

2016.03010
Release Notes

March 19, 2017



Contact and Support Information	2
Information in Tax Year 2016 Release Notes	2
Highlights for Release 2016.03010	3
Tax Updates	3
Electronic Filing Updates	3
Product Updates	4
Individual (1040) Product Updates	4
Partnership (1065) Product Updates	8
Corporation (1120) Product Updates	9
S Corporation (1120S) Product Updates	11
Fiduciary (1041) Product Updates	13

Contact and Support Information

Product and account information can be accessed by visiting Customer Support online at support.cch.com. In addition to product and account information, the Customer Support site offers answers to our most frequently asked questions, forms release status, Knowledge Base articles, training videos, and operating systems compatibility. Access to these features is available 24/7.

The following Web site provides important information about the features and updates included in all CCH® ProSystem fx® Tax releases: [Release Notes](#)

Visit the [Application Status](#) web page to view the current status of our CCH applications. The Application Status web page is updated every 15 minutes.

Go to [Contact Us](#) to find information on topics such as Sales and Billing, as well as options to Open a Support Case or Chat with a Representative if you need assistance.

Information in Tax Year 2016 Release Notes

Tax Release Notes inform you of the enhancements and updates that have been made to Tax products and systems with the current release.

Updates provided in the Release Notes include the following:

- Contact and Support information
- Updates to the Tax technology (electronic filing updates, Pro Forma/Roll Forward, Organizer, technology enhancements)
- Updates made to Tax products (form additions and updates, diagnostic updates, changes caused by regulatory updates)

Highlights for Release 2016.03010

Tax Updates

Individual

Ohio

The City of Toledo Form R is now available for processing.

Individual, Partnership, Corporation, and S Corporation

Oregon

The City of Portland Heavy Vehicle Use Tax (HVT) Schedule is now available for processing.

Partnership, Corporation, and S Corporation

Ohio

- The City of Columbus Form BR-21, Declaration of Estimated City Income Tax, has been updated to a newer version provided by The City of Columbus.
- The City of Germantown has moved from being an Independent city to a CCA city.

Corporation

Wisconsin

Return and estimate due dates have been updated to reflect conformity to federal due dates.

Electronic Filing Updates

Approved Products Available on this Release

The following federal and state products are approved and available on this release:

Individual

CCH® eSign is now available for Delaware returns.

Partnership

- Arkansas Magnetic Media
- Louisiana Composite
- Louisiana Composite Extension
- New Jersey Magnetic Media

Corporation

Nebraska

S Corporation

Arkansas Magnetic Media

Product Updates

Individual (1040) Product Updates

Return to [Table of Contents](#).

Federal

Colorado tax liability after refundable credits is calculated when the actual tax liability is zero.

Form 1116. Line 8(n) includes prior taxes paid, when applicable.

Form 4562. The amount of Section 179 expenditure reported on Schedule C, E, or F reflects the amount allowed by the trade or business income when a loss from a passive Schedule C that is included in Form 4562, Line 11, is limited by Form 8582.

Form 8889. Amounts entered for MSAs and HSAs on IRS W-2 will carry to the appropriate taxpayer or spouse Form 8889, Line 4 and Line 9.

Form 8938. The total amount of interest and dividend from 1099-INT and 1099-DIV, rather than the foreign amount, if different, is included in Part III.

Form 8962:

- When an entry is made for the amount of domestic production activities deduction from cooperatives and the input on the IRS 1095-A is associated with an entity or activity, an occurrence of Form 8962, Worksheet Y or Z is generated for the deduction.
- When clicking on the menu item Worksheet W or Worksheet X under the Form 8962 tab, the correct worksheet is displayed.

Form 8965. If health insurance coverage for a member of the tax household is present on both the IRS 1095-A and IRS 1095-B or C, and input is present on the IRS 1095-B or C to not calculate the short coverage gap exemption, the short coverage gap exemption is not calculated for that household member.

