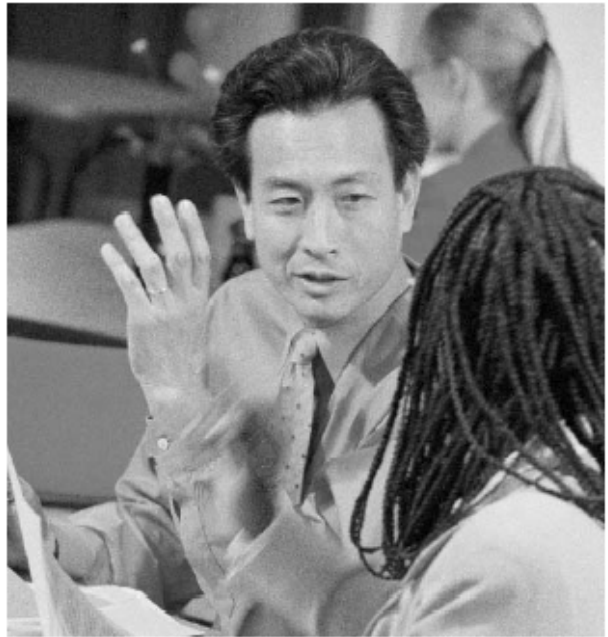


FAS 2005.1 Tax Update

What's New



Your Guide to New IRS Regulations and Product Features

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Installing the Update

To install the FAS 2005.1 Tax Update, you must currently be using version 2004.2 of FAS Asset Accounting, FAS FirstStep, FAS Asset Accounting for SQL Server, or FAS FirstStep for Peachtree. You cannot install the update on previous versions. **You should install the update on each FAS client machine. You do not need to install the update on the server unless a FAS client has also been installed on the server.** After you follow the instructions below to install the update, you do **NOT** need to install the program from the installation CD.

To install the update:

1. Log on to SupportPlus Online (www.bestsoftware.com/faslogin).
2. Click the FAS SupportPlus Online link.
3. Click the Product & Documentation link.
4. Select your version of the FAS program, and then click the Get Product Update button.
5. Click the 2005.1 Tax Update link. The system displays the File Download dialog box.
6. Click the Save Button. The system displays the Save As dialog box.
7. Select 'Desktop' in the Save In field, and then click the Save button.
8. When the download is complete, click the Close button, and then double-click the shortcut on your desktop to begin the installation.

If you have unzipping software, the system prompts you to unzip the file. Follow the instructions provided by your software. If you do not have unzipping software, you can download free unzipping software at **www.winzip.com**.

9. Use your unzipping software to extract the files to a folder.
10. In Windows Explorer, navigate to the folder and double-click the unzipped file. The system displays a welcome message.
11. Click the Setup button to install the update. When the 2005.1 Tax Update has successfully replaced the necessary files, the system displays a confirmation message.
12. Click OK to close the message. The update process is complete.

If you are running multiple versions of FAS on a single computer, you install the update only once. The system updates every version of the FAS program that it finds on a machine, using the same base install path, at the same time. For questions or problems, contact FAS Customer Support at 1-800-331-8514.

Upgrading from Version 2004.1

FAS Asset Accounting, FAS FirstStep, and FAS FirstStep for Peachtree

The following upgrade recommendations are for customers using version 2004.1 of **FAS Asset Accounting, FAS Asset Accounting for SQL Server, FAS FirstStep, and FAS FirstStep for Peachtree**.

You can either download the full version of 2005.1 from SupportPlus Online, or you can install the program from the installation CD.

Note: If you have already upgraded to version 2004.2, then you can download the 2005.1 Tax Update from SupportPlus Online, or you can install the program from the installation CD. You can then begin using your current data, and you can ignore the steps in this section. For detailed instructions, be sure to read the FAS Installation and Administration Guide located on the product CD or available on SupportPlus Online.

