



# ProSeries Basic Edition 2007

## Case Study

### Discover the ProSeries Basic Edition advantage:

- Tour ProSeries<sup>®</sup> software using the Case Study
- Follow a step-by-step overview for preparing a return
- Leverage user-friendly help features
- See how easy it is to e-file
- And more

©2008 Intuit Inc. All rights reserved.

Intuit, the Intuit logo, ProSeries, TurboTax, Quicken, QuickBooks, QuickBooks Pro, and QuickZoom, among others, are registered trademarks and/or registered service marks of Intuit Inc. in the United States and other countries. Other brand or product names are trademarks, service marks, registered trademarks, or registered service marks of their respective owners and should be treated as such.

# Use the Case Study to evaluate ProSeries® Basic Edition software

This Case Study involves preparing a Form 1040 return for taxpayers named Michael and Dianne Bradley. Use the Case Study to get an overall understanding of ProSeries Basic Edition software, then investigate other aspects of the program that pertain to your practice.

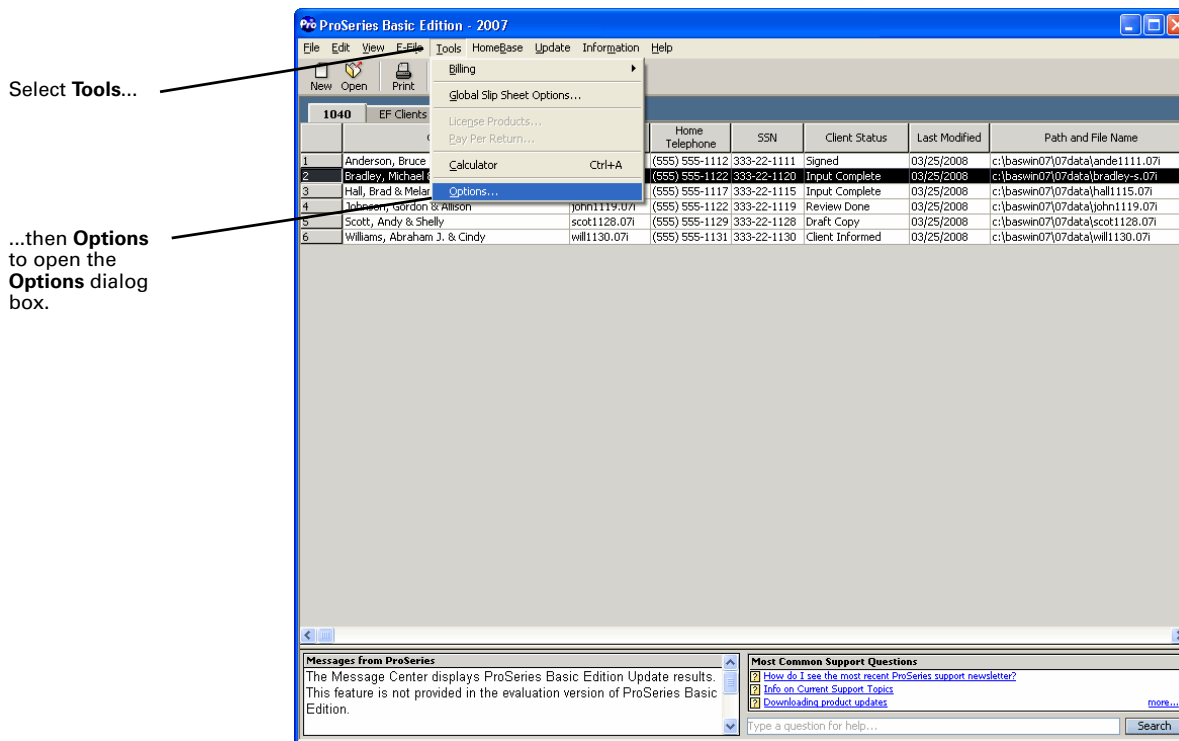
## 1 - Enter firm and preparer information

Before you start entering data or examining the Bradleys' Form 1040 return, enter your firm and preparer information (if you haven't already entered it).

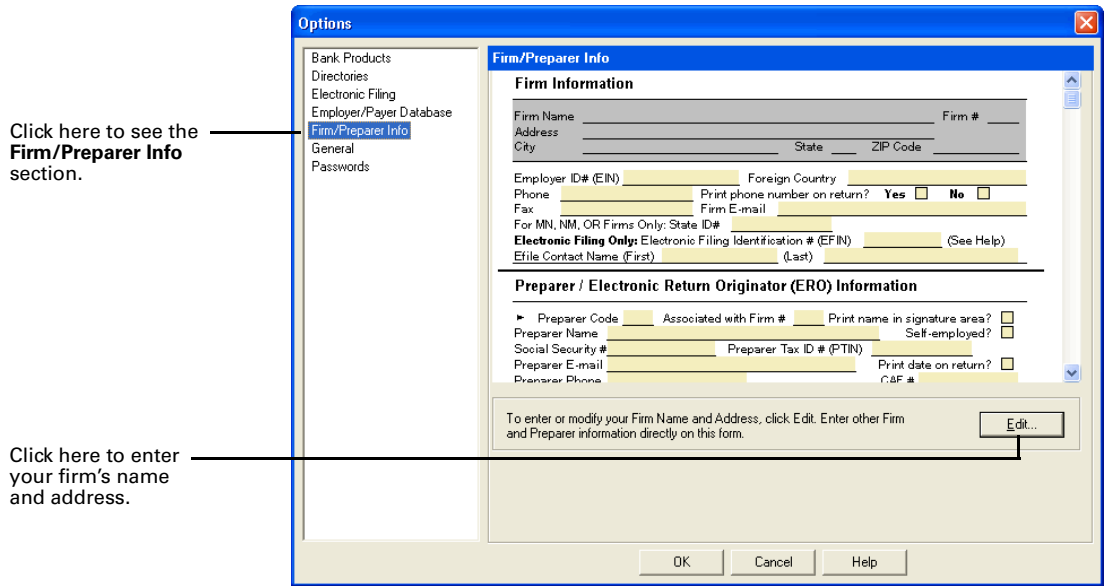
### Important:

The ProSeries Basic Edition program normally requires that you enter your firm and preparer information before you start to print returns and file returns electronically. The evaluation version of the program doesn't require this information to print returns, but it does require firm and preparer information to file returns electronically. For more information about these requirements, call 1-800-945-2820.

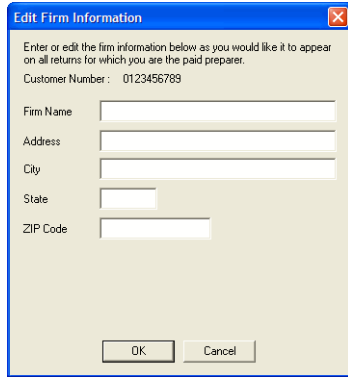
- 1 From HomeBase, go to the menu bar and select **Tools**, then select **Options**.



- 2 In the left side of the **Options** dialog box, select **Firm/Preparer Info**.
- 3 In the **Firm/Preparer Info** section in the right side of the **Options** dialog box, click the **Edit** button near the lower-right corner of the dialog box.



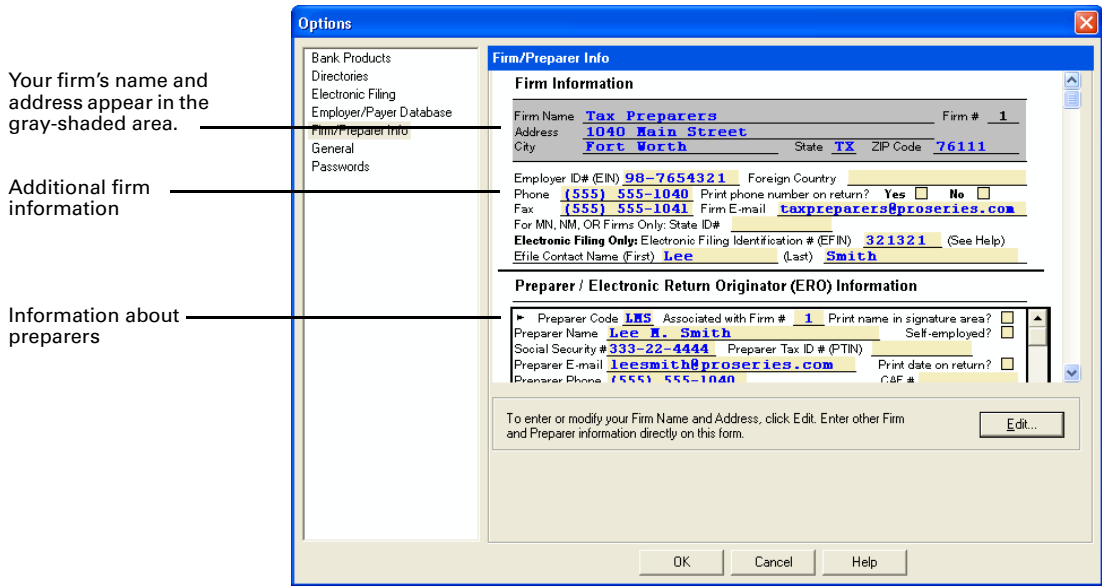
4 In the **Edit Firm Information** dialog box, enter your firm's name and address, then click **OK**.



5 When you return to the **Options** dialog box, enter all preparer information in the **Preparer/ Electronic Return Originator (ERO) Information** section. Be sure to complete the **Preparer Code**, **Preparer Name**, and **Social Security #** fields.

**Tip:** Use your initials as your Preparer Code. For more information about a field, right click the field, then select the **About** command in the pop-up menu.

The next figure shows how the **Firm/Preparer Info** section might appear after you enter your firm and preparer information.



**Entering firm and preparer information.** For detailed information about entering firm and preparer information, click the **Help** button near the bottom of the dialog box.

## 2 - Start the Bradleys' Form 1040 return

You can use either of the following methods to go through the Case Study.

- **Start a new return** (as explained in the next section, [Starting a new return for the Case Study](#)), then enter the Bradleys' data as you read the Case Study.
- **Open the sample client file containing the Bradleys' return** (as explained in [Opening the Case Study sample return on page 4](#)), then view the data on-screen as you read the Case Study.

The Case Study instructions assume that you are starting a new return and entering the data yourself.

### Starting a new return for the Case Study

To start a new return so you can prepare the Bradleys' return yourself:

- 1 Go to the HomeBase toolbar.
- 2 Click the **New** button.



You'll see the Federal Information Worksheet for Form 1040 returns that's shown at the start of [3 - Federal Information Worksheet on page 6](#). You won't see any taxpayer data on the worksheet.

- 3 Proceed to [3 - Federal Information Worksheet on page 6](#).

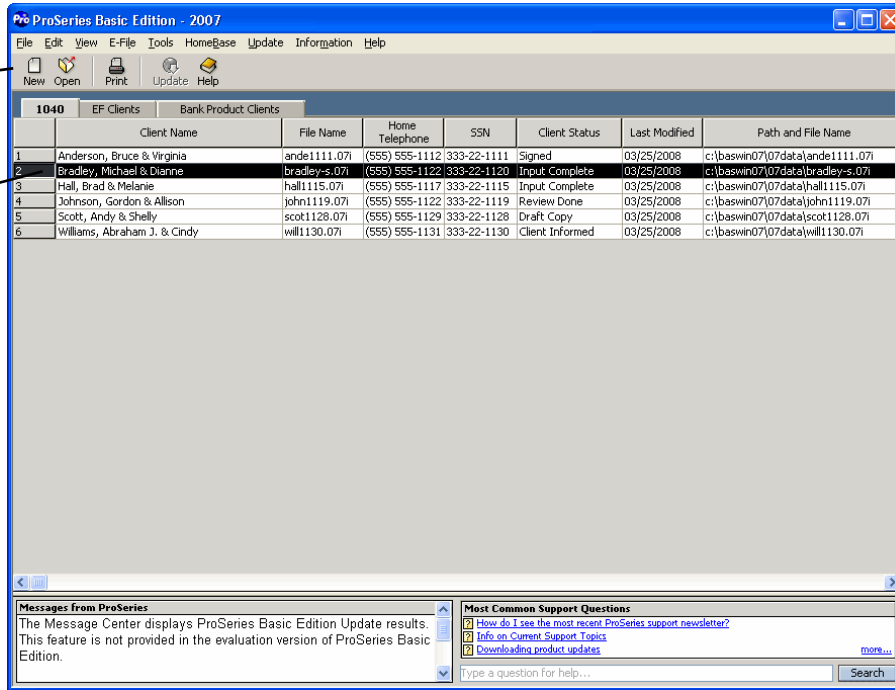
### Opening the Case Study sample return

If you prefer to view the Bradleys' Case Study sample return data on-screen, take the following steps:

- 1 In HomeBase, click the **1040** tab (near the top-left corner of HomeBase) to make sure that the current HomeBase view is **1040**.
- 2 Double-click the line beginning with **Bradley, Michael & Dianne**. That line includes **bradley-s.07i** in the **File Name** column.

Click this button if you want to start a new return.

Double-click this line if you want to open the Bradleys' sample return.



You'll see the Bradleys' data on the Federal Information Worksheet as shown in the next illustration.

Menu bar

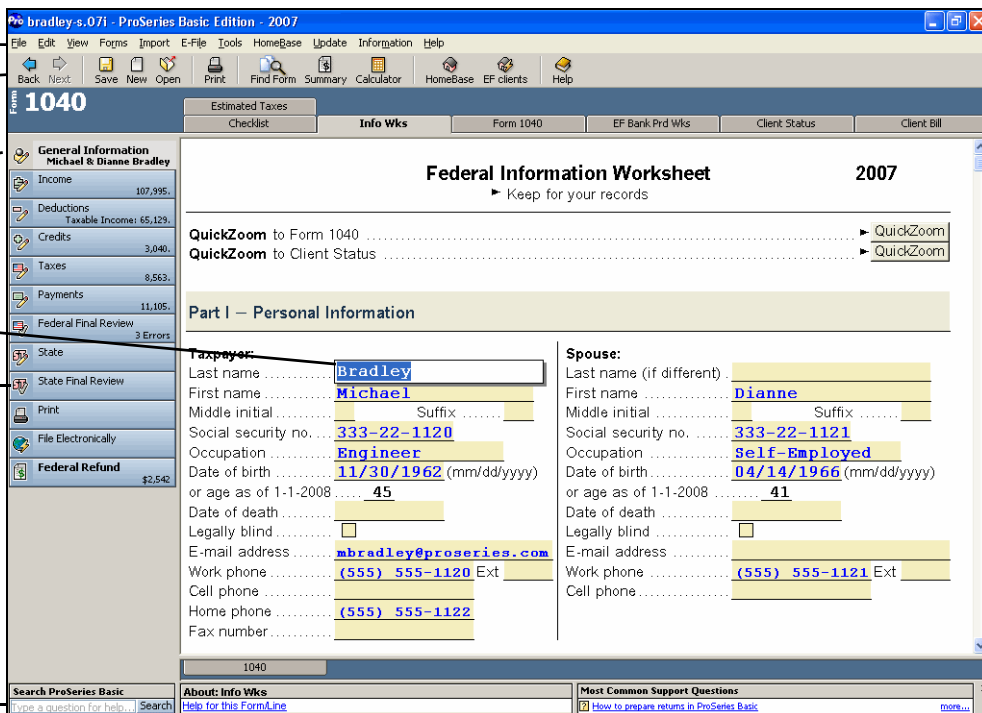
Toolbar

The **General Information** button is selected.

Data field that's currently selected

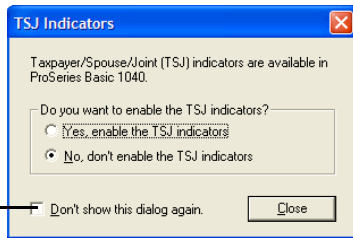
Step buttons

Help toolbar



**Tip:**

When you open the Bradleys' sample return, you might see a dialog box with the message "Taxpayer/ Spouse/Joint (TSJ) indicators are available in ProSeries Basic 1040."



You might want to check the box for this option.

For the purpose of this Case Study, we recommend that you select the **No, don't enable the TSJ indicators** option.

If you see this dialog box, click the **Close** button, then proceed to the next section, [3 - Federal Information Worksheet](#).

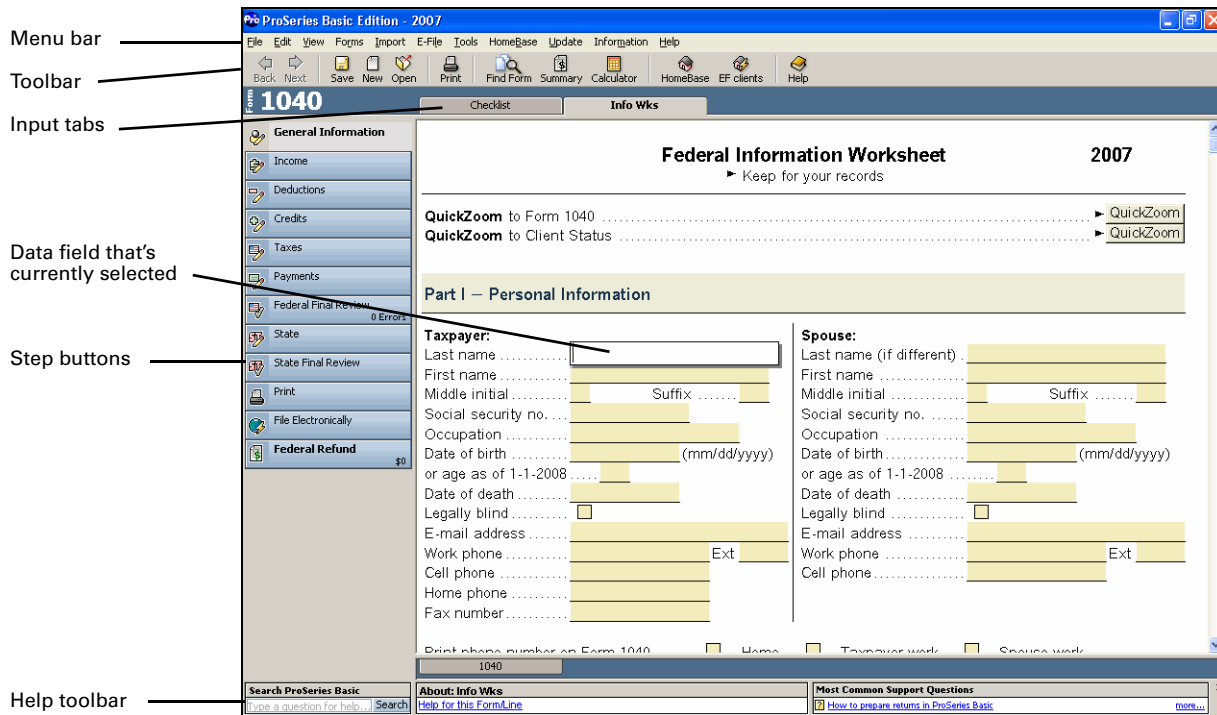
### 3 - Federal Information Worksheet

You're ready to begin entering client information in the fields on the Federal Information Worksheet.

The basic instructions for data entry are:

- You can enter data in fields with a light beige background.
- The program changes the background of a field from light beige to light red when data that you've entered in other fields indicates that data is required for the light red field.
- You must enter data in fields with a light red background.
- The program calculates the data for fields with a white background.
- Use your mouse, the ENTER key, or the TAB key to select each field.
- Type the appropriate taxpayer data in fields with a light beige or light red background, then press the ENTER key to move to the next field.
- If there is no taxpayer data for a field, press the ENTER or TAB key to move to the next field.

If you've started a new return for the Case Study, the worksheet should resemble the following figure.



## Case Data

Michael and Dianne Bradley live in Texas and file a joint return. Michael receives a salary. Dianne owns a business that she operates as a sole proprietorship.

Here's some additional information about the Bradleys:

- Because Michael was transferred during the year, they sold their house and moved.
- They have a son, Michael Jr., who was born in 2003.
- They have a daughter, Kelsey, who was born in 2007.
- Both children were enrolled in child care facilities during the year.
- They have a passive interest in a partnership.
- They will itemize deductions as they have in prior years.

### Part I - Personal Information

Enter the following case data in Part I of the Federal Information Worksheet. Part I is where you enter personal information for each client.

In this field	Enter this data for the Taxpayer	Enter this data for the Spouse
Last name	Bradley	
First name	Michael	Dianne
Social security no.	333-22-1120	333-22-1121
Occupation	Engineer	Self-employed
Date of birth	11/30/1962	04/14/1966
E-mail address	mbradley@proseries.com	
Work phone	(555) 555-1120	(555) 555-1121
Home phone	(555) 555-1122	

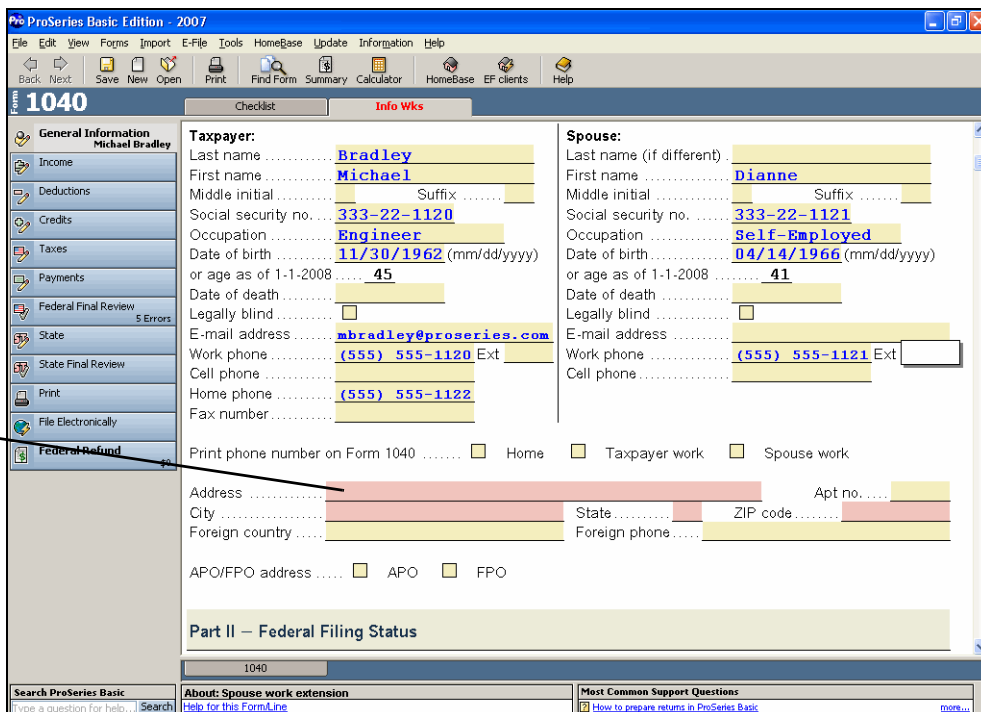
The Federal Information Worksheet should look like the following figure:

After you enter a date of birth, the program automatically calculates the person's age as of 1-1-2008.