Tax Equalization. On Form 1040, Line 7, when the figures entered for total compensation override and U.S. compensation override are the same, the total compensation override is included in the TEC 1040, hypothetical Line 7.

Electronic Filing

Auto generated PDF attachments will no longer overlay the previous state's PDF.

Arizona

A credit to a foreign country, if that foreign country exists on more than one Federal 1116, creates one occurrence of Arizona Form 309.

Arizona Schedule A forms only use contributions made during the tax year to calculate the adjustment for charitable contributions.

Arkansas

On returns marked as married filing separately, the capital loss is limited to \$1,500.

Paper filed returns correctly report direct deposit when requested.

Colorado

The amount on Form 104PN, Line 26 is equal to the amount on Form 104, Line 3.

Delaware

Delaware will correctly produce Schedule III for any contribution made to any designated charity.

Hawaii

Schedule X, Part I. Line 8 calculates correctly when Hawaii adjusted gross income is less than \$30,000.

Indiana

Form IT-8879 prints after all Indiana disqualifying diagnostics have been cleared.

Form POA-1 prints taxpayer and spouse names for jointly filed forms.

Local tax withheld from a passthrough entity carries to Form IT-40, Schedule 5, Line 2 or Form IT-40PNR, Schedule F, Line 2 for part-year and nonresident filers.

Iowa

Form IA 1040. Line 14 picks up non-employee compensation from the 1099-MISC when Income Code 2 has been entered.

Iowa Electronic Filing

Spouse Form 4136 is correctly included in the electronic file.

Maryland

The fourth quarter rate on Form 502UP is 0.0296.

The name of the county displays on the Form 502 Maryland Political Subdivision Line when the taxpayer does not live within the incorporated tax boundaries listed on Page 3 of the Maryland resident instructions.

Maryland Electronic Filing

Form IND PV prints upon e-file export.

Massachusetts

Schedule X. Line 2 accumulates qualified charitable distributions to subtract from gross distributions on Forms 1099R.

The taxable amount entered on Interview Form IRS-1099Rs keyed to taxpayer flows to Schedule X, Line 2, Taxable IRA/Keogh and Roth IRA conversion distributions.

Michigan

Input on Michigan > Credits > 3 - Homestead Property Tax Credit (Form MI-1040CR) > Line 14 flows to Form MI-1040CR, Line 8.

Michigan - Michigan Cities

Michigan Cities' extensions lock appropriately after the due date of the return.

Minnesota

Form M1NR. Line 19B calculates the Bonus depreciation using the pass-through percentage entered.

Form M1PR:

- Line 5 excludes Rollover IRA's.
- Line 10, refund amount, is correct for renters with income between \$47110 to \$48790 and property tax paid over \$2500.

New York

Form IT-636. Schedule A is not prepared if only a passthrough credit exists.

New York Electronic Filing

Form IT-204-LL. Returns with a temporary ID entered (Example: TF1234567) use the taxpayer's social security number instead of the temporary ID.

Returns with withholding from a 1099-INT or 1099-DIV may be filed electronically.

North Carolina

The extension will be disqualified for electronic filing if filed without payment and there is no phone number included.

When filing a return with a "0" amount for standard deduction or itemized deduction, the "0" will be included in the electronic file.

Ohio - Ohio Cities

All Cities. Gambling winnings from a non-resident city will not be doubled on the resident city return.

Brookville. The credit limit rate for 2016 has been changed from 1% to 2%. The 1% credit limit rate will take effect on 1/1/2017.

CCA:

- Business losses will no longer be allowed to offset wage income.
- Estimates for the resident city will no longer double when there is both resident city and non-resident city income.
- Residence tax for cities with a tax rate less than the resident city will now calculate using the Schedule R rate instead of the work city's tax rate.

Form R. Percentages will be displayed for all other factors when the property factor is not used.

