



GiftWrap Update

Version 3.5E

January 2008

Dear GiftWrap with Pooled Fund Organizer Client,

I am pleased to announce the release of our GiftWrap 3.5E update.

GiftWrap 3.5E enables you to print the following 2007 tax forms for pooled income funds:

- Federal Form 1041 Schedule K-1
- California Form 541 Schedule K-1
- Massachusetts Form 2G

The update also provides mail merge templates for letters to beneficiaries and advisors with Federal and California tax information for 2007.

The attached summary has some helpful information on producing the tax forms. In addition, the GiftWrap Online Help contains detailed information and “how to” steps to help you produce the 2007 pooled fund tax documents. See Contents – PIFs – Tax Reporting.

You must update to GiftWrap 3.5E before printing pooled income fund tax forms or letters for 2007. Without the update, GiftWrap prints only 2006 versions of these tax forms.

Installation notes: If you don't use GiftWrap for pooled income fund tax reporting, you don't need to install GiftWrap 3.5E. This is not a full GiftWrap update and does not affect the GiftWrap application or database files. The update replaces pooled fund tax form .doc and .pdf template files that GiftWrap uses to fill in the pooled fund tax forms. The update should be installed on each client computer that will be used to produce the pooled fund tax documents. Updating to GiftWrap 3.5E should take just a few minutes.

If you have any questions about the Pooled Fund Organizer module in GiftWrap, please call Client Services toll free at 888-474-2252.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Gary M. Pforzheimer'.

Gary M. Pforzheimer, President
PG Calc Incorporated

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Tax-Related Enhancements

Produce Federal K-1, California K-1, and Massachusetts 2G forms

Pooled Fund Organizer can produce Federal K-1, California 541 K-1, and Massachusetts 2G tax forms. There is a 3-step protocol for producing these forms. Step 1 is to go to *PIFs - Tax Reporting* and populate the *Fund Income Data* tab with the amount of each type of income earned in 2007 by each fund. Step 2 is to create an FDF file by choosing *Tax Form* in the *Reports* tab and running the function. Step 3 is to open the resulting file in Adobe Acrobat Standard (see release notes below for more information). From there, you can print the forms or save them in PDF format so that anyone with Adobe Reader* can print them.

Template mail merge documents for participants and advisors

To facilitate the creation of cover letters to go with pooled income fund tax forms, GiftWrap includes cover letter templates created in Microsoft Word. These documents are designed to be merged with data files created in GiftWrap using *Mail Merge Data File* in the *Reports* tab to generate participant and advisor cover letters. You can edit these template documents as you wish in Word. The templates are in GiftWrap\Reports\K1\Templates wherever GiftWrap is installed on your computer (most likely C:\Program Files\GiftWrap\Reports\K1\Templates).

K1 participant cover letter.doc - This cover letter is suitable to be sent along with each pooled income fund participant's Federal Schedule K-1 form.

California K1 letter.doc - This cover letter is suitable to be sent along with each pooled income fund participant's California Schedule 541 K-1 form.

K1 advisor cover letter.doc - This cover letter is suitable to be sent to advisors of pooled income fund participants along with each pooled income fund participant's Federal Schedule K-1, California Schedule 541 K-1, or Massachusetts 2G. It is designed to be sent to participant advisors who have been marked to receive copies of tax forms. See Release Notes below for instructions on printing copies for advisors.

Release notes

Version displayed in About GiftWrap remains 3.5C

The version number that appears on the copyright screen when you launch GiftWrap and on the About GiftWrap screen has not changed. It will continue to display GiftWrap 3.5C after you install GiftWrap 3.5E. The year on the tax forms will be 2007.

Viewing and printing with Adobe Acrobat

Adobe Acrobat Standard or Professional is needed to open the tax forms created by GiftWrap (Adobe Acrobat Standard is included for free on some computers). Adobe Reader, which is available for free to everyone off the Web, cannot open the FDF file created by GiftWrap. If Adobe Reader is your default for opening PDF and FDF documents, you may receive an illegal operation error message. If you have installed both Adobe Acrobat Standard and Adobe Reader, you may need to reinstall Adobe Acrobat Standard so that Windows will use it as the default application for opening FDF files.

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Federal K-1 prints as two pages

The 2007 Federal K-1 prints as two pages. The first page contains the tax numbers. The second page contains instructions with Form 1040 line numbers on which the numbers should be entered, and additional information on U.S. government interest for state tax return purposes. Both pages should be sent to the beneficiary. We recommend using a printer that can print in duplex mode on both sides of the paper if you have one, as that eliminates the need to collate page 1 and page 2. Only page 1 needs to be sent to the IRS with the pooled fund's tax return. The official IRS form contains 2 additional pages of instructions (pages 3 and 4) which you may want to photocopy for inclusion with the Federal K-1. You can obtain these pages at <http://www.irs.gov/pub/irs-pdf/f1041sk1.pdf>.

