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Issue 2008-6

ExacNews

ExacTax Client:

All systems are GO, turnaround time is great and the phone response time is averaging less than 90 seconds. Where else can you get great service and nice people too? Try that at one of the big shops.

Extended Hours

Extended support hours are now in effect. Production and support departments will be open from 8:00 A.M. until 7:00 P.M (Pacific Time) Monday-Friday and 8:30 to 5:00 on Saturdays.

The RST Department will remain open from 8:00 A.M. until 8:00 P.M, Monday-Friday, for reruns, supply orders and tracking the status of returns only. The RST Department will be open from 8:30 A.M. until 5:00 P.M on Saturdays.

Support for billing and credit card payments is available from 8:00 to 6:00, Monday-Friday.

Sending Payments with Input Forms

When sending payments to Exactax in your package, place your check in a separate envelope and write "CHECK ENCLOSED" on the outside. Paper clip the envelope to the top of the first set of input. This procedure will help prevent checks from being sent back to you as part of your input.

IMPORTANT: *Accounts with an outstanding balance over 21 days will be placed on C.O.D. status. C.O.D. accounts that receive returns via UPS will be shipped UPS C.O.D. until the account is current. C.O.D. accounts that receive returns by any other method will be held until current.*

→ExacPay Users

IF YOU HAVE SUBMITTED AN EXACPAY CREDIT CARD AUTHORIZATION FORM TO EXACTAX FOR PAYING YOUR BILLING STATEMENTS, PLEASE DISCONTINUE SENDING CHECKS. The processing of checks and ExacPay credit card authorization are separate functions and do not cross check with each other. Therefore, both the credit card payment and the check get applied to your account.

No Charge Rerun Period for 1040 Batch Returns Ending

The 'No Charge' period for 1040 batch return telephone reruns ends on February 29th. All reruns must be called in or received by February 29th to qualify. Per Exactax policy, when there is an Exactax error, the error is always corrected at no charge. However, if additional changes are requested, or items are added that were not part of the original return, then the applicable charges will apply.

Input Form Corrections and Changes:

Form Disposal (Like-Kind Exchange) [55B]: The lines on the input form have been rearranged to more closely match the input screen to make data entry more accurate. There has been no change in the computation but the manual worksheet lines and instructions have changed to match the new order. Please use the new version of Form [55B] (attached) for any future exchanges. Our Audit Department will transfer exchanges made on the old version over to the new version. For ease of reference a diamond symbol has been added to the right-hand corner to identify it as the most current version.

RDE Users – Make Backups!

Start early and do it frequently. We can't emphasize the importance of this enough! All RDE users should be making regular backups of all data files. Making a backup in UltraTax is very easy once you have it set up:

- Create a folder to hold the backup files. Make it somewhere easy to locate.
- Start UltraTax and from the *File* menu select *Backup*
- On the Backup dialog press the *Select All* button.
- Review and change the backup location setting in the lower right-hand corner, as needed, to point to the folder you created. This can also be your USB drive that you plug in.

Backing up to another location on *your hard drive alone* won't help in the event of a crash. We recommend that you also then copy your backup directory to your CD or DVD drive and write a new disk each time or copy to a separate drive.

Note: Most systems are not set up to back up directly to a CD and must first back up to the hard drive or some other drive.

Tax Rebate Requires Return to be Filed

As part of the great tax rebate, even normal non-filers will need to file a 2007 return to receive a stimulus check. Per the IRS instructions, "STIMULUS PAYMENT" should be written at the top of the federal return for taxpayers filing just for stimulus check purposes.

Note: While in the forms view, RDE users can type "STIMULUS PAYMENT" in one of the open fields at the top of Form 1040, Page 1. Batch processors should write this message at the top of the federal return.

Common Errors

As part of the quality control process, the Exactax program scans all batch returns for potential input errors that can be corrected before the return is shipped. When an item is detected, the input forms are pulled and sent to Technical staff for further review. If Exactax is unable to make a determination or if input is missing, you may be contacted. Since all of these procedures slow down processing, you can help avoid unnecessary review by entering your data as correctly and completely as possible.

Always be sure to review and resolve the proforma messages that are printed in the *Notes to Accountant* section at the bottom of Form PI before submitting the input. If you line out each message you have reviewed, then Exactax will not need to delay processing your return to call you to resolve them.

Review all Exactax diagnostics on the completed return for messages indicating changes or corrections that were made during the audit and error control process.

Mandatory Fields: Always complete fields that are noted as mandatory with the star symbol ★. If e-filing, also complete the mandatory e-file fields noted with the lightning bolt ⚡. Pay special attention to W2 and 1099R forms for e-filers.

Forms [1], [2] and [70B]: In the [Letter] section of Input Forms [1] and [2] there is a check box, zip 23, 'Include prior year tax preparation fee from invoice on Schedule A'. When this is checked, the amount proformaed for the *Prior year gross amount* will add to the amount on Form [70A], zip 56, *Tax preparation*. In addition, when zip 23 is checked in the prior year, it will be proformaed this year. When this occurs, Exactax prints an alert message next to zip 56 on Form [70A] to prevent a duplicate entry. If an amount is entered on Form [70A], zip 56 and Form [1] or [2], zip 23 is checked with the same amount in the proforma field, then Exactax will delete zip 23.

Form [26A], zip 1: Tax exempt interest is reported separately from regular interest. If the same amounts are entered in *Interest Income* and *Tax Exempt Amount*, ExacTax will delete the amount entered in *Interest Income*.

