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2018 ULTRATAX PROFORMA & CLIENT ORGANIZER, v.2018.1.0
User Bulletin 1040US-18.1.0: Initial Release

November 19, 2018

This release contains a fully functional federal 1040 program, which is used to proforma client data and produce client organizers.

Many of the forms included in this release are preliminary or prior year versions and are subject to change. As a result, final testing of all federal calculations has not been completed. Therefore, we recommend that, beyond proforma processing and producing client organizers, you do not file actual tax returns with this release. The December release will include fully tested calculations to match all available final government forms used for filing tax returns.

We also recommend that you do not customize or proforma prior-year customized UltraTax/1040 form print collations until you receive the next UltraTax/1040 software update, which is scheduled for release the week of December 17th. The December release of UltraTax/1040 will include more final government forms, which may cause UltraTax CS® to override any form print collation customizations you may complete prior to the December release.

CHANGES
This release includes the following changes.

Form 1040 Redesign
The IRS introduced a newly redesigned Form 1040 tax return for the 2018 tax return filings (2019 processing year) that will replace the traditional Form 1040, 1040A, and 1040EZ. The new 1040 consists of two pages and six supporting schedules.
- Schedule 1 – Additional Income and Adjustments to Income
- Schedule 2 – Tax
- Schedule 3 – NonRefundable Credits
- Schedule 4 – Other Taxes
- Schedule 5 – Other Payments and Refundable Credits
- Schedule 6 – Foreign Address and Third Party Designee

  Note: Paid preparers are no longer required to complete the 3rd Party Designee section that is now on Schedule 6. Paid preparers need to mark only the 3rd Party Designee box on Form 1040, Page 1. If filing Form 1040NR, the Third Party Designee section does need to be completed. Refer to the Third Party Designee Changes for 2018 section below for more information.

- Per-form invoice pricing will be available for each new supporting schedule filed with Form 1040.

- To aid in return review and reconciliation of the new Form 1040 return, a new Form 1040 Reconciliation Worksheet combines the information reported on the newly redesigned Form 1040 and schedules into two pages.

Tax Cuts and Jobs Act (TCJA)
Fifty-plus provisions of the Tax Cuts and Jobs Act (TCJA) impact individual filers. Here are some of the major changes for 2018 UltraTax/1040, including proforma.
- The Exemption Worksheet has been removed from 2018 UltraTax CS. TCJA eliminated claiming an amount for exemptions.
- The overall itemized deduction limitation, commonly referred to as the Pease limitation, has been eliminated for 2018 under TCJA. As a result, the Itemized Deduction Worksheet has also been removed from the program.
- Due to the repeal of the Domestic Production Activities Deduction for tax years starting after December 31, 2017, the screen 8903 was removed from the Business, Rent and Royalty, Farm, Farm Rental and 1040 Adjustments input screen folders. It remains in the K1 1065, 1120S and K1 1041 folders for fiscal year entities.
- Expanded due diligence requirements under TCJA now require Form 8867, Paid Preparer's Due Diligence Checklist, to be completed for individuals claiming the head of household filing status and/or claiming the new credit for other dependents (ODC). To complete Form 8867, use Screen 8867 in the Credits folder.
- For 2018, TCJA modified the child tax credit (CTC) to provide for a $500 nonrefundable credit for qualifying dependents other than children who can be claimed for the CTC. UltraTax CS will automatically calculate the credit for other dependents (ODC) for qualifying individuals. A new dependent code, *4 – Other dependents, do not qualify for ODC* is available in the Dependents statement on Screen 1040 to indicate when the dependent does not qualify for the credit for other dependents.
- Roth conversions can no longer be recharacterized. The following options have been removed from the *Recharacterization Type* field on Screen 1099R-3 in the Retirement folder: 2 - Roth IRA Conversion rechar-from Traditional and 4 - Roth IRA Conversion rechar-from Qual Plan.
- Form 3903, Moving Expenses will now calculate for federal return purposes only when the *Armed forces move* field on Screen 3903 in the 1040 Adjustments folder is marked.
- The Tuition and fees deduction expired on 12/31/17. Unless the deduction is extended by legislation, the Education Expense Optimization utility will remain disabled.
- Kiddie tax is no longer affected by the tax situations of the parent and siblings. Net unearned income is now taxed using estate/trust brackets and rates. For 2018, Screen 8615Sib has been removed and the Parent Return Information section has been removed from Screen 8615. You can use the Family Transfer Utility to transfer the parent's name and social security number to the child's return. The Family button will still include clients with kiddie tax, allowing quick access to clients within the family unit.
- A column for Section 199A Dividends, now reported on 2018 Form 1099-DIV, has been added to the Dividend Income statements on Screens B&D, Broker, and 8814. The dividends will be used on the Qualified Business Income Deduction Worksheets.
- Due to changes in the deductibility of certain miscellaneous itemized deductions subject to the 2% AGI limitation, the following screens have been moved from the Itemized Deductions folder to the 1040 Adjustments folder: 8829, Auto, 8910, 8911, 8936, Sale, 8824, 4684B, 4562, InStPY, and 4684PY.

