



User's Manual Supplement

# Partnerships (1065)



# **Drake Software User's Manual**

**Tax Year 2011**

**Supplement: Partnerships  
(1065)**

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# Partnerships (1065)

The basics of data entry for a partnership (1065) return are the same as for the 1040. Field- and screen-level help, shortcut keys, and navigation throughout data entry all function as they do in the 1040 package. See the *Drake Software User's Manual: Tax Year 2011* for the basics of using the program.

## What's New in Drake for Partnership Returns

Drake programs its tax software according to the latest IRS rules and regulations. The 2011 program reflects all changes to credits and deductions, including discontinuations. For details on new regulations for 2011, see the IRS instructions for Form 1065.

### ELEC Screen Changes

The **ELEC** screen has been revised for easier, more efficient selection of various elections available to corporations. For more information on choosing elections in Drake, see "Elections" on page 35.

### Ownership Changes

New for 2011, ownership changes for partnerships should be entered on the **OWN** screen. Enter the date of ownership change at the top of the screen. From the **Change in Percentages** section, select a partner from the **Partner's ID Number and Name** drop list. Enter the partner's percentage of profit, loss, or capital received as a positive number or the percentage of profit, loss, or capital relinquished as a negative number. Press **PAGE DOWN** to open a new screen for additional ownership changes. (See "Ownership Changes" on page 20.)

### Income and Deduction Screens

The data entry screens for income and deductions have been revised for easier data entry. Only two screens are now required in order to calculate ordinary business income for a return:

- **INC** — Includes all items of income reported on Form 1065, page 1, lines 1b through 7, that do not require a separate schedule (Form 1125-A) or additional information (Income reported on Form 1065, Schedule K-1); also includes the Schedule K – Most Common Items previously included on screen **3**.
- **DED** — Includes all deduction items reported on Form 1065, page 1, lines 9 through 20, that do not require a separate schedule or form (Form 8846).

Screens **3** and **TAX** have been eliminated from the 1065 package.

## Multi-State Apportionment

Previously, in order to prepare a multi-state return in Drake—for a company doing business in more than one state—you had to go to each individual state's screens and enter its sales, payroll, and property factors. Drake would then calculate the apportionment factor on that state's tax form.

With the new **APPT** screen, you can enter the apportionment information for all states in one global location. The link to the **APPT** screen can be found on the **States** tab, or you enter **APPT** in the selector field and press **ENTER**. (See “Multi-State Apportionment” on page 17.)

## Cost of Goods Sold (Form 1125-A)

In years past, Schedule A, Cost of Goods Sold, was located on page 2 of Form 1065. Beginning with tax year 2011, entries on screen **A** produce a separate form, Form 1125-A, Cost of Goods Sold. (See “Cost of Goods Sold (Form 1125-A)” on page 6.)

## 8609 Screen

The **8609** screen (for Form 8609, Low-Income Housing Credit Allocation and Certification) has been reorganized for easier data entry. Among the changes:

- Fields required for both Form 8609 and Form 8609-A are now separated on the screen from the other information fields.
- Other fields for Form 8609-A are now located in the middle of the screen.
- Other fields for Form 8609 are now located in the bottom half of the screen.

## Schedule K Screen Changes

The screens for Schedule K, Partners' Distributive Share, have been changed for more efficient data entry. Changes include:

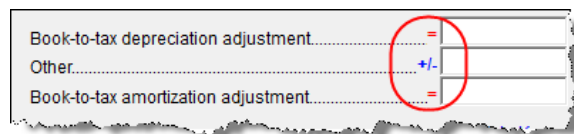
- If a form is required for a particular line, the corresponding field has been replaced with a link to the screen for the required form. For example, an entry on line 11, “Other Income,” might require that Form 6781, Gains and Losses From Section 1256 Contracts and Straddles, be completed. Rather than include a field for this line on screen **K**, the program now provides a link screen **6781**.
- Ownership change dates, originally located on a third **K** screen, can now be found on new **OWN** screen. For more information about the **OWN** screen, see “Ownership Changes” on page 20.

## Book Depreciation Schedules

A book depreciation schedule will now be printed when the **Carry book accumulated depreciation and amortization to Schedule L** check box is marked on the L screen.

## Adjustment and Override Worksheets

The Adjustment Worksheet and Override Worksheet are updated each year to help you understand what happens in the return when certain data is changed through the use of adjustment or override fields (Figure 1).



**Figure 1:** Adjustment (+/-) and override (=) fields

By default, fields that allow overrides are preceded by an equal sign (=) and display red text. Data entered in these fields replaces, or overrides, program calculations. Fields that allow adjustments are preceded by a plus/minus sign (+/-) and display blue text. Data in these fields adjust program calculations by the amount entered. A positive number increases the calculated amount; a negative number decreases it.

The Adjustment and Override worksheets are available through the **FAQ** screen. To access them, open the **FAQ** screen, click the **Screen Help** button (or press CTRL+ALT+?) and click the links at the top of the window.

## Updating a Prior-Year Return in Drake

If you prepared the tax return in Drake last year, you will need to update the return for the current year. A prior-year return can be updated in three ways:

- With all other returns in the program using **Last Year Data > Update Clients 2010 to 2011** (not recommended)
- As a single return (updated one at a time) using **Last Year Data > Update Clients 2010 to 2011** (recommended)
- When you open the return for the first time in the 2011 program and are prompted to update it

When you update a 1065 return that was marked as “final” the previous year, the program informs you that the return was marked final before prompting you to proceed.

## Header Information

Screen 1 contains fields for the general information that is printed in the top section of page 1 of Form 1065.

## Name and Address

Use screen **1** to complete the partnership name and address section of Form 1065. For state purposes only, if the partnership has an alternate address (such as a P.O. box), you can enter it in the **Address Line 2** field at the bottom of screen **2**. (Access screen **2** from the **States** tab, or enter **2** in the selector field and press ENTER.)

## Tax Year

The software uses the calendar year as the default period for all partnership returns. No date entries are required on screen **1** for a December 31 tax year-end.

### NOTE

The program adjusts calculations for depreciation and for gains and losses on sales of assets based on the entity's tax year.

For information on filing with a 52-53-week year, see "Electing a 52-53-Week Year (Initial Return)" on page 39.

### Fiscal and Calendar Years

If the partnership uses a fiscal year (where the year begins in the current calendar year and ends in the next), specify the beginning and ending dates in the **If not a calendar year** section of screen **1**.

### Short-Year Returns

An entity may have a short-year return if changing accounting periods with IRS approval (Form 3115), or if this is its first or last year in business and the tax year is not a full year.

To indicate a short-year return, use the fiscal year date fields on screen **1** to indicate the beginning and ending dates for the current year. (These fields should *not* be used if the entity is filing a full calendar-year return.)

### NOTES

For more information on short-year returns, see IRS Pub 4163.

The program may not correctly calculate depreciation, gains, or losses for a short-year return. Depreciation for a short-year return can be manually entered on screen **4562** or screens **6, 7, 8, and 9**.

## Boxes A through J

Enter most information for boxes A through J (top of Form 1065) on screen **1**. Note that boxes D (Employer identification number), F (Total assets), and J (Schedule C and M-3 attached) are completed automatically based on information entered elsewhere in the program. Other boxes are:

- Box A — Principal business activity
- Box B — Principal product or service
- Box C — Business code number (Press CTRL+SHIFT+S to search activity codes)
- Box E — Date business started

- Item G — Initial, final, or amended return; address or name change; technical termination

**NOTE**

A technical termination occurs when there has been a sale or exchange of 50% or more of the interests in partnership capital and profits within a 12-month period. On screen **1** in Drake, mark the **Technical termination** box and either **Initial Return** or **Final Return** as applicable.

- Item H — Accounting method (Select **Cash**, **Accrual**, or **Other**; if **Other**, enter a description of the method used.)
- Item I — Number of K-1 forms attached (Completed automatically based on the number of **K1** screens filled out. Use screen **1** to override this number.)

## Income and Deductions

Enter income and deductions on the **INC (Income)** and **DED (Deductions)** screens. **INC** screen amounts flow to Form 1065, page 1, lines 1b to 7. (Also see “Other Income (Loss)” on page 7.) **DED** screen amounts flow to Form 1065, page 1, lines 9 through 20. “Other income” and “Other deductions” data is shown on attached statement (STM) worksheets in View mode of the return.

### Schedule K Items

Commonly used fields from Schedule K (including fields for income, dividends, charitable contributions, and distributions) are provided at the bottom of the **INC** screen.

**Figure 2:** Schedule K fields at the bottom of the **INC** screen

Amounts entered in these fields should not be re-entered on the **K** screens.

**NOTE**

There is no “Charitable Contributions” line on page 1 of the 1065 return. Charitable contributions belong instead on Schedule K. Enter charitable contributions on either the **INC** screen or screen **K**, but not both.

For information on the Schedule K items at the bottom of the **INC** screen, see “Schedule K (Partners’ Distributive Share Items)” on page 19.

## Gross Receipts

Enter gross receipts or sales and returns and allowances on the **INC** screen.

### NOTE

The IRS does not require a detail (CTRL+W) worksheet for gross receipts; therefore, if you are using the trial balance import feature, do not include a detail worksheet for this line—or for any other line that does not require a detail worksheet.

### NEW FOR 2011

Line 1a, Merchant card and third-party payments, is new for Form 1065 in 2011; however, because the IRS requires that a zero (0) be entered on this line for 2011, the field for line 1a on the **INC** screen is inactive (grayed-out).

## Cost of Goods Sold (Form 1125-A)

For cost of goods sold entries, complete screen **A** (Form 1125-A, Cost of Goods Sold).

### NOTE

On screen **A**, items 9a through 9f are direct-entry fields and follow the format of IRS Form 1125-A. For more information on completing these fields, press F1 or consult the IRS instructions.

### Inventory

Inventory amounts entered on lines 1 and 7 of screen **A** automatically flow to Schedule L, line 3, "Inventories." Note that the inventory fields on screen **L (Schedule L - Balance Sheet - Assets)** are overrides; entries here will override inventory data from screen **A**.

### Line 5, Other Costs

Drake provides two fields for line 5: **Other costs - depreciation** and **Other costs - excluding depreciation** (Figure 3).

4	Additional section 263A costs.....
5	Other costs - depreciation.....
5	Other costs - excluding depreciation.....
7	Inventory at end of year.....
9a	Methods used for valuing inventory:

**Figure 3:** Other costs and depreciation

For **Other costs - depreciation**, enter any depreciation amounts that relate to the cost of goods sold. Amounts entered in this field automatically adjust the total depreciation that is carried to page 1. For **Other costs - excluding depreciation**, use a CTRL+W worksheet. The depreciation amount is included on the statement for other costs.

### NOTE

Line **16b** on the **DED** screen, is an adjustment field for depreciation from Form 4562 not entered on screen **A**.

### Importing Trial Balance to Sch A

If using the trial balance import feature (see "Importing Trial Balance Information" on page 43), enter depreciation amounts directly into the appropriate fields on the trial balance worksheet, *not* in data entry. When the trial balance is imported, the COGS depreciation expense amount flows directly to the appropriate line of Form 1125-A

and is calculated accordingly. For more on depreciation and trial balance import, see “Depreciation” on page 50.

## Ordinary Income (Loss)

Ordinary income or loss from other partnerships, estates, and trusts (line 4 of Form 1065) flows from either screen **K1P** (Schedule K-1 from another partnership) or screen **K1F** (Schedule K-1 from a fiduciary).

## Net Farm Profit (Loss)

The partnership's net farm profit or loss (line 5 of Form 1065) flows from information entered on screen **F (Farm Income and Expense)**. Farm profit or loss from other partnerships, estates, or trusts appears on line 4 of the return. To enter this information, from the **INC** screen, click the links to screen **K1P** or screen **K1F** on line 4. Enter the farm profit or loss from other partnerships, estates, or trusts on line 1 of screen **K1P** or line 6 of screen **K1F**.

For information on farming partnerships with a corporate partner, see Pub. 225, *Farmer's Tax Guide*.

## Net Gain (Loss)

Any net gain or loss from the sale, exchange, or involuntary conversion of assets used in a trade or business activity (line 6 of Form 1065) comes from information entered elsewhere in the software.

## Other Income (Loss)

Use the **INC** screen to enter amounts for the “Other income” line of the main form. Specific **INC** screen entries are displayed on attached statements in View mode of the return.

Amounts from the following screens also flow to line 7:

- **Screen 6478** — Form 6478, Alcohol and Cellulosic Biofuel Fuels Credit
- **Screen 8864** — Form 8864, Biodiesel and Renewable Diesel Fuels Credit

Additional fields on the **INC** screen include:

- Interest income on receivables
- Recoveries of bad debts deducted in earlier years
- Section 481 adjustments
- State tax refund (cash basis)
- Taxable income from insurance proceeds
- Other income (itemize)

To enter additional sources of income not shown, create a CTRL+W worksheet for the **Other income (itemize)** field on the **INC** screen.

To enter other income (loss) from a partnership, estate, or trust, use the **K1P** or **K1F** screen (click the links on line 4 of the **INC** screen).

## Compensation and Wages

Use line 9 of the **DED** screen to enter wages and salaries paid. Do not include guaranteed payments to partners or salaries or wages reported elsewhere in the return, such as the amounts included in COGS, elective contributions to a section 401(k) cash or deferred arrangement, or amounts contributed under a salary reduction SEP agreement. (Drake automatically adjusts salary and wages for employment credits.)

## Guaranteed Payments and Partner Health Insurance

Use the **DED** and **K1** screens to report guaranteed payments and partner health insurance. Note that guaranteed payments and health insurance are entered as separate amounts.

### NOTE

If the **DED** screen amounts do not equal the respective totals from the **K1** screens, the program generates a "Guaranteed Payment Mismatch" message. The return cannot be e-filed until this message is cleared.

### Guaranteed Payments

To report guaranteed payments to partners:

- Enter *total* guaranteed payments on the **DED** screen, line 10.
- Enter the guaranteed payments *for each partner* on line 4 of the **Part III: K-1 Direct Entries** section of the partner's **K1** screen (Figure 4).

Part III: K-1 Direct Entries	
4	Guaranteed payments - services +/- <input type="text"/>
	Guaranteed payments - other..... <input type="text"/>
13M	Health insurance..... <input type="text"/>
	Health insurance distribution reduction..... <input type="checkbox"/>

Figure 4: Part III section of screen K1

These entries should include any payments (or credits) to a partner for services rendered. Include the use of any capital the partner provided if the payments (or credits) for that capital are not determined by the partnership's income and can be allocated to a trade or business activity. These entries should *not* include any payments and credits that should be capitalized or any distributive shares of partnership profits.

### Partner Health Insurance

To report partner health insurance:

- Enter the total deductible in the **Partner's health insurance** field on the **DED** screen, line 10.
- Use screen **K1**, line 13M of the **Part III: K-1 Direct Entries** section, to allocate deductible payments for insurance that constitutes medical care for a partner or a partner's spouse or dependents. (See Figure 4.)



These amounts flow to Schedule K-1, box 13, and are included in the amount in box 4 of the partner's Schedule K-1. For information on the partnership's contribution to a partner's Health Savings Account (HSA), see Notice 2005-8, 2005-4 I.R.B. 368.

## Repairs and Maintenance

Use the **DED** screen to enter the costs of repairs and maintenance. See Form 1065 instructions for IRS requirements regarding costs that can be entered here.

## Bad Debts

Use the **DED** screen to enter the total of all bad debts that became worthless during the 2011 tax year, but only if these debts related to a trade or business activity. Deductible non-business bad debts should be entered as short-term capital losses on screen **D** (Schedule D, Capital Gains and Losses).

**NOTE** Cash-method partnerships cannot take a bad debt as a deduction unless the amount was previously included in income.

## Rents

Use the **DED** screen to enter rent paid on business property used for a trade or business activity. If the partnership rented or leased a vehicle, enter the total annual rent or lease expense incurred in the trade or business activity of the partnership, and then complete Part V of the **4562** (screens **8** and **9**).

## Taxes and Licenses

Use the **DED** screen to enter tax and license payment data. Amounts entered here flow to the "Taxes and licenses" line of Form 1065. Data is also generated on the **ATT\_PTL** worksheet in View mode of the return.

**NOTE** Credit from Form 8846, Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips, automatically adjusts the amount of taxes and licenses on Form 1065.

State tax amounts (income tax and franchise tax) entered on the **ES** (Estimated Taxes) screen are carried to the tax computation (**ATT\_TAX**) worksheet. The state tax amount carried from the **ES** screen may differ depending on which method of accounting (cash or accrual) is used, and which tax type is selected.

## Interest

The "Interest" line of Form 1065 refers only to the interest incurred by the partnership in a trade or business activity that is not claimed elsewhere in the return.

Use the **DED** screen to enter interest expense amounts. Do not include interest expense on the following:

- Debt required to be allocated to the production of qualified property

- Debt used to buy rental property or debt used in a rental activity
- Debt used to purchase property held for investment
- Debt proceeds allocated to distributions made to partners during the tax year

### Self-Charged Interest

Self-charged interest rules (see Form 1065 instructions) do not apply if a partnership elects under Reg. section 1.469-7(g) to avoid the application of them. If the partnership is making this election, a statement must be attached to the return. To attach the statement:

1. Open the **SCH** screen.
2. In the **Statement number** field, type 03.
3. Assign a title such as “Self-Charged Interest” (no quotation marks needed).
4. Enter the following data, each on a separate line:
  - Partnership name
  - Street address (U.S. only)
  - City (U.S. only)
  - Two-digit state code (U.S. only)
  - ZIP code (U.S. only)
  - EIN
  - “REGULATION SECTION 1.469-7(G) DECLARATION” (no quotation marks needed)

Do not mark the **In-house note** check box at the bottom of the **SCH** screen.

You can also find these instructions by clicking F1 in the **Statement number** field on the **SCH** screen. For more information on self-charged interest rules, see the “Self-Charged Interest” section of the Form 1065 instructions.

**NOTE** Using the **SCH** screen for this statement will not prevent the return from being e-filed.

## Depreciation

Use screen **4562** to enter depreciable assets for Form 1065, Form 1125-A, Schedule F, Form 8825, the **RENT** screen (rental other than real estate), and Section 754. (To associate a depreciable asset with an activity, make a selection in the **For** drop list at the top of the **4562** screen.)

### Using the DED screen for Direct Entry

As explained further in “Line 16, Depreciation” following, the **DED** screen has two lines for direct entry of depreciation:

- **Line 16a** — Depreciation
- **Line 16b** — Depreciation claimed elsewhere on return

Any item entered in a depreciation field on the **DED** screen is added to the calculations from all **4562** screens. **DED** screen amounts are reflected on page 1 of Form 1065 but are not shown on any generated Form 4562.

**IMPORTANT** The depreciation fields on any screen should be used only if Form 4562 is not required.

For more information on depreciation and the **4562** screen in Drake, see the *Drake Software User's Manual: Tax Year 2011*.

## Line 16, Depreciation

Line 16 of Form 1065 (Figure 5) is reserved for depreciation that (1) is from Form 4562 and (2) is not claimed elsewhere. While the program pulls data from the **4562** screen for this line, it also provides field **16b** specifically for depreciation that is claimed elsewhere.

Figure 5: Depreciation line 16 fields from **DED** screen

Both lines **16a** and **16b** on the **DED** screen are adjustment fields and add to or subtract from software calculations that are based on entries elsewhere in the program. Enter only the depreciation claimed on assets used in a trade or business activity.

- **Line 16a** — An entry here is added to the depreciation from the **4562** screens. The amount on line **16a** is *not* reflected on Form 4562. See field-level help for further instructions and information on how this field ties in to the 4562.
- **Line 16b** — Drake recommends using screen **A** (rather than the **DED** screen) to enter depreciation claimed on Form 1125-A. An entry on screen **A** adjusts any entry on line **16b** of the **DED** screen and is calculated into the total deductions on Form 1065. If there is an entry on line **16b** but not screen **A**, only the line **16b** amount is calculated into total deductions.

**Section 754** Use screen **4562** to enter section 754 depreciation. To associate the depreciable asset with section 754, select **754** from the **For** drop list at the top of the screen.

For information on allocating Section 754 depreciation to specific partners, see “Section 754 Allocations” on page 24.

**Section 179** Section 179 expense is not included on Form 4562, line 22, nor is it carried to line 16a of Form 1065. It is instead reflected on line 12 of Schedule K and distributed to each partner on Schedule K-1.

## Reclassify to Amortization

To reclassify an asset from depreciation to amortization:

1. Open screen **4562** for the asset.
2. From the **Method** drop list, select **AMT - Amortization**.

- Complete the applicable fields in the **Amortization Information** section, located near the bottom-left corner of screen **4562**.

## Depletion

Enter depletion amounts on the **DED** screen. Omit timber (use Form T, Forest Activities Schedules) and oil and gas properties. Depletion should be figured for each partner.