Ohio Cities. Form 1040 will print as an attachment for all Ohio cities.

RITA Form 37. Updates have been made to the calculation of tax and credit for taxes paid to other cities. These changes affect cities with a rate change during the 2016 tax year. The blended tax rate is no longer used. Income and withholding are allocated between the periods each rate was in effect. The allocation is based on dates the income was earned. Income is considered earned from 1/1 to 12/31 unless the Income Allocation worksheet (Interview Form OHC9) is used to establish other earning dates.

Final forms for the city of Toledo have been released. The prior year estimates and return have been removed and replaced with the new forms. There are several notable changes compared to last year's forms:

1. Toledo supports joint filing. Joint filing will be the default filing status in a joint federal return. The joint return will have to be split if separate returns are desired.
2. Resident and nonresident filing is done on separate tax forms.
3. Employee business expenses must be connected to a W-2. The Income Allocation worksheet (Interview Form OHC9) may be used to attach Form 2106 to a specific W-2.
4. Nonresident returns do not include partnership income from Toledo partnerships.

5. Occasional entrants may be required to fill out Part D of the Toledo nonresident return. Input for the NRR Wage Computation (Part D) is available on the Income Allocation worksheet (Interview Form OHC9).
6. Overpayments of \$10 or less will not be refunded or credited forward. A balance due of \$10 or less will not be collected.

Oregon - Multnomah/Portland/TriMet

Form HVT is available for Oregon.

The mailing payment address for Forms LTD-V and TM-V display in the letters as PO Box 14003, Salem, OR 97309-2502.

Pennsylvania

Schedule W2S. Part B does not use Form 8606 amounts when Form 8606 is not in the return.

Pennsylvania Electronic Filing

The printed government copy will no longer include Pennsylvania forms that have been filed electronically, except when requested in Office Manager settings or on the Electronic Filing > General > Print the entire government copy field (Interview EF-1, Box 70).

Pennsylvania - Philadelphia

Form WTR. The Wage Tax Refund generates if Pennsylvania > Philadelphia > Earnings Tax > General Information > Line 3 (Interview Form PHI6, Box 32) is unchecked.

Wage and Tax Refund Petition instructions has a new PO Box of 53360.

Rhode Island

Form 1040. Schedule M, Line 1u only qualifies the taxpayer and/or spouse's social security benefits for modifications if the person receiving the benefits is at least 66 years of age.

Partnership (1065) Product Updates

Return to [Table of Contents](#).

Federal

An asset with a 27.5 year life calculates depreciation in the last year of its remaining life when the asset was placed in service in the last half of the year.

You may enter a Schedule M-3 Deduction Code on Arkansas > Income / Deductions > Business Income > 11 - Schedule K - Nondeductible Expenses (Interview Form K-3, Box 114, if Box 30 = NDE).

Arkansas

The input for Amount Paid with Extension - Override will override the amount on the Form AR1000CRES-EXT voucher, as well as the amount shown on Line 5 of the Form AR1000CR.

Louisiana

A partner will display on the last line of the second and subsequent sheets of Schedule J, if there are more than 39 partners.

The allowable percentage depletion will be limited to 36% of the property net income.

Oregon

Form OC. Line 4a will no longer include the prior year tax amount when calculating Line 4a.

Corporation (1120) Product Updates

Return to [Table of Contents](#).

Federal

The account information will print for Part V when there are less than 25 accounts.

The custom letterhead will be used on the separate Federal letters for Forms 114, 2848, and 3115.

Electronic Filing

A New Hampshire option has been added on the Federal > General > Electronic Filing > State Electronic Filing Options worksheet.

California

Form 5806. On March 9, 2017, the FTB published updated instructions for Form 5806. The following is an excerpt from their announcement:

"Chaptered AB 1775 changed the original due date for C corporation returns to the 15th day of the 4th month of taxable years beginning on or after January 1, 2016. However, it did not amend the date specific language in R&TC Section 19145 which provides the period used to compute the underpayment of estimated tax penalty. This provision continues to require the penalty be calculated to the date of payment or the 15th day of the 3rd month following the close of the taxable year, whichever is earlier."

