Honest Feedback from Real Users of Estate Tax 1041 Software

Estate Tax/1041

Tax Professionals Rely on the Intelligence Built-In to Estate Tax 1041 Packages

A total of 46 states require a 1041 or equivalent return. Issues include ease of use, good tax calculations and good scheduling of data in support of the calculations.

By T. Allen Rose, CPA

The 1041 return is filed whenever income from an estate or trust exceeds $600. If the gross estate exceeds $2 million, Form 706 is required at the Federal level. Another form is required in several states, although 34 states use the Federal rates. Some states have a lower threshold for filing than Federal, and most states that do not require income tax returns for individuals do require their equivalent of the Federal form 706. A total of 46 states require a 1041 or equivalent return. Issues include ease of use, good tax calculations and good scheduling of data in support of the calculations.

The key question with 1041 or any tax production software is how it saves time, produces a quality return and helps the firm earn revenue. As Glenn Adams at Adams & Hook, CPAs, stated, "There is no way a smaller practitioner can keep up with all the changes in the law; living, revocable, irrevocable trusts – it goes on and on. Our tax professionals rely on the intelligence built in to the software as well as their knowledge of the tax code and regulations." Trusting this advice, PPC's Estate and Gift Tax Calculator was also reviewed in this issue, calculating the values of several trusts over one or several lives.

One key decision for estate returns is to choose the tax year. In the case of estates, the tax year can begin on the date following the death of the decedent. The return is due three and one-half months hence, or April 15 for a calendar year. As a result, electing the date of death is inherently helpful in shifting the workload – especially in such a difficult time.

"When I do a 1041, it is generally not a quick tax return with minimum thought. As a result, in using my 1041 tax software, it is important that I can trace situations back through calculations and have good diagnostics to assist in the review," says Bruce Andersen, CPA, MBA, MS (Tax). "This is a good time of the year to try out a new 1041 program and see how it compares to the speed and comfort of last year's tax product."

Options to consider include the beneficiary cover letters and worksheets that detail specific cash and property bequests. The pay per unit (tax return) processing feature makes sense for firms with only a few estate or trust returns, if 1041 processing is not included with the package.

Data Automatically Flows Through to Returns

This program provides simple allocation of deductions for tax-exempt and taxable income.

ATX provides comprehensive tax preparation software capable of handling all types of estates and trusts, including simple, complex and grantor trust returns. The 1041 package maintains various features, including automatic flow-through of data to federal and state returns, as well as access to numerous corresponding estate and trust tax forms. Preparers are able to efile 1041 federal returns with most state returns through the ATX Electronic Filing Center.

Benefits and Features

- Simple allocation of deductions for tax-exempt and taxable income.
- Integrated schedule for distributable income to 1041 Schedule K-1.
- Supports AMT calculations and passive activities.
- Beneficiary calculations include Tier 1 and Tier 2 type distributions.

What Users Say

"I'm very pleased because ATX is so user friendly and the cost is reasonable," says **Patricia Mesec** of Mesec & Mesec, LLP, in Littleton, Colo. "It really is integral to my business. I just hope my clients don't know how easy the rollover is from year to year." Mesec also has contacted tech support and was pleased with the results. "I called them because of last minute things the IRS does. This past tax season, changes were made after the forms were printed."

"In 10 years, I've only had to call tech support once," says **Bob Kamman**, who uses ATX 1041 in his Phoenix law office. Kamman is a self-professed computer whiz who used to program his own software. Today, he processes 700 tax returns, annually, including 1041, payroll, estate tax and multi-state returns for 15 or 20 states. Throughout his work, he appreciates the built-in capabilities associated with ATX 1041. "ATX does everything I ask it to do."

Summary

ATX software is a complete, professional, affordable solution designed for small tax and accounting firms.

CCH Small Firm Services
www.atxinc.com
877-728-9776

Online System Operates in Real Time

An intuitive Worksheet Interface speeds data entry and simplifies the process of collecting federal tax data.

The ProSystem fx Tax Fiduciary System allows users to be more efficient by distributing income based on amounts, decimals or a combination of both. The program allows for the specific allocation of income classes, and certain deductions and credits to selected beneficiaries, along with separate distribution of depreciation and depletion or inclusion with related income amounts.

