends on how you want to handle your document storage.

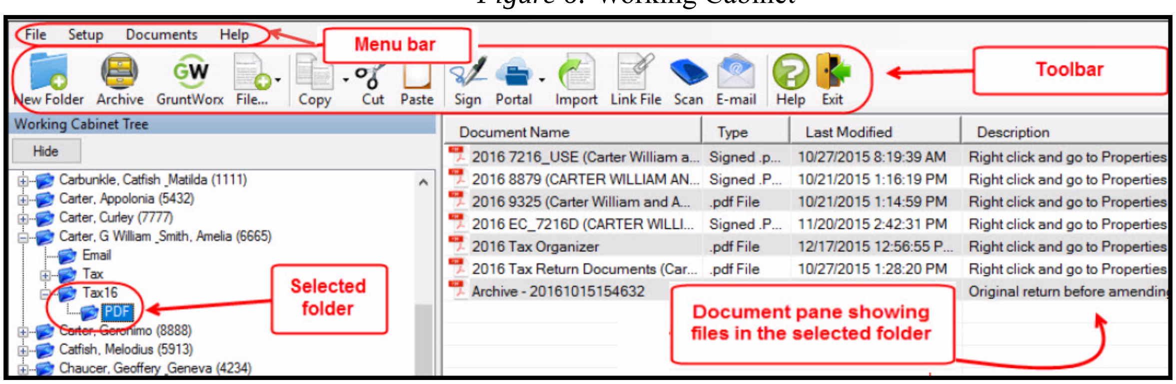
Archive Cabinet: The Archive Cabinet files are stored outside of the tax program and are backed up and restored separately from the tax program. All documents from all years for all clients are stored in the Archive Cabinet in alphabetically arranged "cabinets," "drawers," and "folders." If you choose the Archive Cabinet, see "Setting up the Archive Cabinet" on page 467 in the *2017 Drake Tax User's Manual.*

Figure 5: Archive Cabinet



Working Cabinet: Choose the Working Cabinet if you prefer more integration with the tax program. Working Cabinet files are stored inside the tax program and are backed up or restored whenever the tax program is backed or restored. You access Working Cabinet documents from within Drake Tax for whichever year you are interested in: 2016 documents in the 2016 program, 2017 documents in the 2017 program, etc. If you choose the Working Cabinet as your source, see "Working Cabinet Window" on page 464 in the *2017 Drake Tax User's Manual*.

Figure 6: Working Cabinet



When you've decided which cabinet in Drake Documents you want to use—Working Cabinet or Archive Cabinet—make your selection in the Setup Options:

1. From the **Home** window of Drake Tax, go to **Setup > Printing > Drake Documents** to open the **Drake Document Integration Options** dialog box.
2. In the **General Options** section, select **Use Working Cabinet** or **Use Archive Cabinet**.

3. (*Optional*) Select **Allow Drake to set up Drake Documents client folders**. If this box is not marked, you must specify the location each time a scanned document is saved or a return is printed through the PDF "printer" to the Working Cabinet.
4. Click **Save**.

File Structure

Both the Working Cabinet and the Archive Cabinet display stored files alphabetically in a folder "tree." You can use the default Drake Documents file structure or customize it as needed. To customize your file structure:

1. From the **Home** window of Drake Tax, go to **Setup > Printing > Drake Documents** to open the **Drake Document Integration Options** dialog box.
2. In the middle section of the dialog box is the option to add folders to the default Drake Documents file structure. To do so:
   - Click **Add**.
   - Enter a custom folder name and click **OK**. A new folder is inserted one level below the selected folder.
   - Mark the **Apply this layout...** check box if you want to insert the new folder into existing *and* new client files; otherwise, the new folder will be inserted only into new client files.
   - To change the name of a folder, select the folder and click **Edit**. To delete a folder, select the folder and click **Remove**.
3. Click **Save**, and then click **OK**.

NOTE

- To avoid later restructuring, determine the type of file structure you want to use before you begin storing items in Drake Documents.
- To set up any additional security settings, from the **Home** window of Drake Tax, go to **Setup > Preparer(s)**.
- In the Archive Cabinet, you can set up your customized file structure from the menu bar. Select **Setup > Custom Folders**, then follow the steps above.

Working with Drake Documents

Once Drake Documents (Working Cabinet or Archive Cabinet) folders and any subfolders are established, you can begin adding files. Drake Documents supports many file types and allows you to import or scan files into Drake Documents or link to a file outside of Drake Documents. Once added to a folder, files are listed in the right pane of the Drake Documents window (Figure 5).

Printing Returns

When you print a completed tax form or tax return in Drake, you have the option of also saving an electronic copy of the form or return in Drake Documents, and sending it to the SecureFilePro portal. For details, see "Printing Selected Forms to PDF" on page 115.

Importing a File

You can import a PDF copy or scanned image from another application or program located elsewhere in your computer or network into the client's Drake Documents folder. To import a file into Drake Documents:

1. Select the folder where the document will be stored.
2. From the toolbar, click **Import** to open the **Import File** dialog box.
3. Browse to and select the desired document.
4. Click **Open**. Drake Documents copies the document into the selected folder.

Scanning a File

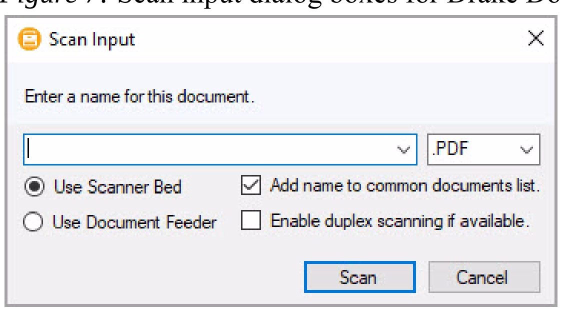
Scan documents into Drake Documents using a flat-bed or document-feed scanner. A flat-bed scanner scans one page at a time, creating a separate PDF for each page. A document-feed scanner scans multiple pages and makes one document of many pages.

When you scan a document using Drake Documents, the program automatically locates and uses your system's default scanner. A **Scanner Cannot be Located** message implies that the scanner is not TWAIN compliant or has been improperly installed.

To scan a document into Drake Documents:

1. From the Drake Documents toolbar, click **Scan**.
2. From the **Scan Input** dialog box, type in a name for the scanned document or choose one of the common document names previously entered.
3. Select **Use Scanner Bed** or **Use Document Feeder**.
4. (*optional*) Click **Add name to common documents list** is desired.
5. (*optional*) Select **Enable duplex scanning if available** (if appropriate and if that option exists).
6. Click **Scan**.

Figure 7: Scan input dialog boxes for Drake Documents



7. Enter a name for the scanned document or choose a default name from the drop list by clicking the arrow at the right end of the name input field and click **Scan**.

NOTE Most TWAIN compliant scanners will work with Drake Documents. Details on supported scanners are provided in Drake's online knowledge base. From the Drake Home window toolbar, click **Help** > **Drake Software Knowledge Base** and search for "DDM compatible scanners."

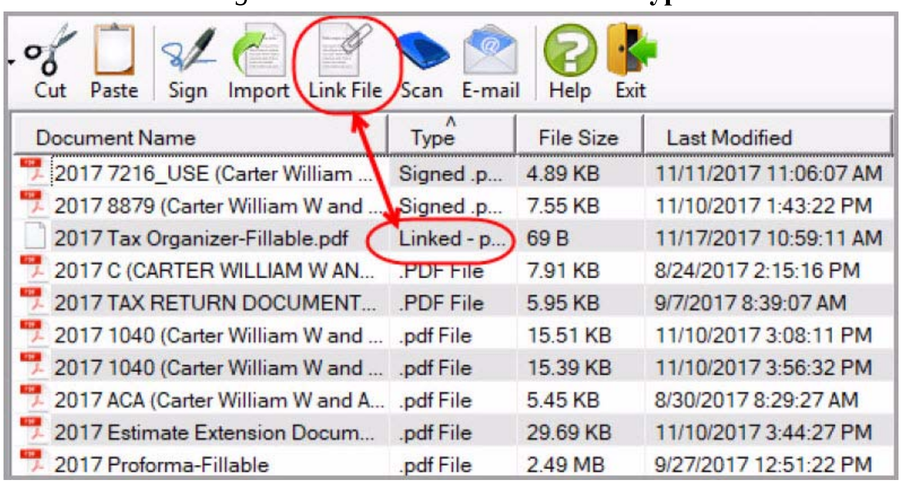
*Always review scanner specifications before purchasing a scanner.