## Retirement Plans

Use the **DED** screen to enter amounts for line 18, "Retirement plans, etc." See the IRS instructions for guidance on what costs are acceptable for this line.

### NOTE

The software reduces the expense based on the credit amount calculated from Form 8881, Credit for Small Employer Pension Plan Startup Costs.

### IRA for Employees

If the partnership contributes to an IRA for employees, include the contributions in salaries and wages on either the **DED** screen ("Salaries and wages" line) or screen **A** ("Cost of labor" line).

### Payments to Partners

Do not use line 18 of the **DED** screen to deduct payments for partners to retirement or deferred compensation plans, IRAs, qualified plans, and Simplified Employee Pension (SEP) and SIMPLE IRA plans. Report these amounts, which are deducted by the partners on their own returns, on screen **K**, item 13d, code R.

## Employee Benefit Plans

Use the **DED** screen, line 19, to enter the partnership's contributions to employee benefits programs (such as insurance, health, and welfare programs) that are not part of a pension or profit-sharing plan included in line 18, "Retirement plans, etc."

### Amounts Paid for Medical Care

The line 19 amount should not include amounts paid for insurance that constitutes medical care for a partner, a partner's spouse, or a partner's dependents. For information on entering amounts paid for medical care, see "Guaranteed Payments and Partner Health Insurance" on page 8.

### Pub. 541

IRS Pub. 541 states that premiums for health insurance paid by a partnership on behalf of a partner for services as a partner, are treated as guaranteed payments. The partnership can deduct these payments as a business expense, and the partner must include them in gross income.

The partnership cannot deduct the premiums; however, if the partnership accounts for insurance paid as a reduction in distributions for that partner., go to the **K1** screen for the partner and mark the **Health Insurance distribution reduction** box.

A qualifying partner can deduct 100% of the health insurance as an adjustment to income. The partner cannot deduct the premiums for any calendar month, or part of a

month, in which he or she is eligible to participate in any subsidized health plan maintained by the employer of the partner or the partner's spouse.

## Other Deductions

Enter all other deductions on the **DED** screen. Drake calculates these amounts and incorporates the total into the "Other deductions" line of Form 1065.

The following deductions, credits, adjustments, and exclusions also flow to the "Other deductions" line:

- Amortization from Form 4562, Depreciation and Amortization
- Credit adjustment from Form 6765, Credit for Increasing Research Activities
- Credit adjustment from Form 8820, Orphan Drug Credit
- Exclusion from Form 8873, Extraterritorial Income Exclusion
- Credit from Form 8941, Credit for Small Employer Health-Insurance Premiums

## Filing an Extension

Calendar year returns are due on April 17, 2012. By filing Form 7004, a partnership can extend the deadline five months to September 17, 2012. Fiscal-year returns are due on the fifteenth day of the fourth month after the end of the fiscal year.

To file a 1065 extension, use one of the following options:

- Go to the **7004** screen in Drake and select **Generate an extension**. Complete any other applicable fields on the screen.
- Go to the **PRNT** screen and select **Prepare a Form 7004 extension**.

## Signing the Return

PIN signatures are required for e-filed returns. If e-filing a return, complete all fields on the **PIN** screen. A return cannot be e-filed if the **PIN** screen is not completed, including title and signature (name) of the general partner or LLC member manager.

If the return is prepared by a paid preparer, the preparer must complete the required information and sign the return in the space provided. If it is prepared by a partner or an employee of the partnership, select **NONE** in the **Firm #** and **Preparer #** drop lists on screen **1**.

To have the preparer's signature displayed on the printed return:

- If the return preparer and ERO (entered in **Setup > ERO**) are the same:
  - Go to **Setup > Preparer(s)** and ensure that the **Alternative Electronic Signature** box is marked for the preparer.
  - Complete the **PIN** screen for the return.
- If the return preparer and ERO are *not* the same, go to the **PRNT** screen and complete the field labeled **PIN for preparer's alternative electronic signature**. The

PIN entered should match the one entered for the preparer in **Setup > Preparer(s)**. (For more information, press F1 in this field.)

**NOTE**

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

**Missing PIN Information**

If you receive an EF message stating, "Missing Information on the PIN screen," check the **Title** and **Signature** (name) of the partner signing the return. All applicable fields must be completed on the **PIN** screen. (Phone and e-mail are not required.)

**Form 8879-PE**

You must receive the completed and signed Form 8879-PE *before* the return is e-filed. This form must be kept in the tax office for three years from the return due date or IRS received date, whichever is later.

## Amending a Return

**CAUTION**

When you amend a return in Drake, the amended information replaces the original in the data file. Before amending a return, you should archive the original to avoid losing previously submitted data. For more information on archiving returns, see "Archive Manager" in Chapter 6, "Return Results," of the *Drake Software User's Manual: Tax Year 2011*.

To file a 1065 return that has been amended:

1. Go to screen **1** in data entry and select **Amended return** in section **G**.
2. Make changes as applicable to forms and schedules.
3. Go to the **EF** screen and select **Amended 1065** in the left-hand column.
4. Go to the **SCH** screen and complete the following fields:
  - **Statement number** — Type 1B.
  - **Title** — Enter a statement title of 28 or fewer characters.
  - **Explanation text box** — Identify the amended items by line number and explain what was changed and why.

If amending just the K-1s, go to each **K1** screen, select **Amended K1**, and make needed changes.

**NOTE**

When amending a 1065 return, all K-1s are amended, and the "Amended K-1" box on the return is marked, by default. To override this default, go to the **PRNT** screen and mark **Do NOT check amended box on Sch. K-1**.

## TEFRA and Filing Eligibility

A partnership subject to the TEFRA (Tax Equity and Fiscal Responsibility Act of 1982) audit rules cannot file an amended Form 1065 to correct a partnership item reported on a previously filed return, but according to these rules, the tax matters partner (TMP) must file a Form 8082 on the partnership's behalf and request the IRS treat

the Form 8082 as a substituted return. A partnership qualifying as a small partnership (see Section 6231(a)(1)(B)) – with 10 or fewer partners at any one time during the year – is exempt from the TEFRA audit rules and can file an amended Form 1065 and corrected K-1s to partners.

## Additional Information

This section covers Schedule B (Other Information), state-specific information, and some program overrides.

### Schedule B

The program has three screens for entering data for Schedule B, Other Information:

- **Screen B** — For all but lines 3 and 4
- **Screen B1** — For lines 3a and 3b
- **Screen B4** — For lines 4a and 4b

From screen **B**, you can access screens **B1** and **B4** by clicking the applicable hyperlinks or by pressing PAGE DOWN (once for screen **B1**; twice for screen **B4**).

**NOTE** Which screens are required depends on the percentage owned. See Form 1065 instructions for calculating the maximum percentage owned.

**Ownership** If any foreign or domestic entity (corporation, partnership, or trust) owns, directly or indirectly, an interest of 50% or more in profit, loss, or capital of the partnership, use the **Line 3a** section of screen **B1** to enter the entity's name, EIN, type, country of organization, and maximum percentage owned in profit, loss, or capital.

If an individual or estate owns, directly or indirectly, an interest of 50% or more in profit, loss, or capital of the partnership, use the **Line 3b** section of screen **B1** to enter the individual or estate's name, ID number, country of citizenship, and maximum percentage owned in profit, loss, or capital.

If the partnership owned, directly, an interest of 20% or more, or owned, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation, use the **Line 4a** section of screen **B4** to enter the corporation's name, EIN, country of incorporation, and percentage owned in voting stock.

If the partnership owned, directly, an interest of 20% or more, or owned, directly or indirectly, an interest of 50% or more in profit, loss, or capital in any foreign or domestic partnership or in the beneficial interest of a trust, use the **Line 4b** section of screen **B4** to enter the entity's name, EIN, type, country of organization, and maximum percentage owned in profit, loss, or capital.

#### Line 6 Requirements

If question 6 on screen **B** is answered **Yes**, Schedules L, M-1, M-2, and Section L of Schedule K-1 are not required and therefore not printed. The four conditions that must be met in order to answer **Yes** to this question are:

1. The partnership's total receipts for the tax year were less than \$250,000.
2. The partnership's total assets at the end of the tax year were less than \$1,00,000.
3. Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return.
4. The partnership is not filing and is not required to file Schedule M-3.

## TIP

You can force these schedules to be printed from the **PRNT** screen.

### Tax Matters Partner

The designated Tax Matters Partner (TMP) is the partner who is available to discuss tax information with the IRS. TMP information is printed at the bottom of page 3 of Form 1065. In Drake, the default Tax Matters Partner is partner #1 (the first partner entered on the **K1** screen).

To designate a different partner, go to screen **B** and complete the **Partner #** field in the **Tax Matters Partner** section at the bottom of the screen. Note that most fields in this section are overrides; there is no need to enter additional information unless the partner's information differs from what is provided on that partner's **K1** screen.

If you don't know the partner number, click **K1** under the **General** tab of the **Data Entry Menu**. An **Existing Forms List** (see Figure 6) displays all partners with their respective numbers.

#	ID Nu...	Name
1	40000...	Amelia Carter
2	40000...	William Carter
3	21212...	Pat's Packaging
New	New P...	

Figure 6: Schedule K-1, Partner Numbers

## State-specific Information

### Resident State

The program automatically generates a return for the partnership's resident state. Use screen **2** to enter company information as it should appear on the state return. (Access screen **2** from the **States** tab, or enter 2 in the selector field and press ENTER.)

## NOTE

The company information fields on screen **2** apply to the resident state only.

Company information includes the type of return that applies for state purposes (consolidated, composite, controlled group, multi-state) and state-specific dates and numbers for identification.

### Contact Information

If certain contact information required for state purposes is different from that entered on screen **1**, use screen **2** (accessible from the **States** tab) for the alternative data for



registered office, principal place of business, "Books in care of," and general contact information.

Screen 2 also has fields for the name, title, e-mail address, ID number, and telephone number of the partnership's contact person.

**Other States**

Data for other states must be typed in state data entry. To access state data entry, select the **States** tab from the return menu and select the desired states for state-specific screens (or type the two-letter state code in the selector field and press ENTER).

**Multi-State Apportionment**

New for 2011: Enter sales, payroll, and property factors on the **APPT Multi-State Apportionment** screen (accessible from the **States** tab or by entering APPT in the selector field and pressing ENTER). This screen provides one central location for entering all state apportionment information instead of having to open each needed state's screen.

In addition to making data input faster and easier, the new feature provides two new worksheets: a summary worksheet (SA-SUM~) that can be used for verifying input, and a reconciliation worksheet (SA-REC) that ties the total of the state amounts to the federal return figures. These worksheets are available in View mode.

The individual state apportionment screens will continue to be available in Drake11 but will be used to override data entered on the **APPT** screen. No state apportionment-related screens will be updated from Drake10 to Drake11.

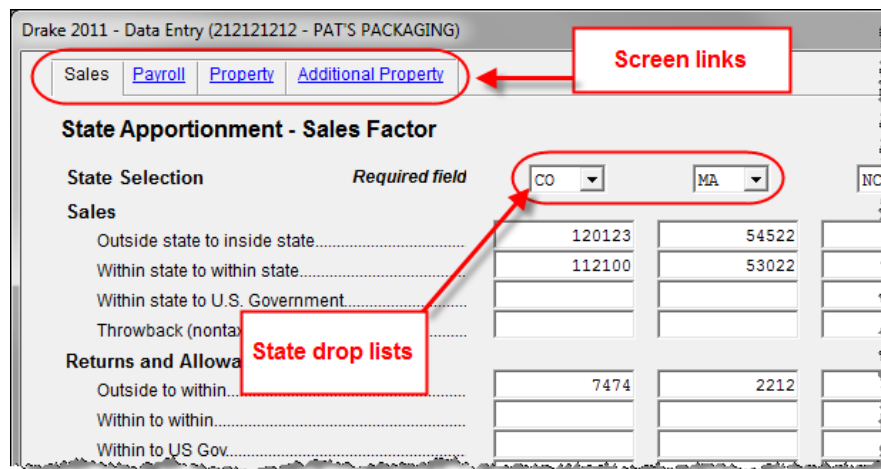


Figure 7: New APPT screen

**APPT Screens**

The new **APPT** screen is opened to the **Sales** tab. Links at the top of this screen take you to the **Payroll**, **Property**, and **Additional Property information** tabs for each state selected (Figure 7). These screens and their uses are listed in Table 1.

Table 1: APPT Screens

Screen	Information
Sales	Select state; enter sales, returns and allowance, and other income-related information for each selected state

**Table 1: APPT Screens**

Screen	Information
<b>Payroll</b>	Enter salary, wage, commission, and labor amounts for each selected state
<b>Property</b>	Enter beginning and ending amounts of common apportionment factors, plus select additional apportionment factors from drop lists
<b>Additional Property</b>	Select additional apportionment factors from drop lists

**NOTE**

The **Ending** amount entered on the **Property** and **Addition Property** screens in Drake11 will become the **Beginning** amount for property on the **APPT** screen when the client's return is updated next year in Drake12.

You may enter up to four states on one **APPT** screen. If you need more than four states, press PAGE DOWN for a new **APPT** screen. The same state can be entered more than once when additional fields are needed.

Select **OT Other Reconciliation** from the **State Selection** drop list when using the reconciliation worksheet. Not every item appearing on the federal return may be subject to multi-state apportionment. When you select **OT**, the data entered becomes a reconciling adjustment amount to aid in tying to the federal return.

Enter as much or as little detail as the states require. If a state does not require any information to be entered, no information will flow to that state's return.

Click **Screen Help** on each tab for state-specific information.

## Other Information and Overrides

Use screen **1** to enter the following additional information:

**Resident State** — If the partnership has a mailing address in one state but does business in another, use the **Resident State** drop list to select the state in which the partnership does business.

**Drake Codes and Overrides** — For information on miscellaneous codes, invoice numbers, and override fields, see the following sections of the *Drake Software User's Manual: Tax Year 2011*:

- “Listing a Different Firm, Preparer, or ERO on a Return,” in Chapter 2, “Installation & Setup.”
- “Miscellaneous Codes,” in Chapter 5, “Return Preparation.”

**NOTE**

Worksheets outlining these and other adjustment and override fields are accessible through the **FAQ** (Frequently Asked Questions) screen.

## Schedule K (Partners' Distributive Share Items)

Use the **K** screens to enter data for Schedule K, Partners' Distributive Share Items. For your convenience, the most common Schedule K items can be answered on the **INC** screen. If you enter these amounts there, do not re-enter them on the **K** screens.

### NOTE

Note the screen **K** fields are primarily adjustment fields. Click F1 in a field to see what amounts are adjusted from elsewhere in the program, or see the adjustment and override worksheets, accessible from the **FAQ** screen.

Two screens are used for Schedule K:

- **Screen 1 of 2** — Income, Deductions, Self-Employment, & Credits
- **Screen 2 of 2** — Foreign Transactions, Alternative Minimum Tax (AMT) Items, & Other Information

Press PAGE DOWN and PAGE UP to navigate from one **K** screen to another.

### NOTE

The **K** screens should not be confused with the **K1**, **K1G**, or other related screens.

## Schedule K-1 for 1065 (Partner Information)

Use the **K1** screen to enter data for Schedule K-1, Partner's Share of Income, Credits, Deductions, etc.

In the **Type of Partner** section, line **G**, select the box to describe the partner as either a **General or LLC member-manager** or a **Limited or other LLC member** (default is **General**). On line **H**, select either **Domestic partner** or **Foreign partner** (default is **Domestic**).

From the line **I** drop list (Figure 8), choose the type of partner (not the type of partnership). If this box is left blank, the program uses the default selection of **Individual**.

The screenshot shows a software window titled "Type of Partner". It contains several input fields and checkboxes:

- Line **G**:  General or LLC member-manager and  Limited or other LLC member
- Line **H**:  Domestic partner and  Foreign partner
- Line **I**: A dropdown menu with the text "PARTNER type (not the partnership)". The dropdown is open, showing a list of options: INDIVIDUAL (highlighted in blue), IND SMLLC, IND PASSIVE CORPORATION, S CORPORATION, PARTNERSHIP, DISREGARDED, and ESTATE.
- Line **J**: "Partner's %" section with a "Before Change" label and three input fields for Profit, Loss, and Capital.

Figure 8: K-1 Partner Type

## Ownership Changes

Entry of ownership changes is new for the 2011 program. Previously, ownership changes were entered on a third **K** screen. Now, all ownership change information is entered on the **OWN** screen, which is accessible from the **General** tab of the **Data Entry Menu**. To use the **OWN** screen:

- At the top of the screen, enter the date the profit, loss, or capital interest in the partnership was exchanged by two or more partners. If profit, loss, and capital are all involved in a transaction, put the date in the **Profit/Loss/Capital** field only. Override date fields are provided if the loss or capital dates are different.
- In the **Change in Percentages** section, select the applicable partner from the drop list. (The drop list contains the names and ID numbers entered on each **K1** screen).
- Enter the percentage changes in profit, loss, or capital as positive amounts for increases and negative amounts for decreases. (See field-level help for more information.)
- To enter additional ownership changes, press **PAGE DOWN**.

**NOTE** See FAQ item "P" in the program for more information on entering ownership-change information.

**Printed Data** A Summary of Change in Ownership worksheet (WK\_POWN) is generated listing all partners and the ownership percentages and changes.

## IRS K-1 Codes

A code sheet can follow the printing of each Form 1065 K-1 to help the taxpayer interpret the various codes used on Schedule K-1. To have this sheet printed with all K-1 schedules, go to **Setup > Options > Form & Schedule Options** tab and mark the **Print Page 2 of Schedule K-1** check box. The codes can also be printed by marking the applicable box on the **PRNT** screen and are available from **Tools > Blank Forms**.

**NOTE** Code sheets are not displayed in View mode. If the 1065 K-1 is selected for printing, it is printed first, followed by the statements pertaining to that 1065 K-1. These are followed by the code sheets.

The Schedule K-1 may include asterisks with letter codes.

- An asterisk with a letter code indicates that multiple items have that code, or that a statement is required for the code.
- An asterisk at the bottom of a group indicates that there are more items than can fit in the space provided for that group and a statement is attached, or that the statement is required (as in the case of "other" amounts).

## Returns with Numerous Partners

For returns with a large number of partners, you have the option of deactivating calculation and printing of the K-1s while working on Form 1065. This option, which eases

the process of reconciling the 1065, is available by going to the **PRNT** screen and marking the applicable box under **K-1 Items to Suppress**.

**NOTE** After completing the K-1 entries for all partners, be sure to re-activate the calculation and printing of the K-1 from the **PRNT** screen.

## Partner Overrides

To override calculated amounts for the partners, you can either make changes on each **K1** screen or go to the **SA** screen for partner special allocations and make all changes there. For more information, see “Special Allocations” on page 24.

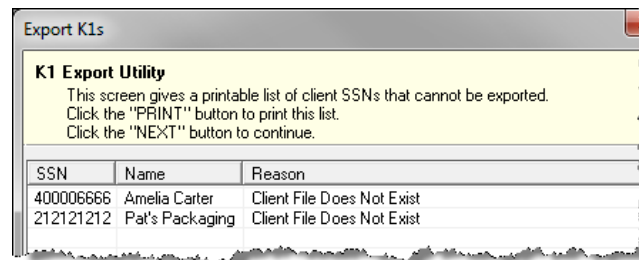
## Foreign Addresses

If the partner has a foreign address, enter the **Province** (or **State**), **Country**, and **Postal Code** information in the **Foreign** address line of the **Partner Name and Address Information** section (along with the street address and city in the **Address** and **City** fields in section **F**.) Do not enter anything in the **State** or **ZIP** fields. Conversely, for a U.S. address, do not enter anything into the foreign address fields.

## K-1 Export

Take the following steps to export a Schedule K-1 to a 1040 return.

1. Ensure that K-1 data is entered in the 1065 and the 1040 return has been created. (The **K1P** screen in the 1040 does not have to be created beforehand.)
2. In the 1065 return, go to View mode.
3. Click **K1 Export** in the View mode toolbar. A list of SSNs that *cannot* be exported appears, as applicable (Figure 9):



The screenshot shows a window titled "Export K1s" with a yellow background. It contains the following text:

**K1 Export Utility**  
 This screen gives a printable list of client SSNs that cannot be exported.  
 Click the "PRINT" button to print this list.  
 Click the "NEXT" button to continue.

SSN	Name	Reason
400006666	Amelia Carter	Client File Does Not Exist
212121212	Pat's Packaging	Client File Does Not Exist

**Figure 9:** SSNs that cannot be exported

4. Click **Next** to continue. The **Export K1s** dialog box (Figure 10 on page 22) lists all client SSNs that can be exported. (To prevent an item in this list from being exported, remove the check mark to the left of it.)