If you are currently using version **2004.1 or earlier**, then we recommend following these steps to upgrade to version 2005.1:

- 1. Update Your Period Close (FAS Asset Accounting Users Only).**
Version 2005.1 contains a feature that was not in version 2004.1: the ability to complete a “hard close” of depreciation figures. After you have locked in your period close figures, they become the starting point for future calculations. If you have previously used the period close feature, we strongly recommend that you complete a new period close in the current version before installing version 2005.1 to avoid reconciliation problems.

Note: After you complete a period close in version 2005.1, you cannot depreciate prior to the period close without removing the period close. Therefore, you may want to update your period close to the last fiscal year-end to allow for rerunning depreciation periods within the current fiscal year.
- 2. Complete Processing for the Current Period.**
We recommend that you enter all transactions for the current period, calculate depreciation, and complete all inventories before installing version 2005.1. Print a detailed copy of the Depreciation Expense report for the current period for easy reconciliation.
- 3. Back Up Your Data (complete only once).**
It is a good idea to have a current backup of your database before you install a new version of any software. The backup function is located under File/Company Utilities.
- 4. Uninstall Previous Versions.**
Before you install version 2005.1, use the “Add/Remove Programs” icon in Control Panel to uninstall any previous versions of the software. This will ensure all previous links and shortcuts are properly removed.
- 5. Install FAS 2005.1.**
For detailed instructions, be sure to read the FAS Installation and Administration

Guide located on the product CD or available on SupportPlus Online. Network users must first install the Server Components before version 2005.1 can be installed on each client machine. After the FAS products have been installed, a new “FAS Solutions” program group appears on your Start menu.

- **FAS Asset Accounting Network Users (including SQL Server):** We’ve changed the client installation to provide a single point of access for all of the FAS client installations. You can start the client master installation by selecting the demo32.exe file located in the BESTSERV directory where the server was installed.
- **FAS Asset Accounting SQL Server Users:** In order to successfully install the client applications you must start the Best Database Administration Utility (BDAU) located on the server at least once. The first time the BDAU is launched after installing the 2005.1 release the system creates important configuration files needed to operate the client installations. You will not be able to complete the client installation if the BDAU has not been opened after installing the server update.
- **FAS Construction in Progress Accounting Users:** Users of the FAS Construction in Progress Accounting product will need to apply a software patch (version 1.2) to ensure product compatibility with the latest version of FAS. The patch can be found on the product CD in the “CIP Update” directory and should be run after installing version 2005.1 on each PC running the FAS Construction in Progress product after installing version 2005.1.

Note: If you notice that the old “Best Software” program group remains in your Start menu, you can manually remove it by right-clicking on the program group and clicking Delete. Be sure to leave the new “FAS Solutions” program group intact.

6. **Convert Your Databases.**

Each of your existing databases must be converted to store additional information before they can be used in version 2005.1. The FAS Database Conversion program offers an easy-to-follow wizard that will walk you through the process of converting your data. Single-user and network customers can access the conversion program in the “FAS Solutions” program group. Customers using the SQL Server version access the program by clicking the Convert button on the Best Database Administration Utility.

- **Sybase Database Users:** After analyzing many customer databases, we have found that performance issues arise because thousands of unneeded history events are stored in the database, such as information about when depreciation was calculated prior to the last few periods. During the conversion process you will be provided a mechanism to purge a portion or all of your asset history. We recommend that you choose the Smart Purge option to remove the unneeded information, which will increase application process speed and performance.

7. **Reconcile Your Data.**

After you have converted your database, you should open the company and run a

Depreciation Expense report before calculating depreciation. Compare the balances on the report run in the previous version to the report run in FAS 2005.1. After you have reconciled your depreciation balances, you are ready to take advantage of all the new features available in the latest version of FAS. For more information about these features, please refer to the “FAS Version 2004.2: What’s New” document located on SupportPlus Online.

Note: The Batch Reports feature allows you to select a number of reports and consolidate those reports under a single batch name. If you used the Batch Reports feature in version 2004.1, you must recreate your report batches after you convert your current data from version 2004.1 to version 2005.1. To make the job of recreating your report batches easier, first set the Current Reporting Period to the desired date. (To do this, select Current Reporting Period from the Reports menu.) The system defaults the run date of each report in the batch to the date selected as the Current Reporting Period. Using this method, you do not have to set the date for each report in the batch.