Linking a File

Create a link between a Drake Documents file and a document outside Drake Documents. Drake Documents maintains the link to the external document so that if the document is updated, the link remains and you do not have to replace the document in Drake Documents. To create a link to a file in Drake Documents:

1. Select a folder in which to store the link.
2. Browse to and select the document to be linked and click **Open**. The link is indicated in the column of Drake Documents (Figure 8).

Figure 8: **Linked** files identified in **Type** column



Double-click the line in the document pane to open and review the linked file.

Using the Audit Log

Each time an action occurs to a file, Drake Documents makes note of it in an audit log. An *action* includes importing, linking, exporting, copying, moving, opening, and renaming. The audit log records the action, the date the action was taken, and the user who performed the action. It also shows the document name and path and has a field for entering a document description.

To access the Drake Documents Audit Log, select a file from the Drake Documents document list and choose **Properties** from the right-click menu (or press `F9`). If desired, enter a description of the document in the Audit Log's **Description** field.

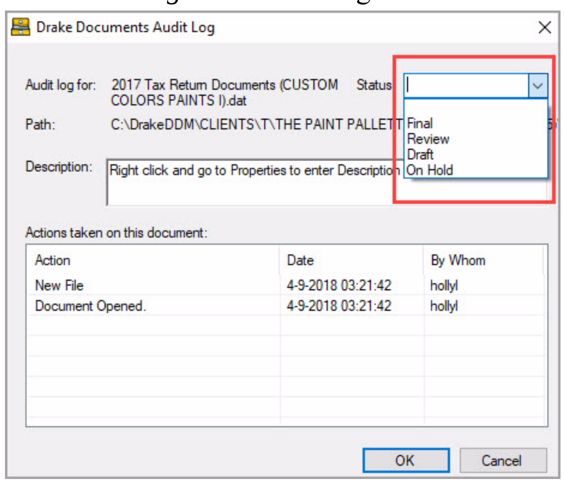
Setting Document Status

You can choose a status for any document in your filing system. The status will be listed in the **Status** column in the Drake Documents window.

To change the status of a document:

1. Select a document from the document list and choose **Properties** from the right-click menu (or click a document and press `F9`.) The **Audit Log** is displayed.
2. From the **Status** drop list, choose **Final**, **Review**, or **Draft** (Figure 9).
3. Click **OK**.

Figure 9: Choosing a Document



.txt,.doc,.xlsx

Your computer must have Word and Excel installed in order to use Drake Documents to create new text (.txt), Word (.doc), and Excel (.xlsx) files. To create a new text, Word, or Excel file:

1. From the Drake Documents toolbar, click **File**.
2. In the menu that is displayed, select **New Text File**, **New Word Document**, or **New Excel Spreadsheet**.
3. Enter a name for the new document or spreadsheet.
4. Click **OK**.

The applicable program is opened when you click a selection. You can open, rename, or delete folders from the **File** button.

Document Security

When a DDM document is password-protected, a password must be entered before the document can be accessed. Drake Documents passwords are case sensitive. Other security options allow you to:

- *Assign a password to a document*: from the Drake Documents menu bar, select **Documents > Password Protection** (or right-click a file and select **Password Protection)**. In the **Password Protection** window, enter the password twice and click **Save**.
- *Open a password-protected document*: double-click the file (or select the file and click **Open**). Enter the password and click **OK**.
- *Remove a password*: right-click the file, select **Password Protection**, and in the **Password Protection** window, enter the password in the **Enter OLD Password** field and click **Save**. (Leave both **NEW Password** fields blank.)
- *Change a password*: right-click the file, select **Password Protection**, and in the **Password Protection** window, enter the old password in the **Enter OLD Password** field. Enter a new password twice. Click **Save**.

Sharing Documents

To share files stored in a client's folder, from the Drake Documents menu bar, select **Documents > Share Document**. From the menu, choose any of the functions:

- **Copy to Location**
  - Select a document in the document pane to share.
  - From the menu bar, go to **Documents > Share Document > Copy to Location**.
  - From the drop list at the top of the **Select Location to Copy Files To** window, browse to the location where you wish to save the file.
  - Click **Save**.
- **Attach to Email**
  - In the document pane, select the document you want to send by email.
  - From the menu bar, go to **Documents > Share Document > Attach to Email**.
  - In the **Untitled - Message** window, enter the addressee and subject. Then enter the text you want in the email body. (You can also select a document and click the **Email** button from the toolbar).
  - Click **Send**.
- **Upload to Portal**
  - Select a document in the document pane to upload to SecureFilePro.
  - From the menu bar, go to **Documents > Share Document > Upload to Portal**.
  - In the **Portal Login** window, enter the **Portal username** and **Portal password**.
  - Click **OK**. You can also select a document and then click the **Portal** button from the toolbar (For details on using SecureFilePro, see "SecureFilePro" on page 260).

GRUNTWORX

GruntWorx is a secure, Web-based application that automates the time-consuming tasks of organizing and populating tax data. GruntWorx works within Drake Tax and Drake Documents on 1040 returns. Use GruntWorx to organize your clients' supporting documents in a single bookmarked PDF file. You can also import data from certain federal forms directly into Drake Tax.

Figure 10: Gruntworx Products

GruntWorx offers three products to handle these tasks: *Organize*, *Populate*, and *Trades*.

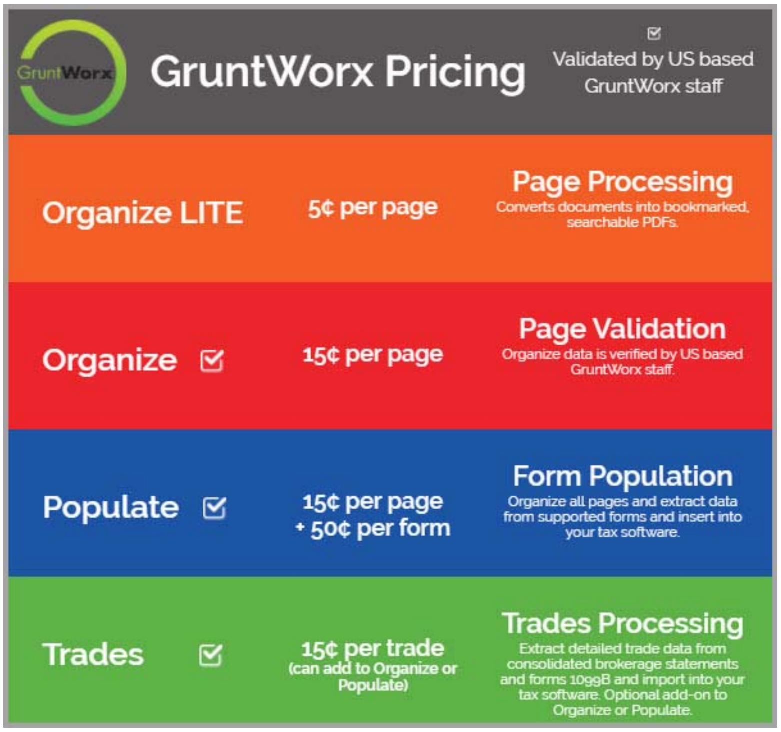
- **Organize** — With *Organize*, a stack of scanned-in client source documents can be automatically organized for you. No organizing the documents pre-scan, no leafing through the pages to make sure they're all facing the same direction, and no pulling out documents that are irrelevant to the tax return. Scan the documents, send them to GruntWorx, and receive a PDF document with your documents classified, organized, and bookmarked. For clients with multiple federal tax forms (such as W-2s, W-2-Gs, 1099s, K-1s), this feature can save time shuffling papers and organizing these documents yourself. You can also scan receipts, logs, and handwritten notes in the GruntWorx PDF file.
- **Populate —** With *Populate*, the data contained in thousands of tax forms— including Form1095-A, Health Insurance Marketplace Statement—can be extracted from the forms and imported directly into Drake Tax, saving you data entry time and expense. Populate extracts data from scanned source documents and from your proformas so you can import the data into Drake Tax with a few key strokes.
- **Trades —** With *Trades*, you can quickly and easily manipulate trade data, perform calculations within the spreadsheet, and import the data into Drake Tax. Stock sales from consolidated 1099s and stand-alone 1099-Bs can be extracted, put into an Excel file, and imported into Drake Tax through a process similar to Drake Tax's Form 8949 Import function. (From the **Data Entry Menu** toolbar in Drake Tax, click **Import > Form 8949 Import/GruntWorx Trades**.)