Scroll down the worksheet a few lines so you can see the **Address, City, State, and ZIP code** fields. You'll notice they have a light red background, which lets you know that those data fields require data.

**Tip:** Color descriptions are for guidance only. Colors might appear different on your monitor.

The Address, City, State, and ZIP code fields have a light red background, so you know they require data.



Now enter the Bradleys' home address in the appropriate fields in Part I.

In this field	Enter this data
Address	1120 Main Street
City	Fort Worth
State	TX
ZIP code	76111

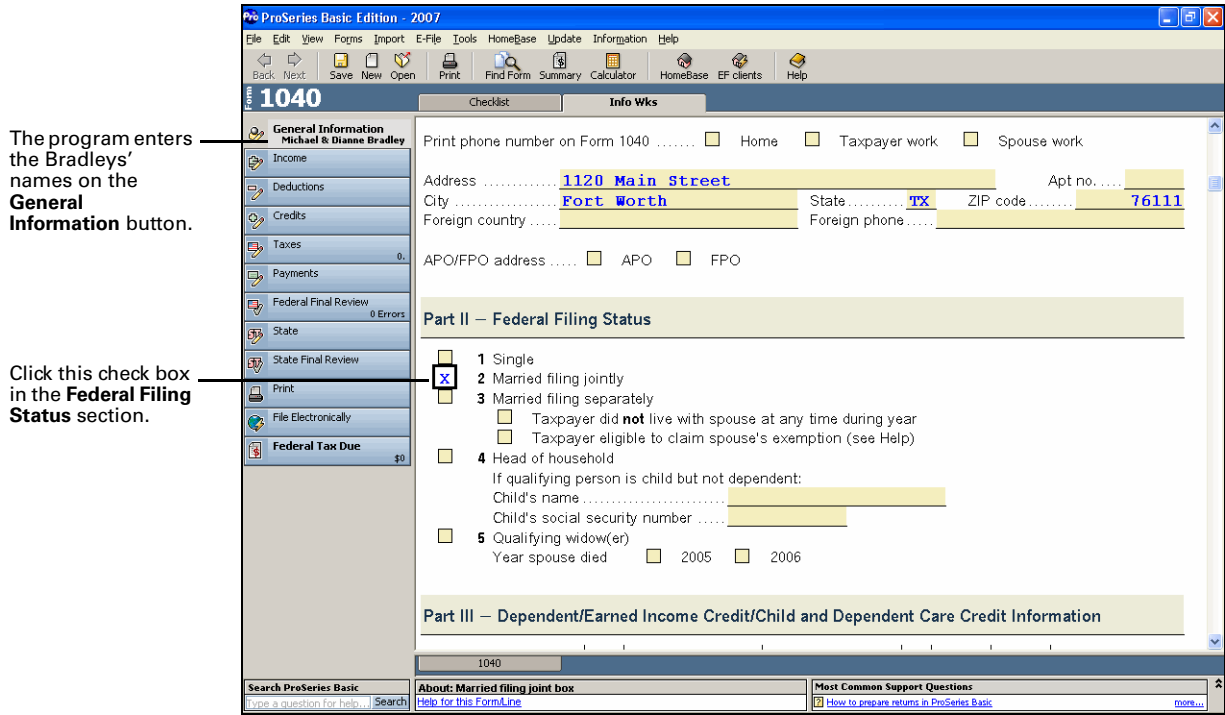
**Tip:** Notice that the background of a field changes from light red to light beige after you enter data in the field.

### Part II - Federal Filing Status

Scroll down to Part II - Federal Filing Status, then click the check box for the Bradleys' filing status.

In this section	Select
Federal Filing Status	Married filing jointly

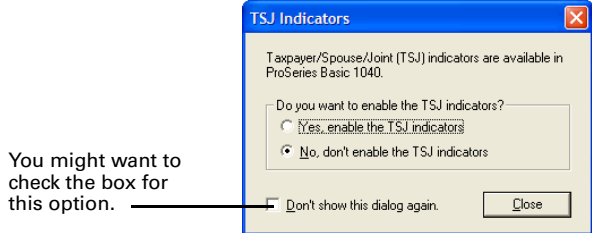
Your Federal Information Worksheet should look like the following figure:



The program enters the Bradleys' names on the **General Information** button.

Click this check box in the **Federal Filing Status** section.

**Tip:** After you select the Bradleys' filing status, you might see a dialog box with the message "Taxpayer/Spouse/Joint (TSJ) indicators are available in ProSeries Basic 1040."



You might want to check the box for this option.

For the purposes of this Case Study, we recommend that you select the **No, don't enable the TSJ indicators** option. You might want to check the **Don't show this dialog box again** option also. When you're ready to proceed, click the **Close** button.

**Part III - Dependent/Earned Income Credit/Child and Dependent Care Credit Information**

Scroll down to Part III of the worksheet, then select the field that's at the top-left corner of the dependent information table. That field is the **First Name** field for the first dependent. As you select certain fields in the table, you'll notice there's a pick list for certain fields, such as the **Relationship** and **Code** fields. A pick list shows the data that can be entered in that field. The Bradleys have only two dependents, so you won't notice that the table for dependent information scrolls as necessary when you enter information for more than four dependents. With ProSeries Basic Edition software, some tables "expand" as necessary to accommodate the taxpayer data that you need to enter.

Enter the following information about the Bradleys' children in the table for dependent information.

In this field	Enter this data for the first dependent	Enter this data for the second dependent
First name	Michael	Kelsey
Last name	Bradley	Bradley
Suffix	Jr	
Social security number	333-22-1126	333-22-1127
Relationship	Son	Daughter
Date of birth	10/10/2003	01/07/2007
Code	L	L
Lived with taxpayer in U.S. (These are months.)	12	9
Qualified child/dependent care expenses	2,500	2,700

Enter information about dependents in this table.

ProSeries Basic Edition - 2007

Form 1040

Part III – Dependent/Earned Income Credit/Child and Dependent Care Credit Information

First name Last name	MI Suff	Social security number *Relationship	Date of birth (mm/dd/yyyy) Code	Not qual for child tax credit	E I C	Lived with taxpyr in U.S.	Educ Tuition and Fees	Qualified child and dependent care expenses incurred and paid in 2007
Michael Bradley	Jr	333-22-1126 Son	10/10/2003 L	<input type="checkbox"/>		12	<input type="checkbox"/>	2,500.
Kelsey Bradley		333-22-1127 Daughter	01/07/2007 L	<input type="checkbox"/>		9	<input type="checkbox"/>	2,700.

\* Caution: If claiming child other than taxpayer's see **Relationship** in Help

If the Educ Tuition and Fees box is checked in the dependent table above then **QuickZoom** to the Qualified Education Expense Worksheet to enter education expenses ..... [QuickZoom](#)

If Taxpayer eligible for child tax credit: **QuickZoom** to review and/or enter amounts **not** considered earned income (see Help) ..... [QuickZoom](#)

## Part V - Return Preparer and Third Party Designee Information

Scroll down past Part IV, Earned Income Credit Information, to Part V, Return Preparer and Third Party Designee, so you can enter your Preparer Code.

In this field	Enter this data
Enter the Preparer Code from Firm/Preparer Info (See Help)	The Preparer Code that you assigned yourself in the <b>Firm/Preparer Info</b> section of the <b>Options</b> dialog box

Enter your Preparer Code here.

If you're not signing the return as the preparer, check the applicable box in this area.

You can enter third party designee information in this area.

### Part VI - Electronic Filing of Tax Return Information

Scroll down to Part VI, Electronic Filing of Tax Return Information. You're not going to enter any information in Part VI because you're not going to file the Bradleys' sample return electronically, but note that this part of the worksheet is where you indicate that you will be filing a client's federal return and, when applicable, state return(s) electronically.

**Important:**

If you plan to file a client's return(s) electronically, be sure to complete Part VI of the Federal Information Worksheet.

If you plan to file a client's federal return electronically, check the first box.

If you plan to file a client's state return(s) electronically, check the second box, then select the applicable state(s) in the State(s) table.

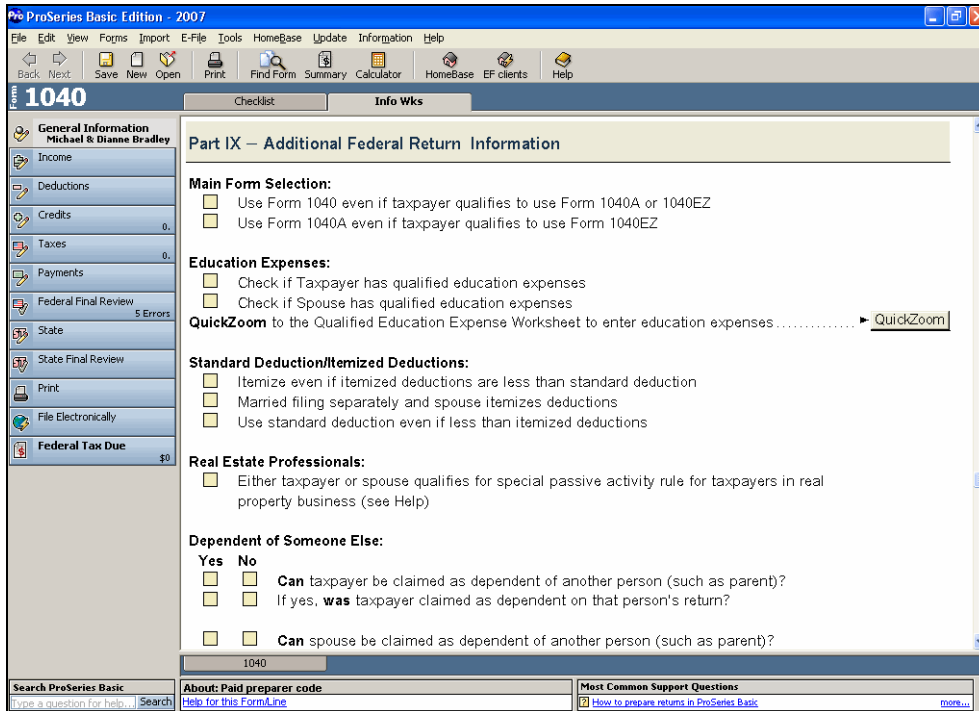
Complete the appropriate fields in the Practitioner Pin Information area.

You're not going to file any extension request forms for the Bradleys electronically, nor are you going to request direct deposit of a refund or electronic funds withdrawal of an amount due, so scroll past the following parts of the Federal Information Worksheet:

- **Part VII, Electronic Filing of Extension Information**
- **Part VIII, Direct Deposit/Electronic Funds Withdrawal Information**

**Part IX - Additional Federal Return Information**

When you scroll down to Part IX, Additional Federal Return Information, you'll notice that this part of the worksheet addresses various topics.



Scroll down a little so you can see the **Presidential Election Campaign Fund** area, then complete that area as follows:

In this section	Select
Does taxpayer want \$3 to go to Presidential Election Campaign Fund?	No
Does spouse want \$3 to go to Presidential Election Campaign Fund?	No

Your Federal Information Worksheet should look like the following figure:

Click the appropriate boxes for the Presidential Campaign Fund here.

ProSeries Basic Edition - 2007

File Edit View Forms Import E-File Tools HomeBase Update Information Help

Back Next Save New Open Print Find Form Summary Calculator HomeBase EF clients Help

Form 1040

Checklist Info Wks

General Information  
Michael & Dianne Bradley

Income

Deductions

Credits 0.

Taxes 0.

Payments

Federal Final Review 5 Errors

State

State Final Review

Print

File Electronically

Federal Tax Due \$0

Dependent of Someone Else:

Yes No

Can taxpayer be claimed as dependent of another person (such as parent)?  
  If yes, **was** taxpayer claimed as dependent on that person's return?

Can spouse be claimed as dependent of another person (such as parent)?  
  If yes, **was** spouse claimed as dependent on that person's return?

Presidential Election Campaign Fund:

Yes No

Does taxpayer want \$3 to go to Presidential Election Campaign Fund?  
  Does spouse want \$3 to go to Presidential Election Campaign Fund?

Credit for Qualified Retirement Savings Contributions (Form 8880):

Yes No

Is taxpayer a full-time student?  
  Is spouse a full-time student?

Credit for the Elderly or Disabled (Schedule R):

Yes No

Is taxpayer retired on total and permanent disability?  
  Is spouse retired on total and permanent disability?

Foreign Tax Credit (Form 1116):

File Form 1116 even if taxpayer not required to file Form 1116  
Resident country ..... [USA](#)

1040

Search ProSeries Basic About: Info Wks Most Common Support Questions

How to prepare returns in ProSeries Basic

This is all of the information that you need to enter on the Federal Information Worksheet for the Bradleys.

**Tip:**

Before we move on to the next section of the Case Study, we recommend that you scroll down the worksheet so you can familiarize yourself with the remaining parts of the Federal Information Worksheet. Those parts are titled:

- **Part X - Part-Year and Nonresident State Return Filing Information Only**
- **Part XI - Client Letter Information**

### For more information

For more information about data entry or other ProSeries Basic Edition feature, use the **Search Help** feature on the Help toolbar.

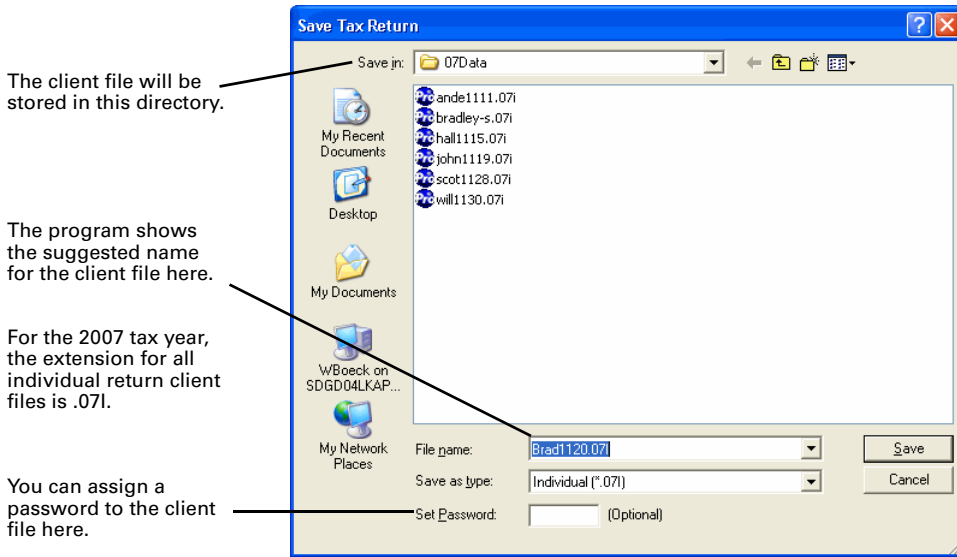
## 4 - Save the Bradleys' sample data

You've entered data for the Bradleys on the Federal Information Worksheet, so now is a good time to save that data in a client file on your computer's hard disk.



- 1 Go to the toolbar and click the **Save** button.

The **Save Tax Return** dialog box opens. The first time you save a new client's data, the program suggests a client file name that's a combination of the first four letters of the client's last name and the last four digits of the client's social security number.



The client file will be stored in this directory.

The program shows the suggested name for the client file here.

For the 2007 tax year, the extension for all individual return client files is .07i.

You can assign a password to the client file here.

- 2 If you don't want to store the client file in the suggested location, select a different location in the **Save in** field.
- 3 If you don't want to use the suggested client file name, type a different name in the **File name** field.
- 4 If you want to assign a password to the client file, enter that password in the **Set Password** field. When you password-protect a client file, only the client's name and file name are displayed in HomeBase.

**Tip:** The first time you assign a password to a client file, the program prompts you to create a Master Password if you haven't already done so.

- 5 Click **Save**. The program creates a client file for the Bradleys' data and adds information about the Bradleys to HomeBase.

**Important:** As you enter the Bradleys' data, remember to save it frequently by going to the toolbar and clicking the **Save** button. The program will immediately update the data in the Bradleys' client file.

## 5 - General Information Forms checklist

The next step is to see whether the Bradleys have data that should be entered on any other forms in the General Information category.

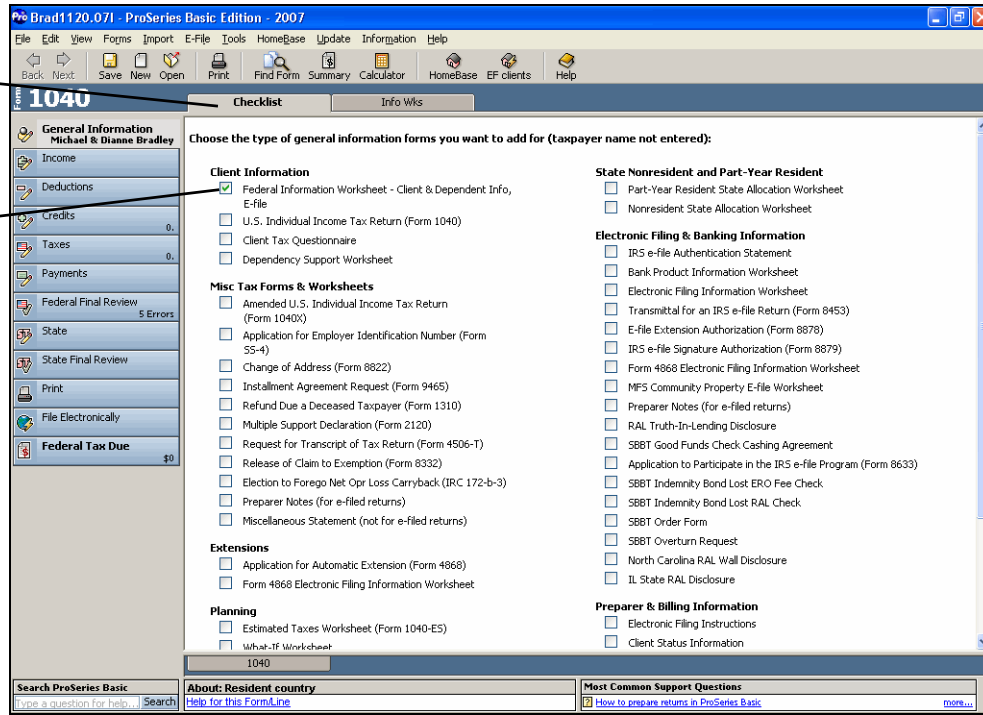
There are two Input tabs below the toolbar and above the data entry area. Those Input tabs are labeled **Checklist** and **Info Wks**.

- **Info Wks** represents the Federal Information Worksheet that's open on the screen.
- **Checklist** represents the **General Information Forms** checklist.

Click the **Checklist** Input tab to open the **General Information Forms** checklist. Your program should resemble the next illustration.

Click this tab to open the **General Information Forms** checklist.

The program checks the box for the **Federal Information Worksheet**.



There is a separate **Forms** checklist for each of the first six Step buttons. Those six Step buttons—**General Information, Income, Deductions, Credits, Taxes, and Payments**—correspond to the six categories of data for a federal return.

When a **Forms** checklist is open, you can:

- **Get information about a form.** Place the mouse pointer over the name of the form, then refer to the **Field/Form Help** area of the Help toolbar (below the **Forms** checklist).  
**Tip:** If the Help toolbar is minimized, click the **Maximize/Minimize** control at the upper-right corner of the Help toolbar to maximize the toolbar so you can see the information about the form.
- **Select a form.** Click the name of the form. The program places a check in the box for that form and adds an Input tab for it (above the **Forms** checklist).
- **Open a form.** Click the Input tab for the form.

As you review the **General Information Forms** checklist, you'll see that the forms, schedules, and worksheets are organized into categories. You'll also notice that the checklist contains helpful tools for you and your clients.

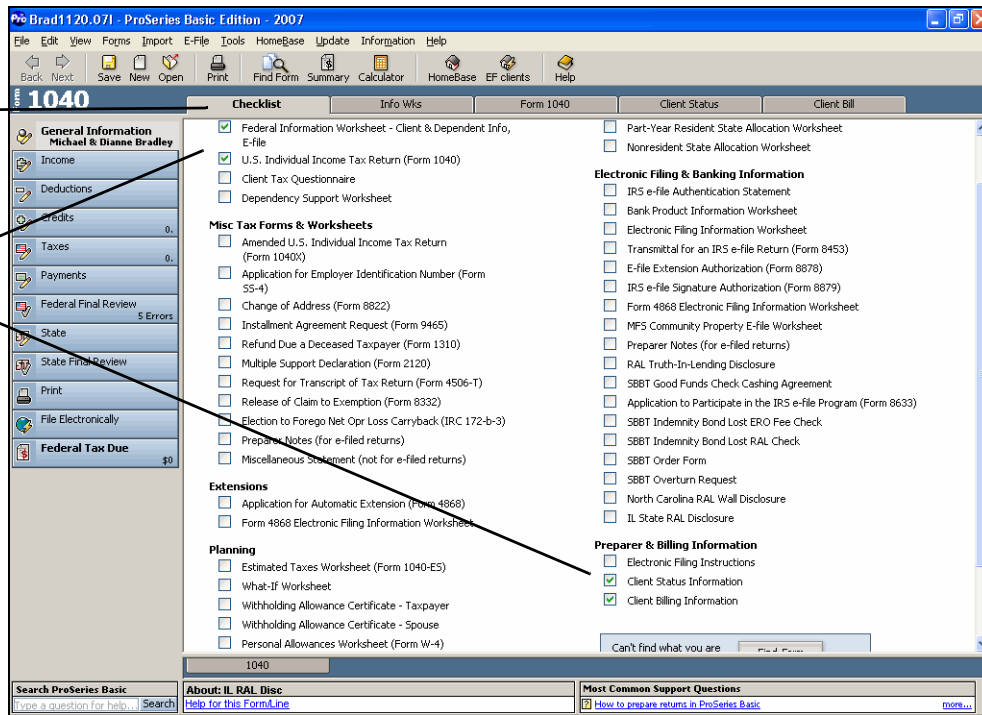
The following table lists those categories and indicates which forms, schedules, and worksheets you should select for the purposes of this Case Study.

In this category	Select these forms, schedules, and worksheets
Client Information	U.S. Individual Income Tax Return (Form 1040)
State Nonresident and Part-Year Resident	
Misc Tax Forms & Worksheets	
Electronic Filing & Banking Information	
Extensions	
Preparer & Billing Information	Client Status Information Client Billing Information
Planning	

After you select these three forms for the Case Study, you should see three new Input tabs as shown in the next illustration.

The program adds three new Input tabs...

...when you check these three boxes.



**Tip:**

If you select additional forms, the program creates Input tabs for those additional forms. For example, if you select forms in the **Electronic Filing & Banking Information** category because you plan to file a client's return(s) electronically, the program creates Input tabs for those forms that are related to electronic filing.

**Important:**

You could click the **Form 1040**, **Client Status**, and **Client Bill** Input tabs to open those forms now, but let's not look at those forms until you've entered the rest of the Bradleys' data for the Case Study. Instead, let's select the Step button that's labeled **Income**.