- Screens 2106 and 2106-2 for employee business expenses has been moved from the Itemized Deductions folder to the 1040 Adjustments folder. Form 2106 will be used as an adjustment for gross income for specific occupations, certain states, and supplemental business expenses.
- Form 2106-EZ has been eliminated. Form 2106 is only used for very specific occupations.
- As a result of TCJA, entertainment expenses are no longer allowed as an expense for Schedule C. For input fields that had "Meals and entertainment" descriptions, the word "entertainment" was removed. If you enter or import an amount to *Meals* input fields in 2018 UltraTax CS, it is an assumed expense for qualified meals only. If you import amounts from general ledger applications such as Accounting CS, tax code 884 is now used for qualifying meals only. An account in the general ledger program using tax code 884 should include expenses for qualified meals only. For entertainment expenses, use an account separate from meals.
- Draft version of Publication 517, Social Security and Other Information for Members of the Clergy and Religious Workers, has eliminated the Figuring the Allowable Deduction for Form 2106 and 2106-EZ worksheet. The Clergy Worksheet Page 3 – Allowable Form 2106/2106-EZ Expenses Worksheet has been removed from 2018 UltraTax/1040. In addition, the *Minister, clergy or religious worker* field on Screen 2106 has been removed from both the tax data entry and the organizer data entry.
- Qualified business income deduction (IRS Code Section 199A) has been added providing a new deduction for those qualifying. Two worksheets have been added to provide for this deduction.
    - The Qualified Business Income – Simplified Worksheet: Use when the taxpayer has qualified business income, has taxable income under $157,500 ($315,000 if married filing jointly), and is not a patron in a specified agricultural or horticultural cooperative.
    - The Qualified Business Income – IRS Publication 535 worksheet: Use when taxable income is greater than $157,500 ($315,000 if married filing jointly) or taxpayer is a patron in a specified agricultural or horticultural cooperative.

        Note: As of this release, the IRS has not provided IRS Publication 535, Business Expenses, or a draft version of the worksheet. A preliminary Qualified Business Income (QBI) Component Worksheet is included in UltraTax CS. The worksheet will not be fully functional until the release of IRS worksheet.

- Due to TCJA, Partner's Basis Worksheet will now include charitable contributions and foreign taxes in the determination of allowable partnership losses and deductions.
- Form 461, Limitation on Business Losses, has been added. The excess business loss is not deducted in the current year but instead becomes part of the net operating loss carryforward.
- Net operating loss carrybacks are now allowed only for farm losses. Losses in the current year have an unlimited carryover and are tracked separately from pre-TCJA losses on the Net Operating Loss Worksheet 4.

Proforma Changes
- 2017 clients with either Individual (1040A) or Individual (1040EZ) in File > Client Properties will proforma to 2018 as Individual (1040).
- Certain miscellaneous itemized deductions subject to the 2% AGI limitation, such as unreimbursed business expenses, union dues, tax preparation fees, hobby expenses and investment expenses, will no longer proforma to Screen A in the Itemized Deductions folder. However, some non-conforming states (AL, AR, CA, HI, IA, MN, NY and PA) may still allow these deductions, and as a result, these expenses will proforma to new Screen A-St, which is also located in the Itemized Deductions folder.