Organize LITE Organize LITE allows you to take advantage of the Organize product with two key differences: turn-around time and price. Organize LITE provides all the features and benefits of original Organize product, minus the human data validation. With acceptable scan quality, you receive an organized, searchable PDF document in minutes, and it is stored directly in your client's folder within Drake. Organize LITE is available for individual returns only.

GruntWorx Payments

For information on GruntWorx pricing, or to purchase GruntWorx, log on to: *Support.DrakeSoftware.com*. For a free trial, contact Drake Software at 828-349-5505 or email GruntWorxSupport@DrakeSoftware. To purchase compatible scanners at discount prices, go to GruntWorx.com/support/scanning.

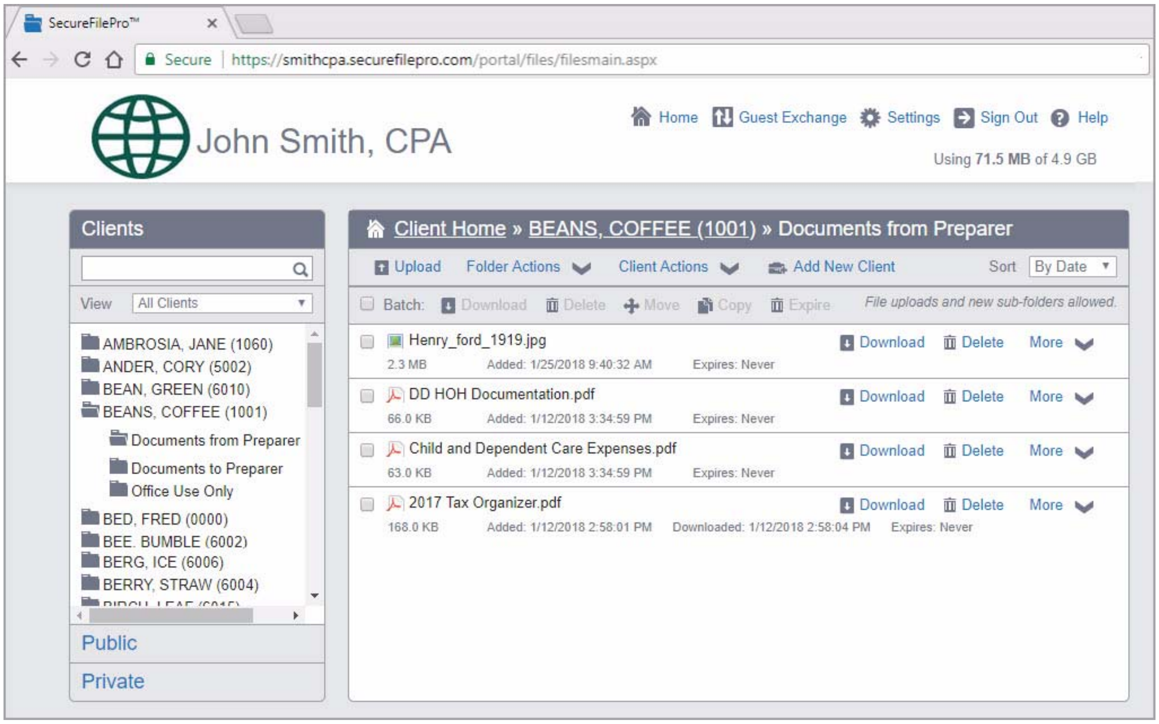
Figure 11: Gruntworx Pricing



SecureFilePro

SecureFilePro™ is a secure HTTPS file-sharing site that allows you to send and receive documents on your own secure Web portal. Think of it as a document exchange site for you and your clients. You can upload to SecureFilePro any documents that you have saved, imported, scanned, and stored in your Drake Tax files, and your clients can go to the SecureFilePro website to view or download those documents. Your clients can also upload files to the portal for you to retrieve. SecureFilePro is available for use with either the Working Cabinet or the Archive Cabinet.

Figure 12: SecureFilePro



SecureFilePro/Drake Documents Integration

SecureFilePro provides secure client file exchange portals for your practice, so you and your clients can exchange confidential tax documents securely and conveniently. You can send signature documents, finished tax returns, or any other important files. Upload and download documents from any computer with Internet access at any time. Once your SecureFilePro account has been set up, you and your clients can access your portal from your custom SecureFilePro website link (URL).

SecureFilePro integrates with Drake Documents, to make it easy for you and your staff to move files between SecureFilePro and Drake Documents (Figure 13).

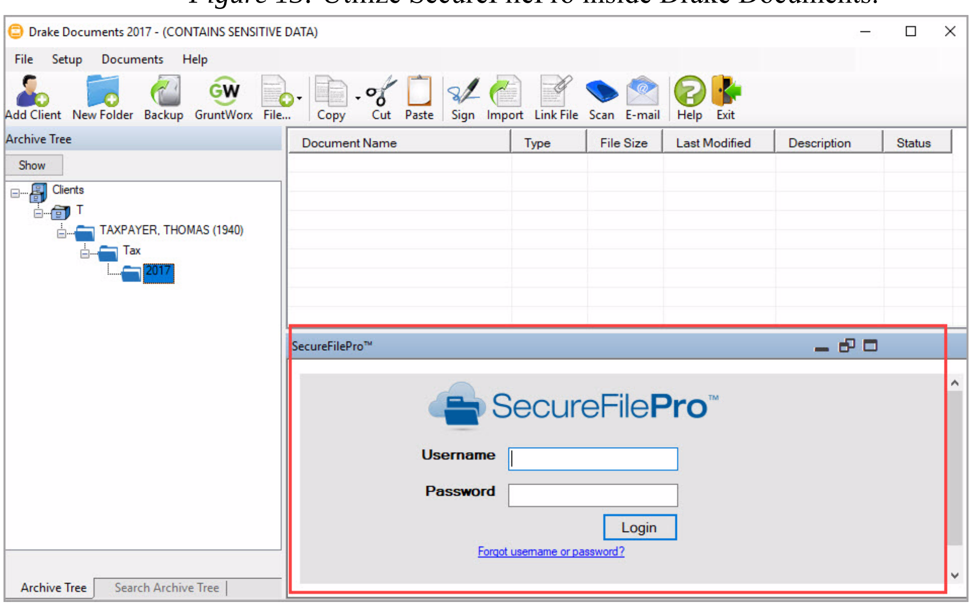
Drake Software customers who want to store their Drake files and at a secure, off-site, Internet-based location can back their files up to SecureFilePro (SFP). In Drake Tax, this option is available in the Backup and Restore dialog box. See page 483 in Chapter 13 of the *2017 Drake Tax User's Manual* for more information.)

Features of SecureFilePro include:

- An activity report that shows, at a glance, who has accessed which accounts and what has been uploaded and downloaded from the site.
- Automatic alerts emailed to your clients when their documents (such as their tax returns) are available for viewing or downloading.
- Automatic alerts when you are reaching the limit of your file-storage capacity.
- Email customization allows clients to:
  - Change certain text within the automatic emails
  - Add/remove a logo
  - Customize instructional paragraph for new and existing clients
  - Add additional paragraphs, and add footer information to emails
- Users with access can rename and delete added folders. The default folders cannot be changed or deleted.
- Site Branding: Logos can be placed left or right of the Firm Name.
- File expiration settings allow our clients to set a date to expire all files.
- Option to brand your site with your company logo and name.
- A custom URL (website address) for your site.
- Unlimited client and staff accounts.
- Automatic email alerts for uploaded files.
- Integration with Drake Tax and Drake Documents.
- Industry-standard security with 256-bit SSL encryption.

Accessing SecureFilePro from Drake Tax and Drake Documents

Figure 13: Utilize SecureFilePro inside Drake Documents.