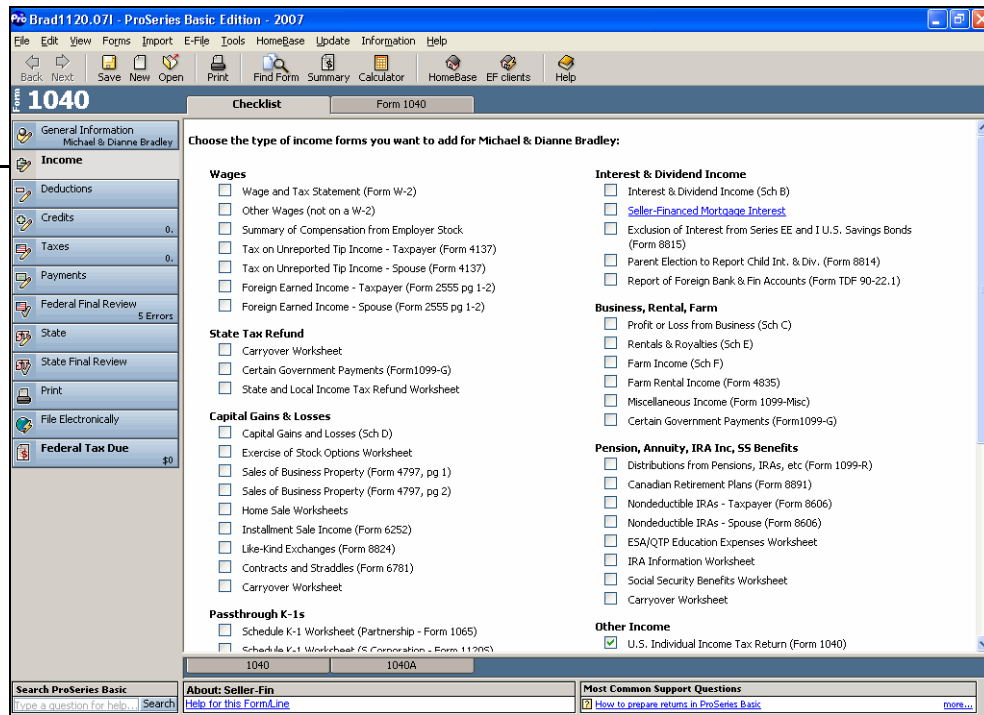
## 6 - Income Forms Checklist



Click the **Income** Step button (below the **General Information** Step button). You should see the **Income Forms** checklist as shown in the next illustration.

After you select the **Income** button, you should see a **Checklist** Input tab and a **Form 1040** Input tab.

**Tip:** You might need to scroll up the checklist to see the part of the form shown here.



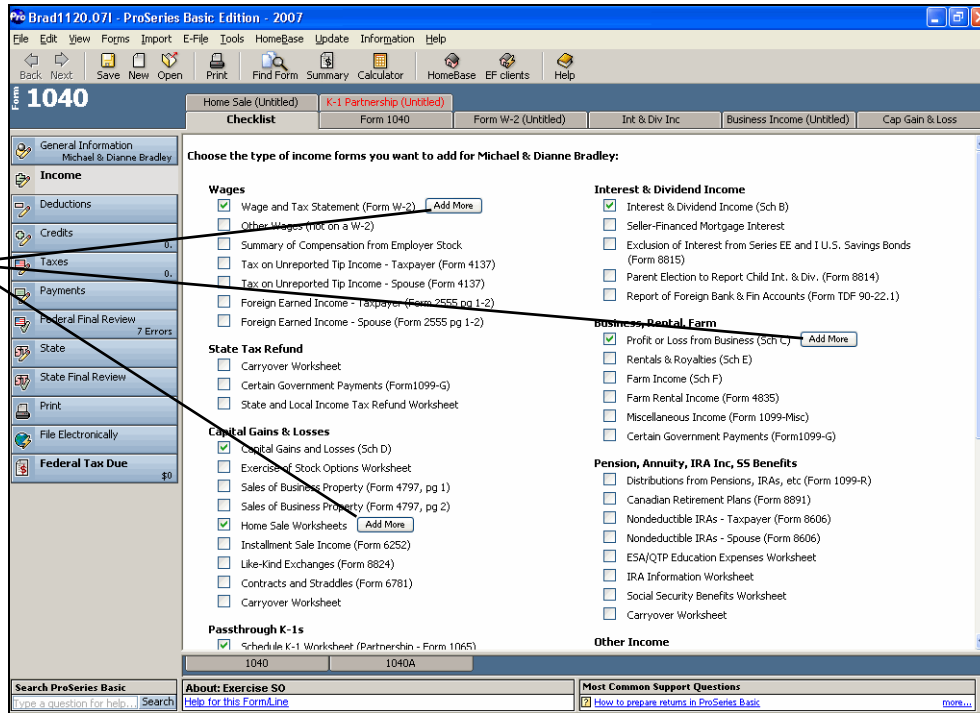
The Bradleys have income from Michael’s wages, interest, dividends, Dianne’s business, capital gains, a home sale, and partnership.

The following table lists the categories of Income forms and indicates which forms, schedules, and worksheets you should select for the purposes of this Case Study.

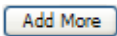
In this category	Select these forms, schedules, and worksheets
Wages	Wage and Tax Statement (Form W-2)
Interest & Dividend Income	Interest & Dividend Income (Sch B)
State Tax Refund	
Business, Rental, Farm	Profit or Loss from Business (Sch C)
Capital Gains & Losses	Capital Gains and Losses (Sch D) Home Sale Worksheets
Pension, Annuity, IRS Inc, SS Benefits	
Passthrough K-1s	Schedule K-1 Worksheet (Partnership - Form 1065)
Other Income	
Depreciation Summary Reports	
Passive Activity Limitations	

After you finish selecting the forms that you’ll need to prepare for the Bradleys’ return, scroll back up to the top of the **Income Forms** checklist. Your program should resemble the following illustration now.

If a return can include more than one copy of a form, the program adds an **Add More** button the first time you select that form.



As you selected certain forms in the **Income Forms** checklist, such as **Wage and Tax Statement (Form W-2)**, you probably noticed the following:



- The program added an **Add More** button after the name of the form, schedule, or worksheet.
- The new Input tab for the form, schedule, or worksheet includes “(Untitled)”

You use the **Add More** button when you need to prepare more than one copy of that form, schedule, or worksheet.

For example, if Dianne Bradley had received a Form W-2, you would click the **Add More** button for the **Wage and Tax Statement (Form W-2)**, then the program would add a second Input tab labeled **Form W-2 (Untitled)**. The first Input tab labeled **Form W-2 (Untitled)** would open a copy of the Form W-2 Worksheet for Michael’s Form W-2 information, while the second Input tab labeled **Form W-2 (Untitled)** would open a copy of the Form W-2 Worksheet for Dianne’s Form W-2 information.

**Tip:**

The program adds an **Add More** button only if a return can include more than one copy of that form, schedule, or worksheet.

After you enter data in the applicable field of a form, schedule, or worksheet, the program replaces “(Untitled)” on the relevant Input tab with some or all of the data that you entered in the applicable field.

For example, after you enter the name of Michael’s employer on the Form W-2 Worksheet, you’ll see the label on the Input tab change from **Form W-2 (“Untitled”)** to **Form W-2 (Expert Engineering)**.

## 7 - Form W-2 Worksheet (Wage and Tax Statement)

Next, you’re going to enter Michael Bradley’s Form W-2 information on the Form W-2 Worksheet. Click the **Form W-2 (“Untitled”)** Input tab to open the Form W-2 Worksheet. Your program should resemble the next illustration.

This Input tab opens this copy of the copy of the Wage and Tax Statement.

Check this box when the clients' filing status is Married Filing Joint and the Form W-2 is for the spouse.

Check this box when you want the program to calculate Boxes 3, 4, 5, 6, and 16 from the amount you enter in Boxes 1 and 15.

**Important:**

Each copy of the Form W-2 Worksheet accommodates information from one W-2 form.

**Case Data**

1 Enter the following information about Michael's employer.

In this field	Enter this data
Employer EIN	98-7654321
Employer Name,	Expert Engineering
Street Address or P.O. Box	1000 Industrial Way
Employer City	Fort Worth
Employer State	TX
Employer ZIP Code	76111

2 Check the **Automatically calculate lines 3 through 6 and line 16** box.

3 Enter the following Form W-2 information for Michael.

In this field	Enter this data
Box 1 - Wages, tips, other comp	84,700
Box 2 - Federal tax withheld	8,705
Box 13 - Check if retirement plan participant	X

Using the data that you entered in Box 1, the program calculates Boxes 3 through 6 as follows:

In this field	The program enters
Box 3 - Social security wages	84,700
Box 4 - Social security tax withheld	5,251
Box 5 - Medicare wages and tips	84,700

**In this field**

**The program enters**

Box 6 - Medicare tax withheld

1,228

As you enter data, the program enters the current sub-totals on the applicable Step buttons.

These numbers are also known as "rolling totals"

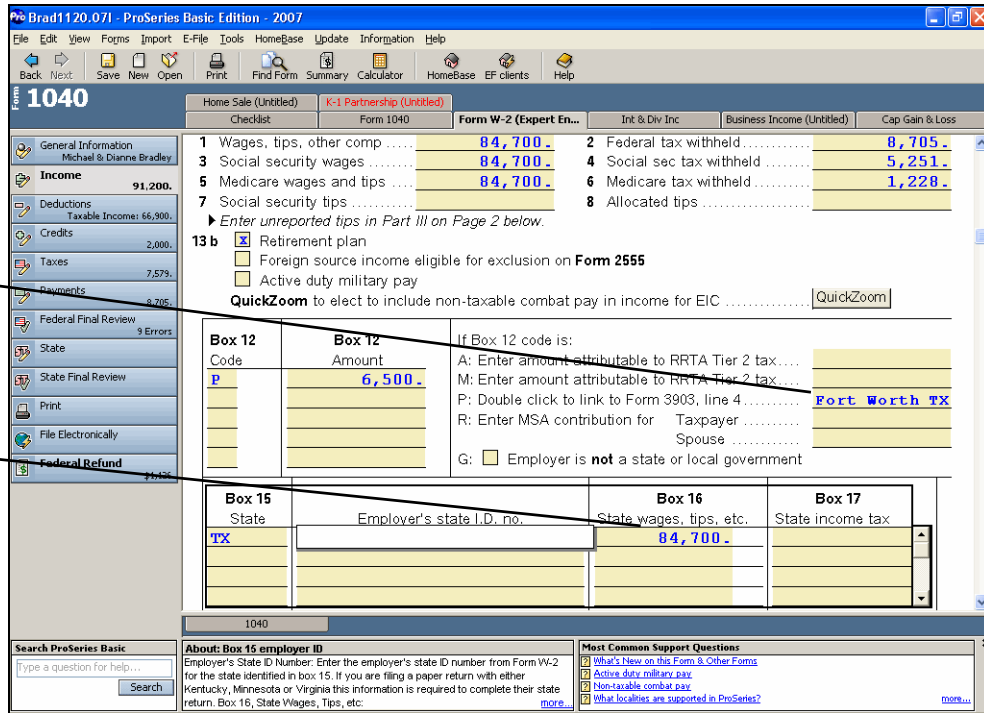
You can see information about the currently-selected field (or form) in the Help toolbar if the Help toolbar is maximized (as shown in this illustration).

4 Scroll down the Form W-2 Worksheet, then enter the following information for Michael.

In this field	Enter this data
Box 12 Code, first line	P - Excludable reimb for moving expenses (Select from the pick list for this field)
Box 12 Amount, first line	6,500
If Box 12 code is: P: Double click to link to Form 3903, line 4	Double-click the field. In the <b>Select Form 3903</b> dialog box, type "Fort Worth TX" below the <b>Create new copy to link</b> section, then click the <b>Link</b> button.
Box 15 - State	TX

After you enter "TX" in the **Box 15 - State** field and press ENTER, the program enters 84,700 in the **Box 16 - State wages, tips, etc.** field because you previously checked the **Automatically calculate lines 3 through 6 and line 16** box.

Your program should resemble the following illustration.



Double-click this field to link the Box 12 Code P amount to a copy of Form 3903.

The program calculates this amount because you checked the "Automatically calculate" box.

**Tip:** Before we move on to the next section of the Case Study, we recommend that you scroll down the worksheet so you can familiarize yourself with the remaining parts of the Form W-2 Worksheet. The parts in the Form W-2 Worksheet Additional Information section on page 2 are titled:

- **Part I - Statutory Employees**
- **Part II - Clergy, Church Employees, Members of Recognized Religious Sects**
- **Part III - Substitute Form W-2**
- **Part IV - Additional Information for Electronic Filing and Certain States**

## 8 - Schedule B, Interest and Ordinary Dividends

Now you're ready to enter information about the Bradleys' interest and dividend income on Schedule B.

Click the **Int & Div Inc** Input tab.

### Case Data

Michael and Dianne received the interest income listed in the next table.

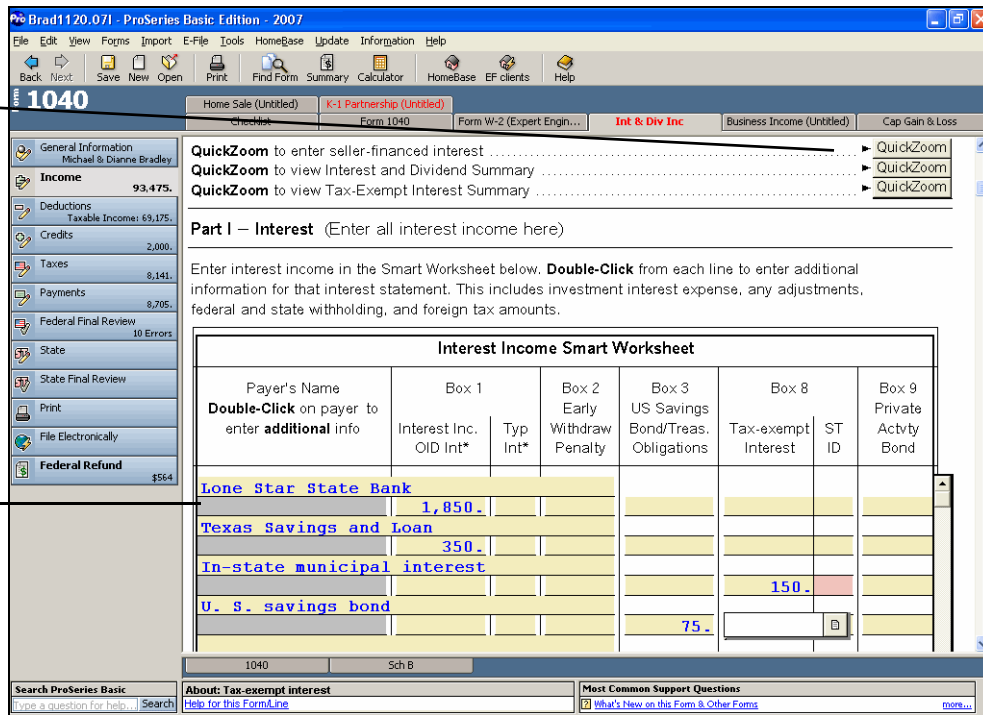
- 1 Enter information about the Bradleys' interest income on the Interest Income Smart Worksheet in Part I - Interest (Enter all interest income here) near the top of Schedule B.

Payer's Name	Box 1 Interest Inc. OID Int*	Box 1 Type Int*	Box 3 US Savings Bond / Treas. Obligations	Box 8 Tax-exempt Interest
Lone Star State Bank	1,850	(blank)		
Texas Savings and Loan	350	(blank)		
In-state municipal interest		(blank)		150
U.S. savings bond		(blank)	75	

When appropriate, use these **QuickZoom** buttons to open the following worksheets:

- Seller-Financed Mortgage Interest Statement
- Interest and Dividend Summary
- Tax-Exempt Interest Summary

Enter interest information in this Smart Worksheet.



**Tip:**

When a state requires special handling for specific interest income, select the applicable code from the pick list for the **Type Int** (Type of Interest) column and enter two-letter state abbreviation in the **ST ID** (state identification) column. The **Type Int** pick list includes the following codes.

Code	Type of interest income
(blank)	Regular taxable interest
ME1	ME bond interest in federal income
MD1	MD nontaxable interest - taxable federal
MA1	MA bank interest
NH1	NH nontaxable int - taxable federal
OK1	OK bank interest
TN1	TN nontaxable int - taxable federal
WV1	WV bond interest in federal income

You probably noticed that the program changed the background color of the **ST ID** field on the third line (for "In-state municipal interest") from light beige to light red, and that the **Int & Div Inc.** Input tab is now red. For now and for the purposes of this Case Study, pretend that you didn't notice that light red field or red Input tab. Later you'll see how ProSeries Basic Edition helps you identify and correct data entry errors and omissions.

**Tip:**

To enter additional information, such as withholding amounts, adjustment information, or foreign tax information, double-click the applicable payer line to open an Additional Information Worksheet.

**2** Scroll down Schedule B. You'll notice the following sections:

- Part I - Ordinary Dividends (Enter all dividend income here), which includes the Dividend Income Smart Worksheet where you enter information about dividend income
- Part I - Interest, which is where the program copies the information that you enter in the Income Interest Smart Worksheet
- Part II - Ordinary Dividends, which is where the program copies the information that you enter in the Dividend Income Smart Worksheet
- Part III - Foreign Accounts and Trusts

## 9 - Schedule C, Profit or Loss from Business

Next, you're going to report information about Dianne's computer networking business on Schedule C. You can prepare more than one copy of Schedule C (when applicable). You indicate ownership of the business (if it's not solely owned by the taxpayer) on one of the first two lines of Schedule C. Based on the data you enter, the program does the following:

- Allocates the net profit or loss on line 31 of Schedule C to the taxpayer or spouse according to the ownership indicated on that copy of the form.
- Prints the appropriate name and social security number at the top of each copy of Schedule C and on the corresponding Schedule SE.
- Determines if you can report the business activity on Schedule C-EZ. If so, data flows from Schedule C to Schedule C-EZ. You can choose not to use Schedule C-EZ.

**Tip:** You report depreciation and car and truck expenses, when applicable, on separate worksheets that are linked to Schedule C.

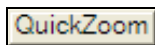
Click the **Business Income (Untitled)** Input tab to open a copy of Schedule C.

### Case Data

- 1 Because Dianne is listed as the spouse on this return, check the first box on Schedule C to indicate that this is her business.
- 2 Dianne uses her own name as the business name, so check the fourth box.

The screenshot shows the ProSeries software interface for the 2007 Schedule C (Form 1040) Profit or Loss from Business form. The form is titled "Schedule C (Form 1040) Profit or Loss from Business (Sole Proprietorship) 2007". The proprietor is listed as "Dianne Bradley" with a Social Security Number of "333-22-1121". The form includes several checkboxes for reporting options, such as "If this business was operated by Spouse, check this box" (checked), "If this business was operated jointly by Taxpayer and Spouse, check this box" (unchecked), "Check this box to file Schedule C even if you qualify to file Schedule C-EZ" (checked), and "Check this box if you use your own name as your business name" (checked). The software interface also shows a sidebar with navigation options like "General Information", "Income", "Deductions", "Credits", "Taxes", "Payments", "Federal Final Review", "State", "State Final Review", "Print", "File Electronically", and "Federal Refund".

- 3 For line A, enter "Consulting" as the principal business or profession.
- 4 For line B, enter "541510" as the principal business code.



To see all the principal business codes, click the **QuickZoom** button.

- 5 Use the following information to complete lines C through H.
  - Dianne doesn't have a separate business name for her business.
  - Dianne doesn't have an employer identification number (EIN).
  - Dianne operates the business from an office at 167 Main Street, Fort Worth, TX 76111.
  - She uses the cash method of accounting.
  - She materially participates in the operation of the business.
  - She didn't start or acquire the business during 2007.

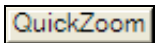
Next, you're going to enter Dianne's business income information in the Income section of Schedule C and the Form 1099-MISC Worksheet.

Dianne's business received \$48,000 that wasn't reported on a Form W-2 or on a Form 1099-MISC. Her business also received a Form 1099-MISC from the Major Corporation, which reported nonemployee compensation of \$10,000.

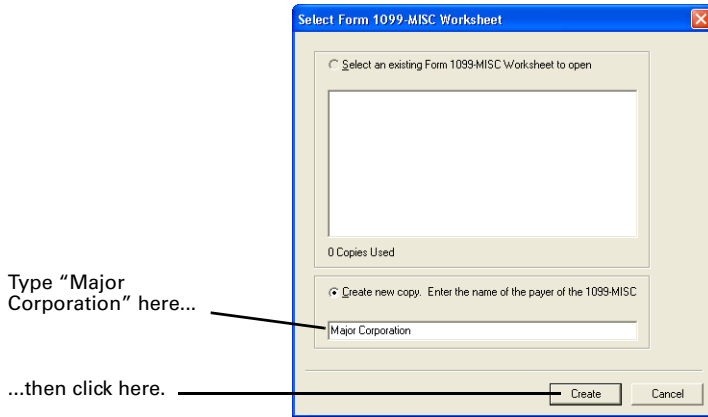
- Enter \$48,000 in the field titled "Enter other gross receipts or sales (not reported on 1099)." This is the first field in the Income section of Schedule C.

Click this **QuickZoom** button to open the Form 1099-MISC Worksheet.

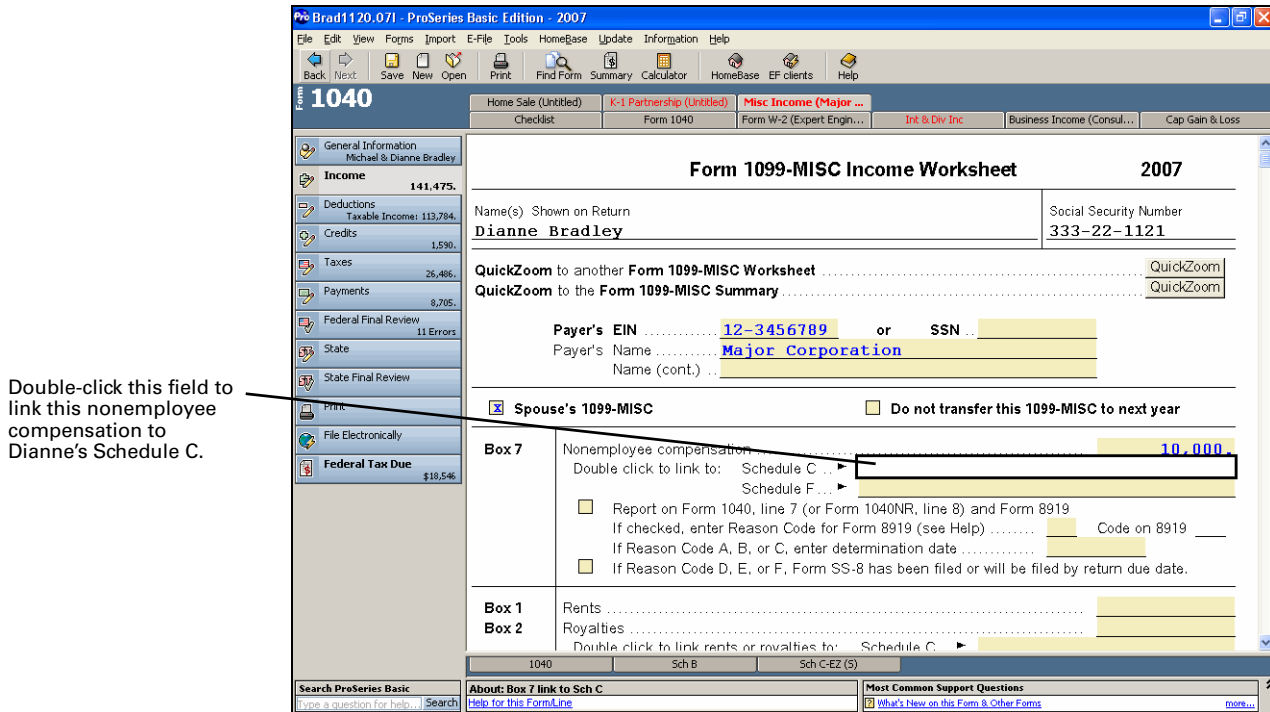
- Click the first **QuickZoom** button in the Income section of Schedule C to open the Form 1099-MISC Worksheet.



