THOMSON REUTERS®

PREPARING 1040 RETURNS

This quick tour will teach you the basic procedures for preparing 1040 returns.

1040 REVIEW

The 1040 tax application provides a large number of default return and print options enabling you to customize your 1040 tax return preparation.

You can allocate income and deductions to part-year resident states from the federal Organizer screens.

Federal information is automatically carried to the resident state return.

TOPICS

GENERAL INFORMATION

QuickTrack is a navigation tool that saves the tax preparer time and helps new users get to the most commonly used Organizer forms quickly. Just click one of the buttons to go directly to the Organizer form.

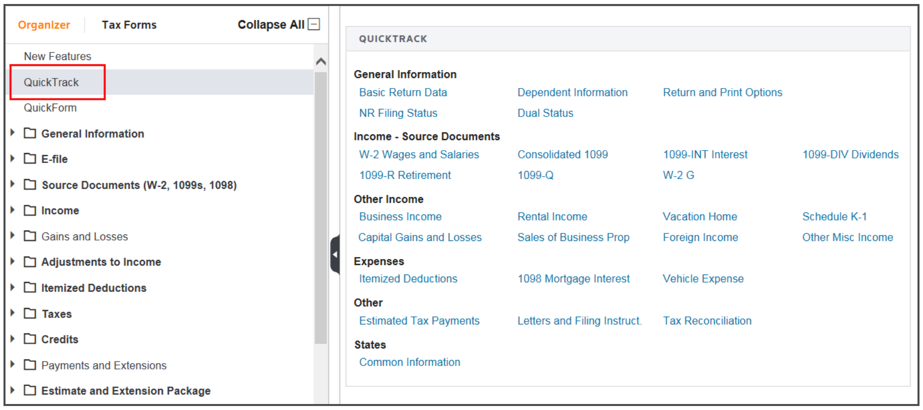

Figure 1

QuickForm is a navigation tool that saves the tax preparer time and helps new users get to the Organizers by form number. Just click one of the buttons to go directly to the Organizer for the selected form.

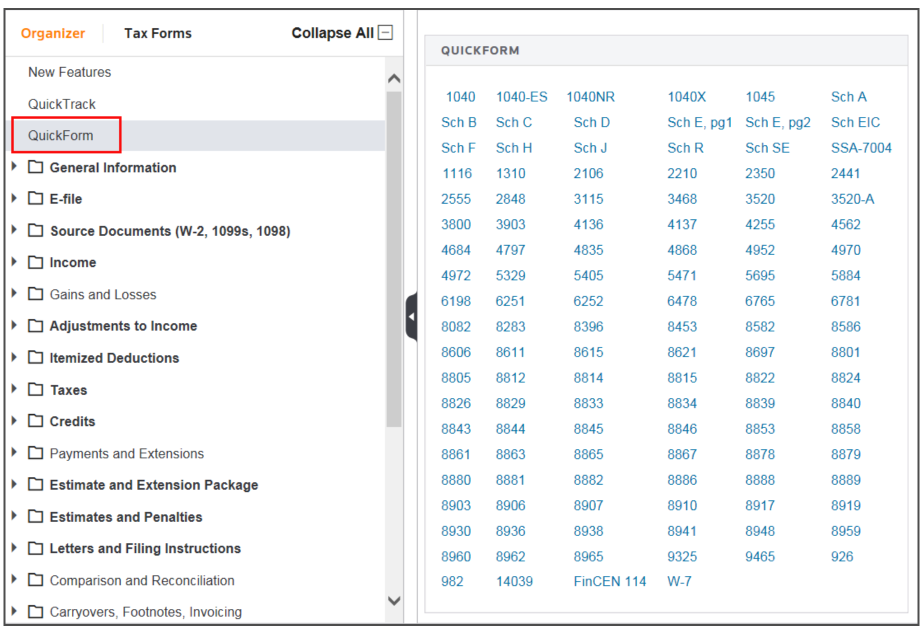

Figure 2

The traditional navigation appears in the Forms List Window. The **General Information > Basic Return Information > Taxpayer Information** folder provides fields to enter the basic return data and select your default return and print options.

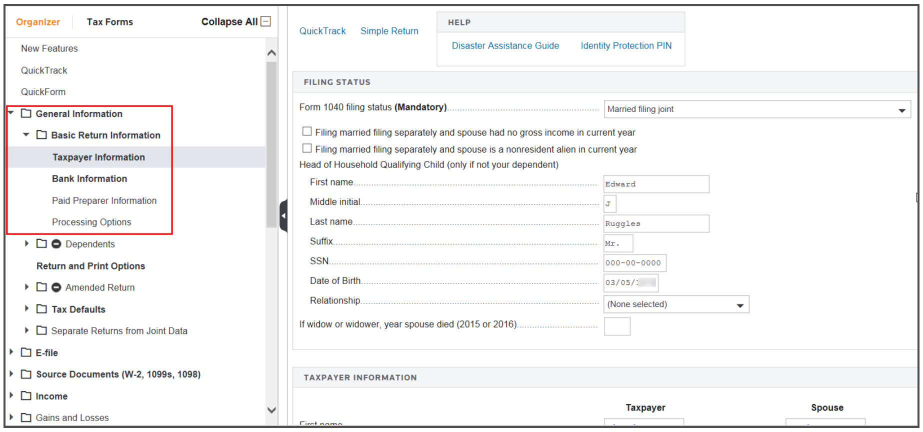

Figure 3

On the **Basic Return Information** screen, enter filing status information for the taxpayer. It is extremely important to select a filing status. If you do not, the return will not compute (even though it may appear to do so).

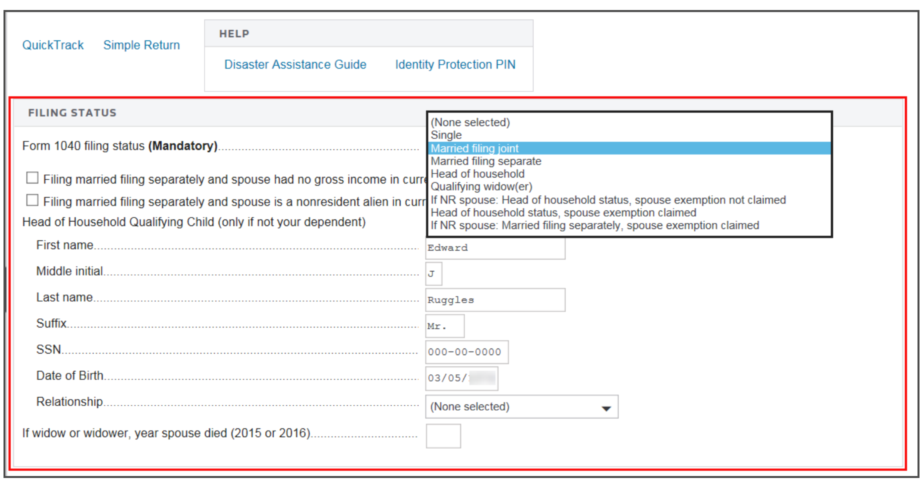

Figure 4

The default return type is 1040; you can also select 1040NR-EZ or 1040-SR. If you want to force the use of standard or itemized deductions, select the appropriate options on the **General Information > Basic Return Information > Processing Options** screen. The default is to use the optimal selection.

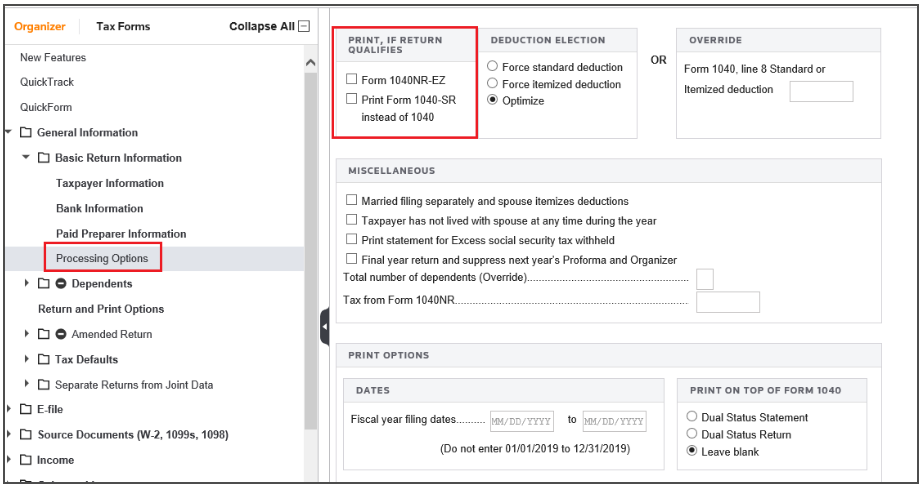

Figure 5

The dependents information will be proformaed from year to year. To add a new dependent, go to **General Information > Dependents > Dependent Input**, and select **Add new First Name**. You will then be prompted to enter the dependent's name and enter information for that dependent.