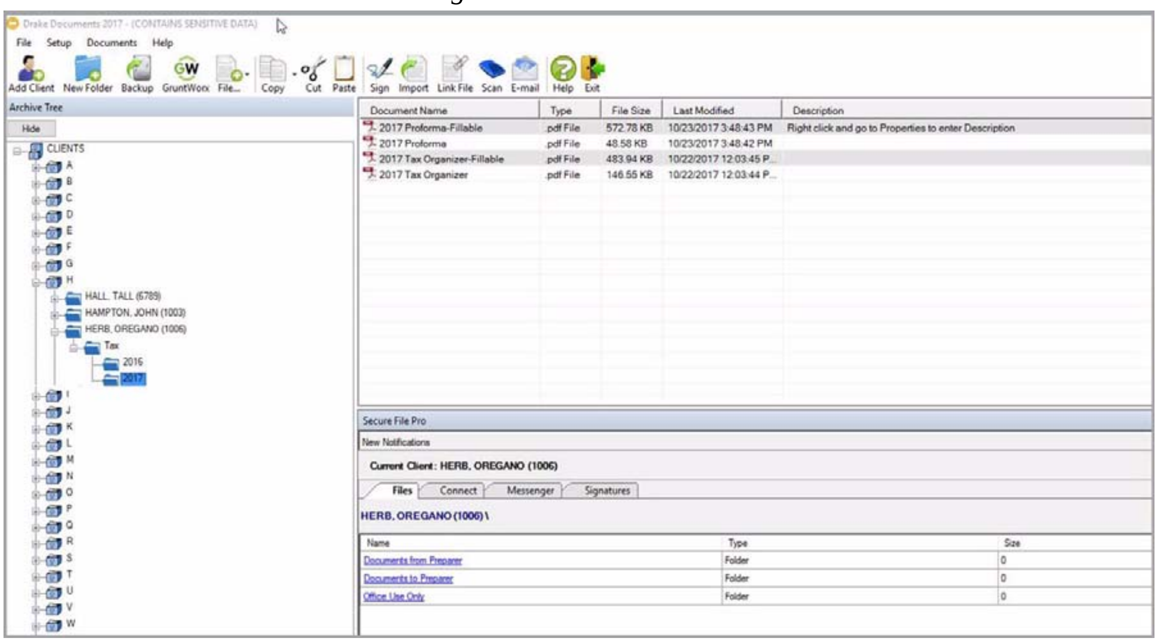
New for 2018: SecureFilePro Connect

SecureFilePro Connect can help you better serve clients who don't come into the office.

- A mobile-friendly interface lets clients take photos of tax documents and upload them to the SecureFilePro portal
- Messaging allows communicating back and forth with clients within SecureFilePro
- A prior-year summary can help clients gather what they need to send you for the new tax year
- A remote electronic signature option lets you get signatures from clients on their mobile device or PC*
- Online payments make it easy to collect payment electronically**

(* Additional fee required for the SFP Connect feature; e-payments must be received through EPS E-Pay Merchant Services).

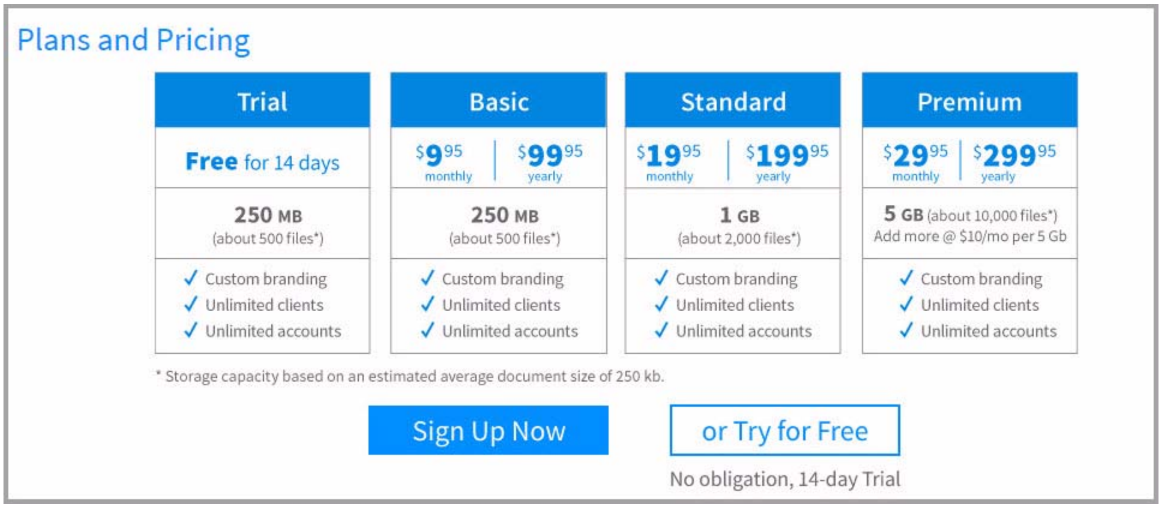
Figure 14: SecureFilePro Connect



SecureFilePro Plans and Pricing

Sign up for SecureFilePro from the Drake Support website (*Support.DrakeSoftware.com*) or SecureFilePro.com. Start a free 14-day free trial to see everything that SecureFilePro has to offer or sign up for one of the following plans (Figure 15).

Figure 15: SecureFilePro Plans and Pricing



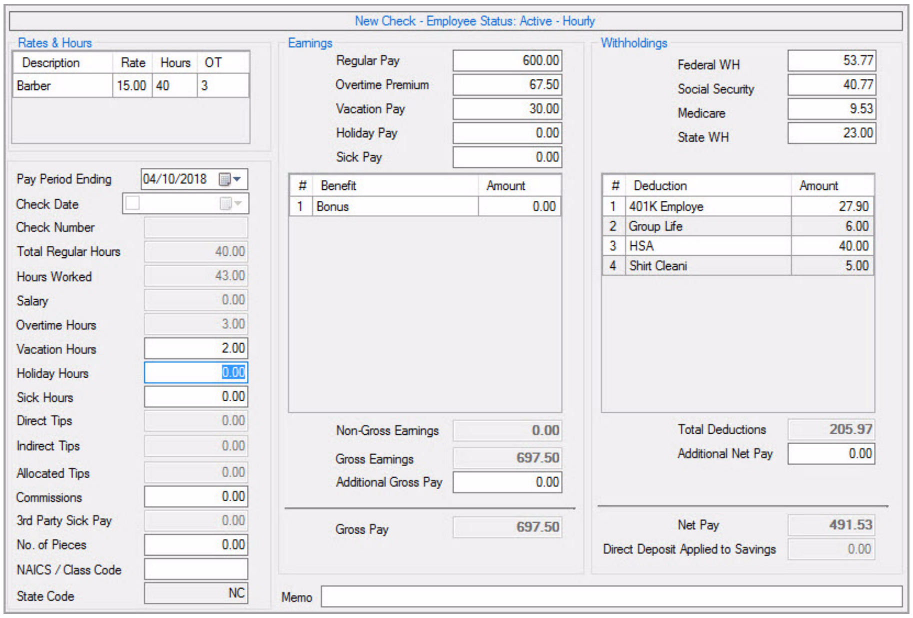
Drake Accounting

Drake Accounting provides the ability to manage basic client financial records through the use of double-entry accounting. A number of reports are provided including multi-column profit and loss reports, pre-posted reports, comparative or single column balance sheets, and payroll reports. Use Drake Accounting to enter vendor invoices, print (and reprint) live vendor checks, and enter after-the-fact vendor invoice information for accounting purposes. Use the Accounts Payable module or "Check Writer" to print vendor checks. Use the Accounts Receivable module to record and track customer invoices, shipments, payments, and balances.

Payroll Module

- Provides live and after-the-fact employee payroll with additional portal access available on the Internet. Also included are MICR check printing, direct deposit, e-filing quarterly and yearly employment tax forms, and e-filing Forms W-2 and 1099MISC.
- Employee Payroll supports direct and indirect tips, and unlimited payroll benefits and deductions per check.
- Forms 940, 941, 941SS, 941X, 943, 943X, 944, 944X, 944SS and W-2 are supported, as well as most state quarterly unemployment forms. Payroll journal entries can be created from payroll checks entered, to save keystrokes.

Figure 16: Live Payrollo



Accounting Module

- Set up a custom chart of accounts, import from an existing client or use a template.
- During setup, change account information as needed, add account levels, enter current budget, starting balances, and export to Drake Tax Software.
- Make journal entries to one of the five separate journals - general, cash receipts, cash disbursements, payroll, or budget - or save time and have Drake Accounting do it automatically.
- Reconcile cash amounts, post monthly transactions and close at year-end, and format financial reports using custom headers, footnotes, and logo.
- View or further customize any of the financial reports using most word processors.

