

January 28, 2010

Issue 2010-02

## **ExacNews**

### **ExacTax Client:**

2009 tax processing is now up and running, including e-file. All available proforma and starter kits have been shipped. The remaining state programs are expected to be released this week. Proforma and supplies for those products will ship by the week of February 8<sup>th</sup>.

### **Starter Kits and Manuals**

Starter Kits for California 1065 and 1120 will be included with the next state proforma shipment. Instruction manuals for 1065 and 1120S are scheduled for the week of February 8<sup>th</sup>.

### **Courier Service**

Courier service officially begins on Monday, February 1, with a trial run on Friday, January 29. Couriers may visit in person or contact you by telephone on the trial run. If you are 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.

### **ExacPay Credit Card Authorization**

The ExacPay Credit Card Authorization Form was included with the previous issue of ExacNews. If you are currently participating and have changes to make, please return this form as soon as possible.


### **Office Hours**


Office hours are currently 8:30 AM – 5:00 PM Pacific Time.

Beginning February 1 the extended hours will be 8:00 AM – 7:00 PM Pacific Time.

Saturday office hours will commence February 6 from 8:30 – 5:00 Pacific Time.


### **RDE Software Releases**

All RDE software has been shipped. By now you should have also received a shipment from Creative Solutions for UltraTax version 2009.3.0. Additional interim releases, including electronic filing and various state products, are available only by downloading updates after installing version 2009.3. Check for updates available everyday on your *Home Page* by pressing the *Home Page* icon  on the right-hand side of the tool bar.

Look for the item  **Updates awaiting retrieval via CS Connect** [Retrieve updates] to quickly tell if any updates are available. This year the option to automatically download updates in the background is available under Setup \ System configuration \ Firm tab.

**Important:** DO NOT call Creative Solutions for support or for inquiries on your shipment status. As an RDE user all of your support must come through ExacTax.

If you have not received the latest CD and would like to download it from the internet, (this is only recommended if you have a high speed connection such as DSL or cable modem), it will normally take approximately 15 – 20 minutes.

- Start 2009 UltraTax and from the main menu, select *Help \ On the Web \ Product Support and Service*. This will launch your browser to the Creative Solutions support site.
- Click on *My Downloads* and you will receive a Log In screen.
- Enter the Email address: [exactax@exactax.com](mailto:exactax@exactax.com)
- Enter the password (must be all uppercase) **EXACTAXRDE**
- Click on *Download the latest version of UltraTax CS*
- Follow the instructions. If you use the Download Manager option it will give you an option to *Launch when done* so that the install will begin automatically when the download has completed. If you do not use this option, then note the location where you are saving the download file so that you can manually execute it when the download is complete.
- When the download is complete, run the installation and check for updates on the *Home Page* .

## 2010 Haiti Relief Contributions Deductible on 2009 Federal Return

People who give to charities providing earthquake relief in Haiti can claim these donations on the 2009 tax return they are completing this season, according to the Internal Revenue Service.

Taxpayers who itemize deductions on their 2009 return qualify for this special tax relief provision, enacted Jan. 22. Only cash contributions made to these charities after Jan. 11, 2010, and before March 1, 2010, are eligible. This includes contributions made by text message, check, credit card or debit card.

A new column has been added to Form A {70B} to indicate qualified Haiti relief contributions. See *Input Form Changes* below.

## Social Security Income and Advance Economic Payments

If the taxpayer or spouse reports any Social Security income you must make an entry on Input Form Cr-4 {80J}, zips 1 and 3, for the amount of Advance Economic Recovery Payment received in 2009. If nothing was received, enter a zero. When a return is marked for e-file and the entry is missing or incorrect, the return will be rejected.

**Note:** Include the actual Economic Recovery Payment in the total Social Security reported in zip 7 on Form {22A}. Do not report it separately as a lump sum payment.

## First-Time Homebuyer Credit and 1040ES

For homes purchased in 2008, taxpayers are required to recapture the First-Time Homebuyer credit taken beginning in 2010. The recapture is reported as additional tax in 15 equal annual installments beginning the second tax year after the year the credit is claimed. The Tax Projection Worksheet (TPW {98B}) will report in 2010 one-fifteenth of the *First-time homebuyer credit taken* from zip 22 on Form 5405 {80G} when the date entered in the *Date acquired* is after 04/08/08 and before 01/01/09 and the *Date sold or no longer used as principal residence* is blank.

**Note:** The annual recapture amount is not automatically added to 2010 estimates except those using the TPW. To add an additional amount of tax to the estimate when not using the TPW, enter a code 6 in the estimate declaration code on Form Est **{6A}**, zip 31, and the additional tax in zip 41.

## Input Form Changes

Late changes continue to be made to input forms previously released. This most often occurs when the government form has changed. Please replace any blank supplies with these forms or order additional supplies. The three attached updated input forms have the following changes:

### Input Form A {70B}: (Charitable Cash Contributions)

A new check box column has been added to the cash contributions in zip 46 to indicate a qualified Haiti relief contribution made after 01/11/10 and before 03/01/10.