Amounts proforma'd to Screen A-St will print with the client organizer (classic, lite, or checklist), as applicable.

- Form/schedule, unit, and percentage information entered in the *Allocation of prior year tax preparation fee* statement on Screen Letter will proforma to the current year unless the form/schedule indicated was Schedule A. For 2018, tax preparation fees are not a deductible expense for Schedule A.
- Qualified conservation contribution carryover amounts for tax years 2006-2017 that previously proforma'd to Screen CO will now proforma to Screen CO-2 in the Carryovers folder.
- The Screen 2106 proforma of employee business expenses occurs only when the prior year has a special occupation, certain non-conforming state(s) attached, or the supplemental business expenses were allocating to business activities.
- Due to the elimination of the AMT adjustment for home mortgage interest, mortgage type information entered on Screen A will only proforma if blank (indicating an eligible mortgage used to buy, build or improve main/qualified second home) or 1 (not used to buy, build, or improve home). Any interest paid that is not used to buy, build or improve a home will be excluded from Schedule A.
- On Screen MortgInt, the ending balance for home equity debt as of 12/31/17 will proforma to 2018; however, only interest paid on home equity loans and lines of credit used to buy, build, or substantially improve the home that secures the loan is deductible in 2018. Interest used to pay personal living expenses, such as credit card debts, is no longer deductible; therefore, you may need to review mortgage balances on Screen MortgInt.
- The excess farm loss was eliminated and replaced by the excess business deduction. Excess Farm Loss Worksheets and Screen Farm Loss have been removed from UltraTax CS. The remaining excess farm loss from 2017 will proforma to the farm activities to be used as a deduction in 2018
- Proforma of partner and shareholder basis prior year suspended **Deductions – portfolio (2% floor)** have been added to the proforma'd amount of Prior year suspended Nondeductible expenses.
- Proforma of shareholder basis prior year suspended **Deductions – portfolio (2% floor)** will not proforma if the *Suppress proforma of nondeductible expenses carryovers when Reg. 1.1367-1(g) has NOT been made* field is marked on Screen SBasis1 in the K1 1065, 1120 folder.
- Proforma of At-risk Prior Year suspended **Portfolio subject to 2% limitation** deductions have been added to the proforma'd amount of Prior year suspended Nondeductible expenses.
- Schedule C business code 485300 has an updated description. The description is now "Taxi, Limousine, & Ridesharing Service" instead of "Taxi & Limousine Service." Any unit of Screen C using business code 485300 will automatically update during proforma from UltraTax CS 2017.
- With the new Categories of Income for Form 1116 (A – Section 951A and B – Foreign Branch), the prior year category of income will proforma with the new letter designation (i.e. prior year passive income category A will proforma as category C for 2018).

Fixed Assets Proforma Changes

- Screen 2106 assets have proforma'd to the 1040 Adjustment folder. Due to the change in TCJA and location in UltraTax CS, it is recommended to delete or reassign those assets. An UltraTax CS critical diagnostic has been provided to assist in determining the screens involved.
- Assets from the Schedule A asset tab on the Asset Entry in the Itemized Deductions folder are proforma'd to the Miscellaneous Asset Entry in the Non-calculating folder. Schedule A home office and assets previously used for Schedule A Miscellaneous Deductions are not allowed for 2018 due to the TCJA.

- Excess Section 179 for Schedule A and Excess Section 179 for Schedule A - AMT from 2017 will not proforma to 2018 due to the TCJA.

Proforma of client documents

All 2017 UltraTax/1040 and Organizer client documents are available for proforma except the tax election to forgo the five-year carryback period for farming losses in favor of the two-year or three-year carryback period. NOLs for farming losses may be carried back for only two years (unless relinquished by election), and NOLs for non-farming losses are no longer eligible for carryback.