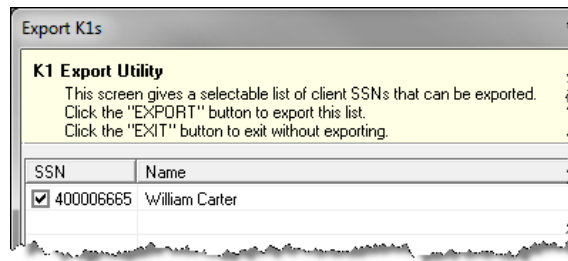


Figure 10: SSN ready to be exported

5. Click **Export**. The K-1 data will now appear the partner's 1040 tax return.

## NOTE

Basis information for individual partners should be entered in the 1040 package in Drake; this information cannot be exported from the 1065 package to a 1040 return. Such an import would override limitations and carryovers calculated in the 1040 program.

## Supplemental Information

Two types of supplemental information can be added to Schedules K-1:

- Supplemental data for all K-1s in a return
- Supplemental data for a single K-1 in a return

To add supplemental information “globally” (to all K-1s) enter the information in the **Supplemental Information** block of screen **K1G**.

To add supplemental information to an individual K-1, open a partner's **K1** screen and click the **Supplemental Info** link at the top of the screen. In the **Supplemental Information** pane (Figure 11), enter information pertinent to the partner.

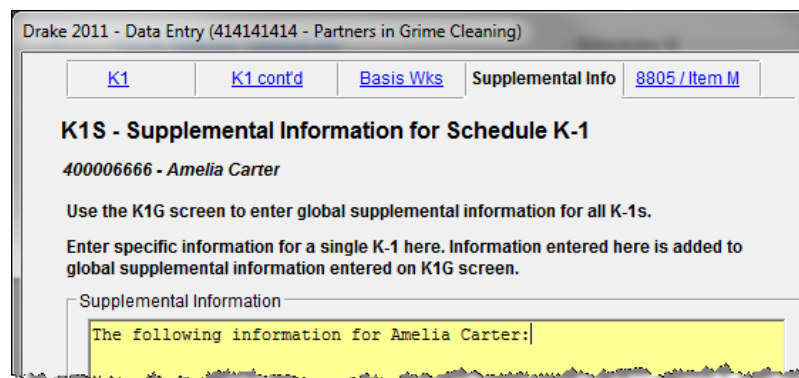


Figure 11: In this example, the information entered on the **K1S** screen appears only the individual's Schedule K-1.

## Item M

If the answer to Schedule K-1, item M (“Did the partner contribute property with a built-in gain or loss?”), is “Yes” for *all partners*:

- Select **Yes** in the **Item M on Schedule K-1** section of the **PRNT** screen.

- On screen **K1G**, select **K1M - Built in Gain Loss Statement** from the drop list, and type any supplemental information needed in the text box below.

If the answer is “Yes” for *some partners* but not others, use the individual partners’ **Item M** screens to report the supplemental information. The **Item M** screen is accessed by clicking the **8805/Item M** tab at the top of any partner’s **K1** screen. The supplemental information should list each property the partner contributed, the date the property was contributed, and the amount of the property’s built-in gain or loss.

## Partner’s Adjusted Basis Worksheet

### NOTE

Basis information for individual partners should be entered in the 1040 package in Drake; this information cannot be exported from the 1065 package to a 1040 return. Such an import would override limitations and carryovers calculated in the 1040 program.

Use the Partner’s Adjusted Basis Worksheet (**Basis Wks** screen) to calculate a partner’s new basis after increases or decreases are made to basis during the current year. A partner’s adjusted (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. 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.

The **Basis Wks** screen is accessible by clicking the **Basis Wks** tab at the top of the **K1** screen for a partner. (Access the **K1** screen from the **Data Entry Menu**.)

### NOTE

The Basis Worksheet is printed only when the option is selected on the **PRNT** screen.

### Increases and Decreases to Basis

*Increases* to basis can include cash contributed, taxable income of partnership (including capital gains), tax-exempt income of partnership, and 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, and credit adjustments.

### Annual Update of Partner Information

When the program is updated to the next tax year, the end-of-year basis and liability amounts are automatically updated to the beginning of the year. Any loss or deduction carryover is updated to the beginning of the year and its character (ordinary loss, section 179 expense, charitable contributions, etc.) maintained.

### Entering Other Partner Data

Use the tabs at the top of a partner’s **Basis Wks** screen to access related screens for that partner.

- To access the **K1** screen, click the **K1** or **K1 cont’d** tab.
- To enter supplemental information that is specific to the individual partner, click the **Supplemental Info** tab. (To enter supplemental information that applies to *all* partners, use the **K1G** screen, accessible from the **Data Entry Menu**.)

- To enter data for item M of Form 8805, Foreign Partner's Information Statement of Section 1446 Withholding Tax, click the **8805/Item M** tab.

**NOTE** If a **K1** screen is marked as final, none of the related screens for that partner is updated for the next year.

## Special Allocations

Use the **SA** screen (see Figure 12 on page 25) for partner special allocations to allocate liability, capital, and K-1 Part III (Income, Deductions, Credits, and Other Items) amounts to individual partners without having to enter the information into each K-1 separately. Amounts can be entered as dollar amounts or percentages. Calculations from the **SA** screen flow to the appropriate fields of each individual K-1.

To enter partner special allocations:

1. Open the **SA** screen, accessible from the **General** tab of the **Data Entry Menu**.
2. Make a selection from the **Allocation type** drop list at the top of the screen
3. Select an allocation method (percentage or dollar). If no allocation method is chosen, the program will not include the allocations when calculating the return.
4. Select a partner from the **Partner's ID Number and Name** drop list and enter the allocation figure in the **Allocation Percentage or Amount** field to the right of it.

Repeat these steps for all involved partners. To enter data for more than one allocation type, press PAGE DOWN to access a blank **SA** screen.

There is no limit to the number of partners than can be entered. If there are more than 10 partners for whom you must enter special allocations, or an allocation type that must be allocated to more than 10 partners, press PAGE DOWN for a new **SA** screen.

### Section 754 Allocations

To allocate section 754 depreciation among specific partners:

1. Indicate an amount of section 754 depreciation using either (but not both) of the following methods:
  - On screen **4562**, select **754** from the **For** drop list.
  - On screen **K**, line 13d, code W ("Section 754 depreciation"), enter the amount of section 754 depreciation to be reported to the partners.
2. Allocate the amounts. You can do this using either the **K1** screen or the **SA** screen, but not both.
  - **K1 screen** — On line 13, "Other deductions," select code **W** and allocate the amount of section 754 depreciation for that partner. (For any partner not receiving an amount for section 754 depreciation, the code and a zero (0) must still be entered. A statement will still be produced for that partner.)
  - **SA screen** — Select item **148 (Line 13 - W Other deductions)** from the **Allocation type** drop list.



Drake 2011 - Data Entry (414141414 - Partners in Grime Cleaning)

### Partner Special Allocations

Allocation type: 148 Line 13 - W Other deductions

Allocation Method

If no allocation method is chosen, no amounts or percentages will be allocated.

Percentage allocation      Dollar allocation MUST be used for guaranteed payments and health insurance. Do not combine insurance amounts with guaranteed payment amounts.

Dollar allocation

HINT: For amounts to flow properly, ALL partners must be included, even if receiving a zero allocation.

Partner's ID Number and Name	Allocation Percentage* or Amount
400006666 Amelia Carter	55
400006665 William Carter	35
212121212 Pat's Packaging	20

**Figure 12:** Entering partner allocation information on the SA screen

## NOTE

The preferred allocation method is to use percentages. This prevents K-1 statements from being produced for any partners not receiving a section 754 deduction. (It may sometimes be necessary to enter a zero (0) for these partners in order to get the expected results.)

## Domestic Production Activities Deduction

A partnership does not take the deduction for Form 8903, Domestic Production Activities Deduction. Instead, the amounts pass through to the partners to report on their individual returns. The partners use the information to calculate their eligibility for the deduction. (For more information, see the IRS Form 8903 instructions.)

If **Print K1-8903 worksheet for each partner** is not selected on screen **8903**, the amounts flow to line 12 of Schedule K-1 (codes **Q** and **R**). If this box *is* selected, the information flows to the K-1\_8903, which is referenced on a statement. Code **P** is printed on line 12 of Schedule K-1 to indicate domestic production activities information.

## NOTES

Line 11 ("Income limitation") of the Form 8903 is not applicable for the partnership because the income limitation is calculated at the partner level.

"Form W-2 wages" (on the **8903** screen) refers to the partnership's W-2 wages paid that are applicable to the Domestic Production Activities Deduction.

## K-1 Cover Letters

K-1 cover letters can be produced to accompany each Schedule K-1 in a return. You can set up the global option to produce K-1 cover letters for all returns containing K-1 schedules, or you can choose the option on a per-return basis.

### TIP

To prevent the partnership's name and address from being generated in the header of the letter, go to the **K1L** screen and mark the **Do not print entity information** box. (You must first select the **Use Firm Info on Letters** box at **Setup > Letters > Setup > Letterheads and Margins** for any entity info to appear as a header.)

### Producing Letters for All Returns

To have the K-1 cover letters produced automatically with all applicable returns, go to **Setup > Options > Optional Documents** and mark the box labeled **Include K-1 letter with returns**. The signature on the return can be indicated in one of three ways:

- By completing the **Tax Matters Partner** fields at the bottom of on screen **B** (Schedule B)
- By completing the partner information on the **PIN** screen (an entry here overrides the Tax Matters Partner information on screen **B**)
- By going to the **K1L** screen and entering the name and title of person signing the letter (an entry here overrides both screen **B** and the **PIN** screen)

### NOTE

If nothing is entered in any of the fields referenced above, the signature block will contain name of the partner on the first K-1.

### Producing Letters for a Single Return

If no default has been set in **Setup > Options > Optional Documents** to produce K-1 cover letters with all returns, you can take the following steps to generate letters for a single return:

1. Open the return and go to screen **K1L**.
2. At the bottom of the screen, enter the name and title of the person who will be signing the K-1 cover letter.

Once the required signing information has been entered, a K-1 cover letter will be generated for each person receiving a K-1.

### Editing the K-1 Letter

As with other letters provided by the program, you can edit the text to suit your office needs and style.

### TIP

Review the following sections of the *Drake Software User's Manual: Tax Year 2011* before making changes to letter templates:

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

To edit the text of the K-1 letter:

1. From the **Home** window, select **Setup > Letters**. The **Client Communications Editor** is displayed.

2. Select **Open > Partnership > Partnership K-1 Cover** to view the template of the partnership K-1 letter.
3. Make any desired changes to the template.
4. Click **Save**.

## NOTE

For an amended return, the K-1 letter automatically refers to the amended K-1. To edit the letter for an amended K-1, select **Open > Partnership > Partnership K1 Amended** and follow steps 3 and 4 of the previous procedure.

## Schedule L (Balance Sheets Per Books)

Schedule L is *not* required if:

- 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) for the partnership return
- The partnership is not filing, and is not required to file, Schedule M-3

If the partnership meets *all four* of these conditions, go to screen **B** and select **Yes** for line **6**. Because Schedules L, M-1, M-2, and Item L of Schedule K-1 are not required, they will not be generated with the return. (To force these items to be printed, go to the **PRNT** screen and, in the **Items to Print** section, select **Force Schedules L, M-1, M-2, & K-1 Section L**.)

If *any* of the four conditions are *not* met, select **No** for line **6**. Schedules L, M-1, M-2, and Item L of Schedule K-1 are required and will be printed with the return.

## Flow of Information

Many entries made elsewhere on the return (for example, inventory information on screen **A**) flow to the generated Schedule L. Depreciable asset information, intangible assets, and amortization from the **4562** screen also flow to Schedule L.

Direct entries on screen **L** include beginning- and end-of-year **Cash, Trade notes and accounts received, and U.S. government securities**. Schedule L data would come from the partnerships' income statement, balance sheet, and equity and capital accounts.

## The SCH2 Screen

The **SCH2** screen is used to provide detailed information required by the IRS for certain lines on Schedule L. This screen can be used in place of the actual **L** screen in Drake. In other words, if you use this screen for all applicable lines on Schedule L, you *do not* need to make any entries on the **L** screen.

To create a statement for a line, select the line from the drop list (see Figure 13) and enter descriptions and their corresponding amounts. Once the information is entered,

or if additional descriptions are required for the line, press PAGE DOWN to access a new screen.

## NOTES

All line selections are carried to the next-year program when the returns are updated. Screen descriptions are updated, with the year-end amounts carried to the beginning-of-year column.

To access the **SCH2** screen from the **L** screen, click the **SCH2 Screen** hyperlinks on lines **6**, **8**, or **13** (or press CTRL+2).

## Statements

The total amounts entered on the **SCH2** screen do not appear on the actual **L** screen in the program. They are, however, printed on the return as applicable, with references to the corresponding statements.

The type of statement produced by the program depends on the selected line and the IRS requirements. If a line is required, a statement labeled "STATEMENT" is produced and is e-filed with the return. If a line is *not* required, a statement sheet ("STMT") is produced and is *not* e-filed with the return.

Note that an e-fileable "STATEMENT" is referenced in the return (Figure 13).

Line	Description	Amount
3	Inventories	1,213
4	U.S. government obligations	
5	Tax-exempt securities	1,000
6	Other current assets (attach statement)	1,000
7a	Loans to partners (or persons related to partners)	
b	Mortgage and real estate loans	
8	Other investments (attach statement)	
9a	Buildings and other depreciable assets	
b	Less accumulated depreciation	
10a	Depletable assets	
b	Less accumulated depletion	

**Figure 13:** Data entered on the "Other current assets" line will be attached as an e-fileable statement and referenced on the applicable line of the return.

## SCH2 and Trial Balance

Typically, one or more **SCH2** detail screens are needed for Schedule L items. If using Drake's trial balance import feature, be aware that **SCH2** data cannot be entered directly into the trial balance worksheet, as they cannot be imported into the data entry. **SCH2** detail screens must be created apart from the trial balance worksheet.

When the return is produced, Schedule L reflects the amounts imported from the trial balance worksheets (where direct entry was allowed). For more information, see "SCH2 Detail" on page 50.

## Autobalance

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

(Example: If Assets = \$1,000 and Liabilities and Capital = \$900, the program increases the partners' capital accounts by \$100.)

To deactivate this feature for a specific return, go to the **PRNT** screen and select **Turn off autobalance**.

## Schedules M-1, M-3 (Reconciliation of Income)

Schedule M-1 is required if the balance sheet's total assets at the end of the year are greater than \$250,000. Schedule M-3 is required if the balance sheet's total assets at the end of the year equal or exceed \$10 million.

### Schedule M-1

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. When required, taxpayers must reconcile book income with the taxable income.

Use the **M1** screen to enter book-to-tax difference for Schedule M-1. Book-to-tax differences are classified as permanent or temporary, and as favorable or unfavorable.

**Table 2:** Examples of Book-to-tax Difference for Schedule M-1

Difference	Description	Examples
Permanent	Book or tax items that will never be reported for book or tax purposes	- Meals & entertainment limitations - Penalties - Tax-exempt interest
Temporary	Items that will be reported for both tax and book purposes, but not during the same tax year	- Depreciation - Gains or losses on the sale of depreciated assets
Favorable	Items that reduce taxable income	- Instances in which tax depreciation amount is greater than book depreciation amount
Unfavorable	Items that increase taxable income	- Disallowed meals & entertainment

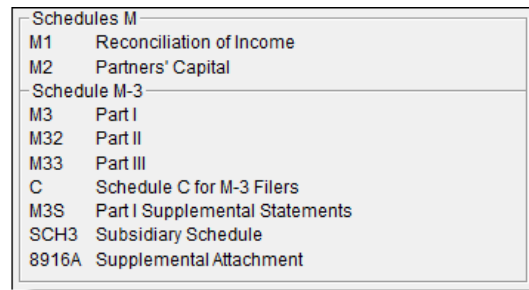
### Depreciation and Amortization Adjustments

The program may make an adjustment for book-to-tax depreciation differences. The calculation is done with the following steps. (This procedure refers to "depreciation" throughout, but it applies for either depreciation or amortization.)

1. The amount reported on the Schedule L "Beginning of Year" accumulated depreciation (line 10b, column a), is subtracted from the "End of Year" accumulated depreciation (line 10b, column c). This is the "book" depreciation amount.
2. This "book" depreciation amount is compared to the "tax" depreciation amount. (The "tax" depreciation amount is the depreciation amount reported on the return, including any section 179 amounts).
3. The differences between the "book" and "tax" depreciation amounts are carried to the appropriate form and line.
  - If the "book" depreciation amount is greater than the "tax" depreciation amount, the difference is carried to either:
    - Schedule M-1, line 4a
    - Schedule M-3, Part III, line 25, as a negative amount
    - Form 8916-A, line 2(L), as a negative amount for assets selected on the **4562** detail screen for COGS
  - If the "tax" depreciation amount is greater than the "book" depreciation amount, the difference is carried to either:
    - Schedule M-1, line 7a
    - Schedule M-3, Part III, line 25, as a positive amount
    - Form 8916-A, line 2(L), as a positive amount for assets selected on the **4562** detail screen for COGS

## Schedule M-3

The **Schedule M-3** section of the **Data Entry Menu** now includes direct access to the various **M3** screens (Figure 14).



**Figure 14: Data Entry Menu** for M and M-3 schedules

If a domestic partnership reports on Form 1065, Schedule L, that its total assets at the end of its tax year equal or exceed \$10 million (or that its gross receipts equal or exceed \$250,000), it must complete and file Schedule M-3 instead of Schedule M-1.

## NOTES

The program calculates total assets based on IRS requirements. For more information, see the Adjusted Total Assets Worksheet produced with the return.

Some calculated amounts flow automatically to M-3; some data must be manually entered on the **M3** screen. Review all amounts on the M-3

Parts II and III of Schedule M-3 reconcile financial statement net income (loss) for the tax return (per Schedule M-3, Part I, line 11) to net income (loss) on Form 1065, page 5, "Analysis of Net Income (Loss)," line 1.

If the partnership is required to file (or voluntarily files) Schedule M-3, the partnership *must* file Form 1065 and all attachments and schedules, including Schedule M-3. Additional information could be required on the **8916** and **SCH3** screens.

### The **SCH3** Screen

The **SCH3** screen is used to provide detailed information required by the IRS for certain lines on Schedule M-3 (or Form 8916A). This screen can be used in place of the actual **M3** screen in Drake. In other words, if you use this screen for all applicable lines on Schedule M-3 or Form 8916A, you *do not* need to make any entries on the **M3** and **8916** screens. The total amounts entered on the **SCH3** screen do not show up on the actual **M3** and **8916** screens in the program. They are, however, printed on the return as applicable, with references to the corresponding statements.

To create a statement for a line, select the desired line from the drop list, then enter descriptions and their corresponding amounts. Once the information is entered, or if additional descriptions are required for the line, press PAGE DOWN to access a new screen.

### NOTE

All line selections are carried to the next-year program when the returns are updated.

As with the **SCH2** screen, the type of statement produced by the program depends on the selected line and the IRS requirements. See "The SCH2 Screen" on page 27 for more information.

## Schedule M-2 (Analysis of Partners' Capital Accounts)

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 carries amounts entered in item **L (Analysis of Capital Account)** on the partners' **K1** screen to the Form 1065, Schedule M-2, line 1, "Balance at beginning of year."

## Rental Activities

Income and expenses for rental real estate properties appear on Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation. To make entries in Drake, use the **8825** screen.

If there are multiple 8825 properties, press PAGE DOWN for a new **8825** screen. Use one screen per rental property. If a return has more than one **8825** screen, the program

reports each property's information on a separate column of Form 8825. Data from all **8825** screens are transmitted to the IRS when the return is e-filed.

**NOTE** Special steps are required if using the trial balance worksheet for multiple rentals. See "Rental Expenses" on page 51 for more information.

## Line 14, Depreciation

If the program is calculating depreciation (entered on the **4562** screen) for the property listed on the 8825, do not enter the depreciation on the **8825** screen. Depreciation should be entered only if it is figured outside of the Drake program, and then the net results should be entered on screen **8825**. The amount entered on line **14** is added to the depreciation calculated from the **4562** screens.

**NOTE** For assets placed in service during the year, Form 4562 is required.

### Carrying Information to Form 8825

To indicate that the information should be carried to Form 8825, select **8825** from the **For** drop list on screen **4562** (Figure 15). If there are multiple **8825** screens, use the **Multi-form code** box. For information on using the **Multi-form code** box, see the *Drake Software User's Manual: Tax Year 2011*.

Description	Date Acquired	Cost / Basis
-------------	---------------	--------------

**Figure 15:** In this example, the program carries the **4562** information to the third **8825** screen created.

Any depreciation information entered on the **4562** screen is carried to the correct Form 8825, based on the form and multi-form code selections at the top of the **4562** detail screens.