The California program has been updated in accordance with this announcement.

California now requires state taxes "based on income" be added back to federal income when determining California taxable income. Refunds of such taxes are now subtracted from federal income as a refund of a nontaxable expense.

FTB Legal Ruling 2017-01, issued February 22, 2017, states that the Texas franchise tax is NOT a tax on, according to, or measured by income. It permits the deduction of the Texas franchise tax when determining California taxable income (and logically mandates the inclusion of a refund).

The California program will treat Texas franchise tax amounts paid or accrued as fully deductible and refunds of the Texas franchise tax as fully taxable. The ruling logically applies to prior years. You may consider amending prior year returns or 2016 returns prepared prior to Release 2016.03010 that may have been prepared under the assumption that the Texas franchise tax paid or accrued was nondeductible or that its refund was nontaxable.

Some states provide special treatment for taxes "based on income". The treatment of Texas franchise tax paid, accrued, or refunded in the determination of taxable income by those states may be different. If the return is prepared with such states, their treatment of Texas franchise tax may require an investigation.

Louisiana

Louisiana > Income / Deductions > Subtractions > Line 2 (Interview Form LA-9. Box 33) will flow to Column 2 instead of Column 1 on Schedule F, Line 3d.

New York

New York State and City payments of Mandatory First Installment (MFI) are made separately on Form CT-300 (State C and S Corporations) and Form NYC-300 (City C Corporations). These payments are due one month before the due date of the related franchise tax return (state) or business corporation tax return (city).

There may be cases where data changes in order to complete the franchise tax return (state) or business corporation tax return (city) would alter MFI amounts when the filing and payment date for MFI has passed. The amounts on MFI forms will freeze on the due date of the MFI (March 15, 2017, for 2016 calendar year end returns). Calculations made after that date will not change MFI first installment calculations, including prior year overpayments or credits.

In conjunction with this program change, codes are provided to allow preparers to override this freeze treatment. To override this default freeze of the calculated amounts on MFI forms, use Federal > Payments/Penalties > Estimates and Application of Overpayment > State Estimates and Application of Overpayment > Detail > State Estimated Tax Additional Information > Lock Options for New York MFI (Interview Form STES-2, Box 86, or Interview Form CITY-2, Box 82).

- To force the MFI to recalculate amounts after its due date, enter a "2" in this box.
- To lock the MFI prior to its due date, enter a "1" in this box.

Oklahoma

Combined Form 512 will print Pages 6 through 9.

Rhode Island

The Rhode Island extension letter for Form RI-7004 shows the correct mailing address in 1120, 1120S, and 1065.

S Corporation (1120S) Product Updates

Return to [Table of Contents](#).

Federal

A diagnostic is issued to disqualify e-filing when an override of the percentage for credit allowed extends to the 3rd decimal place on Form 8912, Part IV, Line 18.

The Section 179 Transactions section has been added to the Income/Deductions > Section 179/280F Recapture and Sec 179 Transactions Report worksheet.

Electronic Filing

A New Hampshire option has been added on worksheet Federal > General > Electronic Filing > State Electronic Filing Options.

California

California now requires state taxes "based on income" be added back to federal income in determining California taxable income. Refunds of such taxes are now subtracted from federal income as refund of a nontaxable expense.

FTB Legal Ruling 2017-01, issued February 22, 2017, states that the Texas franchise tax is NOT a tax on, according to, or measured by income. It permits the deduction of the Texas franchise tax when determining California taxable income (and logically mandates the inclusion of a refund).

The California program will treat Texas franchise tax amounts paid or accrued as fully deductible and refunds of the Texas franchise tax as fully taxable. The ruling logically applies to prior years. You may consider amending prior year returns or 2016 returns prepared prior to Release 2016.03010 that may have been prepared under the assumption that the Texas franchise tax paid or accrued was nondeductible or that its refund was nontaxable.