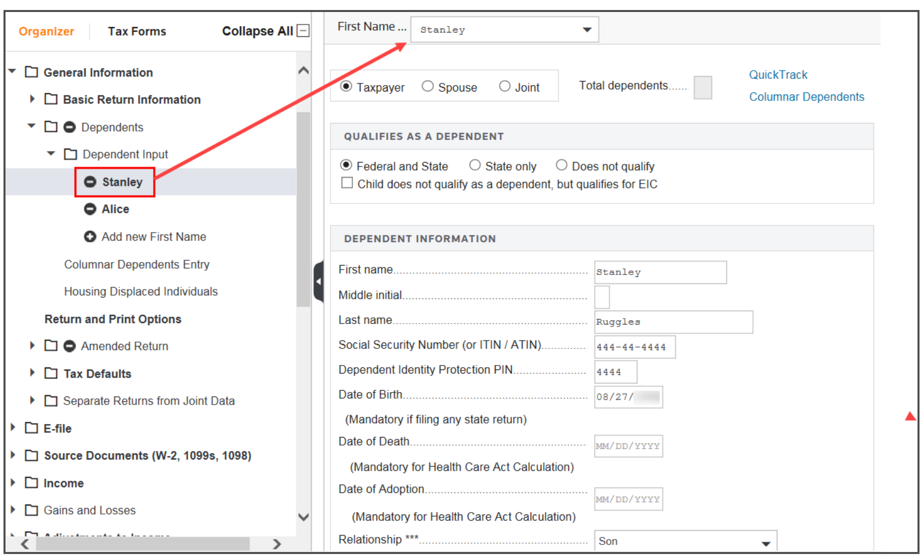

Figure 6

Use return and print options to control such factors as which forms/schedules will print, what optional information will print on forms and attached statements, and which detail statements will be generated.

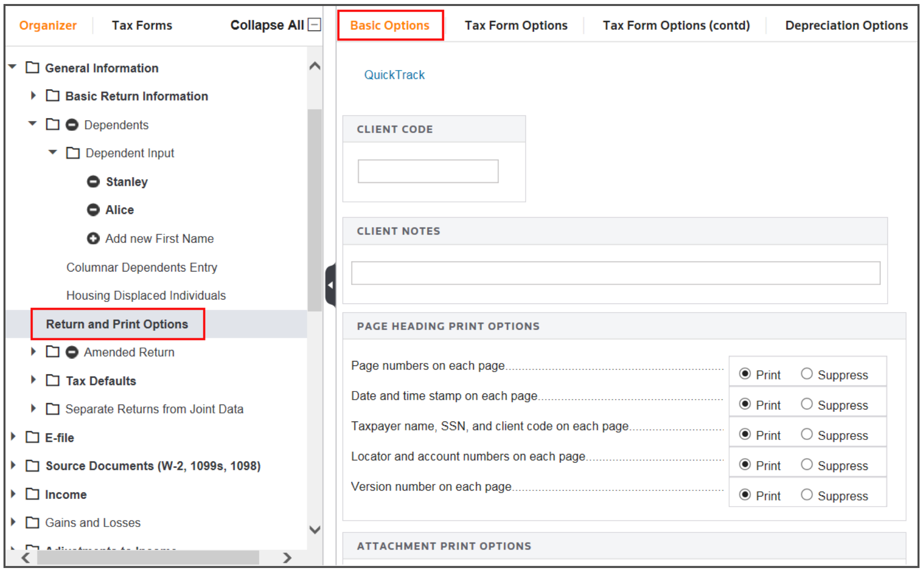

Figure 7

These options are normally set up as Tax Defaults in RS Browser, but they may be entered (or changed) on a return-by-return basis on the **General Information > Return Options > Basic Options** screen.

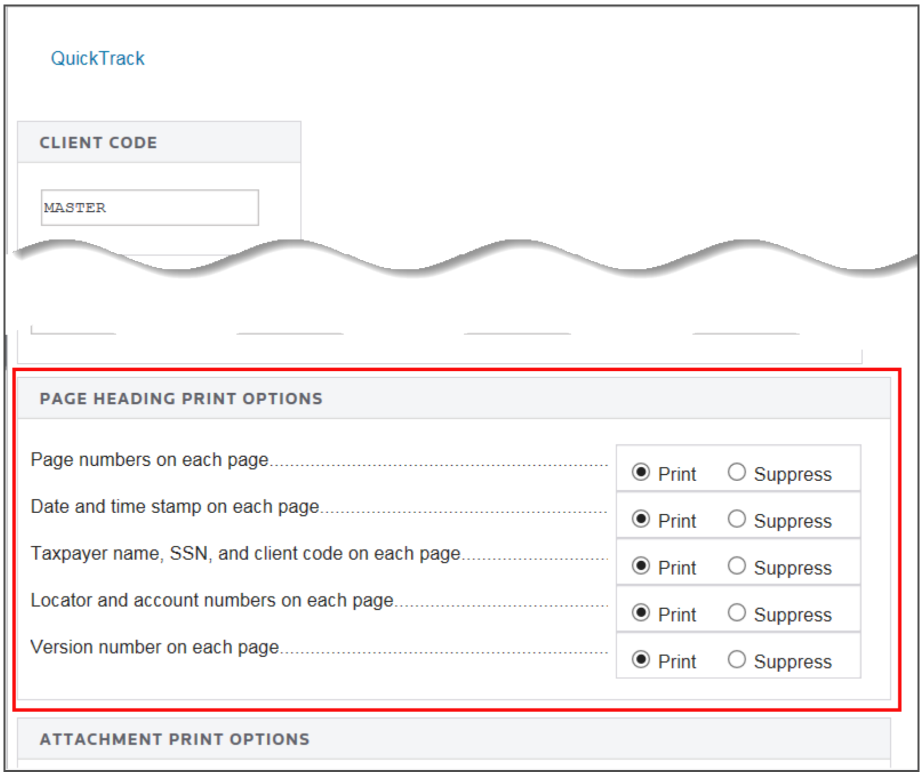

Figure 8

Available selections on the **Basic Options** tab will affect the entire return. These options are not specific to a particular form or schedule. You can return to the **QuickTrack** navigation menu by clicking the **Quick Track** button.