If you are using an earlier proforma or supply form, make a check in the *ST Use* column and write 'Haiti' at the top. This identifier may be used to add back the contribution to non-conforming state returns in the future. Check [www.ftb.ca.gov](http://www.ftb.ca.gov) for late breaking conformity information. Currently no automatic adjustment is being made to California contributions.

### Input Form Cr-2 {80B}: (Form 8885 – Health Coverage Tax Credit)

Zips 66 and 67 are added for HCTC Advance Payments received for any months not checked.

### Input Form 5405 {80G}: (First-Time Homebuyer Credit)

Zip 47 is added for a mobile home purchase.

Zip 48 is added for a newly constructed home.

Zip 45 is added for credit recapture and claiming first-time homebuyer credit

Zip 46 is added for surviving spouse.

### Input Form CACr-2 {CA22}: (Form 3527 – New Jobs Credit)

This section was completely redesigned due to the reissued CA Form 3527.

## California Form 541

The California fiduciary return has been released and is available as of 1/26.

## Electronic Filing (1040) \*\*\*\*\*Important electronic filing information\*\*\*\*\*

**New this year!** Exactax now supports efile for most 1040 multi-state returns. A separate efile charge will apply to each state where efile is attempted. Three states are not currently supported for efile (single or multi-state): IL, MA and MN.

**RDE Users:** The E-File view in the RDE Communication Center now has expanded columns to show efile status for multiple states.

**New this year!** Exactax now supports California efile for 565 (1065), 100 (1120), 100S (1120S) and 568 (LLC) returns. If you file a 1040/540 and also produce the California single member LLC (568) you can efile both state returns at the same time.

**Other Efile Information:** Direct Deposit / Direct Debit with E-file: Whenever a return is marked for e-file and bank account information has been entered on Input Form Info **{3A}**, you must always make an entry in the ELF section, zip 8 or 9. In zip 9 enter the date for direct debit or check zip 8 to suppress direct debit in the event of a balance due. Failure to do one of these will result in an e-file rejection when there is a balance due. If this error occurs, ExacTax will check zip 8.

IRS error codes 1132 and 1133 rejections are due to having claimed the Making Work Pay Credit in tax year 2009 when an economic recovery payment was already received during 2009. To address this error, verify the amount entered in the Economic recovery payment received in 2009, zips 1 and 3 on Form Cr-4 **{80J}**.

IRS error code 767 — this error code is generated when 1 (Yes) is entered in the Authorize discussion with IRS field in Form 1040 **{1}**, zip 24 and a Designee PIN is not entered in the Preparer Information sent to ExacTax.

Due to legislative changes for the Worker, Homeownership, and Business Assistance Act of 2009 (WHBAA), the IRS has determined that Form 5405, First-Time Homebuyer Credit and Repayment of the Credit, cannot be filed electronically for tax year 2009.

Form 3468, Investment Credit is in draft and is not available for electronic filing at this date. This form will be available for electronic filing on a future update.

The IRS announced in a Quick Alerts notification on January 11, 2010, that due to the draft format of IRS Publication 517, the IRS will reject the Clergy Worksheet 3, Allowable Form 2106/2106-EZ Expenses, with error 0044 and will not allow this worksheet to be electronically filed at this time. ExacTax is working closely with UltraTax and will provide updated information regarding processing of this worksheet for electronic filing as it becomes available from the IRS.





## 8880, 8885, 8396, 8582-Cr

## Form 8880 - Qualified Retirement Savings Contribution Credit

8880

	Taxpayer	Spouse
Full-time student	1	2
Elective deferrals in current year (Force)	3	4
Certain retirement distributions received for tax year (including extensions):		
Current year (Force)	5	6
2008 (Enter 0 (zero) if no retirement distributions)	7	8
2007 (Enter 0 (zero) if no retirement distributions)	9	10
Filing status not MFJ in 2008	11	12
Filing status not MFJ in 2007	13	14

## Form 8885 - Health Coverage Tax Credit

8885

Taxpayer months qualifying for the Health Coverage Tax Credit: All 13

Jan 14 Feb 15 Mar 16 Apr 17 May 18 Jun 19 Jul 20 Aug 21 Sep 22 Oct 23 Nov 24 Dec 25

Taxpayer HCTC Advance Payments received for any months not checked above 66

Spouse months qualifying for the Health Coverage Tax Credit: All 26

Jan 27 Feb 28 Mar 29 Apr 30 May 31 Jun 32 Jul 33 Aug 34 Sep 35 Oct 36 Nov 37 Dec 38

Spouse HCTC Advance Payments received for any months not checked above 67

	Taxpayer		Spouse	
	January - April	May - December	January - April	May - December
Qualified health insurance payments	39	40	41	42
Portion of insurance paid by Archer MSA or HSA	43	44	45	46