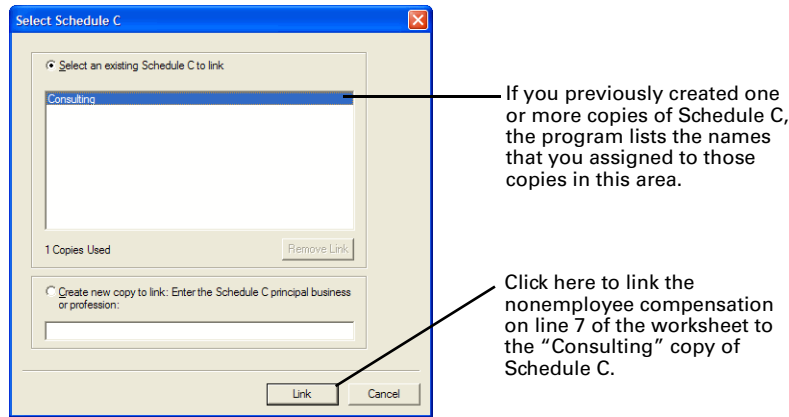
- In the **Select Form 1099-MISC Worksheet** dialog box, type “Major Corporation” in the field below the **Create new copy** option, then click **Create**.



- Near the top of the Form 1099-MISC Miscellaneous Income Worksheet, type “12-3456789” in the **Payer’s EIN** field.
- Check the **Spouse’s 1099-MISC** box.
- Enter “10,000” in the **Nonemployee compensation** field for Box 7, then double-click the **Double click to link to: Schedule C** field on the next line to select the form on which to report the income.



- In the **Select Schedule C** dialog box, click “Consulting” to highlight it, then click the **Link** button.



If you previously created one or more copies of Schedule C, the program lists the names that you assigned to those copies in this area.

Click here to link the nonemployee compensation on line 7 of the worksheet to the "Consulting" copy of Schedule C.

**Tip:** Nonemployee compensation can flow to Schedule C, Schedule F, or the Form 1040 Line 7 Statement. Rents and royalties can flow to Schedule C, Schedule E, or to Form 4835. To link the Form 1099-MISC Income Worksheet to the appropriate form, double-click the appropriate field on the worksheet. If the information flows to Schedule E, you will also be asked to select the appropriate property.

**13** To return to Dianne’s Schedule C, click the **Business Income (Consulting)** Input tab.

Next, you’re going to enter Dianne’s business expenses in the Expenses section of Schedule C.

**14** Enter the following data in the appropriate fields in the Expenses section of Schedule C.

In this field	Enter this amount
Line 8 - Advertising	2,300
Line 10 - Commissions & Fees	3,000
Line 15 - Insurance: Self-employed health insurance field	5,000
Line 17 - Legal and professional services	1,400
Line 18 - Office expense	5,400
Line 20b - Rent or lease - Other (land, etc.)	8,400
Line 21 - Repairs/maintenance	3,200
Line 22 - Supplies (not included in Part III)	3,500
Line 23 - Taxes and licenses	150
Line 24b - Meals and entertainment (Subject to 50% limit)	850

**Tip:** After you enter the total expenses for meals and entertainment, the program limits the deduction appropriately.

The screenshot shows the ProSeries Basic Edition 2007 software interface. The main window displays the 1040 tax form for Michael & Dianne Bradley. The 'Utilities' field on line 25 is highlighted. The 'Supporting Statements' dialog box is open, showing a table of utility expenses:

Description	Amount
Cellular telephone expenses	2,700.00
Pager bills	90.00
800 telephone line	550.00
Electric bills	2,960.00
<b>Total</b>	<b>6,300.00</b>

Dianne wants to itemize her utility expenses, which consist of \$2,700 in cellular telephone expenses, \$90 in pager bills, \$550 for her 800 telephone line, and \$2,960 in electric bills.



- 15 Go to the "Utilities" field on line 25, then click the **Supporting Statement** icon to the left of the entry field.
- 16 In the **Supporting Statements** dialog box, enter the utility expense details shown next.

The screenshot shows the 'Supporting Statements' dialog box. It contains a table with the following data:

Description	Amount
Cellular telephone expenses	2,700.00
Pager bills	90.00
800 telephone line	550.00
Electric bills	2,960.00
<b>Total</b>	<b>6,300.00</b>

As you enter individual amounts, the supporting statement total appears here.

After you enter all the supporting data, the supporting statement total should be \$6,300.

- 17 Click **Close**. Notice that the program copies the \$6,300 total from the supporting statement to the "Utilities" field of Schedule C and makes the number purple, which indicates that there is supporting data for that amount.

Now you're ready to complete Dianne's Schedule C.

- 18 Dianne has no inventory or other information to report in Part III, "Cost of Goods Sold," and no information about a vehicle to report in Part IV, "Information on Your Vehicle," so scroll down past Part III and Part IV to Part V, "Other Expenses."
- 19 Click the first line in the table below the Pension Plan Startup Costs Smart Worksheet, then enter "Postage" as the description and "2,150" as the amount.

**Form 1040**

Home Sale (Untitled) | **K-1 Partnership (Untitled)** | Misc Income (Major Corp... | Int & Div Inc | Business Income (Co... | Cap Gain & Loss

General Information: Michael & Dianne Bradley

**Income** 115,250.

Deductions Taxable Income: 84,411.

Credits 3,040.

Taxes 13,991.

Payments 8,705.

Federal Final Review 10 Errors

State State Final Review

Print

File Electronically

**Federal Tax Due** \$5,493

**47 a** Do you have evidence to support your deduction?  Yes  No  
**b** If 'Yes,' is the evidence written?  Yes  No

**Part V Other Expenses.** List below business expenses not included on line 8 – 26 or line 30.

**Pension Plan Startup Costs Smart Worksheet**

Your total qualified pension plan startup costs should be entered here. Do **not** include these in another expense category on Schedule C. The net of the amounts listed in the Smart Worksheet will be included in line 48, Other Expenses, below.

**QuickZoom** to Form 8881, Credit for Employer Pension Plan Startup Costs, to link the credit to this activity [QuickZoom](#)

Enter your **qualified** pension plan startup costs .....  
 Less: Allowed credit from Form 8881 .....  
 Net qualified pension plan startup costs .....

Postage	2,150.

1040 | Sch B | Sch C (Consulting)

Search ProSeries Basic | About: Line 48 Text | Most Common Support Questions

20 Scroll up to the Expenses section. You should see 2,150 on line 27, "Other expenses (from line 48)."

**Form 1040**

Home Sale (Untitled) | **K-1 Partnership (Untitled)** | Misc Income (Major Corp... | Int & Div Inc | Business Income (Co... | Cap Gain & Loss

General Information: Michael & Dianne Bradley

**Income** 115,250.

Deductions Taxable Income: 84,411.

Credits 3,040.

Taxes 13,991.

Payments 8,705.

Federal Final Review 10 Errors

State State Final Review

Print

File Electronically

**Federal Tax Due** \$5,493

17	Legal and professional services	17	1,400.	Work Opp Cr Fm 5884	
18	Office expense	18	5,400.	Other Work Credits (total)	
19	Pension and profit-sharing plans	19		Wages (less credits)	26
				Other expenses (from line 48)	27
					2,150.
28	<b>Total expenses</b> before expenses for business use of home. Add lines 8 through 27 in columns			28	36,225.
29	Tentative profit (loss). Subtract line 28 from line 7			29	21,775.
30	Expenses for business use of your home. <a href="#">QuickZoom</a> to Form 8829			30	
31	<b>Net profit or (loss).</b> Subtract line 30 from line 29. • If a profit, enter on both <b>Form 1040, line 12</b> , and <b>Schedule SE, line 2</b> or on <b>Form 1040NR, line 13</b> (statutory employees, see instructions). Estates and trusts, enter on Form 1041, line 3. • If a loss, you <b>must</b> go on to line 32.			31	21,775.
32	If you have a loss, check the box that describes your investment in this activity. • If you checked 32a, enter the loss on both <b>Form 1040, line 12</b> , and <b>Schedule SE, line 2</b> or on <b>Form 1040NR, line 13</b> (statutory employees, see instructions). Estates and trusts, enter on Form 1041, line 3. • If you checked 32b, you <b>must</b> attach <b>Form 6198</b> . Your loss may be limited.			32 a	<input type="checkbox"/> All investment is at risk.

1040 | Sch B | Sch C (Consulting)

Search ProSeries Basic | About: Other expenses | Most Common Support Questions

21 You should also see 21,775 on line 31, "Net profit or (loss)." However, that amount isn't final because you haven't finished entering data for Dianne's business.

**Tip:** The numbers that you see on line 28, "Total expenses before business use of home," line 29, "Tentative profit (loss)," and line 31, "Net profit or (loss)" depend on whether you started a new return or you opened the Rileys' sample client file.

Schedule C line...	...if a new return	...if the sample client file
Line 28	\$36,225	\$39,073
Line 29	\$21,775	\$18,927
Line 31	\$21,775	\$18,927

These numbers are different at the moment because the return in the sample client file includes the depreciation information for Anne's business, but you haven't entered that information yet if you opened a new return and you're entering the Rileys' data yourself.

## 10 - Asset Entry Worksheet

Next, you're going to use the Asset Entry Worksheet to enter information about the depreciable assets for Dianne's business. You'll use a separate worksheet for each depreciable asset. The program flows information from the worksheet to the appropriate form or schedule, and to the applicable Form 4562.

**Tip:** Don't enter asset information directly on Form 4562.

### Case Data

Dianne has a desk and a fax machine that she purchased for the business in prior years. She took the section 179 election to expense the desk, and has been depreciating the fax machine. She made no further acquisitions until 2007, when she purchased a \$2,800 computer. All of the assets were used 100% for business. She sold the fax machine in 2007.

### Asset 1 - Desk

We'll start with Dianne's desk.

**QuickZoom**

- 1 Scroll up to the start of the Expenses section of Schedule C, then click the first **QuickZoom** button, which is for "To enter assets (except autos, home office), **QuickZoom** to the Asset Entry Worksheet."
- 2 In the **Select Asset Entry Wks** dialog box, enter "Desk" in the **Create new copy** section, then click **Finish**.

Type "Desk" here...

...then click here.

- 3 Enter the following information about the desk that Dianne uses for her business.

In this field	Enter this data
Date placed in service	10/10/2002
Cost or basis	1,270
Type of asset	E - 7/10 Office furniture/Farm equip, etc.
Section 179 deduction	1,270

Pro Brad1120.071 - ProSeries Basic Edition - 2007

File Edit View Forms Import E-File Tools HomeBase Update Information Help

Back Next Save New Open Print Find Form Summary Calculator HomeBase EF clients Help

Form 1040 Home Sale (Untitled) K-1 Partnership (Untitled) Misc Income (Major Corp...) Asset Wks (Desk - Co...) Int & Div Inc Business Income (Consul...) Cap Gain & Loss

**Asset Entry Worksheet 2007**

QuickZoom to another copy of Asset Entry Worksheet... QuickZoom

Name(s) Shown on Return: **Michael & Dianne Bradley** Social Security Number: **333-22-1120**

Activity: **Sch C Consulting**

**Asset Information** • For vehicles, use the Car and Truck Expenses Worksheet  
• For home office assets, use the Form 8829 Asset Entry Worksheet

Description of asset: **Desk** Percentage of business use: **100.00 %**

Date placed in service: **10/10/2002** Section 179 deduction: **1,270.**

Cost or basis: **1,270.** Land included in cost: **0.**

Type of asset: **E OFFICE furniture/fixtures, Farm equip**

Note: Assets placed in service after 1998 use the same recovery period for both regular tax and AMT.

**Gulf Opportunity Zone** - Qualified Property  Reg  Ext  No  Yes  No  N/A

In service in GO Zone Extension bldg within 90 days of bldg in-service date  Yes  No  No

Qualified Property for Special Depreciation Allowance (includes GO Zone)  50%  30%  No

Elect OUT of Special Depreciation Allowance  Yes  No

Elect 30% in place of 50% Special Depreciation Allowance  Yes  No

QuickZoom to view the Election statements QuickZoom

Type F: Check if a prior year return amended or Form 3115 filed to change recovery period to 5 yrs

Check if General Asset Account

Enter the IRC section under which you amortize the cost of intangibles

Regular Tax AMT

Special Depreciation Allowance

Prior depreciation

Depreciation deduction **0.** **0.**

1040 Sch B Sch C (Consulting)

Search ProSeries Basic About: Depreciation deduction Most Common Support Questions

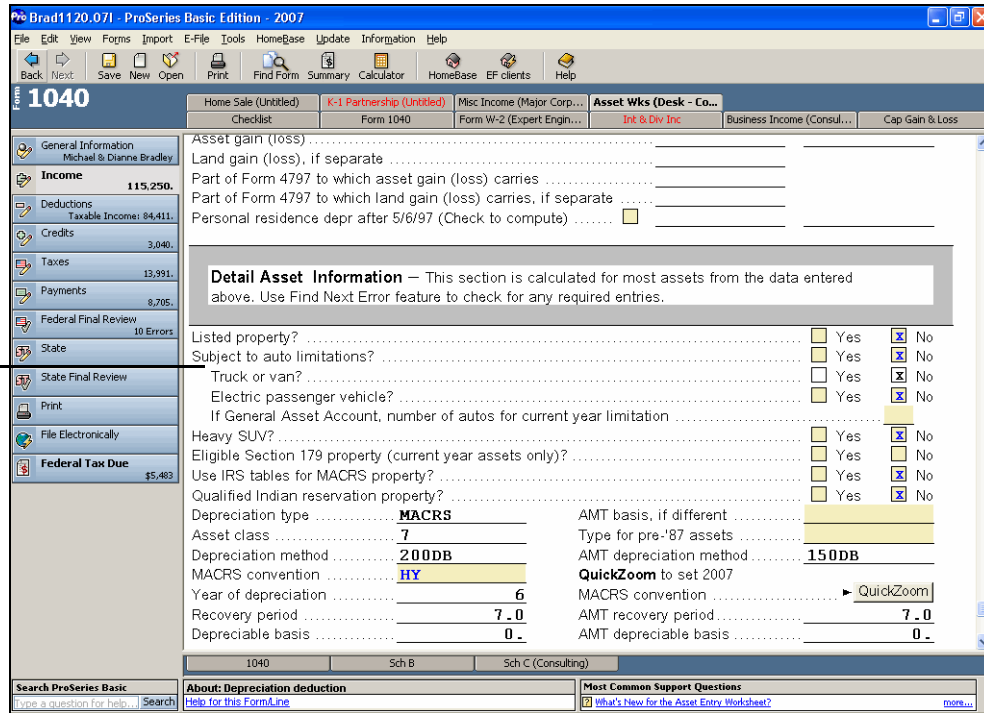
The program checks the "No" box on the Gulf Opportunity Zone - Qualified Property line.

The depreciation deduction is \$0 because Dianne took a section 179 deduction for the entire cost of the desk.

If you scroll to the **Detail Asset Information** section near the bottom of the worksheet, you'll see that the program also calculated the following information:

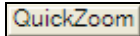
In this field	The program entered
Depreciation type	MACRS
Asset class	7
Depreciation method	200DB
MACRS convention	HY
Year of depreciation	6
Recovery period	7.0
Depreciable basis	0

The program completes this section of the worksheet using the data that you enter in the first two sections.



## Asset 2 - Fax machine

Next, you're going to enter information about Dianne's fax machine.



- 1 Click the **Business Income (Consulting)** Input tab to return to Schedule C.
- 2 Click the **QuickZoom** button for "To enter assets (except autos, home office), **QuickZoom** to the Asset Entry Worksheet" at the start of the Expenses section.
- 3 In the **Select Asset Entry Wks** dialog box, enter "Fax Machine" in the **Create new copy** section, then click **Finish**.
- 4 On the new copy of the Asset Entry Worksheet, enter the following information about Dianne's fax machine.

In this field	Enter this data
Date placed in service	02/01/2005
Cost or basis	500
Type of asset	D - 5/6 Typewriter/calculator/copier, etc.

- 5 Scroll to the bottom of the worksheet to see that the program calculated the following information:

In this field	The program entered
Depreciation type	MACRS
Asset class	5
Depreciation method	200DB
MACRS convention	HY
Year of depreciation	3
Recovery period	5.0
Depreciable basis	500

6 Scroll up to the Asset Information section and enter the following amounts.

In this field	Enter this data
Prior depreciation (Regular Tax)	260
Prior depreciation (AMT)	203

Note that the program computes the 2007 depreciation deduction as \$96.

7 Dianne sold the fax machine in 2007 for \$200. Scroll down to the Dispositions section, then enter the following information for the fax machine.

In this field	Enter this data
Date of disposition	06/01/2007
Asset sales price	200

The program completes the Dispositions section. It enters "Trade or business" in the **Property Type** field after you enter the sales price.

Notice that the program recomputed the depreciation deduction to \$48.

When you enter the disposition information, the program recomputes the depreciation deduction to \$48.

The screenshot shows the 'Asset Entry Worksheet' for 2007. The 'Asset Information' section is expanded, showing the following details:

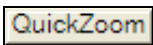
- Description of asset: Fax Machine
- Percentage of business use: 100.00 %
- Date placed in service: 02/01/2005
- Section 179 deduction: (blank)
- Cost or basis: 500
- Land included in cost: (blank)
- Type of asset: D Typewriter, calculator, copier

The 'Depreciation deduction' section shows the following values:

	Regular Tax	AMT
Special Depreciation Allowance		
Prior depreciation	260	203
<b>Depreciation deduction</b>	<b>48</b>	45

### Asset 3 - Computer

Next, you're going to enter information about Dianne's computer.



- 1 Click the **Business Income (Consulting)** Input tab to return to Schedule C.
- 2 Click the **QuickZoom** button for "To enter assets (except autos, home office), **QuickZoom** to the Asset Entry Worksheet" at the start of the Expenses section.
- 3 In the **Select Asset Entry Wks** dialog box, enter "Computer" in the **Create new copy** section, then click **Finish**.
- 4 On this copy of the Asset Entry Worksheet, enter the following information about the computer that Dianne purchased on July 1, 2007 for \$2,800.

In this field	Enter this data
Date placed in service	07/01/2007

In this field	Enter this data
Cost or basis	2,800
Type of asset	A - 5/5 Computer and equipment
Section 179 deduction	2,800

The program checks the "No" boxes on the Gulf Opportunity Zone - Qualified Property line and the Qualified Property for Special Depreciation Allowance line.

It also computes a depreciation deduction of \$0 (because Dianne elected to take the full section 179 deduction).

5 Click the **Business Income (Consulting)** Input tab to return to Schedule C.

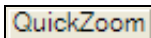
6 If you examine Schedule C, you should see that the program:

- Flowed 2,848 to line 13, "Depreciation and Section 179 expense deduction (not included in Part III)," and
- Recalculated line 31, "Net profit or (loss)" as 18,927.

## 11 - Self-Employed Health and Long-Term Care Insurance Deduction Worksheet

Next, let's look at the Self-Employed Health and Long-Term Care Insurance Deduction Worksheet. Dianne qualifies for this deduction because she is self-employed and had a net profit for the year. A person who is a general partner in a partnership, or who receives wages from an S corporation in which they are more than a 2% shareholder, also qualifies.

Taxpayers who qualify may be able to deduct up to 100% of the amount they paid for health insurance on behalf of themselves, their spouses, and their dependents. This amount is included as an adjustment on line 29 of Form 1040.



To open the Self-Employed and Long-Term Care Health Insurance Deduction Worksheet, go to the top of Schedule C, then click the third **QuickZoom** button.

### Case Data

Dianne Bradley paid \$5,000 to cover herself under a medical insurance policy established under her consulting business. Michael does not have an option to cover her under his employer's plan. You may recall that you entered \$5,000 in the "Self-employed health insurance" field for line 15 on the Schedule C for Dianne's consulting business. The program flowed that amount to line A of the Self-Employed Health Insurance Deduction Worksheet.

Scroll to the bottom of the worksheet. You'll see that the program calculated a self-employed health insurance deduction of \$5,000 on line 10. The program flows that amount to line 29 of Form 1040.

The program calculates this amount.

Line	Description	Amount
1	Total payments made during the year	5,000.
2	Enter the net profit and any other earned income from the trade or business under which the insurance plan is established	18,927.
3	Enter the total of net profits from: line 31, Schedule C (Form 1040); line 36, Schedule F (Form 1040); or box 14, Code A, Schedule K-1 (Form 1065); plus any other income allocable to a profitable business	18,927.
4	Divide the amount on line 2 by the amount on line 3	1.00
5	Multiply the amount on Form 1040, line 27 (one-half of self-employment tax), by the percentage on line 4 (Not applicable for Form 1040NR)	1,337.
6	Subtract the amount on line 5 from the amount on line 2	17,590.
7	Enter the amount, if any, from Form 1040, line 28 (SEP, SIMPLE, qual. plans), attributable to the same trade or business in which the health insurance plan is established	
8	Enter the amount from Form 2555, line 45, attributable to the amount entered on line 2	
9	Subtract the amounts on lines 7 and 8, if any, from the amount on line 6	17,590.
10	Compare the amounts on lines 1 and 9 above. Enter the <b>smaller</b> of the two amounts here and on Form 1040, line 29 (1040NR, line 28)	5,000.