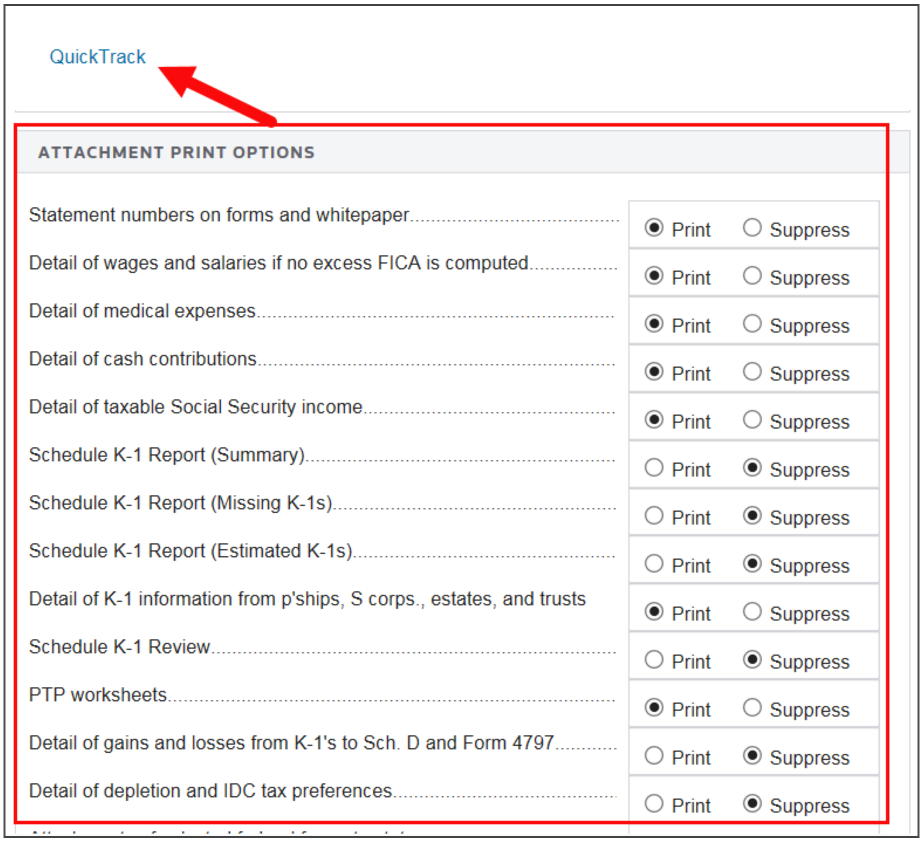

Figure 9

For form- or schedule-specific options, select the **Tax Form Options** or **Tax Form Options (cont'd)** tab. Selections on these screens pertain to the computation and/or print of specific forms.

Figure 10

INCOME AND DEDUCTIONS

Each employer has its own folder in the **Source Documents (W-2, 1099s, 1098) > W-2** folder. The employer's information is proformaed from year to year so you will only need to enter the amounts from the W-2s. You can add new employers and delete existing or proformaed employers if they are no longer applicable.

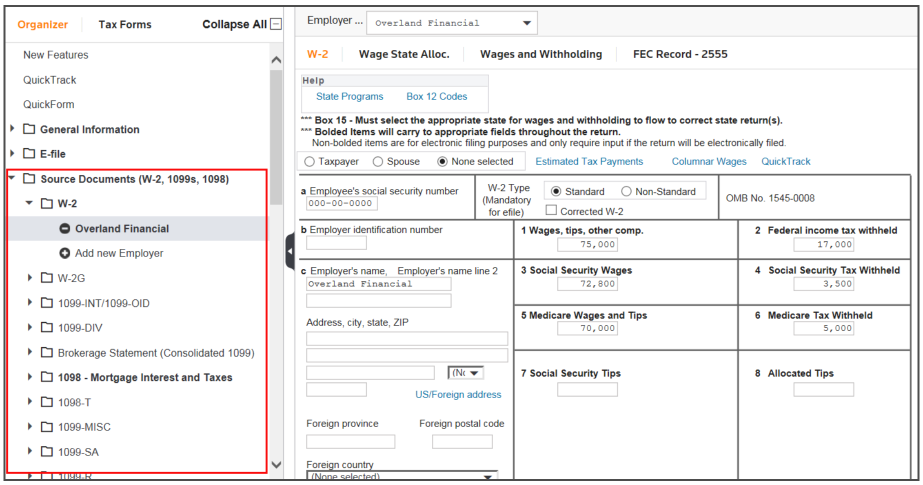

Figure 11

Enter state information for this employer on the bottom of the **W-2** tab, or go to the **Wage State Alloc** screen.

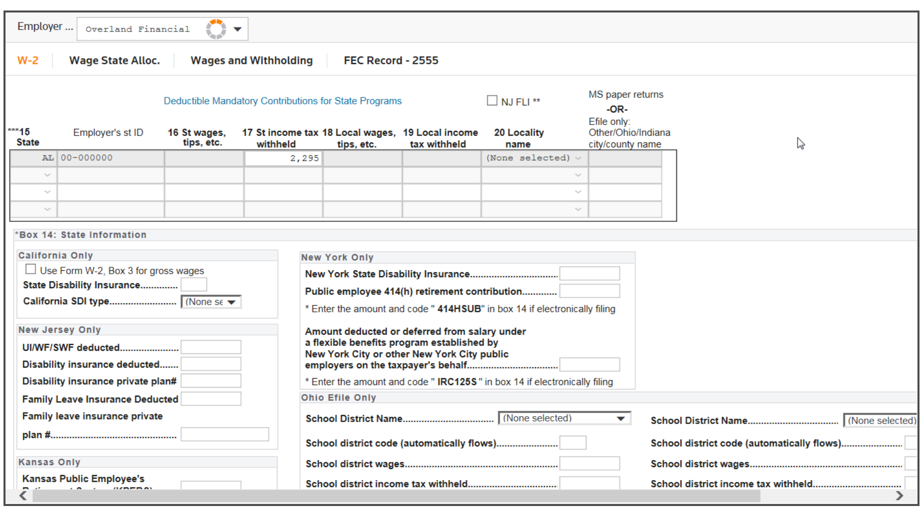

Figure 12

The federal information automatically flows to the resident state unless you allocate it to multiple states.

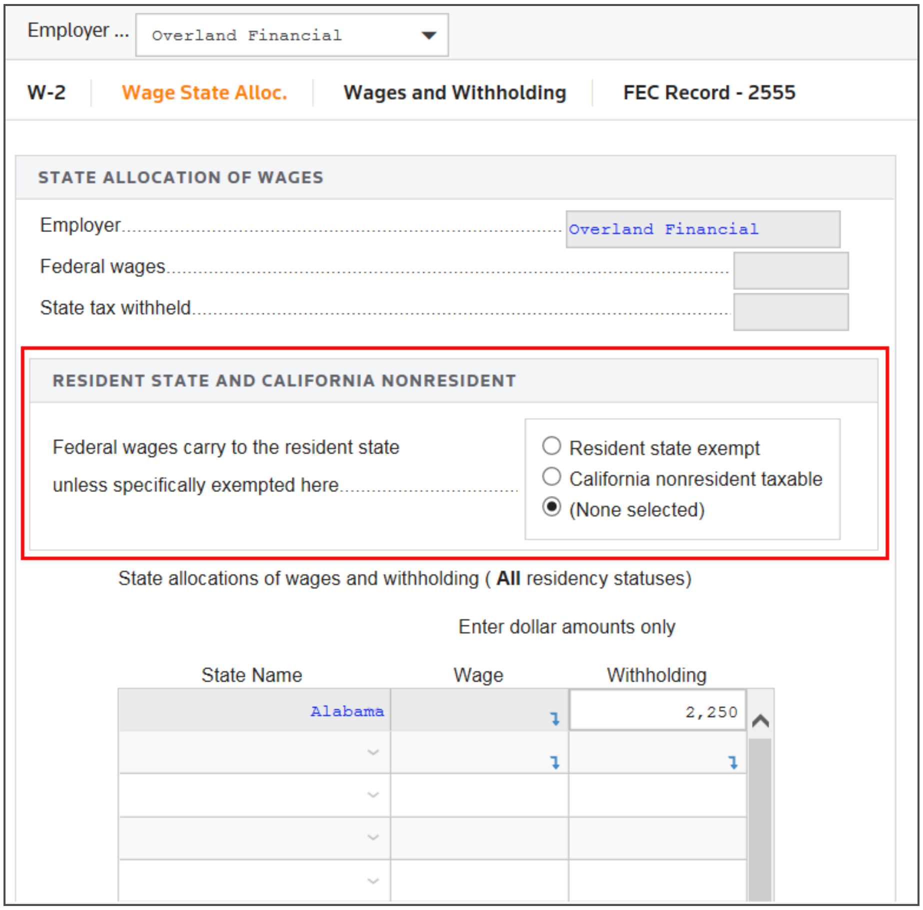

Figure 13

Select the state to which your wages/withholding should flow in the **State Name** column. Then enter the amount of wages and withholding to flow to that state. The withholding amount should be some portion or all of the amount you entered for state withholding on the **Wages and Withholding** federal screen. Any difference between the federal amount and the state allocated amount is automatically carried to the resident state.

> You may ***NOT*** enter a taxable percentage on the **Wage Income** screen. You ***MUST*** enter a dollar amount.