Figure 17: Chart of Accounts

Number	Level	Name	Type	Sub-Type	Export	Cash Flow	Budget	(Current) Debit	(Current) Credit
100	1	Cash	Current Asset				0.00	0.00	0.00
100.01	0	Petty Cash	Current Asset				0.00	0.00	0.00
100.02	0	Checking Account	Current Asset	Bank Account/Cash			0.00	31,500.00	0.00
100.03	0	Savings Account	Current Asset				0.00	0.00	0.00
100.99	1	Total Cash Available	Current Asset				0.00	0.00	0.00
130	0	Accounts Receivable	Current Asset				0.00	0.00	0.00
160	0	Inventory	Current Asset				0.00	0.00	0.00
205	0	Land	Fixed Asset				0.00	0.00	0.00
210	0	Buildings	Fixed Asset				0.00	0.00	0.00
220	0	Furniture & Fixtures	Fixed Asset				0.00	0.00	0.00
221	0	Equipment	Fixed Asset				0.00	0.00	0.00
240	0	Autos & Trucks	Fixed Asset				0.00	0.00	0.00
245	0	Less Accumulated Depreciation	Fixed Asset				0.00	0.00	0.00
255	0	Goodwill	Other Asset				0.00	0.00	0.00
260	0	Deposits	Other Asset				0.00	0.00	0.00
265	0	Other Assets	Other Asset				0.00	0.00	0.00
320	0	Accounts Payable	Current Liability				0.00	0.00	0.00
330	0	Accrued Expenses	Current Liability				0.00	0.00	0.00
330.01	0	FICA - Employer's Part	Current Liability				0.00	0.00	0.00
330.02	0	Withheld FICA	Current Liability				0.00	0.00	0.00
330.03	0	Withheld Federal Tax	Current Liability				0.00	0.00	0.00
330.04	0	Withheld State Tax	Current Liability				0.00	0.00	0.00
330.05	0	State Unemployment Tax	Current Liability				0.00	0.00	0.00
330.06	0	Federal Unemployment Tax	Current Liability				0.00	0.00	0.00
330.2	0	Sales & Use Tax Payable	Current Liability				0.00	0.00	0.00
330.3	0	Back Taxes	Current Liability				0.00	0.00	0.00

Vendor Payments & Accounts Payable

- Print and track payments (live or after-the-fact) to vendors (1099-MISC) and other payees.
- Pay vendors by direct deposit, and, for payees, pay by invoice or simply use the check writer with little or no setup involved. At year-end, create Forms 1099-MISC and print or e-file when needed.

Accounts Receivable

- Send invoices and customer statements and post customer payments, penalties, and service charges.
- Track past-due monies and monitor sales tax liabilities (state, county, and local).
- Define individual customer credit limits, discounts, and applying a single payment to multiple invoices.

On-the-Fly Forms

Create these federal forms for printing or e-filing:

- Forms 940, 941, 941SS, 941X, 943, 943X, 944, 944SS, 944X
- Forms W-2, W-2G, W-3, W-2C/W-3C
- Form 1098 Mortgage Statements
- Forms 1099A, B, C, DIV, INT, MISC, PATR, R, and S

More Features

- Secure client information by job function: admin, office manager, or data-entry.
- Use spreadsheets to import initial client data: employees, vendors, customers, chart of accounts, and journal entries.
- Print all forms and documents in PDF format.
- Print mailing labels for employees, vendors, and customers, using 3 1/2” x 1 1/8” roll or sheet labels.
- Override the default Payroll General Ledger accounts for an employee or vendor
- Post payroll journal transactions automatically
- Optionally print other information on paystubs
- Enter as many payroll deductions and benefits as needed
- Customize federal, state, and local withholdings and rates
- Indicate vendor default accounts for cumulative entries to the journal and by 1099-MISC box categories
- Allow clients to initiate and track employee payroll through the web portal
- Provide batch reports for clients through the web portal

For more information about Drake Accounting visit: *Accounting.DrakeSoftware.com*.

Review Questions Part 8

Answer the questions below. See "Answers Part 8" on page 268 for answers and explanations.

1. Which of the following statements are *true* regarding the Tax Planner?

- **a)** The Tax Planner is a separate application that must be downloaded from the Drake Support website after purchasing.
- **b)** After creating one or more tax scenarios for the taxpayer, you can print and share a comparison worksheet.
- **c)** The Tax Planner only creates scenarios for the current year.
- **d)** The Tax Planner Scenario Comparison worksheet is limited to two scenarios.

2. Which of the following statements is *true* about Drake Documents?

- **a)** When you create a new return in Drake, a corresponding folder is automatically created in Drake Documents.
- **b)** When you print a return in Drake, you can also choose to save a PDF copy of that return in the client's Drake Documents folder.
- **c)** The Working Cabinet stores files for the current tax year and the Archive Cabinet stores files for both current and prior tax years.
- **d)** All of the above.

3. This Drake Software product enables you to exchange confidential tax documents securely and store files at an off-site, Internet-based location:

- **a)** GruntWorx
- **b)** SecureFilePro
- **c)** Client Write-Up
- **d)** Tax Planner

4. Which of the following statements are *untrue* about GruntWorx?

- **a)** GruntWorx offers three products: Organize, Populate and Trades.
- **b)** GruntWorx is a secure, Web-based application that automates organizing and populating tax data.
- **c)** GruntWorx integrates with Drake Tax.
- **d)** Purchasing GruntWorx is required with the purchase of Drake Tax.

ANSWERS PART 8

1. The correct answer is **b)After creating one or more tax scenarios for the taxpayer, you can print and share a comparison worksheet.** This worksheet enables you to compare the scenarios to the original return and with each other.

   a) is incorrect. The Drake Tax Planner is included in the Drake tax software package. A separate fee is not required. Access the Tax Planner from the **Data Entry menu** of a return.

   c) is incorrect. You can create scenarios for the current year and the following year. For 2017 scenarios, the calculations are based on 2017 inflation-indexed numbers.

   d) is incorrect. The Tax Scenarion Planning Comparison worksheet allows up to four scenarios including the original return.

2. The correct answer is **d)All of the above.**

   a), b) and c) are all true statements about Drake Documents.

3. The correct answer is **b)SecureFilePro**.

   a) is incorrect. GruntWorx is used to organize clients' supporting documents, extract and populate tax data, and import trade data into Drake Tax.

   c) is incorrect. Drake's Client Write-Up is an extensive payroll, bookkeeping, accounts payable, and accounts receivable package that integrates with financial reporting and live and after-the-fact payroll for filing of federal and state forms.

   d) is incorrect. The Drake Tax Planner is used to create and compare tax scenarios to assist clients with financial planning.

4. The only *untrue* statement about GruntWorx is **d) Purchasing GruntWorx is required with the purchase of Drake Tax.** Drake Tax users are not obligated to purchase GruntWorx. Products are charged on a per-page, per-form, and per-trade basis depending on which service is chosen. Log into *Drake-Software.com*, then go to **My Account** > **GruntWorx Integration** for details.

   a), c), and d) are all correct statements about GruntWorx.

CPE Information

2017 Drake Tax Evaluation Guide

Course Description: The *2017 Drake Software Evaluation Guide* provides an overview of Drake Tax 2017 tax preparation software. Upon completion of this self-study course, you will be able to:

- Navigate Drake Tax
- Prepare basic 1040, 1120, and 1065 returns in Drake
- e-File returns
- Utilize the online EF database, Tax Planner, Drake Documents, and more
- Understand the functions and benefits of Drake tools and other resources
- Report on client and EF data
- Perform software and file maintenance

Course Fee: There is no charge to take this course; pay only if you want CPE after completing the final exam. The cost for CPE is **$50**

Accessing the course and the CPE Exam: This self-study course consists of the *2017 Drake Software Evaluation Guide* in PDF format, exercises, review questions, and a final exam. Choose one of the following locations to access the course:

- 2017 Drake Tax Demo CD
- Drake e-Training Center - sign into *DrakeETC.com* (new users, create an ETC account) and click **Self-Study > Software Topics**.
- Drake Support Website -go to *DrakeSoftware.com* and click **Service and Learning > Get Started with Drake** > **Document Downloads**.

CPE is awarded for a final exam score of 70% or higher. **Non-Drake clients**: To receive a copy of the Evaluation Guide and Demo CD, call (800) 890-9500.

Affiliation*	CPE Awarded	Delivery Method / Course Format	Field of Study	Course ID #	Sponsor ID #
NASBA	6	Self-Study	Specialized Knowledge and Applications	N/A	103137
CTEC**	0/0	N/A	N/A	N/A	3038
IRS	6	Self-Study	Federal Tax	FQTGU-T-00251-18-S	FQTGU
TX State Board of Accountancy	6	Self-Study	Specialized Knowledge and Applications	100230	002921
OR State Board of Tax Practitioners	6	Self-Study	Federal Tax	N/A	N/A
PA State Board of Public Accountancy	3	Self-Study (Non-Interactive)	Specialized Knowledge and Applications	N/A	N/A

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

** CTEC will no longer accept software-training programs for CPE credit.

Course Level: Overview

Last Revision: April 2018

Course Expiration: The CPE portion of this course expires one year from the date of purchase.