### IMPORTANT

When selecting a multi-form code, note that the code should refer to an **8825 screen**—not the **8825 form**. For example, data from the third 8825 screen will be generated on the first Form 8825. To associate an asset with that information, you would enter a "3" for the screen (not a "1" for the form) in the **Multi-form code** box. For more information on Form 8825, see "Viewing Rental Activity Information," below.

## Line 15, Other Expenses (list)

For rental properties with an "other" expense (line 15), enter the amount of Guaranteed payments or meals and entertainment in the appropriate fields (see Figure 16 on page 33). For rental properties with more than one "other" expense, double-click the text box on the **Additional other expenses** line to open a **Detail Worksheet**. Enter a description in the **Description** field and an amount in the **Amount** field.



**Figure 16:** Screen 8825, fields for line 15, “Other” expenses

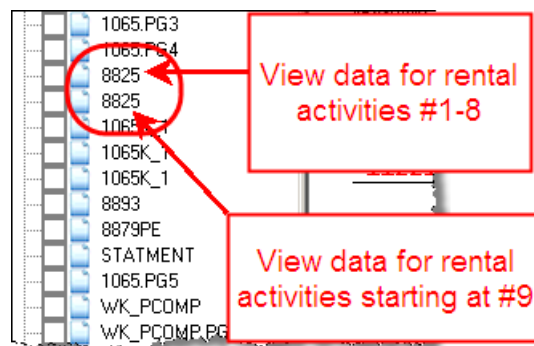
Totals from the worksheet flow to Form 8825, and a statement from each property is printed with the return and is transmitted to the IRS when the return is transmitted.

Enter rental income the partnership receives on a K-1 on the **K1P** screen. This amount is carried to Form 8825, lines 20a and 20b. No entry is required on the **8825** screen.

## Viewing Rental Activity Information

Rental activity data is viewed on the 8825 forms and accompanying statements.

**8825 Forms** — The two-page Form 8825 can contain information for up to eight rental activities. Each Form 8825 in View mode contains up to eight rental activities. If more than eight rental activities are entered, a second Form 8825 is created.



**Figure 17:** Multiple 8825 pages are created if more than eight rental activities

Each Form 8825 in View mode consists of one or more pages (depending on the number of rental activities) listing up to four rental activities per page. If more than four rental activities are entered, scroll down to the second page of the form when viewing.

- **8825 Statements** – Statements are titled **STM 8X**, where X equals A to H for the first Form 8825. (For example, the statements for the first and second **8825** screens would be labeled **STM 8A** and **STM 8B**, respectively.) As shown in Figure 18 on page 34, there are also 8825 attachments (**8825\_ATT**) for other reporting information.

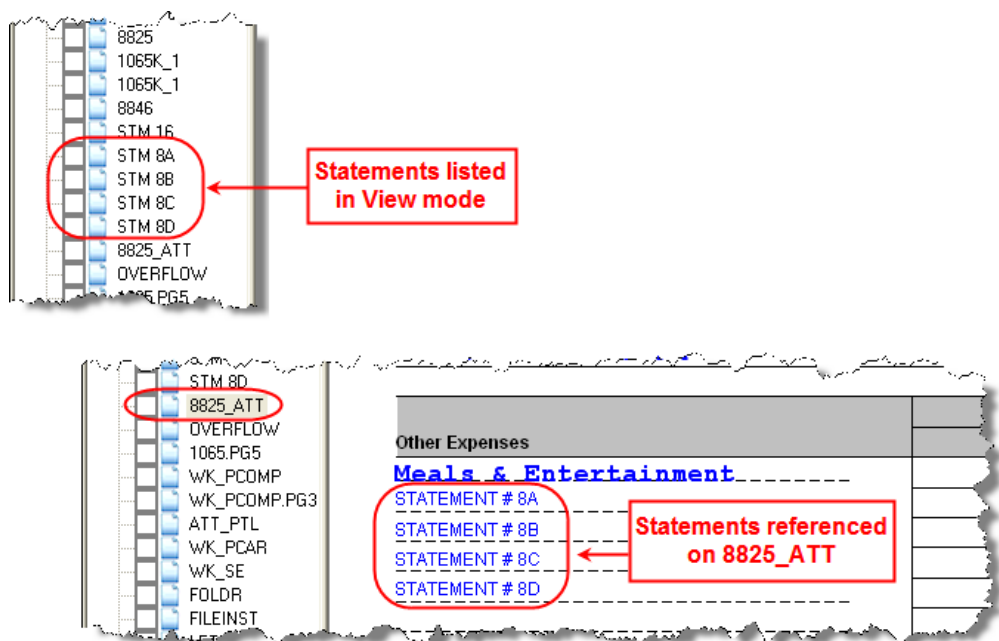


Figure 18: 8825 statements and attachments

## Self-Employment Income

If the **Check to include in self-employment income** box is selected at the top of the **8825** screen, the amounts from the **8825** screen are included in the calculation for line 14a of Schedule K and flow to each K-1. Self-employment calculations are shown on the WK\_SE worksheet generated with the return.

## Credits and Adjustments

Certain credits require an adjustment to either income or expenses. Drake 2011 carries the required adjustments to the appropriate line of the return and to the M-1.

### NOTE

No adjustment is carried to the M-3 automatically for 2011.

Manually reducing the expenses/deductions or increasing the income for these credits causes the return to be out of balance.

Adjustments are made to other income for the credit amounts for the following credits:

- Form 6478, Alcoholic and Cellulosic Biofuel Fuels Credit
- Form 8864, Biodiesel and Renewable Diesel Fuels Credit
- Form 8912, Credit to Holders of Tax Credit Bonds (interest income)

Adjustments are made to the appropriate deduction/expenses for the credit amounts for the following credits:

- Form 5884, Work Opportunity Credit
- Form 6765, Credit for Increasing Research Activities
- Form 8820, Orphan Drug Credit
- Form 8845, Indian Employment Credit
- Form 8846, Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips
- Form 8881, Credit for Small Employer Pension Plan Startup Costs
- Form 8844, Empowerment Zone and Renewal Community Credit
- Form 8912, Credit to Holders of Tax Credit Bonds
- Form 8941, Credit for Small Employer Health Insurance Premiums

## Elections

The ability to make certain tax elections is included in the business packages. Elections are selected from the **Return Elections** section of the **ELEC** screen (Figure 19).

The screenshot shows a form titled "Return Elections". It contains several input fields: "Election" (a dropdown menu), "Description", "Cost, basis, amount, years", "Date or year-ending", "Other cost, basis, or amount", "Other date or year-ending", "City", "County", "State" (a dropdown menu), "Other information", and "Explanation".

Figure 19: Return Elections portion of ELEC screen

## Making an Election in Drake

To indicate that the partnership is making an election:

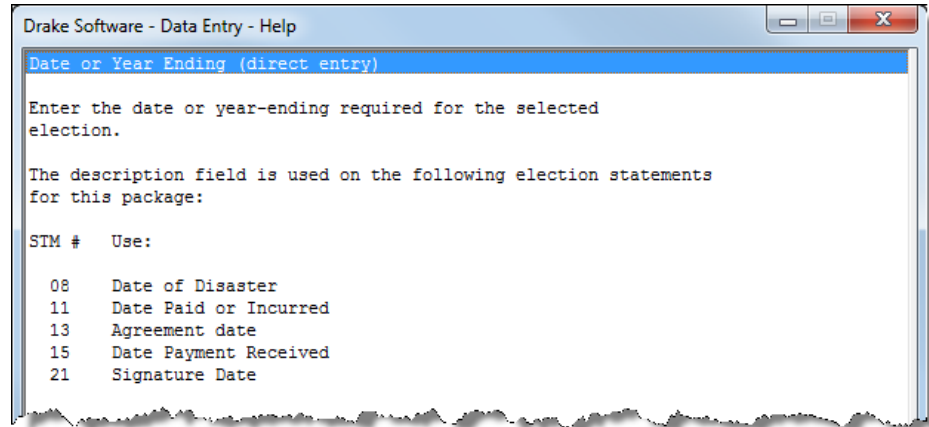
1. Open the **ELEC** screen (accessible from the **Miscellaneous** tab of the **Data Entry Menu**).
2. Make a selection from the **Election** drop list.

The screenshot shows the "Election" dropdown menu open, displaying a list of options:
 

- 01 - General Election Statement
- 02 - Capitalize and Amortize Circulation Costs over 3 Years
- 03 - Capitalize and Amortize Research and Experimental
- 04 - Capitalize and Amortize Intangible Drilling and Development
- 05 - Capitalize and Amortize Intangible Drilling and Development

Figure 20: Election drop list

- Complete all other fields as applicable. Press F1 in any field to learn if a field is required for your selection and the type of information that may be needed. For example, the help text for the **Date or year-ending** field shows that the field is required only for election options 08, 11, 13, 15, and 21, and it explains what, specifically, should be entered for each of these elections.



**Figure 21:** Help text for **Date or year-ending** field on **ELEC** screen

## NOTE

If the election option you selected is not listed in the help text for a field, then that field should be left blank. For example, if you chose election 01 (General Election Statement), you would not need to enter anything into the **Date or year-ending** field (help text in Figure 21).

To open a new **ELEC** screen for an additional election, press **PAGE DOWN**.

## Election Statements

Once an election is made and the return is calculated, the election information is produced on a statement referenced “STM ELXX,” where “XX” is the number of the election. For example, election 01 (General Election Statement) is generated as STM EL01.

The election statement includes the election title, election wording, and any additional information required for the election, such a date, amount, or location.

Entries for certain fields are sometimes included in the actual election statement; other times, they are included as separate lines. Signature lines are printed as needed on some statements.

## Making Changes on the Fly

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

## Suppressing/Forcing Documents

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

**1065 Items** The following Form 1065 items can be forced or suppressed from the **PRNT** screen.

- **Force Schedules L, M-1, M-2 & K-1 Section L** — Schedules L, M-1, M-2, and K-1 Section L are not printed unless required. To have these schedules printed with the return, select **Force Schedules L, M-1, M-2 & K-1 Section L**.
- **Print Form 8893, Election of Partnership Level Tax Treatment** — Select this box to generate Form 8893 with the return. (There is no equivalent **8893** screen, but the form is produced. All information for the form is available from other data entry screens.)
- **Print Form 4562** — Form 4562, Depreciation and Amortization is not generated unless applicable. Select this box to force the Form 4562 to be printed. (To force Form 4562 for all returns, go to **Setup > Options > Form & Schedule Options**, and clear the check box labeled **Print Form 4562 only when required**.)
- **Print next-year depreciation listing** — Select this box to print the next year's depreciation schedule *if the option is not already selected* in **Setup > Options > Form & Schedule Options**.
- **Print inactive return** — By default, the program does not generate a return for a partnership that is inactive. Select this option to override the default for an inactive return.
- **PIN** — To have the preparer's signature appear on the printed copy of return, enter the preparer's PIN here.
- **Items to Suppress** — Select the boxes corresponding to any worksheets, forms, or functions to be suppressed in the return:
  - ATT\_PTL (Taxes and Licenses Attachment) or the ATT\_PSW reference on page 1
  - Estimated Tax Payment Summary
  - Printing of WK\_M2, Partners' Capital Reconciliation Worksheet

**K-1 Items** Described below are Schedule K-1 items that can be forced or suppressed from the **PRNT** screen:

- **Select to print:**
  - The partner's adjusted basis worksheet
  - Page 2 of Schedule K-1 (codes)
- **Select to Suppress:**
  - Schedule K-1, K-1 letter, K-1\_ATT, or WK\_PBAS
  - Schedule K/K-1 Comparison Worksheet for the Capital Account Reconciliation
  - K1\_179 for each partner
  - Marking of “Amended K-1” box on printed Schedule K-1

- **Item L on Schedule K-1 (Partner's capital account analysis)** — Select the box (Figure 22) to indicate the calculation method used for the partners' capital account. (If **Other**, indicate the method in the text box; this item is required.)

The screenshot shows a software interface with two sections. The top section is titled "Item L on Schedule K-1 (Partner's capital account analysis)" and contains four checkboxes: "Tax basis", "GAAP", "Sec 704(b) book", and "Other". The "Other" checkbox is selected, and there is an empty text box next to it. The bottom section is titled "Item M on Schedule K-1" and contains a question: "Did all partners contribute prop with a built-in gain or loss ?..". There are two radio buttons, "Yes" and "No", with the "Yes" button selected. At the bottom left of the window, there is a "Print Overrides" button.

Figure 22: Items L and M of PRNT screen

- **Item M on Schedule K-1** — Select this box to answer item M of Schedule K-1 for *all* partners. To answer it for each individual partner, go to the partners' **K1** screens. See "Item M" on page 22 for more information.

See field help (F1) for more information on the options available.

## Overriding Other Setup Options

Filing instructions (federal and state) and envelope coversheets (partnership, IRS, state, and city) can be either forced or suppressed from the **PRNT** screen to override the global setting in **Setup**.

In addition, you can select **Turn off autobalance** to disable the autobalance feature (see "Autobalance" on page 29) and select **Prepare a Form 7004 extension** if sending an extension application. (See "Filing an Extension" on page 13.)

## Electronic Filing

Some partnerships with more than 100 partners are required to e-file Form 1065, Schedules K-1, and other related forms and schedules. For other partnerships, e-filing is optional.

Steps for e-filing Form 1065 are the same as for e-filing Form 1040, with the exception of Bankruptcy return, which must be paper-filed. For detailed instructions on e-filing returns in Drake, see *Drake Software User's Manual: Tax Year 2011*.

## Additional Return Types

The following special types of business returns can be e-filed using Drake:

- Returns for entities using a 52–53-week year
- Short-year returns
- Inactive returns

For information on how to indicate a short-year return in Drake, see "Short-Year Returns" on page 4.

## Electing a 52-53-Week Year (Initial Return)

To elect a 52-53-week year, a *new* entity (one that has never filed a return) must enter data on both screen **1** and the **ELEC** screen.

To elect a 52-53-week year for any entity:

1. In the **If not calendar year** section of screen **1**, enter the **Fiscal year beginning** and **Fiscal year ending** dates. Use MMDDYYYY format, as shown in the example in Figure 23.
2. Mark the **52-53-week tax year** box.

**Figure 23:** In this example, the fiscal year begins 01/01/11 and ends 12/28/11 (the Wednesday closest to the end of December), giving the entity a 53-week year for 2011.

## NOTE

An entity that has filed returns in the past must complete only steps 1 and 2 of this process. An entity that has never filed a return before must continue with steps 3 through 6.

3. Click the **ELEC** link to open the **Election Options** screen (Figure 24).

**Figure 24:** Elections for 52-53-week tax years

4. For line **1**, select the month in which the 52-53-week year ends for the current fiscal year. (01 = January, 02 = February, etc.)
5. For line **2**, select the day of the week the tax year always ends.
6. For line **3**, enter the actual date that the tax year ends (the same date entered in the **Fiscal year ending** field on screen **1**).

## NOTE

Once a 52-53-week year is selected, the entity must use that accounting period every year. To change accounting periods, the entity must submit to the IRS Form 3115, Application for Change in Accounting Method.

In subsequent years, only the **52-53-week tax year** check box on screen **1** must be marked; the program automatically updates the dates.

## Inactive Returns

Entities that are inactive but are still required to file returns may e-file *inactive* returns in Drake. To indicate that a return is inactive:

1. Go to the **PRNT** screen, accessible from the **General** tab.

**2.** Under **Items to Print**, mark the **Print inactive return** box.

When the return is calculated, the program displays the words “Inactive Return” on the main form of the return (specifically, to the right of lines 1a through 1c). Zeros are displayed where required by the IRS in order for amounts to be properly included in the e-file data.

**NOTE** All EF messages must be cleared in order to e-file an inactive return.

## Common Error Codes

If one or more of the following IRS error reject codes is generated when you e-file a 1065 return, you must contact the IRS for further information. The e-file help desk number is (866) 255-0654.

- **Reject Code 900** — The return type indicated in the return header must match the return type established with the IRS for the EIN.
- **Reject Code 905** — Electronic Filing Identification Number (EFIN) in the Return Header must be listed in the e-file database and in accepted status. If you get this reject code, you must update your e-file application to include the 1065 return type. (See Figure 25.) This can be done at the IRS website or by calling the IRS e-Help Desk at (866) 255-0654.

**4** Check the individual and/or business form types you will e-file for:

940     941     990     1040     ETD  
 1041     1065     1120     1120 POL     State Ack

Check the 1120 box for 1120 and 1120S. Check the 990 box for 990, 990-EZ, and 8868. See instructions for additional information on check boxes State Ack and ETD.

**Figure 25:** The 1065 box must be marked on Form 8633 in order to e-file Form 1065.

## Binary Attachments

Binary, or PDF, files can be attached to certain tax forms. These attachments are generally signature or third-party documents such as a copy of a signed lease or a signed appraisal statement. In some instances, the IRS requires that a document be attached to an e-filed return; in other instances, a document can be attached voluntarily to support or explain an entry in the return. In either case, a document must be printed, scanned into the computer, and attached to the return in order to be e-filed with the return.

You can attach PDF files to federal partnership (1065) returns for e-filing. The **PDF Attachments** screen is accessible from the **Data Entry Menu**.

## The PDF Attachment Process

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



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

These steps are described in the following sections.

### Creating a PDF File

To create a PDF file:

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

### TIP

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

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

### NOTE

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

### Adding PDF Documents in Drake

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

1. Open the return in Drake and go to the **PDF Attachments** screen, accessible from the **Electronic Filing** section of the **General** tab.
2. Fill out the columns on the **PDF Attachments** screen. See Table 3 for examples.

**Table 3: PDF Attachment Window Columns**

Name of Column	Description	Examples
<b>Reference Source</b>	Name or number of regulation, publication, or form instruction that makes attachments necessary	- IRS Pub xxx-1.4 - Form Instructions for 1065
<b>Description</b>	Description of form or document to be attached	- Title of house on Oak Street - Appraisal of Lot 1234
<b>File name</b>	Distinctive, easily recognizable file name, followed by ".pdf"	- TitleHouseOakSt.pdf - AppraisalLot1234.pdf

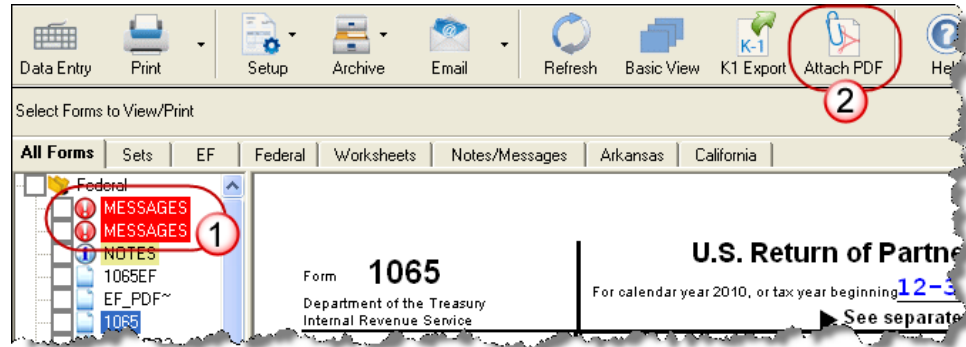
3. Exit the **PDF Attachments** window.

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

### Attaching Documents to the Return

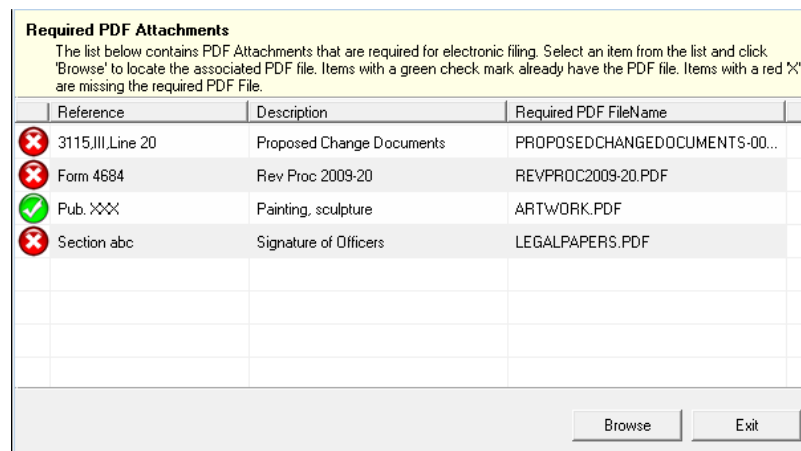
To attach a PDF file to a return:

1. From the return, click **View**. If anything was entered in the **PDF Attachments** window (see "Adding PDF Documents in Drake," previously), there will be two PDF-related items in the **View/Print** window:
  - An EF Message alert (item #1 in Figure 26 on page 42)
  - An **Attach PDF** button on the toolbar (item #2 in Figure 26 on page 42)



**Figure 26:** The **MESSAGES** file (1) and the **Attach PDF** button (2)

2. Click the **MESSAGES** file to view EF messages, including information on how to attach the required documents to the return.
3. Click the **Attach PDF** button. The **EF PDF Attachments** window displays the information entered on the **PDF Attachments** window in data entry. A red **X** means the document has not yet been attached; a green check mark indicates an attached document.