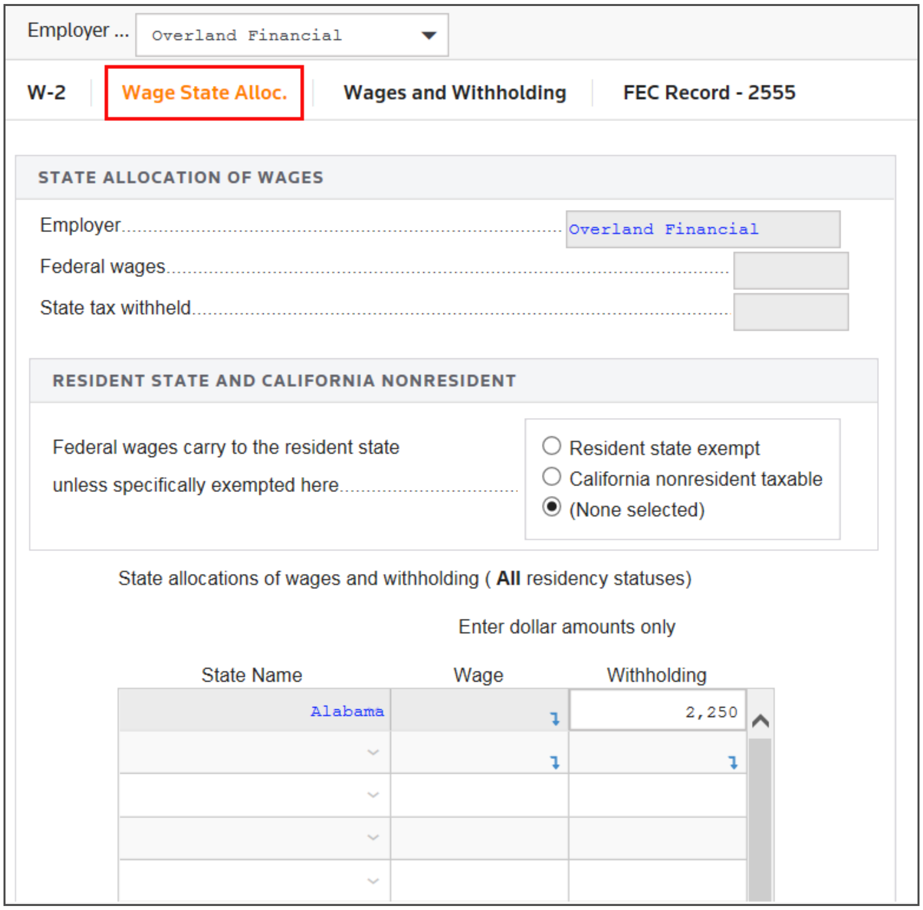

Figure 14

The **Income** and **Adjustment to Income** folders contain a subfolder for each income and deduction item on the 1040 return. These folders are organized in the same order they are found on Form 1040.

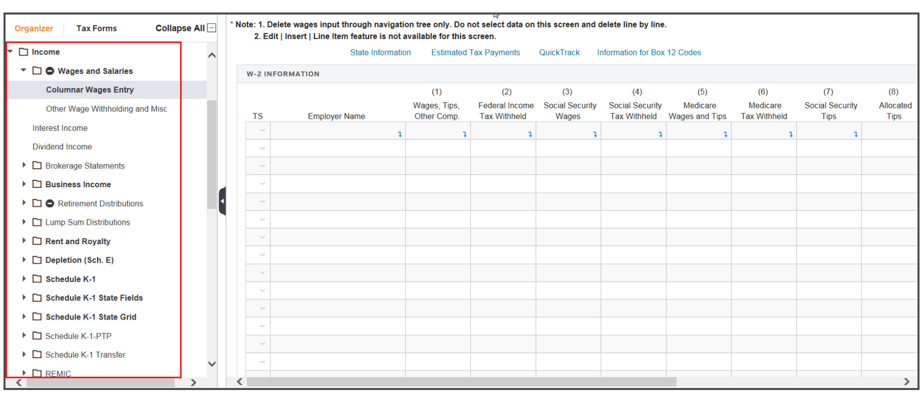

Figure 15

Each activity will have its own folder and separate set of subfolders, for example as shown below, the **Rent and Royalty** area. This enables you to keep all information for a particular activity together.

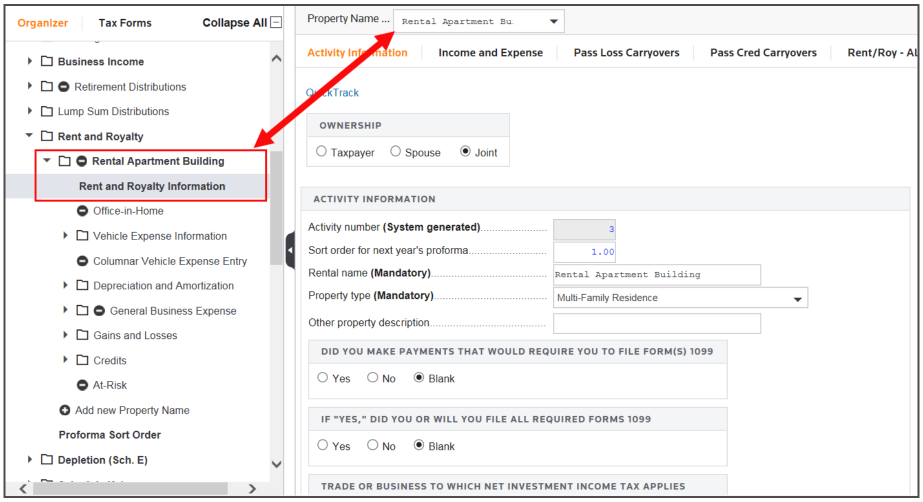

Figure 16

Each income activity is automatically assigned a unique activity number to identify it. The **Kind of Property** and **Type of Property** are also required entries. When adding a new activity, you will be prompted to enter this information. Also scroll down to select the **Activity Type**. The **Rental Name** and **Property Type** are required entries. When adding a new activity you will be prompted to enter the **Property Name**.

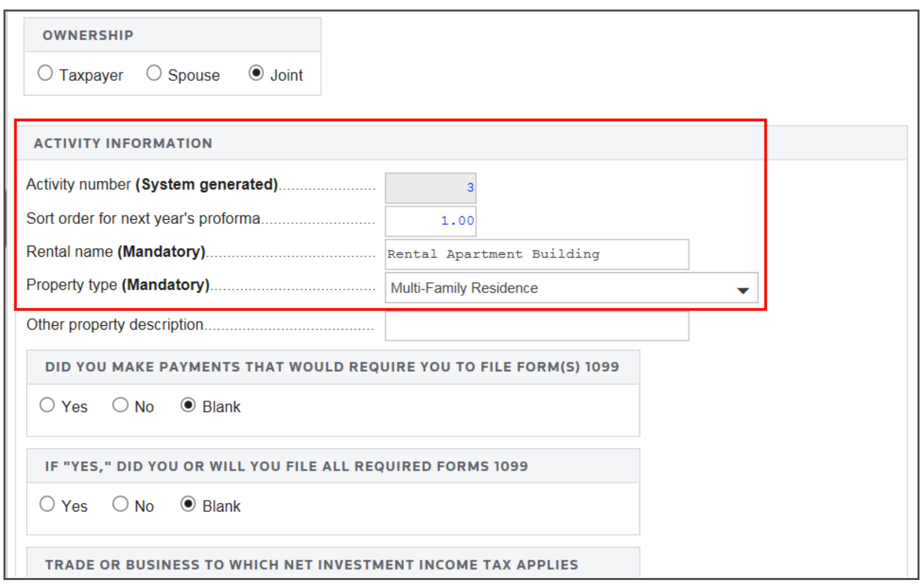

Figure 17

Click the applicable tabs to enter more information for this activity.

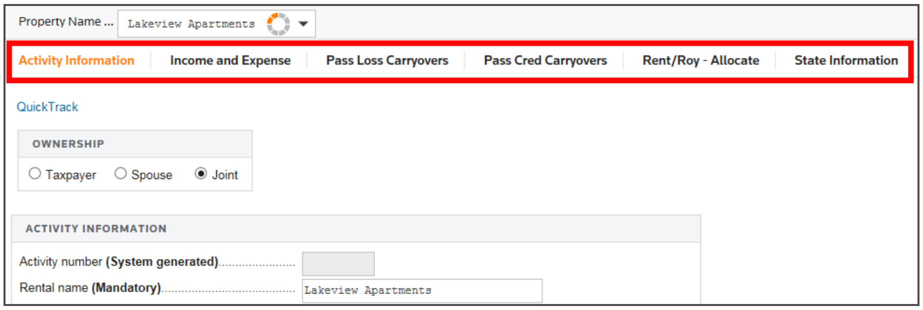

Figure 18

Each activity has a **Depreciation and Amortization** folder used to tie assets and related depreciation information to the selected activity.