8. Install Additional FAS Products.

If you currently also use FAS Asset Inventory and/or FAS Report Writer, install the latest versions of those products at this time.

FAS Asset Inventory

The following upgrade recommendations are for customers using **FAS Asset Inventory** and **FAS Asset Inventory for SQL Server**.

Note: You must either download the full version of FAS Asset Inventory from SupportPlus Online or install the program using the installation CD. You **cannot** update your FAS Asset Inventory program to version 6.1 by downloading an update from SupportPlus Online. For installation instructions, be sure to read the FAS Installation and Administration Guide located on the product CD or available on SupportPlus Online.

If you have already upgraded to version 6.0, then you can install the 6.1 Tax Update version and begin using your current data.

However, if you are currently using version **5.2 or earlier**, then we recommend following these steps to upgrade to version 6.1:

1. Back Up Your Data (complete only once).

It is a good idea to have a current backup of your database before you install a new version of any software. The backup function is located under File/Company Utilities.

2. Uninstall Previous Versions.

Before you install version 6.1, use the “Add/Remove Programs” icon in Control Panel to uninstall any previous versions of the software. This will ensure all previous links and shortcuts are properly removed.

3. Install FAS 6.1.

For detailed instructions, be sure to read the FAS Installation and Administration Guide located on the product CD or available on SupportPlus Online. Network

users must first install the Server Components before version 6.1 can be installed on each client machine. After the FAS products have been installed, a new “FAS Solutions” program group appears on your Start menu.

- **FAS Asset Inventory Network Users (including SQL Server):** We’ve changed the client installation to provide a single point of access for all of the FAS client installations. You can start the client master installation by selecting the demo32.exe file located in the BESTSERV directory where the server was installed.
- **FAS Asset Inventory for SQL Server Users:** In order to successfully install the client applications you must start the Best Database Administration Utility (BDAU) located on the server at least once. The first time the BDAU is launched after installing the 6.1 release the system creates important configuration files needed to operate the client installations. You will not be able to complete the client installation if the BDAU has not been opened after installing the server update.

Note: If you notice that the old “Best Software” program group remains in your Start menu, you can manually remove it by right-clicking on the program group and clicking Delete. Be sure to leave the new “FAS Solutions” program group intact.

4. **Convert Your Databases.**

Each of your existing databases must be converted to store additional information before they can be used in version 6.1. The FAS Database Conversion program offers an easy-to-follow wizard that will walk you through the process of converting your data. Single-user and network customers can access the conversion program in the “FAS Solutions” program group. Customers using the SQL Server version access the program by clicking the Convert button on the Best Database Administration Utility.

Overview

The 2005.1 Tax Update contains changes to FAS Asset Accounting, FAS Asset Accounting for SQL Server, FAS FirstStep, FAS FirstStep for Peachtree, and FAS Asset Inventory.

This fall Congress passed both the *American Jobs Creation Act of 2004* and the *Working Families Tax Relief Act of 2004*, which contain several provisions related to fixed assets. This tax update includes improvements to existing product features as well as changes to keep in compliance with the latest tax laws and IRS regulations.

The following changes apply to the FAS Asset Accounting, FAS Asset Accounting for SQL Server, FAS FirstStep, and FAS FirstStep for Peachtree programs:

