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Issue 2009-07

ExacNews

Exactax Client:

The first deadline for corporation returns with a 12/31/08 year end is Monday, March 16. Exactax telephone support will be open every Saturday from 8:30 AM to 5:00 PM to assist you with your questions and reruns.

Note: UPS does not pick up from Exactax on Saturdays; however, returns held for pick-up will be available at our Anaheim facility during our hours of operation. If you plan to pick up your returns, please mark your Form PI as 'Hold for pickup' in advance.

Extended Hours

Hours of operation now in effect: Production, Technical and Customer 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. Ask for extension 225.

Instruction Manuals and Proforma

All 990 proforma has been shipped. The 990 manual will ship as soon as it is available.

Note: Some 990 proforma and supplies were shipped inadvertently that contained 2007 input forms. If you received these supplies, please discard them and wait for the correct 2008 forms.

2007 Returns on CD Now Available

The form for ordering 2007, 2006 and 2005 archive of returns on CD was included with the last issue of ExacNews. If you need another copy of the form, please contact Customer Support.

Proforma Print Errors

In a few instances the printed proforma has most or all of the proforma data missing, including the taxpayer's name. If you find one with missing data contact Customer Support for a reprint.

Form W2 [20A/B]

Form W2, Box 14 - Other (zip 44) is a catch-all field and may contain any type of random information. Do not make an entry on Form [20A/B], zip 44, unless you also enter the numeric code that identifies the item. The codes for zip 44 are listed on pages 107-108 of the 1040 manual and at the bottom of Form [20B]. Entries without a valid code will not be used in any computations.

Form 1099R [23A/B]

- Not all 2008 1099R distributions are to be reported in the 2008 return. Codes **D** and **P** are to be reported in the 2006 and 2007 returns, respectively. Distributions with these codes will not appear in the 2008 return and a diagnostic will alert you.
- Only enter a single distribution code in zip 15. Many 1099R forms will come with more than one code in Box 7; however you must enter the single applicable code.
- All traditional IRA distributions with a basis entered on Form IRA [60A] require a 12/31/08 value on Form [60A] to compute correctly.
- All Roth distributions require a basis and a 12/31 value on Form [60A] unless they have a distribution code **Q** or code **T** and over 5 years is checked.

Form Ms [61S] 1120: Officer Life Insurance Premiums

There has been a change in the way the expense for officer life insurance premiums are treated this year over last. Per Rev. Rul. 2008-42, premiums paid by the S Corporation on an employer-owned life insurance contract which it owns and is a beneficiary of, do not reduce the S Corporation's Accumulated Adjustment Account. Similarly, the life insurance proceeds received by an S Corporation on the death of an individual who was employed by the S Corporation within the last 12 months or who is a director or highly compensated employee, do not increase its Accumulated Adjustment Account.

Although the Revenue Ruling does not explain its reasoning, it would seem that even though no deduction is allowed for premiums paid on any life insurance policy where the taxpayer is directly or indirectly the beneficiary, the nondeductible expense does not reduce the S Corporation's Accumulated Adjustment Account because it is related to tax-exempt income.

Therefore, ExactTax assumes amounts entered in the **Officer life insurance premiums**, Form Ms [61S], zip 8, should transfer to Schedule M-2, Other Adjustments Account - Other reductions. Also, amounts entered in the **Cash surrender value-Officer life**, Form Ms [61S], zip 11, should transfer to Schedule M-2, Other Adjustments Account - Other additions.

If you do not want ExactTax to automatically transfer these amounts to Schedule M-2, do not enter amounts in the **Officer life insurance premiums** and **Cash surrender value-Officer life** fields. Instead, enter the amounts in the **Book expenses not deducted**, zip 5 and **Income on books not on return**, zip 9 on Form Ms, respectively. Also, leave the Schedule M-2 code for these amounts blank.

E-file

The following forms are impacted by recent legislation and can't be e-filed until further notice:

Form 3468, Investment Credit

Form 8912, Credit to Holders of Tax Credit Bonds