Benefits and Features

- An intuitive Worksheet Interface speeds data entry; a printable Organizer simplifies the process of collecting federal tax data from clients.
- Comprehensive programs work with federal data and complete multi-state processing for non-resident returns, including the computation of credit for taxes paid to non-resident states.

What Users Say

"The tax software is really high level," says **Barbara Kogen, CPA, J.D.**, a tax partner at NSBN, LLP, in Beverly Hills, Calif. "Time is money – and ProSystem fx really saves data entry time. You can make entries in one place and they all talk to each other, whether the entry is for the mailing list, or the time and billing system."

"If you are going to do the work, get the tool that is right for the work you need to do," says **Glenn Adams,** CPA, of Adams & Hook, CPAs, LLP, near Charlotte, N.C. "We have a smaller practice, and do a lot of estate and trust work in the area. There is no way a smaller practitioner can keep up with the changes in the law; living, revocable, irrevocable trusts – it goes on and on. With ProSystem fx, everything we use we do through the Internet; no upgrades and no outdated versions to deal with – this has helped immensely."

Summary

The ProSystem fx Tax Fiduciary System manages all types of estate and trust returns, as well as distribution and Schedule K-1 options.

CCH
tax.cchgroup.com
800-739-9998

Learning Curve Minimal for 1041 Return Processing

All states requiring a return for estate income tax are included.

Drake Software's 1041 series can prepare more than 75 forms, schedules and worksheets. 1041 entities include Decedent's Estate, Simple Trust, Complex Trust, Qualified Disability Trust, ESBT, Grantor Type Trust, Bankruptcy Estate (Chapter 7 and Chapter 11), and Pooled Income Fund.

Benefits and Features

- Client instruction letter for the estate, for each beneficiary or for all.
- All states that require a return for estate income tax are included (46 states).
- The 1041 series includes electronic filing.

What Users Say

Jan Sorensen of Rainier Plaza Accounting Services, LLC, in Enumclaw, Wash., has used Drake Software for two years. "It's easy to learn. I had someone working for me who came in during tax season and just picked it up." Another benefit to her business is the price. "It's a lot cheaper than some of the other software and it does the job. There are a few bells and whistles that it doesn't have, but nothing that is worth the difference in price. I even had reason to talk to tech support on April 17 and they were still friendly!"

"I don't believe anybody can run a tax office without being computerized; we've almost become a paperless office," says **Roy Frick** about his family-owned business, Frick Accountants, Ltd., in Ocean City, Md. As a more advanced user of paperless technologies, he says he rarely contacts Drake's technical support, except for complex returns. "Most of their upper-level tech people are pretty good. I can send them a problem return via email. They look at it with us online and generally solve the problem."

Summary

Drake continues to meet its goals of customer satisfaction and product improvement by encouraging open customer feedback, listening closely to evaluations from industry authorities, and backing its products with a knowledgeable programming and support team.

Drake Software
www.DrakeSoftware.com
800-890-9500

Calculations Performed in Seconds

Users may choose whether administration expenses are deducted on Form 706 or Form 1041.

Among other calculations, PPC's Estate and Gift Tax Calculator from Thomson Tax & Accounting performs interrelated marital deductions, allowing the combination bypass/marital or a percent of residual going to the spouse. Another calculation is performed for the interrelated charitable deduction, allowing specific amount to charity or a percent of residual going to charity.

Benefits and Features

- All calculations are done in seconds with just a few items of input.
- Details can be printed on how the calculator came up with the value or tax.

What Users Say

"To do the calculations by hand would take several hours," says **Richard Calvanese,** a CPA serving closely held businesses in East Long Meadow, Mass. "Assuming we have all the data, calculations with the Estate and Gift Tax Calculator only takes about half an hour. As long as you have the knowledge of the facets of the tax theory, this program is not that difficult to use. However, for someone who doesn't know anything about tax theory, it might be challenging."

Calvin Robbins, CPA, PC, works with trust and small business clients in Baton Rouge, La. He bought the Estate and Gift Tax Calculator when the IRS quit publishing split interest trust tables, and says the program is so simple that he's recommended it to others. "When I co-located with a firm, I showed them the software and they bought it."

Summary

Other powerful calculators in this program figure the value of pooled income funds, gift taxes, charitable and grantor trust calculations, including the value of CRAT, CLAT, CRUT and CLUT for one life, two lives, or term of years.

Editor's Note: PPC's Calculator is not a 1041 tax prep product; the review is included here because complements 1041 software.