1. **Sport Utility Vehicles.** The Section 179 expense deduction for Sport Utility Vehicles (SUVs) is limited to \$25,000 for SUVs placed in service after 10/22/04.
2. **Leasehold Improvement Property.** Leasehold improvements and certain restaurant property placed in service after 10/22/04 must have an estimated life of 15 years (reduced from 39 years).
3. **Audit Advisor.** Audit Advisor has been updated to enable you to comply with these two new IRS regulations:
 - **Sport Utility Vehicles:** Audit Advisor makes a group of assets claiming a Section 179 deduction of more than \$25,000. You should examine this group to determine if it includes any SUVs.
 - **Leasehold Improvements:** Audit Advisor makes a group of assets that are real property with an estimated life of 39 years. You should examine this group to determine if it includes any leasehold improvement property.
4. **Clear Period Close.** You can now set the period close fields to zero for a single asset or for a group of assets.
5. **Purging History When Restoring a Database.** You can now delete history events from a backed-up database that you are restoring. This will reduce the size of the database and improve system performance.
6. **Indian Reservation Property.** The shorter recovery periods for Indian Reservation property, which were set to expire in 2004, have been extended for qualifying property placed in service during 2005.
7. **Updated Tax Forms.** The 2005.1 tax update includes the updated IRS Form 4562 – Depreciation and Amortization for 2004.
8. **Updated Limits.** The 2005.1 tax update complies with the scheduled increase in the Section 179 limits and luxury auto limits.

The following change has been made to the FAS Asset Inventory and FAS Asset Inventory for SQL Server programs:

- **Inactivate and Reactivate Assets.** You can now inactivate or reactivate a group of selected assets from Group View.

Sport Utility Vehicles

Sport Utility Vehicles, defined as having a Gross Vehicle Weight Rating greater than 6,000 pounds and less than 14,000 pounds, do not fall under the luxury auto rules of Sec 280F. SUVs are not subject to the annual depreciation limits because they are not considered passenger autos.

Since 2003, a business could deduct up to \$100,000 in the placed-in-service year for the cost of an SUV weighing over 6,000 pounds under Section 179 because these vehicles were not subject to the automobile limits.

Under the new American Jobs Creation Act of 2004, there is a limit on the Section 179 expense that can be taken in a single year on an SUV of \$25,000. The \$25,000 limit applies to SUVs placed in service after 10/22/04.

To enter an asset as an SUV, use property type Q, listed property. When you enter an asset with a property type of Q and a 3-, 5-, or 6-year estimated life (depending upon the depreciation method selected), and you enter more than \$25,000 in the Section 179 field, the system warns you that the Section 179 expense for SUVs is limited to \$25,000.

Leasehold Improvements

Leasehold improvements are permanent betterments made to leased property, which is owned by someone else and which will usually revert to the owner at the end of the lease period. For example, a tenant may build shelves or install fixtures on the walls of a rented store. Although for income tax purposes leasehold improvements are depreciated, for financial reporting they are amortized.

Previously, leasehold improvements were required to be depreciated using the same depreciation method, life, and averaging convention as the underlying property to which they were attached. Generally, this meant most leaseholds were depreciated using straight-line depreciation with a mid-month averaging convention over 39 years. With the American Jobs Creation Act of 2004, Congress is now requiring businesses to depreciate leasehold improvements and certain restaurant property using the straight-line depreciation method over a new 15-year life and applying either a half-year or midquarter averaging convention. This new mandatory requirement is in effect for property placed in service after October 22, 2004 and before January 1, 2006.

It is important to note that leasehold improvement property must now be included in the Midquarter Applicability test to determine if the midquarter convention applies for the fiscal year-end.

168(k) Allowance Expires

The Job Creation and Workers Assistance Act of 2002 introduced the 168(k) Allowance for assets placed in service between 9/11/2001 and 12/31/2004. This allowance expires at the end of calendar year 2004. For assets placed-in-service in 2005 and later, the program no longer defaults to a "Plus 168(k)" method. However, certain IRS regulations allow users to continue to claim a 168(k) Allowance (for example, assets in the New York Liberty Zone, assets with longer production lives, etc.) and therefore the "Plus 168(k)" methods are still available in the list of valid depreciation methods after 12/31/2004.

When entering new property, make sure the asset falls under one of the general exceptions before selecting a “Plus 168(k)” method.

Audit Advisor

Audit Advisor helps you locate assets that may not comply with IRS regulations. When you run Audit Advisor, the system displays a report indicating if any of your assets could be in non-compliance with the IRS regulations. If Audit Advisor finds potential problems with your data, the system creates a group of assets for your review. You can examine each asset in the group and decide if you need to make any changes in the asset data.

