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January 18, 2010 Issue 2010-01

ExacNews

ExacTax Client:

This issue of ExacNews contains a lot of valuable information for the upcoming tax season so please review it thoroughly. The 2010 update workshops in California have concluded. If you did not attend and would like a copy of the workshop materials, a PDF version is available on the ExacTax website at: www.exactax.com. At the home page, click on *Support* and then *Workshop Materials*.

Office Hours

Office hours are currently Monday through Friday, 8:30 AM – 5:00 PM Pacific Time.

Beginning February 1, ExacTax will be open for extended hours; see the attached ExacTax Office Hours bulletin for complete details.

Beginning on February 8, the Customer Support, Technical Assistance and Shipping Departments will be open until 7:00 P.M.

The RST Department (**R**erun/**S**upplies/**T**racking) will remain open until 8:00 P.M for reruns, supply orders and tracking.

Annual Renewal and Current Account Status Required

Tax Organizers, Proforma, Starter Kits and software are only available to accounts that have renewed for the 2009 tax filing season and do not have a current COD balance. If you have not renewed your account and need assistance, please contact our Customer Support Department to complete the renewal process. Please allow a minimum of two weeks from your renewal date or from clearing COD status to receive any of the items listed above.

ExacPay Credit Card Authorization

Included with this bulletin is the ExacPay Credit Card Authorization Form. With ExacPay your credit card will be billed automatically for the balance due on your statement. Credit card billing will occur 1 to 5 days after the statement date.

Important: If you are currently using ExacPay, your information will be pre-printed on the authorization form. If this is correct and you wish to continue, you do not need to do anything. **If any information has changed you must complete the enclosed form** and return it to ExacTax at the address at the top of this page.

If you are not currently an ExacPay participant and wish to become one, please fill out the authorization form and return to ExacTax at the address at the top of this page.

Telephone Number and Email Update Form

Enclosed is the **Telephone Number and Email Update Form** printed with the information currently on file for your account. Review this and return changes as soon as possible.

Automatic Features and Preparer Information Forms

The *2009 Automatic Features* and *Preparer Information* forms were included with the initial proforma shipment. If you have not already done so, review the contents and, **only if you have changes**, return the forms as soon as possible. If the forms are not returned your 2008 Automatic Features will rollover to the 2009 tax system.

Tax Organizers

All Tax Organizer orders have been shipped. Late orders for pre-printed organizers and blank Tax Organizers may be ordered at any time. The minimum order for blank sets is 5 with free shipping on orders of $20.00 and over.

Proforma

Individual: Proforma for 1040/CA returns finished shipping this week. The initial 1040 proforma shipment will contain federal and California forms only. State proforma for returns that contain states not available for the initial shipment will be shipped as it becomes available.

Fiduciary and Business: To provide input forms as early as possible, the initial Fiduciary and Business proforma was shipped with only the federal forms. Federal-only proforma for 1041, 1065 and 1120 finished shipping last week. Proforma for fiduciary, 990 and business state forms will be shipped as soon as they become available.

****Note:*** To receive proforma for 2004, 2005, 2006, 2007 or 2008 1040 returns, contact the Customer Support Department to order the proforma. There is a $4.00 charge per return plus shipping for proforma for 2004 through 2008.

Proforma for 2008 fiscal year business returns is automatically run on a monthly basis.

Starter Kits

Federal Starter Kits for all systems and California 1040 are included with your proforma shipment. Supplies for all other state products will be shipped as they become available. For faster printing, initial Starter Kit contains a minimal set of blank supplies. A full kit based on the prior year's usage will be sent separately. Please wait before ordering additional supplies.

Initial RDE Software Shipment

The initial shipment of the UltraTax CS™ version 2009.3 software package and the ExacTax RDE Communications Center software completed shipping last week to all RDE accounts renewed as of December 31st. The shipment includes instructions on how to restore proforma files included on the same CD as the UltraTax and RDE Communication Center software.

Important: In the UltraTax program there is a *Proforma* item on the Utility menu. <u>DO NOT use the UltraTax proforma utility</u>. Doing this will cause you to have duplicate files. Only use proforma files restored from the ExacTax RDE Communications Center CD.

Allow approximately two weeks for late renewals or new orders to be shipped.