## 12 - Capital Gains and Losses

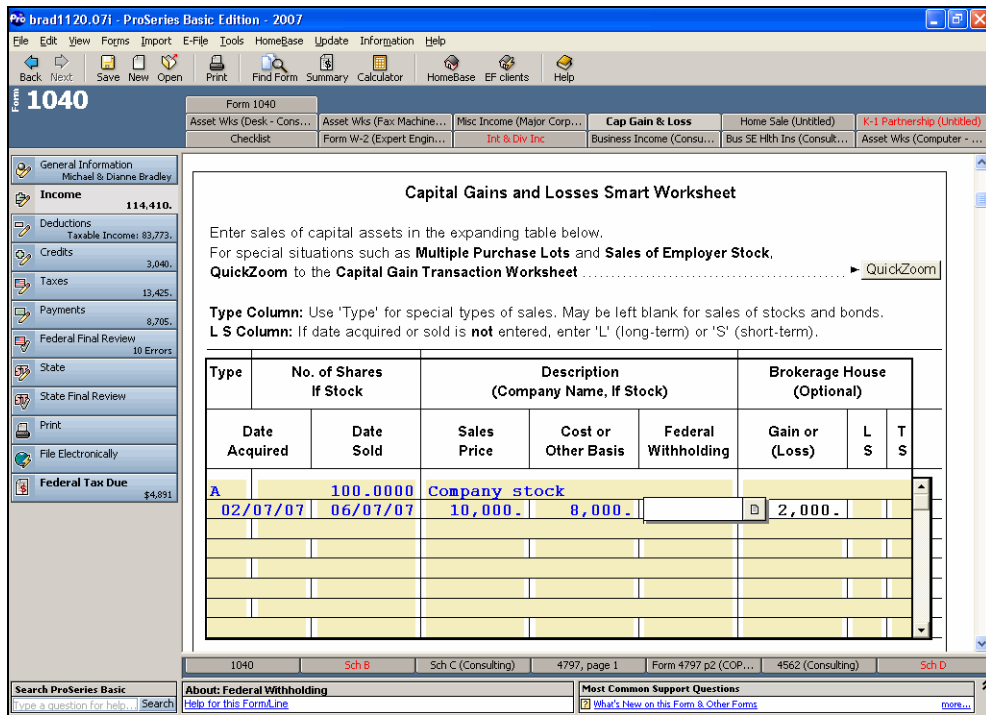
The Bradleys sold some stock during 2007, which you need to enter on Schedule D.

Click the **Cap Gain & Loss** Input tab to open Schedule D.

### Case Data

- 1 If necessary, scroll down to the Capital Gains and Losses Smart Worksheet, then select the **Type** field on left side of the first line of the table.
- 2 Enter the following data in the table:

In this field	Enter this data
Type	A = Stocks, bonds, etc.
No. of Shares If Stock	100
Description	Company stock
Date Acquired	02/07/1992
Date Sold	06/07/2007
Sales Price	10,000
Cost or basis	8,000



- 3 You'll notice the program calculates a gain of 2,000 in the **Gain or (Loss)** column.
- 4 If you scroll down Schedule D, you'll also see that the program determined that the gain was long-term, so it copied information about the transaction in Part II, "Long-Term Capital Gains and Losses - Assets Held More Than One Year."

## 13 - Home Sale Worksheet

The Bradleys sold a house during 2007.

Click the **Home Sale (Untitled)** Input tab to open the Home Sale Worksheets.

### Case Data

Enter the following data on the Home Sale Worksheets:

In this field	Enter this data
Address of Home Sold	1111 West Broadway Houston, TX 77006
Click here to report on Schedule D even when not required	X
Date your former main home was sold	04/25/2007
1 - Selling price of home	250,000
2 - Selling expenses	10,000

Click here to open the Adjusted Basis of Home Sold Worksheet.

To enter information about the adjusted basis of the home sold on the Adjusted Basis of Home Sold Worksheet, click the **QuickZoom** button between lines 3 and 4.

Enter the following data on the Adjusted Basis of Home Sold Worksheet:

In this field	Enter this data
Line 1a - Enter the purchase price of the home sold	179,000
Line 2a - Abstract and recording fees	1,000

Click the **Home Sale (1111 West Broadway)** Input tab to return to the Home Sale Worksheets.

Notice that the program flowed 180,000 from line 16, "Adjusted basis of home" of the Adjusted Basis of Home Sold Worksheet to line 4, "Adjusted basis of home sold" of the Home Sale Worksheets.

Complete the **Qualifying for and Electing the Exclusion for Sale of Your Main Home** section of the Home Sale Worksheets by checking boxes as follows:

In this field	Check this box
Question A	No
Question B	Yes
Question C	Yes
Question D	Yes
Question E	No
Question F	No

Note that the program checks the "No" box for line G.

1040

5 Gain on sale. Subtract line 4 from line 3. If this is a loss, stop here. 5 60,000

**Qualifying for and Electing the Exclusion for Sale of Your Main Home**

**A** Did you acquire this home in a like-kind (Section 1031) exchange and sell it within 5 years after acquiring it? See help.  Yes  No  
If 'Yes', go to Part 2, line 6. If 'No', go to line B.

**B** Do you wish to use the available main home sale exclusion for sales after May 6, 1997?  Yes  No  
If 'Yes', answer questions C through F. If 'No', go to Part 2, line 6.

**C** Did **you** live in the home as your main home for a total of at least 2 years within the 5-year period \* ending on the date of sale?  Yes  No

**D** If married, did your **spouse** live in the home as a main home for a total of at least 2 years within the 5-year period \* ending on the date of sale?  Yes  No

**E** Have **you** excluded gain from another main home sold within two years before the sale of this home?  Yes  No

**F** If married, has your **spouse** excluded gain from another main home sold within two years before the sale of this home?  Yes  No  
If Line G below is 'No' OR if question C or D is 'No' OR if question E or F is 'Yes' complete Reduced Exclusion Worksheet below.

**G** Did you (or your spouse if filing a joint return) own and use the property as your main home for a total of at least 2 years of the 5-year period before the sale? See instructions for exceptions  Yes  No

## 14 - Schedule K-1 Worksheets

Now that you've entered information about the Bradleys' wages, interest, dividends, business, capital gains, and home sale, you're ready to enter information about a partnership in which the Bradleys have an investment.

With ProSeries Basic Edition software, you enter the information from each Schedule K-1 on a copy of one of the following:

- Schedule K-1 Worksheet for Partnerships
- Schedule K-1 Worksheet for S Corporations
- Schedule K-1 Worksheet for Estates and Trusts.

The program then flows data from the worksheets to the appropriate forms.

The line numbers on the Schedule K-1 Worksheets correspond to the line numbers on the Schedules K-1. If a Schedule K-1 has information on a line that is not on the worksheet, you enter that information directly on the form or schedule that is appropriate for your client's tax situation.

**Tip:**

The questions concerning passive activity, active rental participation, and disposition near the top of the Schedule K-1 Worksheet for Partnerships control the passive activity loss limitation calculations. When appropriate, you can QuickZoom from a Schedule K-1 Worksheet to Form 6198 and the Publicly Traded Partnership Worksheet.

Click the **K-1 Partnership (Untitled)** Input tab to open a copy of the Schedule K-1 Worksheet for Partnerships.

**Case Data**

Michael and Dianne received a Schedule K-1 from a Form 1065 filed by Southwest Partnership, a limited partnership.

- 1 Enter the following information on the Schedule K-1 Worksheet for Partnerships.

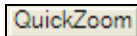
In this field	Enter this data
Partnership ID	42-1111111
Partnership's name	Southwest Partnership, Copy 1
Ownership: Joint	X
General Partner or LLC manager	X

The screenshot displays the ProSeries Basic Edition 2007 interface. The main window shows the 'Schedule K-1 (Form 1065) Partner's Share of Income, Credits, Deductions, etc.' for the year 2007, prepared for Michael & Dianne Bradley. The form is divided into sections: Part I (Information About the Partnership) and Part II (Information About the Partner). In Part I, the Employer ID Number is 42-1111111 and the Partnership Name is Southwest Partnership, Copy 1. In Part II, the 'General Partner or LLC manager' option is selected with an 'X' in the box. The software interface includes a menu bar, a toolbar, and a sidebar with navigation options like 'General Information', 'Income', 'Deductions', etc.

- 2 Scroll down to Part III, "Partner's Share of Current Year Income, Deductions, Credits, Other Items," then enter the following data:

In this field	Enter this data
Line 1 - Ordinary business income (loss)	1,550
Line 5 - Interest income	85

In addition to ordinary income from trade or business, the Bradleys' Schedule K-1 from Southwest Partnership reports a net loss from rental real estate. You need to report this information on a separate copy of the Schedule K-1 Worksheet for Partnerships.



- 3 Go to the top of this copy of the Schedule K-1 Worksheet for Partnerships, then click the **QuickZoom** button on the line titled "QuickZoom to another copy of Schedule K-1 Worksheet - Partnership."
- 4 In the **Select Sch K-1 Wks-Partnerships** dialog box, click the **Create new copy** option, type "Southwest Partnership, Copy 2" as the partnership name, then click **Create**.
- 5 Enter the following information on the second copy of the Schedule K-1 Worksheet for Partnerships.

In this field	Enter this data
Partnership ID	42-1111111
Ownership: Joint	X
General Partner or LLC manager	X
Line 2 - Net rental real estate income (loss)	-3,500

When you rest the mouse pointer over an Input tab, the program shows the complete name for that Input tab below it.

## 15 - Tax Summary



To quickly see a tax summary of the return with the data you've entered so far, go to the toolbar and click the **Summary** button.

These numbers are based on the data that you've entered thus far.

As you enter more data, the program updates these amounts.

The amount on the Federal Tax Due button matches the Balance Due amount in the Tax Summary.

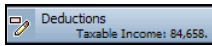
This area indicates which signature form is appropriate for the client (based on the data that you've entered thus far).

Tax Summary 2007	
Name (s)	SSN
Michael & Dianne Bradley	333-22-1120
Total income	114,495.
Adjustments to income	6,337.
Adjusted gross income	108,158.
Itemized/standard deduction	10,700.
Exemption amount	13,600.
Taxable income	83,858.
Tentative tax	13,816.
Additional taxes	
Alternative minimum tax	0.
Total credits	3,040.
Other taxes	2,674.
Total tax	13,450.
Total payments	8,705.
Estimated tax penalty	172.
Refund	0.
Balance due	4,917.

**Which Form 1040 to file?**  
 You must use Form 1040 because your client filed Schedule C, Profit or Loss From Business.

When you finish examining the summary, click the **Income** Step button in the Left Navigation Area to return to the Income Forms checklist.

## 16 - Deductions Forms checklist



Click the **Deductions** Step button (below the **Income** Step button). You should see the **Deductions Forms** checklist as shown in the next illustration.

After you select the **Deductions** button, you should see a **Checklist** Input tab, a **Form 1040** Input tab, a **Moving Expenses (Fort Worth TX)** Input tab, and a **Tax Payments** Input tab.

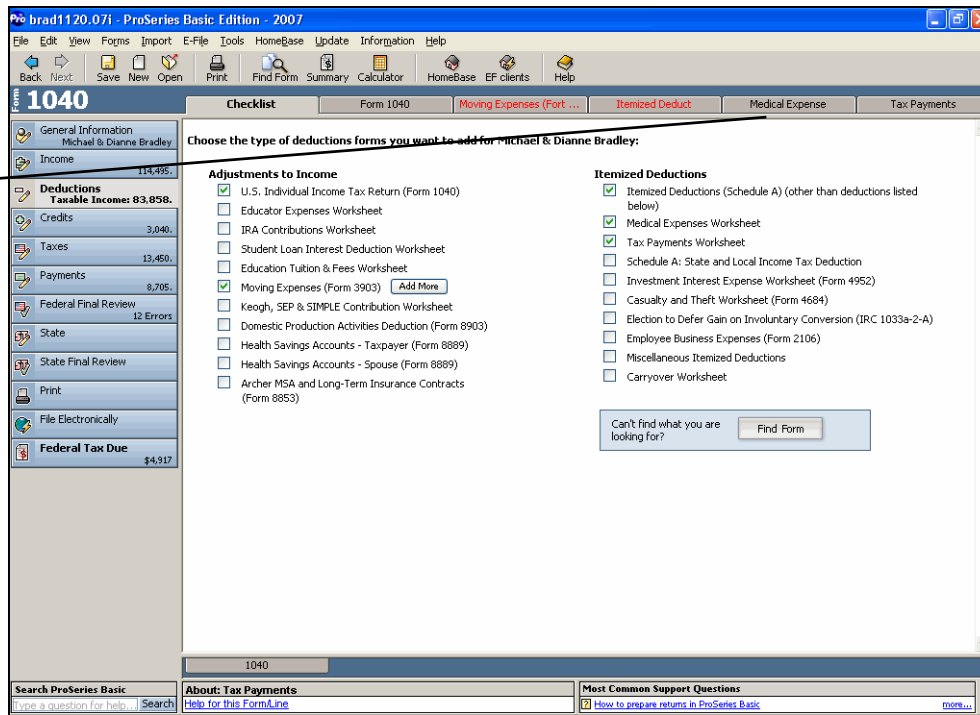
The Bradleys have moving expenses and itemized deductions, including medical expenses.

The following table lists the categories of Deductions forms and indicates which forms, schedules, and worksheets you should select for the purposes of this Case Study.

In this category	Select these forms, schedules, and worksheets
Adjustments to Income	None. The following should already be selected: <ul style="list-style-type: none"> <li>U.S. Individual Income Tax Return (Form 1040)</li> <li>Moving Expenses (Form 3903)</li> </ul>
Itemized Deductions	Itemized Deductions (Schedule A) (other than deductions listed below) Medical Expenses Worksheet Tax Payments Worksheet

After you finish selecting the forms that you'll need to prepare for the Bradleys' return, scroll back up to the top of the **Deductions Forms** checklist. Your program should resemble the following illustration.

You should see Input tabs labeled **Itemized Deduct**, **Medical Expense** and **Tax Payments** now.



## 17 - Form 3903, Moving Expenses

You may recall that the Bradleys moved to a new home during 2007. Next, you're going to use Form 3903 to claim the moving expense deduction. All taxpayers must meet two tests in order to deduct moving expenses.

**Distance test:** Calculate the number of miles from the former residence to the new job, and the number of miles from the former residence to the old job. To meet the distance test, the difference between these two numbers must be at least 50 miles.

**Time test:** You can deduct moving costs only if the taxpayer (or spouse, if married) works as a full-time employee at the new location for at least 39 weeks in the 12-month period following arrival.

Expenses for moving household goods and personal effects, plus the cost of traveling to the new location, are deductible. Lodging is included as a travel expense, but meals are not allowed. The standard mileage rate allowed for moving expenses is eighteen cents per mile.

Click the **Moving Expenses (Fort Worth TX)** Input tab to open Form 3903.

### Case Data

- Note that the program entered "Fort Worth TX" on line A, "Enter the new principal place of work for this move" in the General Information Smart Worksheet. The program did that when you linked the Form W-2 Box 12 amount to Form 3903 as you entered information from Michael's Form W-2 on the Wage and Tax Statement.
- Enter the following information in the General Information Smart Worksheet near the top of Form 3903.

In this field	Enter this data
Line C - Number of miles from old home to new workplace	268
Line D - Number of miles from old home to old workplace	15

- Scroll down Form 3903, then enter the following information in the Moving Expenses Smart Worksheet.

In this field	Enter this data
Line A - Transportation expenses for this move	6,500
Line C - Travel expenses for this move	26
Line D - Lodging expenses for this move	85

Notice that the program flowed the \$6,500 employer reimbursement that you entered on Michael's Wage and Tax Statement to line 4 of Form 3903.

The program calculates a moving expense deduction of \$111 on line 5, then flows that amount to Form 1040, line 26.

**Moving Expenses Smart Worksheet**

Enter below your moving expenses:

<b>A</b>	Transportation expenses for this move.....	6,500.
<b>B</b>	Storage of household goods and personal effects .....	
<b>C</b>	Travel expenses for this move (See Tax Help for new mileage rates) .....	26.
<b>D</b>	Lodging expenses for this move .....	85.

<b>1</b>	Transportation and storage of household goods and personal effects .....	1	6,500.
<b>2</b>	Travel (including lodging) from your old home to your new home. <b>Do not</b> include the cost of meals .....	2	111.
<b>3</b>	Add lines 1 and 2 .....	3	6,611.
<b>4</b>	Enter the total amount your employer paid you for the expenses listed on lines 1 and 2 that is <b>not</b> included in box 1 of your Form W-2 (wages). This amount should be shown in box 12 of your Form W-2 with code <b>P</b> .....	4	6,500.
<b>5</b>	<b>Is line 3 more than line 4?</b>	5	111.

**No** You **cannot** deduct your moving expenses. If line 3 is less than line 4, subtract line 3 from line 4 and include the result on Form 1040, line 7, or Form 1040NR, line 8.

**Yes** Subtract line 4 from line 3. Enter the result here and on Form 1040, line 26, or Form 1040NR, line 26. This is your **moving expense deduction** .....

QuickZoom to another copy of Form 3903 ..... QuickZoom

## 18 - Schedule A, Itemized Deductions

The ProSeries Basic Edition program:

- Uses the client's itemized deductions instead of the standard deduction when appropriate.
- Carries information to Schedule A from several other forms.
- Carries information from Schedule A to other forms.
- Calculates the Itemized Deductions Worksheet to determine whether or not a client's itemized deductions must be limited.

**Tip:** You can use the Medical Expenses Worksheet and the Miscellaneous Itemized Deductions Statement to support Schedule A when appropriate.

Click the **Itemized Deduct** Input tab to open Schedule A.

### Case Data

Dianne had \$2,000 in unreimbursed medical and dental expenses that you want to report on the Medical Expenses Worksheet.



- 1 Click the **QuickZoom** icon for the "Medical and dental expenses" field above line 1 to go to the Medical Expenses Worksheet.

Click this **QuickZoom** icon to go to the Medical Expenses Worksheet.

**Schedule A – Itemized Deductions 2007**

Name(s) Shown on Return: **Michael & Dianne Bradley**  
Social Security Number: **333-22-1120**

**Medical and Dental Expenses**

Medical and dental expenses .....			
Self-employed health insurance .....			0.
Medicare B premiums .....			0.
<b>1 Total medical and dental expenses (see instructions) ....</b>	<b>1</b>		
<b>2 Enter amount from Form 1040, line 38 .....</b>	<b>2</b>	<b>101,547.</b>	
<b>3 Multiply line 2 by 7.5% (.075) .....</b>	<b>3</b>		<b>7,616.</b>
<b>4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- .....</b>	<b>4</b>		<b>0.</b>

**Taxes Paid (See instructions)**

**5 State and Local Taxes**

**State and Local Taxes Smart Worksheet**

Enter sales tax information below. The greater of sales taxes from line H or line I, or income taxes from line J, will flow to line 5. See Help.

**2** Enter \$2,000 on line 3, “Fees for doctors, dentists, etc.” of the Medical Expenses Worksheet.

**Schedule A Medical Expenses Worksheet 2007**

Name(s) Shown on Return: **Michael & Dianne Bradley**  
Social Security Number: **333-22-1120**

**1 Prescription medications .....** **1** |  || **2 Health insurance premiums:** |  |  |
**a From Form(s) 1099-R .....**	**2 a**	
**b For medical care, other than self-employed health insurance .....**	**b**	
**c Medicare premiums .....**	**c**	
**NOTE: If LTC premiums are associated with a specific business activity, enter them directly on the applicable Self-Employed Health and Long-Term Care Insurance Deduction Worksheet, not on lines 2d - 2i below.**		
**d Taxpayer's gross long-term care premiums .....**	**2 d**	
**e Taxpayer's allowable long-term care premiums .....**	**e**	
**f Spouse's gross long-term care premiums .....**	**f**	
**g Spouse's allowable long-term care premiums .....**	**g**	
**h Dependent's gross long-term care premiums .....**	**h**	
**i Dependent's allowable long-term care prem. (see help) ..**	**i**	
**j Total allowable long-term care premiums, sum of lines 2e, 2g, and 2i .....**	**j**	
**k Taxpayer's long-term care premiums not deducted as an adjustment to income ...**	**k**	
**l Spouse's long-term care premiums not deducted as an adjustment to income ...**	**l**	
**m Dependent's long-term care premiums not deducted as an adj to income .....**	**m**	
**n Self-employed health insurance not deducted as an adjustment to income .....**	**n**	0.
**3 Fees for doctors, dentists, etc .....**	**3**	**2,000.**

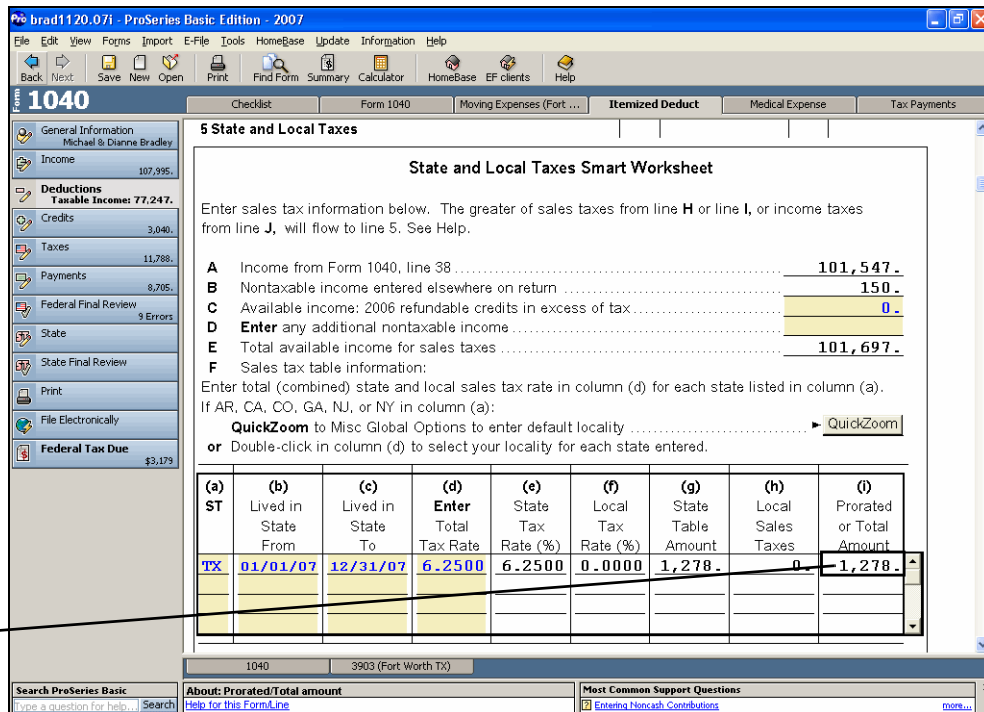
**3** Click the **Itemized Deduct** Input tab to return to Schedule A.

You'll notice the program flowed the \$2,000 that you entered on the Medical Expenses Worksheet to the “Medical and dental expenses” field near the top of Schedule A.

A deduction is available this year for state and local sales tax paid. The Bradleys live in Texas, which doesn't have a state income tax, so they will claim a deduction for state and local sales tax this year. They haven't tracked their actual expenses, so you will use the Optional State Sales Tax tables to figure their state and local general sales tax deduction.

**4** Scroll down to the State and Local Taxes Smart Worksheet for line 5, then select the field in column (d), “Enter Total Tax Rate” on the first line of the table.

5 Enter "6.2500" in column (d), "Enter Total Tax Rate."



State and Local Taxes Smart Worksheet

Enter sales tax information below. The greater of sales taxes from line H or line I, or income taxes from line J, will flow to line 5. See Help.

