

March 2, 2009

Issue 2009-08

ExacNews

ExacTax Client:

With the first corporation return deadline approaching on Monday, March 16, you should review your corporation supplies and order accordingly to ensure that you don't run short.

American Recovery and Reinvestment Act of 2009 (ARRA)

The American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law on February 17, 2009. The 1,100 page act contains a wide-range of provisions for individuals, businesses, and families. The IRS has stated it is working closely with Congress and the administration on the stimulus legislation and will implement tax-related provisions of the new program as quickly as possible, including revised 2008 forms and worksheets. In general, the new legislation does not have any major impact for the vast majority of individuals preparing their 2008 tax returns. However, a few limited areas in the legislation that could impact 2008 tax returns include changes in the net operating loss provisions (Form 1045 and NOL Worksheets), first-time homebuyer's credit (Form 5405), investment credit (Form 3468), withholding tables (Form W-4), 90-percent rule for small businesses in the calculation of the estimates (Form 1040ES), as well as changes to Publication 505, Tax Withholding and Estimated Tax, and Publication 4681, Canceled Debts, Foreclosures, Repossessions, and Abandonments (For Individuals). ExacTax is diligently reviewing the law, working with Creative Solutions, and implementing any required changes to the 2008 1040 tax computation on future updates as changes become available.

The following ARRA changes are in the updated program as of February 24, 2009:

AMT Patch — The ARRA increased the AMT exemption amounts for tax year 2009 to \$46,700 (\$70,950 if married filing jointly or qualifying widow(er); \$35,475 married filing separately). The Pre-ARRA AMT exemption amounts had been scheduled to decrease to \$33,750 (\$45,000 if married filing jointly or qualifying widow(er); \$22,500 if married filing separately). With this update, the Tax Projection Worksheet will default to using the increased ARRA 2009 AMT exemption amounts to project the 2009 alternative minimum tax. Any forced data entered prior to the passage of ARRA should be diligently reviewed as it may affect the accuracy of the projected 2009 alternative minimum tax. The 2009 AMT exemptions may be forced on Form TPW-2 [98C], Other Information Section, zip 41.

Free Rerun Period for 1040 Batch Returns Has Ended

The 'free' period for 2008 1040 batch return telephone reruns ended on February 28th. 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. Review your ExacTax diagnostics and Audit corrections to your input forms to avoid future reruns.

Instruction Manuals

All state instruction manuals are now available. The 990 manual is scheduled to ship this week.

RDE Users: Don't forget – your instruction manual is the **[F1]** button.

RDE Users – Keep Your Software Current

Updates to the UltraTax program are released almost on a daily basis. If you do not keep your program current by downloading the updates, the return you get back may not match what was on your screen. You must install version 2008.4 before you can install the updates to it. The next UltraTax CD, version 2008.5, is not scheduled for release until sometime in April.

Reruns – Be Prepared

Exactax tries to maintain a rapid support call response time. Please have your log number, input forms with changes completed and other materials ready to avoid extending calls unnecessarily.

RDP Returns

A flowchart detailing the steps to process an RDP return is included with this bulletin.

California 2009 Estimate Change Reminder

When entering your predetermined amounts for 2009 CA 540-ES tax vouchers, remember that the law has changed; to avoid an underpayment penalty the first two installments must be 30% each and the second two are 20%. When total estimated tax is over \$1,000,000 then an additional 10% must be added. When Exactax computes the estimates these rules will automatically be used. Exactax will not change your manual entries.

Common Errors:

Deleting Proforma Data

DO NOT discard forms with proforma data. When a form with proforma data is no longer needed, it must be submitted and marked for deletion. Failure to submit the form may delay processing or cause unwanted results.

Federal ID Numbers

When entering a federal ID number, such as on a K1 or for a dependent care provider, be sure to enter all 9 digits. Our system will not accept an incomplete number so we will need to call you or omit the entry.

Direct Deposit Information

When entering an amount on Form **[3A]**, zip 3, Depositor Account Number, do not enter anything except numbers, letters and hyphens. The IRS does not allow slashes, spaces, periods, ampersands, etc. in the Depositor Account Number field.

RDE Users: You are responsible for entering the Depositor Account Number correctly and/or correcting proformaed invalid characters prior to transmitting.

E-File Requires Detail Forms

Efile returns must use Form [20B] for wages and [23B] for 1099R distributions. Returns using Form [20A] or [23A] will incur procedure charges for changing forms and calling for missing information.

Frequently Asked Questions

1040/CA: Where do I enter the amount received for Paid Family Leave?

For California recipients, a Form 1099-G should have been issued by the California Employment Development Department (EDD). The amount in Box 1 is reported as unemployment compensation on Input Form INC [22A]. This will be taxable on the federal return and non-taxable on California.

E-file: Can I e-file a return and suppress my preparer name and firm name by checking the NPP box 20 on Form PI?



NO. To e-file, the NPP box must not be checked. A preparer and firm must always be assigned to an e-file return.

What number can I call if I have just e-filed a return and need to correct the direct deposit information or revoke or change an electronic funds withdrawal payment?

For federal direct deposit issues (paper-filed or e-file): Call 800-829-1040 and select #1 (preparing your return and rules) and then #5 (preparing your return and rules). You will get a live person to handle the change.

For federal electronic funds withdrawal payment issues (e-file only): 888-353-4537 for a U.S. Treasury Financial Agent.

RDE: All of a sudden my 1040 input screen looks different – what happened?

You pressed the Organizer View button (two heads)  on your toolbar or you pressed the shortcut command [Ctrl+R]. To switch back to Input View press the **I** button  or press [Ctrl+I].