**Figure 27:** The **EF PDF Attachments** window

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

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

## Printing Generated Documents

In some instances, Drake generates a document that must be printed, signed, and scanned back into the computer to be attached to the return. For example, if Form

3115, Application for Change in Accounting Method, is present in a partnership return, message 1515 is generated when the return is calculated.

```
1515 PDF ATTACHMENTS MISSING FOR FORM 3115: Attach applicable PDF forms
      from the following list for e-filing. Refer to EF_PDF~ form in View
      mode to determine which forms must be attached.

      Part II :
      * Form2848ForForm3115-NNN.pdf
      * IssuePendingExaminationInfo-NNN.pdf
      * ConsentsFromOperatingDivisionDirector-NNN.pdf

      Part III :
      * ProposedChangeDocuments-NNN.pdf

      Schedule A, Part I :
```

Figure 28: EF message 1515

As shown in Figure 28, the EF message states that attachments are required. You would then need to obtain or complete the statements, scan them into the computer, save them as PDF documents, and attach them to the return.

## Importing Trial Balance Information

Drake trial balance import feature allows data to be imported into a 1065 return from a trial balance worksheet. The trial balance template and importing function has the following benefits:

- Eliminates the need to duplicate entries
- Reduces data entry errors by automatically importing data to the correct fields
- Allows preparers to merge basic accounting functions with tax preparation

**NOTE** A flow chart of the trial balance importing process is available as Appendix A, Trial Balance Import (pages A-1 to A-2 of this manual).

## Preparing to Use Trial Balance Import

The trial balance import function can be used only on returns that exist in the 2011 version of Drake Software. If you haven't already, create a client file in Drake 2011 or update an existing client file from the prior year. Like several other functions of the tax software, this new feature requires Microsoft Excel (version 2000 or later).

In addition, take these actions to ensure the trial balance import works properly:

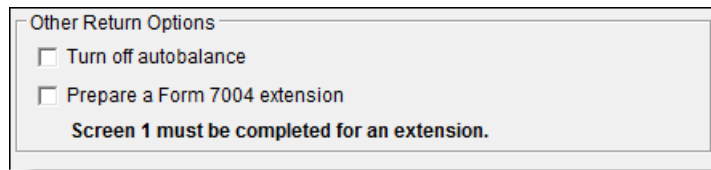
- **Enable Macros** — The trial balance import function uses macros in Microsoft Excel. Check your Excel settings to ensure that macros are activated and that macro security is set to “medium.” To do so, go to **Tools > Options** in Excel and

select the **Security** tab. Click **Macro Security** and select **Medium**, then click **OK**.

**NOTE**

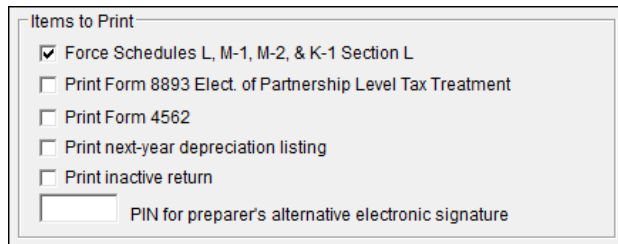
In Windows 7 and Microsoft Vista, click the **Office** button in the upper left and then click the **Excel Options** button at the bottom of the window. Next, select **Trust Center** from the list at left, then click the **Trust Center Settings** button. Select **Macro Settings** from the list on the left, then choose **Disable all macros with notification**. Click **OK**.

- **Disable Autobalance** — When autobalance is disabled, the program is prevented from automatically adjusting the year-end retained earnings or capital amounts, thus allowing you to see any discrepancies in the balance sheet. To disable autobalance, go to the **PRNT** screen and select **Turn off autobalance**.



**Figure 29:** Disable autobalance in **Other Return Options** section of **PRNT** screen

- **Force Schedule L** — By default, the program does not display the balance sheet amounts on the return if the entity does not meet the filing requirement. If this is the case, you need to override the default in order to have the amounts shown on Schedule L. To force the Schedule L amounts to be printed, go to the **PRNT** screen and select the **Force Schedules L, M-1, M-2, & K-1 Section L** box.



**Figure 30:** **Force Schedule L** box for 1065 package

- **Check for Detail Worksheets** — The trial balance import allows only those detail worksheets required by the IRS. Check updated returns for detail (CTRL+W) worksheets that are *not* required. For example, the IRS does not require a detail worksheet for the **Gross receipts** field on the **INC** screen; if a return has a detail worksheet for that field, the trial balance will not import correctly into the return. Detail worksheets are indicated by red shading, as shown in Figure 31 on page 45.

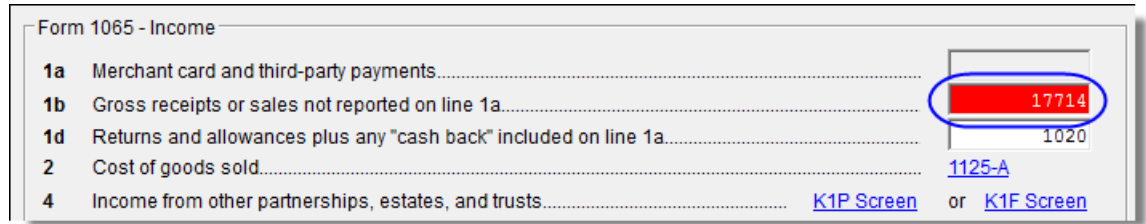


Figure 31: Example of an “unnecessary” detail worksheet

Remove unnecessary detail worksheets prior to import. See “Detail Worksheets” on page 47 for more information on using detail worksheets in the trial balance.

## Preparing Financial Data for Import

To prepare the financial data for importing into the return, the data must be entered into Drake’s specially designed trial balance template. Once this information is entered and saved, it can be imported into the return.

### Opening a Template

The first step in preparing financial data for importing is to open a trial balance template for the return and enter the financial data.

To open a trial balance template for a return:



1. Open the return to the **Data Entry Menu**.
2. Click **Import > Trial Balance Import** in the menu toolbar. The preliminary **Trial Balance Import** dialog box is opened.
3. Click **Create New** or **Open Existing**. If opening an existing file, click **Open** after selecting the correct file.
4. Click **Enable Macros** in the **Security Warning** box that appears.

### NOTE

In Microsoft Vista and Windows 7, you will see a **Security Warning** message with an **Options** button. Click **Options** to open the **Security Options** dialog box, then select **Enable this content**. Click **OK**.

The trial balance template is displayed in Microsoft Excel.

### Naming Convention

Whenever a new template is opened, the tax software assigns it a default file location and name. Trial balance templates are saved in the TB folder of your Drake11 software. The file name consists of the client name as entered in Drake, plus “TB” for “trial balance,” plus the “.xls” suffix assigned to all Excel files, as shown in Figure 32.

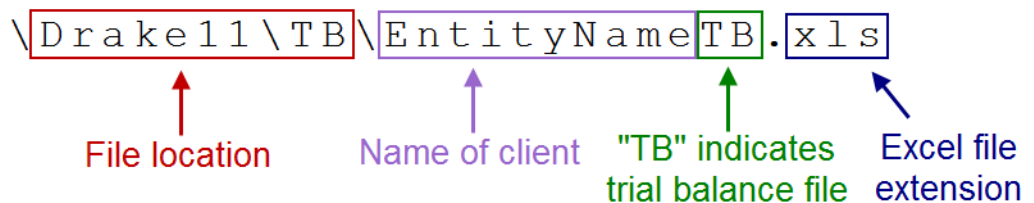


Figure 32: Example of trial balance template file name

To change the name of a file in Excel, select **File > Save As** and assign the new name.

**Template Structure**

The trial balance template consists of three title rows and six columns. The **Entity Name** and **Year End** title rows can be edited; double-click a row to change the title. Columns are described in Table 4.

**Table 4:** Trial Balance Template Columns

Column	Description
Account Title	Title of account
Debit/Credit	Debit and credit amounts
Import to	Screen and line in Drake to which the debit or credit amount is imported
Reported On (form, page, schedule, and/or line)	Location of the amount on the printed return
Other Information	Additional details for preparers; see "Details for Preparers" on page 49.

Displayed at the bottom of the trial balance worksheet are the calculated amount for Schedule M-1, line 1; the credit and debit totals; and a cell showing whether or not the balance sheet is out of balance and, if applicable, the out-of-balance amount (Figure 33; see also Figure 36 on page 48).

Salaries and wages - shareholder employees		\$0	
Waste removal		\$0	
Net Income (Loss) = Schedule M-1, line 1		\$100,600	
Totals		\$549,850	\$549,850
OUT OF BALANCE?			\$0

**Figure 33:** Schedule M-1 amount (1); totals (2); and indication of balance (3)

Following are instructions and guidelines for using the trial balance template to assemble financial data for importing into data entry.

## Entering Financial Data

When a new trial balance file is opened for a return, all debit and credit amounts are zero (\$0). All data must be entered manually into the template.

**NOTE**

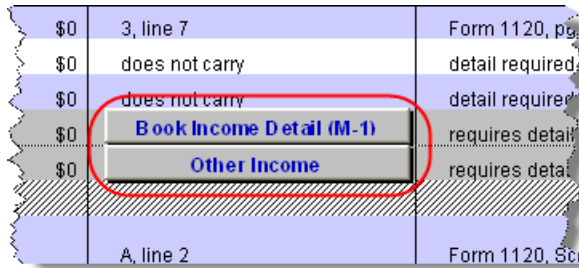
Some data cannot be imported from the trial balance and must be entered directly into the data entry fields within the program. For more on these categories of data, see "Special Conditions" on page 49.

**Direct Entry**

Most cells in the trial balance worksheet are view-only. In a new template, editable debit and credit cells are indicated by a dollar amount (\$0).

**Detail Worksheets**

Some cells require more detail than can be entered on a single line. These cells are indicated by buttons.



**Figure 34:** Example of cells that require worksheets

Click a worksheet button to open a worksheet in a new tab. Figure 35 shows an example of the “Other Income” worksheet.

Line Description	Amount	Import to:
2 Interest income on receivables	\$50	INC, line 7
3 Recoveries of bad debts deducted in earlier years	\$0	INC, line 7
4 Section 481 adjustments	\$0	INC, line 7
5 State tax refund (cash basis)	\$3,424	INC, line 7
6 Taxable income from insurance proceeds	\$0	INC, line 7
7 Other	\$5,460	Other Income Detail
<b>Total other income</b>	<b>\$8,934</b>	

Figure 35 includes several callouts: '1' points to the 'PTR TB' tab in the worksheet navigation bar; '2' points to a 'Click to return to TB' button; and '3' points to the 'Other Income Detail' cell in the 'Import to:' column.

**Figure 35:** Trial balance worksheet for “Other Income”

To return to the previous worksheet, click the **TB** tab (labeled “1” in Figure 35), or click the **Return** button above the worksheet tabs (labeled “2” in Figure 35). Note that a detail tab (the “Other Income” tab in Figure 35) might include one or more detail worksheets (labeled “3” in Figure 35).

**NOTE**

Do not create detail worksheets in data entry if the trial balance worksheet does not provide an equivalent detail worksheet. Otherwise, the trial balance will not import correctly.

**Totals** Totals are displayed at the bottom of each worksheet. If credit and debit columns are out of balance, the worksheet highlights the out-of-balance amount (Figure 36).

Totals	\$4,547	\$3,974
	<b>OUT OF BALANCE?</b>	<b>\$573</b>
PTR TB		

**Figure 36:** Out-of-balance amount is highlighted if columns are out of balance.

In addition to credit and debit totals, the main trial balance worksheet shows the net income (loss) to be calculated for line 1 of Schedule M-1 after all entries and adjustments are made in the software.

**NOTE** The data cannot be imported if the worksheet is out of balance.

### Saving a File

To save a file, click the **Save** icon or select **File > Save** from the menu bar. To re-name a file when saving, select **File > Save As**. (In Windows 7 and Microsoft Vista, click the **Office** button in the upper left and then click **Save** or **Save As**.) For more information on file names in the trial balance program, see “Naming Convention” on page 45.

### Importing Data into a Return

**NOTE** Not all trial balance data can be imported directly into a return. For information on program limitations, see “Special Conditions” on page 49.

Once a trial balance worksheet has been set up for a client in Drake, the trial balance information can be imported into the program and calculated into the return.

**NOTE** If you are already in the Trial Balance Import tool for the selected return, go to the **Trial Balance Import** window in Drake and start at Step 3 of the following procedure.

To import a trial balance into a return:



1. Open the return to which you will import the trial balance information.
2. Click **Import > Trial Balance Import** from the menu toolbar. The preliminary **Trial Balance Import** dialog box is opened.
3. Click **Next**.
4. Enter or select the trial balance file to be imported. Use the **Browse** feature if necessary. By default, each trial balance file is an Excel (.xls) file showing the client name and ending in “TB” for trial balance, as shown in the example in Figure 37 on page 49. (See “Naming Convention” on page 45.)





**Figure 37:** Selected file to import

5. Select the **Trial Balance Additional Import Options**. (See “Additional Import Options” following this procedure.)
6. Click **Next** and wait for the import to be completed.
7. Click **Finish**.

The program returns to the **Data Entry Menu** for the open return. Note that all selected data from the trial balance worksheet has been imported into the return. This can be seen both in the data entry screens and on the generated return.

**Additional Import Options**

By default, the program imports the following additional information when importing the trial balance data:

- Buildings & other depreciable assets      Accumulated depreciation
- Goodwill & other intangible assets      Land
- Rental real estate information      Accumulated amortization

**Special Conditions**

Some trial balance items cannot be entered into the trial balance worksheet and must be typed directly into Drake data entry. Other items should be entered into the worksheet for balance purposes but are not carried to data entry; these must be entered separately and the calculated results compared to the trial balance worksheet.

**Details for Preparers**

Most trial balance items go directly to the location indicated in the program and on the return. For example, the amounts shown in Figure 38 go to Schedule L, line 1, column d in the program and are shown on page 5, line 1, column d of the 1065 return.

Debit	Credit	Import to:	Reported on:
\$420,050		L, line 1, col d	1065, page 5, line 1, col d
\$2		L, line 2a, col c	1065, page 5, line 2a, col c

**Figure 38:** Indication of where an amount will go in Drake and on the return

Not all figures can be imported directly, however, and some amounts are optional. Drake has provided an “Other Information” column in the trial balance worksheet to

indicate special conditions and additional information regarding certain rows. Table 5 describes the most common notes in this column.

**Table 5:** "Other Information" Column Notes

Note	Description
not included in totals	The amount is required for importing purposes only but is not included in the totals shown on the trial balance.
does not import	Information cannot be imported and must be entered on the appropriate screen in Drake. Screen is specified in the "Reported on" column to the left of "Other Information."
optional	Amount is optional; not required for import, but could require direct entry in the software.
enter as negative number	Some deficits must be entered as negative numbers.
import includes the calculated change in inventory	Used for "total purchases"; when calculating cost of goods sold (COGS) in the return, the program takes the change in inventory into account for the Schedule A calculation.

All "does not import" notes are accompanied by further instructions in the column to the left of the "Other Information" column, as shown in Figure 39.

**SCH2 Detail** Typically, a balance sheet subsidiary schedule (SCH2 detail screen for Schedule L) is required for an item marked "does not import" on the trial balance.

Account Title	Debit	Credit	Import to:	Reported on:	Other Information
Tax-exempt securities	\$0		L, line 5, col d	1065, page 5, line 5, col d	
Other current assets	\$0		Other current assets detail	SCH2 detail required in Drake	does not import
Mortgage and real estate loans	\$0		L, line 7, col d	1065, page 5, line 7, col d	
Other investments	\$0		Other investments detail	SCH2 detail required in Drake	does not import
Buildings and other depreciable assets	\$0		L, line 9a, col c	1065, page 5, line 9a, col c	optional
Accumulated depreciation		\$0	L, line 9b, col c	1065, page 5, line 9b, col c	optional

**Figure 39:** SCH2 screen required for "does not import" items

To complete an SCH2 detail screen in data entry:

1. Open the SCH2 screen for the return.
2. Select the line number from the SCH2 drop list.
3. Enter the applicable item descriptions and beginning- and end-of-year totals.

To enter details for additional lines of Schedule L, press PAGE DOWN and repeat steps 2 and 3. Data is saved automatically upon entry.

When the return is produced, Schedule L of the return reflects both the amounts imported from the trial balance worksheet and the totals of the amounts entered on the SCH2 screen.

**Depreciation** Partnership (1065) returns can have up to four components of total depreciation:

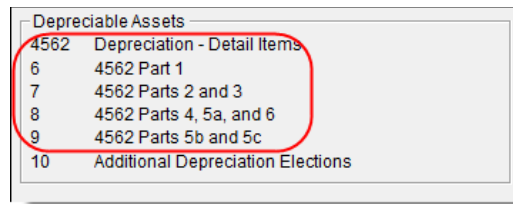
- COGS
- Real estate rental
- Rental other than real estate
- Any remaining depreciation

For trial balance purposes, enter depreciation amounts directly into the appropriate fields on the trial balance worksheet. Note that rental expense detail worksheets are required for **8825** and **RENT** depreciation.

## NOTE

Enter **8825** and **RENT** depreciation amounts in the detail worksheets for importing purposes, but be aware that the **8825** and **RENT** screens in the program will need to be edited if **4562** detail screens (see Figure 40) are used.

When the trial balance is imported, the COGS depreciation expense amount flows directly to the appropriate line of Schedule A on the return, and the rental depreciation expense amounts flow directly to the appropriate lines of the **8825** and **RENT** screens, as applicable. Because the remaining depreciation can comprise any number of assets, the amount entered on the trial balance does *not* flow to the return. To ensure that each component of the total remaining depreciation is calculated into the return, each asset must be entered on the applicable depreciation screens in data entry (Figure 40).



**Figure 40:** Enter depreciable asset data on a **4562** detail screen, or enter the total depreciation on the override screens

## NOTE

Entering the remainder of the depreciation on the trial balance worksheet helps ensure that the balance sheet balances and provides a way to check that the amount on line 1 of Schedule M-1 is correct. Compare the calculated line 1 at the bottom of the trial balance to the equivalent line on Schedule M-1 of the calculated return. If the depreciation amounts match but the line 1 amounts differ, an M-1 adjustment could be required.

## Rental Expenses

The following information applies only for partnerships with multiple rental properties.

The partnership trial balances include lines for rental income and expenses. Both rental expense items require a trial balance detail worksheet.

Account Title	Debit	Credit	Import to:	Reported on:
Cash	\$0		L, line 1, col d	Form 1120S, Sch L, line 1, col d
Trade and accounts receivable	\$0		L, line 2a, col c	Form 1120S, Sch L, line 2a, col c
Allowance for bad debts		\$0	L, line 2b, col c	Form 1120S, Sch L, line 2a, col c
Tax-exempt interest		\$0	K, line 16a	Sch K, line 16a, Sch M-1, Line 5
Gross real estate rental income		\$0	8825, line 2	Form 8825, line 2
Total real estate rental expenses	\$600		Real Estate Rental Exp	requires detail
Gross other rental income		\$0	RENT, line 1	Rent, Line 1
Total other rental expenses	\$0		Other Rental Exp	requires detail
Gross royalties		\$600	K, line 6	Schedule K, line 6
Capital gains or losses	\$0	\$0	does not carry	detail required on Schedule D

Figure 41: Rental expense rows on a trial balance worksheet

When imported, the rental expense data entered on the trial balance worksheet appears on either the **8825** screen (if real estate rental) or the **RENT** screen (if rental other than real estate).

Because the trial balance worksheet has only one detail screen per rental type, the importing function does not accommodate entities with multiple rental properties or expenses; however, the following procedure allows the trial balance to remain in balance if there are multiple rental properties or expenses.

To accommodate entities with multiple rental properties or expenses:

1. Calculate the totals for both types of rental expenses.
2. Enter the income totals on the trial balance sheet and the expense totals on the applicable detail sheets (Figure 41).
3. Ensure that the balance sheet is in balance.
4. Import the trial balance worksheet into the return. The applicable screens in data entry now contain the figures entered on the trial balance worksheet.
5. Compare the M-1, line 1 amount on the trial balance to the M-1, line 1 amount on the calculated return to ensure that they match.

**NOTE**

If the amounts do *not* match, review the imported amounts to ensure that all data was imported. If the data appeared to have been imported correctly, an M-1 adjustment could be necessary.

6. Complete all **8825** or **RENT** screens in data entry, as applicable, for the individual rental properties or items.
7. Delete the **8825** and **RENT** screens that were imported from the trial balance (the screens reflecting the total rental expenses).