A Income from Form 1040, line 38 ..... 101,547.  
 B Nontaxable income entered elsewhere on return ..... 150.  
 C Available income: 2006 refundable credits in excess of tax ..... 0.  
 D Enter any additional nontaxable income .....  
 E Total available income for sales taxes ..... 101,697.  
 F Sales tax table information:

Enter total (combined) state and local sales tax rate in column (d) for each state listed in column (a). If AR, CA, CO, GA, NJ, or NY in column (a):  
**QuickZoom** to Misc Global Options to enter default locality ..... **QuickZoom**  
 or Double-click in column (d) to select your locality for each state entered.

(a) ST	(b) Lived in State From	(c) Lived in State To	(d) Enter Total Tax Rate	(e) State Tax Rate (%)	(f) Local Tax Rate (%)	(g) State Table Amount	(h) Local Sales Taxes	(i) Prorated or Total Amount
TX	01/01/07	12/31/07	6.2500	6.2500	0.0000	1,278.	0	1,278.

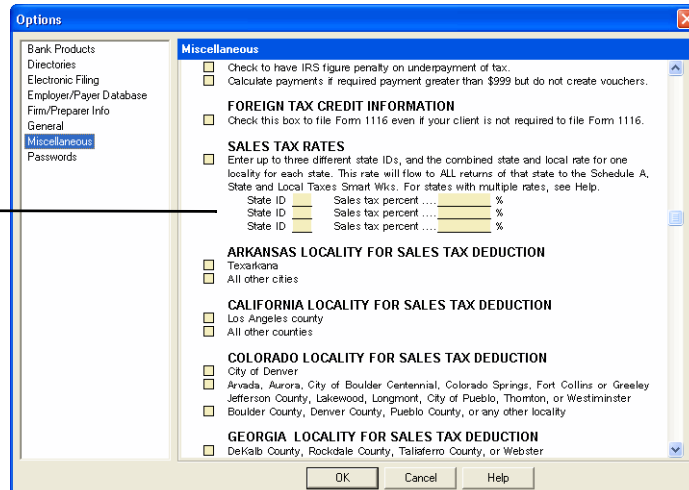
The program calculates the amount in column (i) from the amounts in the other columns.

Notice that the program:

- Flowed the Bradleys' state of residence (TX) along with the beginning (01/01/07) and ending (12/31/07) dates of that residence from the Federal Information Worksheet to columns (a), (b), and (c) of the table.
- Used the IRS 2007 Optional State Sales Tax Tables to enter the appropriate rate (6.2500) in column (e), "State Tax Rate."
- Calculated that the appropriate amount for column (g), "State Table Amount" is \$1,278.
- Completed the calculations in the State and Local Taxes Smart Worksheet.
- Checked the "General sales taxes" box and entered "ST" and \$1,278 on line 5 of Schedule A.

**Tip:** If you enter a rate in column (d), "Enter Total Tax Rate," the program adjusts the rate in column (f), "Local Tax Rate" and column (h), "Local Sales Taxes" accordingly.

If you enter combined state and local rates for one locality for a state in the **Miscellaneous** section of the **Options** dialog box, the program flows that information to column (d), "Enter Total Tax Rate" when appropriate.



Options

**Miscellaneous**

Check to have IRS figure penalty on underpayment of tax.  
 Calculate payments if required payment greater than \$999 but do not create vouchers.

**FOREIGN TAX CREDIT INFORMATION**

Check this box to file Form 1116 even if your client is not required to file Form 1116.

**SALES TAX RATES**

Enter up to three different state IDs, and the combined state and local rate for one locality for each state. This rate will flow to ALL returns of that state to the Schedule A, State and Local Taxes Smart Wks. For states with multiple rates, see Help.

State ID  Sales tax percent ..... %  
 State ID  Sales tax percent ..... %  
 State ID  Sales tax percent ..... %

**ARKANSAS LOCALITY FOR SALES TAX DEDUCTION**

Texarkana  
 All other cities

**CALIFORNIA LOCALITY FOR SALES TAX DEDUCTION**

Los Angeles county  
 All other counties

**COLORADO LOCALITY FOR SALES TAX DEDUCTION**

City of Denver  
 Arvada, Aurora, City of Boulder Centennial, Colorado Springs, Fort Collins or Greeley  
 Jefferson County, Lakewood, Longmont, City of Pueblo, Thornton, or Westminster  
 Boulder County, Denver County, Pueblo County, or any other locality

**GEORGIA LOCALITY FOR SALES TAX DEDUCTION**

DeKalb County, Rockdale County, Taliaferro County, or Webster

OK Cancel Help

This is where you can enter a combined state and local sales tax rate for one locality in three separate states.

Information about the sale of the Bradleys' former home and the purchase of their new home is reported on:

- A Form 1098 from Texas State Bank for the Bradleys' former main residence in Houston
- A Form 1098 from First Interstate Bank in Fort Worth on the Bradleys' new main home
- The closing statement from the Bradleys' new house

Following are the relevant amounts from those documents:

Category	Form 1098 from Texas State Bank (former home)	Form 1098 from First Interstate Bank (new home)	Closing statement (new home)
Real estate taxes	1,200	2,420	150
Home mortgage interest	4,180	8,140	
Points		2,120	



- To enter the real estate taxes, click the field for line 6a, "Real Estate Taxes, On principal residence" in the Taxes Paid section of Schedule A.
- Click the **Supporting Statement** icon to the right of the entry field.
- In the **Supporting Statements** dialog box, enter the following descriptions and amounts for the Bradleys' real estate taxes.

As you enter individual amounts, the supporting statement total appears here.

- Click **Close** to return to Schedule A. Notice that the program copied the \$3,770 total from the supporting statement to the field for line 6a, "Real Estate Taxes, On principal residence" in the Taxes Paid section.

This is the total from the Real Estate Taxes supporting statement.

Enter the Bradleys' auto registration fees here.

**10** Michael and Dianne paid \$630 in auto registration fees for their vehicles. Enter this amount in the field for line 7a, "Auto registration fees based on value of the vehicle, Personal use only vehicles" in the Taxes Paid section of Schedule A.

**11** Scroll down to the Interest Paid section of Schedule A. You still need to enter some real estate transaction information from the documents that reported the sale of the Bradleys' former home and the purchase of their new home.

Enter the following data in the Mortgage Interest and Points Smart Worksheet above line 10:

Category	Form 1098 from Texas State Bank (former home)	Form 1098 from First Interstate Bank (new home)
Home mortgage interest	4,180	8,140
Points		2,120

**Mortgage Interest and Points Smart Worksheet**

A Enter a description and an amount for fully deductible mortgage interest and points. Check the box if the mortgage was sold to another lender, or the mortgage has been paid off, the lender's name will **not** transfer to next year's return. Check the box if the mortgage interest and/or points are **not** reported on Form 1098. **Note:** When the points must be deducted over the life of the loan, enter this information on the Other Points Smart Worksheet.

Lender's Name/Description	Deductible Mortgage Interest	Fully Deductible Points	Paid Off	Not on Form 1098
Texas State Bank	4,180.		<input type="checkbox"/>	<input type="checkbox"/>
First Interstate Bank	8,140.	2,120.	<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>

10 Total home mortgage interest and points reported on Form 1098 ..... Explain... **14,440.**

11 Home mortgage interest not reported on Form 1098. If paid to the person from whom taxpayer bought the home, enter that person's name, identifying number

The program totals the entries on the Mortgage Interest and Points Smart Worksheet, then enters the result here.

The Bradleys made cash contributions of \$2,300 to First Church, and noncash donations of \$400 to Goodwill.

- 12 Scroll down to the Gifts to Charity section, then enter these donations on the Cash Contributions Smart Worksheet and the Noncash Contributions Smart Worksheet, respectively.

**Charity and Donation Information**

Charity Name	Amount
Goodwill	400.

B Check for election under IRC Sec 170(b)(1)(C)(iii) .....  Yes

C Print noncash contribution detail with filing copy when Form 8283 not required? .....  Yes

17 Other than by cash or check. For gift \$250 or more see instructions. You **must** attach Form 8283 if over \$500 .... **400.**

18 Carryover from prior year ..... **18**

19 Add lines 16 through 18 ..... **19** **2,700.**

The "additional" fields must be completed only if the total noncash contributions are greater than \$500.

The program totals the entries in the Gifts to Charity section, then enters the result here.

Because the Bradleys' total itemized deductions (\$22,818) exceed the allowable standard deduction (\$10,700), the program carries the itemized deductions total from line 28 of Schedule A to line 40 of Form 1040.

If a client's itemized deductions are limited, the program flows the allowable amount from line 12 of the Itemized Deductions Worksheet to line 28 of Schedule A.

## 19 - Credits Forms checklist



Click the **Credits** Step button (below the **Deductions** Step button). You should see the **Credits Forms** checklist as shown in the next illustration.

After you select the **Credits** button, you should see a **Checklist** Input tab.

**Form 1040 Checklist**

Choose the type of credits forms you want to add for Michael & Dianne Bradley:

- Earned Income Credit**
  - Earned Income Credit Worksheet (Sch EIC)
  - Information to Claim EIC After Disallowance (Form 8862)
  - Paid Preparer's Earned Income Credit Checklist (Form 8867)
- General Business Credits**
  - General Business Credit (Form 3800)
  - Investment Credit (Form 3468)
  - Low Income Housing Credit (Form 8586)
  - Nonconventional Source Fuel Credit (Form 8907)
- Other Credit Information**
  - Credit for the Elderly or the Disabled (Sch R)
  - Education Tuition & Fees Worksheet
  - Mortgage Interest Credit (Form 8396)
  - Foreign Tax Credit (Form 1116)
  - Credit for Qualified Retirement Savings Contributions (Form 8880)
  - Credit for Prior Year Minimum Tax (Form 8801)
  - Passive Credit Entry Worksheet
  - Passive Activity Credit Limitations (Form 8582-CR)
  - Credit for Federal Tax Paid on Fuels (Form 4136)
  - Carryover Worksheet
  - Residential Energy Credits (Form 5695)
  - Credit for Alcohol Used as Fuel (Form 6478)
  - Alternative Motor Vehicle Credit (Form 8910)
- Child-Related Credits**
  - Child & Dependent Care Expenses (Form 2441)
  - Qualified Adoption Expenses (Form 8839)
  - Child Tax Credit Worksheet
  - Additional Child Tax Credit (Form 8812)
- Health Insurance Credit**
  - Health Coverage Tax Credit - Taxpayer (Form 8885)
  - Health Coverage Tax Credit - Spouse (Form 8885)

Can't find what you are looking for?

1040      2441

Search ProSeries Basic      About: Ln 19      Most Common Support Questions

The Bradleys incurred expenses for the care of the children, Michael Jr. and Kelsey, during 2007.

The following table lists the categories of Credits forms and indicates which forms, schedules, and worksheets you should select for the purposes of this Case Study.

In this category	Select these forms, schedules, and worksheets
Earned Income Credit	
Child-Related Credits	Child & Dependent Care Expenses (Form 2441)
General Business Credits	
Health Insurance Credit	
Other Credit Information	

After you finish selecting the form that you'll need to prepare for the Bradleys' return, your program should resemble the following illustration.

You should see an Input tab labeled **Child Care** now.

## 20 - Form 2441, Child and Dependent Care Expenses

Next, you're going to enter on Form 2441 the child and dependent care expenses that the Bradleys incurred and paid in 2007.

In general, taxpayers can take a credit for child and dependent care expenses if they meet following tests:

- The filing status on the return is not married filing separate.
- Care was provided for the qualified individual so that the taxpayer (and spouse, if married) could work, look for work, or attend school as a full-time student for at least five months during the year.
- The taxpayer (and spouse, if married) has earned income.
- The taxpayer (and spouse, if married) paid over half the cost of maintaining a home in which the taxpayer and the qualifying individual(s) lived.
- The care provider was not the taxpayer's spouse or dependent.

Click the **Child Care** Input tab to open Form 2441.

### Case Data

- 1 Enter the following information in Part I of Form 2441.

Care provider's name	Address	Identifying number	Amount paid
ABC Child Care	1234 Broadway Houston, TX 77075	95-0987654	1,500
123 Child Care	1234 Main Street Fort Worth, TX 76075	95-4567890	3,700

**Form 1040** Checklist **Child Care**

Name(s) shown on Form 1040: **Michael & Dianne Bradley** | Your Social Security number: **333-22-1120**

**Before you begin:** Figure the amount of any foreign tax credit you are claiming on Form 1040, line 51, or Form 1040NR, line 46.

**Part I** Persons or Organizations Who Provided the Care – You must complete this part.

1	(a) Care provider's name	(b) Address (number, street, apt no., city, state, and ZIP Code)	(c) Identifying number (SSN or EIN, if EIN then must enter hyphen)	(d) Amount paid
	ABC Child Care	1234 Broadway Houston, TX 77075	95-0987654	1,500.
	123 Child Care	1234 Main Street Fort Worth, TX 76075	95-456789	3,700.

Did you receive dependent care benefits?  
 No → Complete only Part II below.  
 Yes → Complete Part III on page 2 now.

**Caution:** If the care was provided in your home, you may owe employment taxes. See the instructions for Form 1040, line 62, or Form 1040NR, line 57.

1040 | 2441

- If you scroll down Form 2441 to Part II, you'll notice that both of the Bradleys' children are qualifying children. The program carries the amount of qualified child care expenses incurred and paid for each child in 2007 from the Federal Information Worksheet to Form 2441.
- If you scroll down to line 13 of Form 2441, you'll see that the program calculated a credit for child and dependent care expenses of \$1,040. The program carries that amount to line 47 of Form 1040.

## 21 - Tax Forms Checklist



Click the **Taxes** Step button (below the **Credits** Step button). You should see the **Tax Forms** checklist as shown in the next illustration.

After you select the **Taxes** button, you should see a **Checklist** Input tab.

**Form 1040** Checklist

Choose the type of taxes forms you want to add for Michael & Dianne Bradley:

- Underpayment Penalties**
  - Underpayment of Estimated Tax (Form 2210)
  - Underpayment of Estimated Tax - Annualized (2210, pg 4)
  - Underpayment of Tax by Farmers and Fishermen (Form 2210-F)
- Tax on Retirement Distributions**
  - Additional Taxes on Qualified Plans - Taxpayer (Form 5329)
  - Additional Taxes on Qualified Plans - Spouse (Form 5329)
- Kiddie Tax**
  - Tax for Children Under Age 18 (Form 8615)
  - Child Investment and Net Capital Gain Worksheet
- Tax on Lump Sum Distributions**
  - Tax on Lump-Sum Distributions - Taxpayer (Form 4972)
  - Tax on Lump-Sum Distributions - Spouse (Form 4972)
- Alternative Minimum Tax**
  - Alternative Minimum Tax (Form 6251)
  - Alternative Minimum Tax Worksheet
  - Form 1116 AMT
  - Investment Interest Expense Deduction (Form 4952 AMT)
- Household Employment Taxes**
  - Household Employment Taxes - Taxpayer (Schedule H)
  - Household Employment Taxes - Spouse (Schedule H)
- Uncollected Social Security/Medicare**
  - Tax on Unreported Tip Income - Taxpayer (Form 4137)
  - Tax on Unreported Tip Income - Spouse (Form 4137)
  - Tax on Wages - Taxpayer (Form 8919)
  - Tax on Wages - Spouse (Form 8919)
- Other Taxes**
  - Schedule SE Adjustments Worksheet (Sch SE)
  - Farm Income Averaging (Sch J)
  - Recapture of Investment Credit (Form 4255)

Can't find what you are looking for?

1040 | Sch SE (S)

During 2007, the Bradleys didn't pay any taxes that need to be reported on the forms, schedules, and worksheets that are listed in the Tax Forms checklist. In addition, none of the forms, schedules, and worksheets that are listed in the Tax Forms checklist are applicable for the Bradleys.

The following table lists the categories of Tax forms. For the purposes of this Case Study, you shouldn't select any of these forms, schedules, or worksheets.

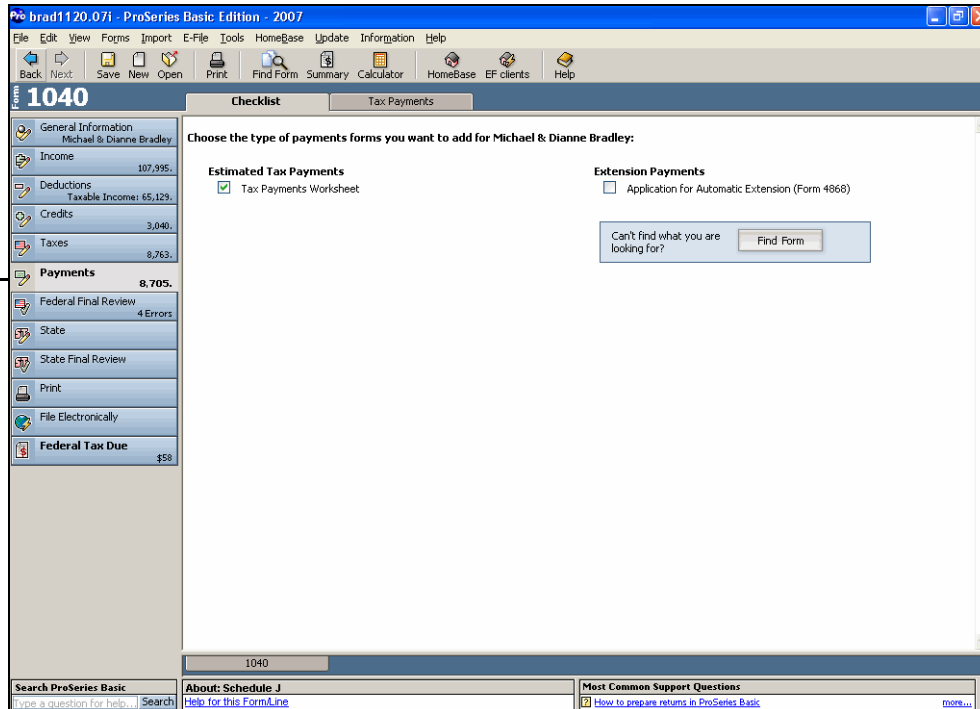
Name of category	Name of category
Underpayment Penalties	Alternative Minimum Tax
Tax on Retirement Distributions	Household Employment Taxes
Kiddie Tax	Tax on Unreported Tip Income
Tax on Lump Sum Distributions	Other Taxes

## 22 - Payment Forms checklist



Click the **Payments** Step button (below the **Taxes** Step button). You should see the **Payment Forms** checklist as shown in the next illustration.

After you select the **Payments** button, you should see a **Checklist** Input tab and an Input tab labeled "Tax Payments."



The Bradleys made federal estimated tax payments for the 2007 tax year.

The following table lists the categories of Payment forms and indicates which forms, schedules, and worksheets you should be selected for the purposes of this Case Study.

In this category	Select these forms, schedules, and worksheets
Estimated Tax Payments	None. The following should already be selected. <ul style="list-style-type: none"> <li>Tax Payments Worksheet</li> </ul>
Extension Payments	

## 23 - Tax Payments Worksheet

You use the Tax Payments Worksheet to record federal, state, and local estimated tax payments. Click the **Tax Payments** Input tab to open the Tax Payments Worksheet.

### Case Data

Michael and Dianne made four federal estimated tax payments. Enter the following information in the first section of the worksheet.

In this field	Enter this amount
Federal Amount column, 04/15/07 row	600
Federal Amount column, 06/16/07 row	600
Federal Amount column, 09/15/07 row	600
Federal Amount column, 01/15/08 row	600

**Form 1040** Tax Payments Worksheet 2007

Name(s) Shown on Return: **Michael & Dianne Bradley** Social Security Number: **333-22-1120**

Estimated Tax Payments for 2007 (if more than 4 payments for any state or locality, see Tax Help)

	Federal		State			Local		
	Date	Amount	Date	Amount	ID	Date	Amount	ID
1	04/17/07	600.	04/16/07			04/16/07		
2	06/15/07	600.	06/15/07			06/15/07		
3	09/17/07	600.	09/17/07			09/17/07		
4	01/15/08	600.	01/15/08			01/15/08		
5								

Total Estimated: 1040

## 24 - Review the Bradleys' sample return

You've just about completed the Bradleys' tax return. The next step is to run the Federal Final Review.

### Final Review

The ProSeries Basic Edition Final Review feature helps you check each return for potential problems. For example, the Final Review feature identifies forms that are incomplete, and indicates the additional information that's required to complete those forms.

The ProSeries Basic Edition program does the following types of review checks when you run Final Review.

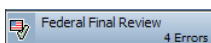
This procedure	Does this
Errors and Omissions	Checks the return for incomplete information, inconsistent entries, estimated values, and incorrectly-completed fields. The client's specific tax situation determines whether an error alert requires action.
Electronic Filing	Identifies data field items that violate strict formatting rules and errors that could preclude electronic filing.
TSJ Tag Errors	Identifies fields where a Taxpayer/Spouse/Joint indicator tag is set to either "S" or "J" and the filing status is no longer married filing jointly.
Diagnostics	Evaluates the return for required attachments for filing, inconsistent entries, advisory messages regarding program decisions, tax treatment of items that may not be immediately apparent, and additional computations that may be required.
List of Notes	Lists entries to which you have attached notes.
List of Overrides	Shows all fields that you have overridden.

**Important:**

Final Review does not guarantee that a return is accurate or complete. You and your clients are responsible for entering all information required by the IRS or the state taxing authority, and for reviewing each return to ensure that it is correct.

**Case Data**

Next, you're going to review errors or omissions in the Bradleys' return that are identified by the Federal Final Review feature.



- 1 Click the **Federal Final Review** Step button.
- 2 When you see the window titled **For Your Information - Errors and Omissions - (4 Errors Remaining)**, read the information below the title, then click the **Next** button.

This first screen indicates that the Federal Final Review identified 4 errors in the Bradleys' federal return.

Click here to continue.

As you proceed through the Final Review, use the following information to correct those errors. If you've entered the Bradleys' data exactly as instructed in the Case Study, the program should identify the following four errors.

For this form	This error is reported	Use this information to correct the reported error
Home Sale Wks (1111 West Broadway)	Date Home Acquired must be entered.	The Bradleys bought their former main home on 03/04/1998.
Home Sale Wks (1111 West Broadway)	TP Change Boxes must be entered.	The Bradleys' home sale was due to a change in place of employment.
Home Sale Wks (1111 West Broadway)	Spouse Change Boxes must be entered.	The Bradleys' home sale was due to a change in place of employment.
Schedule B	State ID - interest-3 must be entered.	This interest was earned in Texas.

You'll see that the program displays the errors and takes you to the exact data fields in question.

The screenshot shows the ProSeries Basic Edition 2007 software interface. The main window displays the 'Home Sale (1111 West Broadway)' form. The 'Part I - Gain or (Loss)' section is visible, with a table of values:

Line	Description	Value
1	Selling price of home. Do not include personal property items you sold with your home	250,000.
2	Selling expenses (including commissions, advertising and legal fees, and seller-paid loan charges)	10,000.
3	Subtract line 2 from line 1. This is the amount realized	240,000.
4	Adjusted basis of home sold	180,000.
5	Gain on sale. Subtract line 4 from line 3. If this is a loss, stop here.	60,000.