Prerequisites/Advance Preparation: There are no prerequisites to participate in this course and no advance preparation is needed.

Course Policies: Refund requests must be sent in writing to the Drake Software Education Department via mail, fax, or email. Refunds will not be granted by phone. Students must complete the course on or before the expiration date to receive CPE credit. No refunds will be issued after the course expiration date. For more information regarding the refund policy or to address concerns/complaints regarding this course please contact the Drake Education Department at (828) 524-8020 or *Education@DrakeSoftware.com*.

Drake Software is an IRS qualified sponsor of continuing professional education.

Drake Software is registered with the Texas State Board of Public accountancy as a CPE sponsor. This registration does not constitute an endorsement by the Board as to the quality of our CPE program.

Drake Software is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website: www.learningmarket.org.

CPE Exam

To earn CPE: Take the final exam online at *DrakeETC.com*. A free account is required to access the online exam. Once logged in, select **Self Study on the blue sidebar menu, click the link in the Status column of the** *2017 Drake Tax Evaluation Guide*, and click the **Launch Exam** link. **No CPE:** If you are not interested in earning CPE, you can still take the test online at *DrakeETC.com* and view your score. Other options are to send a copy of your exam (with your answers circled), along with your name, EFIN, and email address to *Education@DrakeSoftware.com,* or fax a copy to 828-349-5713. We will grade your test and send your score to you by email.

1. Which of the following program settings can be configured in **Setup > Options** on the **Data Entry** tab?
   - **a)** Choose which federal forms are included with returns.
   - **b)** Choose which state forms share data entry information with federal returns.
   - **c)** Select appearance, size, and content of data entry screens.
   - **d)** Select which data entry fields must be filled out for each return.
2. What field on screen **1** would be used to select a preparer to be associated with a tax return?
   - **a)** Login ID
   - **b)** Business Code
   - **c)** Preparer #
   - **d)** Setup Numeral
3. A field flag can be cleared by:
   - **a)** Right-clicking in a field and selecting **View Return** (CTRL+V)
   - **b)** Right-clicking in a field and selecting **Remove Flag** (F4)
   - **c)** Right-clicking in a field and selecting **Reset Field**
   - **d)** Deleting the field from the screen
4. Which of the following is *not* true when downloading Drake programs from the Drake Support website?
   - **a)** Only federal programs can be selected for download from the **Download center**.
   - **b)** Federal, state, and city programs can all be downloaded together from the **Download center**.
   - **c)** When installing the licensed version of Drake Tax, an account number and serial number must be entered and the license agreement must be signed before the installation can be completed.
   - **d)** To get to the Download Center, go to *Support.DrakeSoftware.com*, log into **Support** with your username and password, and select **Download Center**.
5. How can the Multi-Office Manager serve you in your business?
   - **a)** Stores returns and scanned-in tax papers in electronic files.
   - **b)** Alerts you when to send preseason and after-season organizers and proformas.
   - **c)** Alerts you when an SSN has already been filed to prevent duplicate filings.
   - **d)** Tracks client files for multiple offices.

6. What is the purpose of a MESSAGES page in a return?
   a) It alerts you to broadcast emails stored in the Drake Message Center
   b) To display issues within a return that cause it to be ineligible for e-file (includes error codes, descriptions of the issues, and identification of fields that must be verified or corrected)
   c) To display informational details about the return, but it does not prevent e-file or require that changes be made
   d) It is opened to the **EF Options Override** screen with federal and state error messages listed
7. Where would you go to suppress e-filing of state returns for a particular client?
   a) **EF** screen
   b) **PIN** screen
   c) **ESUM** screen
   d) Screen **2**
8. Many of the settings on the **Form & Schedule Options** tab in **Setup** > **Options** can be overridden on a per-return basis from which data entry screen?
   a) **ADMN** screen
   b) Screen **1**
   c) **PRNT** screen
   d) **EF** screen
9. By default, Drake Tax automatically designates for e-filing:
   a) Eligible federal returns and selected state returns
   b) All federal, state, and local returns that are eligible for e-filing
   c) Eligible federal returns only; state returns must be transmitted separately
   d) No returns. The preparer must manually designate returns for e-filing on the **EF** screen.
10. Which of the following is *not* a valid way to open an existing return from the **Home** window?
    a) Click the client name in the **Recent Returns** list or press the associated key
    b) Right-click the file on the Personal Client Manager and choose **Open Selected Client**
    c) Click **Open/Create** return on the toolbar and double-click the return on the list
    d) Press CTRL+C, enter the SSN in the text box, and click **OK**.
11. Which screen is used for *calculating* automobile expenses related to self-employed business income?
    a) **AUTO**
    b) **4562**
    c) **4797**
    d) **C**
12. Once a 1099 has been entered in Drake Tax, how can you quickly save your data entry and produce an additional screen?
    a) Press INSERT
    b) Press PAGE DOWN
    c) Press F3
    d) Press ESC

13. Which of the following is NOT a feature of the Client Status Manager (CSM)?

- **a)** Filters
- **b)** Reports
- **c)** Custom Statuses
- **d)** Depreciation Lists

14. Forms-based Data Entry allows a preparer to access data entry screens from which of the following?

- **a)** The **Data Entry Menu**
- **b)** A tax form (such as a 1040) in View mode with clickable links
- **c)** A list of tax form line numbers
- **d)** A pre-formatted PDF

15. From screen **C**, how can you search for the **Business code**?

- **a)** You cannot. You must check the Schedule C instructions
- **b)** In the **Business code** field, press CTRL+SHIFT+S (or right-click and select **Search**)
- **c)** In the **Business code** field, press ESC
- **d)** Click **Business code**

16. Where can you go to access real-time information and run reports about e-filed returns?

- **a)** Online EF Database (or Drake App for mobile devices)
- **b)** Visit IRS.gov
- **c)** EF Return Selector
- **d)** Search EF Database

17. How do you file an amended 1040 return in Drake Tax?

- **a)** Print a blank Form 1040X, complete it, and mail it to the IRS.
- **b)** e-File the original return again with a PDF attachment containing a list of changes.
- **c)** Re-enter all information into the return and reprint it. Mail it to the IRS.
- **d)** Type X in the selector field and press ENTER. Click **Yes** to autofill the screen. Make needed changes to the data entry screens to amend the return. Print, sign, and mail it to the IRS.

18. How can a part-year return be generated in Drake Tax?

- **a)** Create two separate returns
- **b)** Type PY in the selector field, press ENTER, and fill out the screen
- **c)** Select PY in the **Resident state** field on data entry screen **1**
- **d)** From the **States** tab, select **PY,** and make entries on the applicable screens

19. In Drake Tax, how do you associate a depreciable asset on the 4562 with a particular schedule or form?

- **a)** On the **4562** screen, use the **For** drop list to select the form or schedule.
- **b)** Re-enter the total depreciation amount from the 4562 on the screen for that particular schedule or form.
- **c)** Create a worksheet on the **4562** screen and list the form or schedule that each asset is associated with in the **Description** field.
- **d)** The software automatically associates the assets with the forms based on the order in which they are entered.

20. In Drake Tax, where in the **Setup** menu can the administrator choose settings requiring that all due diligence assistance screens be completed and all due diligence assistance documents be printed?

    a) **Setup** > **Options** > **Administrative Options**
    b) **Setup** > **Options** > **Data Entry**
    c) **Setup** > **Preparers**
    d) **Setup** > **Options** > **Calculation & View/Print**

21. Which of the following setup windows must be completed before you can prepare and e-file returns?

    a) **Firm**, **ERO**, and **EF** setup
    b) **Firm**, **ERO**, and **Preparer** setup
    c) **Firm** and **ERO** setup
    d) **Firm** and **Preparer** setup

22. Use this tool to import Schedule D transactions directly into a tax return.

    a) Form 8949 /Gruntworx Trades
    b) **Tools** > **Import Client File**
    c) **Tools > Import Transactions**
    d) SecureFilePro

23. When setting up Drake Documents, choose the ________ cabinet if you prefer to view and store files for *only* the current tax year in one location.

    a) Working
    b) Archive

24. In which case should **Repair Index Files** be used?

    a) After deleting a client file
    b) After creating a new client file
    c) After a client's return is calculated
    d) Before processing e-file acknowledgments

25. On which data entry screen is the filing status selected?

    a) Screen **1, Name and Address**
    b) Screen **2, Dependents**
    c) **MISC, Miscellaneous Codes/Notes**
    d) **TAX, Taxpayer Information**

26. To print a blank federal or state tax form in Drake Tax:

    a) Click **Support** from the **Home** window toolbar, log in, and choose **Blank Forms** from the list.
    b) Open a new return, click **View**, choose from the **Forms** list, and press CTRL+P.
    c) Click **IRS Tax Forms from the menu bar**, choose from the forms list, and click **Print**.
    d) Go to **Tools > Blank Forms**, select a form category, tax package, and form; then click **Print**.