UltraTax/CS version 2009.3 and all subsequent versions will be shipped to you directly from Creative Solutions. Always install the latest release and then check for updates on a daily basis.

Courier Service

Courier service begins on Monday, February 1, with a trial run on Friday, January 29. A *2010 Courier Application* was sent in mid-December to all accounts that used this service last year. Completed applications should be returned as soon as possible. Anyone else interested in signing up, please contact our Courier Service Manager, Barbara Hammond, at (800) 352-3638, Extension 218 to see if this service is available in your area.

Electronic Filing

- Electronic filing for 1040 returns begins on January 18th.
- Electronic filing for 1065 and 1120 returns begins January 18th.
- Electronic filing for 1041 returns begins January 25th.

Supply Orders

Each Starter Kit is created with a quantity of forms based on last year's usage, with a minimum of two of each form. Additional forms they can be ordered using the ExacTax 2009 Order Form included with the proforma shipment. Please order reasonable quantities of input forms as they are provided at no additional charge. However, if more than four orders are submitted per month, then a $2.75 handling charge will apply. ExacTax may limit excessive order quantities.

Late Form Changes

Some late changes to input forms are made to the program after the initial proforma and supplies have been printed. Most of these changes are cosmetic or minor in nature but a few may change a zip number or add new fields. Attached are updated input forms that have been changed. Please use copies of these forms or order blank supplies of what you will need. If a changed form is part of a proforma set, you do not need to replace it. If possible, make the change to a zip number directly on the form. The changed forms are as follows:

K1-2 {32B} (Forms 1065 & 1120S K1): Zips 38 and 39 are changed to 86 and 85 respectively.

J {36C} (Farm Income Averaging): Zips 48 through 52 are added at the beginning for income attributable to farming and fishing. Zip 56 is added for net capital gain.

Educate {60B} (Education Related Adjustments/Credits): Zip 14 was added for dependent of another.

5405 {80G} (First Time Home-Buyer Credit): The range of dates for zip 7 was corrected; zip 8 is now a check box; the description for zip 11 was changed; zip 44 was added.

8615 {85G}: Zips 107 and 108 are added for additional tax lines from Schedule J.

★ **Activity unit number** ______ **Name of entity** ______________________

(Activity number and name **must** be the same as **Form K1 {32A}**.)

Section 179, Other Deductions

1065	1120S			Federal		State, if different
		Section 179 expense deduction	[7]		[8]	
13A	12A	Cash contributions (50%)	[9]		[10]	
13B	12B	Cash contributions (30%)	[11]		[12]	
13C	12C	Noncash contributions (50%)	[13]		[14]	
13D	12D	Noncash contributions (30%)	[15]		[16]	
13E	12E	Capital gain property to 50% organization (30%)	[17]		[18]	
13F	12F	Capital gain property (20%)	[19]		[20]	
13H	12H	Investment interest expense: Schedule A (Investment)	[23]		[24]	
		Schedule E (Passive)	[25]		[26]	
		Investment income adjustment	[27]		[28]	
13I	12I	Royalty expenses	[29]		[30]	
13J	12J	Intangible drilling costs (Expensed portion only)	[31]		[32]	
13K	12K	Subject to 2% of AGI limitation	[33]		[34]	
13L	12L	Not subject to 2% of AGI limitation	[35]		[36]	
13M	**N/A**	Self-employed medical insurance premiums (Form 1065 only). (S Corporation shareholder health insurance premiums must use Input **Form {20}** wages, Zip 45 and enter code 3 & K1 reference)	[37]		[86]	
N/A		Shareholder medical insurance not on Form W-2 (to Schedule A)	[85]		[40]	
					[42]	

[§ 41] Self-employed long-term care premiums

#	Code*	Description (24)	Amount [41]	State

1065	1120S			Federal		State, if different
13O	**N/A**	Dependent care benefits	[43]		[44]	
13P	12M	Preproductive period expenses	[45]		[46]	
		Preproductive period expenses expensed	[47]		[48]	
13Q	12N	Commercial revitalization deduction	[49]		[50]	
13S	12O	Reforestation expense	[51]		[52]	
13U	12Q	Qualified production activities income	[53]		[54]	
13V	12R	Employer's W-2 wages	[55]		[56]	
		Deductions attributable to qualified production activities.	[57]		[60]	
13W	12S	Penalty for early withdrawal	[59]		[62]	