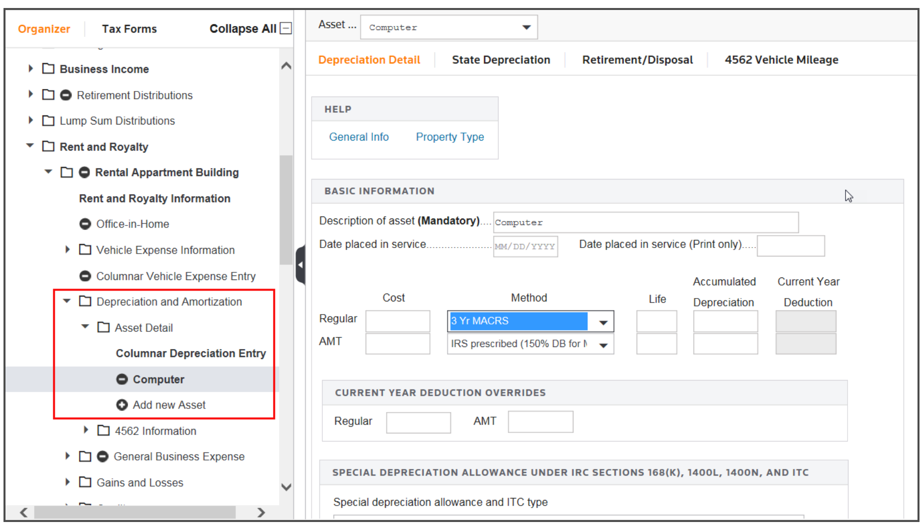

Figure 19

Gains and losses related to an activity should be entered in the **Gains and Losses** folder for that particular activity.

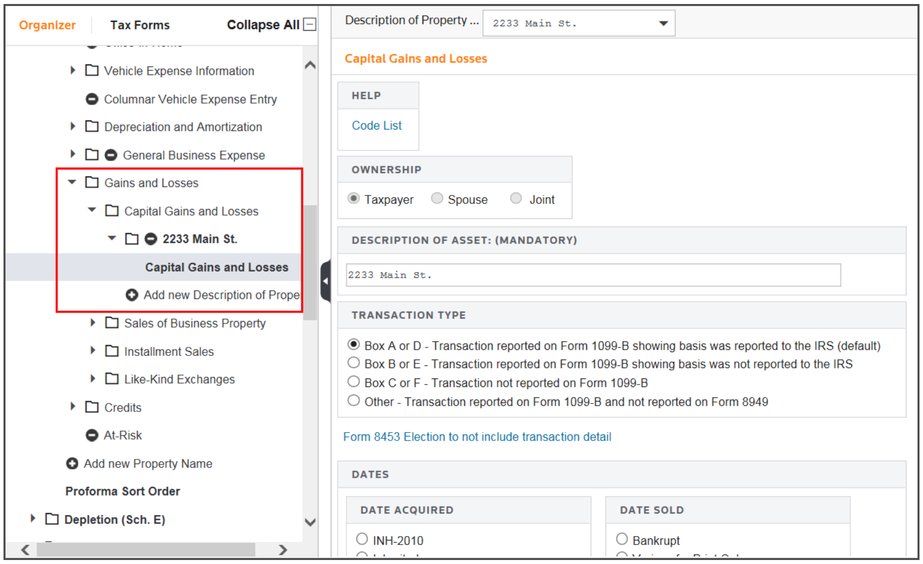

Figure 20

Use the **Vacation/Short-Term Rental with Personal Use** or Other with Personal Use Property types for rental properties with personal use.

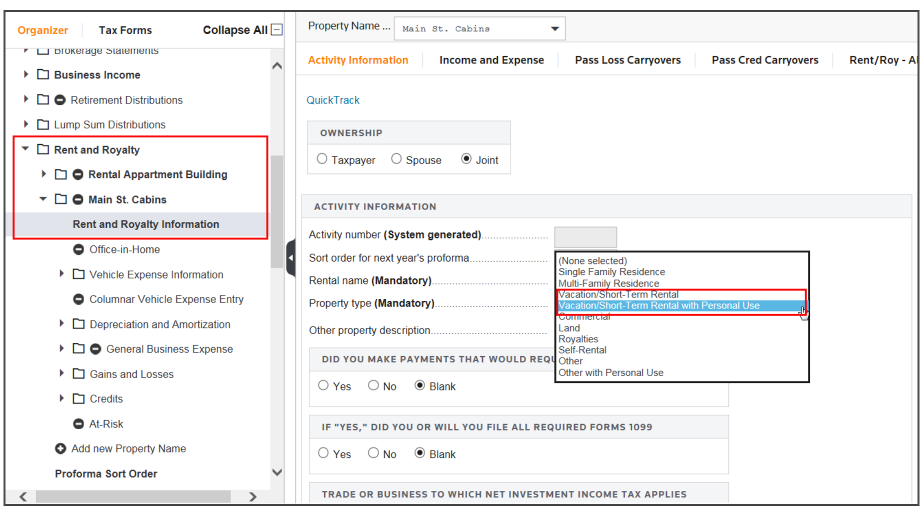

Figure 21

Scroll down to enter the remaining activity information. For **Vacation/Short-Term Rental with Personal Use**, enter the **Fair Rental days** and **Personal use days**. For **Other with Personal Use**, enter the square footage information or enter a **Business use** percentage override.

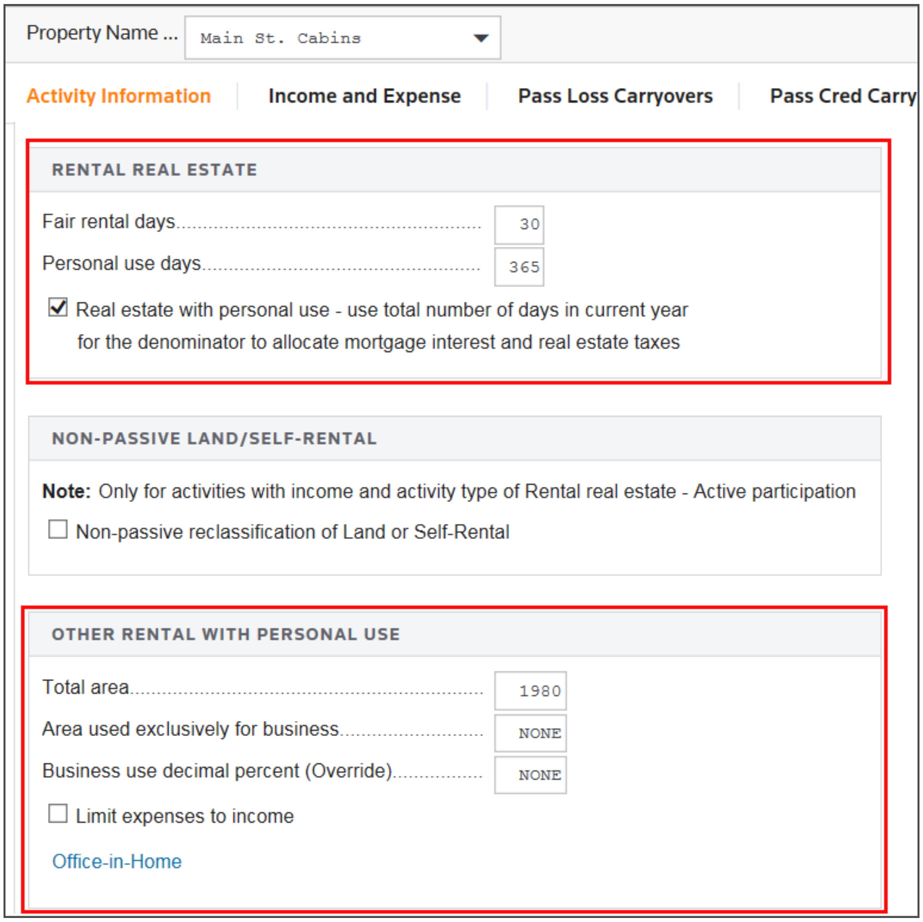

Figure 22

The system uses the income entered here for calculating the office-in-home limitation only. Indirect expenses are allocated between business and personal use; direct expenses are for business use only.