RDE Quick Tips

When working on a proformaed client you can quickly view last year's input by pressing the [F8] button. To switch back to the normal data entry view press [F8] again.

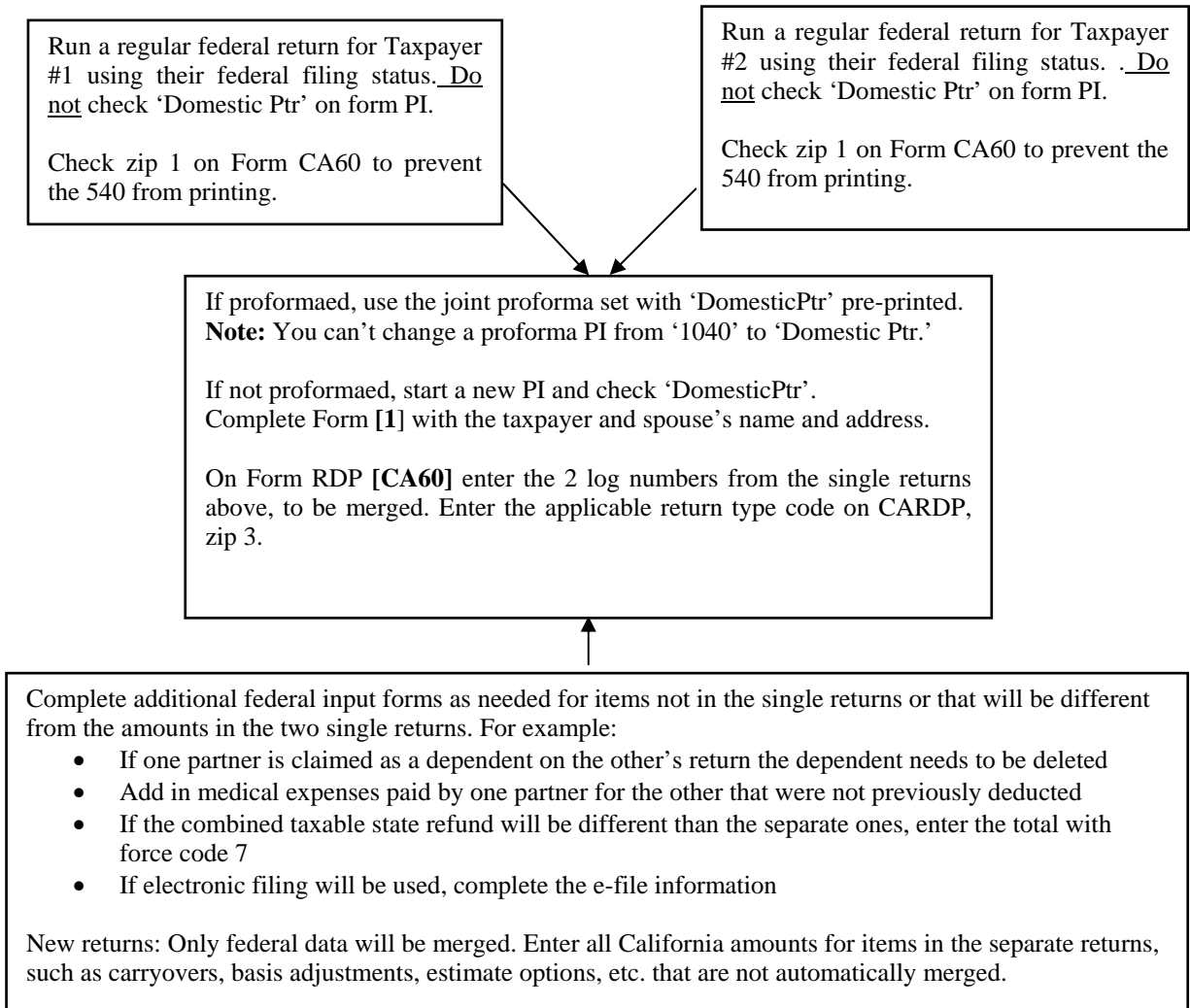
When entering an asset to be expensed under Section 179: after entering the cost, method and life, press [F11] and the system will compute and enter the maximum 179 allowed.

Form approval status

Exactax generates a diagnostic message for each return requiring a form not yet approved. We recommend that you do not file returns requiring forms that are not yet approved as the computation could be changed when the final version is released.

2008 California Registered Domestic Partner Return Input Flow Chart

Example #1: Steps for processing a Federal filing status Single, Head of Household or Qualifying Widow(er) and a joint California Registered Domestic Partner return.



RDE Notes: For proforma Domestic Partner clients the CARDP screen will come pre-populated with the two client IDs that were merged last year. The taxpayer's ID is 'hardwired' into the client file and can't be deleted. Because the current year ExactTax proforma files have been renumbered, the program won't find the matching number when the taxpayer and spouse are to be selected in the Domestic Partners dialog.

To work around this, first write down the ID shown on Screen CARDP for the taxpayer.

Open the 2008 completed return file of the taxpayer.

From the File menu select SaveAs.

In the SaveAs dialog, enter the ID number from the CARDP screen and press Save to create a temporary return.

Open the Client Properties in the Domestic Partner return.

Press the Advance Properties button and select the Domestic Partner tab.

Select the taxpayer in the list and press the Taxpayer button.

Select the spouse in the list and press the Spouse button.

Press Done.

Close the Domestic Partner return.

Delete the temporary return that was created just for merging (File / Delete).