Thomson Tax & Accounting
ppc.thomson.com
800-323-8724

Critical Tasks Streamlined for Optimization

The program allows for special allocations of property with percentages or dollar amounts.

Lacerte is Intuit's premium tax solution for managing growth and increasing productivity – designed for firms that perform complex individual and business tax returns, as well as offer a wide range of services.

Benefits and Features

- Print beneficiary worksheet detailing specific cash and property bequests.
- Lacerte allows for special allocations of property with percentages or dollar amounts.
- Automatically deduct 50 percent for community property items.
- Automatically include applicable properties to calculate Schedules M and O.
- Insert headers/footers/remarks in schedules.
- Add supplements to specific properties.
- Copy properties within schedules.

What Users Say

"Lacerte is relatively inexpensive; if your return is not that complicated, such as a standard estate return with standard issues, the software is fine," says **Douglas W. Kawamura**, of Hutchinson & Bloodgood, LLP in Glendale, Calif. "That makes Lacerte's Estate Tax product appropriate for 99.9 percent of the people out there." Kawamura is his firm's estate tax return specialist. "There are 22 other partners in five offices and we all use it."

He says Lacerte has several benefits for his business. "Most people find the software relatively easy to use. If we have a question, we contact the help desk. They are good about answers. I'm sure there are things I want improved, so I tell them, 'it sure would be nice to be able to do this or that.' Someday, they might implement it, but more often than not, there is always a work-around – and accountants are used to working around problems."

Summary

Lacerte's design follows the natural flow of the tax return and streamlines critical tasks – a timesaver in preparing the return.

Intuit
www.lacertesoftware.com
800-765-7777

ID Window Pops Up When Mistakes are Made

Deep diagnostics help catch errors and omissions

Intuit's ProSeries Fiduciary/1041 helps prepare returns for all types of estates and trusts, including integration of passive activities. In-depth calculations pave the way for automatically calculating tentative trust accounting income, easy allocation of deductions to taxable and tax-exempt income, and handling of tier-1 and tier-2 distribution with automatic computation of beneficiary allocation percentages.

Benefits and Features

- ProSeries supports all 21 schedules with the following features:
- Automated, comprehensive calculations, including charitable deductions.
- Deep diagnostics to help catch errors and omissions.
- Extensive in-product tax guidance.
- Time-saving tools, including Missing Client Information, Client Analyzer, Word Auto-Fill and an EIN Database.

What Users Say

Four people work in the offices of **Pamela Basher**, EA, LLC, in Shelton, Conn. "We work with a wide range of clients, including individuals, corporations and partnerships," says Basher, a ProSeries user for two years. "I joined a firm that had something else – upscale software that was absolutely atrocious." She says she put her foot down and the switch was made. "The conversion was great and the software is user friendly. It's so much easier for the non-tech data entry people to use. It prompts you through what you want to do."

Error highlighting is another feature most beneficial to her business. If a mistake is made, she says, "an identification window pops up on the left hand side of the screen."

Summary

ProSeries is designed to make tax preparation easier for practitioners, regardless whether their practice is filing a modest number of individual returns or a high-volume of more complex returns. This program focuses on helping accountants maximize their time by providing reliable, accurate and efficient software.