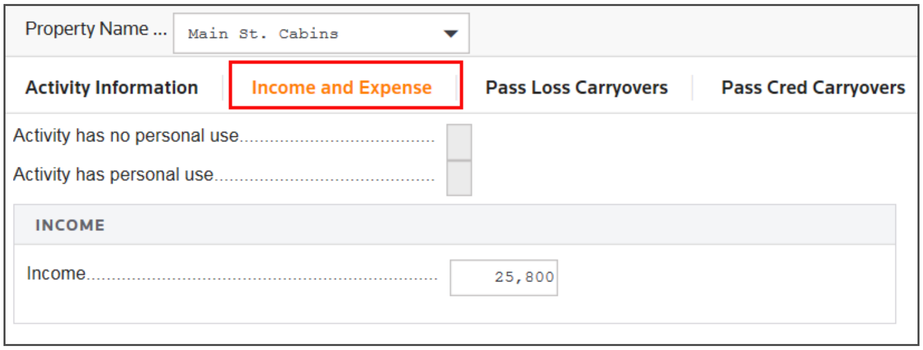

Figure 23

ESTIMATES AND PENALTIES

Use the **Estimates and Penalties** folder to select your compute and print options for estimates and underpayment/late filing penalties on a locator-by-locator basis. These options may also be set up in Tax Defaults.

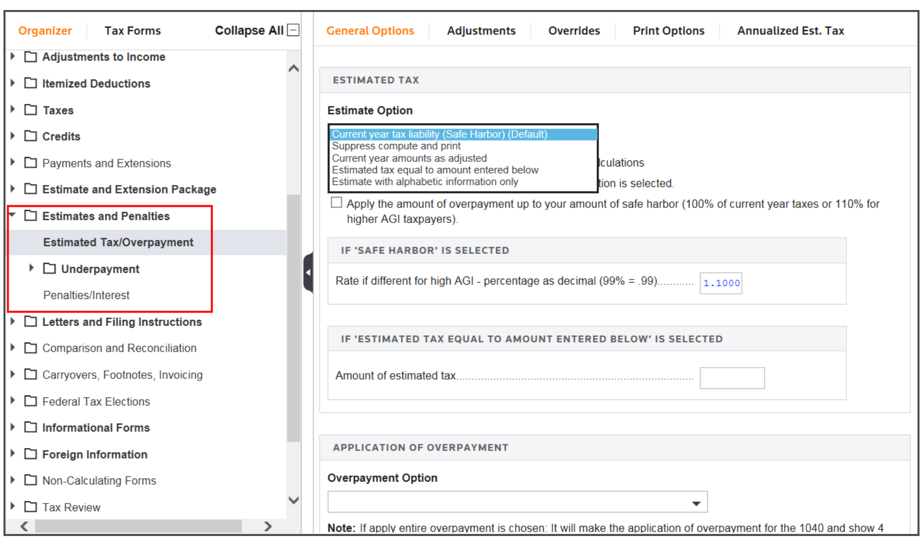

Figure 24

On the **Underpayment > 2210 Penalty** screen, you may select various options for the computation of Form 2210. The system default is to compute and print Form 2210 if it is applicable in the return.

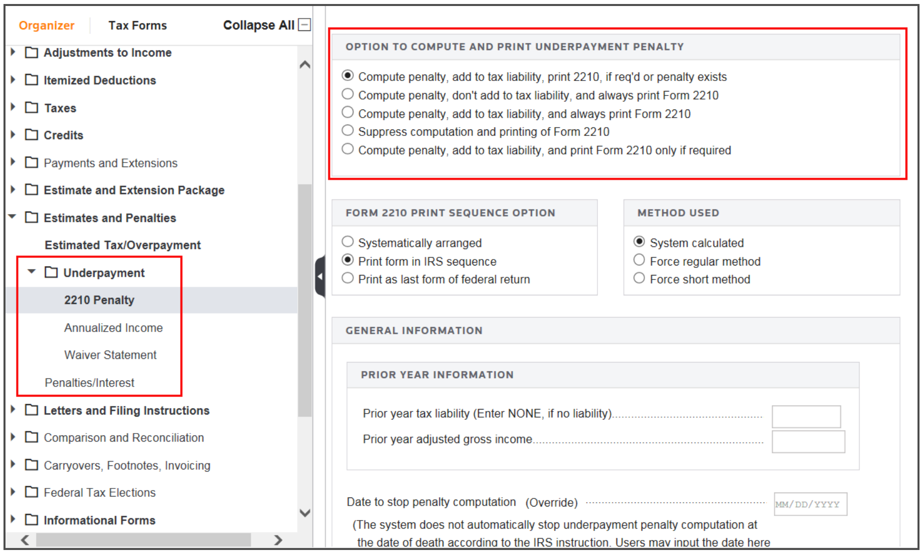

Figure 25

If the return is being filed late, it may need interest and penalties computed. On the **Penalties/Interest** screen, select the interest and/or penalties to be computed.

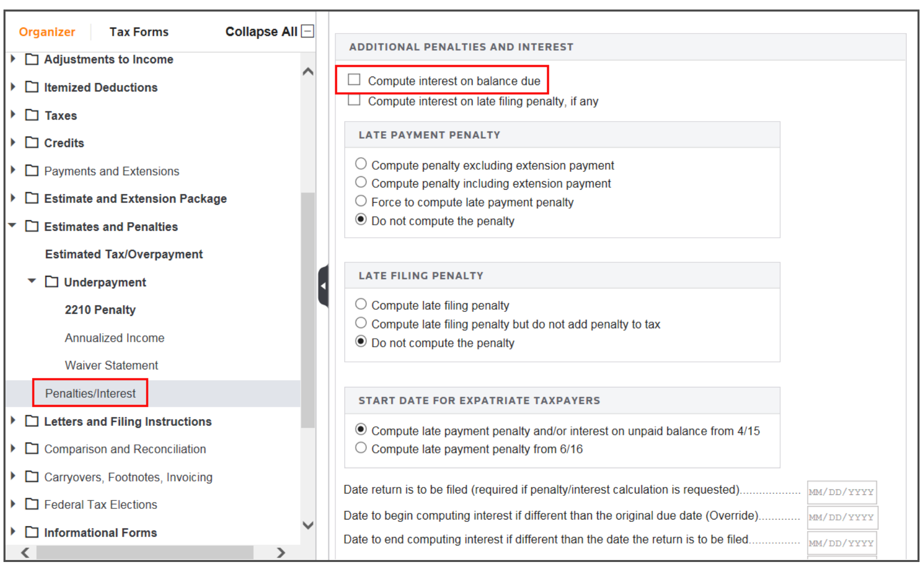

Figure 26

After you select the interest/penalties to be computed, you ***MUST*** enter the **Date return is to be filed** on the **Payments and Extensions > Extensions > Federal Payments** screen.

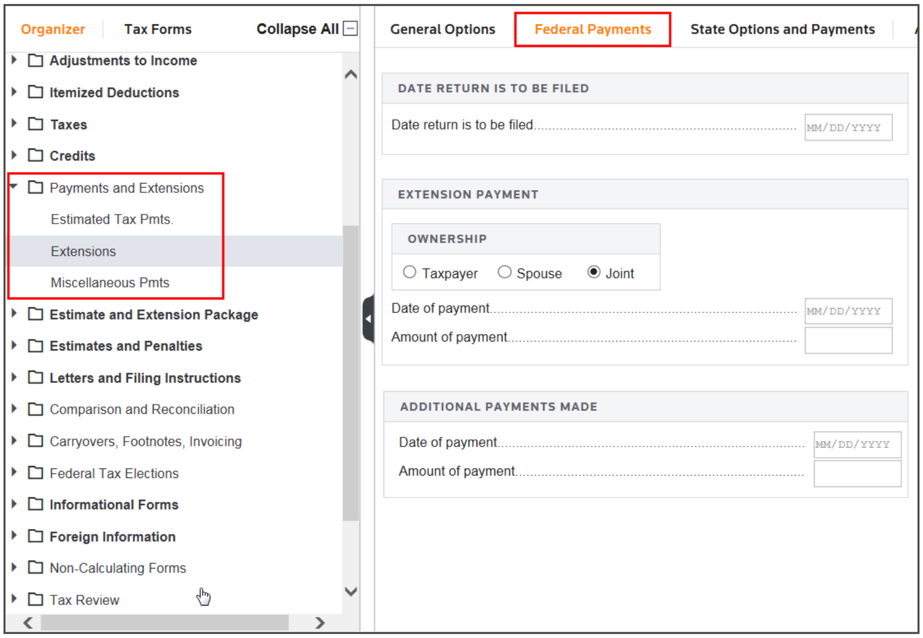

Figure 27

STATE RETURNS

Scroll to the **States** folder on the Organizer tab. You can add/delete states on one Organizer and set residency on that screen.