13W 12S **[§ 61]** Other deductions (Reduces income and SE income)

#	Description (36)	Amount [61]

1065	1120S			Federal		State, if different
		Real estate taxes	[63]		[64]	
13W	12S	Form 4684 short-term loss income producing	[65]		[66]	

Self-Employment earnings (loss), Other Information

1065	1120S			Federal		State, if different
14A	**N/A**	Net earnings (loss) from self-employment	[68]		[69]	
14B	17T	Gross farming or fishing income	[70]		[71]	
14C	**N/A**	Gross nonfarm income	[72]		[73]	
20X	**N/A**	CRP pymts received by retired SSA or SSDI recipients	[74]		[75]	
20B	17B	Investment expenses	[76]		[77]	
15O	13O	Federal income tax withheld/backup withholding	[78]			
		State income tax withheld	[79]		[80]	
		Exclude state income tax withheld from basis calc ✓			[81]	
		Self-employed insurance subject to basis limitation	[82]		[83]	
		Federal income tax w/h subject to state basis limit			[84]	

*** SE Long-term care code:**

1 = Taxpayer, 2 = Spouse, 3 = Dependent < 40, 4 = Dependent 41-50,
5 = Dependent 51-60, 6 = Dependent 61-70, 7 = Dependent >70

See **Form K1-3 {32C}** for AMT, Foreign, Tax Exempt, Nondeductible & partner/shareholder information & expenses. See **Form K1-CR {32H}** for Credits

Farm Income Averaging

Schedule J - Elected Farm Income

J

Elected farm income cannot exceed the lower of taxable income or total taxable income attributable to farming/fishing. These fields will be used to optimize elected farm income when all of the Elected farm income fields are blank and are required to calculate Schedule J.

Total 2009 taxable income attributable to farming/fishing:

Ordinary	48
Net long-term capital gain/loss	49
Unrecaptured section 1250 gain included in net long-term capital gain	51
Net short-term capital gain/loss	50
Net capital gain (Excess, if any of net long-term capital gain over net short-term loss)	52

Complete Elected farm income fields only when electing amounts that differ from the total taxable fields. The elected fields will be used to optimize elected farm income instead of the total taxable income fields. Use the "Income averaging (Force)" field to report elected farm amounts as entered.

Elected farm income:

Ordinary	1
Net long-term capital gain	2
Short-term capital gain	3
Net capital gain (Excess, if any of elected net long-term capital gain over elected net short-term loss)	56
Income averaging (Force) (Program will use elected farm amounts as entered above)	5

Prior Year Information

J

Enter either Original Return Information or Original Schedule J Information if Schedule J was used to figure tax. See Schedule J instructions for additional information.

	2006	2007	2008
Filing status	6	20	34
Taxable income	7	21	35
Tax	8	22	36
Qualified dividends	9	23	37
Amount from Form 4952, line 4g	10	24	38
Amount from Form 4952, line 4e	11	25	39
Short-term capital gain/loss	12	26	40
Net long-term capital gain	13	27	41
Net capital gain	53	54	55
28% rate gain	14	28	42
Unrecaptured section 1250 gain	15	29	43
Capital loss adjustment	16	30	44
Net operating loss adjustment	17	31	45
Foreign housing and earned income exclusion (Form 2555 line 45/2555-EZ line 18)	18	32	46
Itemized deductions related to excluded income	19		
Capital gain excess (Only if Foreign Earned Income Tax Worksheet was calculated)		33	47

Educate | **Education Related Adjustments/Credits** | Overflow # ____ **2009** **60B**

Form 8815 - Exclusion of Interest from Series EE and I Bonds

[§ 1] Enrollee and Institution

#	TSJ	Name of Enrollee (25)	Educational Institution (20)	Address (35)

City, State, Zip code (35)	Qualified expenses [1]	Nontaxable benefits [2]

#	TSJ	Name of Enrollee (25)	Educational Institution (20)	Address (35)

City, State, Zip code (35)	Qualified expenses [1]	Nontaxable benefits [2]

Total proceeds from Series EE and I bonds issued after 1989 and cashed in 2009 . . . . **[3]**

Interest income from Series EE and I bonds (Force) . . . . **[4]**

Student Loan Interest Deduction

[§ 5] Qualified education loan interest paid in 2009

#	T/S	Description (29)	Amount [6]	Post Code

Adjustment to modified adjusted gross income . . . . **[7]**

Dependent of another but claiming student loan interest deduction . . . . ✓ **[8]**

Tuition and Fees Deduction and Education Credits (Forms 8917 and 8863)

[§ 9] Eligible student information — 1 = One prior year, 2 = Two prior years ▼

#	T/S	Ed Exp Code*	Student SSN	First Name (14)	Last Name (20)	Qualified Expense [10]	X If Disaster	Prior Year Hope Credit

★ Must enter. Student **MUST** be listed on Form **{1}**.