**NOTE**

To delete a screen in data entry, open the screen and press CTRL+D. If a multiple forms list appears, ensure that the screen to delete is selected, then click **Delete**.

## Form 3115, Application for Change in Accounting Method

Form 3115, Application for Change in Accounting Method, is an application to the IRS to change either an entity's overall accounting method or the accounting treatment of any item. Drake customers can now fill out and e-file certain Forms 3115 and related schedules and attachments for partnership returns. This section provides instructions for completing this form and related schedules and attachments in Drake.

In some cases, Form 3115 must still be paper-filed. See "Parts I and III," starting on page 54, for details.

### NOTES

Applicants filing Form 3115 must refer to the Internal Revenue Bulletins (available at [www.irs.gov](http://www.irs.gov)) to determine if the IRS has published an accounting method revenue procedure, revenue ruling, notice, regulation, or other guidance relating to the specific method to be changed. See Pub. 538, Accounting Periods and Methods.

## Accessing Screens for Changing Accounting Method

Several screens may be required to complete Form 3115. These screens are accessible from the **Change in Accounting Method** box, located under the first **Other Forms** tab of the **Data Entry Menu**.

The screens accessible from the **Change in Accounting Method** section include:

- Screen **3115 (Change in Accounting Method)** — Used to access fields for Form 3115, including Schedules A through D
- Screen **311E (Schedule E)** — Used to request a change in depreciation or amortization methods
- Screen **ATT (Explanations and Attachments)** — Used to create and view certain attachments to be generated by the software
- Screen **ATT2 (Pt II Ln 12 & Pt III Ln 23b Attachment)** — Used to complete certain parts of Form 3115 that require specific attachments

### Multi-form Codes

All **3115** and related screens contain a **Multi-form code** text box (shown in Figure 42 on page 54) that allows you to link a screen or attachment to a particular Form 3115.

If submitting more than one Form 3115, assign a multi-form code to each new application you create in Drake. The first should be 1, the second 2, and so on. When using other screens, such as the **311E** or **ATT** screens, you can use those numbers to indicate which instance of Form 3115 the **311E** or **ATT** screen should be associated with; see "Screen 311E Multi-form Codes" on page 59 for more information.

### NOTE

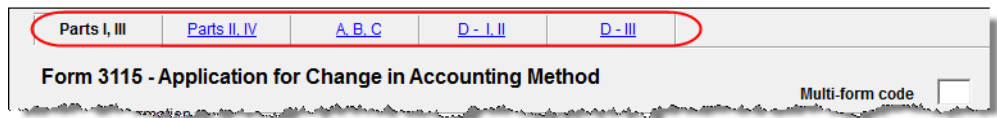
If only one Form 3115 is being submitted, you do not need to enter anything in the **Multi-form code** box.

## Form 3115 Screens

When you open the **3115** screen from the **Data Entry Menu**, the program displays the first of five **3115** screens. These five screens are:

- **Parts I, III** (Form 3115, Parts I and III)
- **Parts II, IV** (Form 3115, Parts II and IV)
- **A, B, C** (Form 3115, Schedules A, B, and C)
- **D - I, II** (Form 3115, Schedule D, Parts I and II)
- **D - III** (Form 3115, Schedule D, Part III)

As shown in Figure 42, you can access these **3115** screens by clicking a link at the top of any other **3115** screen.



**Figure 42:** Tab links on **3115** screen

The next few sections of this document provide instructions for completing the various screens for Form 3115 (including Schedules A through D).

**Parts I and III** Use the **Parts I, III** screen to complete the following sections of Form 3115:

- General Information
- Part I, Information For Automatic Change Request
- Part III, Information For Advance Consent Request

**NOTE** Information should be entered in either the **Part I** section or the **Part III** section, but not both.

### General Information

Complete all applicable fields in the **General Information** section. Note that the fields for business activity and tax-year change are override fields (Figure 43). Complete these fields only if you want to override the equivalent information entered on screen **1** or screen **K**.

**Figure 43:** Override fields in the **General Information** sections of the **Parts I, III** screen

**Part I** Not all applicants are eligible to use the automatic change request procedures. After answering 1a, 1b, and 2 in **Part I - Information for Automatic Change Request**, click the blue **Parts II, IV** tab at the top of the screen.

**Part II** In **Part II – Information for All Requests**, answer question **3** (see Figure 44 on page 55). If the answer is **Yes**, you are stating that:

- The entity would be required to take the entire amount of the section 481(a) adjustment into account in computing taxable income for the year of change.
- Section 4.02(8) of Rev. Proc. 2002-9 applies to the applicant's accounting method change request, and the applicant is therefore not eligible for a change under automatic change request procedures. (See IRS Form 3115 instructions for details.)

**Figure 44:** Automatic Change Request information

**Part III** If this section of the **Parts I, III** screen is filled out, Form 3115 cannot be e-filed with the return. It must instead be paper-filed before submitting the return. A user fee (a check or money order payable to the IRS) must be included with the paper-filed form.

## NOTES

See Appendix A of Rev. Proc. 2006-1 for more information. For more on applicants who must apply for advance consent, see the IRS Form 3115 instructions.

Taxpayers filing under an automatic change request procedure do not pay a user fee.

If the applicant qualifies for a *reduced* user fee, enter a check mark on line **23b** and go to screen **ATT2** to complete the attachment information for Part III, line 23b (located in the bottom half of the screen). Include the necessary information or certification required by Rev. Proc. 2003-1 (or its successor).

Specific statements must also be attached to the return if the applicant answers **Yes** for line **18** (“Is change request allowed under automatic change?”) or **No** for line **22** (“All members of consolidated group use proposed method?”). Press F1 in a specific field for more information on attachment requirements. The method for attaching statements in Drake is covered in “Attachments,” starting on page 60.

## Parts II and IV

Use the **Parts II, IV** screen to complete the following sections of Form 3115:

- Part II, Information For All Requests
- Part IV, Section 481(a) Adjustment

In addition to the **Multi-form code** text box, this screen consists of the **Part II** and **Part IV** sections. All applicants must complete both sections of this screen. For more information on each line (including instructions for any required attachments), press F1 in a specific field.

## Part II, Line 12

Note that there is no field on the **Parts II, IV** screen for Part II, line 12. Fields for line 12, which should be completed if the applicant is changing *only* the accounting method for a particular item or items, are located in the top half of **ATT2** screen. Use these fields to enter information on:

- The items being changed
- The applicant's present and proposed methods for the items being changed
- The applicant's present overall method of accounting (cash, accrual, or hybrid)

Note that the bottom half of the **ATT2** screen is for completing Part III, line 23b. Only the top half (for Part II, line 12) needs to be completed for Part II, line 12.

### Schedules A, B, and C

Use the **A, B, C** screen to complete the following sections of Form 3115:

- Schedule A, Change in Overall Method of Accounting (screen covers Part 1, Change in Overall Method)
- Schedule B, Change to the Deferral Method for Advance Payments
- Schedule C, Changes Within the LIFO Inventory Method (screen covers both Part I, General LIFO Information, and Part II, Change in Pooling Inventories)

### NOTE

Schedule A, Part II (Change to the Cash Method for Advance Consent Request) requires attachments and is not addressed on the **A, B, C** screen.

- Schedule A** This section is required for all applicants filing to change their overall method of accounting. It requires the entry of amounts as they were at the close of the tax year preceding the year of the requested change.

### NOTE

Leave blank any lines that aren't required for the entity's application. In addition, exclude amounts not attributable to the change in method of accounting—for example, amounts that correct a math or posting error, or that correct errors in calculating tax liability.

The IRS requires a worksheet for lines 1a, 1c, 1d, 1e, and 1f of Schedule A. When you enter an amount on any of these lines in Drake, a Ctrl+W worksheet is automatically opened, allowing you to begin entering the descriptions and amounts of multiple items for the worksheet. When you close a Ctrl+W worksheet, the program returns to the original screen and displays the total in the field. The field is shaded (default is red) to indicate that a Ctrl+W worksheet has been used.

### NOTE

If nothing is entered in a Schedule A field, the program automatically displays the word "NONE" in the field on the generated form.

- Schedule B** This section has just two lines, both referring to the request for deferral for advance payments:

- **Line 1** — Request change to the deferral method for advance payments (from section 5.02 of Rev. Proc. 2004-34)
- **Line 2** — Request change to the deferral method for advance payments (from section 1.451-5(b)(1)(ii))

See IRS Form 3115 instructions for more information on making these requests.



**Schedule C** This section has two parts:

- **Part I** (General LIFO Information) — This section is made up of attachment links (see Figure 48 on page 60). If any of the conditions on lines 1–6 match the entity's situation, click the corresponding attachment link to access the **ATT** screen, where you can complete the required statement. (Select the corresponding line code from the **Schedule** drop list on the **ATT** screen.)
- **Part II** (Change in Pooling Inventories) — Enter the descriptions of the contents and the base years of the present and proposed pools. If any of the conditions on lines 2–4 match the entity's situation, click the corresponding attachment link to access the **ATT** screen, where you can complete the required statement.

**Schedule D,  
Parts I and II**

Use the **D - I, II** screen to complete the following parts of Form 3115, Schedule D, Change in the Treatment of Long-Term Contracts Under Section 460, Inventories, or Other Section 263A Assets:

- Part I, Change in Reporting Income From Long-Term Contracts
- Part II, Change in Valuing Inventories Including Cost Allocation Changes

**NOTE**

If an entity is currently using a LIFO inventory method or submethod and is changing to another LIFO inventory method or submethod, Part II of Schedule D is not applicable. Use Schedule C, Changes Within the LIFO Inventory Method, instead.

**Schedule D,  
Part I**

A long-term contract refers to any contract for the manufacture, building, installation, or construction of property that is not completed in the tax year in which it is entered into. Answer the questions in **Part I** that apply to the entity's situation.

**Schedule D,  
Part II**

This section concerns changes in the identification and valuation methods of inventories. Note that some lines require attachments. To access the **ATT** screen and complete a required statement, click the desired attachment link.

The items on this part of the screen match the items on the actual Form 3115, Schedule D. For information on completing individual lines, see the Form 3115 instructions.

**NOTE**

If the entity is unable to furnish a copy of Form 970 (line **5a**), the attachment must include the following statement:

"I certify that to the best of my knowledge and belief (name of applicant) properly elected the LIFO inventory method by filing Form 970 with its return for the tax year(s) ended (insert date(s)) and otherwise complied with the provisions of section 472(d) and Regulations section 1.472-3."

**Schedule D,  
Part III**

Use the **D - III** screen to complete Part III (Method of Cost Allocation) of Form 3115, Schedule D. Part III is required for any entity submitting either Part I or Part II. Screen **D - III** consists of the following sections:

- Section A, Allocation and Capitalization Methods
- Section B, Direct and Indirect Costs Required to be Allocated
- Section C, Other Costs Not Required to be Allocated

**Section A** Click the **D3-1 Attachment** link (see Figure 46) to attach a description of the present and proposed methods used to capitalize direct and indirect costs.

**Sections B and C** These sections consist of a series of drop lists under a **Present** column and a **Proposed** column. "Present" refers to the current accounting method, while "proposed" refers to the requested change in accounting methods. You should address only the items necessary; do not make a selection for any item for which an answer is not required for the entity's situation.

For each item in sections **B** and **C**, you can:

- **Select X** — If you select **X**, the corresponding box on Form 3115 will be marked with an **X**. (See Figure 45.)
- **Select B** — If you select **B**, the corresponding box on Form 3115 will be left blank and an attachment will be required explaining why the line was left blank.
- **Select nothing** — If you select neither of the above options, "N/A" will appear in the corresponding box on Form 3115. No attachment is necessary for a box marked "N/A."

are not required by the appropriate provisions of the Code, and all other costs are normally included to the extent required. Attach an explanation for boxes that are not checked.)

	Present method	Proposed method
1 Direct material . . . . .	X	N/A
2 Direct labor . . . . .		N/A
3 Indirect labor . . . . .	N/A	N/A
4 Officers' compensation (not including selling activities) . . . . .	N/A	N/A
5 Pension and other related costs . . . . .	N/A	N/A
6 Employee benefits . . . . .	N/A	N/A

**Figure 45:** X was selected for column 1, line 1; B was selected for column 1, line 2; nothing has yet been selected for any other line. (See also Figure 46.)

To attach a statement for section **B** or **C**, click the **D3-2 Attachment** link at the top of Section B. (See Figure 46.) A single statement may contain all necessary explanations for sections **B** and **C**.

Parts I, III    Parts II, IV    A, B, C    **D - Parts I, II**    D - Part III

**Form 3115 - Schedule D, Part III - Method of Cost Allocation**    Multi-form code

Section A - Allocation and Capitalization Methods  
[D3-1 Attachment](#) Allocation and capitalization methods detail.

Section B - Direct and Indirect Costs Required To Be Allocated  
[D3-2 Attachment](#) Explanation for boxes that are not checked. X=Check, B=Blank, No Selection=N/A

	Present	Proposed
1 Direct material . . . . .	X	
2 Direct labor . . . . .	B	
3 Indirect labor . . . . .		
4 Officers' compensation (not including selling activities) . . . . .		

**Figure 46:** If any box is marked "B," click the **D3-2 Attachment** link to open the ATT screen and complete the fields for an attached statement.

## Schedule E

Use screen **311E**, accessible from the **Change in Accounting Method** section of the **Other Forms** tab, to complete Schedule E, Change in Depreciation or Amortization.

### NOTE

If changing this method under the automatic change request procedures, see the "List of Automatic Accounting Method Changes" in the IRS Form 3115 instructions.

### Screen 311E Multi-form Codes

Unlike the other **3115** screens, screen **311E** contains two multi-form code text boxes:

- **Multi-form code for 3115** — This box is applicable if the return contains more than one Form 3115. Enter the code for the instance of the **3115** screen with which this **311E** screen should be associated.
- **Multi-form code for Sch E** — This box is applicable if the return contains more than one Schedule E. (A separate **311E** screen should be used for each property.) Assign each property a separate code in its **Multi-form code for Sch E**. This code enables you to associate any attachments with the correct Schedule E property. (See "Attachments," starting on page 60.)

If the return contains more than one Form 3115 and multiple instances of Schedule E, both multi-code fields should contain numbers. Figure 47 shows that the third instance of a Schedule E is to be associated with the second Form 3115 in the return.

The screenshot shows the 'Form 3115 - Application for Change in Accounting Method' screen, specifically the 'Schedule E - Change in Depreciation or Amortization' section. Two text boxes are highlighted with a red circle: 'Multi-form code for 3115' containing the number '2' and 'Multi-form code for Sch E' containing the number '3'. Below these are the 'Schedule E - Line 4a' fields: 'Type of property' with the value 'Warehouse' and 'Year property was placed in service' with the value '2003'.

**Figure 47:** Example of third instance of a Schedule E to be associated with the second instance of a Form 3115.

### Completing Schedule E

The **311E** screen consists of four sections:

- **Schedule E - Line 4a** — Enter information on the type of property, the year it was placed in service, and the property's use.
- **Schedule E - Change in Depreciation or Amortization** — This section covers all Schedule E items other than lines 4a and 7. Note that lines **5** and **6** are links to required attachments.
- **Schedule E - Line 7 - Present Method** and **Schedule E - Line 7 - Proposed Method** — For the line 7 sections, enter information on the **Present Method** and **Proposed Method** in the supplied text boxes and choose the applicable convention from the **Applicable Convention** drop list. Options are as follows:
  - **HY** — Half-Year
  - **MM** — Mid-month
  - **MQ** — Mid-quarter
  - **S/L** — Straight line

## Attachments

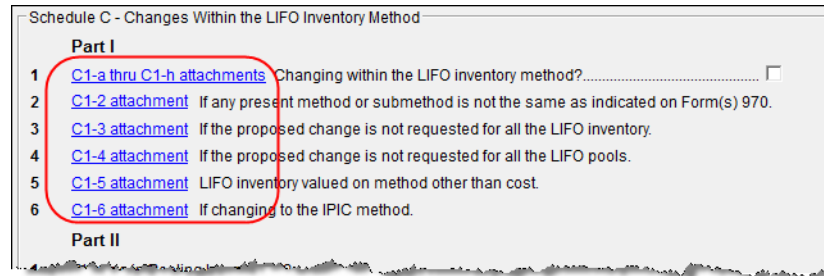
Attached statements are required for many Form 3115 items. Depending on the nature of the attachment, you will attach statements to the form in one of two primary ways:

- **From Data Entry** — The **ATT** screen is the most common screen for attaching statements to Form 3115. The **ATT2** screen is used for Part II, line 12, and Part III, line 23b. (See the “Parts I and III” and “Parts II and IV” sections of this document for more information on completing the **ATT2** screen for these items.)
- **From View mode** — Used for PDF attachments.

### ATT Screen Attachments

There are two ways to access the **ATT** screen in Drake:

- **From the Data Entry Menu** — In the **Change in Accounting Method** section of the **Other Forms** tab, click **ATT**.
- **From the line that requires an attachment** — As shown in Figure 48, some lines have attachment links. Click an attachment link to open the **ATT** screen.



**Figure 48:** Attachment links from Schedule C (screen A, B, C)

### NOTE

Not all lines that require statements include a link to the **ATT** screen. Always check the field-level help (click F1 in a field) to determine if a statement is required. The program produces an EF Message if any required statements are missing.

Complete the following **ATT** fields, as applicable, for all **ATT** screen attachments:

- **Multi-form codes** — Use these boxes to associate the attachment with an instance of Form 3115 (if the return contains more than one), a particular Schedule E property (if the return contains more than one Schedule E), or both. (See “Multi-form Codes” on page 53 for more information on multi-form codes.)
- **Schedule** — Select the line of the form or schedule with which the attachment is to be associated. If an item begins with a number, it refers to the part of Form 3115 (for example, **2-4e** refers to Part II, line 4e). If it begins with a letter, it refers to a particular Form 3115 schedule (for example, **C2-b** refers to Schedule C, line 2b; **C2-5** refers to Schedule C, Part 2, line 5).
- **Explanation** — Enter the statement explanation. If the explanation requires more than 900 characters, press PAGE DOWN for a second screen.

### NOTE

If the explanation requires more than seven screens, only the first 6,500 characters of the explanation are transmitted with an e-filed Form 3115. There is no character limit for paper-filed returns.

**Additional  
ATT Fields**

The **ATT** screen has a separate section, to be used only for Part II, line 10 (“Does the applicant... have pending any request... for a private letter ruling, change in accounting method, or technical advice?”). The IRS requires that the attached statement, in addition to providing an explanation, include the taxpayer’s name and ID number. Enter the name and ID number, and indicate if the ID number is an EIN, in the applicable fields at the bottom of the **ATT** screen (Figure 49).

For STM 2-10 ( Part II, line 10 statement) ONLY

Name..... [text box]

ID number..... [text box]  EIN

**Figure 49:** Special section for entering taxpayer name and ID number for Part II, line 10; located at bottom of the **ATT** screen.

**NOTE**

Once attachments have been filled out, accessing the **ATT** screen will display **Existing Forms List** of all attachments created. Select the attachment (or click the blue **New** line to create a new attachment), and then click **Open**.

**PDF  
Attachments**

Some Form 3115 items require the attachment of documents that cannot be created in Drake Software; for example, line 4d of Part II requires written consent from a director. You can, however, attach such a document to the form as a PDF.

Directions for generating and attaching PDF documents can be found on the **PDF** screen in Drake Software. Directions for converting other types of documents into PDF are available by clicking the **Screen Help** button at the top right corner of the **PDF** screen. Copy or print these instructions as desired.

**NOTES**

Do not enter data on the **PDF** screen itself. If using the directions provided on that screen, skip Step 2, which instructs you to fill out the columns at the bottom of the **PDF** screen.

A PDF document may be attached using any filename. When you attach the document, the program automatically assigns it the filename required by the IRS.

When the return is generated, an “EF Attachments” worksheet is produced. (See Figure 50.) This worksheet shows, in table format, the **Reference** (section of Form 3115), the **Description**, and the IRS-required **Filename** of each required PDF document. This worksheet is displayed as EF\_PDF~ in View mode.

EF_PDF~		
(KEEP FOR YOUR RECORDS)		
EF Attachments		
Name of corporation		
PARTNERS IN GRIME CLEANING		
Reference	Description	Filename:
3115, III, Line 20	Proposed Change Documents	ProposedChangeDocuments.pdf
3115, A, I, Line 3	Proposed Change Documents	SchAPartIProfitLossStatements.pdf

**Figure 50:** Example of an EF Attachments worksheet

**Notices of  
Missing  
Attachments**

In addition to Form 3115 and related schedules and statements, the program produces EF message pages (as applicable) when the return is calculated. All forms, schedules, EF message pages, and worksheets are accessible from View mode.