27. Which statement is *true* about the **PMT** screen?

- **a)** This screen can be used to apply for a bank product.
- **b)** If no payment date is entered on this screen, the default is the last day of the month in which the return was created.
- **c)** Separate accounts can be designated for federal and state payments on this screen.
- **d)** This screen is divided into two sections: one for withdrawals and the other for direct deposits.

28. Which of the following is true of Form 1125-E for a corporate (1120) return in Drake Tax?

- **a)** Only one officer may be listed using Form 1125-E for a corporate return.
- **b)** Form 1125-E is required only if total receipts for the corporation are $500,000 or more and the corporation deducts compensation for officers.
- **c)** It is not necessary to indicate ownership percentages when there are less than four officers in the corporation.
- **d)** Form 1125-E data is entered in Drake Tax on screen **1** (**Name, Address, General Info**) for an 1120 return.

29. Select one way to set the status of a return:

- **a)** In the Client Status Manager, click **Customize**.
- **b)** On the **Data Entry Menu inside a return**, click the **CSM** button and select a status.
- **c)** In the Client Status Manager, click **Status**, then select from the list.
- **d)** From the **Home** window, go to **Tools > Set Client Status**.

30. If a screen name is colored on the **Data Entry Menu** but contains no data, it must be deleted to prevent e-filing errors. To delete a screen, open the screen to be deleted and press:

- **a)** SHIFT+D (or right-click and select SHIFT+D)
- **b)** ALT+D (or right-click and select ALT+D)
- **c)** CTRL+D (or right-click and select CTRL+D)
- **d)** CTRL+SHIFT+D (or right-click and select CTRL+SHIFT+D)

31. Where do you go to opt out of bonus depreciation for *all* assets in a 1065 return?

- **a)** On the **Data Entry Menu**, click **BD** or enter BD in the selector field and press ENTER.
- **b)** On the **Data Entry Menu**, select the **4562** tab and click **Grid Data Entry**.
- **c)** On the **Depreciable Assets** tab, click either **Sales** or **Assets**.
- **d)** From the **Assets-Sales-Recapture** tab, go to the **Depreciable Assets** section, open screen **10** (**Additional Depreciation Elections**) and check the first box.

32. You've installed a new printer and connected it to your computer or network. How do you connect the printer to Drake Tax for printing returns?

- **a)** Create a new printer profile at **Setup > Update Profile**.
- **b)** Type in the printer model number by going to **Setup > Printing > Printer Setup**.
- **c)** Drake Tax automatically detects printers that are installed on your system, but you will need to test the printer by going to **Setup** > **Printing** > **Printer Setup** > (F8) **Edit Printer Settings**.
- **d)** Reinstall Drake Tax after adding a new printer to your computer or network.

33. Once a return is ready to be e-filed, what is the first step in the e-filing process in Drake Tax?

- **a)** Go to **EF** > **Transmit/Receive**
- **b)** Go to **EF** > **Process Acks**
- **c)** Go to **EF** > **Select Returns for EF**
- **d)** Go to **EF** > **Search the EF database**

34. Which screen is used to electronically sign a return for e-file?

- **a)** **EF** screen
- **b)** **PIN** screen
- **c)** **CONS** screen
- **d)** **SIGN** screen

35. The Archive Cabinet of Drake Documents stores files in which three-level filing structure?

- **a)** 1 - Cabinet, 2 - Drawer, 3 - Folder
- **b)** 1 - Drawer, 2 - Folder, 3 - File
- **c)** 1 - File, 2 - Folder, 3 - Document
- **d)** 1 - Cabinet, 2 - Folder, 3- File

36. The Drake PDF Printer:

- **a)** Must be installed in **Setup > Printing > Default Printer**
- **b)** Prints returns and other documents in PDF format
- **c)** Prints e-filed returns from the Drake EF database
- **d)** Prints e-filed returns directly from the IRS website

37. Which screen is used to electronically sign the *Consent to Use of Tax Return Information Form* required by Internal Revenue Code section 7216?

- **a)** **USE** screen
- **b)** **PIN** screen
- **c)** **IFP** screen
- **d)** **BANK** screen

38. Which support resource includes an "itinerary" of stops designed to guide new Drake Tax users?

- **a)** Drake Knowledge Base
- **b)** Drake Forums
- **c)** Drake ETC
- **d)** Passport to Success

39. In a 1065 return, which screen is used to calculate a partner's new basis after increases or decreases to basis?

- **a)** **SA (Partner Special Allocations)** screen
- **b)** **Basis Wks** tab of **K1** screen
- **c)** **M2 (Partners' Capital)** screen
- **d)** **L** (**Assets, Liabilities, and Capital**) screen

40. In an 1120 return, where can you make entries to reconcile income (or loss) per *books* with income (or loss) per *return*?

- **a)** **M1** screen
- **b)** **View Forms** and print an income statement
- **c)** **Income** tab and click **Reconcile**
- **d)** **Reconciliation of Income** tab and click **Schedule M**

41. In a 1065 return, where can you enter special allocations to partners' income using a percentage?

- **a)** On **to go to the Ownership Information** screen, enter an allocation percentage for each partner in the **Max% Owned in Profit, Loss, or Capital** field for each partner.
- **b)** On the **M1 Reconciliation of Income** screen, enter a percentage in each **override** field.
- **c)** Go to the **Schedule K Other Information** screen, select the **SA** link for the applicable income line, select **Percentage** as **Allocation Type**, and enter the decimal amount needed in the **Percentage** field to the right of each partner listed.
- **d)** Special allocations cannot be made to partners' income in a 1065 return.

42. How can you generate a loan repayment schedule in Drake Tax?

- **a)** In data entry, use the **AMT** screen.
- **b)** From the **Home** window, go to **Tools > Amortization**.
- **c)** Right-click the **Data Entry Menu** and select **Amortization**.
- **d)** Click the **Support** icon on the **Home** window and select **Amortization**.

43. This data entry feature enables you to see last year data on your current year screens without having to open both versions of the software.

- **a)** LookBack
- **b)** LinkBacks
- **c)** Double-check
- **d)** Tax Planner

44. When reviewing a corporate (1120) return in Drake Tax, check for balanced assets and liabilities on which form?

- **a)** Form 1120, page 5 (1120.PG5)
- **b)** Form 1120, page 1 (1120)
- **c)** Form 1120-W (WK_1120W)
- **d)** Form 1120, Schedule G (1120G)

45. Which of the following methods can be used to navigate Drake Tax?

- **a)** Mouse
- **b)** Keyboard Shortcuts (Hot Keys)
- **c)** Toolbar
- **d)** All of the above

46. What method in Drake Tax is used to notify a preparer when software updates are needed?

a) The preparer will receive an email
b) The preparer will receive a text message
c) A message appears in the **Notifications** section of the **Home** window in Drake Tax
d) An alert appears in the **Alerts** section of the **Home** window in Drake Tax

47. Where can a preparer go to create multiple scenarios that show how changes (such as adopting a child or selling property) could affect a taxpayer's financial and tax situation.

a) Drake Documents
b) Client Status Manager
c) Drake does not offer this feature
d) Tax Planner

48. What Drake product can be used by tax professionals and taxpayers to securely exchange sensitive documents and tax information?

a) Gruntworx
b) Drake Documents
c) Tax Planner
d) SecureFilePro

49. Which of the following predefined reports are available in Drake Tax?

a) Client Reports
b) EF/Bank Reports
c) Scheduler Reports
d) All of the above

50. Which Drake resource provides software training with progress-tracking tools and interactive testing for individuals and group administrators to monitor their personal and collective progress?

a) 1040.com
b) *DrakeETC.com* (Drake e-Training Center)
c) *Support.DrakeSoftware.com* (Drake Support Website)
d) EOM.DrakeSoftware.com (Enterprise Officer Manager)

Glossary

Acknowledgments (acks)

All e-filed returns receive "acks," acknowledging to the transmitter that the return was received. "T" acks designate a test returns, "P" acks acknowledge a transmission was received, "A" acks designate a return was accepted, and "R" acks designate a return was rejected.