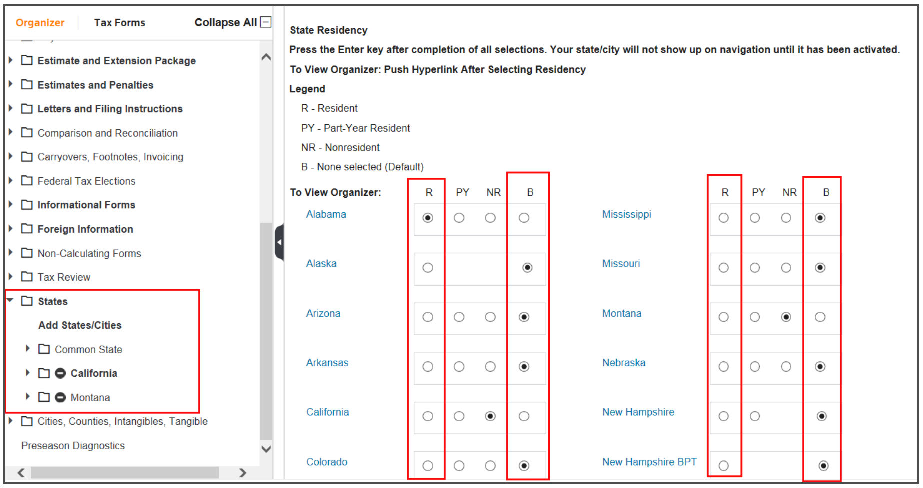

Figure 28

Under **Common State**, you can view items for all states from one place.

For state-specific information, select the state you wish to process, and select **General Information** for that state. The information on the **General Information** Organizer will vary from state to state.

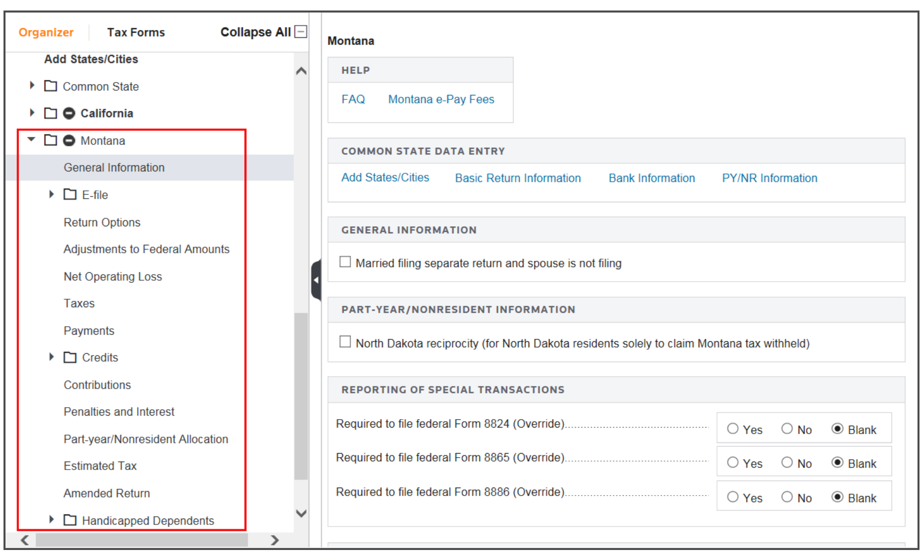

Figure 29

Part-Year Resident States

For nonresident or part-year resident states, you may either allocate income on the state's **Part-Year/Nonresident** screen, or you may allocate to the state when you input your federal amounts.

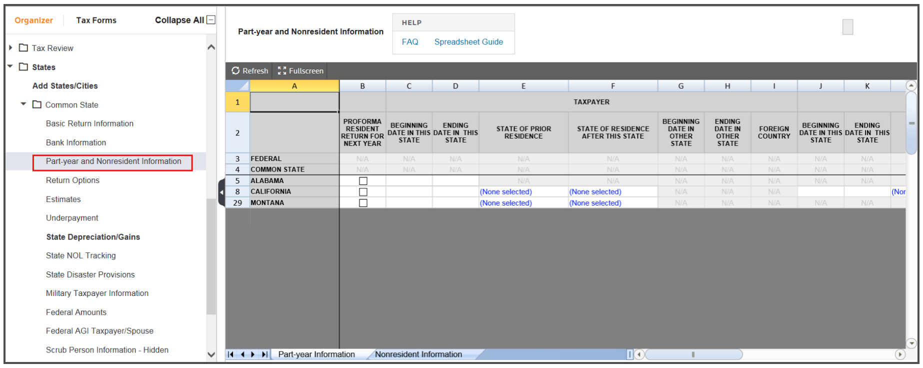

Figure 30

You will probably find it much easier to allocate income and deductions to your state returns when you enter the data in the federal Organizer.

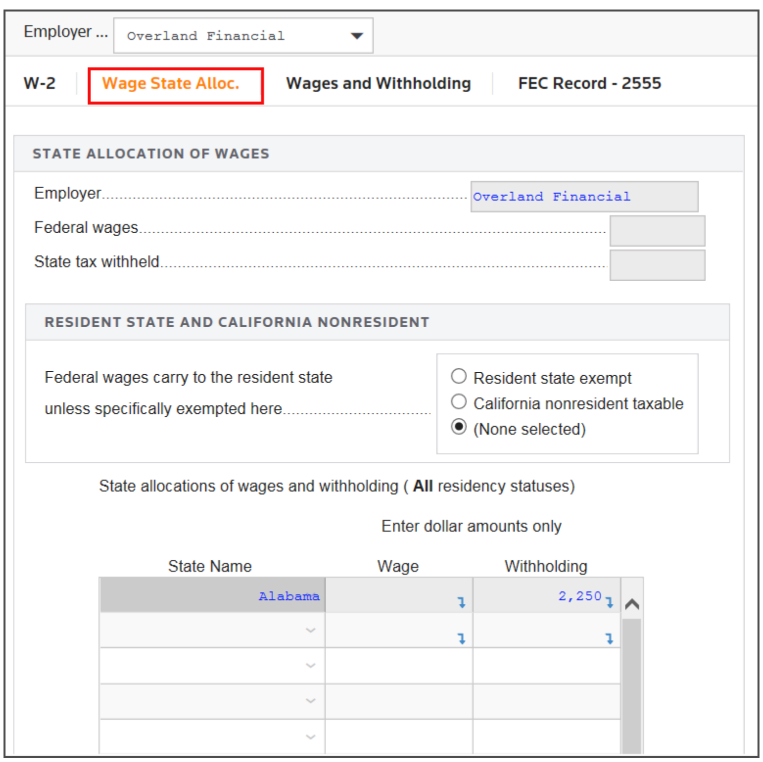

Figure 31

On all federal income Organizer screens, you will find a **State Information** button. The **State Information** link that provides a direct link to the applicable **State Allocation** screen.

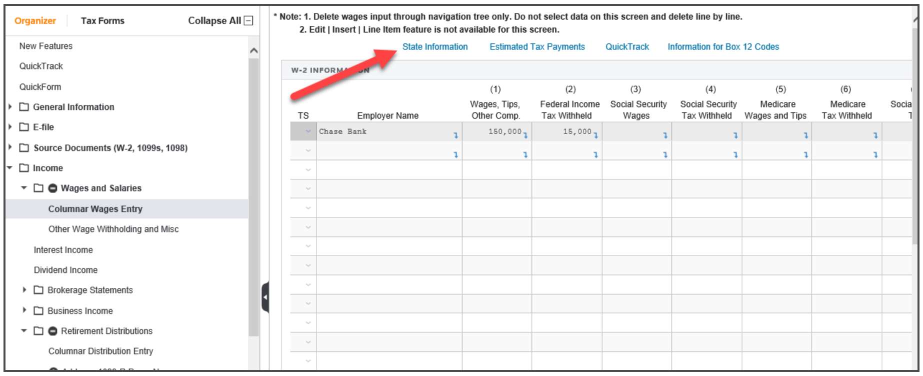

Figure 32

Select the states to which you want to allocate income in the **State Name** column. You can select multiple states here.