Post Code	State Use†	State Use - Institution Name (29) *	State Use - Institution Address (19) *

#	T/S	Ed Exp Code*	Student SSN	First Name (14)	Last Name (20)	Qualified Expense [10]	X If Disaster	Prior Year Hope Credit

★ Must enter. Student **MUST** be listed on Form **{1}**.

Post Code	State Use†	State Use - Institution Name (29) *	State Use - Institution Address (19) *

*** Education Expense code:**
1 = Hope Credit (Does not Optimize)
2 = Lifetime Learning Credit (Does not Optimize)
3 = Tuition and Fees Deduction (Does not Optimize)
4 = Optimize Hope Cr Tuition & Fees Deduction
5 = Optimize Lifetime Learning Credit/Tuition & Fees Deduction
6 = Midwestern disaster-Hope Credit (Does not optimize)
7 = Midwestern disaster-Lifetime Learning Credit (Does not optimize)
8 = Midwestern disaster-Optimize Hope Cr/Tuition & Fees Deduction
9 = Midwestern disaster-Optimize Lifetime Learning Cr/Tuition & Fees Ded

† State Use code:
1 = Two year: AR
2 = Four year: AR
3 = Technical: AR
4 = Graduate level, not qualified: MA, NY, KY
5 = Teacher: DC

Exclude state(s) net due/-overpayment in education expense optimization (When code 4 or 5 used) . . . . ✓ **[11]**

Adjustment to modified adjusted gross income . . . . **[12]**

Tax from recapture of prior year education credits . . . . **[13]**

Dependent of another claiming education credit (Parent not claiming dependent even though eligible) . . . . ✓ **[14]**

* Not required for California

First-Time Homebuyer Credit

Type of homebuyer credit being claimed (1 = First-time homebuyer credit,
2 = Homebuyer credit for long-time residents) . . . . ★ [1]

Member of the U.S. uniforms service, Foreign Service, or intelligence community serving on qualified official extended. . . . . ✓ [2]

Address (If different from address reported on **Form 1040 {1}**) . . [3]

City, state, zip code . . . . [4] [5] [6]

Date acquired (After 4/8/08 and before 05/01/10) (For service members after 12/31/08 and before 1/1/11) (mm/dd/yy) ★ [7]

Binding contract in place before 5/1/10 to close on home before 7/1/10 (Non-service members only). . . . . ✓ [8]

Purchase price (Home purchased after 11/6/09 is subject to $800,000 purchase price limitation) . . . . ★ [9]

Date sold or no longer used as principal residence . . . . (mm/dd/yy) [10]

Proforma information, do not elect to take credit in 2009 . . . . ✓ [11]

Form 5405 - Current Year Credit Information

Answer the following questions if the taxpayer or spouse is claiming a regular First-time Homebuyer credit

In the period three years prior to the purchase date has:

Taxpayer owned or had an ownership interest in a home? . . . . (1 = Yes, 2 = No) [12]

Spouse owned or had an ownership interest in a home? . . . .(1 = Yes, 2 = No) [13]

Answer the following questions if the taxpayer or spouse is claiming a limited Homebuyer credit for long-time residents

In the period 8 years prior to the purchase date has:

Taxpayer owned and used the same residence as home for 5 consecutive years.. . . . . (1 = Yes, 2 = No) [14]

Spouse owned and used the same residence as home for 5 consecutive years. . . . .(1 = Yes, 2 = No) [15]

Answer for all Home buyers

Were the taxpayer and spouse married on the purchase date?. . . . . (1 = Yes, 2 = No) [16]

Principal residence was purchased from a related party, is located outside the Uniter States, or was aquired by gift or inheritance. . . . . ✓ [17]