The following items that are related to the obsolete Forms 1040A and 1040EZ have been deleted:

Return type print condition
- 1040-A
- 1040-EZ

Print Ifs
- 1040-A or 1040-NR
- 1040-A or 1040-NR no W7
- 1040-A or 1040-NR with W7
- 1040EZ
- EZ
- EZ, No W7
- EZ, with W7
- Not Elf, 1040EZ
- Not Elf, not 1040EZ
- Not Elf, not 1040EZ or W7
- Not Elf, not 1040EZ, W7

Important! You will need to update or delete any user-defined Print If that contains a deleted return type. You will also need to delete any deleted Print Ifs that were inserted into edited client or user-defined documents. UltraTax CS will provide a warning if an edited or user-defined document contains an undefined Print If. The document will print but the undefined item will not print.

Proforma of state data

When you receive and install state programs for a later release, UltraTax CS automatically proformas the prior-year UltraTax/1040 state data as you process the return for each client.

Note: If your federal data has not already been proforma'd, UltraTax CS proformas the federal and state data simultaneously for clients you have selected for proforma processing.

Third Party Designee Changes for 2018

Beginning in 2018, paid preparers who are Third Party Designees are no longer required to complete the Third Party Designee information now on Schedule 6 (Form 1040). Such paid preparers only need to mark the *3rd Party Designee* box in the Paid Preparer Use Only section on the newly revised Form 1040, Page 1. If checked, the **Preparer (above) is the default designee** option on the Preparer Information dialog on Setup > Office Configuration > Preparers > Edit tab will mark the Form 1040, Page 1, 3rd Party Designee box. The third party designee information entered on Screen Contact in the General folder overrides the Preparers tab information and is

always reported on Schedule 6 (Form 1040). If you entered preparer information on Screen Contact, use the Setup > 1040 Individual > Other Return Options > Return Presentation, Other group box option *Ignore Third Party Designee information on Screen Contact* to mark the 3rd Party Designee box on Form 1040, Page 1. This is a global option and affects all returns. To report, on a per client basis, the third party designee information on Schedule 6 (Form 1040) that you entered on Screen Contact (even when the *Ignore Third Party Designee information on Screen Contact* option is enabled), mark the *Force Third Party Designee Information to Schedule 6 (1040)* field on Screen Contact.

ENHANCEMENTS TO 2018 ULTRATAX CS

To learn more about enhancements to UltraTax CS products in general, such as the estimated value continuous mode, enhancements to the sign-in authentication process for a better user experience, Office Configuration Diagnostics report, and more, refer to the UltraTax CS Platform User Bulletin UT-18.1.0, Initial Release.

ENHANCEMENTS TO 2018 ULTRATAX/1040

There are many enhancements in 2018 UltraTax/1040, including those listed below.

The following calculating forms, worksheets, and reports have been added to UltraTax/1040.
- Form 461, Limitation on Business Losses
- Form 8994, Employer Credit for Paid family and Medical Leave
- Form 965-A, Individual Report of Net 965 Tax Liability
- Qualified Business Income Deduction Worksheets
- Qualified Property Report

The following noncalculating form has been added in UltraTax/1040.
- Form 8990, Limitation on Business Interest Expense Under Section 163(j)

The following features were added to UltraTax/1040.
- The Two-Year Comparison Report now displays a comparison of the marginal tax rates for ordinary income, capital income, 1250 capital income, and 1202 capital income between the prior year and the current year.
- The following reports/worksheets now include Taxable Income before QBID and Qualified Business Income Deduction (QBID): Two Year Comparison Report, Tax Return History Report, Federal Tax Projection – Projected Versus Actual Comparison Report, Preparer Review Report, and Federal Return Summary. In addition, the Taxable Income before QBID and Qualified Business Income Deduction (QBID) can also be included in the graphs on the Tax Return History Report.
- Forms 1040-ES, Estimated Tax, and 1040-V, Payment Voucher, now have 2D-bar code scanning capabilities.