Some states provide special treatment for taxes "based on income". The treatment of Texas franchise tax paid, accrued, or refunded in the determination of taxable income by those states may be different. If the return is prepared with such states, their treatment of Texas franchise tax may require to be investigated.

Farm rental depreciation is no longer reflected on California version of Form 8825, when there are multiple entity types of depreciation from farm and rental.

Section 179 on Schedule K and Schedule K-1 now reflects the difference between federal and state Section 179 amounts from passthrough entities.

Louisiana

Corporations whose primary business is manufacturing can get Credit 51F (Ad Valorem Natural Gas) to flow to Schedule RC-P4.

New York

Form CT-3. The New York State Mandatory First Installment (MFI) is made separately on Form CT-300 (State CT-3 filers only). This payment is due one month before the due date of the related franchise tax return (state) or business corporation tax return (city).

There may be cases where data changes made to complete the franchise tax return (state) or business corporation tax return (city) would alter MFI amounts when the filing and payment date for MFI has passed. The amount on MFI Form CT-300 will freeze on the due date of the MFI (March 15, 2017, for 2016 calendar year end returns). Calculations made after that date will not change

MFI first installment calculations, including prior year overpayments or credits. In conjunction with this program change, codes are provided to allow preparers to override this freeze treatment.

To override this default freeze of the calculated amounts on MFI form, use Federal > Payments/Penalties > Estimates and Application of Overpayment > State Estimates and Application of Overpayment > Detail > State Estimated Tax Additional Information > Lock Options for New York MFI (Interview Form STES-2, Box 86).

- To force the MFI to recalculate amounts after its due date, enter a "2" in this box.
- To lock the MFI prior to its due date, enter a "1" in this box.

North Carolina

Form CD-401S. Blank statements will no longer generate on the Schedule H.

Fiduciary (1041) Product Updates

Return to [Table of Contents](#).

Federal

Form 1041. Tax-exempt interest reported on IRS 1099-DIV will appear on the Interest and Dividend Summary.

Form 5227. Distributions will be from corpus when unitrust amount exceeds ordinary income and there is a long-term capital loss carryovers in the return.

Schedule I. Lines 65 and 72 will display "0" when there are capital transactions in a return with no net gain or loss.

Form 8960

Form 8960. Section 1411 loss carryovers will no longer duplicate on the loss carryover report.

Connecticut

Form 1041. Foreign addresses will print on this form.

Idaho

Form PTE-12. Columns C, D, E, and F will properly calculate for nonresident beneficiaries.

Illinois

Schedule D will print even when there are no distributions to the beneficiaries.

Kansas

Withholding distributions will use only the Kansas percentage when different percentages are required for Federal and Kansas.

Minnesota

Minnesota transmittal instructions are consistent with new MDOR voucher procedures.

New York

The IT-205 will print the preparer's signature if the option to print the preparer's signature is selected.

New York Electronic Filing

Form TR-579.2-IT will correctly present the account number used in the electronic file.

Ohio

Filing Instructions will print with the government copy of an electronically filed return when the option is selected on General > Letters and Filing Instructions > General Letter Information > Print option (Interview Form 12, Box 35).

Pennsylvania

Form PA RK1. Line 6 is updated to reflect cash/property entered in Beneficiaries > Beneficiary Information > State K-1 Information > State Use Amount 2 and State Use Amount 4 worksheets (Interview Form K-7, Boxes 32 and 34).

Pennsylvania Electronic Filing

When the credit for taxes paid is generated for Pennsylvania, the auto-generated PDF for the other state's return is properly attached.

Virginia

The bonus depreciation adjustment is negative when applicable on nonresident Schedule K-1.

Virginia Form 8879-F only generates when both PINs are entered.