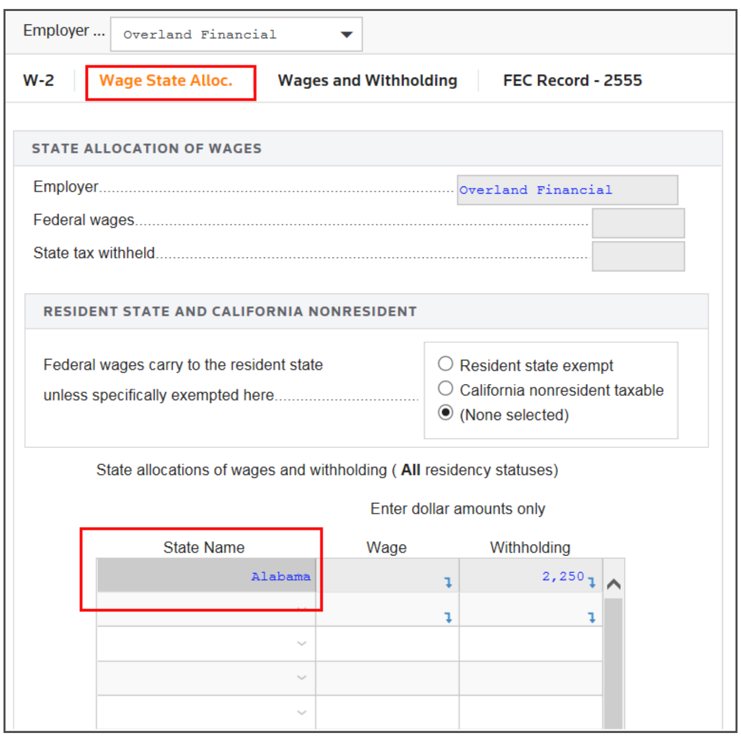

Figure 33

Enter either a dollar amount or a percentage of the federal amount that should flow to the state. To allocate to multiple states, click the next blank line in the **State Name** column, and select another state.

TAX REVIEW

Tax Review Workpapers provide a concise and complete audit trail of the federal 1040 tax return. They are available if the Tax Review product is purchased.

The Workpapers link current-year source data and the final tax return amounts by presenting all adjustments made to the source amounts.

Tax Review Workpapers contain a summary reconciliation of Form 1040, pages 1 and 2 amounts, and a detail list showing all items of input for the return and all corresponding adjustments made to those amounts.

Access Tax Review Workpapers from the **Tax Review** folder under the **Tax Forms** tab. You can use Tax Review to pinpoint areas of concern and areas needing further investigation. Tax Review shows input/output, differences, and variances from prior-year amounts.

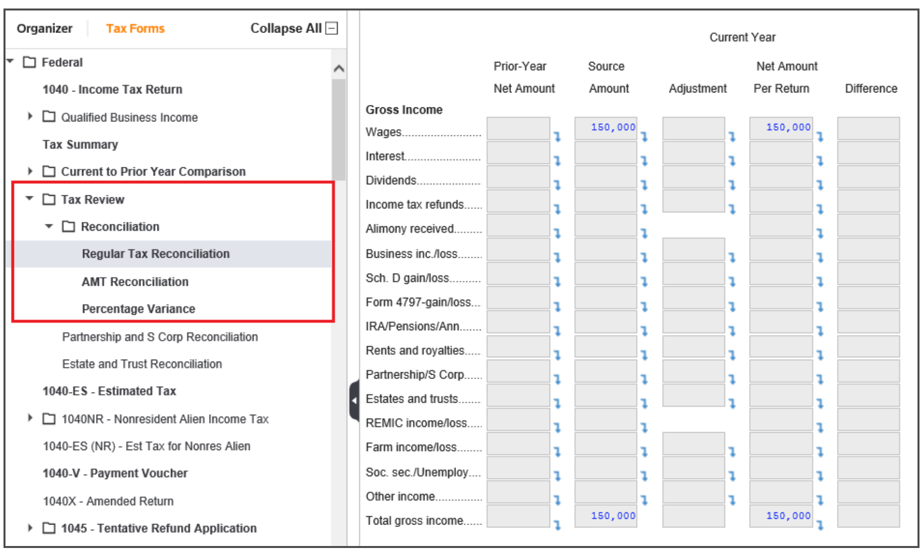

Figure 34

Notice each line of the tax return is listed. The prior-year net amounts are helpful in pointing out problems or omissions when compared against the current year amounts. The source amounts are the amounts you actually enter in the Organizer forms.

		Current Year			
	Prior-Year Net Amount	Source Amount	Adjustment	Net Amount Per Return	Difference
Gross Income					
Wages........................		150,000		150,000	
Interest.......................					
Dividends....................					
Income tax refunds......					
Alimony received.........					
Business inc./loss........					
Sch. D gain/loss..........					
Form 4797-gain/loss...					
IRA/Pensions/Ann.......					
Rents and royalties.....					
Partnership/S Corp......					
Estates and trusts.......					
REMIC income/loss.....					
Farm income/loss........					
Soc. sec./Unemploy....					
Other income..............					
Total gross income......		150,000		150,000	

Figure 35

The net amount per return is the actual amount appearing on the lines of the tax return. The **Difference** column points out any overrides that do not match the detail data entered at the organizer level. There should never be amounts in the **Difference** column. It is a definite sign that the return has errors. The **Adjustments** column are automatic adjustments made by the tax application. This might be due to a limitation or the amount may just not be taxable, such as the interest or dividends shown here. You may have had tax-exempt interest or non-taxable dividends that were entered in the organizer but are not taxable in the return.

RECONCILIATION

Use the **Comparison and Reconciliation** folder as a tool to determine whether all entries in the return are in balance. Information entered on these screens does not carry into the return; it is only used to compare with computed amounts.

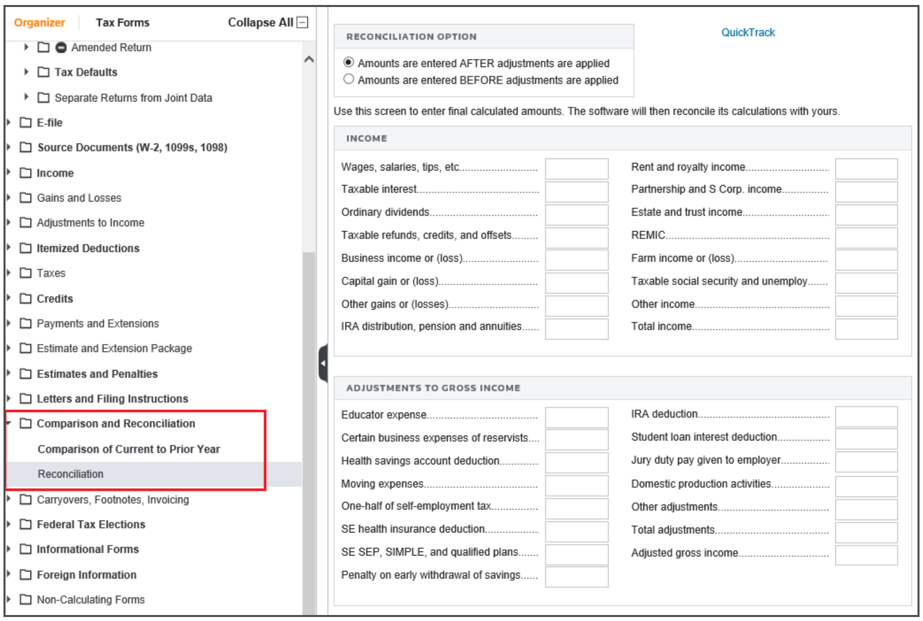

Figure 36

You can print the **Reconciliation Schedule** showing your entries in the **Reconciliation** folder, the computed amounts, and the differences.