Intuit
proseries.com
800-945-2820

47-Point Estate Tax Comparison Chart

	CCH Small Firm Services ATX MAX www.atxinc.com 866-628-9776	CCH ProSystem fx Tax www.cchgroup.com 800-PFX-9998	Drake Software Drake Software www.drakesoftware.com 800-890-9500	Intuit Lacerte Tax www.lacertesoftware.com 800-765-7777	Intuit ProSeries Professional www.proseries.com 800-934-1040	CCH Small Firm Services TaxWise www.taxwise.com 800-755-9473	RedGear Technologies TaxWorks www.taxworks.com 800-230-2322
I. Program Features							
Web based	No	Yes	No	Updates and downloads	Online updates	No	No
Number of regularly scheduled package program updates per year	4	8 CDs; 13 online	3	5 CDs, Patches as needed	5 CDs; updates on an as-needed basis	4	3
Number of concurrent users	Unlimited	1	Unlimited	N/A	N/A	Unlimited	10000
Number of users	32,000	Unlimited	20,000+	appx. 42,500	65,000	10,000	10000
Cost of conversion package	Free	Included w/software	Free	Free	Free	Free	Free
Heads-down data entry	Yes	Yes	Yes	Yes	Yes	No	Yes
Customizable scheduling programs	No	Yes	Yes	Yes	Yes	Yes	Yes
II. Technical Support:							
Toll Free Support Number	1-877-728-9776	800-PFX-9998	No	800-933-9999	Tech Support: 800-424-6818 Cust Service: 800-374-7317	866-641-9473	1-800-843-1139
Regular support hours (CST)	M-F 8:30-6 EST	8:00 am - 7:00 pm	M-F: 7am - 8pm, Sat: 7am-4pm	M-F: 8am - 7pm	M-F: 8am - 7pm	M-F: 8:30 am - 6 pm ET	9:00am-6:00pm
Tax Season support hours (CST)	M-F 8:00-10:00 EST, Sat 9:00-5:00 EST	M-F 8:30 am - 9:30 pm; Sat 9:00 am - 8 pm; Sun in April 10:00 am - 6:00 pm; 24 hour support April 12 -15	M-F: 7am - 9pm, Sat: 7am-5pm	Jan 9-April 17: M-F (8am to 8pm) Sat (9am to 4pm) Sun (11am to 4pm) Ext Hours last week prior April filing date. Key days last week tax season: 24 hours.	M-F (6:30am to 11pm) Sat (9am to 4pm) Sun (11am to 4pm) Key days last week tax season: 24 hours.	M-F: 7:30 - Midnight EST; Sat: 8:30 am - 6 pm EST; Sun: 1 pm - 4 pm EST	8:00am-9:00pm
Number of support staff during tax season	125	450+	200+	170	450	200	175
III. System Utilities:							
User group security	Yes	Yes	No	User level security	Yes	Yes	Yes
Menu option security	Yes	Yes	Yes	Yes. Per function.	Yes	Yes	Yes
Menu level security	Yes	Yes	Yes	Yes. Per function.	Yes	Yes	Yes
Hard copy user manual included	No	Yes	Yes	Yes	Quick Reference Guide	No	Yes
IV. Input Information:							

Switch input methods during data entry	No	Yes	Yes	Yes	Yes	No	Yes
Skip fields based on prior input	Yes	Yes	Yes	Skip screens, not fields	Yes	Yes	Yes
							10
Computation information	Yes	No	No	Yes	Yes	Yes	Yes
Calculates form as data is entered	Yes	No	No	Yes	Yes	Yes	Yes
Calculates return as data is entered	Yes	Yes	Yes	Yes	Yes	Yes	No
Due-date tracking available	No	Yes	Yes	Yes	Yes	No	Yes
VI. General Features							
Billing by Time	Yes	Yes	Yes	No	Yes	Yes	No
Export to Time and Billing packages	No	Yes	No	Yes	Yes	No	No
Price for network support	1-3: Free, Over 3: adtl 50% for unltd	Included in network licensing	No extra charge	$450 for 4 users. $200 per adtl 4 users.	$399	Free	Free
VII. Pricing/Availability Info:							
Application delivered on disks	No	No	No	License file only	No	No	No
Application delivered on CD	Yes	Yes, also DVD	Yes	Yes	Yes	Yes	Yes
Application downloaded from the web	Yes	Yes	updates downloaded	Yes	Yes	Yes	No
1041, federal one-user	$1,065 (includes all personal & business forms)	$1,975	$1,495	$1,135	$449	$195	495 (incl 1 state)
Renewal	$959	Call for details	$1,495	15% discount	Same	$195	495 (incl 1 state)
1041, federal five-user	$1,598	$1,975	Same	$1,585	Same	$195	No additional charge
Renewal	$1,438	Call for details	Same	15% discount	Same	$195	No additional charge
State package	Included	$365 - $845	Included	$325 each	$249 ea.(11 incl.)	$195	$175 additional states
State renewal	NA	Call for details	Included	15% discount	Same	$195	$175 additional states
Additional cost to use on network	No	$690 Incl 5 wrkstn; next 15 $75 per workstation, 21+ wrkstn $30 per wrkstn	Included	$450 for 4 user / $200 for each adtl 4 users	No	Free	Free
Proforma	Included	$285	Included	Included	Yes	Included	Yes
Fixed Assets	Included	Yes	Included	Included	Fixed Asset Manager: $495	Included	Yes
Client manager	Included	Yes	Included	Included	Practice Manager: $99	Included	Yes
Scheduling	NA	Yes	Included	Included	Practice Manager: $99	Included	Yes
Tickler	NA	Yes	not with 1041	Free	Free	NA	Free
Data conversion	Free	Yes	not with 1041	Yes	Yes	Free	Yes
IX. Web Features:							
Download initial program	Yes	No	No	Yes	Yes	Yes	No
Package tracking	Yes	Yes	Yes	Yes	Yes	Yes	No
Online preparation/hosted software	No	Yes	Yes	No	No	No	No
Online electronic filing	Yes	Yes	Yes	Yes	No	Yes	Yes
Online billing review	No	Yes	No	Yes	No	No	Yes
Discussion groups	No	No	Yes	Yes	Yes	No	Yes
Online Organizer	No	Yes	No	Yes (sent electronically)	No	No	No