EF messages for Form 3115 provide information about required attachments (including PDF attachments) that are missing from the return. Some messages list all statements required for a particular section but do not indicate which statements, specifically, are missing. To best understand which attachments are still required, compare the **ATT** screen and the EF\_PDF~ worksheet to the list on the EF message page.

**NOTE**

All EF messages must be eliminated before the return is eligible for e-file. EF messages for Form 3115 attachments are eliminated when all required statements have been attached to the return.

## **Appendix: Trial Balance Import**

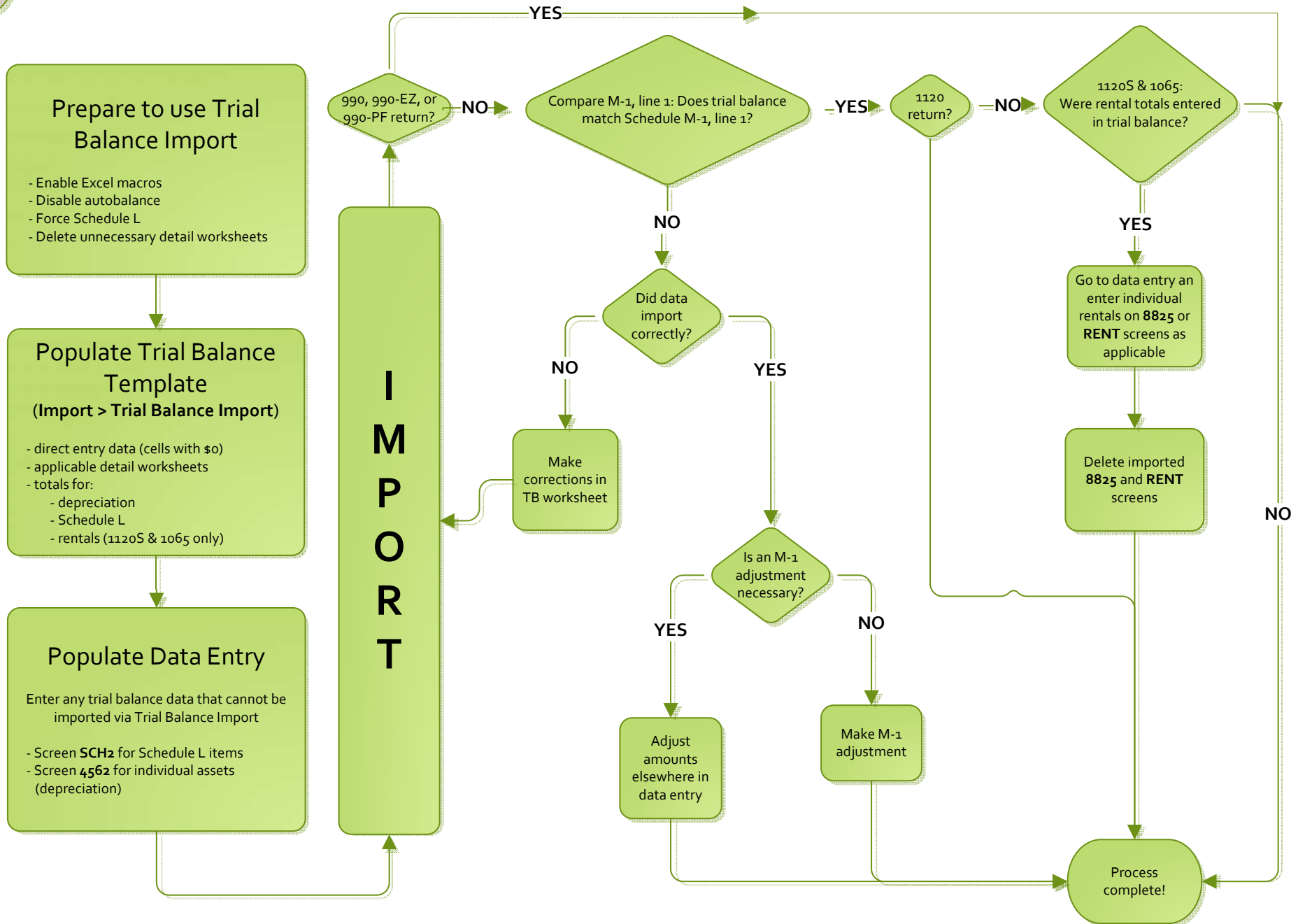
The trial balance import allows data to be imported into a corporate tax return from a trial balance worksheet.

Drake's specially designed trial balance template and importing function has the following benefits:

- Eliminates the need to duplicate entries
- Eliminates data entry errors by automatically importing data to the correct fields
- Allows preparers to merge basic accounting functions with tax preparation

See next page for a flow chart describing the use of the trial balance import.

# Trial Balance Import: General Process





## Appendix B: Adjustment Worksheet

The Adjustment Worksheet is updated each year to help you understand what happens in the return when certain data is changed through the use of adjustment fields. The following pages contain the 2011 Adjustments worksheet.

These worksheets are also available through the **FAQ** screen. To access them, open the **FAQ** screen, click the **Screen Help** button (or press CTRL+ALT+?) and click the links at the top of the window.

## Adjustments Worksheet

Adjustment Location		Location of Information Being Adjusted
Screen/Line	Field Name	
<b>1065</b>		
<b>INC - Income and Common Schedule K Items</b>		
5	Interest income	Adjust amounts flowing from Form 6252
<b>DED - Deductions - Form 1065, Page 1 Deductions</b>		
16a	Depreciation	Adjusts the amounts coming from Form 4562.
16b	Depreciation claimed elsewhere on return	Adjusts amounts coming from Sch A and Form 4562 for forms other than the 1065.
<b>Schedule K - Income, Deductions &amp; Self-Employment (Screen 1 of 2)</b>		
4	Guaranteed payments	Adjusts amounts that flow from screen <b>3</b> , line 10 and <b>K1P</b> screen, line 4.
5	Interest income	Adjusts amounts being carried from screen <b>K1P</b> , line 5; <b>K1F</b> , line 1; screen <b>3</b> , line 5; and interest entered on <b>6252</b> screens.
6a	Ordinary dividends	Adjusts ordinary dividends flowing from screen <b>3</b> , line 6a; <b>K1P</b> screen, line 6a; and <b>K1F</b> screen, line 2a.
6b	Qualified dividends	Adjusts ordinary dividends flowing from screen <b>3</b> , line 6b; <b>K1P</b> screen, line 6b; and <b>K1F</b> screen, line 2b.
7	Royalties	Adjusts amounts entered on <b>K1P</b> screen, line 7.
9b	Collectibles (28%) gain (loss)	Adjusts amounts flowing from the <b>K1P</b> screen, line 9b and the <b>K1F</b> screen, line 4b.
11 A	Other portfolio income (loss)	Adjusts amounts flowing from the <b>K1P</b> screen, line 11, code A, and the <b>K1F</b> screen, line 5.
11 B	Involuntary conversions	Adjusts amounts flowing from the <b>K1P</b> screen, line 11, code B.
11 D	Mining exploration costs recapture	Adjusts amounts flowing from the <b>K1P</b> screen, line 11, code D.
11 E	Cancellation of debt	Adjusts amounts being carried from screen <b>K1P</b> , line 11, code E.
11 F	Other income (loss)	Adjusts amounts being carried from screen <b>K1P</b> , line 11, code F; and <b>K1F</b> , line 11, code D.
13a A	Cash (50%)	Overrides amounts flowing from screen <b>3</b> and from the <b>K1P</b> screen, line 13, code A
13a B	Cash (30%)	Adjusts amounts flowing from the <b>K1P</b> screen, line 13, code B.
13a D	Non-cash (30%)	Adjusts amounts flowing from the <b>8283</b> screen and from the <b>K1P</b> screen, line 13, code D.
13a E	Capital gain 50% organization (30%)	Adjusts amounts flowing from the <b>K1P</b> screen, line 13, code E.
13a F	Capital gain property (20%)	Adjusts amounts flowing from the <b>K1P</b> screen, line 13, code F.
13a G	Contributions (100%)	Adjusts amounts flowing from the <b>K1P</b> screen, line 13, code G.
13b H	Investment interest expense	Adjusts amounts flowing from the <b>K1P</b> screen, line 13, code H.
13c J	Section 59(e)(2) expenditures	Adjusts amounts flowing from the <b>K1P</b> screen, line 13, code J.
13d I	Deductions - royalty income	Adjusts amounts flowing from the <b>K1P</b> screen, line 13, code I.
13d K	Deduction - portfolio (2% floor)	Adjusts amounts flowing from the <b>K1P</b> screen, line 13, code K.
13d L	Deduction - Portfolio (other)	Adjusts amounts flowing from the <b>K1P</b> screen, line 13, code L.
13d N	Educational assistance benefits	Adjusts amounts flowing from screen <b>K1P</b> , line 13, code N.
13d O	Dependent care benefits	Adjusts amounts flowing from screen <b>K1P</b> , line 13, code O.
13d P	Preproductive period expenses	Adjusts amounts flowing from the <b>K1P</b> screen, line 13, code P.
13d Q	Commercial revitalization ded (rental real estate)	Adjust amounts flowing from the <b>K1P</b> screen, line 13, code Q.
13d R	Pensions and IRAs	Adjusts amounts flowing from screen <b>K1P</b> , line 13, code R.

## Adjustments Worksheet

Adjustment Location		
Screen/Line	Field Name	Location of Information Being Adjusted
<b>1065</b>		
13d S	Reforestation expense deduction	Adjust amounts flowing from the <b>K1P</b> screen, line 13, code S.
13d W	Other deductions	Adjusts amounts being carried from screen <b>K1P</b> , line 13, code W; and <b>K1F</b> lines 10 and 11A.
13dW	Section 754 depreciation/amortization	Adjusts amounts flowing from Form 4562.
15d	Other rental real estate credits	Adjusts amounts flowing from the <b>K1P</b> screen, line 15, code F.
15e	Other rental credits	Adjusts amounts flowing from the <b>K1P</b> screen, line 15, code G.
15f H	Undistributed capital gains credit	Adjusts amounts flowing from the <b>K1P</b> screen, line 15, code H.
15f O	Backup withholding	Adjusts amounts being carried from screen <b>K1P</b> , line 15, code O, and <b>K1F</b> , line 13, code B.
15f P	Other credits	Adjust amounts flowing from various credit forms without specific K1 codes and the <b>K1P</b> screen, line 15, code P.
<b>K - Alternative Minimum Tax (AMT) Items &amp; Other Information (Screen 2 of 2)</b>		
16b	Gross income from all sources	Adjust amounts flowing from the <b>K1P</b> screen, line 16, code B.
16d	Passive	Adjusts amounts flowing from the <b>K1P</b> screen, line 16, code D.
16e	General	Adjusts amounts flowing from the <b>K1P</b> screen, line 16, code E.
16f	Other	Adjusts amounts flowing from the <b>K1P</b> screen, line 16, code F.
16g	Interest expense	Adjusts amounts flowing from the <b>K1P</b> screen, line 16, code G.
16h	Other	Adjusts amounts flowing from the <b>K1P</b> screen, line 16, code H.
16i	Passive	Adjusts amounts flowing from the <b>K1P</b> screen, line 16, code I.
16j	General	Adjusts amounts flowing from the <b>K1P</b> screen, line 16, code J.
16k	Other	Adjusts amounts flowing from the <b>K1P</b> screen, line 16, code K.
16l	Total foreign taxes	Adjusts amounts flowing from the <b>K1P</b> screen, line 16, code L or code M, and the <b>K1F</b> screen, line 14, code B.
16m N	Reduction in taxes available for credit	Adjusts amounts flowing from the <b>K1P</b> screen, line 16, code N.
16n O	Foreign trading gross receipts	Adjusts amounts flowing from Form 8873, line 15, the <b>K1P</b> screen, line 16, code O and the <b>K1F</b> screen, line 14, code G.
16n P	Extraterritorial income exclusion	Adjusts amounts being carried from screen <b>K1P</b> , line 16, code P and line 52 of Form 8873 (if selected to carry to line 16n).
16n Q	Other foreign transactions	Adjusts amounts flowing from the <b>K1P</b> screen, line 16, code Q.
17A	Post-1986 depreciation adjustment	Adjusts the calculated difference between the current depreciation and AMT depreciation totals on the Federal Depreciation Listing, amounts flowing from <b>K1P</b> screen, line 17, code A or the <b>K1F</b> screen, line 12, code A or G.
17B	Adjusted gain or loss	Adjusts amounts flowing from <b>K1P</b> screen, line 17, code B or the <b>K1F</b> screen, line 12, code C-F.
17C	Depletion (other than oil and gas)	Adjusts amounts flowing from <b>K1P</b> screen, line 17, code C or the <b>K1F</b> screen, line 12, code H.
17D	Oil, gas, geothermal-gross income	Adjusts amounts flowing from <b>K1P</b> screen, line 17, code D.
17E	Oil, gas, geothermal-deductions	Adjusts amounts flowing from <b>K1P</b> screen, line 17, code E.
17F	Other AMT items	Adjusts amounts being carried from screen <b>K1P</b> , line 17, code F, and screen <b>K1F</b> , line 12, code B, I, and J entries.
18A	Federal tax-exempt interest	Adjusts amounts flowing from <b>K1P</b> screen, line 18, code A and from the <b>K1F</b> screen, line 14, code A.

## Adjustments Worksheet

Adjustment Location		
Screen/Line	Field Name	Location of Information Being Adjusted
<b>1065</b>		
18B	Other tax-exempt income	Adjusts amounts flowing from the bottom of screen <b>3</b> , line 18b, and from <b>K1P</b> screen, line 18, code B.
18C	Nondeductible expenses	Adjusts amounts flowing from the bottom of screen <b>3</b> , line 18c, and from <b>K1P</b> screen, line 18, code C.
18c	Penalties and fines	Adjusts amounts flowing from the bottom of screen <b>3</b> , line 16c.
19A	Dist of cash & marketable securities	Adjusts amounts flowing from the bottom of screen <b>3</b> , line 19A, and from the <b>K1P</b> screen, line 19, code A.
19B	Distributions subject to section 737	Adjusts amounts flowing from <b>K1P</b> , line 19, code B.
19C	Distributions of other property	Adjusts amounts being carried from screen <b>K1P</b> , line 19, code C.
20A	Investment income	Adjusts amounts being carried from screen <b>K1P</b> , line 20, code A, and <b>K1F</b> , line 14 code E
20B	Investment expenses	Adjusts amounts being carried from screen <b>K1P</b> , line 20, code B.
20C	Fuel tax credit	Adjusts amounts being carried from screen <b>K1P</b> , line 20, code C.
20I	Recapture of other credits	Adjusts amounts flowing from the <b>K1P</b> screen, line 20, code I.
20L	Dispositions of prop with sec 179 deduction	Adjusts the amounts flowing from the WK_179, net gain or loss on sale of an asset subject to section 179, and the <b>K1P</b> screen, line 20, code L.
20M	Recapture of section 179 deduction	Adjusts amounts flowing from Form 4797, line 35 and screen <b>K1P</b> , line 20, code M.
20N	Interest expense for corporate partners	Adjusts amounts flowing from screen <b>K1P</b> , line 20, code N.
20O	Section 453(l)(3) information	Adjusts amounts flowing from the <b>K1P</b> screen, line 20, code O.
20P	Section 453A(c) information	Adjusts amounts flowing from the <b>K1P</b> screen, line 20, code P.
20Q	Section 1260(b) information	Adjusts amounts flowing from the <b>K1P</b> screen, line 20, code Q.
20R	Interest allocable to production expenditures	Adjusts amounts flowing from the <b>K1P</b> screen, line 20, code R.
20S	CCF nonqualified withdrawals	Adjusts amounts flowing from the <b>K1P</b> screen, line 20, code S.
20T	Information for depletion - oil & gas	Adjusts amounts flowing from the <b>K1P</b> screen, line 20, code T.
20U	Reforestation costs	Adjusts amounts flowing from the <b>K1P</b> screen, line 20, code U.
20V	Unrelated business taxable income	Adjusts amounts flowing from the <b>K1P</b> screen, line 20, code V.
20W	Precontribution gain (loss)	Adjusts amounts flowing from the <b>K1P</b> screen, line 20, code W.
20X	Section 108(i) information	Adjusts amounts flowing from the <b>K01P</b> screen, line 20, code X
20Y	Other information	Adjusts amounts flowing from screen <b>K</b> , lines 20Y, screen <b>K1P</b> , line 20, code Y, and screen <b>K1F</b> , line 14, code H.
<b>Schedule K-1 - Partner's Share of Income, Credits, Deductions, etc.</b>		
4	Guaranteed payments - services	Adjusts the amount flowing from <b>K</b> screen, line 13M.
<b>Partner's Adjusted Basis Worksheet</b>		
8a	Nondeductible expenses and credit adjustments	Overrides the calculated amount from the WK_PBAS, page 2, current-year losses and deductions, line 8a.
<b>Schedule M-1 - Reconciliation of Income (Loss) per Books with Income (Loss) per return</b>		
2	Income recorded on Schedule K but not on books: Other	Adjust the amounts flowing from Forms 6478 and 8864 credit adjustments.
4	Expenses recorded on books but not on Schedule K: Other	Adjust amounts credit adjustments made from Forms 5884, 5884A, 6765, 8820, 8844, 8845, 8846, 8881, nondeductible expenses entered on the bottom of screen <b>3</b> for line 18c and amounts entered on <b>K3</b> screen for line 18c for nondeductible expenses.

## Adjustments Worksheet

Adjustment Location		Location of Information Being Adjusted
Screen/Line	Field Name	
<b>1065</b>		
6	Income recorded on books but not on Schedule K, lines 1 through 11: Other	Adjusts amount flowing from Schedule K, line 18B.
<b>4562 Part 1</b>		
10	Carryover of disallowed deduction from prior year	Adjusts amounts from the <b>4562</b> screen.
<b>Form 5884 - Work Opportunity Credit</b>		
3	Work opportunity credit from pass-through entities	Adjusts amounts from <b>K1P</b> screen, line 15, code J, and <b>K1F</b> screen, line 13, code F.
<b>Form 6478 - Alcohol and Cellulosic Biofuel Fuels Credit</b>		
8	Pass-through credit from other entities	Adjusts amounts from <b>K1P</b> screen, line 15, code I, and <b>K1F</b> screen, line 13, code H.
<b>Form 6765 - Credit for Increasing Research Activities</b>		
37	Pass-through research credits	Adjusts amounts from <b>K1P</b> screen, line 15, code M, and <b>K1F</b> screen, line 13, code I.
<b>Form 8820 - Orphan Drug Credit</b>		
3	Orphan drug credit(s) from pass-through entities	Adjusts amounts from <b>K1F</b> screen, line 13, code M.
<b>Form 8826 - Disabled Access Credit</b>		
7	Disabled access credits from pass-through entities	Adjusts amounts from <b>K1P</b> screen, line 15, code K.
<b>Form 8844 - Empowerment Zone Employment Credit</b>		
3	Form 8844 credits from pass-through entities	Adjusts amounts from <b>K1P</b> screen, line 15, code L, and <b>K1F</b> screen, line 13, code K.
<b>8845 - Indian Employment Credit</b>		
5	Form 8845 credits from pass-through entities	Adjusts amounts from <b>K1F</b> screen, line 13, code L.
<b>Form 8846 - Credit for Employer SS and Medicare Taxes Paid on Certain Employee Tips</b>		
5	Form 8846 credits from pass-through entities	Adjusts amounts from <b>K1P</b> screen, line 15, code N.
<b>Form 8864 - Biodiesel Fuels Credit</b>		
9	Biodiesel and renewable diesel fuels credit from pass-through entities	Adjusts amounts from <b>K1F</b> screen, line 13, code O.
<b>8882 - Credit for Employer-Provided Childcare Facilities and Services</b>		
5	Amount	Adjusts amounts from <b>K1F</b> screen, line 13, code N.
<b>Form 8907 Nonconventional Source Fuel Credit</b>		
12	Nonconventional source fuel from partnerships, S corporations, estates and trusts	Adjusts amounts from <b>K1F</b> screen, line 13, code P.
<b>Form 8909 Energy Efficient Appliance Credit</b>		
24	Energy-efficient appliance credit from partnerships, S corporations, estates, trusts, and cooperatives	An entry here adjusts amounts being carried from <b>K1F</b> screen, line 13, code S.
<b>Form 8941 - Credit for Small Employer Health Insurance Premiums</b>		
15	Credit from partnerships, C corporations, cooperatives, estates, and trusts	Adjusts amounts from <b>K1P</b> screen, line 15, code P, and <b>K1F</b> screen, line 13, code G.
<b>Schedule F - Farm Income (Informational Purposes Only)</b>		
14	Depreciation	Amount is carried from Form 4562 calculations.
<b>RENT - Rental Other than Real Estate</b>		
15	Depreciation	Adjusts depreciation amounts calculated by the program from entries on the <b>4562</b> screens.
<b>Form 8825 - Rental Real Estate</b>		
14	Depreciation	Adjusts the depreciation calculated from the <b>4562</b> screens
<b>Form 8903 - Domestic Production Activities Deduction</b>		
7	Qualified production activities income from pass-through entities	Adjusts amounts from <b>K1P</b> screen, line 13, code U and <b>K1F</b> screen, line 14, code C.
17	Form W-2 wages from pass-through entities	Adjusts amounts from <b>K1P</b> screen, line 13, code V, and <b>K1F</b> screen, line 14, code D.
<b>Form 990T Part IV - Tax and Payments</b>		
40b	Other credits	Adjusts amount flowing from screen <b>80</b> common credits 5735 and 8834
<b>Client Bill - Adjustments and Payments</b>		
	Adjustments: Amount	Adjusts amount to be printed on the client's bill; corresponds to the description on the <b>BILL</b> screen.