ELECTRONIC FILING

IRS Opening Date for 1040 Electronic Filing

As of the date of this bulletin, the IRS has not announced an opening date. At the present time, the IRS is continuing to update its programming and processing systems for 2019. In addition, the IRS continues to closely monitor potential legislation that could affect the 2019 tax season. The IRS anticipates that it will not be able to announce a filing season start date until later in the calendar year. The IRS will continue to work closely with the nation's tax professionals and software community as preparations continue for the 2019 tax filing season. Thomson Reuters is working closely with the IRS and will announce the

opening day through a product news announcement on the UltraTax CS home page as soon as the information becomes available.

Please note that the UltraTax/1040 Electronic Filing utility will be included in a future update of UltraTax/1040. Refer to User Bulletin 1040US-18.1.0, Electronic Filing Setup Procedures for more information on setup procedures and other information you may need to address prior to electronically filing 1040 returns with UltraTax CS.

ENHANCEMENTS TO 2018 ULTRATAX ELECTRONIC FILING
UltraTax/1040 Electronic Filing has the following new features.
- Eliminated e-filing limitations on the number of instances of Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
- New *Second form of identification* and *Method used to verify taxpayer/spouse identification* fields on Screen IDAuth to document the identity authentication method for IRS e-file security requirements based on National Institute of Standards and Technology levels of identity proofing.
- Additional changes to meet the IRS Security Summit "Trusted Customer Standards" security initiatives.
- New *Preparation time spent out of the software for this return* field on Screen ELF. In accordance with IRS security requirements, the minutes spent in the software, plus minutes entered for time spent outside of the software for the return, are both included in the electronic file.
- Form 8948, Preparer Explanation for Not Filing Electronically, will print when applicable for Form 1040NR, U.S. Nonresident Alien Income Tax Return. Previously, Form 1040NR was not a return covered by the e-file mandate. Preparers who expect to file 11 or more federal individual, nonresident alien, or trust tax returns during the year are required to use IRS electronic filing.

USING ULTRATAX ESIGNATURE
Refer to User Bulletin 1040US-18.1.0, eSignature Processing Procedures for more information and processing steps for the eSignature feature.

USING ULTRATAX/1040 CLIENT ORGANIZER
The 2018 UltraTax/1040 Client Organizer is a powerful program that allows you to create professional tax organizer packages for your clients. For details, see the 1040 Client Organizer Help Center topic on the Help & How-To Center.

ENHANCEMENTS TO ULTRATAX/1040 CLIENT ORGANIZER
The following enhancements were added to UltraTax/1040 Client Organizer.
- Updated Organizer questionnaire for Tax Cuts and Jobs Act (TCJA) changes, as well as a new question about virtual currencies.
- Updated Organizer forms, input screens, and proforma to match tax data entry changes for the Tax Cuts and Jobs Act (TCJA).
- New Organizer Form A-St for reporting state-only miscellaneous itemized deductions subject to the 2% AGI limitation for certain non-conforming states.
- The Deposit & Electronic Funds Withdrawal organizer form is now included as a default actionable item.