We have updated Audit Advisor to help you comply with the new regulations on SUVs and leasehold improvement property. We have added two new Audit Advisor validations:

- **Sport Utility Vehicles:** Audit Advisor finds assets claiming a Section 179 expense deduction of more than \$25,000. You should examine these assets to determine if any of them are Sport Utility Vehicles.
- **Leasehold Improvements:** Audit Advisor finds assets that are real property (property types R, S, C, E, or F) and have an estimated life of 39 years. You should examine these assets and determine if any of them are leasehold improvements.

We have also updated the existing Audit Advisor validations to help you comply with the latest Section 179 limitations.

Clearing the Period Close Fields

You can now remove information from the period close fields for a single asset or for a group of assets, allowing you to easily rerun depreciation reports for periods prior to a period close. When you use the Clear Period Close feature, the system removes the period close date and enters zeros in the period close depreciation fields.

If an asset has been involved in a partial transfer or partial disposal, the system removes period close information for the original asset extension as well as all of the remaining extensions.

The system does not remove period close information from an asset whose status is Inactive.

Removing the period close information does not affect amounts in the current depreciation fields.

Purging History from a Restored Database

You can now choose whether to delete Depreciate history events from a backed-up database that you are restoring. Deleting unwanted Depreciate events can decrease the size of the database, speed up the restore process, and improve on-going program performance.

You have two options:

- **Smart Purge:** Purges all depreciation events from the database or only the depreciation events prior to a date that you enter.
- **Do Not Purge:** Does not purge any history events from the database.

The history events are deleted from the database that you are restoring. Your backed-up file retains its history events if you need them at a later time. Deleting history events from a database will **never** change your depreciation calculations.

Indian Reservation Property

In 1993, Congress created a system whereby qualifying Indian Reservation property must be depreciated over shorter recovery periods than otherwise allowed. This accelerates the allowable depreciation deductions. The shorter recovery periods for Indian Reservation property were set to expire in 2004, but they have been extended for qualifying property placed in service during 2005.

We have updated the FAS program so that you can enter Indian Reservation property in 2005. You enter such property by selecting depreciation method MI (MACRS Indian Reservation) or MR (MACRS Indian Reservation + 168(k)).

Updated and Enhanced Form 4562

The IRS Form 4562 – Depreciation and Amortization has been updated for the 2004 tax year.

To run the Form 4562

1. Select Reports/Tax Forms and Worksheets/4562 – Depreciation and Amortization from the menu bar. The system displays the 4562 – Depreciation and Amortization Report Definition dialog box.
2. Complete the fields on the dialog box, and then click the Execute button.

Updated Limits

The maximum Section 179 limit has been increased to \$105,000 for assets placed in service in tax years beginning in 2005. In addition, the maximum cost of Sec 179 property that can be placed in service in the year before the phase-out begins has been increased to \$420,000 for tax years beginning in 2005.

The depreciation limits in effect for automobiles placed in service in 2005 are as follows:

Year 1: \$2,960

Year 2: \$4,700

Year 3: \$2,850

Year 4: \$1,675

The depreciation limits in effect for light trucks and vans assets placed in service in 2005 are as follows:

Year 1: \$3,260

Year 2: \$5,200

Year 3: \$3,150

Year 4: \$1,875

Additional Tax Law Changes

Noncommercial Aircraft

The 50% bonus depreciation has been extended for noncommercial aircraft placed in service through December 31, 2005. As mentioned above, bonus depreciation, except for qualifying property located within the New York Liberty Zone or property with a longer production life, was available only for property placed in service before January 1, 2005.

Activating and Inactivating Groups of Assets in FAS Asset Inventory

In previous versions of FAS Asset Inventory, you were only able to activate or inactivate one asset at a time. Now you can activate or inactivate groups of assets in Group View. You must be in the Group View, and you must select the assets that you want to activate or inactivate. Then, you select Assets/Inactivate or Assets/Reactivate from the menu bar.