Archive Manager

A tool that allows you to archive various versions of a return. Archive, restore or delete the archived returns from the Archive Manager.

Bank Products

Bank products offer refund disbursement and preparer fee collection options for taxpayers and work seamlessly with Drake Tax.

Blank Forms

Many forms that are not required and are not automatically filled out by Drake Tax can still be found and printed from the software from **Tools > Blank Forms.**

Calculation Results Window

Press CTRL+C to view this window. The **Summary** tab displays a calculation summary, EF messages, and notes for federal and state returns. It also lists the preparation fees and, when bank products are present, the bank fees and net amount of any refund check (or the total of all fees charged if there is a balance due). The **Details** tab displays return amounts in a printable format.

Client Status Manager

A program used to track workflow in an office.

Data Entry

The term used to describe the screens and process used when preparing tax returns in Drake.

Data Entry Menu

The first screen encountered when opening an existing return. Lists all the forms, schedules, and screens that may be used to create a return.

Drake Documents

A program included with Drake Tax designed to help you set up, organize, and maintain a "paperless" office.

DoubleCheck

Check, flag, or add notes to data fields as you review them in Enhanced View Mode. DoubleCheck is available for all packages.

EFIN

Electronic Filing Identification Number or EFIN. Preparers new to e-filing must apply for an EFIN on the IRS website *www.irs.gov.*

ERO

Electronic Return Originator. To become an ERO, preparers must apply for an EFIN.

e-Training Center (ETC)

An online training site with tax courses, practice returns, videos and tutorials to help new preparers learn Drake's tax software.

FAQ Screen

Frequently Asked Questions. Type FAQ in the selector field and press ENTER to access additional information.

Flagged Fields

data entry fields that can be "flagged" to automatically remind the preparer to verify the data in those fields before the program allows e-filing. Flagged fields are shaded green by default until verification.

Forms-Based Data Entry

A data entry format that allows preparers to view an interactive 1040 Form rather than the **Data Entry Menu**.

Grid Data Entry

A condensed data entry screen requiring data entry in only the most commonly used fields.

Group Security

Assign a preparer to a security group. Security settings are established at the group level.

GruntWorx

Transfer data from paper-based forms and PDF files, into Drake Tax. This technology reduces the paperwork, data entry and wait time associated with tax preparation.

Heads-Down Data Entry

Uses field codes that correspond with interview sheets (proformas). Data can be gathered by a tax preparer and entered by a data entry operator.

Help

Various types of Help are available, from field Help and screen Help to aid you in determining how to complete required screens, to online tax research.

Home Window

The main screen of the Drake tax program, accessed by logging in.

Key Combinations

Allow you to perform specific actions quickly and easily using the keyboard. They are written as two or more key names connected by a plus (+) sign. Press and hold down one key, and then press a second key. Key combinations are shown to the right of each menu item. For example, press CTRL+C to calculate a return.

Keyboard Shortcuts

Allow you to perform tasks from the **Home** window without using the mouse. Press ALT to display the underlined keyboard shortcut and then press the desired keyboard shortcut. For example, from the **Home** window, press ALT, F, O (F for File, O for Open) to open the **Open/Create a New Return** dialog box.

Knowledge Base

A comprehensive searchable database consisting of support solutions and articles of interest, providing support around the clock.

LinkBacks

When viewing a return in Enhanced View in Drake16, you can use LinkBacks to help you locate the source of data on the return. LinkBacks are available for main forms (federal 1040, 1041, 1120, 1120S, 1065 packages), Schedules A through F (federal 1040 package), and individual resident and nonresident main forms (all state 1040 packages).

LookBack

The LookBack feature allows you to see last year data on your current year screens without having to open both versions of the software. LookBack is available on most forms in the federal packages.

Macros

Macros are a series of commands and functions that allow a combination of keys to accomplish tasks. Also called keyboard shortcuts, some macros are already available in the program; for example, CTRL+V opens View mode. You can edit existing macros or create new ones to meet your office's needs. You can also use macros for data that is used often by your office.

Menu Bar

The horizontal list of menus at the top of a Drake window, such as the **Home** window. Click a menu to view menu options.

MESSAGES Page

Red pages that appear in View or Print mode when a return has certain issues that would cause an IRS/State rejection. You cannot select a return for e-filing with a red MESSAGES page. Correct the issue and view the return. If the MESSAGES page is gone, the return can be e-filed.

Multi-Office Manager (MOM)

An online version of the Client Status Manager, designed to track the work flow in a multi-office environment.

Name and Address and General Information Screen

Also known as screen **1**, it's where the personal information of the client is entered when preparing a return.

NOTES Page

The yellow NOTES page provides reminders or tips about a tax return but does not prevent e-filing.

Online EF Database

Displays information about your e-filed returns in real time and offers various online reporting features.

Overrides and Adjustments

Fields labeled with a red equal sign (=) or blue plus/minus sign (+/-). Entries in these fields change the amount calculated by the program.

PDF

Portable Document Format (PDF) is a file format that captures all the elements of a printed document as an electronic image that can be viewed or printed. PDF files are created using the Drake PDF Printer, Adobe Distiller, PDF995, or similar products. View the files with Adobe Reader.

PIN

Personal Identification Number (for tax return preparers, taxpayers, and spouses).

PIN Signature

A PIN that takes the place of a signature on e-filed returns. All e-filed returns must be signed by the taxpayer, spouse, (if filing a joint return), and preparer with PINs.

Practice Returns

Like test returns, practice returns allow preparers not familiar with Drake to complete returns based on various scenarios and learn the basics of data entry.

Print Mode

Allows printing of the forms associated with a return. Press CTRL+P to enter **Print** mode.

Quick Estimator

Allows you to prepare an estimated individual return quickly and calculate the results. (Results from the Quick Estimator should *not* be filed.)

Scheduler

A program for setting up and managing the schedules and appointments of multiple preparers. Reminders and reports are also available through the Scheduler.

SecureFilePro

SecureFilePro™ provides secure client file exchange portals for your practice, so you and your clients can exchange confidential tax documents securely and conveniently. Send and receive client documents on your own secure site.

Selector Field

The text box at the bottom of the **Data Entry Menu**. Type corresponding screen codes into the selector field and press ENTER to access data entry screens. Type a keyword in the selector field and press ENTER to search for related data entry screens.

Setup Assistant

A feature designed to guide you through the process of setting up important parts of the program.

Split Return

Press CTRL+S to split a MFJ (Married Filing Joint) return into two MFS (Married Filing Separate) returns, allowing you to easily compare and determine the best option for the taxpayers.

State and City Programs

Programs necessary for completing state and city tax returns. Install from the Evaluation CD.

Tax Planner

Software tool that enables you to forecast your clients' tax future and how changes in their lives – marriage, children, retirement, divorce – can change their tax liabilities for the current and following tax year. Create tax planning "scenarios" using return data entry.

Test Returns

Pre-prepared returns already loaded into the software that new customers can use to learn the software and the basics of electronically transmitting tax returns.

Toolbar

A horizontal list of buttons (icons) located at the top of a Drake window, sometimes beneath the menu bar. Click these buttons to quickly navigate the program.

Updates (Patches)

Changes in tax laws and corrections, additions, and improvements to how the program functions that Drake sends its customers. During tax season, updates should be installed daily.

Video Tutorials

Links to short video tutorials are scattered throughout the software to help you with setup, data entry, return preparation, and much more. For a complete listing, go to the Drake **Home** window and select **Support > Drake Software Video Tutorials**. An Internet connection is required.

View Mode

Allows you to view the actual forms that print with a return. Press CTRL+V to enter View mode.

View/Print Mode

A View and Print mode that allows viewing and printing from the same window, making it easier and faster to see how a printed return will look.

Worksheets

Available in every numerical field in data entry, worksheets allow up to 30 lines of descriptions and amounts. Amounts entered are totaled in the data entry field. Detail worksheets are not e-filed with a return

Index

Numerics

A

B

C

D

E

F

G

H

I

K

L

M

N

O

P

Q

R

S

T

U

V

W

Z