Taxpayer allocation percentage (If married defaults to 50%; if not married defaults to 100%) . . . .(xxx.xx) [18]

Spouse allocation percentage (Defaults to 50%). . . . .(xxx.xx) [19]

[§ 20] Owners other than taxpayer and spouse		Ownership %
#	Owner Names	xxx.xx

Adjustment to modified adjusted gross income (For this credit computation only) . . . . [21]

Form 5405 - Prior Year Credit Information †

First-time homebuyer credit taken (2008 Form 1040, line 70) . . . .[22]

Reason for disposition or change of main home* (see codes below) . . . .[23]

Basis of home (If different from purchase price) . . . .[24]

Selling price of home. . . . . [25]

Ex-spouse's full name (If transferred home to ex-spouse in divorce settlement). . . . . . .[26]

Accelerated recapture first-time homebuyer credit (Force) . . . .[27]

Member of U.S. uniformed service, Foreign Services, or intelligence community and home sold or ceased to be main home in connection with Government orders for qualified official extended duty service. . . . . . . ✓ [44]

*** Disposition codes:**

- **A** = Home sold to unrelated party, gain on sale
- **B** = Home sold unrelated party, no gain on sale
- **C** = Home sold to related party
- **D** = Home converted to rental, business, no longer used as a main home
- **E** = Home transferred due to divorce settlement
- **F** = Home destroyed or condemned. Will acquire new home within 2 years
- **G** = Home destroyed or condemned. Will not acquire new home within 2 years
- **H** = Taxpayer/Spouse deceased

† If the First-Time Homebuyer credit was claimed in 2008, complete zips 1, 7, 9 and 22 for tracking purposes.

85G

Tax on Children with Investment Income

Form 8615 - Taxpayer Information

8615

	Investment Income	Net Cap Gain & Qual Div
Directly connected itemized deductions	1	2
Estimated amounts code		3

Parent's Income and Tax Information

8615

SSN/First name/Last name	4	5	6
Filing status			7

*If the Foreign Earned Inc Tax WS was used to figure tax, enter the amount from line 4 of that worksheet instead of the income tax reported on Form 1040, line 44

Taxable inc (1040 ln 43/ Frgn Earn Inc Tax WS Ln 3)	8	Schedule D line 19 (Unrecaptured 1250)	16
Foreign Earned Income Tax Wrk ln 3	9	Sch J line 2a (Elected farm income)	17
Income tax (1040 ln 44, less 4972, 8814 & 8889 tax)*	10	Sch J line 2b (Elected net capital gain)	107
Qualified dividends	11	Sch J line 2c (Elected unrecap 1250 gain)	108
Sch D Tax Wrk ln 7(Or smaller of Sch D ln 15 or ln 16)	12	Sch J sum of lines 8, 12, 16	18
Form 4952 line 4e	13	Sch J line 22	19
Form 4952 line 4g	14	Sch J Worksheet 5 line 7	20
Schedule D line 18 (28% rate gain)	15	Sch J Worksheet 5 line 11	21

Children's Income and Tax Information

8615

Indicate this is the parent's return 22

	Child #1	Child #2	Child #3
SSN	23	37	51
First name	24	38	52
Last name	25	39	53
Date of birth (mm/dd/yyyy)	26	40	54
Taxable income	27	41	55
Qualified div on line 5	28	42	56
8615 line 5	29	43	57
Cap Gain Line 5 ratio	30	44	58
NCG on line 5	31	45	59
4952 line 4e	32	46	60
4952 line 4g	33	47	61
Sch D line 18 (28% rate gain)	34	48	62
Sch D line 19 (Unrecaptured 1250)	35	49	63
Frgn Earn Inc Tax WS ln 2	36	50	64

	Child #4	Child #5	Child #6
SSN	65	79	93
First name	66	80	94
Last name	67	81	95
Date of birth (mm/dd/yyyy)	68	82	96
Taxable income	69	83	97
Qualified div on line 5	70	84	98
8615 line 5	71	85	99
Cap Gain Line 5 ratio	72	86	100
NCG on line 5	73	87	101
4952 line 4e	74	88	102
4952 line 4g	75	89	103
Sch D line 18 (28% rate gain)	76	90	104
Sch D line 19 (Unrecaptured 1250)	77	91	105
Frgn Earn Inc Tax WS ln 2	78	92	106