## Form 8396 - Mortgage Interest Credit

8396

Taxpayer/Spouse/Joint (T, S, J) 47

Address (If different from Screen 1040) 48

City, state, zip code 49 50 51

Name of issuer of mortgage credit certificate 52

Mortgage credit certificate number 53

Issue date of certificate 54

Interest paid on certified indebtedness amount from Form 1098 (Force) 55

Interest paid on certified indebtedness amount, other (Force) 56

Certificate credit rate (xx.xxx) 57

Current year credit limit 58

	2006	2007	2008
Mortgage interest credit carryover	59	60	61

## Form 8582-CR Election to Increase Basis of Credit Property

8582CR

Elect the increase in basis of credit property disposed 62

Name of activity disposed \$ 63

Description of credit property \$ 64

Amount of unallowed credit that reduced the property's basis 65



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 duty. . . . . ✓ [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] \_\_\_\_\_

Mobile home purchased (If home purchased after 12/31/08 and before 1/1/11 and no settlement statement available) ✓ [47] \_\_\_\_\_

Newly constructed home purchase (If purchased after 12/31/08 and before 1/1/11 & no settlement stmt available) . . ✓ [48] \_\_\_\_\_

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 (For purchases in 2010 only) . . . . . ✓ [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 United States, or was acquired  
 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] \_\_\_\_\_

Recapture first-time homebuyer credit and claiming first-time homebuyer credit . . . . . ✓ [45] \_\_\_\_\_

Surviving spouse of home purchased (If spouse is deceased & home remains principal res for the surviving spouse) ✓ [46] \_\_\_\_\_

**\* 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.



Credits Eligible for Schedule P, Section B1.

\* (Reissue)

Maximum AGI amounts for the renter's credit:	
Joint, RDP, Head of Household and Qualifying Widow(er) . . .	\$68,824
Single or Married/RDP Filing Separately . . . . .	\$34,412

Nonrefundable renter's credit:

- Number of months rented principal residence in California in 2009 (Mandatory) . . . . . ★ [1] \_\_\_\_\_
- Lived with person claiming dependency exemption for more than 6 months (Dependent of another only) . . . . . ✓ [2] \_\_\_\_\_
- Property rented was exempt from property tax in 2009 . . . . . ✓ [3] \_\_\_\_\_
- Taxpayer claimed homeowner's property tax exemption in 2009 . . . . . ✓ [4] \_\_\_\_\_
- Spouse claimed homeowner's property tax exemption during 2009 . . . . . ✓ [5] \_\_\_\_\_
- Maintained separate residence for the entire year . . . . . ✓ [6] \_\_\_\_\_

[§ 7] Addresses if more than one or different (Default = address on federal Form 1040, 1/1 to 12/31)

#	Street Address (30)	City (17)	State	Zip Code	Date Rented From	Date Rented To

[§ 8] Landlord information

#	Name (20)	Street Address (24)	City (17)	State	Zip Code	Telephone Number

- Nonrefundable renter's credit (Force) (Nonrefundable Renter's Credit Worksheet does not calculate) . . . . . [9] \_\_\_\_\_
- 163 Calculate the Senior Head of Household Credit . . . . . ✓ [10] \_\_\_\_\_
- 170 Calculate the Joint Custody Head of Household Credit . . . . . ✓ [11] \_\_\_\_\_
- 173 Calculate the Dependent Parent Credit . . . . . ✓ [12] \_\_\_\_\_
- 219 New Home Purchase (Enter amount to claim each tax year from the credit allocation letter; future year amounts proforma to next year)
- 2009 . . . . . [13] \_\_\_\_\_
- 2010 . . . . . [14] \_\_\_\_\_
- 2011 . . . . . [15] \_\_\_\_\_
- 2012 . . . . . [16] \_\_\_\_\_

Offset Excess Tax/TMT, Limited Carryover

Number	Credits Eligible for Schedule P, Section B2.	Current Year Credit
197	Child Adoption . . . . .	[17] _____
210	Targeted Tax Area (TTA) Hiring and Sales and Use Tax (FTB 3809) . . . . .	[18] _____
213	Natural Heritage Preservation (FTB 3503) . . . . .	[19] _____

New Jobs Credit

Form 3527 and Schedule P, Section A2 - Enter information for qualified employees only

	2008	2009
Full-time employees employed for the entire tax year . . . . .	[32] _____	[33] _____
Full-time hourly employees employed less than the entire tax year . . . . .	[34] _____	[35] _____
Hours worked by less than full year hourly employees . . . . .	[36] _____	[37] _____
(Do not enter greater 2,000 hours per employee)		
Full-time salaried employees employed less than the full tax year . . . . .	[38] _____	[39] _____
Weeks worked by full-time salaried employees employed less than the full tax year	[40] _____	[41] _____
Pass-through credits (Forms 100S, 541, 565, or 568) . . . . .	[25] _____	[26] _____
Tax from disregarded entity (Force) . . . . .	[26] _____	[27] _____
Limited liability company unit number (Form CALLCGN (CA56A). . . . .	[27] _____	

Election to Increase Basis of Credit Property

- Elect the increase in basis of credit property disposed (3801-CR, Part VI) . . . . . ✓ [28] \_\_\_\_\_
- Name of activity disposed (74)  
[§ 29] \_\_\_\_\_
- Description of the credit property (74)  
[§ 30] \_\_\_\_\_
- Amount of the unallowed credit (basis reduction) . . . . . [31] \_\_\_\_\_