Form [23A/B], zip 13: The pension distribution code from Form 1099-R is a required entry for e-file returns but should be entered for all distributions to ensure correct taxable treatment as well as penalties. If this field is left blank ExacTax will treat the distribution like a code 7, normal distribution.

All IRA Distributions: When there is basis to be recovered, do not enter the taxable as different from the gross on Form 1099 [23A/B]. The taxable portion will be computed based on your entries on Form [60A].

Roth Distributions: All Roth IRA distributions require basis entries and the value on 12/31/07 on Input Form IRA [60A] to compute the correct amount of taxable distribution as well as any remaining basis. Entries for contribution basis and conversion basis are handled differently and should not be duplicated.

If the recipient of a Roth distribution is over 59 ½ and any part of the Roth was contributed or converted more than 5 years ago, be sure to check box 76.

Traditional IRA Distributions: All traditional IRA distributions with a basis (prior non-deductible portion) require the value on 12/31/07 on Input Form IRA [60A] to compute the correct amount of taxable distribution as well as any remaining basis.

Form 5695, Residential Energy Credit [80C]: This year there is a new Joint Occupancy section at the bottom of the input form, with zips 19 through 25. Do not make any entries in this section unless the taxpayer owns the property jointly with someone OTHER than a spouse.

Frequently Asked Questions

What form do I use to generate the Domestic Production Activities Deduction (Form 8903)?

1040: 8903 [60D]

1065: K-2 [21C]

1120: 8903 [90E]

1120S: 8903S [90F]

1040: Where do I enter the Aggregate Gross Receipts for a 1040/California partner/shareholder?

Form CAK1-3 [CA15C], zip 6.

Do **NOT** enter the same assets here and on Form 4562 Disposal [55A]. Assets entered here will create a new asset that will be depreciated based on the old asset. If no new asset number is entered in field provided, the next number available will be used. Do not mix different asset types, such as building and land, in the same column or incorrect treatment may result. When an exchange involves 2 or more rentals given up, Form 43B **must** be used. Ownership % entered on Rent [31] will be applied to all entries.

★ Prop 1	A <input checked="" type="checkbox"/>	C <input type="checkbox"/>	F <input type="checkbox"/>	Rent <input type="checkbox"/>	2106 <input type="checkbox"/>	4835 <input type="checkbox"/>	Inc <input type="checkbox"/>	Desc <input type="checkbox"/>				
	Single asset # <input type="text"/>		OR ALL Assets <input checked="" type="checkbox"/>		OR Specify Asset #s <input type="text"/>							

	EXCHANGES				COMMON	UNCOMMON
					Like-Kind	
All Transactions (Date Required) (Do NOT enter both Cash received and Paid)	Method of disposition					
	Date disposed (Must be entered - No various) (mm/dd/yy) ★					
	FMV of other property given up (uncommon)					(A)
	Adjusted basis of other property given up (uncommon)					(B)
	Cash received * <input type="text"/>				▶ (C)	
	FMV of (Not like-kind) non sec 1245 received (uncommon)					(D)
	Liabilities (including mortgages) given up (uncommon)					(E)
	Liabilities assumed (uncommon)					(F)
	Cash paid * <input type="text"/>				▶ (G)	
	Exchange expenses incurred: <input type="text"/>				▶ (H)	
	FMV of non sec 1245 like-kind property received included in total below <input type="text"/>				▶ (I)	
	Total FMV of like-kind property received: ★ <input type="text"/>				(J)	
	Adjusted basis of original asset (Force): <input type="text"/>				(K)	
	Section 121 exclusion (uncommon):					(L)
	Type of property: <input type="text"/> 1245 = Trade or business property, 1250 = Real property, 1 = Force to Form 4797, long-term, 2 = Force to Form 4797 - Part II ★					
Date property was identified <input type="text"/>						
Date like-kind property was received <input type="text"/>						
Asset number for new asset (use 1000 & higher) <input type="text"/>						
Description of new asset received <input type="text"/>						
Treat entire basis as a current yr acquisition (Election 1.168(i)-6T(i)) <input checked="" type="checkbox"/>						

Like-Kind Exchange Worksheet:

1) Other Property Given UP (F + G + A – E)	Not less than zero	1)
2) Net Liabilities (E – F – G – A)	Not less than zero	2)
3) Unused Exchange expense (H - 2 + C + D)	Not less than zero	3)
4) Total amount giving up (K – L + 1 + 3)		4)
5) Unlike property Received (C + D – H)		5)
6) Liabilities Assumed (E – F – G – A)	Not less than zero	6)
7) Total unlike property received* (5 + 6)		7)
8) Total amount realized (7 + J)		8)
9) Realized Gain (8 – 4)		9)
10) Recognized Gain (Smaller of 5 or 9)		10)
11) Basis of property received (Amount from line 4)		11)

★ How to handle new asset created in the Exchange:

Delete (Default) - **OR-** Transfer new asset to: A C F Rent 2106 4835 Inc

Related Party Exchange:

Related party name <input type="text"/>	
Address <input type="text"/>	
City <input type="text"/>	
State <input type="text"/>	▼
Zip <input type="text"/>	
Taxpayer identification number <input type="text"/>	
Relationship to you <input type="text"/>	
Related party sold property received this year <input checked="" type="checkbox"/>	
You disposed of property received this year <input checked="" type="checkbox"/>	
Special condition code (D = Death of original seller, I = Involuntary conv, N = Non-tax avoidance transaction) <input type="text"/>	▼
Explanation <input type="text"/>	