

# Trapeze for K-1 Tax Forms Processing



K-1 Processing is a time consuming, costly part of the tax preparation process for tax and accounting organizations as well as financial services institutions. The task of compiling, comparing and manually entering data from clients requires valuable time and often results in errors and oversights. For existing tax form processing software, the varied structures of different federal K-1 supplemental pages and individual state K-1 forms make dependable data extraction an extreme challenge.

## Federal K-1 Data Correlation: Face Page & Supplemental

SoftWorks AI has created a unique K-1 processing solution to help firms overcome challenges associated with data extraction from the face page of a K-1 as well as supplemental pages. Trapeze for K-1 Processing accelerates K-1 workflows by reducing manual data entry, allowing employees to focus efforts on higher value-added tasks. In addition, SoftWorks AI's K-1 processing solution auto-validates face page information against supplemental pages to ensure that the highest accuracy rates are achieved with minimal manual intervention.

The image shows a sample Federal K-1 Form 1065 with supplemental data overlaid. A purple box highlights the 'LINE 11 - OTHER INCOME (LOSS)' section, which includes 'OTHER PORTFOLIO INCOME (LOSS)' with a value of 6,454, 'OTHER PORTFOLIO INCOME' with a value of -320, and a 'TOTAL BOX A' value of 6,134. A red arrow points from this total to the '11 Other income (loss)' field on the main form, which also displays '6,134.'. A red box highlights the 'A\*' field in the 'Part I Information About the Partner' section, which is also linked to the supplemental data.

| Line | Description                  | Amount  |
|------|------------------------------|---------|
| 5    | Interest income              | 899,018 |
| 6    | Dividend income              | 18,716  |
| 7    | Capital gain (loss)          | 827,827 |
| 8a   | Ordinary dividends           | 2,057   |
| 8b   | Capital gain (loss)          | 39,197  |
| 9    | Other income (loss)          | 34,167  |
| 10   | Net section 1231 gain (loss) | 24,523  |
| 11   | Other income (loss)          | 6,134   |
| 12   | Other income (loss)          | 12      |

Sample Federal K-1 Face Page being correlated with supplemental page data



## State Data Correlation: State Source Table And State K-1

Trapeze for K-1 Processing reliably and rapidly extracts detailed, line-item data from both federal and state K-1 forms. This allows Trapeze to automatically validate state source table data from a federal K-1 against information contained within corresponding state K-1 forms.

### State Source Table

|             | Line 1                 | Line 2               | Line 3                     |
|-------------|------------------------|----------------------|----------------------------|
|             | Ordinary Income/(Loss) | Rental Income/(Loss) | Other Rental Income/(Loss) |
| Alabama     | 1                      | NONE                 | NONE                       |
| Alaska      |                        |                      |                            |
| Arizona     | 39                     | -347                 | NONE                       |
| Arkansas    | 1                      | NONE                 | NONE                       |
| California  | -618                   | -844                 | 17                         |
| Colorado    | 3                      | 136                  | NONE                       |
| Connecticut | 2                      | 2,241                | NONE                       |

*Federal K-1 data is automatically matched against corresponding State K-1 information to ensure accurate reporting.*

### Example State K-1

| (a)<br>Distributive share items                                  | (b)<br>Amounts from federal Schedule K-1 (1065) | (c)<br>California adjustments | (d)<br>Total amounts using California law. Combine col. (b) and col. (c) | (e)<br>California source amounts and credits |
|--|---|-------------------------------|--|--|
| 1 Ordinary income (loss) from trade or business activities ..... | 3,393   |                               | 3,393  | -618   |
| 2 Net income (loss) from rental real estate activities .....     | 6,462   |                               | 6,462  | -844   |
| 3 Net income (loss) from other rental activities .....           | 213   |                               | 213  | 17   |
| 4 Guaranteed payments to partners .....                          |   |                               |  |  |

## Trapeze for K-1 Processing Features:

- A unique K-1 solution unlike any other accounting software available
- Ability to recognize and auto-validate federal K-1 data across the face page and supplemental pages
- Auto-validation of state data between federal and state K-1 forms
- Additional value to the division responsible for asset management, fund of funds, hedge funds, and SALT
- Production-ready automation system with deployments in several of the top 10 tax and accounting firms

## A quick and quantifiable ROI can be achieved by:

- Reducing time spent on manual data entry by highly paid analysts
- Maximizing accuracy through auto-validation of data
- Reducing processing time of a single K-1 from as much as 3 hours to just 15 minutes
- Obtaining new clients by leveraging this unique software