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## Appendix C: Override Worksheet

The Override Worksheet is updated each year to help you understand what happens in the return when certain data is changed through the use of override fields. The following pages contain the 2011 Override worksheet.

These worksheets are also available through the **FAQ** screen. To access them, open the **FAQ** screen, click the **Screen Help** button (or press CTRL+ALT+?) and click the links at the top of the window.

## Overrides Worksheet

Override Location		
Screen/Line	Field Name	Location of Information Being Overridden
<b>1065</b>		
<b>1 Partnership General Information screen</b>		
	I Number of Schedules K-1 attached	Overrides the number of K-1 schedules that are generated.
	Preparer fee	Overrides the system's fee calculation
	Firm #	Overrides the program default setting (1).
	Preparer #	Overrides the program default setting (1).
	Data entry op #	Overrides the login name.
	ERO number	Overrides the selection made from the <b>ERO SSN Indicator</b> drop list at <b>Setup &gt; Options, EF</b> tab.
	Entity Name Control	Overrides the calculated name.
<b>INC - Income and common Schedule K Items</b>		
	Publicly Traded Partnership Electing 3.5% Tax	Overrides the calculated tax on the total income from the active conduct of all trades and businesses by the partnership.
<b>DED - Deductions - Form 1065, Page 1 Deductions</b>		
	Insurance (enter total if not using detail below)	Overrides the amounts entered on the other insurance lines on this screen.
1	State income taxes	Overrides state income taxes calculated from information entered on <b>ES</b> screen using code IN.
2	State franchise taxes	Overrides state franchise taxes calculated from information entered on <b>ES</b> screen using code FR..
<b>Form 1125-A - Cost of Goods Sold</b>		
5	Other costs - depreciation	Overrides calculated amount for entries on <b>4562</b> detail screen directed to the COGS in the <b>Form</b> selection box.
<b>Schedule B - Other Information</b>		
16	If "Yes," enter number of Forms 8805 filed for partnership	Overrides the number of Forms 8805 generated by the program.
TMP	Partner #	System prints first partner's info as Tax Matters Partner by default. Enter a partner number here to select a different partner as the TMP.
	SSN	Overrides the selected partner's info as Tax Matters Partner by default.
	TMP Name	Overrides the selected partner's info as Tax Matters Partner by default.
	Address	Overrides the selected partner's info as Tax Matters Partner by default.
	City	Overrides the selected partner's info as Tax Matters Partner by default.
	State, ZIP	Overrides the selected partner's info as Tax Matters Partner by default.
	Province/State, Country, Postal Code	Overrides the selected partner's info as Tax Matters Partner by default.
	Phone number	Overrides the selected partner's info as Tax Matters Partner by default.
<b>Schedule K - Partners' Distributive Share (Screen 1 of 2)</b>		
13d (M)	Amount paid for medical insurance	Overrides amounts being carried from screen <b>3</b> , line 10
14a	Net earnings from self-employment	Overrides the calculated on WK_SE.
14b	Gross farming/fishing income	Adjusts amounts from <b>K1P</b> screen, line 14, code B; <b>K1F</b> screen, line 14, code G; and Schedule F.
14c	Gross non-farm income	Overrides the calculated amount as follows: Form 1065, line 8, plus schedule K, line 3a, minus Form 1065, lines 5 and 6.
<b>Schedule K - Alternative Minimum Tax (screen 2 of 2)</b>		
2a	K - Analysis by type of partner - General Partners	Overrides amount calculated by the program based on the selection made in the Type of Partner section of the <b>K1</b> screens.
2b	K - Analysis by type of partner - Limited Partners	Overrides amount calculated by the program based on the selection made in the <b>Type of Partner</b> section of the <b>K1</b> screens.
<b>Self-Employment Earnings/Loss Worksheet</b>		
1b	Net income (loss) from certain rental real estate activities if different from the amount on Sch K, line 2	Overrides amounts on Schedule K, line 2 (Form 8825) which flows to worksheet for figuring Net Earnings (Loss) From Self-Employment, line 1b when selected on the <b>8825</b> screen.
1d	Net loss from Form 4797, Part II, line 17, included on line 1a (enter as a positive amount)	Overrides the loss that comes from Form 4797 Part II line 17



## Overrides Worksheet

Override Location		
Screen/Line	Field Name	Location of Information Being Overridden
<b>1065</b>		
<b>1 Partnership General Information screen</b>		
	I Number of Schedules K-1 attached	Overrides the number of K-1 schedules that are generated.
	Preparer fee	Overrides the system's fee calculation
	Firm #	Overrides the program default setting (1).
	Preparer #	Overrides the program default setting (1).
	Data entry op #	Overrides the login name.
	ERO number	Overrides the selection made from the <b>ERO SSN Indicator</b> drop list at <b>Setup &gt; Options, EF</b> tab.
	Entity Name Control	Overrides the calculated name.
<b>INC - Income and common Schedule K Items</b>		
	Publicly Traded Partnership Electing 3.5% Tax	Overrides the calculated tax on the total income from the active conduct of all trades and businesses by the partnership.
<b>DED - Deductions - Form 1065, Page 1 Deductions</b>		
	Insurance (enter total if not using detail below)	Overrides the amounts entered on the other insurance lines on this screen.
1	State income taxes	Overrides state income taxes calculated from information entered on <b>ES</b> screen using code IN.
2	State franchise taxes	Overrides state franchise taxes calculated from information entered on <b>ES</b> screen using code FR..
<b>Form 1125-A - Cost of Goods Sold</b>		
5	Other costs - depreciation	Overrides calculated amount for entries on <b>4562</b> detail screen directed to the COGS in the <b>Form</b> selection box.
<b>Schedule B - Other Information</b>		
16	If "Yes," enter number of Forms 8805 filed for partnership	Overrides the number of Forms 8805 generated by the program.
TMP	Partner #	System prints first partner's info as Tax Matters Partner by default. Enter a partner number here to select a different partner as the TMP.
	SSN	Overrides the selected partner's info as Tax Matters Partner by default.
	TMP Name	Overrides the selected partner's info as Tax Matters Partner by default.
	Address	Overrides the selected partner's info as Tax Matters Partner by default.
	City	Overrides the selected partner's info as Tax Matters Partner by default.
	State, ZIP	Overrides the selected partner's info as Tax Matters Partner by default.
	Province/State, Country, Postal Code	Overrides the selected partner's info as Tax Matters Partner by default.
	Phone number	Overrides the selected partner's info as Tax Matters Partner by default.
<b>Schedule K - Partners' Distributive Share (Screen 1 of 2)</b>		
13d (M)	Amount paid for medical insurance	Overrides amounts being carried from screen <b>3</b> , line 10
14a	Net earnings from self-employment	Overrides the calculated on WK_SE.
14b	Gross farming/fishing income	Adjusts amounts from <b>K1P</b> screen, line 14, code B; <b>K1F</b> screen, line 14, code G; and Schedule F.
14c	Gross non-farm income	Overrides the calculated amount as follows: Form 1065, line 8, plus schedule K, line 3a, minus Form 1065, lines 5 and 6.
<b>Schedule K - Alternative Minimum Tax (screen 2 of 2)</b>		
2a	K - Analysis by type of partner - General Partners	Overrides amount calculated by the program based on the selection made in the Type of Partner section of the <b>K1</b> screens.
2b	K - Analysis by type of partner - Limited Partners	Overrides amount calculated by the program based on the selection made in the <b>Type of Partner</b> section of the <b>K1</b> screens.
<b>Self-Employment Earnings/Loss Worksheet</b>		
1b	Net income (loss) from certain rental real estate activities if different from the amount on Sch K, line 2	Overrides amounts on Schedule K, line 2 (Form 8825) which flows to worksheet for figuring Net Earnings (Loss) From Self-Employment, line 1b when selected on the <b>8825</b> screen.
1d	Net loss from Form 4797, Part II, line 17, included on line 1a (enter as a positive amount)	Overrides the loss that comes from Form 4797 Part II line 17

## Overrides Worksheet

Override Location		
Screen/Line	Field Name	Location of Information Being Overridden
<b>1065</b>		
12a (a)	Intangible assets	Overrides calculations from on the <b>4562</b> detail screen or the Subsidiary Schedule for the Balance Sheet ( <b>SCH2</b> screen).
12a (c)	Intangible assets	Overrides calculations from on the <b>4562</b> detail screen or the Subsidiary Schedule for the Balance Sheet ( <b>SCH2</b> screen).
12b (a)	Less accumulated amortization	Overrides calculations from on the <b>4562</b> detail screen or the Subsidiary Schedule for the Balance Sheet ( <b>SCH2</b> screen).
12b (c)	Less accumulated amortization	Overrides calculations from on the <b>4562</b> detail screen or the Subsidiary Schedule for the Balance Sheet ( <b>SCH2</b> screen).
<b>Schedule M-1 - Reconciliation of Income (Loss) per Books with Income per Return</b>		
4	Expenses recorded on books but not on Schedule K: Book-to-tax depreciation	Overrides amount calculated by system of the difference between book and tax depreciation.
7	Deductions included on Schedule K but not charged against book income this year	Overrides the book-to-tax depreciation adjustment calculated by the system.
<b>Schedule M-2 - Analysis of Partner's Capital</b>		
3	Net income (loss) per books	Overrides the amount carried from Schedule M-1, line 1, or Schedule M-3, line 11.
<b>Schedule M-3 - Net Income (Loss) Reconciliation, Part I</b>		
2	Income statement period - Beginning	Overrides default calendar year dates or fiscal year dates entered on screen 1
2	Income statement period - Ending	Overrides default calendar year dates or fiscal year dates entered on screen 1
<b>Print Options</b>		
<b>Print Overrides</b>		
	Print federal filing instructions	An entry here overrides the selection on <b>Setup &gt; Options, Optional Documents</b> tab for printing the federal return.
	Print state filing instructions	An entry here overrides the selection at <b>Setup &gt; Options, Optional Documents</b> tab for printing the state return.
	Print partnership's envelope coversheet	An entry here overrides the option that was entered in <b>Setup &gt; Options, Optional Documents</b> for the S corporation envelope coversheet.
	Print IRS envelope coversheet	An entry here overrides the option that was entered in <b>Setup &gt; Options, Optional Documents</b> tab for the IRS envelope coversheet.
	Print state envelope coversheet	An entry here overrides the option that was entered in <b>Setup &gt; Options, Optional Documents</b> tab, for the state envelope coversheet.
	Print city envelope coversheet	An entry here overrides the option that was entered in <b>Setup &gt; Options, Optional Documents</b> tab, for the city envelope coversheet.
	Date to print on returns	Overrides the default date on the "Paid Preparer" line at the bottom of the 1120, page 1.
	Form 1065, Box F - Total Assets	Overrides the calculated amount on Form 1065 page 1, line F.
	IRS Center	Overrides the IRS Center address generated from the General Information screen.
<b>D2 - Schedule D - Gain/Loss Carryovers and Other Entries</b>		
5	Partnership share of net short-term capital gain (loss)	Overrides the amounts coming from the <b>K-1P</b> screen, line 8, and the <b>K-1F</b> screen, line 3.
11	Partnership share of net long-term capital gain (loss)	Overrides the amounts coming from the <b>K-1P</b> screen, line 9a, and the <b>K-1F</b> screen, line 4a.
<b>Form 4562 Detail</b>		
	Override regular depreciation, Federal	Overrides the system calculation for the "Current depr" column of the Depreciation Detail Listing.
	Override regular depreciation, AMT (if different)	Overrides the system calculation for the "AMT Current" column of the Depreciation Detail Listing.
	Override regular depreciation, Book (if different)	Overrides the calculated book amount.
	179 expense elected this year, Federal	Overrides Form 4562, Part I, line 6, column (c) and the amount for the WK_S179L
	179 expense elected this year, Book (if different)	Overrides the calculated book amount and the amount for the WK_S179L..

## Overrides Worksheet

Overrides Worksheet		
Override Location		
Screen/Line	Field Name	Location of Information Being Overridden
<b>1065</b>		
	179 expense ALLOWED this year, Federal	Overrides Form 4562 line 12 (If Method M is chosen there must be an entry made on line 179 expense elected this year or Method EXP must be used). Overrides amount calculated for WK_S179L.
	179 expense ALLOWED this year, Book (if different)	Overrides the calculated book amount and the amount for the WK_S179L.
"Force convention"	Placed in Service and Like-Kind Exchange Info	Overrides convention determined by the dates of assets placed in service during the year.
"Do not use MACRS % tables"	Placed in Service and Like-Kind Exchange Info	Overrides how the system calculates depreciation for the "Life" and "Method" columns of the Depreciation Detail Listing.
<b>6 4562 Part 1</b>		
1	1 Maximum amount if greater than \$250000	Overrides the maximum of 179 expense for 2009 of \$250,000 on line 1 of Form 4562
2	2 Total cost of sec 179 property placed in service in current year	Overrides the software calculated amount of section 179 property placed in service during the tax year.
18	Total business income Federal	Overrides calculated amount on WK_P179L, line 4.
<b>Form 3468</b>		
5a	Qualifying advanced coal project credit, Basis of investment in gasification for section 49A(d)(3)(B)(i) projects	Overrides the cost entered on the <b>4562</b> detail screen as determined by the code (CA) entered in the <b>Investment credit code drop list</b> .
5b	Qualifying advanced coal project credit, Basis of investment in coal-based generation for section 49A(d)(3)(B)(ii) projects	Overrides the cost entered on the <b>4562</b> detail screen as determined by the code entered in the <b>Investment credit code drop list</b> .
6b	Qualifying gasification project credit, Basis of investment property not included in (a) above	Overrides the cost entered on the <b>4562</b> detail screen as determined by the code entered in the <b>Investment credit code drop list</b> .
11e	Rehabilitation property, Pre-1936 buildings in the Gulf Opportunity Zone	Overrides the cost entered on the <b>4562</b> detail screen as determined by the code (RA) entered in the <b>Investment credit code drop list</b> .
11g	Rehabilitation property, Other pre-1936 buildings	Overrides the cost entered on the <b>4562</b> detail screen as determined by the code (RB) entered in the <b>Investment credit code drop list</b> .
11h	Rehabilitation property, Certified historic structures in the Gulf Opportunity Zone	Overrides the cost entered on the <b>4562</b> detail screen as determined by the code (RC) entered in the <b>Investment credit code drop list</b> .
11j	Rehabilitation property, Other certified historic structures	Overrides the cost entered on the <b>4562</b> detail screen as determined by the code (RD) entered in the <b>Investment credit code drop list</b> .
12a	Energy Credit, Basis of property using geothermal energy placed in service during 2009	Overrides the cost entered on the <b>4562</b> detail screen as determined by the code (EA) entered in the <b>Investment credit code drop list</b> .
12b	Energy Credit, Basis of property using solar illumination or energy placed in service during 2009	Overrides the cost entered on the <b>4562</b> detail screen as determined by the code (EB) entered in the <b>Investment credit code drop list</b> .
12c	Energy Credit, Qualified fuel cell property: Basis of property installed	Overrides the cost entered on the <b>4562</b> detail screen as determined by the code (EC) entered in the <b>Investment credit code drop list</b> .
12i	Energy Credit, Qualified microturbine property: Basis of property installed	Overrides the cost entered on the <b>4562</b> detail screen as determined by the code (ED) entered in the <b>Investment credit code drop list</b> .
<b>Form 6478 - Alcohol and Cellulosic Biofuel Fuels Credit</b>		
2	Alcohol 190 proof or greater and alcohol 190 proof or greater in fuel mixtures	Overrides the default rates. Refer to form instructions.
3	Alcohol less than 190 proof but at least 150 proof and alcohol less than 190 proof but at least 150 proof in fuel mixtures	Overrides the default rates. Refer to form instructions.
4	Qualified cellulosic biofuel produced after 2008 that is alcohol	Overrides the default rates. Refer to form instructions.
<b>Form 8609 - Low-Income Housing Credit Allocation &amp; Certification</b>		
2	Schedule A - Annual Statement, Override of computed rate	Overrides computed rate.
<b>K1P Schedule K-1 for 1065</b>		

## Overrides Worksheet

Overrides Worksheet		
Override Location		
Screen/Line	Field Name	Location of Information Being Overridden
<b>1065</b>		
	For section 179 Use Only, 2009 179 exp allowed	Overrides the calculated amount allowed on the WK_P179L.
	For section 179 Use Only, 2008 179 exp allowed	Overrides the calculated amount allowed on the WK_P179L.
	Current year QRP 179 exp allowed	Overrides calculated amount.
<b>SS-4 - Application for Employer Identification Number</b>		
	County & state	Overrides the county and state entered on screen 1.
	Date business started/acquired	Overrides the date entered on screen 1.
<b>Form 982 - Reduction of Tax Attributes Due to Discharge of Indebtedness</b>		
	Part III - Consent of Corporation to Adjustment of Basis of Property	Overrides the dates entered on screen 1
<b>3115 Change in Accounting Method</b>		
	General Information - Principal business activity code number	Overrides selection made on screen <b>K</b> , line 2a.
	Tax year of change begins	Overrides entry made on screen <b>1</b> (Name, Address, General Info).
	Tax year of change ends	Overrides entry made on screen <b>1</b> (Name, Address, General Info).
	Contact person's telephone number	Overrides entry made on screen <b>1</b> (Name, Address, General Info).
25	Parts II,IV Section - Net Section 481(a) adjustments for the year of change	Overrides amount flowing from Form 3115, section A, line 1h.
<b>Form 8027 Employer's Annual Information Return of Tip Income and Allocated Tips</b>		
7	Allocation of tips if using other than calendar year	Overrides calculated amount for line 7 of form; place x in line 6 to activate this override.
<b>Form 8082 - Notice of Inconsistent Treatment or Administrative Adjustment</b>		
7	Partnership tax year	Overrides default calendar year dates or fiscal year dates entered on screen 1.
<b>Form 8283 - Noncash Charitable Contributions</b>		
	Restrictions, Override section	Changes information on Form 8283 from section A to section B or vice versa.
<b>Form 8308 - Report of a Sale or Exchange of Certain Partnership Interest</b>		
	Part I Beneficial owner of the interest immediately before the transfer	Overrides the information that flows from Schedule K-1 - Partner Name and Address Information.
	Part II Beneficial owner of the interest immediately after the transfer	Overrides the information that flows from Schedule K-1 - Partner Name and Address Information.
<b>Form 8716 - Election to Have a Tax Year Other Than a Required Tax Year</b>		
4	Date of required tax year	Overrides calculated date based on return type election.
<b>Form 8804 - Annual Return for Partnership Withholding Tax</b>		
3a	Number of Foreign Partners	Overrides calculated number of foreign partners from <b>K-1</b> screens when <b>Foreign partner</b> check box is marked.
6a	Payments of section 1446 tax made by partnership and amount credited from last year	Overrides amount of quarterly payments from Forms 8813.
<b>Form 8822 - Change of Address</b>		
4a	Business name	Overrides entry on screen <b>1</b> .
4b	Employer ID number	Overrides entry on screen <b>1</b> .
6	New mailing address	Overrides entry on screen <b>1</b> .
8	Daytime phone number	Overrides entry on screen <b>1</b> .
<b>Form 8873 - Extraterritorial Income Exclusion</b>		
5a	Business activity code	Overrides information entered on screen <b>1</b> .
5b	Product	Overrides information entered on screen <b>1</b> .
45	Part IV, line 45	Overrides calculated results for line 42: override and enter amounts from lines 33, 36, 38, or 44.
<b>Form 8925 - Report of Employer-Owned Life Insurance Contracts</b>		
	Type of business	Overrides information entered on screen <b>1</b> .
<b>Client Bill - Adjustments and Payments</b>		
	Billing option (overrides what is set up in options)	Overrides the billing option selected in <b>Setup &gt; Options &gt; Billing</b> .
	Custom paragraph option (overrides what is setup in options)	Overrides the Custom Paragraph option selected in <b>Setup &gt; Options &gt; Billing</b> .
	Date to be printed on bill	Overrides the default date (the present date).

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