QuickLink Opens Supporting Forms and Worksheets

Electronic filing will be available for tax year 2007 returns.

The TaxWise 1041 tax package features a user-friendly interface with screens that look like IRS forms. Instant recalculation with every entry and automatic flow of federal data to state forms are two of this program's features. "QuickLink" makes it easy to open supporting forms and worksheets with the keyboard or mouse. Color-coding of required fields helps prepare a complete, accurate return.

Distribution and deduction amounts are calculated automatically when entering the beneficiary's percent of ownership on the 1041 K-1. The program handles split-interest trust information returns, AMT calculations, passive activities and more.

Benefits and Features

- Integrates with TaxWise Fixed Asset Manager to reduce time-consuming data entry, and with TaxWise Document Manager to streamline workflow.
- K-1 data transfers seamlessly to individual returns of beneficiaries.
- Electronic filing will be available for tax year 2007 returns.

What Users Say

"I have a lower volume of 1041s, maybe only five a year; because of that, there are computations on the form that I'm not using very often," says **Carlis Abney, E.A.,** of Taylor's Audit & Tax Service in Vicksburg, Miss. She's glad to have the software, even for a few 1041 returns. "Processing 1041s used to be so time consuming. TaxWise is a very user-friendly program."

"We do a lot of everything," says **Michael Stockwell** of Stockwell Accounting in Owatonna, Minn. "With 1,400 clients, we handle 1,000 individual tax returns, trusts, estates, financial planning and investments." He's been using TaxWise since 1993. "It is still very well priced in the marketplace. You can pick and choose what will benefit your business."

Summary

The 1041 package handles all types of estate and trust returns, and allows an unlimited number of beneficiary K-1s.

CCH Small Firm Services
www.taxwise.com
800-755-9473

Links to Sub-Entry Screens Avoids Returning to Main Menu

"Per Unit Processing" allows the customer to purchase the full program at a reduced price.

The TaxWorks 1041 system offers ease of use, flexibility and accuracy, for what can be a very complex return. In addition, if the customer prepares a minimal number of 1041 returns, "Per Unit Processing" allows the customer to purchase the full program at a reduced price and pay a low fee for each return processed.

Benefits and Features

- Real-time calculation is displayed at all times on the federal and state forms and schedules.
- TaxWorks provides flexibility by allowing the customer many opportunities to choose the desired amounts on the return and K-1s.

What Users Say

Bill Slattery in Carlsbad, Calif., switched to TaxWorks from another software company in 1999. He prefers buying bundled software over the nickel-and- dime fees of some services. "At the time I switched, I cut my software costs in half." Twelve employees use TaxWorks to process 1,300 tax returns and 300 monthly write-up accounts. "We have such a large practice that we have a lot of odd-ball stuff; as a result, we give TaxWorks' tech support a good workout. The staff recognizes when a question is over their head and gets a CPA on the phone."

"TaxWorks is all I've used for many years," says **Kay Monroe** of Kay Dix Monroe & Associates PC, CPAs, in Richfield, Utah. "One recent innovation that saves time is linking to sub-entry screens from the main entry screen. From page one of a 1041 form, there is a link to the interest income page without going to the menu. You can go to dividends or capital gains, and get back to whatever page you were working on."

Summary

TaxWorks provides a comprehensive system that includes all states, efiling, and many forms and schedules necessary to file a complete 1041 return.

TaxWorks
www.taxworks.com
800-230-2322