At the bottom of the window, a red error message box states: "You Must Fix This Error (4 Errors Remaining)". The message reads: "Home Sale Wks (1111 West Broadway): Date Home Acquired must be entered." A "Next >" button is visible at the bottom right of the error message box.

- 3 Correct the first error by entering "03/04/1998" in the "Date your former main home was bought" field, then press the ENTER key.
- 4 Click **Next** near the bottom of the Final Review window to move to the next error.

Brad1120.071 - ProSeries Basic Edition - 2007

File Edit View Forms Import E-File Tools HomeBase Update Information Help

Back Next Save New Open Print Find Form Summary Calculator HomeBase E-File clients Help

**Form 1040** Int & Div Inc

General Information  
Michael & Dianne Bradley

Income 107,995.

Deductions Taxable Income: 65,129.

Credits 3,040.

Taxes 8,763.

Payments 11,105.

Federal Final Review 1 Error

State

State Final Review

Print

File Electronically

Federal Refund \$2,342

### Interest Income Smart Worksheet

Payer's Name	Box 1 Interest Inc. OID Int*	Box 2 Typ Int*	Box 2 Early Withdraw Penalty	Box 3 US Savings Bond/Treas. Obligations	Box 8 Tax-exempt Interest	Box 8 ST ID	Box 9 Private Actvty Bond
Lone Star State Bank	1,850.						
Texas Savings and Loan	350.						
In-state municipal interest					150.		
U.S. savings bond				75.			

**You Must Fix This Error** (1 Error Remaining)

Schedule B: State ID - interest-3 must be entered.

Go to State ID - Interest < Previous Next > Close

The next error is "Schedule B: State ID - interest 3 must be entered." This error message refers to the field that we noted was light red after we entered data on Schedule B.

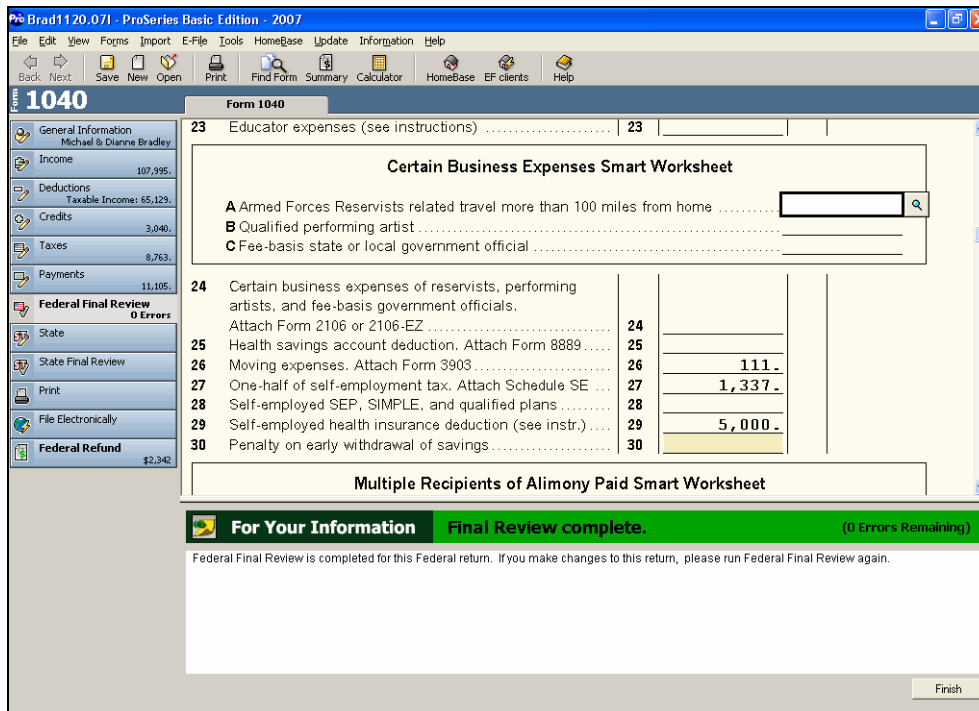
Before you correct this error, notice that the upper-right side corner of the Final Review window now says "(1 Error Remaining)." The number of errors went from four to one because the program was able to correct the second and third errors after you corrected error 1.

**Tip:** The second and third errors involve the TP Change Boxes and the SP Change Boxes on the Home Sale Worksheet, where "TP" stands for the taxpayer and "SP" stands for the spouse.

- 5 Enter "TX" in the State ID field that's highlighted on Schedule B, then press the ENTER key.
- 6 Click **Next** near the bottom of the Final Review window.
- 7 All four errors should be corrected now. The Final Review window should be titled **For Your Information - Electronic Filing - (0 Errors Remaining)**

You can also review the Electronic Filing, TSJ Tag Errors, Diagnostics, List of Notes, List of Overrides, and Deduction Finder information regarding the Bradleys' return.

- 8 When all errors have been corrected and you see the "Final Review Complete" message, click the **Finish** button near the bottom of the Final Review window.



## 25 - State returns

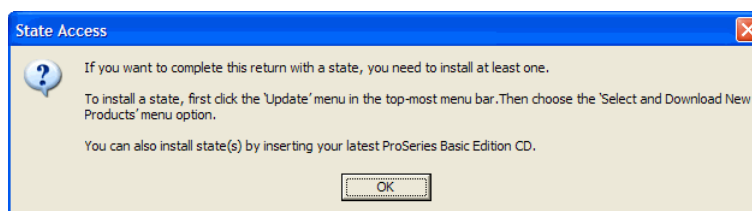
After a client's federal return successfully passes Final Review, you might need to prepare one or more state returns.



Click the **State** Step button.

What you do next depends on how many ProSeries Basic Edition state products you installed—none, one, or more than one.

- **If no state products are installed.** If you didn't install any ProSeries Basic Edition state products, you'll see the dialog box shown next.



- Click **OK** to close the dialog box.
- If you want to print the federal return, select the **Print** Step button. For more information about printing, see [29 - Print the Bradleys' sample return on page 68](#).
- If you want to file the federal return electronically, click the **File Electronically** Step button. For more information about electronic filing, see [30 - File electronically on page 70](#).

### Important:

Don't attempt to electronically file the Bradleys' return, or any other returns that are contained in the ProSeries Basic Edition sample client files.

- **If one state product is installed.** If you previously installed one ProSeries Basic Edition state product, the program adds an Input tab for that state return and opens the **Forms** checklist for that state in the Work area (as shown in [State Forms checklist on page 59](#)).
- **If more than one state product is installed.** If you previously installed more than one ProSeries Basic Edition state product, you'll see the **Choose State** page shown next.

## Choose State page

Check the box for each state return you need to prepare for the client.

If you need to prepare a return for a state that isn't installed, click the **Add State** button so you can download that state product from an Intuit Internet server.

The **Choose State** page lists every state product every state product that's installed. Check the box for each state return that you need to prepare for the client. When you check the box for a state, the program adds an Input tab for that state return.

When you check the box **California Individual**, the program adds an Input tab labeled "California Individual"

The program also adds "CA" to the **State** Step button.

When you click the Input tab for a state return, the program opens the Forms checklist for that state.

### Important:

The following figures and discussion are for illustrative purposes only. If the Bradleys were actual people, they wouldn't file a California return because they live in Texas and have no income from California sources.

The next illustration shows how the **California Forms** checklist for the Bradleys appears if you select **California Individual** on the **Choose State** page box, then you click the **California Individual** Input tab.

## State Forms checklist

Notice that the program has already created several Input tabs for the California return.

Forms checklist for California.

On the **State** and **State Final Review** buttons, "CA" stands for California.

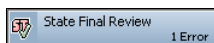
The **Refund or Amount Due** button shows information for the California return.

Output tabs for this California return.

The ProSeries Basic Edition program saves you time by automatically flowing all applicable data from the client's federal return to the client's state return(s). The Input tabs and Output tabs that you see for the client's state return are derived from the data in the client's federal return.

- Click each Input tab so you can review each state form, schedule, and worksheet. Enter any additional information that's appropriate for the client's state return.
- Use the state's **Forms** checklist to select any additional state forms, schedules, or worksheets that are required or appropriate for the client's state return.

When you complete the client's state return, click the **State Final Review** button in the Left Navigation Area.



If you select the **State Final Review** Step button without entering any additional information for the Bradleys' California return, your program should resemble the following illustration:

Notice that the State Final Review identifies only 1 error or omission.

**Caution:** The State Final Review can't guarantee that you've entered all the information that's required for a client's state return.

You and your clients are responsible for entering all required information.

As you proceed through the Final Review, you'll see that the program identifies the following error.

<b>For this form</b>	<b>This error is reported</b>
Information Worksheet	Same As Last Yr must be entered.

When all errors have been corrected and you see the "Review complete" message, click the **Finish** button.

Line	Description	Amount
12	State wages from your Form(s) W-2, box 16, or CA Schedule W-2 CG, line 3	84,700
13	Enter adjusted gross income from your federal return	101,547
14	California adjustments – subtractions. Enter the amount from Schedule CA (540), line 37, column B	75
15	Subtract line 14 from line 13. If less than zero, enter the result in parentheses	101,472
16	California adjustments – additions. Enter the amount from Schedule CA (540), line 37, column C	150
17	California adjusted gross income. Combine line 15 and line 16	101,622
18	Enter the larger of your California standard deduction or your California itemized deductions	21,540
19	Subtract line 18 from line 17. This is your taxable income. If less than zero, enter -0-	80,082

Let's return to the Bradleys' federal return now.

- 1 Click the **General Information** button.

- 2 Click the **Form 1040** Input tab.
- 3 If necessary, scroll up to the top of the Bradleys' Form 1040.

Your program should resemble the following illustration:

If you started a state return, the two-letter abbreviation for that state appears on the **State** button.

The screenshot shows the ProSeries Basic Edition 2007 interface. The main window displays the 'Form 1040' input screen for 'Michael & Dianne Bradley'. The title bar reads 'Brad1120.071 - ProSeries Basic Edition - 2007'. The menu bar includes 'File', 'Edit', 'View', 'Forms', 'Import', 'E-File', 'Tools', 'HomeBase', 'Update', 'Information', and 'Help'. The toolbar contains icons for 'Back', 'Next', 'Save', 'New', 'Open', 'Print', 'Find Form', 'Summary', 'Calculator', 'HomeBase', 'EF clients', and 'Help'. The left sidebar shows a 'Form 1040' checklist with categories like 'General Information', 'Income', 'Deductions', 'Credits', 'Taxes', 'Payments', 'Federal Final Review', 'State', 'State Final Review', 'Print', 'File Electronically', and 'Federal Refund'. The main area displays the 'Form 1040' header, the title 'U.S. Individual Income Tax Return', and the year '2007'. Below this, it specifies the tax year: 'For the year January 1 - December 31, 2007, or other tax year beginning [ ] , 2007, ending [ ] , 20 [ ] .'. The personal information section includes: 'Your First Name: Michael', 'Last Name: Bradley', 'Your Social Security No.: 333-22-1120', 'If Joint Return, Spouse's First Name: Dianne', 'Last Name: Bradley', 'Spouse's Social Security No.: 333-22-1121', 'Home Address: 1120 Main Street', 'City: Fort Worth', 'State: TX', and 'ZIP Code: 76111'. There are also sections for 'QuickZoom to explanation statement for overseas extension', 'Presidential Election Campaign', and 'Filing Status'.

Let's continue with the Case Study now.

## 26 - Form 1040

If the top of Form 1040 isn't on your screen now, click the **General Information** Step button, then click the **Form 1040** Input tab to open Form 1040.

Click here...  
...then click here.

This screenshot is identical to the one above, showing the ProSeries Basic Edition 2007 interface with the 'Form 1040' input screen. Two callouts are present: one pointing to the 'General Information' button in the left sidebar, and another pointing to the 'Form 1040' Input tab at the top of the main window.

1 As you scroll down the Bradleys' Form 1040, compare your results to the following information.

Form 1040	Amount
Line 22, Total income	107,995
Line 37, Adjusted gross income	101,547
Line 43, Taxable income	65,129
Line 63, Total tax	8,763
Line 73, Amount overpaid	2,342

Brad1120.071 - ProSeries Basic Edition - 2007

Form 1040

General Information  
Michael & Dianne Bradley

Income 107,995.  
Deductions Taxable Income: 65,129.  
Credits 3,040.  
Taxes 8,763.  
Payments 11,105.  
Federal Final Review 0 Errors  
State CA  
State Final Review CA  
Print  
File Electronically  
Federal Refund \$2,342

7 Wages, salaries, tips, etc. Attach Form(s) W-2 ..... 7 84,700 .  
8 a Taxable interest. Attach Schedule B if required ..... 8 a 2,360 .  
b Tax-exempt interest. Do not include on line 8a ..... 8 b 150 .  
9 a Ordinary dividends. Attach Schedule B if required ..... 9 a  
b Qualified dividends (see instrs) ..... 9 b  
10 Taxable refunds, credits, or offsets of state and local income taxes (see instr.) .... 10  
11 Alimony received ..... Taxpayer Spouse ..... 11  
12 Business income or (loss). Attach Schedule C or C-EZ ..... 12 18,927 .  
13 Capital gain or (loss). Attach Schedule D if required.  
If not required, check here ..... 13 2,000 .  
14 Other gains or (losses). Attach Form 4797 ..... 14 8 .  
15 a IRA distributions ..... 15 a  
b Taxable amount (see instructions) ..... Explain ..... 15 b  
16 a Pensions and annuities ..... 16 a  
b Taxable amount (see instructions) ..... 16 b  
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc.  
Attach Schedule E ..... 17 0 .  
18 Farm income or (loss). Attach Schedule F ..... 18  
19 Unemployment compensation ..... 19  
20 a Social security benefits ..... 20 a  
b Taxable amount (see instructions) ..... 20 b  
21 Other income. List type and amount (see instructions). ..... 21  
22 Add the amounts in the far right column for lines 7 through 21.  
This is your total income ..... 22 107,995 .

Adjusted Gross Income

Search ProSeries Basic About: Form 1040 Most Common Support Questions

Total income on line 22 is \$107,995.

Brad1120.071 - ProSeries Basic Edition - 2007

Form 1040

General Information  
Michael & Dianne Bradley

Income 107,995.  
Deductions Taxable Income: 65,129.  
Credits 3,040.  
Taxes 8,763.  
Payments 11,105.  
Federal Final Review 0 Errors  
State CA  
State Final Review CA  
Print  
File Electronically  
Federal Refund \$2,342

Tax and Credits

38 Amount from line 37 (adjusted gross income) ..... 38 101,547 .  
39 a Check if:  You were born before January 2, 1943,  Blind.  
 Spouse was born before January 2, 1943,  Blind.  
Total boxes checked ..... 39 a  
b If your spouse itemizes on a separate return or you were a dual-status alien,  
see instructions and check here ..... 39 b  
Standard Deduction for -  
• People who checked any box on line 39a or 39b or who can be claimed as a  
dependent, see instructions.  
• All others:  
Single or Married filing separately: \$5,350  
Married filing jointly or Qualifying widow(er): \$10,700  
Head of household: \$7,850  
QuickZoom to the Standard Deduction Worksheet for Dependents ..... QuickZoom  
40 Itemized deductions (from Schedule A) or your standard deduction shown  
above ..... 40 22,818 .  
41 Subtract line 40 from line 38 ..... 41 78,729 .  
42 If line 38 is \$117,300 or less, multiply \$3,400 by the total number  
of exemptions claimed on line 6d. If line 38 is over \$117,300,  
QuickZoom to Exemptions Worksheet ..... QuickZoom  
43 Taxable income. Subtract line 42 from line 41. If line 42 is more  
than line 41, enter -0- ..... 43 65,129 .

Tax Smart Worksheet

Search ProSeries Basic About: Line 43 Most Common Support Questions

Taxable income on line 43 is \$65,129.

The amount overpaid on line 73 is \$2,342.

Form 1040

General Information  
Michael & Dianne Bradley

Income 107,995.  
Deductions Taxable Income: 65,129.  
Credits 3,040.  
Taxes 8,763.  
Payments 11,105.  
Federal Final Review 0 Errors  
State CA  
State Final Review CA  
Print  
File Electronically  
Federal Refund \$2,342

70 Other payments from:  
a  Form 2439  
b  Form 4136  
c  Form 8885 70

71 Refundable credit for prior year minimum tax from Form 8801, line 27 71

72 Add lines 64, 65, 66a, and 67 through 71. These are your **total payments** 72 **11,105.**

**Refund**  
Direct deposit? See instructions and fill in 74b, 74c, and 74d, or Form 8888.

73 If line 72 is more than line 63, subtract line 63 from line 72. This is the amount you **overpaid** 73 **2,342.**

74 a Amount of line 73 you want **refunded to you**. If Form 8888 is attached, check here  74 a **2,342.**

b Routing number XXXXXXXXXX  
c Type:  
▶  Checking  
▶  Savings  
d Account number XXXXXXXXXXXXXXXXXXXX

75 Amount of line 73 you want **applied to your 2008 estimated tax** 75

**Amount You Owe**

1040

Search ProSeries Basic  
About: Line 73  
Most Common Support Questions

- When you near the end of page 2 of Form 1040, you'll see that the program entered firm and preparer information in the Paid Preparer's Use Only section. You'll notice the program also entered the appropriate mailing address in the Filing Address Information section.

In this area, the program enters information about the filing method that you're using for the return – either mail or electronic filing.

Form 1040

General Information  
Michael & Dianne Bradley

Income 107,995.  
Deductions Taxable Income: 65,129.  
Credits 3,040.  
Taxes 8,763.  
Payments 11,105.  
Federal Final Review 0 Errors  
State CA  
State Final Review CA  
Print  
File Electronically  
Federal Refund \$2,342

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your Signature \_\_\_\_\_ Date \_\_\_\_\_ Your Occupation **Engineer** Daytime Phone No. \_\_\_\_\_  
Spouse's Signature. If joint, **both** must sign. \_\_\_\_\_ Date \_\_\_\_\_ Spouse's Occupation **Self-employed**

**Paid Preparer's Use Only**

Preparer's Signature \_\_\_\_\_ Date \_\_\_\_\_ Check if Self-employed ...  Preparer's SSN or PTIN **333-22-4444**  
Firm's Name and Address **Tax Preparers** Employer ID No. **98-7654321** Phone No. \_\_\_\_\_  
**1040 Main Street** State **TX** ZIP Code **76111**  
**Fort Worth**

**Filing Address Information**

Send Form 1040 to: **Department of the Treasury**  
**Internal Revenue Service Center**  
**Austin, TX 73301-0002**

1040

Search ProSeries Basic  
About: Form 1040  
Most Common Support Questions

**Tip:** If you had prepared the Bradleys' return for electronic filing, you would see "Electronically Filed - See EF Filing Instructions" in the Filing Address Information section, rather than the appropriate mailing address.

## 27 - View Client Filing Instructions Letter

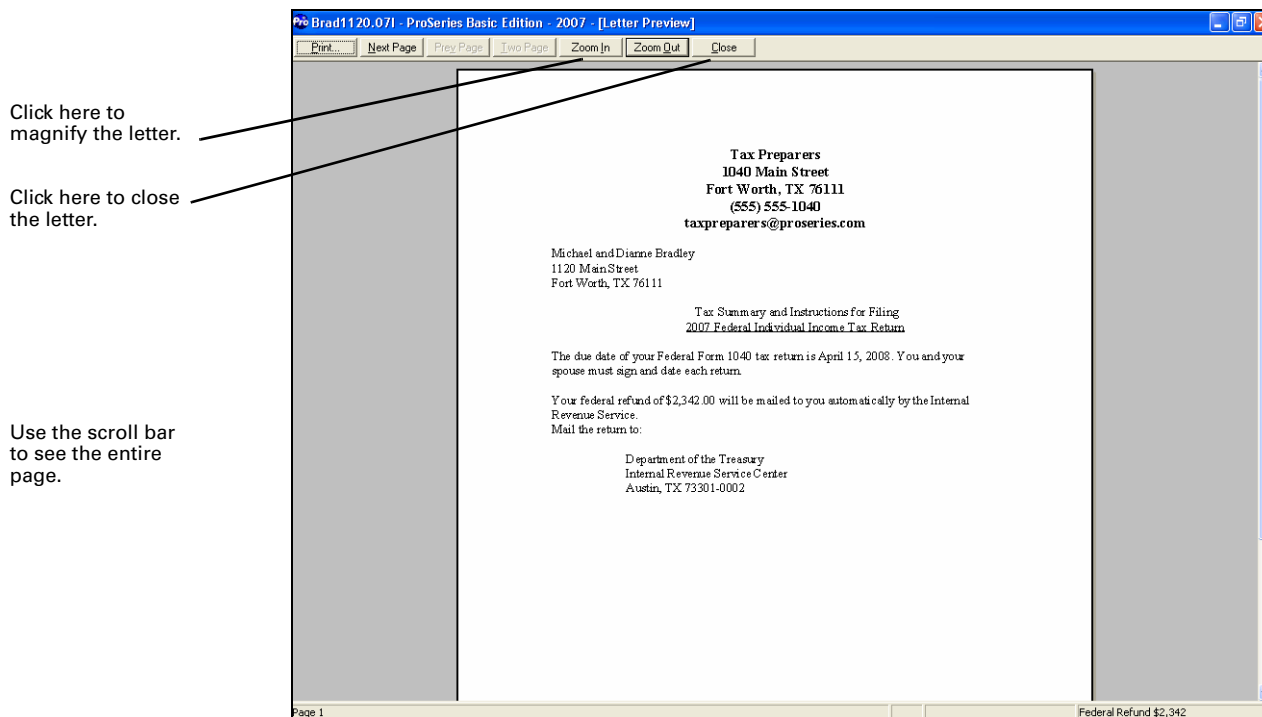
Now you're ready to review the client filing instructions letter for the Bradleys. The ProSeries Basic Edition program automates the preparation of the client's cover letter and filing instructions by reading applicable data from the client's return and flowing that data to the locations specified in the letter.

The ProSeries Basic Edition federal product includes a standard client filing instructions letter that you can use for your clients.

### Instructions

To view the Bradleys' letter, open their Form 1040 return (if it isn't already open), then follow these steps:

- 1 Go to the menu bar, select **Tools**, then select **View Client Filing Instructions**.
- 2 When the Bradleys' letter opens in the Preview window, go to the toolbar and click **Zoom In** so you can read it easily.
- 3 If necessary, use the scroll bar to see all of page 1.



- 4 If the client filing instructions letter is longer than one page, click the **Next Page** button to see the additional page(s).

**Tip:** When applicable, the client filing instructions letter includes information about the client's state returns and estimated tax payments.

- 5 When you finish viewing the letter, go to the toolbar and click **Close**.