Window envelopes for Federal K-1

We have found and tested an envelope from NAG Forms that works perfectly with the Federal K-1 format. NAG's part number for the envelope is W2CENV. If you would like to contact NAG for more information about the envelope, their telephone number is 888-624-1973 and their e-mail is nagforms@optonline.net.

Note: In order for the address to line up correctly with the envelope window, it is important to set "Page Scaling" to "None" in the Adobe Acrobat print window. Otherwise, the automatic scaling options may cause the address to move up or down the page.

Printing Federal K-1s with amounts on Line 3 or Line 5

Most pooled income funds only have interest and dividend income to report on lines 1, 2a, and 2b of the Federal K-1. GiftWrap does have alternate form templates for those pooled income funds that have net short term capital gain to report on line 3 or other portfolio and nonbusiness income to report on line 5. To use these templates,

- (1) Enter the line 3 net short term capital gain amount for the whole fund into the "Other Income Subject to State and US Tax" field on the PIFs – Tax Reporting – Fund Income Data screen. (For line 5 other portfolio and nonbusiness income amounts, enter the line 5 amount for the whole fund into this field).
- (2) Create and save the FDF tax information file as you usually would on the PIFs – Tax Reporting – Reports – Tax Form – Federal K-1 function (saves by default to "C:\Program Files\GiftWrap\Reports\K1\Output")
- (3) Create a subfolder, such as "C:\Program Files\GiftWrap\Reports\K1\Output\stcg". Copy the FDF file created in step (2) into this subfolder
- (4) Copy the file "e1041sk1_2007_stcg.pdf" from "C:\Program Files\GiftWrap\Reports\K1\Templates" to the new subfolder and rename it to "e1041sk1_2007.pdf". (For line 5 other portfolio and nonbusiness income amounts, copy and then rename the e1041sk1_2007_line5.pdf template.)
- (5) Open the FDF file as you normally would. You should see the amounts on line 3 or line 5, depending on which template you used in step (4).

Note: This procedure allows you to print some pooled income funds with line 3 or line 5 amount and other funds without, by using subdirectories for the different templates needed. If all your pooled income funds will use the same template, you can simply rename the template in the C:\Program Files\GiftWrap\Reports\K1\Templates directory before creating your FDF files.

Printing copies of Federal K-1, California K-1, or Massachusetts 2G for advisors

The GiftWrap feature to create a mail merge file for the cover letter to send to the advisor works well. But there is no way to print only the tax forms for people who have advisors. That is because the check box to produce information for people who have advisors is

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available when you are creating a mail merge file, but not when you are producing tax forms.

The following are your options on collating the cover letters with the tax forms:

- (1) Print out an extra set of tax forms and throw away the ones you don't need to send to advisors. If most of the beneficiaries want copies sent to their advisors, this method may be the most efficient.
- (2) Go through the tax forms and photocopy the ones you need to send to advisors. If the number of beneficiaries is small, this may work for you.
- (3) After opening the .fdf file for the tax form in Adobe Acrobat, search for each person whose advisor should receive a copy of the tax form and print the current page for each one. This will save you flipping through the stack of tax forms and the trip to the copier.
- (4) Create a condition statement using the Person Keys that appear in the advisor mail merge file. This may be a little cumbersome. The maximum number of Person Keys that can be entered in the condition statement is limited. If you have a long list of people, you can subdivide the list and do multiple runs.

Massachusetts 2G

The Commonwealth of Massachusetts has mandated use of identifying bar codes at the top of form 2G (the Massachusetts equivalent of a K-1). The purpose of the bar code is to both identify the software manufacturer, and to enable these forms to be scanned. Therefore, it is very important that this particular form is printed at 100% size.

Although we cannot anticipate the settings for your particular printer, when you click on "print", you will be presented with the Windows Print dialog box, which will have one or more options that yield 100% size. Typically, you should look for options such as "page scaling" (set to none), "auto-rotate and center" (set to off), "annotations" (set to off), "% of normal size" (set to 100). Another thing to do is to click on the <properties> button next to the name of the printer, then click on each tab and look for options such as the ones previously mentioned.

The final test that you are printing at 100% is to print a sample page, and measure between the outer corners of the 2 angle brackets which appear at the very top of the form. That measurement should be 7.5 inches.

Questions?

If you have any questions about this update, please contact PG Calc Client Services at 888-474-2252.