Important UltraTax/1040 Client Organizer processing tips

- To use the Lite Client Organizer package for paper or the electronic versions (email PDF and web) of Client Organizer, choose Setup > 1040 Individual, click the Organizer tab, click the Options button, and click the desired option to enable this feature.
- If your firm uses the Client Organizer Checklist option for Organizer presentation to your clients, you will need the updated 2018 Checklist information for the CS Default checklist, as well as any as user-defined custom checklists. Prior to processing organizers, click the Modify button in the Organizer presentation group box on the Setup > 1040 Individual > Organizer tab. On the Options dialog, click the Checklist button and then Restore CS Default. Note that restoring the CS default content will overwrite any changes you may have previously made. Modify CS default content if desired, as well as any user defined content such as year-specific information from 2017. When you use this Checklist presentation, the client will receive a list of source documents and tax information based on data that proforma'd from 2017 UltraTax/1040. Since the Checklist relies on proforma'd data and contains only text, no amounts (current- or prior-year) will print on the checklist. To learn more, refer to the Client Organizer Checklist topic on the Help & How-To Center.
- If your firm does not use zip numbers "[ ]" and "+" control total markers on the printed Client Organizer packages, use the options in the Setup > Office Configuration > Print Options tab to remove zip numbers "[ ]" and "+" control total markers prior to printing the Client Organizer packages.
- If Schedule D was present in the prior-year return, a blank Organizer Schedule D form will also print with the organizer package. To prevent a blank Organizer Schedule D form from printing with the Info Record of stock purchases on Organizer, mark the *Do not print a blank Sch D Organizer form (unless marked Always in Collation)* checkbox in the Setup > 1040 Individual > Organizer tab.
- When printing organizers for clients that are new to your firm, use the *Print blank Client Organizer (for clients who do not have proforma'd information)* field in the New client options group box in the Setup > 1040 Individual > Organizer tab. If you converted from another tax software vendor, you do not need to mark this field for your converted data. As an alternative, you can mark the *Print blank Client Organizer* field for the applicable new clients in Screen Contact in the General folder in UltraTax/1040. By default, the Classic Client Organizer pages print for the blank organizer package. If you are using the Lite Client Organizer package, you must include the Lite Client Organizer pages in the blank organizer package and remove the equivalent Classic Client Organizer pages.
- If you are licensed for FileCabinet CS and use it to store copies of scanned paper organizers, we recommend that you turn off the shading prior to printing organizers. To turn off the shading, choose Setup > Office Configuration, click the Print Options tab, and click the Page Layout and Shading button. On the Organizer tab, move the slide bar in the Shading group box to the desired shading level.
- Taxpayer and spouse email addresses entered in the Setup > Client Communications dialog automatically update the corresponding email address field in Screen Contact in the General folder. Changes in one location automatically update the other, eliminating the need to manually update email address information in both locations.
- Because information is passed between the secure CS Connect and NetClient CS® servers at certain times every hour, you may experience a brief delay between the time you transmit a web organizer to the CS Connect server and the time it is accessible on the NetClient CS servers. Similarly, when the web organizer is completed and sent back by your clients, there may be a brief delay until it is available for retrieval from the CS Connect server.
- To print the Appointment custom paragraph in the Client Organizer cover letter for any client for whom you want to include appointment information, complete the *Appointment date, time,* and

duration fields in Screen Contact in the Client Organizer General folder. UltraTax/1040 Client Organizer automatically prints appointment information in the cover letter. The appointment date and appointment time fields are also available for next year's appointment information, and the information you enter will proforma to 2019 UltraTax CS.

▪ You can schedule client appointments via the Status system for use with Client Organizer processing. There is a bi-directional transfer of appointment information entered in Screen Contact (UltraTax CS and Client Organizer data entry) with the UltraTax CS Status system. Once you create the "Appointment Event" in the Setup > Office Configuration > Status tab, next year's appointment information entered in 2018 UltraTax/1040 will automatically populate the Status system during 2019 proforma processing.

Note: The Data Mining feature in 2017 UltraTax CS includes a pre-defined appointment list custom report. Access Data Mining in 2017 UltraTax CS by choosing Utilities > Data Mining.

Refer to [User Bulletin 1040US-18.1.0, Email Client Organizer Procedures](#) and [User Bulletin 1040US-18.1.0, Web Client Organizer Procedures](#), for more information and processing steps for the Electronic Client Organizer feature.

PREPARER TAX IDENTIFICATION NUMBER (PTIN)

If you prepare Forms 1040 for compensation, you must renew your Preparer Tax Identification Number (PTIN) for filing season 2019 (2018 tax year). The PTIN system is now ready to process renewals and accept applications for processing year 2019 (tax year 2018).

For those who already have a PTIN, the renewal process can be completed online and only takes a few moments. If you can't remember your user ID and password, there are online tools to assist you. Preparers can get started at www.irs.gov/ptin.

There is no fee to obtain a PTIN.

HELP & HOW-TO CENTER

The Help & How-To Center provides one-stop access to the information you need while using UltraTax CS. You may also access the [SUPPORT CENTER] from the UltraTax CS Home page where we have gathered popular resources with trusted answers to your UltraTax CS questions. For more information on the Help & How-To Center, including sample searches, see [Finding answers to your UltraTax CS questions](#).