## 28 - View Itemized Invoice

Now you're ready to prepare an invoice based on the forms you prepared for the Bradleys. For each client, the ProSeries Basic Edition program can prepare an invoice based on:

- Flat rate fees
- Time you spent preparing the return
- Forms you prepared
- Any combination of these billing methods

The program can also include the following on each invoice:

- Miscellaneous fees and adjustments
- A discount
- A sales tax amount
- Previously-paid amounts

## Instructions

To prepare a sample invoice for the Bradleys, you'll open the 1040 Client-Specific Billing Options Worksheet, then enter the billing instructions that are appropriate for the client.

- 1 Click the **General Information** Step button (if it isn't already selected), then click the **Client Bill** Input tab to open the Client-Specific Billing Options.

The first part of the Client-Specific Billing Options worksheet is for flat fees.

The second part is for hourly charges.

The third part is for per-form charges.

- 2 Scroll down to Option 3, "Per Form Charges."
- 3 Click the check box for Option 3, "Per Form Charges" to include charges by form and schedule.
- 4 Click the check box on line 3d, "List *only* forms charged for in return *and* include the charges" to list just the forms that you charged for and include the charge amount for those forms on the invoice.

Click here to select Per Form Charges.

Click here to list the forms charged for in the return with the charge amounts on invoices.



5 Go to the toolbar and click the **Save** button.

You need to enter the per-form charges on the Bradleys' Client-Specific Billing Options worksheet before you view the completed invoice.

6 Scroll down to the **Charges Per Form** section of the worksheet.

7 Enter the following form charges in the **Charges Per Form** table.

For this form	Enter this amount
Form 1040 Individual Income Tax	70.00

For this form	Enter this amount
Schedule A Itemized Deductions	25.00
Schedule B Interest & Ordinary Divs	10.00
Schedule C Business Profit & Loss	20.00
Schedule D	20.00
Home Sale Worksheet	20.00
Schedule K-1 Wks - Partnership	10.00
Schedule SE Self-Employment Tax	10.00
Form 2441 Child & Dependent Care Exp	20.00
Form 3903 Moving Expenses	15.00
Depreciation Asset Entry Worksheet	10.00
Form 4797 Sales of Business Property	30.00



8 Go to the toolbar and click the **Save** button.

As you enter form charges in this section...

...the program calculates the client's charges in this section.

The screenshot shows the ProSeries Basic Edition software interface for Form 1040. The left sidebar lists various sections like General Information, Income, Deductions, Credits, Taxes, Payments, Federal Final Review, State, State Final Review, Print, File Electronically, and Federal Refund. The main window displays a table of form charges with columns for Form, Rate, Count, and Charge. The 'Form 4797 Sales of Business Property' row is highlighted with a rate of 30.00 and a count of 1. Below this table, a summary table shows the total charges for various forms, including Form 1040 Individual Income Tax (70.00), Schedule A Itemized Deductions (25.00), Schedule B Interest & Ordinary Divs (10.00), Schedule C Business Profit & Loss (20.00), Schedule D Capital Gains & Losses (20.00), Home Sale Worksheet (20.00), and Schedule K-1 Partnership (10.00).

**Tip:** If you want to enter form charges one time so those charges are applied to each client's return, go to the menu bar, select **Tools**, select **Billing**, then select **Billing Rates Per Form**. When the Rates Per Form dialog box appears, enter your form charges, then click **Save**.

Now you're ready to view the invoice for the Bradleys.

9 Go to the **Tools** menu, select **Billing**, then select **View Invoice**.

10 When the Bradleys' invoice opens in the Preview window, go to the toolbar and click **Zoom In** so you can read it easily.

Click here to magnify the invoice.

Use the scroll bar to see the entire page.

Pro Brad1120.071 - ProSeries Basic Edition - 2007 - [Invoice Preview]

Print... Next Page Prev Page Two Page Zoom In Zoom Out Close

Tax Preparers  
1040 Main Street  
Fort Worth, TX 76111  
(555) 555-1040  
taxpreparers@proseries.com

March 29, 2008

Michael and Dianne Bradley  
1120 Main Street  
Fort Worth, TX 76111

Statement of Charges for Services Rendered:

Per Form Charges:  
See forms listed below - Federal 290.00

Total fee \$ 290.00

Summary of Federal Form Charges:

Description	Charge per Form	Count	Charge
Form 1040 Individual Income Tax	70.00	1	70.00
Schedule A Itemized Deductions	25.00	1	25.00
Schedule B Interest & Ordinary Divs	10.00	1	10.00
Schedule C Business Profit & Loss	20.00	1	20.00
Schedule D Capital Gains & Losses	20.00	1	20.00
Home Sale Worksheet	20.00	1	20.00
Schedule K-1 Partnership	10.00	2	20.00
Schedule SE Self-Employment Tax	10.00	1	10.00
Form 2441 Child & Dependent Care Exp	20.00	1	20.00
Form 3903 Moving Expenses	15.00	1	15.00
Depreciation Asset Entry Worksheet	10.00	3	30.00
Form 4797 Sales of Business Property	30.00	1	30.00

Page 1 Federal Refund \$2,342

11 If the client invoice is longer than one page, click the **Next Page** button to see the additional page(s).

**Tip:** When applicable, the client invoice includes information about the client's state returns.

12 When you finish viewing the invoice, go to the toolbar and click **Close**.

## 29 - Print the Bradleys' sample return

You're now ready to print the Bradleys' return. The ProSeries Basic Edition program tax forms print in a format that is approved for filing by the IRS and relevant state agencies.

With the ProSeries Basic Edition program, you typically print a client's federal and state returns while one of those returns is open. However, you also can print a client's federal and state returns from HomeBase.

In each instance, you can print:

- Tax returns for filing,
- Tax returns for the client's records, and
- Tax returns for your records.

In addition, you can print any number of copies of each return.

For the purposes of this Case Study, we recommend that you print the filing copy of the Bradleys' federal return. When you print the filing copy, the program prints only those forms that should be filed with the IRS. The program doesn't print worksheets or anything else that doesn't need to be filed as part of the return.

After you print the filing copy, you might want to print the client copy and the preparer copy for the Bradleys. You'll see how that program prints forms, schedules, and worksheets that are in use for the return in addition to the forms that should be filed with the IRS.

### Instructions

To print the filing copy of the Bradleys' federal return, take the following steps while their federal return is open.



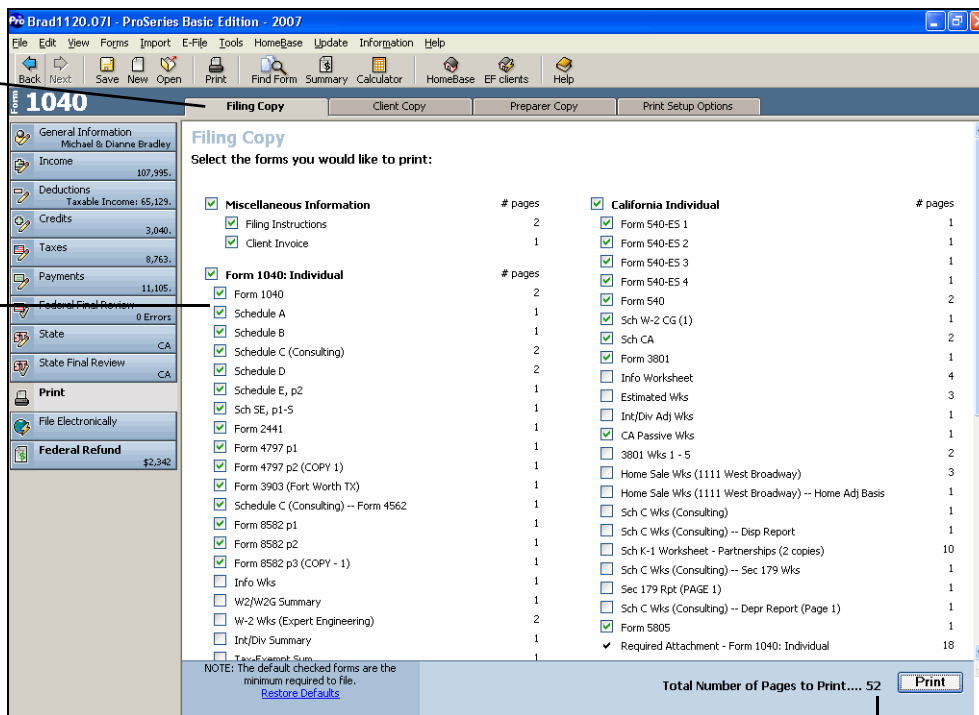
1 Click the **Print Step** button to open the **Printing** page.

You can print a **Filing Copy**, a **Client Copy**, a **Preparer Copy**, or any combination of those returns.

After you select a tab, check marks indicate which forms, schedules, worksheets, and other items will be printed.

Information about the federal return is shown on the left side of the page.

Information about state returns that you've prepared is shown on the right side of that page. Information about a California return is shown in this example.



The total number of pages that will be printed is shown here. If you want to stop an item from printing, remove the check mark. If you want to force an item to be printed, add a check mark.

- 2 Select the **Filing Copy** tab, review all the information on the page, make any adjustments you think are appropriate, then click **Print**.

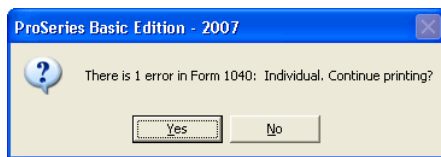
**Important:**

A dialog box warns you if you removed the check mark from the check box for a required form. Be sure each printed return that you file includes all required forms, schedules, worksheets, and other items.

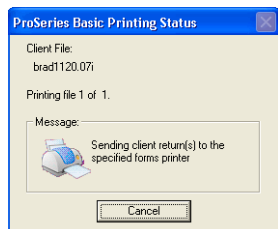
- 3 Select the **Client Copy** tab, review all the information on the page, make any adjustments you think are appropriate, then click **Print**.
- 4 Select the **Preparer Copy** tab, review all the information on the page, make any adjustments you think are appropriate, then click **Print**.
- 5 **Pay-Per-Return.** If you're printing a state return for a state product that you're using on a pay-per-return basis and you haven't authorized payment for that state return, the **Return Authorization** dialog box opens so you can authorize payment for that return.

**Important:**

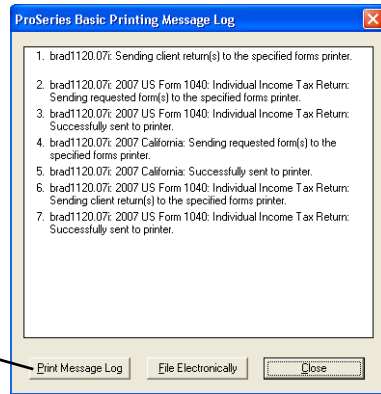
If the program identifies errors in a return, you'll see a dialog box. We recommend you don't print a return until after you use the Final Review feature to resolve the errors.



- 6 You'll see the **ProSeries Basic Edition Printing Status** dialog box while the Bradleys' Form 1040 return is being printed.



- 7 When the program finishes printing the return, you'll see the **ProSeries Basic Edition Printing Message Log** dialog box.



Click here if you want to print the contents of this dialog box.

- 8 Click **File Electronically** if you want to close the **ProSeries Basic Edition Printing Message Log** dialog box and begin the electronic filing process.

Click **Close** if you want to close the **ProSeries Basic Edition Printing Message Log** dialog box without beginning the electronic filing process.

**Important:**

The ProSeries Basic Edition program normally requires your firm's name and address in order to print and electronically file returns. However, the evaluation version of the program allows you to print returns without first having entered firm and preparer information. On the other hand, the evaluation version of the program does require your firm's name and address and preparer information before you can file returns electronically.

If you have questions about your firm and preparer information in the program, call ProSeries Basic Edition Sales at 1-800-945-2820 from 9:00 a.m. to 8:00 p.m. (ET), Monday through Thursday, or 9:00 a.m. to 6:00 p.m. (ET), Friday.

**Important:**

Don't attempt to file printed copies of the Bradleys' sample return or the returns in any other ProSeries Basic Edition sample client file.

When you examine the printed copy of the Bradleys' return, you'll notice it includes forms, worksheets, statements, and reports that you haven't seen or edited. The program completed these forms for you automatically, based on information you entered on other forms. Among these forms are:

- Schedule E, page 2
- Schedule SE (for Dianne)
- Form 4562 (for Dianne's business)
- Form 4797
- Form 8582 and the Passive Activity Worksheets

---

## 30 - File electronically

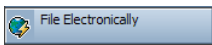
If the Bradleys were actual clients rather than sample clients, you might want to use the ProSeries Basic Edition software to file their return electronically now.

**Important:**

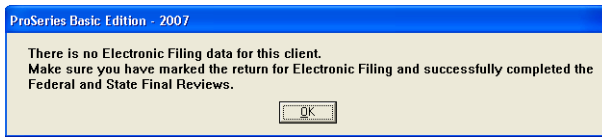
Don't attempt to electronically file the Bradleys' sample return or the returns in any other ProSeries Basic Edition sample client file.

### Instructions

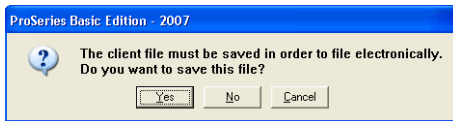
To electronically file a client's return(s), open the client's return, then take the following steps.



- 1 Click the **File Electronically** Step button.
- 2 If you haven't marked the return(s) for electronic filing, you'll see the following dialog box.

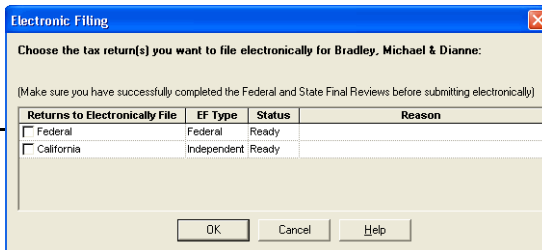


3 If you have marked the return(s) for electronic filing, you'll might see the following dialog box.



4 When the **Electronic Filing** dialog box opens, check the box for each return that you want to file electronically, then click **OK**.

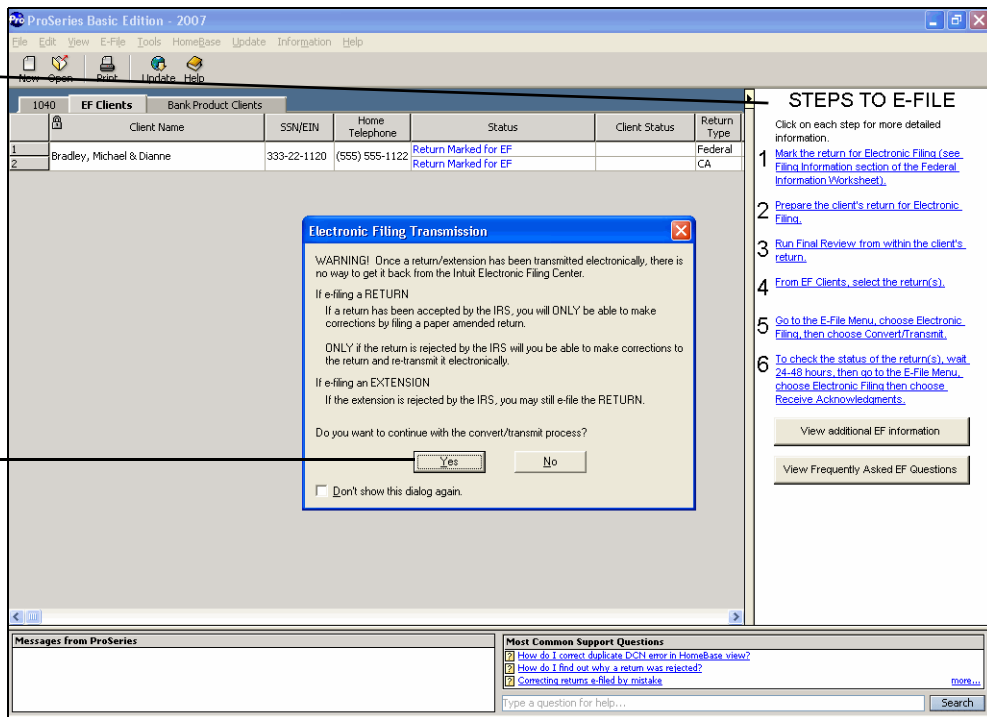
Select the returns that you want to file electronically by checking the applicable boxes.



If you mark a client's state return(s) for electronic filing, those state returns are also listed in this dialog box.

5 When you click **OK**, the program closes the client's return and opens the HomeBase EF Clients view as shown in the next illustration.

The **Steps to E-File** section is a summary. Click a blue, underlined step to open the applicable section of the User's Guide.



Click **Yes** to continue with the electronic filing process.

6 When you click **Yes** in the **Electronic Filing Transmission** dialog box, the electronic filing process continues.

7 When the program finishes converting and transmitting the client's return(s), the Transmit Electronic Filing Returns/Extension Log opens so you can review the results.

8 If you were filing an actual client's return(s), after 24 to 48 hours, you would check for electronic filing acknowledgments from the IRS and state taxing authorities.

## 31 - Finish the Bradleys' tax return

Take a few minutes to examine the printed copy of the Bradleys' tax return. You'll see that their tax return is complete, even though this is the first time that you have seen many of the forms.

**Tip:**

You might recall that you checked the box for **Client Status Information** in the **Preparer & Billing Information** section of the General Information Forms checklist, and you might have noticed a Input tab labeled "Client Status" in when the **General Information** Step button was selected. If you click the **Client Status** Input tab, you'll see the Client Status worksheet that can help you track your progress as you prepare a client's federal and state returns.

The program flows the status that's currently shown in this field to the **Client Status** column in HomeBase.

**Form 1040** Client Status 2007

Name(s) Shown on Return: **Michael & Dianne Bradley** Social Security Number: **333-22-1120**

Check the appropriate box below to update this client's status.

Client Status: **In-Process** Status Date: **01/28/2008**

Client Number: **176**

If you want to be reminded to update the Client Status form each time you close a client file, go to the **Tools** menu and choose **Options**. While in the **General** section, go to the **Client Status** area and check the box titled "Prompt to go to Client Status form when closing clients."

Check this box to print the Client Status with the Preparer copies of the tax return

The last box checked will be the current status.

	Date
<input type="checkbox"/> Organizer sent to client	
<input type="checkbox"/> Organizer returned by client	
<input checked="" type="checkbox"/> Client information transferred to current year	01/20/08
<input checked="" type="checkbox"/> Appointment scheduled for (time and date)	01/28/08 01/24/08
<input checked="" type="checkbox"/> Received client's tax data	01/28/08
<input checked="" type="checkbox"/> Interview completed	01/28/08
<input checked="" type="checkbox"/> Client's tax return is in process	1/28/2008

**Important:**

The program completes most of the fields on Form 1040 based on the information that you enter on other forms, schedules, and worksheets. However, you do enter the data for some fields directly on Form 1040.

**Form 1040**

**U.S. Individual Income Tax Return** 2007

For the year January 1 - December 31, 2007, or other tax year beginning \_\_\_\_\_, 2007, ending \_\_\_\_\_, 20\_\_\_\_.

Your First Name: **Michael** MI: \_\_\_\_\_ Last Name: **Bradley** Your Social Security No.: **333-22-1120**

If Joint Return, Spouse's First Name: **Dianne** MI: \_\_\_\_\_ Last Name: **Bradley** Spouse's Social Security No.: **333-22-1121**

Home Address (No. and Street): **1120 Main Street** Apt. No.: \_\_\_\_\_

City, Town or Post Office: **Fort Worth** State: **TX** ZIP Code: **76111**

**QuickZoom** to explanation statement for overseas extension ..... [Explain](#)

**Presidential Election Campaign**

Checking a box below will not change your tax or refund.  
 Check here if you, or your spouse if filing jointly, want \$3 to go to this fund .....  **You**  **Spouse**

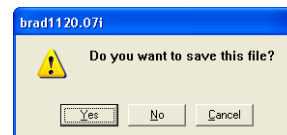
**Filing Status**  
 Check only one box  
 1040



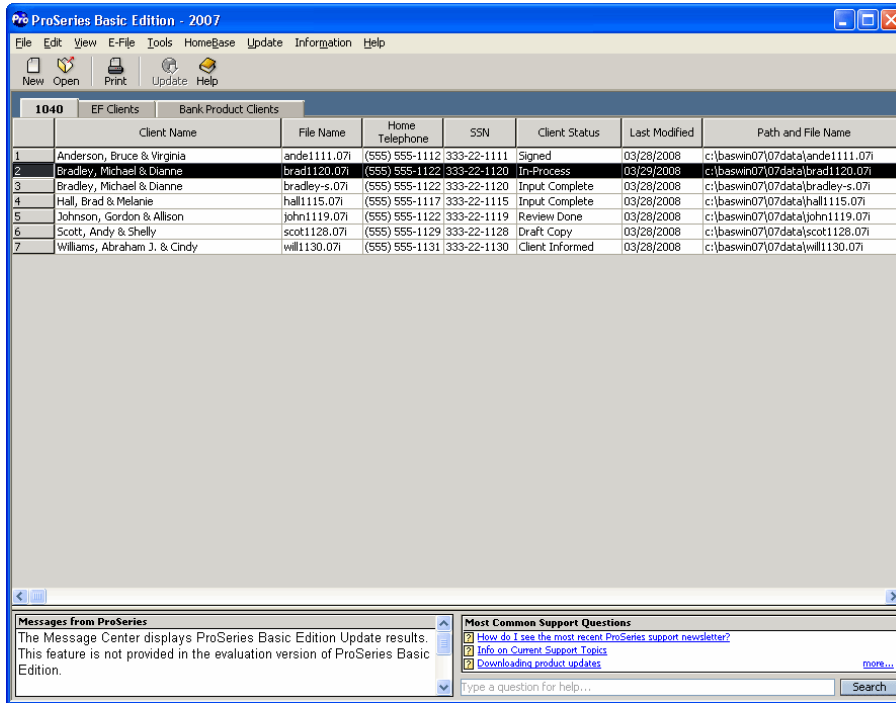
To see information about a specific field on any form, select it, then click the **Help** button on the toolbar.



When you're ready to return to HomeBase, click the **HomeBase** button on the toolbar. You'll be prompted to save the Bradleys' file (if you've entered any information since the last time you saved the Bradleys' data).



When the HomeBase screen opens, you should see two entries for **Bradley, Michael & Dianne**. The file name for the sample file that is included on the Evaluation CD is **bradley-s.07i**. The file name for the file that you created is **brad1120.07i**.



## Explore ProSeries Basic Edition software further

We encourage you to explore the ProSeries Basic Edition program further with your own data. Try entering the data for some complicated returns to see how easy it is to prepare returns with ProSeries Basic Edition software.

If you have any questions, please call our technical support department at **1-800-434-6818**. You can also access additional product and support information from our ProSeries.com Web site on the Internet. The address for ProSeries.com is <http://www.proseries.com>.

### Tip:

When you go to ProSeries.com, select "Training & CPE" from the navigation bar near the top of the page to learn more about the Webinars and seminars that you can attend without leaving your office. You can also learn about Seminars that are held in cities across the country.

We're already working on next year's products, and they're going to be better than ever. Call **1-800-945-2820** to order your ProSeries Basic Edition products today. We look forward to hearing from you.